
**CAPE COD COLLABORATIVE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2014**

CAPE COD COLLABORATIVE
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FOR THE YEAR ENDED JUNE 30, 2014

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CAPE COD COLLABORATIVE
OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2014

<u>Name</u>	<u>Title</u>
Ms. Terri Medeiros	Co-Chairperson
Dr. Robert Tankard	Co-Chairperson
Dr. Joan Bentinck-Smith	Vice-Chairperson
Mr. Paul Hilton	Executive Director
Ms. Judy FitzGerald	Treasurer
Dr. Joan Bentinck-Smith	Board of Directors
Ms. Melissa Bonvini Murphy	Board of Directors
Mr. Anthony Brackett	Board of Directors
Mr. Stephen Davol	Board of Directors
Ms. Heather DiPaolo	Board of Directors
Mr. Robert Fichtenmayer	Board of Directors
Mr. Christopher Galazzi	Board of Directors
Ms. Trish Hill	Board of Directors
Mr. Melvin Lazarus	Board of Directors
Mr. Drew Locke	Board of Directors
Mr. Francis McDonald	Board of Directors
Mr. Scott McGee	Board of Directors
Ms. Pam Medeiros	Board of Directors
Ms. Terri Medeiros	Board of Directors
Mr. Phillip Morris	Board of Directors
Ms. Jill Putnam	Board of Directors
Mr. Edward Rohmer	Board of Directors
Ms. Mary Louise Sette	Board of Directors
Ms. Susan Sundermeyer	Board of Directors
Mr. Geoff Swett	Board of Directors
Dr. Robert Tankard	Board of Directors

INDEPENDENT AUDITOR'S REPORT

To the Directors of Cape Cod Collaborative

Osterville, Massachusetts:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Cape Cod Collaborative as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Cape Cod Collaborative, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 - 8 and 27 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. Massachusetts Department of Elementary and Secondary Education required information was also added as it is a state requirement (on page 28). 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.

A handwritten signature in cursive script that reads "O'Neil & Associates, PC". The signature is written in dark ink and is positioned above the date.

December 2, 2014

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

Cape Cod Collaborative provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Collaborative's financial statements, which follow.

The Cape Cod Collaborative is an agent of its members (school districts), a governmental subdivision of its members. Unlike a Municipality or a School District, the Collaborative values its services by allocating estimated costs based on the projected service needs of its member districts. Inevitably there are variances between projected and actual service needs and estimated and actual costs. An excess or deficiency results to the extent that actual needs fall short or exceed estimates. When this occurs, and after providing for adequate operating capital, these variances (shared assets or liabilities) are passed on to member districts as future service cost increases or reductions.

Legislation enacted during 2012 (Chapter 43 of the Acts of 2012 - "An Act Relative to Improving Accountability and Oversight of Educational Collaboratives") has had an evolving impact upon educational collaboratives in Massachusetts, especially with the increased administrative burden associated with increased accountability requirements. The Cape Cod Collaborative is in a good position to adapt to this increasing demand, but will need to expand and develop its technology resources sooner than was anticipated to meet these requirements. Several significant hardware and software upgrades initiated in 2012 will continue into 2015 and will improve: financial reporting, teacher evaluation processes, student learning and network server access.

The STAR program in Osterville, and Waypoint Academy (previously the Alternative Education Program) on Joint Base Cape Cod in Bourne are Collaborative tuition programs. 2014 tuition enrollment increased modestly due to changing student populations while transportation services needs remained constant. Our student population is typically very fluid throughout the year; a number of factors impact enrollment such as: residential placement, students who attain the age of 22, students who return to their district or leave the area entirely. While a large percentage of our enrollment is stable these other factors can fluctuate from projections by 20%, which can be problematic without budgetary safeguards. Consequently, many of our spending decisions (wages and other expenses) are predicated on evolving enrollment, which allows us to be quite efficient at providing services. The 2014 Budget included a Board of Directors appropriation of \$92,500 from the General Fund to offset 2014 tuition increases. In addition, during the year the Board authorized a \$50,000 extension of the Risk Eraser program (student information database) support contract through year end.

Transportation administration has seen restructuring beginning in 2014 that added administrative support and increased reliance on database improvement. This will continue into 2015 where Transportation will become more closely aligned with the Business Office in order to provide administrative and technology support. We continue to work with districts to refine the in-district costing templates, providing them with control over their services and costs, and yielding significant efficiencies for us and cost savings for them. We continue to see this as a development that may result in an increase in the transportation services we provide to members in the future. During the year the communications industry changed to a digital format forcing us to upgrade the analog dispatch station and radios for the entire fleet at a cost of nearly \$41,000. Transportation invoicing while more transparent and efficient is still complicated and cumbersome. The alignment with the Business Office will allow us to work quickly to automate the process, eliminate the redundancy and intensity of manual manipulation that is currently required.

The acclaimed Advanced Student Leadership Program (ASLP), in partnership with Massachusetts Maritime Academy, had another successful session. 164 enrolled students successfully completed the summer program. The following program objectives were accomplished: To support and stimulate high achieving students by providing a 3-week summer program that offers hands-on academic pursuit and interactive leadership activities within a collegial environment; To provide a total of 48 hours of project-

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

oriented study in STEM related subject areas; To provide a total of 24 hours of project-oriented study in a humanities related subject area; To provide an evening program of interactive leadership activities; To provide necessary media and library support to ensure success for each student. Demand for this program has allowed us to consider expanding access to ASLP in 2015. A team of Collaborative Board members and Collaborative and Academy staff developed a plan that could double participation, phased in, over the next few years. In 2014 more than 200 students had applied for the summer 2015 program.

In 2014 the modular unit the housed our transportation department sustained substantial water damage when the roof failed during a rainstorm. The restoration required a complete overhaul of the structure the continued well into the summer. Much of the work utilized volunteers and contributions of materials; however, the net cost to complete will be nearly \$33,000. The completed structure will house both Transportation and the Business Office.

Other Post-retirement Employee Benefits (OPEB) in the Governmental Activities portion of the financial statements represent the unfunded portion of this liability and continues to be a reconciling item between Governmental Activities and the Governmental Funds. In 2013, the Collaborative Board reserved \$180,000 in General Funds for Other Post Retirement Employee Benefits. In fiscal 2014 the Board voted to transfer \$180,000 of previously reserved funds into an irrevocable OPEB Trust that was created to manage these deposits. This transfer is recorded in the 2014 General Fund as a current expenditure.

The Collaborative was committed to purchase ten buses for approximately \$400,839 to replace and improve the existing fleet at the 2014 fiscal year-end.

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

2014 FINANCIAL HIGHLIGHTS

- Governmental fund revenues increased 5% or \$526,302, and expenditures increased by 13.4% or \$1,321,358 from the prior year, resulting in an excess of expenditures over revenues for 2014 of (\$150,705). The results are attributable to a number of factors, primarily bus purchases of \$497,718 and fund balance transfers, including: modular renovations, program contract services, the radio digital upgrade, and a budgeted tuition appropriation to offset tuition increases.

The Governmental Funds budgeted revenue and other sources exceeded actual revenue by \$429,019 due to use of fund balance for such items as the transfer to the OPEB Trust, tuition appropriation, program support contract, equipment upgrades and renovations. Expenditures related to the above were less than budgeted amounts by \$183,070. The net excess of expenditures over revenues exceeded the budgeted amount by \$245,949 largely due to utilization of authorized transfers from fund balance.

	Governmental Funds Budgetary Comparison		
	Modified Budget	Actual Amounts	Over (Under)
Revenues and other sources:			
Operations	\$ 10,557,000	\$ 10,524,481	\$ (32,519)
Proceeds from long term debt	497,718	497,718	-
Uses of fund balance:			-
Transfer to OPEB Trust	180,000		(180,000)
Tuition appropriation	92,500		(92,500)
Program support contract	50,000		(50,000)
Equipment upgrade	41,000		(41,000)
Modular renovations	33,000		(33,000)
Total revenue and other sources	11,451,218	11,022,199	(429,019)
Expenditures and other uses:			
Transportation	4,576,526	4,556,466	(20,060)
Waypoint Academy	2,694,551	2,631,043	(63,508)
STAR Program	2,606,925	2,560,265	(46,660)
Itinerant Services	1,099,699	1,089,906	(9,793)
Professional Development and Executive Search	151,496	222,700	71,204
Advanced Student Leadership Program	226,777	112,524	(114,253)
Total expenditures and other uses	11,355,974	11,172,904	(183,070)
Excess (deficiency) of revenue and other sources over expenditures and other uses	\$ 95,244	\$ (150,705)	(245,949)

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

- Governmental activities revenues increased .3%, or \$35,490 from fiscal year 2013, while total expenditures increased by 2%, or \$235,402K, resulting in a decrease in net position of \$199,912 from 2013.

	Primary Government Government Activities		
	June 30, 2014	June 30, 2013	
Current assets	\$ 2,886,157	\$ 2,550,263	13.2%
Capital assets	1,103,545	1,047,469	5.4%
Total assets	3,989,702	3,597,732	10.9%
Current liabilities	1,652,168	1,396,279	18.3%
Non-current liabilities	2,114,812	1,819,355	16.2%
Total liabilities	3,766,980	3,215,634	17.1%
Net position	222,722	382,098	-41.7%
Total liabilities and net position	3,989,702	3,597,732	10.9%
	June 30, 2014	June 30, 2013	
Revenues			
Tuition and therapy revenue	6,198,320	5,974,075	3.8%
Other charges for services	4,326,161	4,521,823	-4.3%
Operating Grants	128,622	121,715	5.7%
Total revenues	10,653,103	10,617,613	0.3%
Expenditures			
Student Instructional Services	6,379,923	6,169,008	3.4%
Student Transportation Services	3,990,540	3,773,435	5.8%
Search	330,318	389,315	-15.2%
Advanced Student Leadership Program	111,698	230,644	-51.6%
Medicaid Claiming	-	14,675	-100.0%
Total Expenditures	10,812,479	10,577,077	2.2%
Change in net position	(159,376)	40,536	-493.2%
Net position - beginning	382,098	341,562	
Net position - ending	\$ 222,722	\$ 382,098	

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- **Management's Discussion and Analysis** introduces the basic financial statements and provides an analytical overview of the Collaborative's financial activities.
- The **Fund Financial Statements** tell how governmental services were financed in the short term as well as what remains for future spending. The Collaborative's Budget follows Governmental Funds reporting. Fund financial statements report operations in more detail than the Government-wide Statements by providing information about the most significant funds.
- The **Government-wide Financial Statements** consist of a *Statement of Net Position* and a *Statement of Activities*. These provide information about the activities of the Collaborative as a whole and present an overall view of the Collaborative's finances including Fixed Assets, Depreciation, Long Term Debt and Other Post-retirement Employee Benefits.
- **Notes to Financial Statements** provide additional information essential to a full understanding of the data provided in the basic financial statements. It is here that you will find a reconciliation of the Statement of Net Position to the Funds Balance Sheet as well as detail concerning some significant major transactions.
- **Required Supplementary Information** further explains and supports the financial statements with a comparison to the Collaborative's Governmental Fund budget for the year. This year the new legislation also requires the Collaborative to provide other data as mandated by the Massachusetts Department of Elementary and Secondary Education.

REPORTING THE COLLABORATIVE'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the Collaborative's finances is, "Is the Collaborative as a whole better off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the Collaborative's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Collaborative's activities are presented in the Statement of Net Position and the Statement of Activities.

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

Fund Financial Statements

The Collaborative has one kind of fund:

Governmental funds account for most of the Collaborative's basic services. These statements focus upon how money flows into and out of those funds, and the resulting balances that remain at year-end that are available for spending. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the Collaborative's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Collaborative's programs.

The required financial statements for governmental funds include a balance sheet, a statement of revenues and expenditures and a statement of changes in fund balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. Cape Cod Collaborative's combined net position was lower than a year ago, decreasing from **\$382,098** to **\$222,722** primarily due to renovations, equipment upgrades and a program service contract mentioned in "financial highlights" above.

CONTACTING THE COLLABORATIVE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our member districts, member communities, and creditors with a general overview of Cape Cod Collaborative's finances and to show the Collaborative's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact Cape Cod Collaborative's business office at 418 Bumps River Road, Osterville, MA 02655. The business office can be contacted by telephone at (508) 420-6950 extension 13.

CAPE COD COLLABORATIVE

BASIC FINANCIAL STATEMENTS

CAPE COD COLLABORATIVE
STATEMENT OF NET POSITION
JUNE 30, 2014

Assets	
Cash and Cash Equivalents	322,891
Investments	1,657,064
Accounts Receivable	700,998
Prepaid Expenses	205,204
Current Assets	<u>2,886,157</u>
Capital Assets (net of Accumulated Depreciation)	<u>1,103,545</u>
Total Assets	<u><u>3,989,702</u></u>
Liabilities:	
Accounts Payable	195,543
Current Portion of Capital Lease Obligations	347,640
Accrued Expenses	665,590
Deferred Revenue	443,395
Current Liabilities	<u>1,652,168</u>
Capital Lease Obligations net of current portion	663,827
Other Post Retirement Employee Benefits	1,450,985
Total Non-current Liabilities	<u>2,114,812</u>
Total Liabilities	<u><u>3,766,980</u></u>
Net Position	
Investments in Capital Assets, net of related Debt	92,078
Restricted	4,600
Unrestricted	126,044
Total Net Position	<u>222,722</u>
Total Liabilities and Net Position	<u><u>3,989,702</u></u>

CAPE COD COLLABORATIVE
STATEMENT OF ACTIVITIES
JUNE 30, 2014

	Program Revenues			Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Grants	Governmental Activities
Student Instructional Services	\$ 6,379,923	\$ 6,198,320	\$ 21,610	\$ (159,993)
Student Transportation Services	3,990,540	3,913,940	-	(76,600)
Professional Development and Executive Search	330,318	245,385	107,012	22,079
Advanced Student Leadership Program	111,698	166,836	-	55,138
Total Primary Government	<u>\$ 10,812,479</u>	<u>\$ 10,524,481</u>	<u>\$ 128,622</u>	<u>\$ (159,376)</u>
		Change in Net Position		(159,376)
		Net Position - Beginning		<u>382,098</u>
		Net Position - Ending		<u>\$ 222,722</u>

CAPE COD COLLABORATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Funds	Restricted Funds	Total Governmental Fund Types
Assets			
Cash and Cash Equivalents	\$ 322,891	\$ -	\$ 322,891
Investments	1,657,064	-	1,657,064
Accounts Receivable	700,998	78,446	779,444
Prepaid Expenses	205,204	-	205,204
Total Assets	<u>2,886,157</u>	<u>78,446</u>	<u>2,964,603</u>
Liabilities:			
Accounts Payable	195,543	4,005	199,548
Accrued Expenses	502,563	4,863	507,426
Deferred Revenue	443,395	69,578	512,973
Total Liabilities	<u>1,141,501</u>	<u>78,446</u>	<u>1,219,947</u>
Equity - Fund Balances			
Non-spendable	205,204		205,204
Committed	180,000		180,000
Unassigned	1,359,452		1,359,452
Total Equity - Fund Balances	<u>1,744,656</u>	<u>-</u>	<u>1,744,656</u>
Total Liabilities and Fund Balances	<u>\$ 2,886,157</u>	<u>\$ 78,446</u>	<u>\$ 2,964,603</u>

CAPE COD COLLABORATIVE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
JUNE 30, 2014

Total fund balances - governmental funds	\$ 1,744,656	
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital Assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,428,074 and the accumulated depreciation/amortization is \$3,324,529.</p>	1,103,545	
<p>Capitalized lease obligations are not due and payable in the current period and therefore are not reported as liabilities in the funds.</p>	(1,011,467)	
<p>Other Post Employment Benefits (OPEB) which are reported as expenses in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. (see Note 14)</p>	(1,450,985)	
<p>Obligations of governmental activities not due and payable in the current period</p>	(163,027)	
<p>Net Position of Governmental Activities in Statement of Net Position</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$ 222,722</td> </tr> </table>	\$ 222,722
\$ 222,722		

CAPE COD COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Restricted Funds	Total Governmental Fund Types
Revenue			
Tuition	5,277,781	-	5,277,781
Service Revenue	5,068,705	-	5,068,705
Grant Revenue	-	109,870	109,870
Other Revenue	177,995	18,752	196,747
Proceeds from Long Term Debt	497,718	-	497,718
Total Revenue	<u>11,022,199</u>	<u>128,622</u>	<u>11,150,821</u>
Expenditures			
Transportation	4,556,466	-	4,556,466
Waypoint Academy	2,631,043	17,046	2,648,089
STAR Program	2,560,265	4,564	2,564,829
Itinerant Services	1,089,906	-	1,089,906
Professional Development and Executive Search	222,700	107,012	329,712
Advanced Student Leadership Program	112,524	-	112,524
Total Expenditures	<u>11,172,904</u>	<u>128,622</u>	<u>11,301,526</u>
Excess of Expenditures Over Revenues	<u>(150,705)</u>	<u>-</u>	<u>(150,705)</u>

CAPE COD COLLABORATIVE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Total net change in fund balance of governmental funds	\$ (150,705)
Amount of the OPEB annual required payment in excess of transfers to the OPEB Trust that are not general fund expenditures of the current period (see Note 14).	(179,632)
Governmental fund expenditures in the current period that were paid from accrued expenses in the statement of governmental activities.	80,000
Items treated as expenditures of the current period in governmental funds that were capitalized in the statement of net position.	52,924
The amount by which capital outlays in governmental funds, treated as expenditures of the current period, exceeds depreciation and interest in the statement of activities.	38,037
Change in net position of governmental activities	\$ (159,376)

CAPE COD COLLABORATIVE
STATEMENT OF FIDUCIARY NET POSITION
RETIREES' HEALTH INSURANCE TRUST
FOR THE YEAR ENDED JUNE 30, 2014

	<u>2014</u>
Assets	
Cash and cash equivalents	\$ -
Investments	<u>187,356</u>
Total Assets	<u><u>187,356</u></u>
Liabilities	
Due to Governmental Funds	<u>23,964</u>
Total Liabilities	<u>23,964</u>
Net position	
Restricted for:	
Other post-retirement benefits	<u>163,392</u>
Total net position held in trust	<u>163,392</u>
Total liabilities and net position	<u><u>\$ 187,356</u></u>

CAPE COD COLLABORATIVE
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
RETIREES' HEALTH INSURANCE TRUST
FOR THE YEAR ENDED JUNE 30, 2014

	<u>2014</u>
Additions:	
Contributions	\$ 180,000
Income and change in market value	<u>7,534</u>
Total additions	<u>187,534</u>
Deductions:	
Retiree health insurance expense	23,964
Fees	<u>178</u>
Total deductions	<u>24,142</u>
Change in net position	163,392
Net position - beginning of year	<u>-</u>
Net position - end of year	<u><u>\$ 163,392</u></u>

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1 NATURE OF BUSINESS

The Cape Cod Collaborative(the “Collaborative”) was formed by an agreement between the communities of Barnstable, Bourne, Brewster, Chatham, Eastham, Falmouth, Harwich, Mashpee, Nantucket, Orleans, Provincetown, Sandwich, Truro, Wareham, and Wellfleet, and the regional school districts of Cape Cod Tech, Dennis Yarmouth, Martha's Vineyard, Nauset and Upper Cape Cod Tech, dated March 1, 1975, as amended April 20, 1993. The objectives of the Collaborative include jointly conducting educational programs which shall supplement and strengthen school programs for special needs students offered by the participating communities.

The Collaborative provides specialized services to its own programs and to programs operated directly by its members. In addition, it provides vocational, prevocational, behavioral intervention and developmental skills to the low incidence special needs population.

The Collaborative is a municipal entity, and as such, is exempt from federal income tax. In addition, the Collaborative is designated a Section 501(c) (3) organization under the Internal Revenue Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

The Collaborative's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America “(GAAP)”. The Governmental Accounting Standards Board “(GASB)” is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Collaborative has the option to apply FASB pronouncements issued after that date to any business-type activities and enterprise funds, the Collaborative has chosen not to do so. The more significant accounting policies established in GAAP and used by the Collaborative are discussed below.

The Collaborative's basic financial statements include both government-wide (reporting the Collaborative as a whole) and fund financial statements (reporting the Collaborative's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. Governmental activities are generally financed through intergovernmental assessments or other non-exchange transactions. The Collaborative does not have any activities classified as business type activities.

In accordance with the general practices of municipal government units and the requirements of the Bureau of Accounts of the Commonwealth of Massachusetts, the accompanying financial statements include the transactions of the Collaborative reported on a modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when they are measurable and available for use by the Collaborative to fund its current school year's operations and, expenditures are recognized as the related liabilities are incurred.

The statement of revenues and expenditures is a statement of financial activities of the funds related to the current reporting period. It does not purport to present the results of operations nor the net income or loss for the period.

Indirect expenses are allocated to programs in the statement of activities based on their relative portion of salaries & wages to total salaries & wages.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital Assets used in governmental activities are stated at cost, less accumulated depreciation. Donated assets are recorded at estimated fair market value at the date of the gift. The Collaborative provides for depreciation using the straight-line method over the assets' estimated useful lives as follows:

<u>Asset Classification</u>	<u>Estimated Useful Life</u>
Office equipment and furniture	5 years
Leasehold Improvements	10 years
School buses	3-7 years

Reclassifications

Certain reclassifications have been made to the June 30, 2013 financial statements in order to conform to the June 30, 2014 financial statements presentation. Such reclassifications have had no effect on the income previously reported.

Fund accounting:

The Collaborative follows fund accounting procedures whereby, for accounting and reporting purposes, resources for various purposes are classified in a self-balancing set of accounts for recording the assets, liabilities, fund balances and changes in the fund balances in accordance with the limitations imposed by the funding agency. The Collaborative's fund balances and account groups consist of:

Governmental fund types

General fund

The general fund balance represents the cumulative balance resulting from all financial transactions relating to the administration, instruction and maintenance activities of the Collaborative.

Restricted Fund

Restricted fund relates primarily to Federal, state and private grants, the purposes of which are to develop or to purchase equipment or other materials, with the overall goal of fulfilling a wide range of needs of the Collaborative.

Fiduciary Fund

The Retirees' Health Insurance Trust fund accounts for resources the Collaborative is accumulating for future other post-employment health insurance benefits to be provided to eligible retirees.

Fund Balance Disclosures

The commitment or assignment of fund balance is the responsibility of the Collaborative Board of Directors, and a modification or rescission of a commitment or assignment similarly must be approved by a vote of that body. The Collaborative's policy is to use restricted funds for the intended purpose even though unrestricted funds are available.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Disclosures - continued

In accordance with Government Accounting Standards Board 54, Fund Balance reporting and Governmental Fund Type Definitions, the Collaborative classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Collaborative through formal action of the Board of Directors and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Directors.
- Unassigned includes positive fund balances within the General Fund which have not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The non-spendable fund balance is comprised of prepaid expenses. The Collaborative uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Collaborative would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Collaborative does not have a formal minimum fund balance policy.

Government-wide statements

In the government-wide Statement of Net Position, governmental columns are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Collaborative's Net Position is reported in three parts: investments in capital assets, net of related debt; restricted; and unrestricted. The Collaborative first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the sources and uses of funds received by the Collaborative.

The government-wide focus is more on the sustainability of the Collaborative as an entity and the change in the Collaborative's net position resulting from the current year's activities.

Measurement Focus and Basis of Accounting

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

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting - continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Entitlements and shared revenues are recorded at the time of receipt, or earlier, if the susceptible to accrual criteria is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

NOTE 3 CHANGE IN ACCOUNTING PRINCIPLE

For the year-ended June 30, 2013, the Collaborative implemented GASB Statement No. 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position". GASB Statement No. 63 identifies net position, rather than net assets, as the residual of all other elements presented in a statement of financial position. This change was incorporated in the Collaborative's 2013 financial statements; however, there was no effect on the beginning net position / fund balance.

NOTE 4 TUITION CHARGES TO PARTICIPATING COMMUNITIES

Under the terms of the agreement establishing the Collaborative, the Collaborative's costs are apportioned and tuition charges are levied against the communities forming the Collaborative. The Collaborative's costs are apportioned based on the enrollments from the respective communities in the Collaborative. These charges may be reduced by budgeted credits from other sources, or a portion of any surplus revenue as determined by the Board of Directors.

NOTE 5 EMPLOYEE BENEFIT PLANS

Certain administrative and other professional employees and teachers of the Collaborative participate individually in a contributory retirement plan administered by the Massachusetts Teacher's Retirement Board. The Collaborative does not contribute to this plan. GASB Statement No. 24 requires cities and towns to report pension payments made to retirees by the Massachusetts Teachers' Retirement Board. The Commonwealth of Massachusetts makes a contribution to the Massachusetts Teachers' Retirement Board on behalf of educators employed in the Commonwealth who participate in the Massachusetts Teachers' Retirement System. GASB 24 requires the Collaborative to disclose these "on behalf" payments contributed to the plan, which amounted to \$227,262 during fiscal 2014. Because these payments by the Commonwealth are offsetting, the Collaborative does not provide for the

Commonwealth's contribution in preparing the annual budget and has not recorded this amount in the Budgetary Comparison Schedule of Receipts and Disbursements.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5 EMPLOYEE BENEFIT PLANS (CONTINUED)

Retirement benefits have been provided for other full-time employees of the Collaborative by its participation in the Massachusetts Employees' State Retirement System, a separate contributory defined-benefit plan (the "Plan"). The State Board of Retirement administers the Massachusetts State Employees' Retirement System for state employees and certain other employees of public entities. It is a contributory, defined benefit retirement system governed by Massachusetts General Laws, Chapter 32. The system provides retirement, disability, survivor, and death benefits to members and their beneficiaries. An employee becomes a participant in the Plan on the date of employment. The system issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to Public Employee Retirement Administration Commission, One Ashburton Place, Boston, Massachusetts 02108.

Retirement is permitted upon completion of 20 years of service or upon reaching the age of 55. Employees leaving before retirement may withdraw their accumulated contributions and, in some cases, with interest. Contributions to provide benefits under the Plan are made monthly by the Collaborative.

Contributions for the years June 30, 2014, June 30, 2013 and June 30, 2012 were \$179,016, \$168,821 and \$270,444, respectively which represents 5.6% of eligible payroll. Active Collaborative employees contribute between 5% and 9% (depending upon the date of employment) of their annual compensation, up to \$30,000, and 2% additionally thereafter, as defined.

NOTE 6 CASH AND INVESTMENTS

The Collaborative typically invests cash in excess of the federally insured value in U. S. Treasury securities or other investments on the Massachusetts list of approved investments for municipalities. These investments are recorded on the financial statement at their market value as of year end.

The Collaborative maintains its cash deposits in regional commercial banks. Occasionally the Collaborative maintains balances in excess of federally insured limits. At June 30, 2014 deposits totaled \$322,808, leaving \$72,808, above the FDIC \$250,000 limit, exposed to custodial credit risk, because it was uninsured and uncollateralized. Money Market funds of \$1,639,975, held for investment, are insured at double the FDIC rate, the balance is collateralized by Rockland Trust. The difference between deposit amounts and carrying amounts generally represents outstanding checks and deposits in transit.

In addition, the Collaborative owns 234 shares of Prudential stock which was obtained when that company demutualized around 2001.

Investment Type	<u>Total</u>	<u>Maturity</u>	
		<u>12 months or less</u>	<u>13 to 24 months</u>
Money Market (insured deposit account)	\$ <u>1,639,975</u>	\$ <u>1,639,975</u>	\$ <u> -</u>
Total government funds	<u>1,639,975</u>	<u>\$ 1,639,975</u>	<u>\$ -</u>
Prudential stock (common)	<u>17,089</u>		
Total investments	<u>\$ 1,657,064</u>		

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6 CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk for investments is the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Collaborative does not have an investment policy covering custodial credit risk. Of the investments listed above, up to \$500,000 in each of the governmental and fiduciary funds is covered by Securities Investor Protection Corporation (SIPC) and the balance is collateralized.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair market value to changes in market interest rates. The Collaborative does not have a formal investment policy which limits investment maturities as a means of managing its exposure to fair value losses arising from changes in interest rates.

The approximate maturities of the Collaborative's debt investments are disclosed in the above table.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. Government and certain of its agencies are not considered to have credit risk and therefore no rating is disclosed in the above table. Equity securities and equity mutual funds are not rated as to credit risk.

Concentration of credit risk - The Collaborative does not have an investment policy which limits the amount that can be invested in anyone issuer or security.

NOTE 7 ACCOUNTS RECEIVABLE

The Collaborative records its accounts receivable at cost less on allowance for billing adjustments. On a periodic basis, the Collaborative evaluates its accounts receivable and this allowance when necessary. The experience and estimation of management indicates that an allowance for adjustments of \$50,000 was necessary at June 30, 2014.

NOTE 8 CONCENTRATIONS OF RISK

Substantially all of the Collaborative's revenues are derived from services offered directly or indirectly to its twenty member towns and regional school districts. For the year ended June 30, 2014, the Collaborative had four member districts which comprised approximately 67% of total annual revenue or approximately \$7,140,188. Accounts receivable potentially expose the Collaborative to a concentration of credit risk. Four member districts accounted for approximately \$383,010 or 60% of the accounts receivable balance at June 30, 2014.

The Collaborative routinely reviews the fiscal viability of its members and, as a consequence, believes that its receivable credit risk is limited.

NOTE 9 LINE OF CREDIT

At June 30, 2014, the Collaborative had a Revolving Demand Note arrangement with a bank which provided for borrowings of up to \$450,000. The arrangement states that the note is secured by all assets of the Collaborative. The note is required to be paid in full for at least thirty (30) consecutive days each year. Interest accrues at a rate of one and one-quarter (1.25%) above the Wall Street Journal prime rate indicator which was 4.5% at June 30, 2014. There was no interest expense related to the Line of Credit in 2014. At June 30, 2014, there was no balance against this note.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 10 USE OF ESTIMATES

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

NOTE 11 CAPITAL ASSETS

At June 30, 2014, Capital Assets used in governmental activities consisted of the following:

	<u>2013</u>	Increases (Decreases)	<u>2014</u>
Capital Assets: being depreciated:			
School buses	\$ 3,701,647	\$ 497,718	\$ 4,199,365
Leasehold Improvements	202,892	-	202,892
Office equipment and furniture	<u>25,817</u>	<u>-</u>	<u>25,817</u>
Sub-total	<u>3,930,356</u>	<u>497,718</u>	<u>4,428,074</u>
Less accumulated depreciation:			
School buses	2,796,202	421,355	3,217,556
Leasehold Improvements	60,867	20,289	81,156
Office equipment and furniture	<u>25,817</u>	<u>-</u>	<u>25,817</u>
Sub-total	<u>\$ 2,882,887</u>	<u>441,644</u>	<u>3,324,529</u>
Governmental capital assets, net	<u>\$ 1,047,469</u>	<u>\$ 56,076</u>	<u>\$ 1,103,545</u>

Depreciation and amortization expense for the year ended June 30, 2014, June 30, 2013 and June 30 2012 was \$441,644, \$467,478 and \$495,602, respectively.

NOTE 12 COMMITMENTS

The Collaborative leases various office and transportation equipment. Lease payments for these items amounted to \$12,238 during the fiscal year ended June 30, 2014. The Collaborative rented classroom space and office space from various member districts, where it provided program services, and for administrative needs. Rent expense under these agreements amounted to \$254,500 and \$182,000 during the fiscal year ended June 30, 2014 and June 30, 2013 respectively.

In 2011, the Collaborative consolidated several of its STAR programs into a facility located in Osterville, Massachusetts and leases that facility from the Town of Barnstable for a period of 10 years with an option for renewal. The lease amount is based on two committed slots in the Waypoint Academy program, which is currently valued at \$38,200 each. In addition, the Waypoint Academy program consolidated the Latency and Adolescent programs from two buildings into one. This facility is leased from the Town of Bourne for a period of 3 years and is based on the value of three committed slots.

Future Lease Commitments (at the current value):

2015	\$ 191,000
2016	76,400
2017	76,400
2018	76,400
2019	76,400
Thereafter	\$ 76,400

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 12 COMMITMENTS (CONTINUED)

At year end the Collaborative committed \$180,000 for the payment of Other Post-Employment Benefits. The Collaborative was also committed to finance the purchase of ten buses for approximately \$400,839 to replace and improve a portion of the existing bus fleet.

NOTE 13 CAPITAL LEASE OBLIGATIONS

Certain long-term lease transactions relating to the financing of vehicles are accounted for as capital leases in the government wide financial statements. Capital lease obligations reflect the present value of future rental payments, less an interest amount implicit in the lease.

A corresponding amount is capitalized as property and equipment, and amortized over the individual asset's estimated useful life. Amortization of assets under capital lease obligations is included in depreciation expense in reporting Governmental Activities.

At June 30, 2014 capital lease obligations consisted of the following:

	<u>2014</u>	<u>2013</u>
Capital Leases – All in 1 Capital, payable in monthly installments of \$7,059, including interest at 4.37%, final payment due July 2014, collateralized by vehicles	\$ 7,026	\$ 89,370
Capital Leases – Comerica, payable in monthly installments of \$7,047, including interest at 4.29%, final payment due June 2015, collateralized by vehicles	102,990	181,838
Capital Leases – Comerica, payable in monthly installments of \$14,432, including interest at 3.94%, final payment due September 2015, collateralized by vehicles	36,313	71,723
Capital Leases – TD Equipment Finance, payable in monthly installments of \$12,035, including interest at 1.96%, final payment due July 2017, collateralized by a vehicle	444,651	-
Capital Leases – TD Equipment Finance, payable in monthly installments of \$4,476, including interest at 1.66%, final payment due August 2018, collateralized by a vehicle	216,353	-
Capital Leases – TD Equipment Finance, payable in monthly installments of \$2,315, including interest at 1.36%, final payment due August 2020, collateralized by a vehicle	163,074	-
Capital Leases – TD Equipment Finance, payable in monthly installments of \$1,603, including interest at 1.96%, final payment due July 2016, collateralized by a vehicle	41,060	-
Capital Leases – Blue Bird Leasing Capital lease repaid in full in 2014	-	\$ 11,971

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 13 CAPITAL LEASE OBLIGATIONS (CONTINUED)

Capital Leases – Blue Bird Leasing		
Capital lease repaid in full in 2014	-	3,831
Capital Leases – Blue Bird Leasing		
Capital lease repaid in full in 2014	-	3,276
Capital Leases – Old National Bank		
Capital lease repaid in full in 2014	-	13,568
Capital Leases – Comerica		
Capital lease refinanced in 2014	-	588,010
Capital Leases – Daimler		
Capital lease repaid in full in 2014	-	2,132
	<u>1,011,467</u>	<u>965,719</u>
Less Current Portion	<u>347,640</u>	<u>417,718</u>
	<u>\$ 663,827</u>	<u>\$ 548,001</u>

Vehicles and equipment under capital leases included in Capital Assets (net of accumulated depreciation) on the Statement of Net Position totaled \$1,103,545, \$1,047,468 and \$1,481,519 at June 30, 2014, June 30, 2013 and June 30, 2012, respectively.

MATURITIES OF LONG-TERM DEBT

Maturities of long-term debt are as follows:

Year Ending June 30,	Principal	Interest	Capital Leases Total
2015	\$ 347,640	\$ 17,472	\$ 365,112
2016	266,925	9,897	276,822
2017	224,318	5,516	229,834
2018	104,034	2,248	106,282
2019	36,169	946	37,115
2020	27,710	387	28,097
2020	<u>4,671</u>	<u>11</u>	<u>4,682</u>
	<u>\$ 1,011,467</u>	<u>\$ 36,477</u>	<u>\$ 1,047,944</u>

Related interest expense for the year ended June 30, 2014, June 30, 2013 and June 30, 2012 was \$24,959, \$54,781 and \$75,776, respectively.

NOTE 14 OTHER POST EMPLOYMENT EXPENSES

In addition to the pension benefits described in Note 4, the Collaborative provides health insurance benefits to retirees, their dependents, and beneficiaries in accordance with Chapter 32B of MGL under a sole employer benefit plan. Contributions for funding of these benefits are through the Collaborative's current operations.

The Collaborative adopted and implemented GASB 45 ("Accounting and Financial Reporting by employers for Postemployment Benefits other than Pensions") effective for the fiscal year ending June 30, 2010. As part of this implementation, the Collaborative must recognize the Actuarial Accrued Liability for past service

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 14 OTHER POST EMPLOYMENT EXPENSES (CONTINUED)

The Collaborative's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Collaborative's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Collaborative's net OPEB obligation to the plan:

Annual Required Contribution	\$ 267,728
Expected Amortization	96,021
Interest on net OPEB obligation	49,686
Adjustment to annual required contribution	(107,424)
Amortization of Actuarial (gains)/losses	<u>53,621</u>
Annual OPEB cost (expense)	\$ 359,632
Contributions made	<u>180,000</u>
Increase in net OPEB obligation	\$ 179,632
Net OPEB Obligation - beginning of year	<u>1,271,353</u>
Net OPEB Obligation - end of year	<u>\$ 1,450,985</u>

The Collaborative's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2014 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Payments	Increase in OPEB Obligation
6/30/2012	\$ 293,165	\$ -	\$ 293,165
6/30/2013	326,805	7,823	318,982
6/30/2014	359,632	180,000	179,632

FUNDED STATUS AND FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/2011	\$0	1,724,811	1,724,811	0.0%	6,001,866	28.7%
07/01/2012	\$0	2,010,207	1,871,225	0.0%	6,181,922	30.3%
07/01/2013	\$0	2,326,307	2,326,307	0.0%	6,367,380	36.5%

As of July 1, 2011, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$1,724,811, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability ("UAAL") of \$1,724,811. The covered payroll (annual payroll of active employees covered by the plan) was \$6,001,866 and the ratio of the UAAL to the covered payroll was 28.7%.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 14 OTHER POST EMPLOYMENT EXPENSES (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contribution of the Collaborative are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the Collaborative and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Collaborative and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 4.00% per annum
Healthcare Trend Rates:

Year	Medical
FY2008	11.0%
FY2009	10.0%
FY2010	9.0%
FY2011	8.0%
FY2012	7.0%
FY2013	6.0%
FY2014	5.0%
FY2015	5.0%
General Inflation Assumption:	2.5% per annum
Annual Compensation Increases:	3.0% per annum
Actuarial Value of Assets:	Market Value
Amortization of UAAL:	Level dollar amortization over 30 years at transition
Remaining Amortization Period:	30 years at July 1, 2011

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 15 IMPLEMENTATION OF, AND RECENTLY ISSUED ACCOUNTING STANDARDS

The following have been implemented and have not had a significant impact on the basic financial statements.

- Statement No. 71
Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68

NOTE 16 SUBSEQUENT EVENTS

The Collaborative has evaluated all subsequent events through December 2, 2014, the date the financial statements were available to be issued.

A \$400,839 lease for the purchase of new buses was executed as of October 28, 2014.

SUPPLEMENTARY INFORMATION

CAPE COD COLLABORATIVE
BUDGETARY COMPARISON OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds Budgetary Comparison				
	Budget	Modifications	Modified Budget	Actual Amounts	Over (Under)
Revenues and other sources:					
Operations	\$ 10,557,000		\$ 10,557,000	\$ 10,524,481	\$ (32,519)
Proceeds from long term debt		497,718	497,718	497,718	-
Uses of fund balance:					-
Transfer to OPEB Trust		180,000	180,000		(180,000)
Tuition appropriation		92,500	92,500		(92,500)
Program support contract		50,000	50,000		(50,000)
Equipment upgrade		41,000	41,000		(41,000)
Modular renovations		33,000	33,000		(33,000)
Total revenue and other sources	<u>10,557,000</u>	<u>894,218</u>	<u>11,451,218</u>	<u>11,022,199</u>	<u>(429,019)</u>
Expenditures and other uses:					
Transportation	3,944,772	631,754	4,576,526	4,556,466	(20,060)
Waypoint Academy	2,621,782	72,769	2,694,551	2,631,043	(63,508)
STAR Program	2,534,385	72,540	2,606,925	2,560,265	(46,660)
Itinerant Services	1,076,829	22,870	1,099,699	1,089,906	(9,793)
Professional Development and Executive Search	149,777	1,719	151,496	222,700	71,204
Advanced Student Leadership Program	226,712	65	226,777	112,524	(114,253)
Total expenditures and other uses	<u>10,554,257</u>	<u>801,717</u>	<u>11,355,974</u>	<u>11,172,904</u>	<u>(183,070)</u>
Excess (deficiency) of revenue and other sources over expenditures and other uses	<u>\$ 2,743</u>	<u>\$ 92,501</u>	<u>\$ 95,244</u>	<u>\$ (150,705)</u>	<u>(245,949)</u>

CAPE COD COLLABORATIVE
MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND
SECONDARY EDUCATION REQUIRED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2014

1. Transactions between the Collaborative and any related for-profit or non-profit organizations:	None
2. Transactions related to the purchase, sale, rental or lease of real property:	
Osterville Campus - Town of Barnstable	\$ 74,300
Bourne Campus - Town of Bourne	111,450
Camp Burgess facility - South Shore YMCA	58,000
Pocasset maintenance facility - Chipper LLC	<u>10,750</u>
	<u>254,500</u>
3. Names, duties and total compensation of the five most highly compensated employees:	
Paul Hilton, Executive Director	135,382
Lawrence Carroll, Director of Waypoint Academy	108,501
Anita Woods, Director of STAR Program	105,477
Jim Brown, Business Manager	97,845
Suzanne Greenberg-Carroll, Speech and Language Pathologist	89,298
Amounts expended on administration and overhead:	
Administrative wages and benefits	364,290
Administrative overhead	<u>251,872</u>
	<u>\$ 616,162</u>
4. Accounts held by the Collaborative that may be spent at the discretion of another person or entity:	None
5. Amounts expended on services for individuals age 22 and older:	None

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board Directors
Cape Cod Collaborative

Osterville, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Cape Cod Collaborative, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Cape Cod Collaborative's basic financial statements, and have issued our report thereon dated December 2, 2013

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "O'Neil & Associates, PC". The signature is written in dark ink and is positioned above the date.

December 2, 2014