

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

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

JUNE 30, 2016

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

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

June 30, 2016 and 2015

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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 statements of net position as of June 30, 2016 and 2015, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements. We have also audited the statements of financial position of Cape Cod Community College Educational Foundation, Inc. (the "Foundation") as of June 30, 2016 and 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended. These financials statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audits 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, 2016 and 2015, and the respective changes in net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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 48, the schedule of contributions on page 49 and the notes to the required supplementary information on page 50 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 18, 2016, 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.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 18, 2016

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

The following discussion and analysis provides management's view of the financial position of Cape Cod Community College (the "College") as of June 30, 2016, 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 5,000 credit seeking students, with 66 full-time faculty and 136 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, 19 Associate in Science concentrations and 46 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 2016 state unrestricted appropriation of \$15,316,389 reflects a \$1,133,796 increase over last year's appropriation of \$14,182,593. The increase is due to several factors: a \$357,645 increase in state funded fringe benefit costs, an increase of \$271,215 in performance funding, an increase of \$406,936 in the annual state maintenance appropriation, and an increase of \$98,000, due to lowered non-resident tuition state remittance.

State restricted appropriation for fiscal year 2016 was \$1,582,587, which is \$760,572 greater than last year's appropriation of \$822,015. The increase is due to receiving \$916,586 in funds for the new Airframe and Power Plant program, a \$127,493 decrease in funding for the Vision Project, and a \$28,521 decrease in the workforce training.

Capital appropriation decreased by \$465,800, from \$989,882 in 2015 to \$524,082 in 2016, due to the change in amount of several special appropriations from the Division of Capital Asset Management & Maintenance (DCAMM). The water booster pump project was completed, as was the replacement of a backup generator. Consequently, there was a decrease in revenue in the amounts of \$457,547 and \$17,241, respectively. Funding for the Science Building study decreased by \$203,814. Additionally, while fiscal year 2015 included revenue in the amount of \$26,500 for the library elevator study, fiscal year 2016 did not. Lastly, increases in funding for the Sewer, Energy/Water upgrade and Roof Replacement amounted to \$9,171, \$15,223 and \$214,907, respectively.

During fiscal year 2016, major capital improvement additions totaled \$790,734, which includes \$616,059 in the completed Pumphouse project, a new capital lease for \$73,630 for facilities equipment, and \$101,045 representing Construction in Process. Construction in Process includes funding for the Aviation program, the Library elevator repair/replacement, and for the continued study of the new Science Building. Additionally, included in fiscal year 2016 Construction in Process are amounts for the replacement of the Administration Building and Gym roofs, both of which are expected to be completed in fiscal year 2017.

CAPE COD COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Financial Highlights – Continued

Tuition and fee rates were unchanged in fiscal year 2016. Enrollment was budgeted at a -7.5% and ended up better than projected at -1%.

The Board continues to recognize that some students may have difficulty paying their tuition and fees therefore they designated \$351,500 in the fiscal year 2016 operating budget to need based student financial aid awards.

At June 30, 2016 and 2015, the College's assets and deferred outflows of \$29,189,733 and \$26,375,063 exceeded its liabilities and deferred inflows of \$11,140,414 and \$9,151,872 by the amounts shown below. The resulting net positions are summarized into the following categories:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net investment in capital assets	\$ 13,915,222	\$ 14,295,551	\$ 13,256,993
Restricted, nonexpendable	20,000	20,000	20,000
Unrestricted	<u>4,114,100</u>	<u>2,907,640</u>	<u>3,759,707</u>
Total net assets	<u>\$ 18,049,322</u>	<u>\$ 17,223,191</u>	<u>\$ 17,036,700</u>

Unrestricted net position increased in fiscal year 2016 by \$1,206,460 primarily as a result of higher than projected revenues of \$148,234, due to a net of larger indirect and administrative allowances from our grants and a contribution from our Foundation and less revenue received from Corporate and Community Programs and tuition and fees. Additionally, expenses were less than projected by \$1,053,776, due to reductions in salaries and benefits because of expected and unexpected turnover and a larger savings in utilities. Unrestricted net position decreased in fiscal year 2015 by \$852,067. 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. Unrestricted net position has 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.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

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, 2016 and 2015 amounted to \$34,983,054 and \$32,571,109, while operating revenues were \$17,816,173 and \$16,514,747 respectively. Operating losses of \$17,166,881 and \$16,056,362 were offset predominantly by state appropriations (considered non-operating revenues) of \$16,898,976 and \$15,004,608 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.

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

CAPE COD COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Overview of the Financial Statements- Continued

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 *Statements 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 *Statements 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 *Statements 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, 2016 and 2015

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 21-47 of this report.

Financial Analysis

As noted previously, 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, 2016 and 2015, the College's assets and deferred outflows exceeded liabilities and deferred inflows by \$18,049,322 and \$17,223,191 respectively. The increase in net position of \$826,131 in fiscal year 2016 is principally due to a conservative budgeting strategy and savings in salary and benefit expense.

Cape Cod Community College's Net Position

	June 30		
	2016	2015	2014
Current assets	\$ 13,508,461	\$ 7,135,704	\$ 7,676,134
Noncurrent assets	13,994,126	18,428,509	18,502,054
Deferred Outflows of Resources	1,687,146	810,850	235,845
Total Assets and Deferred Outflows of Resources	\$ 29,189,733	\$ 26,375,063	\$ 26,414,033
Current liabilities	\$ 5,198,340	\$ 4,618,596	\$ 4,885,205
Noncurrent liabilities	5,799,097	3,921,291	4,492,128
Total Liabilities	\$ 10,997,437	\$ 8,539,887	\$ 9,377,333
Total Deferred Inflows of Resources	\$ 142,974	\$ 611,985	\$ —
Net Position:			
Invested in capital assets, net of related debt	\$ 13,915,222	\$ 14,295,551	\$ 13,256,993
Restricted, nonexpendable	20,000	20,000	20,000
Unrestricted	4,114,100	2,907,640	3,759,707
Total Net Position	\$ 18,049,322	\$ 17,223,191	\$ 17,036,700

CAPE COD COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

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		
	2016	2015	2014
Total operating revenues	\$ 17,816,173	\$ 16,514,747	\$ 16,245,667
Total operating expenses	<u>34,983,054</u>	<u>32,571,109</u>	<u>31,737,926</u>
Net operating loss	(17,166,881)	(16,056,362)	(15,492,259)
Total net non-operating revenues	<u>17,468,930</u>	<u>15,252,971</u>	<u>14,583,781</u>
Net income (loss) before other revenues	302,049	(803,391)	(908,478)
Capital appropriation	524,082	989,882	219,628
Total increase (decrease) in net position	826,131	186,491	(688,850)
Net Position, Beginning of Year	17,223,191	17,036,700	20,436,203
Restatement - GASB 68	—	—	(2,710,653)
Net Position, End of Year	<u>\$ 18,049,322</u>	<u>\$ 17,223,191</u>	<u>\$ 17,036,700</u>

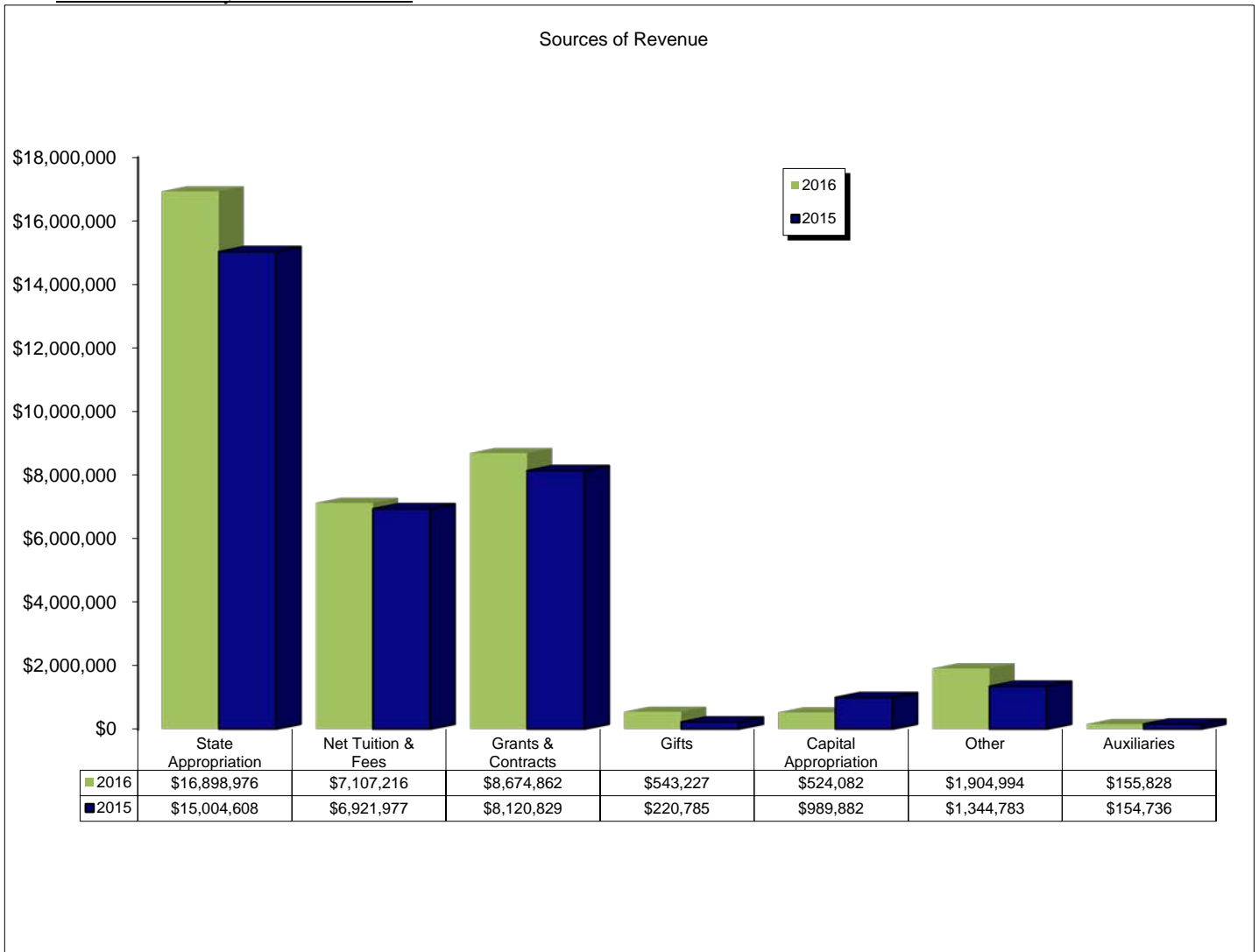
CAPE COD COMMUNITY COLLEGE
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Overview of the Financial Statements - Continued

Financial Analysis – Continued



Revenues and Expenses

The state appropriation of \$16,898,976 for fiscal year 2016 reflects a \$1,894,368 increase, relative to fiscal year 2015. This was primarily due to an increase in state funded fringe benefit costs, increased funding from the state’s performance funding formula, an increase in State maintenance funding, funding from the state for the new airframe & power plant program, and funding by DCAMM for various campus studies and improvement projects.

CAPE COD COMMUNITY COLLEGE
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

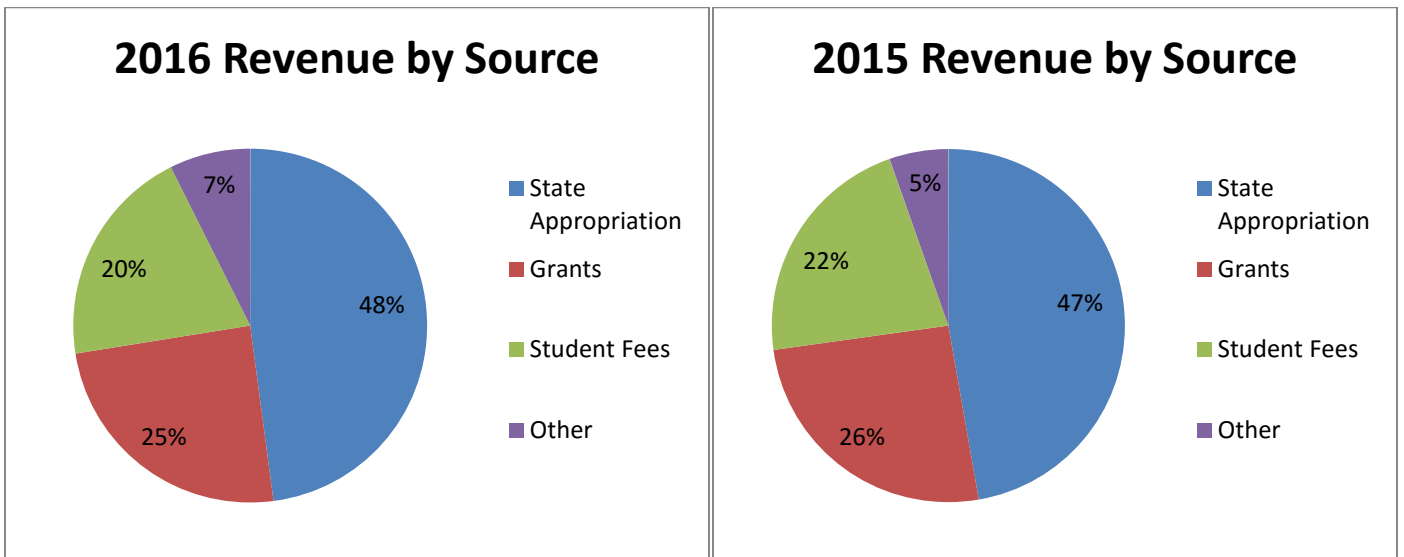
Overview of the Financial Statements - Continued

Revenues and Expenses - Continued

In fiscal year 2016, state appropriations accounted for 48% of total revenues while net tuition and fees amounted to 20%. In fiscal year 2015, state appropriations accounted for 47% and net tuition and fees 22%.

In fiscal year 2016, gift revenues increased by \$322,442 primarily due to the net of an increase in donations related to the Aviation program and the receipt of fewer remaining dental hygiene renovation pledge payments. Net tuition and fee revenue increased \$185,239, due to the net of a decrease in tuition and fees, offset by an even greater decrease in scholarship expense.

Capital appropriations decreased by \$465,800 in fiscal year 2016 and increased \$770,254 in fiscal year 2015. The decrease in fiscal year 2016 is primarily due to the completion and reduced funding of the water pump project, as well as reduced revenue related to the study on the new Science building.



CAPE COD COMMUNITY COLLEGE

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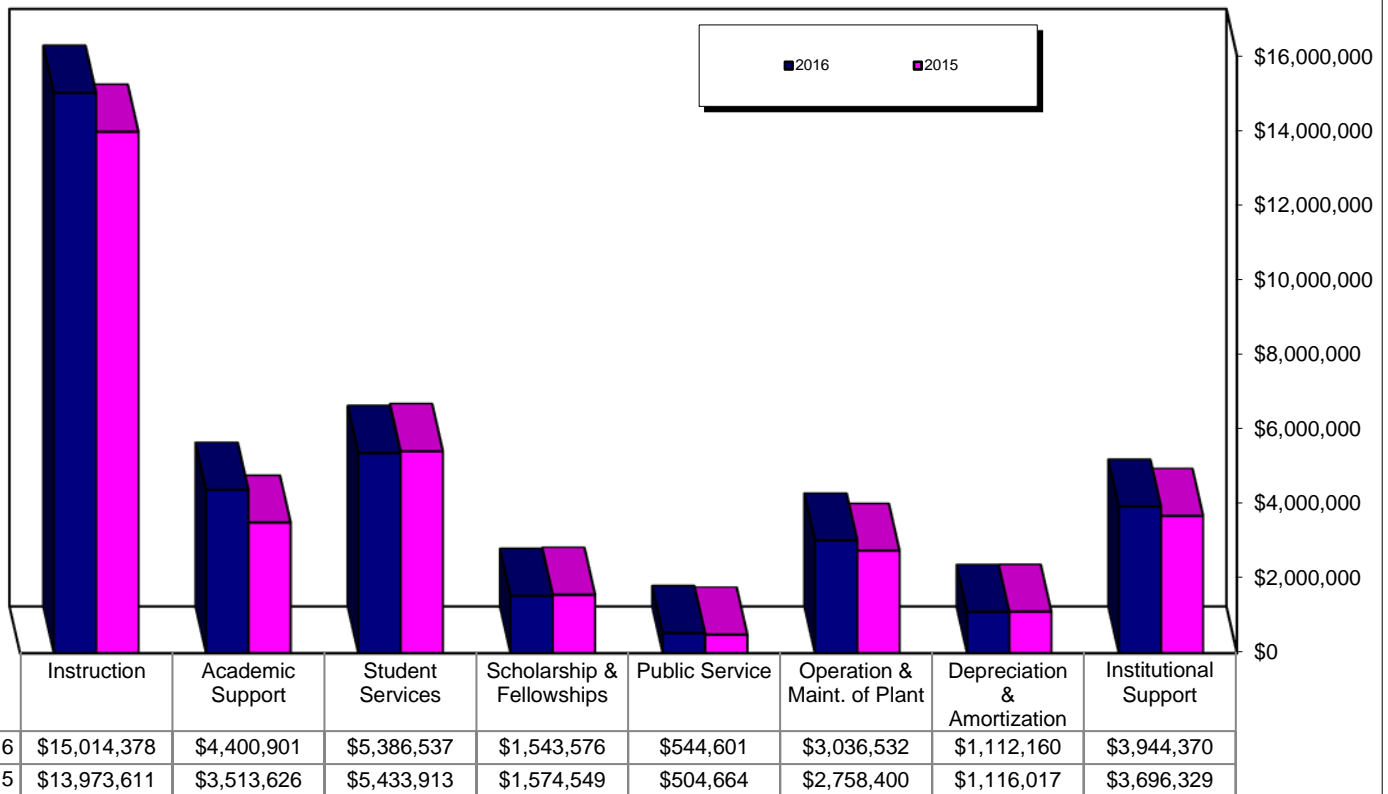
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Overview of the Financial Statements - Continued

Significant shifts in expenditure include a 25% increase in academic support. The driver in the academic support increase was the significant investment in the Aviation program. Operation and maintenance of plant spending also increased by 10%, which was largely due to the Solar initiative payback, on which the College has also realized offsetting revenue. Changes in other expense classes include a 7% increase in instruction, a 8% increase in public service, a 7% increase in institutional support, and immaterial decreases in both scholarship and student services. The College continues to spend over 70% of its operating budget on academic and student related expenditures.

Expenditures



CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Overview of the Financial Statements - Continued

Revenues and Expenses – Continued

Major grants and contracts received by the College for the years ended June 30, 2016 and 2015 included the following:

- **ACCESS** (Adult Collaborative of Cape Cod for Education and Support Services) at the College amounted to \$639,470 and \$597,633 as of June 30, 2016 and 2015, 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 \$216,236 and \$276,322 as of June 30, 2016 and 2015, 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, pending annual appropriations by Congress. The College received approval for the next five years: September 1, 2015 – August 31, 2020. Our Advantage Program serves approximately 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 \$6,175,680 and \$6,740,057 as of June 30, 2016 and 2015 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 2016, 2,329 students received financial aid, down from 2,681 in fiscal year 2015.

CAPE COD COMMUNITY COLLEGE
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Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Overview of the Financial Statements - Continued

Revenues and Expenses - Continued

	2016	2015	2014
The sources of these awards:			
Federal Government	\$ 4,062,529	\$ 4,537,276	\$ 5,143,784
Commonwealth of Massachusetts	1,259,919	1,434,523	1,470,397
Grants and private donations	853,232	768,258	1,016,535
	\$ 6,175,680	\$ 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.

Non-Operating Revenues and Expenses

The Commonwealth’s appropriation increased by 12.6% or \$1,894,368 to \$16,898,976 in fiscal year 2016. The increase is the result of a \$357,645 increase in state funded fringe benefit costs, an increase of \$271,215 in performance funding, and an increase of \$406,936 in the annual state maintenance appropriation. Additionally, a lowered non-resident tuition state remittance contributed to the fiscal year 2016 increase, by \$98,000. The restricted portion of this total increase amounted to \$760,572, and is the result of receiving an additional \$916,586 in funds for the Aviation program, \$127,493 in decreased funding of the Vision Project and a \$28,521 decrease in workforce training. In fiscal year 2015, “non-operating” revenues, the Commonwealth’s appropriation increased by 9.2% or \$1,262,032, relative to prior year, and amounted to \$15,004,608. The increase was 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.

CAPE COD COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Overview of the Financial Statements - Continued

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, 2016 and 2015 amounts to \$13,974,126 and \$14,295,551, 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 2016, 2015 and 2014:

	2016	2015	2014
Building improvements	\$ 150,580	\$ 1,280	\$ 732,740
Construction in progress	630,474	1,368,158	505,458
Furnishings and equipment	14,726	69,605	120,235
	\$ 795,780	\$ 1,439,043	\$ 1,358,433

Fiscal year 2016 spending on building improvements was comprised solely of investment in the Pumphouse project. Construction in progress spending in fiscal year 2016 was comprised of expenditures relating to the Aviation program, the library elevator project, roof replacement of both the gym and the administration building, study related to a new science building and energy and water upgrades. Spending on furnishings and equipment in fiscal year 2016 represents the first payment on a five year "lease to purchase" agreement for facilities machinery.

Noncurrent Liabilities

The College's long-term liabilities consist of accruals for compensated absences and workers' compensation, and the long-term portions of capital lease obligations for facilities machinery. 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 \$44,178 and \$0 net of amortized discount, as of June 30, 2016 and 2015, respectively.

CAPE COD COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Additional Information

The fiscal year 2016 operating budget assumes an overall 4.7% projected decline in credit enrollment. However, the fall 2016 enrollment is approaching a 10% decline or a decrease of 5.3%.

The College's enrollment management team continues to examine its efforts to improve the student intake process and to identify, recruit and retain recent and prospective students. The College has also re-engaged Davis Advertising in fiscal year 2016 to continue implementing a marketing strategy and brand with an intensive push to reach key prospective students and their networks. 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 began in September 2016.

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)

Statements of Net Position

June 30, 2016 and 2015

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

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2016	2015	2016	2015
	College	College	Foundation	Foundation
Current Assets:				
Cash and equivalents (Note 2)	\$ 6,604,983	\$ 4,430,777	\$ 623,350	\$ 635,744
Cash held by state treasurer (Note 3)	647,421	1,303,026	-	-
Certificates of deposit (Note 2)	4,138,152	-	-	-
Accounts receivable, net (Note 4)	1,997,495	1,259,007	20,202	26,205
Pledges receivable (Note 5)	-	-	5,100	57,600
Prepaid and other assets	120,410	142,894	-	-
Total Current Assets	13,508,461	7,135,704	648,652	719,549
Non-Current Assets:				
Certificates of deposit (Note 2)	-	4,112,958	-	-
Long-term investments	-	-	8,571,495	8,381,876
Pledges receivable (Note 5)	-	-	3,600	7,450
Funds held by others	20,000	20,000	-	-
Capital assets, net of accumulated depreciation (Note 6)	13,974,126	14,295,551	-	-
Total Non-Current Assets	13,994,126	18,428,509	8,575,095	8,389,326
Total Assets	27,502,587	25,564,213	9,223,747	9,108,875
Deferred Outflows of Resources:				
Changes in plan actuarial assumptions	839,228	33,461	-	-
Changes in proportion due to internal allocation	581,244	510,860	-	-
Differences between expected and actual experience	95,789	-	-	-
Contributions made after the measurement date	170,885	266,529	-	-
Total Deferred Outflows of Resources	1,687,146	810,850	-	-
Total Assets and Deferred Outflows of Resources	\$ 29,189,733	\$ 26,375,063	\$ 9,223,747	\$ 9,108,875

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:				
Accounts payable and accrued liabilities	\$ 1,162,966	\$ 713,930	\$ 252,715	\$ 285,784
Accrued payroll	1,686,212	1,525,502	-	-
Compensated absences (Note 7)	1,548,922	1,673,415	-	-
Workers' compensation (Note 7)	60,235	63,322	-	-
Students' deposits and unearned revenues	492,460	491,624	-	-
Other unearned revenues	232,819	150,803	-	-
Current portion of capital lease (Note 7)	14,726	-	-	-
Total Current Liabilities	5,198,340	4,618,596	252,715	285,784
Non-Current Liabilities:				
Compensated absences (Note 7)	683,683	717,491	-	-
Workers' compensation (Note 7)	225,239	227,148	-	-
Funds held for others	-	-	20,000	20,000
Capital lease obligations (Note 7)	44,178	-	-	-
Net pension liability	4,845,997	2,976,652	-	-
Total Non-Current Liabilities	5,799,097	3,921,291	20,000	20,000
Total Liabilities	10,997,437	8,539,887	272,715	305,784
Deferred Inflows of Resources:				
Differences between projected and actual earnings of plan investments	139,254	610,954	-	-
Changes in proportion from Commonwealth	3,720	1,031	-	-
Total Deferred Inflows of Resources	142,974	611,985	-	-
Net Position:				
Investment in capital assets, net	13,915,222	14,295,551	-	-
Restricted:				
Nonexpendable	20,000	20,000	5,780,128	5,547,814
Expendable	-	-	2,927,709	3,229,241
Unrestricted (Note 8)	4,114,100	2,907,640	243,195	26,036
Total Net Position	18,049,322	17,223,191	8,951,032	8,803,091
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 29,189,733	\$ 26,375,063	\$ 9,223,747	\$ 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)

Statements of Revenues and Expenses

For the Years Ended June 30, 2016

	Primary Government		Component Unit	
	2016 College	2015 College	2016 Foundation	2015 Foundation
Operating Revenues:				
Tuition and fees	\$ 11,763,202	\$ 12,087,485	\$ -	\$ -
Less: scholarship allowances	<u>(4,655,986)</u>	<u>(5,165,508)</u>	<u>-</u>	<u>-</u>
Net student fees	7,107,216	6,921,977	-	-
Federal, state, local, and private grants and contracts	8,674,862	8,120,829	-	-
Gifts and contributions	-	-	1,042,049	1,201,744
Auxiliary enterprises	155,828	154,736	-	-
Rental income	-	-	200,200	200,200
Other sources	<u>1,878,267</u>	<u>1,317,205</u>	<u>-</u>	<u>-</u>
Total Operating Revenues	<u>17,816,173</u>	<u>16,514,747</u>	<u>1,242,249</u>	<u>1,401,944</u>
Operating Expenses (Note 10):				
Instruction	15,014,378	13,973,611	-	-
Academic support	4,400,900	3,513,626	-	-
Student services	5,386,537	5,433,913	-	-
Scholarships and fellowships	1,543,576	1,574,549	174,687	142,035
Public service	544,601	504,664	-	-
Operation and maintenance of plant	3,036,532	2,758,400	-	-
Institutional support	3,944,370	3,696,329	631,697	567,971
Depreciation and amortization	<u>1,112,160</u>	<u>1,116,017</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>34,983,054</u>	<u>32,571,109</u>	<u>806,384</u>	<u>710,006</u>
Net Operating Income (Loss)	<u>(17,166,881)</u>	<u>(16,056,362)</u>	<u>435,865</u>	<u>691,938</u>
Non-Operating Revenues (Expenses):				
State appropriations - unrestricted (Note 11)	15,316,389	14,182,593	-	-
State appropriations - restricted (Note 11)	1,582,587	822,015	-	-
Transfers to the college from the foundation	543,227	220,785	(543,227)	(220,785)
Net investment income	<u>26,727</u>	<u>27,578</u>	<u>255,303</u>	<u>169,075</u>
Total Net Non-Operating Revenues (Expenses)	<u>17,468,930</u>	<u>15,252,971</u>	<u>(287,924)</u>	<u>(51,710)</u>
Net Income Before Other Revenues	302,049	(803,391)	147,941	640,228
Capital appropriations (Note 11)	<u>524,082</u>	<u>989,882</u>	<u>-</u>	<u>-</u>
Total Increase (Decrease) in Net Position	<u>\$ 826,131</u>	<u>\$ 186,491</u>	<u>\$ 147,941</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)

Statements of Changes in Net Position

For the Years Ended June 30, 2016 and 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	\$ 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	14,295,551	20,000	-	2,907,640	17,223,191
Change in net position for 2016	<u>(380,329)</u>	<u>-</u>	<u>-</u>	<u>1,206,460</u>	<u>826,131</u>
Balance, June 30, 2016	<u>\$ 13,915,222</u>	<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 4,114,100</u>	<u>\$ 18,049,322</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>-</u>	<u>468,404</u>	<u>267,299</u>	<u>(95,475)</u>	<u>640,228</u>
Balance, June 30, 2015	-	5,547,814	3,229,241	26,036	8,803,091
Change in net position for 2016	<u>-</u>	<u>232,314</u>	<u>(301,532)</u>	<u>217,159</u>	<u>147,941</u>
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 5,780,128</u>	<u>\$ 2,927,709</u>	<u>\$ 243,195</u>	<u>\$ 8,951,032</u>

See accompanying notes to the financial statements.

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

Statements of Cash Flows

For the Years Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Tuition and student fees	\$ 6,977,146	\$ 6,706,690
Grants and contracts	8,331,786	7,808,495
Payments to suppliers	(8,357,402)	(8,232,386)
Payments to employees	(19,530,026)	(17,960,850)
Payments to students	(1,519,694)	(1,574,549)
Other cash receipts	<u>1,851,601</u>	<u>1,580,184</u>
Net Cash Applied to Operating Activities	<u>(12,246,589)</u>	<u>(11,672,416)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	13,728,178	12,454,667
Tuition remitted to state	(300,000)	(397,992)
9C reduction	-	(165,220)
Gifts and contributions	<u>543,227</u>	<u>220,785</u>
Net Cash Provided by Non-Capital Financing Activities	<u>13,971,405</u>	<u>12,112,240</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(193,022)	(449,161)
Payments on capital leases	<u>(14,726)</u>	<u>(715,531)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(207,748)</u>	<u>(1,164,692)</u>
Cash Flows from Investing Activity:		
Interest on investments	<u>1,533</u>	<u>2,575</u>
Net Increase (Decrease) in Cash and Equivalents	1,518,601	(722,293)
Cash and Equivalents, Beginning of Year	<u>5,733,803</u>	<u>6,456,096</u>
Cash and Equivalents, End of Year	<u>\$ 7,252,404</u>	<u>\$ 5,733,803</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30, 2016

	<u>2016</u>	<u>2015</u>
Reconciliation of Net Operating Loss to		
Net Cash Applied to Operating Activities:		
Net operating loss	\$ (17,166,881)	\$ (16,056,362)
Adjustments to reconcile net loss to net cash applied to operating activities:		
Depreciation	1,112,160	1,116,017
Fringe benefits provided by the State	3,470,798	3,113,153
Change in plan actuarial assumptions	(805,767)	(33,461)
Change in proportion due to internal allocation	(70,384)	(510,860)
Differences between projected and actual earnings on investments	(471,700)	610,954
Differences between expected and actual experience	(95,789)	-
Changes in proportion from Commonwealth	2,689	1,031
Changes in assets and liabilities:		
Accounts receivable	(738,488)	(191,876)
Prepaid and other current assets	22,484	10,013
Contributions made after the measurement date	95,640	(30,684)
Accounts payable and accrued liabilities	449,039	435,039
Accrued employee compensation and benefits	(2,587)	61,969
Students' deposits and other unearned revenues	82,852	(227,503)
Net pension liability	<u>1,869,345</u>	<u>30,154</u>
Net Cash Applied to Operating Activities	<u>\$ (12,246,589)</u>	<u>\$ (11,672,416)</u>
Reconciliation of Cash and Equivalents, End of Year		
Cash and equivalents	\$ 6,604,983	\$ 4,430,777
Cash held by State Treasurer	<u>647,421</u>	<u>1,303,026</u>
Total	<u>\$ 7,252,404</u>	<u>\$ 5,733,803</u>
Non-Cash Transactions:		
Fringe benefits provided by the State	<u>\$ 3,470,798</u>	<u>\$ 3,113,153</u>
Capital appropriations	<u>\$ 524,082</u>	<u>\$ 989,882</u>
Financed capital asset acquisitions	<u>\$ 73,630</u>	<u>\$ -</u>
Reinvested interest on investments	<u>\$ 25,194</u>	<u>\$ 25,007</u>
Decrease in capital lease obligations due to termination of capital lease	<u>\$ -</u>	<u>\$ 421,578</u>
Decrease in capital asset values due to termination of capital lease	<u>\$ -</u>	<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, 2016 and 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 - Continued

June 30, 2016 and 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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Basis of Presentation and Accounting - Continued

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 Iyannah 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 is 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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Cash and Equivalents

The College considers cash held by 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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Capital Assets - Continued

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.

Students' 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.

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.

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.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 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, 2016 and 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, 2016 and 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, 2016 and 2015

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

New Governmental Accounting Pronouncements

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.

Note 2 - **Cash and Investments**

Deposits and Investments

Deposits and investments consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Cash and Equivalents (including money market)	\$ 6,604,983	\$ 4,430,777
Certificates of Deposit	<u>4,138,152</u>	<u>4,112,958</u>
Total Cash, Equivalents, and Investments	<u>\$ 10,743,135</u>	<u>\$ 8,543,735</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 2 - **Cash and Investments - Continued**

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, 2016 and 2015 were secured by irrevocable stand-by letters of credit with the Federal Home Loan Bank of Pittsburgh in the amounts of ten million nine hundred thousand and fifteen million, respectively.

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.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 2 - **Cash and Investments - Continued**

Deposit and Investment Maturities

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

2016					
Investment maturities (in years)					
<u>Investment type</u>	<u>Fair value</u>	<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Money Market	\$ 4,461,179	\$ 4,461,179	\$ -	\$ -	\$ -
Certificate of Deposit	4,138,152	4,138,152	-	-	-
	<u>\$ 8,599,331</u>	<u>\$ 8,599,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2015					
Investment maturities (in years)					
<u>Investment type</u>	<u>Fair value</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	\$ -	\$ -	\$ -
Certificate 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>

The College also has one certificate of deposit ("CD") with TD Bank. The CD generates interest at 0.61% and has an original maturity of 36 months from the date of purchase.

Following is a description of the valuation methodologies used for assets measured at fair value. With the adoption of GASB Statement 72, there have been no changes in the methodologies used to measure fair value.

Money market funds: Valued at the current available closing price reported or based on values obtained on comparable funds.

Certificates of Deposit: Valued at the initial investment cost plus accrued interest.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 2 - **Cash and Investments - Continued**

Deposit and Investment Maturities - Continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

As of June 30, 2016 and 2015, all of the College's investments are valued as level 1.

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 Educational Foundation, Inc.

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

	2016		
	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Gain/(Loss)</u>
Equity mutual funds	\$ 3,887,881	\$ 5,752,725	\$ 1,864,844
Bond mutual funds	2,802,006	2,818,770	16,764
Total investments	\$ 6,689,887	\$ 8,571,495	\$ 1,881,608

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 2 - **Cash and Investments - Continued**

Cape Cod Community College Educational Foundation, Inc. – Continued

The following schedule summarizes the investment return for the years ended June 30:

	2016	2015
Interest and dividends	\$ 185,922	\$ 170,576
Realized gains	118,977	51,406
Unrealized gains (losses)	(1,525)	(4,908)
Investment fees	(48,071)	(47,999)
Total investment return	\$ 255,303	\$ 169,075

Note 3 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$647,421 and \$1,303,026 at June 30, 2016 and 2015, respectively. 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.

Note 4 - **Accounts Receivable**

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

	2016	2015
Student accounts receivable	\$ 1,386,068	\$ 1,255,162
Grants receivable	663,932	238,840
Other receivable	322,495	140,005
	2,372,495	1,634,007
Less: allowance for doubtful accounts	(375,000)	(375,000)
Total accounts receivable, net	\$ 1,997,495	\$ 1,259,007

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 5 - **Pledges Receivable**

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

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 5,100	\$ 57,600
Between one and five years	<u>3,600</u>	<u>7,450</u>
Pledges Receivable, Net	<u>\$ 8,700</u>	<u>\$ 65,050</u>

Note 6 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2016:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress		\$ 1,500,686	\$ 630,474	\$ -	\$ (529,429)	\$ 1,601,731
Land		<u>82,355</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,355</u>
Total not depreciated		<u>1,583,041</u>	<u>630,474</u>	<u>-</u>	<u>(529,429)</u>	<u>1,684,086</u>
Capital assets depreciated:						
Building, including improvements	20-40	38,106,541	150,580	-	465,479	38,722,600
Furnishings and equipment (including cost of capital leases)	5-10	<u>6,665,383</u>	<u>9,681</u>	<u>-</u>	<u>63,950</u>	<u>6,739,014</u>
Total depreciated		<u>44,771,924</u>	<u>160,261</u>	<u>-</u>	<u>529,429</u>	<u>45,461,614</u>
Less: accumulated depreciation:						
Building, including improvements		(26,435,221)	(766,147)	-		(27,201,368)
Furnishings and equipment		<u>(5,624,193)</u>	<u>(346,013)</u>	<u>-</u>		<u>(5,970,206)</u>
Total accumulated depreciation		<u>(32,059,414)</u>	<u>(1,112,160)</u>	<u>-</u>	<u>-</u>	<u>(33,171,574)</u>
Capital assets, net		<u>\$ 14,295,551</u>	<u>\$ (321,425)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,974,126</u>

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 6 - **Capital Assets - Continued**

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		618,541	1,368,158	-	(403,658)	1,583,041
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		44,718,959	70,885	(421,578)	403,658	44,771,924
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		(30,943,397)	(1,116,017)	-	-	(32,059,414)
Capital assets, net		\$ 14,394,103	\$ 323,026	\$ (421,578)	\$ -	\$ 14,295,551

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Long-Term Liabilities**

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

	2016					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Lease obligations	\$ -	\$ 73,630	\$ (14,726)	\$ 58,904	\$ 14,726	\$ 44,178
Other long-term liabilities:						
Compensated absences	2,390,906	-	(158,301)	2,232,605	1,548,922	683,683
Workers' compensation	290,470	-	(4,996)	285,474	60,235	225,239
Net pension liability	2,976,652	1,869,345	-	4,845,997	-	4,845,997
Total other long term liabilities	5,658,028	1,869,345	(163,297)	7,364,076	1,609,157	5,754,919
Total long-term liabilities	<u>\$ 5,658,028</u>	<u>\$ 1,942,975</u>	<u>\$ (178,023)</u>	<u>\$ 7,422,980</u>	<u>\$ 1,623,883</u>	<u>\$ 5,799,097</u>
	2015					
	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	5,523,648	134,462	(82)	5,658,028	1,736,737	3,921,291
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>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Long-Term Liabilities - Continued**

Capital Leases

During 2016, the College entered into a capital lease for equipment for \$73,630, requiring fixed annual principal payments of \$14,726 plus interest at 4.18% expiring June 2021.

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 useful lives. During 2015, the College renegotiated the lease and settled the loan in full for \$715,531. The early extinguishment of the capital lease obligation resulted in an adjustment to the value of the capital asset for approximately \$422,000.

Operating Leases

The College subleases office and classroom space for its Hyannis campus center from the Foundation as an operating lease agreement expiring in September 2029. Rental expense for this lease was \$200,200 for the years ended June 30, 2016 and 2015, respectively.

On January 11, 2016, the College, acting through the commissioner of the Division of Capital Asset Management and Maintenance, entered into an agreement with Bendrix Corporation to lease 2,941 square feet of classroom space and 14,400 square feet of hangar space for a term of ten years with annual payments ranging from \$140,000 in the first year to \$193,000 in the tenth year. The premises are used for classroom instruction. Rental expense for this lease was \$70,000 for the year ended June 30, 2016.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Long-Term Liabilities Continued**

Operating Leases - Continued

The following schedule summarizes future minimum payments due under non-cancelable leases as of June 30, 2016:

Years Ending June 30,	Capital Leases	Operating Leases	Total
2017	\$ 14,726	\$ 340,200	\$ 354,926
2018	14,726	340,200	354,926
2019	14,726	361,883	376,609
2020	14,726	372,720	387,446
2021	-	378,720	378,720
2022 - 2026	-	1,948,474	1,948,474
2027 - 2030	-	546,879	546,879
	\$ 58,904	\$ 4,289,076	\$ 4,347,980

Note 8 - **Unrestricted Net Position**

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

	2016	2015
Deferred maintenance, adaptation and renewal	\$ 1,645,640	\$ 1,163,056
Instructional and information technology	1,439,935	1,017,674
Academic equipment and materials	1,028,525	726,910
Total unrestricted net position	\$ 4,114,100	\$ 2,907,640

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 9 - **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.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 10 - **Operating Expenses**

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

	2016	2015
Compensation and benefits	\$ 24,896,243	\$ 24,476,732
Supplies and services	7,454,957	5,403,811
Depreciation and amortization	1,112,160	1,116,017
Scholarships and fellowships	1,519,694	1,574,549
	\$ 34,983,054	\$ 32,571,109

Note 11 - **State Appropriation**

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

	2016	2015
Direct unrestricted appropriations	\$ 12,145,591	\$ 11,632,652
Add: fringe benefits for benefited employees on the state payroll	3,470,798	3,113,153
Less: 9C reduction	-	(165,220)
Less: day school tuition remitted to the state and included in tuition and fee revenue	(300,000)	(397,992)
Total unrestricted appropriations	15,316,389	14,182,593
Restricted appropriations	1,582,587	822,015
Capital appropriations	524,082	989,882
Total appropriations	\$ 17,423,058	\$ 15,994,490

Restricted appropriations are designated for specific College programs including WERC, VISION, and aviation programs.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **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 \$1,324,792 and \$1,503,490 for the years ended June 30, 2016 and 2015, respectively. 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 2016 and 2015, respectively.

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.

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 on 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.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **Pensions - Continued**

Benefit Provisions - Continued

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 9.45% and 10.39% of annual covered payroll for the fiscal years ended June 30, 2016 and 2015, respectively. The College contributed \$170,885 and \$266,529 for the fiscal years ended June 30, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **Pensions - Continued**

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

At June 30, 2016 and 2015, the College reported a liability of \$4,845,997 and \$2,976,652, respectively, 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, 2015, 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, 2015 rolled forward to June 30, 2015 for reporting at June 30, 2016, the reporting date. 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 for reporting at June 30, 2015, the reporting date. 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 2015 and 2014, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2015 and 2014 relative to total contributions of all participating employers for the fiscal year's. At June 30, 2015 and 2014, the College's proportion was 0.043% and 0.040%, respectively.

For the years ended June 30, 2016 and 2015, the College recognized pension expense of \$700,584 and \$333,663, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

	2016	2015
<u>Deferred Outflows of Resources</u>		
Changes in plan actuarial assumptions	\$ 839,228	\$ 33,461
Changes in proportion due to internal allocation	581,244	510,860
Differences between expected and actual experience	95,789	-
Contributions subsequent to the measurement date	170,885	266,529
Total	\$ 1,687,146	\$ 810,850
<u>Deferred Inflows of Resources</u>		
Net difference between projected and actual earnings on pension plan investments	\$ 139,254	\$ 610,954
Changes in proportion from Commonwealth	3,720	1,031
Total	\$ 142,974	\$ 611,985

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **Pensions - Continued**

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

The College's contributions of \$170,885 and \$266,529 made during the fiscal years ending 2016 and 2015, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. 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>	
2017	\$ 280,835
2018	280,835
2019	280,835
2020	440,655
2021	<u>90,127</u>
Total	<u>\$ 1,373,287</u>

Actuarial Assumptions

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

Measurement date	June 30, 2015	June 30, 2014
Inflation	3.00%	3.00%
Salary increases	3.50% to 9.00%	3.50% to 9.00%
Investment rate of return	7.50%	8.00%
Investment rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2015 and 2014, mortality rates were based on the pre-retirement 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), respectively.

The actuarial assumptions used in the January 1, 2015 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of actuarial experience study performed as of January 1, 2015.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **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, 2015 are summarized in the following table:

Asset Class	2015		2014	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	40%	6.90%	43%	7.20%
Core Fixed Income	13%	2.40%	13%	2.50%
Hedge Funds	9%	5.80%	10%	5.50%
Private Equity	10%	8.50%	10%	8.80%
Real Estate	10%	6.50%	10%	6.30%
Portfolio Completion Strategies	4%	5.50%	0%	0.00%
Value Added Fixed Income	10%	5.80%	10%	6.30%
Timber/Natural Resources	4%	6.60%	4%	5.00%
	100%		100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% and 8.0%, respectively at June 30 2015 and 2014. 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
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **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 7.5% 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.

June 30, 2016		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 6,587,308	\$ 4,845,997	\$ 3,344,103
June 30, 2015		
Current		
1.00% Decrease (7.00%)	Discount Rate (8.00%)	1.00% Increase (9.00%)
\$ 4,309,348	\$ 2,976,652	\$ 1,832,716

Note 13 - **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*.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 13 - **Fringe Benefits Provided by State - Continued**

Fringe Benefits - Continued

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.

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 rates.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 13 - **Fringe Benefits Provided by State – Continued**

Group Insurance Commission - Continued

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, 2016 and 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 14 - **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*.

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2016 and 2015.

CAPE COD COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 15 - **Pass-Through Grants**

The College distributed \$2,232,837 and \$2,251,234 during 2016 and 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
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Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

Valuation date	January 1, 2015	January 1, 2014
Measurement date	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.043%	0.040%
Proportionate share of the collective net pension liability	\$ 4,845,997	\$ 2,976,652
College's covered-employee payroll	\$ 2,565,242	\$ 2,974,086
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.87%	76.32%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

CAPE COD COMMUNITY COLLEGE
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Schedule of Contributions (Unaudited)

For the Year Ended June 30, 2016

	2016	2015
Contractually required contribution	\$ 170,885	\$ 266,529
Contributions in relation to the contractually required contribution	<u>(170,885)</u>	<u>(266,529)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,808,307	\$ 2,565,242
Contribution as a percentage of covered-employee payroll	9.45%	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 GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years.

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, 2016 and 2015

Note 1 - **Change in Assumptions**

Changes in assumptions about the discount rate from 8.0% to 7.50%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of \$2.33 billion dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2016. Previously, 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 June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions is 0.043% and 0.040%, respectively, as shown on the Schedules of Proportionate Share of Net Pension Liability, and represents 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:

	<u>2016</u>	<u>2015</u>
Changes in assumptions	\$1,025,409	\$ 40,897
Recognized in current year pension expense	<u>186,181</u>	<u>7,436</u>
Deferred outflows of resources	<u>\$ 839,228</u>	<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 statements of net position as of June 30, 2016 and 2015, the related statements of revenues and expenses, changes in net position and cash flows for the years 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 18, 2016.

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 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 Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 18, 2016