

**CAPE COD COLLABORATIVE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
JUNE 30, 2012**

**CAPE COD COLLABORATIVE
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FOR THE YEAR ENDED JUNE 30, 2012**

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CAPE COD COLLABORATIVE
OFFICIALS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Name</u>	<u>Title</u>
Marie Enochty	Chairperson
Dr. Robert Tankard	Vice Chairperson
Paul C. Hilton	Executive Director
Judy Fitzgerald, CPA	Treasurer
Marie Enochty	Board of Directors
Dr. Robert Tankard	Board of Directors
Lory Stewart	Board of Directors
Dr. Joan Bentinck-Smith	Board of Directors
Sue Daggett	Board of Directors
Joanne Irish	Board of Directors
Robin Harvey	Board of Directors
David Telman	Board of Directors
Pam Medeiros	Board of Directors
Terri Medieros	Board of Directors
Robert Fichtenmayer	Board of Directors
Mr. Brian Davis	Board of Directors
David Bloomfield	Board of Directors
Jill Putnam	Board of Directors
Geoff Swett	Board of Directors
Stephen Davol	Board of Directors
John Henderson	Board of Directors
Ms. Melissa Bonvini Murphy	Board of Directors
Ms. Mary Lyttle	Board of Directors
Ms. Stephanie Ellis	Board of Directors
Mr. David Harrison	Board of Directors
Ms. Susan Sundermeyer	Board of Directors

INDEPENDENT AUDITOR'S REPORT

To the Directors of Cape Cod Collaborative:

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, 2012, which collectively comprise Cape Cod Collaborative's basic financial statements listed in the table of contents. These financial statements are the responsibility of Cape Cod Collaborative's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Cape Cod Collaborative, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2012, on our consideration of Cape Cod Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of law, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 26 through 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 26). 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cape Cod Collaborative's financial statements as a whole. The introductory section is presented for purposes of additional analysis and are not a required part of the financial statements

November 16, 2012

 Croyle & Associates PC

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012. 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 costs based upon the estimated service needs of its member districts. The goal of the Collaborative is to share the costs for these services among the districts utilizing those services, but inevitably there are variances. An excess or deficiency results to the extent that actual needs fall short or exceed the 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.

New legislation enacted during 2012 (Chapter 43 of the Acts of 2012 - "An Act Relative to Improving Accountability and Oversight of Educational Collaboratives") will have an evolving and long term 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 2013 and will improve: financial reporting, teacher evaluation processes, student learning and network server access.

In 2012, tuition program enrollment was similar to that of prior years. We believe that an effect of the consolidation of programming to the STAR Program in Osterville, and the Alternative Education Program in Bourne (Otis ANGB) has resulted in efficiencies through pooling of resources which has contributed to improved quality of programming and as a result stable enrollment. This has also had a favorable impact on efficiency of itinerant services, both for services provided in Collaborative programs and those provided within member districts.

In 2011 the move to the Osterville location made it more feasible for certain member districts to effectively transport their own students which necessitated consolidation, or discontinuation, of several Collaborative operated out-of-district routes. The impact of this reduction initially was the underutilization of equipment and personnel during the transition; however, in 2012, the operation had fully adjusted to this change. Also, in 2012, several fixed-cost transportation contracts expired and were replaced with full cost contracts which allowed us to pass-through the full cost of transportation, including OPEB costs that did not exist at the inception of the old contracts. The Transportation invoicing process was also enhanced in 2012 ensuring that costs are shared more equitably by member districts. The result has been a dramatic turnaround in transportation operating results.

The acclaimed Advanced Student Leadership Program (ASLP), a program in partnership with Massachusetts Maritime Academy, had another very successful session. The student enrollment for summer 2011 was 158 students, and all of them 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-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.

The phasing out of Medicaid claiming services continued in 2012. Future claiming will be changed from a percentage contingency rate (of claims) to an hourly fee-for-services model. The Collaborative has assisted several member transitions to other claiming service providers, but will maintain claiming capacity to assist districts that have not migrated to other claiming service providers.

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

The 2012 fiscal year is the third (fiscal) year in which the Collaborative is required to record the future obligation for Other Post-retirement Employee Benefits (OPEB) in the Governmental Activities portion of its financial statements. In 2012 the Collaborative Board has elected to set aside \$180,000 in the General Fund for Other Post Retirement Employee Benefits. The unfunded portion of this liability continues to be a reconciling item between Governmental Activities and the Governmental Funds.

Operating capital requirements are determined by evaluating the short term service needs of member districts and also the ebb and flow of available resources. At year end, when resources typically are on the wane, there must be sufficient capital to operate the summer services for member districts. The auditor recommended that the Collaborative consider establishing a mechanism of accumulating operating and capital reserves as a part of this planning process, and that remains one of the Collaborative goals. The needs assessment, which was part of the long term strategic planning effort set out to ascertain the long term operational and capital needs of the organization, resulted in recommendations from the Board of Directors to establish these reserves. In 2012 the Board authorized the establishment of both a Capital Reserve and an Operating Reserve of \$40,000 each to support the ongoing improvement of Collaborative programs.

2012 FINANCIAL HIGHLIGHTS

- General fund revenues increased 7.5% or \$771,330, while expenditures increased by 5.3% or \$542,913, resulting in an excess of revenues over expenditures for 2012 of \$391,581. The Board has elected to reserve \$180,000 toward funding of our OPEB obligation.

The General Fund exceeded budgeted revenue by \$570,046 primarily due increased fees related to new consulting contracts for special projects, transportation and behavioral consulting services. Expenditures related to the above contracts similarly exceeded budgeted amounts by \$297,738. The net of revenues over expenditures exceeded the budgeted amount by \$272,307.

	2012		
	General Funds	Budget	Over (Under)
Revenues:			
Tuition	\$ 5,494,485	\$ 5,414,400	\$ 80,085
Service Fees	5,306,290	4,895,800	418,490
Other	297,989	218,518	79,471
Total revenues	\$ 11,098,764	\$ 10,528,718	\$ 570,046
Expenditures:			
Transportation	\$ 3,698,638	\$ 3,668,784	\$ 29,854
Alternative Education	2,568,326	2,520,217	48,109
STAR	2,549,319	2,573,294	(23,975)
Itinerant	1,159,339	1,040,459	118,880
Professional Development & Executive Search	444,923	273,123	171,800
Medicaid	78,730	106,585	(27,855)
Advanced Student Leadership Program	207,908	226,983	(19,075)
Total Expenditures	\$ 10,707,183	\$ 10,409,445	\$ 297,738
Excess of revenues over expenditures	\$ 391,581	\$ 119,273	\$ 272,308

- Governmental activities revenues increased 5.6%, or \$604,292 from fiscal year 2011, while total expenditures increased by 4.9%, or \$525,391, resulting in an increase in net assets of \$109,726 from 2011. This was offset by a combination of factors in transportation, some mentioned above,

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

including costs not allocable for fixed contracts for items such as: OPEB, dormant vehicles and administrative fees.

	Primary Government Government Activities	
	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Current assets	\$ 2,825,236	\$ 2,067,234
Capital assets	<u>1,504,948</u>	<u>2,000,550</u>
Total Assets	<u>\$ 4,330,184</u>	<u>\$ 4,067,784</u>
Current liabilities	\$ 1,990,532	\$ 1,714,717
Non-current liabilities	<u>1,998,090</u>	<u>2,121,231</u>
Total liabilities	<u>\$ 3,988,622</u>	<u>\$ 3,835,948</u>
Net assets	<u>341,562</u>	<u>231,836</u>
Total liabilities and net assets	<u>\$ 4,330,184</u>	<u>\$ 4,067,784</u>

	Primary Government Government Activities		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	
Revenues:			
Tuition and Therapy Income	\$ 6,541,965	\$ 6,295,975	3.9%
Charges for services	4,556,799	4,001,460	13.9%
Operating Grants	<u>245,927</u>	<u>442,964</u>	<u>-44.5%</u>
Total Revenues	<u>\$ 11,344,691</u>	<u>\$ 10,740,399</u>	<u>5.6%</u>
Expenditures:			
Student instructional and support services	6,460,485	5,634,943	14.7%
Student Transportation	3,787,282	4,148,381	-8.7%
Professional development and executive search	697,818	589,950	18.3%
Advanced student leadership Program	207,908	229,816	-9.5%
Medicaid claims billing	<u>81,472</u>	<u>106,484</u>	<u>-23.5%</u>
Total Expenditures	<u>11,234,965</u>	<u>10,709,574</u>	<u>4.9%</u>
Change in net assets	<u>\$ 109,726</u>	<u>\$ 30,825</u>	<u>256.0%</u>

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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 Assets* 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 Assets to the Funds Balance Sheet as well as detail concerning significant some 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 Assets 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 Assets presents all of the Collaborative's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Collaborative's net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 Assets and the Statement of Activities.

CAPE COD COLLABORATIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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 assets may serve over time as a useful indicator of financial position. Cape Cod Collaborative's combined net assets were higher than a year ago, *increasing* from **\$231,836** to **\$341,562** primarily due to new transportation contracts, improved invoicing procedures and operational efficiencies as mentioned in the opening comments and "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 ASSETS
JUNE 30, 2012

Assets	
Cash & Cash Equivalents	\$ 425,345
Investments	1,376,225
Accounts Receivable	991,477
Prepaid Expenses	32,189
Capital Assets (Net of Accumulated Depreciation)	<u>1,504,948</u>
Total Assets	<u><u>4,330,184</u></u>
Liabilities	
Accounts Payable	262,642
Current Portion of Lease Obligations	496,306
Accrued Expenses	836,323
Deferred Revenue	215,261
OPEB	<u>180,000</u>
Total Current Liabilities	<u>1,990,532</u>
Capital Lease Obligations	965,719
Reserves	80,000
Other Post Retirement Employee Benefits	<u>952,371</u>
Total Non-current Liabilities	<u>1,998,090</u>
Total Liabilities	<u><u>3,988,622</u></u>
Net Assets:	
Investments in Capital Assets, net of related debt	42,922
Restricted	12,439
Unrestricted	<u>286,201</u>
Total Net Assets	<u>341,562</u>
Total Liabilities and Net Assets	<u><u>\$ 4,330,184</u></u>

**CAPE COD COLLABORATIVE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

		<u>Program Revenues</u>		<u>Net Revenue (Expense) and Change in Net Assets</u>
	Expenses	Charges for Services	Operating Grants	Governmental Activities
Student Instructional & Support Services	\$ 6,460,485	\$ 6,541,965	\$ 3,060	\$ 84,540
Student Transportation	3,787,282	3,783,792	-	(3,490)
Professional Development and Executive Search	697,818	521,113	242,867	66,162
ASLP	207,908	207,908	-	-
Medicaid Claims Billing	81,472	43,986	-	(37,486)
Total Primary Government	<u>\$ 11,234,965</u>	<u>\$ 11,098,764</u>	<u>\$ 245,927</u>	<u>\$ 109,726</u>
		Change in Net Assets		109,726
		Net Assets - Beginning		<u>231,836</u>
		Net Assets - Ending		<u>\$ 341,562</u>

**CAPE COD COLLABORATIVE
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	General Fund	Restricted Fund	Total Governmental Fund Types
Assets			
Cash & Cash Equivalents	\$ 425,345	\$ -	\$ 425,345
Investments	1,376,225	-	1,376,225
Accounts Receivable	892,627	98,850	991,477
Prepaid Expenses	32,189	-	32,189
Total Assets	<u>2,726,386</u>	<u>98,850</u>	<u>2,825,236</u>
Liabilities			
Accounts Payable	163,792	98,850	262,642
Encumbrances	127,000	-	127,000
Accrued Expenses	709,324	-	709,324
Deferred Revenue	215,261	-	215,261
OPEB	180,000	-	180,000
Reserves	80,000	-	80,000
Total Liabilities	<u>1,475,377</u>	<u>98,850</u>	<u>1,574,227</u>
Equity - Fund Balances:			
Nonspendable	32,189	-	32,189
Restricted	12,438	-	12,438
Committed	215,261	-	215,261
Unassigned	991,121	-	991,121
Total Fund Balances	<u>1,251,009</u>	<u>-</u>	<u>1,251,009</u>
Total Liabilities and Fund Balances	<u>\$ 2,726,386</u>	<u>\$ 98,850</u>	<u>\$ 2,825,236</u>

CAPE COD COLLABORATIVE
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances - governmental funds	\$ 1,251,009
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Amounts reported for governmental activities in the statement of net assets are different because:

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 \$ 3,920,356 and the accumulated depreciation is \$2,415,408.	1,504,948
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Capitalized lease obligations are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,462,024)
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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 13).	(952,371)
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Net Assets of Governmental Activities in the Statement of Net Assets	\$ 341,562
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CAPE COD COLLABORATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General Funds	Restricted Funds	Combined
	<u> </u>	<u> </u>	<u> </u>
Revenues:			
Tuition	\$ 5,494,485	\$ -	\$ 5,494,485
Service Fees	5,306,290	-	5,306,290
Grant Revenue	-	245,927	245,927
Other	297,989	-	297,989
Total revenues	<u>11,098,764</u>	<u>245,927</u>	<u>11,344,691</u>
Expenditures:			
Transportation	3,698,638	-	3,698,638
Alternative Education	2,568,326	-	2,568,326
STAR	2,549,319	-	2,549,319
Itinerant	1,159,339	-	1,159,339
Professional Development & Executive Search	444,923	-	444,923
Medicaid	78,730	-	78,730
Advanced Student Leadership Program	207,908	-	207,908
Grant Expenditures	-	245,927	245,927
Total Expenditures	<u>10,707,183</u>	<u>245,927</u>	<u>10,953,110</u>
Excess of revenues over expenditures	<u>391,581</u>	<u>-</u>	<u>391,581</u>
Fund Balance - July 1, 2011	<u>859,428</u>	-	<u>859,428</u>
Fund Balance - June 30, 2012	<u>\$ 1,251,009</u>	<u>\$ -</u>	<u>\$ 1,251,009</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, 2012

Total net change in fund balance - governmental funds	\$	391,581
Amounts reported for governmental activities in the statement of activities are different because:		
Other Post Employment Benefits (OPEB) do not require the use of current financial resources and are not reported as expenditures in governmental funds; however, they are reported as expenses in the statement of activities . (see Note 13).		(293,165)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense or amortization expense, and the cost of financing is included as interest expense. This is the amount by which capital outlays (\$580,416) exceeds depreciation and interest expense (\$569,106) in the period		11,310
		109,726
Change in net assets of governmental activities	\$	109,726

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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. The Collaborative does not have any fiduciary funds or component units that are fiduciary in nature.

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, 2012

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, 2011 financial statements in order to conform to the June 30, 2012 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 does not have any fiduciary funds or component units that are fiduciary in nature. 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.

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, 2012

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 Assets, 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 assets are 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 assets 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, 2012

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 unmatured 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.

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 3 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 4 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 \$143,285 during fiscal 2012. 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, 2012

NOTE 4 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, 2012, June 30, 2011 and June 30 2010 were \$198,466, \$255,831 and \$265,857 respectively which represents 7.8% 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. Beginning July 1, 2012 the Collaborative's contribution rate will be 5.6%.

NOTE 5 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, 2012 deposits totaled \$425,345. Of the deposit amounts, \$175,345 was exposed to custodial credit risk at June 30, 2012 because it was uninsured and uncollateralized. 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>1,365,000</u>	<u>1,365,000</u>	<u>-</u>
Total government funds	<u>\$ 1,365,000</u>	<u>\$ 1,365,000</u>	<u>\$ -</u>
Prudential stock (common)	<u>11,225</u>		
Total investments	<u>\$ 1,376,225</u>		

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5 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 are covered by Securities Investor Protection Corporation (SIPC) and is otherwise uninsured and uncollateralized.

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 6 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, 2012.

NOTE 7 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, 2012, the Collaborative had four member districts which comprised approximately 57% of total annual revenue or approximately \$6,507,000. Accounts receivable potentially expose the Collaborative to a concentration of credit risk. Five member districts accounted for approximately \$646,000 or 79% of the accounts receivable balance at June 30, 2012. The Collaborative routinely reviews the fiscal viability of its members and, as a consequence, believes that its receivable credit risk is limited.

NOTE 8 LINE OF CREDIT

At June 30, 2012, 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, 2012. There was no interest expense related to the Line of Credit in 2012. At June 30, 2012, there was no balance against this note.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9 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 10 CAPITAL ASSETS

At June 30, 2012, Capital Assets used in governmental activities consisted of the following:

	<u>2011</u>	<i>Increases (Decreases)</i>	<u>2012</u>
Capital Assets: being depreciated:			
School buses	\$ 3,691,647	\$ -	\$ 3,691,647
Leasehold Improvements	202,892	-	202,892
Office equipment and furniture	<u>25,817</u>	-	<u>25,817</u>
Sub-total	3,920,356	\$ -	3,920,356
Less accumulated depreciation:			
School buses	1,874,776	474,237	2,349,013
Leasehold Improvements	20,289	20,289	40,578
Office equipment and furniture	<u>24,741</u>	<u>1,076</u>	<u>25,817</u>
Sub-total	<u>\$ 1,919,806</u>	<u>495,602</u>	<u>2,415,408</u>
Governmental capital assets, net	<u>\$ 2,000,550</u>	<u>\$ (495,602)</u>	<u>\$ 1,504,948</u>

Depreciation expense for the year ended June 30, 2012, June 30, 2011 and June 30 2010 was \$495,602, \$613,239 and \$541,812 respectively.

NOTE 11 COMMITMENTS

The Collaborative leases various office and transportation equipment. Lease payments for these items amounted to \$54,781 during the fiscal year ended June 30, 2012.

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 \$177,500 and \$134,400 during the fiscal year ended June 30, 2012 and June 30, 2011 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 Alternative Education Program, which is currently valued at \$36,400 each. In addition, the Alternative Education 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 also based on the value of three committed slots.

Future Lease Commitments (at the current value):

2013	\$ 182,000
2014	182,000
2015	182,000
2016	72,800
2017	72,800
Thereafter	\$ 218,400

The Collaborative committed \$180,000 for the payment of Other Post Employment Benefits, and \$80,000 for Capital and Operating Reserves.

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 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, 2012 capital lease obligations consisted of the following:

	<u>2012</u>	<u>2011</u>
Capital Leases – Blue Bird Leasing, payable in monthly installments of \$2,428, including interest at 5.64%, final payment due November, 2013, collateralized by vehicles	\$ 39,579	\$ 65,677
Capital Leases – Blue Bird Leasing, payable in monthly installments of \$1,289, including interest at 5.64%, final payment due August 2013, collateralized by vehicles	17,428	31,484
Capital Leases – Blue Bird Leasing, payable in monthly installments of \$1,086, including interest at 5.64%, final payment due June 2013, collateralized by vehicles	12,651	24,610
Capital Leases – Blue Bird Leasing, payable in monthly installments of \$993, including interest at 5.64%, final payment due June 2013, collateralized by vehicles	11,561	22,489
Capital Leases – Blue Bird Leasing, payable in monthly installments of \$664, including interest at 5.64%, final payment due November 2013, collateralized by vehicles	10,830	17,971
Capital Leases – All in 1 Capital, payable in monthly installments of \$7,059, including interest at 4.37%, final payment due June 2014, collateralized by vehicles	168,201	243,666
Capital Leases – All in 1 Capital, payable in monthly installments of \$594, including interest at 4.37%, final payment due June 2011, collateralized by copier equipment	-	832
Capital Leases – Comerica, payable in monthly installments of \$7,047, including interest at 4.29%, final payment due June 2015, collateralized by vehicles	257,665	330,586
Capital Leases – Comerica, payable in monthly installments of \$14,432, including interest at 3.94%, final payment due September 2015, collateralized by vehicles	127,940	211,988

CAPE COD COLLABORATIVE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 12 CAPITAL LEASE OBLIGATIONS (CONTINUED)

Capital Leases – Old National Bank, payable in monthly installments of \$2,077, including interest at 4.50%, final payment due January 2014, collateralized by vehicles	37,369	60,173
Capital Leases – Comerica, payable in monthly installments of \$17,349, including interest at 4.53%, final payment due June 2016, collateralized by vehicles	766,444	937,309
Capital Leases – Daimler, payable in monthly installments of \$880, including interest at 3.53%, final payment due August 2013, collateralized by a vehicle	<u>12,357</u>	<u>22,152</u>
	1,462,025	1,968,937
Less Current Portion	<u>496,306</u>	<u>506,912</u>
	<u>\$ 965,719</u>	<u>\$ 1,462,025</u>

Vehicles and equipment under capital leases included in Capital Assets (net of accumulated depreciation) on the Statement of Net Assets totaled \$1,481,519, \$2,000,550 and \$2,338,964 at June 30, 2012, June 30, 2011 and June 30 2010 respectively.

MATURITIES OF LONG-TERM DEBT

Maturities of long-term debt are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Capital Leases Total</u>
2013	\$ 496,306	\$ 54,781	\$ 551,087
2014	417,718	32,435	450,153
2015	517,274	3,643	520,917
2016	<u>30,727</u>	<u>227</u>	<u>30,954</u>
	<u>\$ 1,462,025</u>	<u>\$ 91,086</u>	<u>\$ 1,553,111</u>

Related interest expense for the year ended June 30, 2012, June 30, 2011 and June 30 2010 was \$75,776, \$99,736 and \$119,178 respectively.

NOTE 13 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, 2012

NOTE 13 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	\$ 320,600
Interest on net OPEB obligation	26,368
Adjustment to annual required contribution	(57,010)
Amortization of Actuarial (gains)/losses	<u>3,207</u>
Annual OPEB cost (expense)	\$ 293,165
Contributions made	<u>-</u>
Increase in net OPEB obligation	\$ 293,165
Net OPEB Obligation - beginning of year	<u>659,206</u>
Net OPEB Obligation - end of year	<u>\$ 952,371</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 2012 fiscal year and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation
6/30/2009	NA	NA	NA
6/30/2010	\$ 328,278	\$ 1,166	\$ 327,112
6/30/2011	344,669	12,575	332,094
6/30/2012 est.	293,165	16,497	276,668

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
07/01/2009	\$0	\$1,726,831	\$1,723,831	0.0%	\$6,614,918	26.1%
07/01/2010	\$0	2,030,526	2,030,526	0.0%	6,813,000	29.8%
07/01/2011	\$0	1,724,811	1,724,811	0.0%	6,001,866	28.7%
07/01/2012 est.	\$0	2,010,207	2,010,207	0.0%	6,181,922	32.5%

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, 2012

NOTE 13 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, 2012

NOTE 14 RECENTLY ISSUED ACCOUNTING STANDARDS

Management's current assessment is that these pronouncements will not have a significant impact on the basic financial statements.

- GASB Statement No. 61, *"The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34"*, which is required to be implemented in fiscal year 2013.
- GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which is required to be implemented in fiscal year 2013.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is required to be implemented in fiscal year 2013.
- GASB Statement No. 65, *"Items Previously Reported as Asset and Liabilities,"* which is required to be implemented in the fiscal year 2013.
- GASB Statement No. 66, *"Technical Corrections – 2012 An Amendment to GASB No. 10 and No. 62,"* which is required to be implemented in the fiscal year 2013.
- GASB Statement No. 67, *"Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,"* which is required to be implemented in the fiscal year 2014.
- GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27"*, which is required to be implemented in the fiscal year 2015.

NOTE 15 SUBSEQUENT EVENTS

The Collaborative has evaluated all subsequent events through November 16, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CAPE COD COLLABORATIVE
BUDGETARY COMPARISON OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

	General Funds	Budget	Variance (Under) Over
Revenues:			
Tuition	\$ 5,494,485	\$ 5,414,400	\$ 80,085
Service Fees	\$ 5,306,290	4,895,800	410,490
Other	\$ 297,989	218,518	79,471
Total revenues	<u>11,098,764</u>	<u>10,528,718</u>	<u>570,046</u>
Expenditures:			
Transportation	3,698,638	3,668,784	29,854
Alternative Education	2,568,326	2,520,217	48,109
STAR	2,549,319	2,573,294	(23,975)
Itinerant	1,159,339	1,040,459	118,880
Professional Development & Executive Search	444,923	273,123	171,800
Medicaid	78,730	106,585	(27,855)
Advanced Student Leadership Program	207,908	226,983	(19,075)
Total Expenditures	<u>10,707,183</u>	<u>10,409,445</u>	<u>297,738</u>
 Excess of revenues over expenditures	 <u>\$ 391,581</u>	 <u>\$ 119,273</u>	 <u>\$ 272,308</u>

CAPE COD COLLABORATIVE
MASSACHUSETTS DEPARTMENT OF ELEMENTARY AND
SECONDARY EDUCATION REQUIRED INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

Annual Independent Audit Result must include:

1. Transactions between collaborative & any related for-profit or non-profit organization	None
2. Transactions or contracts related to the purchase, sale rental or lease of real property - see Note 11	
Osterville campus leased from the Town of Barnstable	\$ 71,000
Bourne campus leased from the Town of Bourne	106,500
	<u>\$ 177,500</u>
3. Names, duties, and total compensation of the 5 most highly compensated employee	
Paul Hilton - Executive Director	\$ 132,175
Lawrence Carroll - Director of the Alternative Education Program	103,040
Anita Woods - Director of the STAR Program	100,168
Jim Brown - Business Manager	92,919
Suzanne Greenburg-Carroll - Speech and Language Pathologisst	86,278
4. Amounts expended on administration and overhead	
Administrative salaries, wages and benefits	\$ 377,341
Administrative Overhead	202,958
	<u>\$ 580,299</u>
5. Any accounts held by collaborative that may be spent at the discretion of another person or entity	None
6. The amounts expended on services for individuals age 22 and older	None

**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

We have audited financial statements of the governmental activities, each major fund in the aggregate remaining fund information of Cape Cod Collaborative as of and for the year ended June 30, 2012, which collectively comprise the Cape Cod Collaborative's basic financial statements, and have issued our report thereon dated November 16, 2012. We conducted our audit 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.

Internal control over financial reporting

Management of Cape Cod Collaborative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Cape Cod Collaborative's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cape Cod Collaborative's internal control over financial reporting.

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, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Cape Cod Collaborative's financial statements are free of 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*.

This report is intended solely for the information and use of management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.



November 16, 2012