CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

CAPE COD COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Financial Statements and
Management's Discussion and Analysis

June 30, 2018

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O'Connor & Drew P.C.
Certified Public Accountants

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 "Commonwealth") (the "College"), and its discretely presented component unit, Cape Cod Community College Educational Foundation, Inc. (the "Foundation"), which comprise the statement of net position as of June 30, 2018, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Cape Cod Community College and its discretely presented component unit as of June 30, 2018, and the respective changes in net position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 2 to the financial statements, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and required the College to restate beginning net position at July 1, 2017 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the State Retirees' Benefit Trust. Our opinion is not modified with respect to that matter.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the required supplementary information as listed in the table of contents 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 12, 2018, on our consideration of 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 College's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 12, 2018

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

Management's Discussion and Analysis (Unaudited)

June 30, 2018 and 2017

The following discussion and analysis provides management's view of the financial position of Cape Cod Community College (the "College") as of June 30, 2018 and the results of operations for the year 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 4,800 credit seeking students, with 68 full-time faculty and 157 full-time staff members. The main campus is located in West Barnstable, with a satellite in Plymouth for its Aviation program, and a center located in downtown Hyannis. The College also offers courses at Joint Base Cape Cod, Martha's Vineyard and Woods Hole, and Plymouth North High School. The College currently offers an Associate of Arts degree with 24 concentrations, 14 Associate in Science degree programs, an Applied Associate in Science Degree for Aviation Maintenance Technology, and, 49 career-building academic certificates in a variety of programs. 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 2018 state unrestricted appropriation of $16,627,625 reflects a $109,189, or .7% increase over prior year's appropriation of $16,518,436. The net increase is due to the following factors; an increase in state funded fringe benefit costs of $180,027, a decrease of $93,344 in the annual state maintenance appropriation and an increase of $22,506 in non-resident tuition state remittance.

State restricted appropriation for fiscal year 2018 was $64,506, which is an increase of $10,359 over last year's appropriation of $54,147. The net increase was the result of $5,452 less funding for Mass Pathways, an increase in Workforce Education Resource Center revenue by $48, a $13,054 negative adjustment that was made to fiscal year 2017, which was related to a change in how the Commonwealth capitalizes planning costs, a $10,971 increase in the Performance Incentive Fund grant funding, a reduction of revenue in the amount of $8,625 for Sightlines costs received in fiscal year 2017 and a fiscal year 2017 negative adjustment for the Vision grant, in the amount of $363.

Capital appropriation decreased by $3,047,492, from $3,780,837 in 2017 to $733,345 in 2018, due to the change in amount or elimination of several special appropriations from the Division of Capital Asset Management & Maintenance (DCAMM) due to project completion, relative to the prior fiscal year. Included in this change are expenditures capitalized as Construction in Process

Financial Highlights – Continued

over multiple prior years, and consequently recognized as revenue for the waste water upgrade project, which was completed in fiscal year 2018, resulting in a decrease of $1,704,221. Also included is the change in appropriation carry-over, from fiscal 2017 to fiscal 2018, which resulted in a decrease of $226,570. A decrease from fiscal year 2017 to fiscal year 2018 is attributable to the fact that in 2017 additional funding of $1,153,201 was provided for the chiller project, a waterproofing study, tile replacement, elevator repairs and exterior lighting. Lastly, in fiscal year 2018, the College received revenue of $20,000 for consulting services to assess capital needs and also received appropriation in the amount of $16,500 for an accessibility study.

During fiscal year 2018, major capital improvement net additions totaled $1,834,921, which includes $281,381 for a completed elevator project, $2,675,292 for a completed campus wide sewage system upgrade, a $19,413 addition of equipment for the nursing renovation project, $716,336 for a completed project replacing the library chiller unit, and $1,484,497 for a completed nursing facility renovation. Also included in the net change in fixed assets is the change in the current year construction in process, in the following amounts; $88,463 addition for the HVAC project, $224,022 reduction for the completed elevator project, $427,140 reduction for the completed nursing renovation project, $2,262,848 reduction for the completed campus wide sewage system upgrade, $568,853 reduction for the completed chiller unit project, an addition of $2,314 for the Lorussso envelope project plus $50,088 addition for the college accessibility project.

General tuition and fee rates were increased by $9.00 per credit hour in fiscal year 2018. To promote consistency in the way by which the College assesses program specific fees, program specific fees for the day and evening Nursing programs, for the Allied Health and Paramedic programs and for the Dental Hygiene program were changed from assessing a "per semester" fee to assessing a "per credit hour" fee. Additionally, a new $10 per credit hour charge was added to the Hospitality and Culinary Arts program and the Project Forward per semester program fee was increased by $135 per semester.

The Board continues to recognize that some students may have difficulty paying their tuition and fees, and therefore designated $351,500 in the fiscal year 2018 operating budget for need based student financial aid awards.

Financial Highlights – Continued

At June 30, 2018 and 2017, the College's assets and deferred outflows of $34,319,373 and $32,162,213 exceeded its liabilities and deferred inflows of $19,507,269 and $17,347,615 by the amounts shown below. The resulting net assets are summarized into the following categories:

	2018	2017 (Restated)
Invested in capital assets, net of related debt	**$ 16,811,192**	$ **16,196,478**
Restricted, nonexpendable	**20,000**	**20,000**
Unrestricted	**(2,019,088)**	**(1,401,880)**
Total net assets	**$ 14,812,104**	$ **14,814,598**

During 2018, a prior period adjustment (See Note 2 in the financial statement footnotes) was recorded which reduced the previously reported June 30, 2017 unrestricted reserve by $6,540,460 as a result of the Commonwealth's implementation of GASB statement number 75, Accounting and Financial Reporting for *"Postemployment Benefits Other than Pensions"* (OPEB). This GASB standard requires that state agencies reflect their share of the Commonwealth's Net OPEB liability, and the related deferrals and expenses. In future years, similar to GASB 68 treatment of Pensions, the College will post only the change in this liability and its related deferrals, with the offset being to expenses, on the Statement of Revenue and Expenses. Without the fiscal year 2018 impact of both the prior period OPEB liability adjustment and current year OPEB and Pension expense adjustments, the College reflected a positive change in unrestricted reserve of $114,065, which is comprised of a gain on operations for $728,779, less $614,714, which represents an increase in investment in capital assets, net of depreciation.

Unrestricted Net Position (Reserve)
Excluding Current Year GASB 75 (OPEB) and GASB 68 (Pension) Adjustments

Unrestricted Net Position, as previously reported (Note 2)	**$ 5,138,580**
Net Income Before OPEB and Penion Adjustments	**$728,779**
Increase in Net Capital Assets	**($614,714)**
FY18 Unrestricted Reserve, Unadjusted for FY18 Pension and OPEB	**$ 5,252,645**

Financial Highlights – Continued

Unrestricted net assets increased in fiscal year 2017 by $1,024,480 primarily as a result of the net of the following operating gains and losses relative to budget: a $153,253 loss on tuition revenue, a $1,157,084 gain on salary and benefits, a $272,807 loss on supplies and materials, a $174,284 gain on furniture and equipment, a $89,321 loss on contracted services, a $91,485 gain on professional development and training, and other, less material gains and losses relative to budget.

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, 2018 and 2017 amounted to $37,124,952 and $35,863,423, while operating revenues were $18,114,143 and $18,457,867 respectively. Operating losses of $19,010,809 and $17,405,556 were offset predominantly by state appropriations (considered non-operating revenues) of $16,692,131 and $16,572,583 respectively, as well as by transfers from the Foundation, in the amounts of $1,508,132 and $849,364, 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.

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

The *Statement of Revenues, Expenses, and Changes in Net Position* present information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment of accrued for compensated absences, or the receipt of amounts due from students and others for services rendered).

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

The financial statements can be found on pages 18-22 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.

Notes to the Financial Statements

The notes provide additional information essential for 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 23-57 of this report.

Overview of the Financial Statements- Continued

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, 2018 and 2017, the College's assets exceeded liabilities by $14,812,104 and $14,814,598 respectively. The decrease in net position of $6,542,954 in fiscal year 2018 over the previously reported net position of $21,355,058 as of June 30, 2017 (See Statement of Changes in Net Assets) is principally due to the implementation of GASB standard number 75, under which liability for Other Post Employee Benefits (OPBEB) is now passed to the Agency, from the Commonwealth.

Cape Cod Community College's Net Position

	June 30	
	2018	**2017 (Restated)**
Current assets	**$ 13,529,856**	$ **14,310,003**
Noncurrent assets	**16,860,644**	**16,260,656**
Deferred Outflows of Resources	**3,928,873**	**1,591,554**
Total Assets and Deferred Outflows of Resources	**$ 34,319,373**	$ **32,162,213**
Current liabilities	**$ 3,947,498**	$ **4,845,975**
Noncurrent liabilities	**13,166,843**	**11,035,992**
Total Liabilities	**$ 17,114,341**	$ **15,881,967**
Total Deferred Inflows of Resources	**$ 2,392,928**	$ **1,465,648**
Net Position:		
Invested in capital assets, net of related debt	**$ 16,811,192**	$ **16,196,478**
Restricted, nonexpendable	**20,000**	**20,000**
Unrestricted	**(2,019,088)**	**(1,401,880)**
Total Net Position	**$ 14,812,104**	$ **14,814,598**

Overview of the Financial Statements- Continued

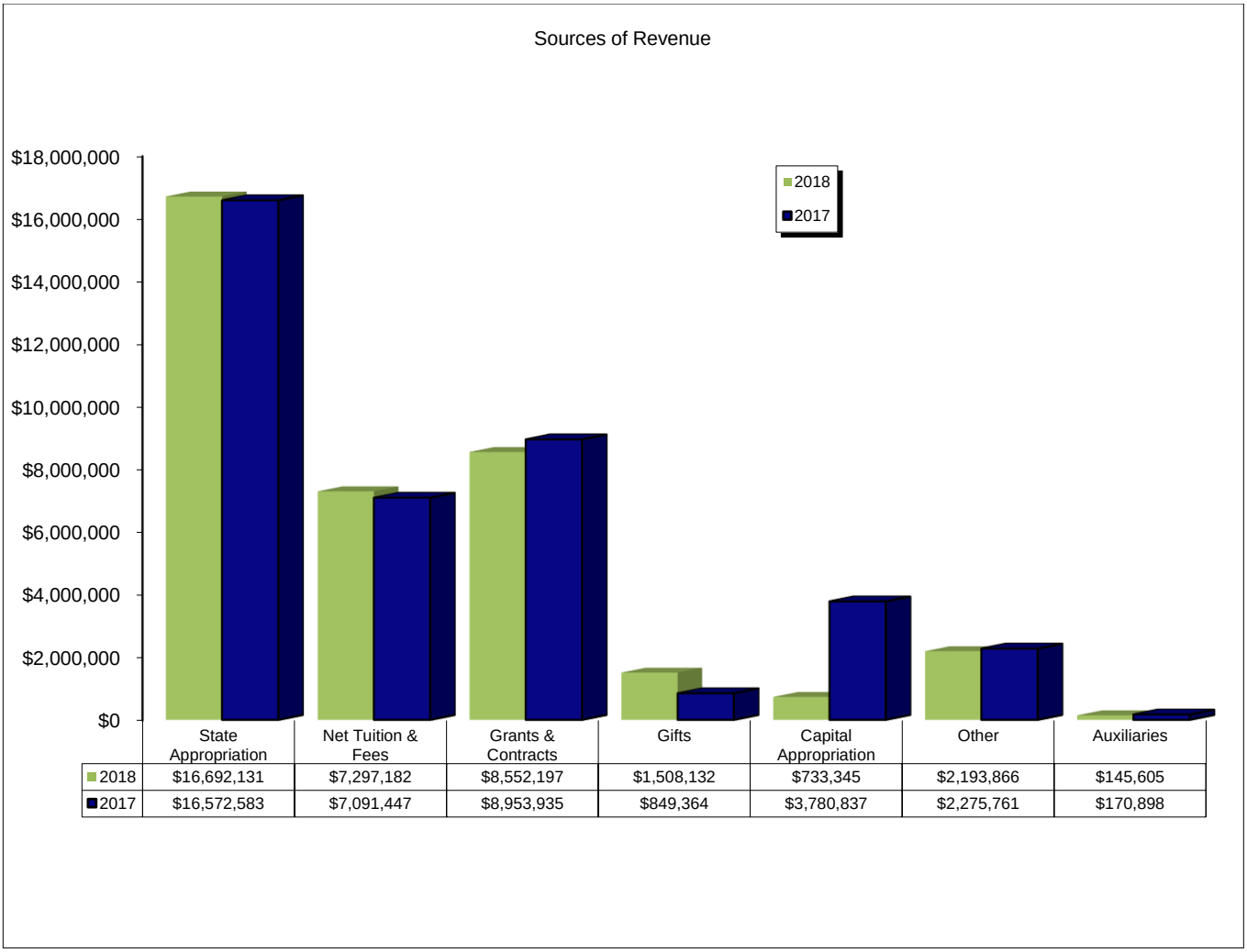
Financial Analysis - continued

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. 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, if any, are not included in the College's financial statements.

Cape Cod Community College's Changes in Net Position

	Fiscal years ended June 30	
	2018	**2017 (Restated)**
Total operating revenues	**$ 18,114,143**	$ **18,457,867**
Total operating expenses	**37,124,952**	**35,863,423**
Net operating loss	**(19,010,809)**	**(17,405,556)**
Total net non-operating revenues	**18,274,970**	**16,930,455**
Net income (loss) before other revenues	**(735,839)**	**(475,101)**
Capital appropriation	**733,345**	**3,780,837**
Increase (decrease) in net position	**$ (2,494)**	$ **3,305,736**
Net Position, Beginning of Year	**14,814,598**	**18,049,321**
Current Year Increase (Decrease)	**(2,494)**	**3,305,736**
Prior Period Adjustment - OPEB	**-**	**(6,540,460)**
Net Position, End of Year	**$ 14,812,104**	$ **14,814,598**

Overview of the Financial Statements – Continued



	State Appropriation	Net Tuition & Fees	Grants & Contracts	Gifts	Capital Appropriation	Other	Auxiliaries
2018	$16,692,131	$7,297,182	$8,552,197	$1,508,132	$733,345	$2,193,866	$145,605
2017	$16,572,583	$7,091,447	$8,953,935	$849,364	$3,780,837	$2,275,761	$170,898

Revenues and Expenses

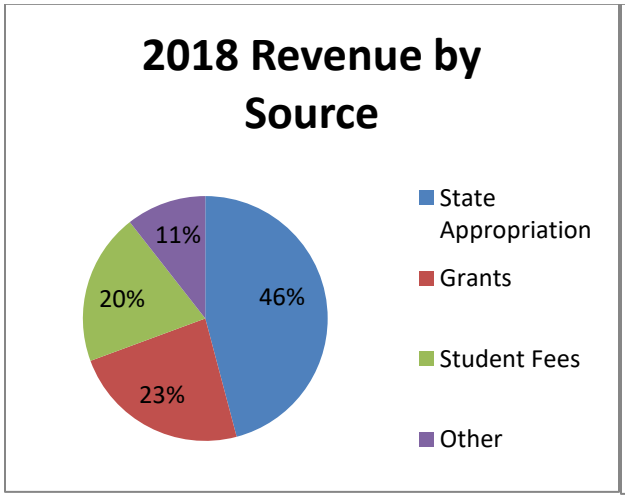
The state appropriation of $16,692,131 for fiscal year 2018 reflects a $119,548 increase relative to fiscal year 2017. This is attributed to increases in state funded fringe benefit costs, less tuition and fees being remitted to the Commonwealth and increased Performance Incentive Fund grant funding, offset by a decrease in state maintenance funding, a decrease related to funding for the Sightlines study, which was funded in fiscal 2017 but not in fiscal 2018, and reductions in Mass Pathways funding.

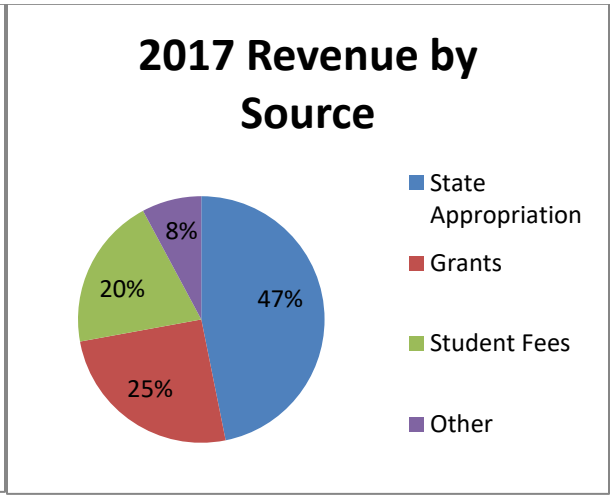
Overview of the Financial Statements – Continued

In fiscal year 2018, state appropriations accounted for 46% of total revenues while net tuition and fees amounted to 20% of total revenue. In fiscal year 2017, state appropriations accounted for 47% of total revenue and net tuition and fees 20% of total revenue. The "other" revenue segment share grew by 3% in fiscal 2018, offset by a 2% decrease in grant revenue and a 1% decline in state appropriation, proportionately, from fiscal 2017 to fiscal year 2018.

In fiscal year 2018, gift revenues increased by $658,768 primarily due to the net of an increase in donations related to gifts for the nursing renovation, the receipt of no further gifts for the aviation program and the receipt of fewer remaining dental hygiene renovation pledge payments. Net tuition and fee revenue increased by 2.9%, or $205,735 relative to prior year as the result of the net impact of a decrease due to fewer student enrollments and increases in student fees implemented in fiscal year 2018.

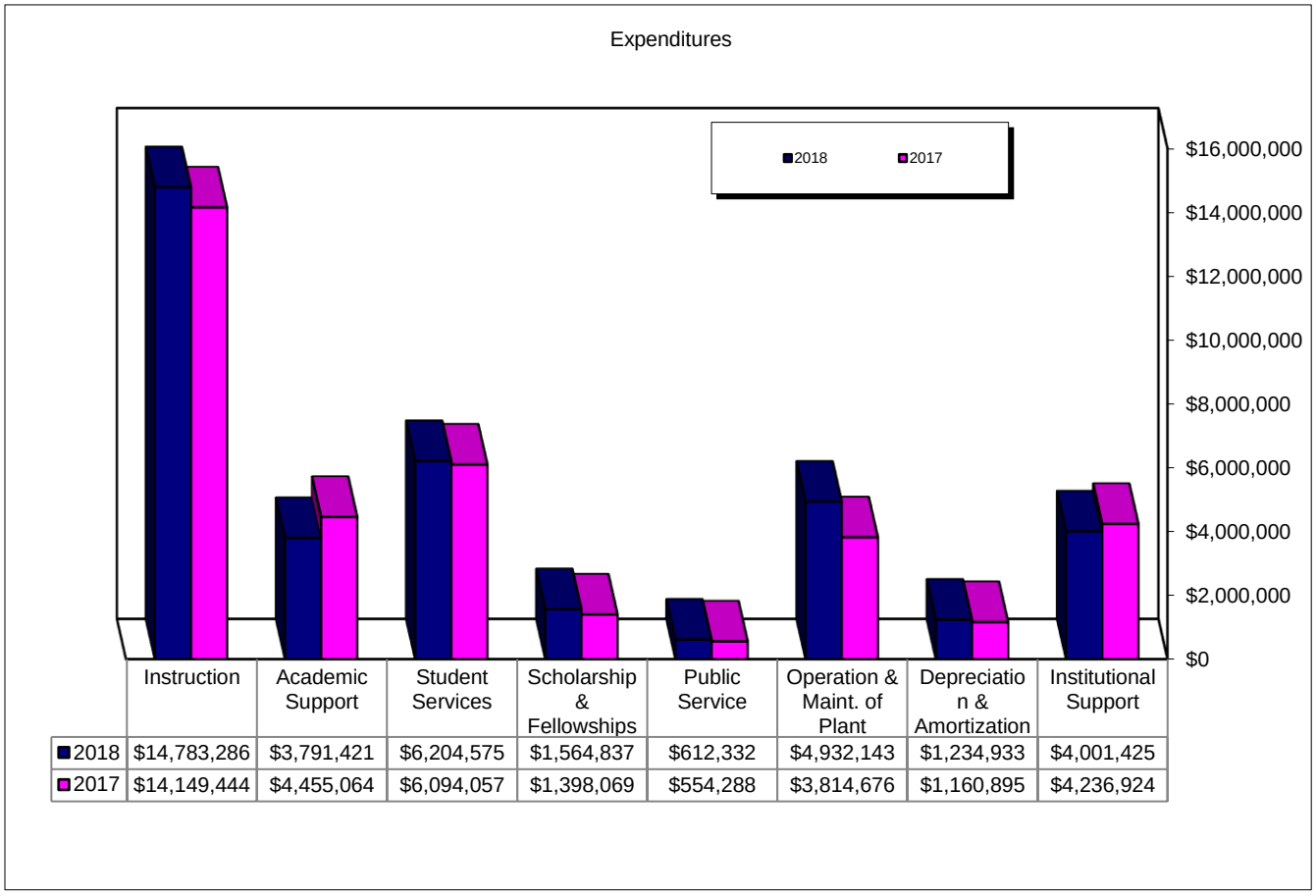
Capital appropriations decreased by $3,047,492 in fiscal year 2018 and increased by $3,256,755 in fiscal year 2017. The decrease in fiscal year 2018 is primarily due to the completed waste water project, which recognized substantial revenue receipt in fiscal 2017 but not in fiscal year 2018. The significant decrease is also the result of several other projects for which revenue was received in the prior fiscal year, and which were completed in the prior fiscal year. Projects funded and completed in prior fiscal year include the replacement of the library chiller, completion of a waterproofing study, library roof tile replacement, elevator repairs and exterior lighting repairs and replacement. Increases in capital appropriation for fiscal year 2018 included funding received for consulting services to assess capital needs and funding awarded to complete a campus wide accessibility study.





Overview of the Financial Statements - Continued

Changes in expenditure, relative to prior fiscal year include a 29.3% increase in operations and maintenance, an increase in student services spending of 1.8%, a 5.6% decrease in institutional support, a 4.5% increase in spending on instruction, an 11.9% increase in institutional scholarship, a 14.9% decrease in academic support spending and a 10.5% increase in public service spending.



	Instruction	Academic Support	Student Services	Scholarship & Fellowships	Public Service	Operation & Maint. of Plant	Depreciation & Amortization	Institutional Support
2018	$14,783,286	$3,791,421	$6,204,575	$1,564,837	$612,332	$4,932,143	$1,234,933	$4,001,425
2017	$14,149,444	$4,455,064	$6,094,057	$1,398,069	$554,288	$3,814,676	$1,160,895	$4,236,924

Overview of the Financial Statements - Continued

Major grants and contracts revenue received by the College for the years ended June 30, 2018 and 2017 included the following:

- **Adult Education Center** revenues amounted to $574,391 and $608,793 as of June 30, 2018 and 2017, respectively. Adult Education Center 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** revenues amounted to $319,810 and $289,776 as of June 30, 2018 and 2017, 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 funding September 1, 2015 – August 31, 2020. Our Advantage Program serves approximately 182 participants, at least two-thirds of whom must be first-generation college and low income, or have a documented disability and at least one third of the documented disabled must be low income as well. Services provided include intrusive academic advising, career counseling, peer mentoring, individual tutoring, financial/economic literacy, transfer and personal counseling.

- **HRSA** (The Health Resources Service Administration Nursing Workforce Diversity (NWD)) grant revenues amounted to $412,405 for fiscal year 2018. The funding cycle is from July 1, 2017 to June 30, 2021. The purpose of the HRSA NWD grant is to recruit, retain and graduate a more diverse and robust healthcare workforce pipeline that will support healthcare sector needs in this geographically isolated and rural region of Cape Cod & Islands. Underrepresented groups being primarily supported by this grant include economically and/or academically disadvantaged and rural students. The main objectives of the HRSA NWD grant are to: (1) develop and implement holistic admissions practices in the nursing program; (2) increase retention and graduation of Associate Degree nursing students through provision of tuition assistance, stipends, enhanced support services and mentoring; (3) increase enrollment, retention and graduation of BSN prepared nurses through provision of tuition assistance, stipends and mentoring opportunities; (4) provide financial and support services to pre-entry nursing students from disadvantaged groups; and (5) enhance faculty and students' cultural and geriatric competence through professional development and reviewed curriculum with increased opportunities to apply to clinical experience.

Overview of the Financial Statements - Continued

- **SAIL** (Success through Advising and Interactive Learning) revenues amounted to $509,065 and $480,727 as of June 30, 2018 and 2017 respectively. The funding cycle is for five years October 1, 2015 to September 30, 2020. SAIL has one activity with 3 activity components: 1) Strengthening student services; 2) Strengthening academic programs; and 3) Faculty and staff development in learning strategies and targeted student services. The intent is to strengthen the student services and academic programs across the institution and build the capacity to serve all students, including low-income and minority students. The goals of Project SAIL are designed to make substantial institutional advances in order to increase student success and meet the following performance outcomes:

    - Significantly increase retention for first-time and all students
    - Significantly increase the percentage of students who complete an AA/AS degree or certificate
    - Significantly increase the transfer rate from 4Cs to four-year colleges and universities
    - Significantly increase the percentage of students who progress from developmental to college level math.

- **Financial Aid** awards at the College amounted to $6,465,350 and $6,102,084 as of June 30, 2018 and 2017 respectively. The increase in financial aid is primarily due to a regulation change under the Federal Pell Grant program, which now allows full time students to receive additional funding during the summer. Financial aid awards are based upon a student's financial need and the cost of attendance. In fiscal year 2018, 2,100 students received financial aid, down from 2,211 in fiscal year 2017.

		2018		2017
The sources of these awards are:				
Federal Government	**$**	**4,352,166**	$	3,740,813
Commonwealth of Massachusetts		**1,241,301**		1,267,905
Grants and private donations		**871,883**		1,093,366
	$	**6,465,350**	$	6,102,084

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 total appropriation increased by .72% or $119,548, to $16,692,131 in fiscal year 2018. The unrestricted portion of state appropriation increased by $109,189, and is the result of the net of a decrease in the state maintenance appropriation offset by an increase in fringe allocation funding and a decrease in state tuition remitted. The restricted portion of this total increase amounted to an increase of $10,359, and which was the result of the net of less funding for the Mass Pathways program, an increase in the amount awarded for the Performance Incentive Fund grant, the elimination of revenue received in the prior year for the Sightlines study and prior year adjustments.

Transfers from the Foundation increased by $658,768 to $1,508,132 for fiscal year 2018, as a result of fundraising efforts for the nursing expansion and renovation project.

For comparison, the Commonwealth's total appropriation decreased by 1.93% or $326,393, to $16,572,583 in fiscal year 2017. The unrestricted portion of state appropriation increased by $1,252,047, which was the result of an increase in the state maintenance appropriation and fringe allocation funding, offset by a decrease in performance funding and an increase in state tuition remitted. The restricted portion of this total decrease amounted to a decrease of $1,528,440, and was driven by the fact that in fiscal year 2016, the College received $1,433,923 in funds earmarked to the aviation program, which were not received in fiscal year 2017. Additionally, the change in restricted appropriation was the result of a reduction in funding for the Vision program and small increases for Sightlines funding and for the CCAPE and DHE funding.

Transfers from the Foundation increased by $306,137 for fiscal year 2017, as a result of fundraising efforts for the nursing expansion and renovation project. Lastly, the College wrote off $525,666 in construction in process, due to changes in accounting policy by the Commonwealth, which reduced total net non-operating revenues.

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, 2018 and 2017 amounts to $16,811,192 and $16,196,478, 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 2018 and 2017:

	2018	2017
Building improvements	**$ 1,674,642**	$ 673,348
Construction in progress	**140,865**	3,279,743
Furnishings and equipment	**34,139**	14,726
	$ 1,849,646	$ 3,967,817

Capital spending within fiscal year 2018 for building improvements, completed in fiscal year 2018 includes $57,358 spent on the elevator project, $412,443 spent on the campus-wide sewage system upgrade, $147,483 spent in replacing the library chiller and $1,057,358 spent on the nursing renovation. Construction in process spent within fiscal year 2018 included $88,463 spent on the HVAC project, $2,314 additional spending on the Lorusso envelope project and $50,088 on the campus-wide accessibility project. Furnishing and equipment spend increased by $34,139, of which $19,413 was related to the nursing renovation and $14,726 was the current portion of spending on equipment on capital lease.

Fiscal year 2017 capital spending for building improvements, completed in fiscal year 2017 included $276,574 spent on replacement of the Administration building roof and $396,774 spent to replace the roof on the College gymnasium. Construction in process total additions of $3,279,743 related to increases in spending for the library elevator repair, in the amount of $142,082, repair of the library chiller, in the amount of $568,853, additional spending of $427,139 for the nursing renovation, additional spending for the Lorusso envelope project, in the amount of $38,059 and spending of $2,103,610 for the campus wide sewage upgrade. Spending on furnishings and equipment in fiscal year 2017 represented $14,726 the second payment on a five year "lease to purchase" agreement for facilities machinery.

Capital Assets and Noncurrent Liabilities of the College - Continued

Non-current 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, and amounts to $743,010 for fiscal year 2018. For fiscal year 2018, the College's non-current liability related to worker's compensation amounts to $259,978. At the end of fiscal year 2018, the long-term portion of capital lease obligations amounts to $14,726.

Additional Information

For fiscal year 2018, credit hour enrollment was projected to be down by 4.63% relative to fiscal year 2017. Actual enrollment performance for fiscal year 2018 amounted to a decrease from prior year of 3.80%.

The College's enrollment management team actively continues to examine its efforts to improve the student intake process and to identify, recruit and retain recent and prospective students. The College also re-engaged Davis Advertising in fiscal year 2018 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.

Request for Information

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

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

Statement of Net Position

June 30, 2018

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

Statement of Net Position

June 30, 2018

	Primary Government College	Component Unit Foundation
Assets and Deferred Outflows of Resources		
Current Assets:		
Cash and equivalents (Note 3)	$ 4,281,469	$ 1,611,760
Cash held by state treasurer (Note 4)	1,065,697	-
Certificates of deposit (Note 3)	6,022,079	250,830
Accounts receivable, net (Note 5)	1,840,977	21,101
Pledges receivable (Note 6)	-	60,025
Prepaid and other assets	319,634	-
Total Current Assets	13,529,856	1,943,716
Non-Current Assets:		
Investments	-	9,954,193
Pledges receivable (Note 6)	-	124,475
Funds held by others	20,000	-
Capital assets, net of accumulated depreciation (Note 7)	16,840,644	-
Total Non-Current Assets	16,860,644	10,078,668
Total Assets	30,390,500	12,022,384
Deferred Outflows of Resources:		
Pension related, net (Note 11)	1,631,321	-
OPEB related, net (Note 12)	2,297,552	-
Total Deferred Outflows of Resources	3,928,873	-
Total Assets and Deferred Outflows of Resources	$ 34,319,373	$ 12,022,384
Liabilities, Deferred Inflows of Resources and Net Position		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 427,182	$ 279,172
Accrued payroll	1,086,619	-
Compensated absences (Note 8)	1,598,859	-
Workers' compensation (Note 8)	69,943	-
Students' deposits and unearned revenues	669,372	-
Other unearned revenues	80,797	-
Current portion of capital lease (Note 8)	14,726	-
Total Current Liabilities	3,947,498	279,172
Non-Current Liabilities:		
Compensated absences (Note 8)	743,010	-
Workers' compensation (Note 8)	259,978	-
Funds held for others	-	20,000
Capital lease obligations (Note 8)	14,726	-
Net pension liability (Note 11)	3,796,847	-
Net OPEB liability (Note 12)	8,352,282	-
Total Non-Current Liabilities	13,166,843	20,000
Total Liabilities	17,114,341	299,172
Deferred Inflows of Resources:		
Pension related, net (Note 11)	1,281,219	-
OPEB related, net (Note 12)	1,111,709	-
Total Deferred Inflows of Resources	2,392,928	-
Net Position:		
Investment in capital assets, net	16,811,192	-
Restricted:		
Nonexpendable	20,000	6,320,868
Expendable	-	4,868,944
Unrestricted	(2,019,088)	533,400
Total Net Position	14,812,104	11,723,212
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 34,319,373	$ 12,022,384

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

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

Statement of Revenues and Expenses

For the Year Ended June 30, 2018

	Primary Government College	Component Unit Foundation
Operating Revenues:		
Tuition and fees	**$ 12,197,695**	**$ -**
Less: scholarship allowances	**(4,900,513)**	**-**
Net student fees	**7,297,182**	**-**
Federal, state, local, and private grants and contracts	**8,552,197**	**-**
Gifts and contributions	**-**	**2,300,090**
Auxiliary enterprises	**145,605**	**-**
Rental income	**-**	**200,200**
Other sources	**2,119,159**	**-**
Total Operating Revenues	**18,114,143**	**2,500,290**
Operating Expenses (Note 9):		
Instruction	**14,783,286**	**-**
Academic support	**3,791,421**	**-**
Student services	**6,204,575**	**-**
Scholarships and fellowships	**1,564,837**	**181,474**
Public service	**612,332**	**-**
Operation and maintenance of plant	**4,932,143**	**-**
Institutional support	**4,001,425**	**623,336**
Depreciation and amortization	**1,234,933**	**-**
Total Operating Expenses	**37,124,952**	**804,810**
Net Operating Income (Loss)	**(19,010,809)**	**1,695,480**
Non-Operating Revenues (Expenses):		
State appropriations - unrestricted (Note 10)	**16,627,625**	**-**
State appropriations - restricted (Note 10)	**64,506**	**-**
Transfers to the College from the Foundation	**1,508,132**	**(1,508,132)**
Net investment income	**74,707**	**712,980**
Total Net Non-Operating Revenues (Expenses)	**18,274,970**	**(795,152)**
Increase (Decrease) in Net Position Before Other Revenues	**(735,839)**	**900,328**
Capital appropriations (Note 10)	**733,345**	**-**
Total Increase (Decrease) in Net Position	**$ (2,494)**	**$ 900,328**

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

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

Statement of Changes in Net Position

For the Year Ended June 30, 2018

	College				
	Investment in Capital Assets, Net	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2017, as previously reported	**16,196,478**	**20,000**	**-**	**5,138,580**	**21,355,058**
Prior period adjustment - Implementation of newly effective accounting standard (Note 2)	-	-	-	(6,540,460)	(6,540,460)
Balance, June 30, 2017, as restated	**16,196,478**	**20,000**	**-**	**(1,401,880)**	**14,814,598**
Change in net position for 2018	614,714	-	-	(617,208)	(2,494)
Balance, June 30, 2018	**$ 16,811,192**	**$ 20,000**	**$ -**	**$ (2,019,088)**	**$ 14,812,104**

	Foundation				
	Investment in Capital Assets, Net	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2017	**-**	**6,067,229**	**4,372,060**	**383,595**	**10,822,884**
Change in net position for 2018	-	253,639	496,884	149,805	900,328
Balance, June 30, 2018	**$ -**	**$ 6,320,868**	**$ 4,868,944**	**$ 533,400**	**$ 11,723,212**

See accompanying notes to the financial statements.

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

Statement of Cash Flows

For the Year Ended June 30, 2018

Cash Flows from Operating Activities:	
Tuition and student fees	**$ 7,098,441**
Grants and contracts	**8,913,927**
Payments to suppliers	**(12,375,295)**
Payments to employees	**(17,445,459)**
Payments to students	**(1,564,837)**
Other cash receipts	**2,540,638**
Net Cash Applied to Operating Activities	**(12,832,585)**
Cash Flows from Non-Capital Financing Activities:	
State appropriations	**12,426,137**
Tuition remitted to state	**(342,547)**
Gifts and contributions	**1,508,132**
Net Cash Provided by Non-Capital Financing Activities	**13,591,722**
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets	**(1,101,575)**
Payments on capital leases	**(14,726)**
Net Cash Applied to Capital and Related Financing Activities	**(1,116,301)**
Cash Flows from Investing Activity:	
Certificate of deposit purchase/maturation	**(6,000,000)**
Interest on investments	**74,707**
Net Cash Applied to Investing Activities	**(5,925,293)**
Net Decrease in Cash and Equivalents	**(6,282,457)**
Cash and Equivalents, Beginning of Year	**11,629,623**
Cash and Equivalents, End of Year	**$ 5,347,166**

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2018

Reconciliation of Net Operating Loss to	
Net Cash Applied to Operating Activities:	
Net operating loss	**$ (19,010,809)**
Adjustments to reconcile net loss to net cash applied to operating activities:	
Depreciation	**1,234,933**
Fringe benefits provided by the State	**4,608,541**
Net pension activity	**105,294**
Net OPEB activity	**625,979**
Changes in assets and liabilities:	
Accounts receivable	**549,875**
Prepaid and other current assets	**(30,105)**
Accounts payable and accrued liabilities	**(843,794)**
Accrued employee compensation and benefits	**41,165**
Students' deposits and other unearned revenues	**(113,664)**
Net Cash Applied to Operating Activities	**$ (12,832,585)**
Reconciliation of Cash and Equivalents, End of Year:	
Cash and equivalents	**$ 4,281,469**
Cash held by State Treasurer	**1,065,697**
Total	**$ 5,347,166**
Non-Cash Transactions:	
Fringe benefits provided by the State	**$ 4,608,541**
Capital appropriations	**$ 733,345**

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, 2018

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 Statement of Revenues and Expenses demonstrates 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 interfund 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.

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.

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 Iyannough Road, West Barnstable, MA 02668-1599.

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

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

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

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

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

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.

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

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 5 to 40 years.

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

Capital Assets - continued

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. The College does not have collections of historical treasures, works of art or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

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

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.

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

Postemployment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust ("SRBT") and additions to/deductions from SRBT's fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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.

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, 2018. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2018. 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.

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

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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require.

As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, and determining the net pension and OPEB liabilities.

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

New Governmental Accounting Pronouncements

GASB Statement 83 – *Certain Asset Retirement Obligations* ("AROs") is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. Pension and other employee benefit trust funds, investment trust funds, private-purpose trust funds and custodial funds would be reported, as applicable, according to this Statement. Information of component units of a primary government would be combined and shown in the aggregate with the fiduciary funds of the primary government. Under this Statement, a liability could be recognized to the beneficiaries in a fiduciary fund if the government has been compelled to disburse fiduciary resources. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows/outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management has not completed its review of the requirements of this standard and its applicability.

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

New Governmental Accounting Pronouncements - continued

GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* is effective for years beginning after June 15, 2018. Implementation of this standard will require additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

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

As a result of implementing GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, net position was restated to reflect the Net OPEB liability as of June 30, 2017, as displayed below:

	As Previously Reported	As Restated
As of June 30, 2017:		
Statement of Net Position		
Net OPEB liability	$ -	$ (6,726,364)
OPEB related, net	-	185,904
Unrestricted net position	5,138,580	(1,401,880)

Note 3 - **Cash and Investments**

Deposits and Investments
Deposits and investments consist of the following at June 30, 2018:

Cash and Equivalents	**$ 4,281,469**
Certificates of Deposit	**6,022,079**
Total Cash, Equivalents, and Investments	**$ 10,303,548**

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 to certain limits. Cash, equivalents and investments as of June 30, 2018 were secured by irrevocable stand-by letters of credit with the Federal Home Loan Bank of Pittsburgh in the amount of $12,250,000. The College's bank balances as of June 30, 2018 were $10,580,841. As of June 30, 2018, none of this balance was exposed to custodial credit risk as uninsured and uncollateralized.

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.

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

Investment Policy - continued
The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but it delegates to the President or his designee the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

Deposit and Investment Maturities
The College's investments and maturities consist of the following at June 30, 2018:

		Investment maturities (in years)			
Investment type	**Fair value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Certificates of Deposit	**$ 6,022,079**	**$ 6,022,079**	**$ -**	**$ -**	**$ -**

The College opened three certificates of deposit accounts ("CD") with TD Bank during 2018. The CDs generate interest at rates ranging from 1.83% to 2.03%.

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.

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

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, 2018, all of the College's investments are valued as level 1.

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

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, 2018:

	Cost	Market Value	Unrealized Gain/(Loss)
Equity mutual funds	**$ 5,511,839**	**$ 7,007,066**	**$ 1,495,227**
Bond mutual funds	**3,020,664**	**2,947,127**	**(74,037)**
Total investments	**$ 8,532,503**	**$ 9,954,193**	**$ 1,421,190**

The following schedule summarizes the investment return for the year ended June 30, 2018:

Interest and dividends	**$ 216,760**
Realized gains	**281,376**
Unrealized gains (losses)	**268,538**
Investment fees	**(53,694)**
Total investment return	**$ 712,980**

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $1,065,697 at June 30, 2018. 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 5 - **Accounts Receivable**

The College's accounts receivable includes the following at June 30, 2018:

Student accounts receivable	**$ 1,973,090**
Grants receivable	**163,265**
Other receivable	**173,372**
	2,309,727
Less: allowance for doubtful accounts	**(468,750)**
Total accounts receivable, net	**$ 1,840,977**

Note 6 - **Pledges Receivable**

The Foundation has pledges receivable as of June 30, 2018, which are expected to be realized in the following time periods:

Less than one year	**$ 60,025**
Between one and five years	**124,475**
Pledges Receivable	**$ 184,500**

Note 7 - **Capital Assets**

Capital assets of the College consist of the following at June 30, 2018:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress	—	$ 3,653,251	$ 140,865	$ -	$ (3,482,862)	$ 311,254
Land	—	82,355	-	-	-	82,355
Total not depreciated		3,735,606	140,865	-	(3,482,862)	393,609
Capital assets depreciated:						
Building, including improvements	20-40	39,502,728	1,674,643	-	3,482,862	44,660,233
Furnishings and equipment	5-10	7,334,791	19,413	-	-	7,354,204
Total depreciated		46,837,519	1,694,056	-	3,482,862	52,014,437
Less: accumulated depreciation:						
Building, including improvements		(27,999,337)	(938,989)	-	-	(28,938,326)
Furnishings and equipment		(6,333,132)	(295,944)	-	-	(6,629,076)
Total accumulated depreciation		(34,332,469)	(1,234,933)	-	-	(35,567,402)
Capital assets, net		$16,240,656	$ 599,988	$ -	$ -	$ 16,840,644

Note 8 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30, 2018:

	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
Lease obligations	**$ 44,178**	**$ -**	**$ (14,726)**	**$ 29,452**	**$ 14,726**	**$ 14,726**
Other long-term liabilities:						
Compensated absences	**2,309,209**	**32,660**	**-**	**2,341,869**	**1,598,859**	**743,010**
Workers' compensation	**328,118**	**1,803**	**-**	**329,921**	**69,943**	**259,978**
Net pension liability	**3,281,453**	**515,394**	**-**	**3,796,847**	**-**	**3,796,847**
Net OPEB liability	**6,726,364**	**1,625,918**	**-**	**8,352,282**	**-**	**8,352,282**
Total other long term liabilities	**12,645,144**	**2,175,775**	**-**	**14,820,919**	**1,668,802**	**13,152,117**
Total long-term liabilities	**$ 12,689,322**	**$ 2,175,775**	**$ (14,726)**	**$ 14,850,371**	**$ 1,683,528**	**$ 13,166,843**

Capital Leases

During fiscal year ended 2016, the College entered into a capital lease for equipment for $73,630, requiring fixed annual payments of $16,623, including interest at 4.18% expiring June 2021.

The following is a summary of property held under capital lease as of June 30, 2018:

Equipment	$ 73,630
Less: accumulated depreciation	(36,815)
	$ 36,815

Operating Leases

The College subleases office and classroom space for its Hyannis campus center from the Foundation under an operating lease agreement expiring in August 2028. Rental expense for this lease was $200,200 for the year ended June 30, 2018.

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

Operating Leases - continued

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. On March 2, 2018, the agreement was amended to add an additional 7,200 square feet of classroom and office space with adjusted annual payments ranging from $180,235 in the third year of the original agreement to $257,798 in the tenth year. The premises are used for classroom instruction. Rental expense for this lease was $345,424 for the year ended June 30, 2018.

The following schedule summarizes future minimum payments due under non-cancelable leases as of June 30, 2018:

	Capital Leases	Operating Leases	Total
Years Ending June 30,			
2019	$ 14,726	$ 403,796	$ 418,522
2020	14,726	417,994	432,720
2021	-	427,316	427,316
2022	-	438,177	438,177
2023	-	449,583	449,583
2024 - 2028	-	1,648,416	1,648,416
2029	-	220,220	220,220
	$ 29,452	$ 4,005,502	$ 4,034,954

Note 9 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are composed of the following for the year ended June 30, 2018:

Compensation and benefits	**$ 27,290,410**
Supplies and services	**7,034,772**
Depreciation and amortization	**1,234,933**
Scholarships and fellowships	**1,564,837**
	$ 37,124,952

Note 10 - **State Appropriation**

The College's state appropriations are composed of the following at June 30, 2018:

Direct unrestricted appropriations	**$ 12,361,631**
Add: fringe benefits for benefited employees on the state payroll	**4,608,541**
Less: day school tuition remitted to the state and included in tuition and fee revenue	**(342,547)**
Total unrestricted appropriations	**16,627,625**
Restricted appropriations	**64,506**
Capital appropriations	**733,345**
Total appropriations	**$ 17,425,476**

Restricted appropriations were designated for specific College programs including CCAPE, VISION, and aviation programs.

Note 11 - **Pensions**

Defined Benefit Plan Description

Certain employees of the College participate in a cost-sharing multiple-employer defined benefit pension plan – the Massachusetts State Employees' Retirement System ("SERS") – 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. Additional information regarding the Plan is contained in the Commonwealth's financial statements, which is available on-line from the Office of State Comptroller's website.

Benefit Provisions

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

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

Note 11 - **Pensions - Continued**

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:

Hire Date	Percentage of Compensation
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation 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 Commonwealth does not require the College to contribute funding from its local trust funds for employee paid by state appropriations. Penson funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $1,557,333 and $1,364,670 for the years ended June 30, 2018 and 2017, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2018 and 2017, respectively. The College contributed $305,695 and $231,460 for the fiscal years ended June 30, 2018 and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 72% of total related payroll for fiscal years end 2018 and 2017.

Note 11 - **Pensions - Continued**

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

At June 30, 2018, the College reported a liability of $3,796,847 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, 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, 2017 rolled forward to June 30, 2017.

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 2018. The College's proportionate share was based on actual employer contributions to the SERS for fiscal year 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.030%.

For the year ended June 30, 2018, the College recognized pension expense of $410,992. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2018:

Deferred Outflows of Resources	
Changes in plan actuarial assumptions	**$ 395,120**
Changes in proportion from Commonwealth	**13,004**
Changes in proportion due to internal allocation	**770,701**
Differences between expected and actual experience	**146,801**
Contributions subsequent to the measurement date	**305,695**
Total	**$ 1,631,321**

Note 11 - **Pensions - Continued**

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

Deferred Inflows of Resources	
Net difference between projected and actual earnings on pension plan investments	**$ 45,239**
Differences between expected and actual experience	**103,303**
Changes in proportion from Commonwealth	**1,353**
Change in proportion due to internal allocation	**1,131,324**
Total	**$ 1,281,219**

The College's contributions of $305,695 made during the fiscal year ending 2018 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 June 30,	
2019	$ 38,125
2020	148,140
2021	14,932
2022	(154,140)
2023	(2,650)
Total	$ 44,407

Note 11 - **Pensions - Continued**

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, 2017
Inflation	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.50%
Investment rate credited to annuity savings fund	3.50%

For measurement dates June 30, 2017, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected with Scale MP-2016 and set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant Table projected with Scale MP-2016 and set forward 1 year for females
- Disability - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 and rolled forward to June 30, 2017.

Note 11 - **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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	40%	5.00%
Core Fixed Income	12%	1.10%
Hedge Funds	0%	3.60%
Private Equity	11%	6.60%
Real Estate	10%	3.60%
Portfolio Completion Strategies	13%	3.60%
Value Added Fixed Income	10%	3.80%
Timber/Natural Resources	4%	3.20%
	100%	

Note 11 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at June 30, 2018. 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 pension plan's fiduciary 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.

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 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, 2018	
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
$ 5,171,148	$ 3,796,847	$ 2,689,815

Note 12 - **OPEB**

Plan Description

As an agency of the Commonwealth, certain employees of the College participate in the Commonwealth's single employer defined benefit-OPEB plan – the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), 1 person appointed by the Governor and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

The SRBT does not issue a stand-alone audited financial statements, but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided

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 are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Note 12 - **OPEB - Continued**

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2017 and as of the valuation date (January 1, 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

Effective beginning in fiscal year 2014, by statute the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal year 2017, 10% of tobacco settlement proceeds or approximately $25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal year 2017 was set at 10%, overriding existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.92% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed $231,447 for the fiscal year ended June 30, 2018 equal to 100% of the required contribution for the year.

Note 12 - **OPEB - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the College reported a liability of $8,352,282 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.0443%.

For the year ended June 30, 2018, the College recognized OPEB expense of $857,164. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

Deferred Outflows of Resources Related to OPEB	
Changes in proportion from Commonwealth	**$ 17,806**
Changes in proportion due to internal allocation	**2,048,299**
Contributions subsequent to the measurement date	**231,447**
Total deferred outflows related to OPEB	**$ 2,297,552**

Note 12 - **OPEB - Continued**

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - continued

Deferred Inflows of Resources Related to OPEB	
Net difference between projected and actual earnings on OPEB plan investments	**$ 13,504**
Differences between expected and actual experience	**21,871**
Changes in plan actuarial assumptions	**1,076,334**
Total deferred inflows related to OPEB	**$ 1,111,709**

The College's contribution of $231,447 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ending June 30,	
2019	$ 180,575
2020	180,575
2021	180,575
2022	180,575
2023	232,096
Total	$ 954,396

Note 12 - **OPEB - Continued**

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2017
Inflation	3.00%
Salary increases	4.5% per year
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

Note 12 - **OPEB - Continued**

Actuarial Assumptions - continued
The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.

- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.

- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the periods ranging July 1, 2015 through December 31, 2016, depending upon the criteria being evaluated. As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 actuarial valuation to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

Note 12 - **OPEB - Continued**

Actuarial Assumptions - continued
The long-term expected rate of return on OPEB 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.

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2018, are the same as discussed in the Pension footnote number 11.

Discount Rate
The discount rate used to measure the total OPEB liability was 3.63%. This rate was based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate
The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1.00% Decrease 2.63%	Current Discount Rate 3.63%	1.00% Increase 4.63%
Net OPEB liability	$ 10,149,273	$ 8,352,282	$ 6,971,382

Note 12 - **OPEB - Continued**

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the College's proportionate share of the net OPEB liability, as well as what the College's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	$ 6,870,479	$ 8,352,282	$ 10,347,955

(A) - The current healthcare cost trend rates are as follows:
9.0% for Medicare, 5.0% for EGWP and 5.0% for administration costs.
(B) - The healthcare cost trend rates after a 1% decrease are as follows:
8.0% for Medicare, 4.0% for EGWP and 4.0% for administration costs.
(C) - The healthcare cost trend rates after a 1% increase are as follows:
10.0% for Medicare, 6.0% for EGWP and 6.0% for administration costs.

Note 13 - **Other 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 for active employees and retirees is paid through a fringe benefit rate charged to the College by the Commonwealth.

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

Note 13 - **Other Fringe Benefits - Continued**

Group Insurance Commission - continued
teachers from certain cities and towns and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by an seventeen-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, 2018, 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 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 pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans
The employees of the College can elect to participate in two defined contribution plans offered and administered by the Massachusetts Department of Higher Education – an IRC 403(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The College has no obligation to contribute to these plans and no obligation for any future pay-out.

Note 14 - **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.

Note 14 - **Commitments and Contingencies - Continued**

Federal, State, and Private Contracts and Grants - continued

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.

Risk Management

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability and workers' compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to $100,000 per occurrence, in most circumstances.

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

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

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2018.

Note 16 - **Pass-Through Grants**

The College distributed $1,822,380 during 2018 for student loans through the U.S. Department of Education federal direct lending program. 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 COMMUNTY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.030%	0.024%	0.043%	0.040%
Proportionate share of the collective net pension liability	$ 3,796,847	$ 3,281,453	$ 4,845,997	$ 2,976,652
College's covered payroll	$ 2,326,231	$ 1,808,307	$ 2,565,242	$ 2,974,086
College's proportionate share of the net pension liability as a percentage of its covered payroll	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	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, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

CAPE COD COMMUNTY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2018	2017	2016	2015
Statutorily required contribution	$ 305,695	$ 231,460	$ 170,885	$ 266,529
Contributions in relation to the statutorily required contribution	(305,695)	(231,460)	(170,885)	(266,529)
Contribution excess	$ -	$ -	$ -	$ -
Covered payroll	$ 2,595,034	$ 2,326,231	$ 1,808,307	$ 2,565,242
Contribution as a percentage of covered payroll	11.78%	9.95%	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, 2014 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 - Pension (Unaudited)

For the Year Ended June 30, 2018

Note 1 - **Change in Plan Actuarial and Assumptions**

Fiscal year June 30, 2018
Change of Benefits:
Chapter 79 of the Acts of 2014 established an early retirement ("ERI") program for certain members of the SERS plan. As a result, the total pension liability of SERS increased by approximately $10 million as of June 30, 2017.

Assumptions:
The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward 1 year for females

- Disability – did not change

These mortality rate changes resulted in an increase of approximately $304 million in the total pension liability of SERS as of June 30, 2017.

Fiscal year June 30, 2017
Change of Benefits:
Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan ("ORP") to transfer into the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately $400 million as of June 30, 2016.

See Independent Auditor's Report.

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

Notes to the Required Supplementary Information - Pension (Unaudited) - Continued

For the Year Ended June 30, 2018

Note 1 - **Change in Plan Actuarial and Assumptions - Continued**

Fiscal year June 30, 2016

Change of Benefits:

Chapter 19 of the Acts of 2015 established an ERI program for certain members of the SERS plan. As a result, the total pension liability of SERS increased by approximately $230 million as of June 30, 2015.

Assumptions:

The discount rate to calculate the pension liability decreased from 7.75% to 7.5%. This change resulted in an increase of approximately $933 million in the total pension liability of SERS as of June 30, 2015.

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)

- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

These mortality changes resulted in an increase of approximately $1.397 billion in the total pension liability of SERS as of June 30, 2015.

See Independent Auditor's Report.

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

Notes to the Required Supplementary Information - Pension (Unaudited) - Continued

For the Year Ended June 30, 2018

Note 1 - **Change in Plan Actuarial and Assumptions - Continued**

Fiscal year June 30, 2015

Assumptions:

An updated experience study encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover and mortality. This study adjusted the mortality assumption which resulted in an increase of approximately $102 million in the total pension liability as of June 30, 2014.

See Independent Auditor's Report.

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

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2018
Measurement date	June 30, 2017
Valuation date	January 1, 2017
Proportion of the collective net OPEB liability	0.042%
Proportionate share of the collective net OPEB liability	$ 8,352,282
College's covered payroll	$ 2,326,231
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	359.05%
Plan fiduciary net position as a percentage of the total OPEB liability	4.80%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

State Retirees' Benefit Trust

For the Year Ended June 30, 2018

	2018
Statutorily required contribution	$ 231,447
Contributions in relation to the statutorily required contribution	(231,447)
Contribution (excess)/deficit	$ -
College's covered payroll	$ 2,595,034
Contribution as a percentage of covered payroll	8.92%

Notes:

Employers participating in the State Retirees' Benefit Trust 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, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2018

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2018

Assumptions:
The discount rate was increased to 3.63% based upon a blend of the Bond Buyer Index rate as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease in the net OPEB liability of approximately $3.08 billion as of June 30, 2017.

See Independent Auditor's Report.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cape Cod Community College (the "College"), which comprise the statement of net position as of June 30, 2018, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise Cape Cod Community College's basic financial statements and have issued our report thereon dated October 12, 2018.

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.

Certified Public Accountants
Braintree, Massachusetts

October 12, 2018