

CAPE COD COLLABORATIVE
REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

CAPE COD COLLABORATIVE

REPORT ON EXAMINATION OF BASIC FINANCIAL STATEMENTS

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Independent Auditor's Report

To the Board of Directors
Cape Cod Collaborative
Osterville, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cape Cod Collaborative (the "Collaborative"), as of and for the year ended June 30, 2020, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2020, and the respective changes in financial position 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 the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Collaborative's basic financial statements. The other information, as listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2020, on our consideration of the Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Collaborative's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Powers + Juliani, LLC". The signature is written in a cursive, flowing style.

December 9, 2020

Management's Discussion and Analysis

Management's Discussion and Analysis

The 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, 2020. We encourage readers to consider this information in conjunction with the Collaborative's financial statements, which follow.

Nature of the Organization

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 determines the values for its services by allocating estimated costs based upon the projected service need(s) of its member districts. There may be variances between the projected and the actual service needs and the resulting estimated and actual costs. An excess or deficiency results to the extent that the actual needs are below or above initial estimates. When this occurs, and after providing for adequate operating capital, these variances (shared assets or liabilities) are passed on to the member districts as "future service" cost increases or reductions.

The Cape Cod Collaborative continues to expand and to develop its technology resources to meet our membership needs as well as the increased accountability and requirements of the MA-DESE. Hardware and software upgrades that were initiated in 2012 continued into 2020 which improve: financial reporting, teacher evaluation processes, student learning and progress, transportation tracking and routing, and network server access.

The STAR program in Osterville and Waypoint Academy in Sandwich are tuition-based special education day programs of the Collaborative. The 2019 -2020 enrollment met expectations in the STAR Program throughout the year. Waypoint Academy experienced a transitional period during 2019-20 with an enrollment slightly below what had been anticipated. Transportation service requests continued to increase with the addition of general education and in-district special education transportation services for the Monomoy Regional School District in 2019.

Our student programs' population is typically fluid throughout the year; a number of factors impact special education day placement enrollment such as: residential placement; students who attain the age of 22; and, students who return to their district or leave the area entirely. While a large percentage of our program enrollment is stable, these factors may contribute to variations from projections by as much as 20%, which is problematic without adequate budgetary safeguards. Consequently, many of our spending decisions (wages and other expenses) are predicated upon evolving enrollment, which allows the Collaborative to be efficient in the provision of services.

The restructuring of transportation administration, which began in 2014, added administrative support to support the expanded service delivery and the increased reliance upon continual refinement of databases to support transportation operations. The restructuring continued into 2019-2020 as dispatch services and administrative support were strengthened. General education and in-district special education transportation services were added for the Monomoy Regional School District (21 buses). This increase in services was accomplished smoothly. Further and future district needs for general education transportation for member school districts continue to be evaluated along with the capacity of the Collaborative to effectively support the provision of services. The Collaborative has continued to expand its capacity for the provision of these services as member districts face increased costs and receive diminished services from outside contractors. The Collaborative has continued to work closely with school districts to support insightful decision making for the procurement of transportation services, whether through the Collaborative or through private contractors. The adaptability and flexibility of the Collaborative model for the provision of services proved supportive for districts

as all were challenged due to the impact of the SARS-CoV-2 (COVID-19) pandemic. The Collaborative model was transparent and straightforward and allowed for participating districts to clearly understand and amend the variables in refining the service template to effectively adjust associated costs.

Special Education Transportation invoicing, while more transparent and efficient, continued to be complicated and cumbersome. The Collaborative continues to work with districts to refine their in-district costing templates, providing them with control over their services and costs, while yielding significant efficiencies for the Collaborative and cost savings for them (districts). The automation of the invoicing process has eliminated some redundancy as well as the intensity of manual manipulation that had been previously required. The invoicing process continued to be refined throughout 2019-2020 to provide time and distance data to support the costing process and to facilitate the cost allocation process. Further technology and recordkeeping procedures continue to be implemented and to be evaluated to ensure consistent and accurate determination of costs and invoicing for transportation services. Efficiencies in the invoicing process will continue to be refined and implemented, an ongoing initiative that will continue into the next fiscal year.

The 2020 Final Budget included Board of Directors authorized modifications. These modifications related to investments in operational activities and COVID-19 expenditures:

- Transportation Driver Incentives (\$116,013);
- Vehicle maintenance software and equipment (\$148,089);
- COVID-19 related personal protective equipment bulk mask purchase (\$58,801);
- COVID-19 related disinfecting equipment (\$18,645);
- Facilities upgrades (walkway paving and Air Conditioning installation (\$21,949);
- Final year of Pocasset vehicle shop – transition year to Dennisport shop (\$27,600).

Each of these items were approved by the Collaborative Board of Directors to be expended from the General Fund for a total of \$391,097.

The acclaimed Advanced Studies and Leadership Program (ASLP), a partnership with Massachusetts Maritime Academy, had another successful session during the Summer of 2019 with 212 students successfully completed the summer program. The program objectives were again accomplished during the Summer of 2019:

- 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 consistent demand for this program allowed expanded access to ASLP in 2019. In 2019, 250± students had applied for the summer program and 212 attended.

COVID-19 (SARS-CoV-2) Note

The Cape Cod Collaborative worked closely with member school districts throughout the period of the pandemic toward ensuring that services were prepared to resume if/when the restrictions associated with the pandemic were eased. The Member School Districts worked closely with the Collaborative administration to ensure that the programs and services remained viable while ensuring that the costs associated with maintaining program and service capacity were contained and reasonable.

The Collaborative sought and was awarded a Paycheck Protection Program (PPP) loan to ensure the viability of the organization on behalf of the districts served. The Collaborative reviewed all operational capacity and ensured cost containment measures were implemented that were targeted towards maintaining the capacity to effectively serve.

The result of the efforts of the Collaborative staff and administration, along with the support of those served by the Collaborative, resulted in the Collaborative completing the 2019-2020 Fiscal Year intact and prepared to effectively resume operations for the 2020-2021 Fiscal Year.

	Budgeted Amounts			Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Budget Modifications	Final Budget		
REVENUES:					
Tuition.....	\$ 6,090,252	\$ -	\$ 6,090,252	\$ 5,893,009	\$ (197,243)
Service revenue.....	1,262,375	-	1,262,375	1,080,981	(181,394)
Transportation.....	8,930,261	-	8,930,261	9,250,297	320,036
Other departmental revenue.....	50,000	-	50,000	52,496	2,496
Investment income.....	-	-	-	24,910	24,910
TOTAL REVENUES.....	16,332,888	-	16,332,888	16,301,693	(31,195)
EXPENDITURES:					
Current:					
Waypoint academy.....	2,930,344	11,018	2,941,362	2,681,126	260,236
STAR program.....	2,897,880	32,867	2,930,747	2,803,069	127,678
Itinerant services.....	920,901	2,876	923,777	703,379	220,398
Transportation.....	12,051,278	342,394	12,393,672	12,039,551	354,121
Professional development and executive search.....	309,985	968	310,953	268,245	42,708
Advanced studies and leadership program.....	311,854	974	312,828	273,603	39,225
TOTAL EXPENDITURES.....	19,422,242	391,097	19,813,339	18,768,973	1,044,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,089,354)	(391,097)	(3,480,451)	(2,467,280)	1,013,171
OTHER FINANCING SOURCES (USES):					
Board authorized fund balance transfers.....	-	391,097	391,097	-	(391,097)
Capital lease financing.....	3,089,354	-	3,089,354	2,565,011	(524,343)
TOTAL OTHER FINANCING SOURCES (USES).....	3,089,354	391,097	3,480,451	2,565,011	(915,440)
NET CHANGE IN FUND BALANCE.....	-	-	-	97,731	97,731
FUND BALANCES AT BEGINNING OF YEAR, as restated.....	3,766,428	-	3,766,428	3,766,428	-
FUND BALANCES AT END OF YEAR.....	\$ 3,766,428	\$ -	\$ 3,766,428	\$ 3,864,159	\$ 97,731

Using this Report

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

- **Management's Discussion and Analysis** introduces the basic financial statements and provides an analytical overview of the Collaborative's financial activities.
- **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.

- **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.
- **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. Legislation also requires the Collaborative to provide other data as mandated by the Massachusetts Department of Elementary and Secondary Education.

2020 Financial Highlights

- Governmental fund revenues increased 9.1% or \$1.6 million and expenditures increased 15.1% or \$2.5 million over the prior year (this excludes the \$2.6 million of capital lease financing). This resulted in an increase in fund balance of \$106,000.
- The general fund's actual revenue and other sources were under budget by \$31,000. Expenditures related to the above were less than budgeted by \$1,044,000. Overall, there was a \$98,000 increase in budgetary fund balance.
- During the year the Collaborative leased an additional \$2.6 million of school buses for regular and special education transportation.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets exceeded liabilities by \$3.6 million at the close of 2020. Key components of the Collaborative's governmental financial position are as follows:

	2020	2019 (As restated)
Assets:		
Current assets.....	\$ 8,437,182	\$ 5,448,807
Capital assets, net of accumulated depreciation....	6,539,643	5,473,347
Total assets.....	14,976,825	10,922,154
Deferred outflows of resources.....	303,578	147,994
Liabilities:		
Current liabilities (excluding debt).....	1,048,243	956,862
Noncurrent liabilities (excluding debt).....	639,813	506,613
Current debt.....	3,423,609	1,131,919
Noncurrent debt.....	5,029,873	4,261,981
Total liabilities.....	10,141,538	6,857,375
Deferred inflows of resources.....	1,541,481	700,489
Net position:		
Net investment in capital assets.....	22,953	79,447
Restricted.....	61,204	52,454
Unrestricted.....	3,513,227	3,380,383
Total net position.....	\$ 3,597,384	\$ 3,512,284

Net position of \$23,000 reflects the Collaborative's net investment in capital assets (e.g., equipment, furniture and fixtures, and vehicles); less any related debt used to acquire those assets that is still outstanding. The Collaborative uses these capital assets to provide services to pupils; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of its related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net position of \$61,000 represents resources that are subject to external restrictions on how they may be used (restricted for gifts and grants).

The remaining \$3.5 million portion of net position is unrestricted.

	2020	2019
Program Revenues:		
Charges for services..... \$	16,221,496	\$ 15,212,845
Operating grants and contributions.....	2,962,987	2,219,773
Miscellaneous revenue.....	40,375	48,582
Investment income.....	24,910	36,038
Total revenues.....	19,249,768	17,517,238
Expenses:		
Waypoint Academy.....	2,674,908	2,799,129
STAR Program.....	2,795,995	2,670,216
Itinerant Services.....	701,287	714,434
Transportation.....	9,512,836	7,691,515
Professional development and executive search.....	317,375	295,925
Advance Studies and Leadership Program.....	273,437	246,933
State funded pension benefits.....	2,888,830	2,114,653
Total expenses.....	19,164,668	16,532,805
Change in net position.....	85,100	984,433
Net position, beginning of year, as restated.....	3,512,284	2,527,851
Net position, end of year..... \$	3,597,384	\$ 3,512,284

The Collaborative's net position increased by \$85,000 in 2020 as compared to a \$984,000 increase in 2019. The decrease is mainly attributable to the Collaborative's increase in transportation services expenses.

Beginning net position of governmental activities has been restated to reflect a change in the valuation of the Collaborative's accounts receivable balances.

Financial Analysis of the Governmental Funds

The focus of *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the Collaborative's net resources available for spending at the end of the year.

At the end of the current year, governmental funds reported combined ending fund balances of \$4.0 million. The general fund balance increased by \$98,000. Nonmajor governmental funds increased by \$9,000.

Beginning fund balance of the general fund has been restated to reflect a change in the valuation of the Collaborative's accounts receivable balances.

The general fund is the Collaborative's chief operating fund. At year end, fund balance in the general fund totaled \$3.9 million. This represents 17.8% of total general fund expenditures.

See financial highlights for additional information.

General Fund Budgetary Highlights

The Collaborative adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The original year 2020 approved budget for the general fund authorized \$19.4 million in appropriations. During the year the Board approved additional appropriations totaling \$391,000 as previously discussed.

See financial highlights for additional information.

Capital Asset and Debt Administration

The Collaborative's net capital assets totaled \$6.5 million as of June 30, 2020. The Collaborative leased an additional \$2,565,000 of school buses during 2020. Depreciation expense in the amount of \$1.5 million was recorded.

The Collaborative has several capital leases liabilities outstanding at year end which totaled \$6.5 million. As noted previously, the Collaborative also obtained a Paycheck Protection Program Loan in the amount of \$1.9 million during the year.

Please refer to the Notes 4, 6 and 9 of the basic financial statements for further discussion of the capital asset and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Cape Cod Collaborative's finances for all those with an interest in the Collaborative's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Administrator, Cape Cod Collaborative, 418 Bumps River Road, Osterville, Massachusetts 02655.

Basic Financial Statements

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STATEMENT OF NET POSITION

JUNE 30, 2020

	<i>Primary Government</i>
	Governmental Activities
ASSETS	
CURRENT:	
Cash and cash equivalents.....	\$ 5,995,562
Investments.....	361,514
Receivables, net of allowance for uncollectibles:	
Due from member communities.....	2,028,009
Other assets.....	52,097
Total current assets.....	8,437,182
NONCURRENT:	
Capital assets, net of accumulated depreciation.....	6,539,643
TOTAL ASSETS.....	14,976,825
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to other postemployment benefits....	303,578
LIABILITIES	
CURRENT:	
Warrants payable.....	324,288
Accrued payroll.....	570,860
Other liabilities.....	153,095
Paycheck Protection Program Loan.....	1,936,792
Capital lease obligations.....	1,486,817
Total current liabilities.....	4,471,852
NONCURRENT:	
Capital lease obligations.....	5,029,873
Net other postemployment benefits liability.....	639,813
Total noncurrent liabilities.....	5,669,686
TOTAL LIABILITIES.....	10,141,538
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue.....	1,461,797
Deferred outflows related to other postemployment benefits....	79,684
TOTAL DEFERRED INFLOWS OF RESOURCES.....	1,541,481
NET POSITION	
Net investment in capital assets.....	22,953
Restricted for:	
Gifts and grants.....	61,204
Unrestricted.....	3,513,227
TOTAL NET POSITION.....	\$ 3,597,384

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary Government:				
<i>Governmental Activities:</i>				
Waypoint academy.....	\$ 2,674,908	\$ 2,813,755	\$ -	\$ 138,847
STAR program.....	2,795,995	2,937,017	10,157	151,179
Itinerant services.....	701,287	666,368	-	(34,919)
Transportation.....	9,512,836	9,262,647	-	(250,189)
Professional development and executive search.	317,375	251,418	54,000	(11,957)
Advanced studies and leadership program.....	273,437	290,291	10,000	26,854
State funded pension benefits.....	<u>2,888,830</u>	<u>-</u>	<u>2,888,830</u>	<u>-</u>
Total Governmental Activities.....	\$ <u>19,164,668</u>	\$ <u>16,221,496</u>	\$ <u>2,962,987</u>	\$ <u>19,815</u>

(Continued)

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	<i>Primary Government</i>
	Governmental Activities
Changes in net position:	
Net (expense) revenue from previous page.....	\$ 19,815
<i>General revenues:</i>	
Unrestricted investment income.....	24,910
Miscellaneous revenue.....	40,375
Total general revenues.....	65,285
Change in net position.....	85,100
 <i>Net position:</i>	
Beginning of year, as restated.....	3,512,284
End of year.....	\$ 3,597,384
	(Concluded)

See notes to basic financial statements.

GOVERNMENTAL FUNDS
BALANCE SHEET

JUNE 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents.....	\$ 5,869,371	\$ 126,191	\$ 5,995,562
Investments.....	361,514	-	361,514
Receivables, net of uncollectibles:			
Due from member communities.....	2,028,009	-	2,028,009
Other assets.....	52,097	-	52,097
TOTAL ASSETS.....	\$ 8,310,991	\$ 126,191	\$ 8,437,182
LIABILITIES			
Warrants payable.....	\$ 324,288	\$ -	\$ 324,288
Accrued payroll.....	570,860	-	570,860
Other liabilities.....	153,095	-	153,095
Paycheck Protection Program Loan.....	1,936,792	-	1,936,792
TOTAL LIABILITIES.....	2,985,035	-	2,985,035
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue.....	1,461,797	-	1,461,797
FUND BALANCES			
Restricted.....	-	126,191	126,191
Unassigned.....	3,864,159	-	3,864,159
TOTAL FUND BALANCES.....	3,864,159	126,191	3,990,350
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES.....	\$ 8,310,991	\$ 126,191	\$ 8,437,182

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET POSITION**

JUNE 30, 2020

Total governmental fund balances.....	\$	3,990,350
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....		6,539,643
The statement of net position includes certain deferred inflows of resources and deferred outflows of resources that will be amortized over future periods. In governmental funds, these amounts are not deferred.....		223,894
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Net other postemployment benefits liability.....	(639,813)	
Capital lease obligations.....	<u>(6,516,690)</u>	
Net effect of reporting long-term liabilities.....		<u>(7,156,503)</u>
Net position of governmental activities.....	\$	<u>3,597,384</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2020

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:			
Tuition.....	\$ 5,893,009	\$ -	\$ 5,893,009
Service revenue.....	1,080,981	-	1,080,981
Transportation.....	9,250,297	-	9,250,297
Other departmental revenue.....	52,496	-	52,496
Intergovernmental.....	-	59,245	59,245
Intergovernmental - State provided pension benefits.....	2,888,830	-	2,888,830
Investment income.....	24,910	-	24,910
TOTAL REVENUES.....	19,190,523	59,245	19,249,768
EXPENDITURES:			
Current:			
Waypoint academy.....	2,681,126	750	2,681,876
STAR program.....	2,803,069	162	2,803,231
Itinerant services.....	703,379	-	703,379
Transportation.....	12,039,551	-	12,039,551
Professional development and executive search.....	268,245	49,583	317,828
Advanced studies and leadership program.....	273,603	-	273,603
State funded pension benefits.....	2,888,830	-	2,888,830
TOTAL EXPENDITURES.....	21,657,803	50,495	21,708,298
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,467,280)	8,750	(2,458,530)
OTHER FINANCING SOURCES (USES):			
Capital lease financing.....	2,565,011	-	2,565,011
NET CHANGE IN FUND BALANCES.....	97,731	8,750	106,481
FUND BALANCES AT BEGINNING OF YEAR, as restated.....	3,766,428	117,441	3,883,869
FUND BALANCES AT END OF YEAR.....	\$ 3,864,159	\$ 126,191	\$ 3,990,350

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2020

Net change in fund balances - total governmental funds.....	\$	106,481
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay.....		2,565,011
Depreciation expense.....		<u>(1,498,715)</u>
Net effect of reporting capital assets.....		1,066,296
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are unavailable and amortized in the Statement of Activities.</p>		
Principal payments on capital leases.....		1,442,221
Capital lease financing.....		<u>(2,565,011)</u>
Net effect of reporting long-term debt.....		(1,122,790)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Net change in deferred outflow/(inflow) of resources related to other postemployment benefits...		168,313
Net change in net other postemployment benefits liability.....		<u>(133,200)</u>
Net effect of recording long-term liabilities.....		<u>35,113</u>
Change in net position of governmental activities.....	\$	<u><u>85,100</u></u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

		Other Postemployment Benefit Trust Fund
ASSETS		
Cash and cash equivalents.....	\$	19,283
Investments.....		1,466,207
TOTAL ASSETS.....		1,485,490
NET POSITION		
Restricted for other postemployment benefits.....	\$	1,485,490

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2020

	Other Postemployment Benefit Trust Fund
<u>ADDITIONS:</u>	
Contributions:	
Employer contributions to the trust.....	\$ 180,000
Employer contributions for other postemployment benefit payments....	47,553
Total contributions.....	227,553
Net investment income:	
Investment income.....	52,509
Less: investment expense.....	(3,768)
Net investment income (loss).....	48,741
TOTAL ADDITIONS.....	276,294
<u>DEDUCTIONS:</u>	
Other postemployment benefit payments.....	47,553
NET INCREASE (DECREASE) IN NET POSITION.....	228,741
NET POSITION AT BEGINNING OF YEAR.....	1,256,749
NET POSITION AT END OF YEAR.....	\$ 1,485,490

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Governance of the Collaborative is vested in a 19 member Board of Directors (the “Board”) composed of one representative appointed by each member school committee. The Board appoints an Executive Director who is the chief operating official for the Collaborative and who reports directly to the Board.

The accompanying basic financial statements of the Collaborative have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant Collaborative accounting policies are described herein.

A. Reporting Entity

For financial reporting purposes, the Collaborative has included all funds, organizations, agencies, boards, commissions, and institutions. The Collaborative has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Collaborative are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Collaborative (the primary government) and its component units. The Collaborative has no component units that require inclusion in these basic financial statements.

The primary government consists of all funds and departments which provide various services including special education, occupational education, supplemental services, professional development and administrative. The Board and Executive Director are directly responsible for these activities.

B. Government-Wide and Fund Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. *Governmental activities* are primarily supported by member assessments and intergovernmental revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation*Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Other items not identifiable as program revenues are reported as general revenues.

The effect of interfund activity has been removed from the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of 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.

Investment income is susceptible to accrual. Other receipts and revenues become measurable and available when the cash is received and are recognized as revenue at that time.

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.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *nonmajor governmental funds* consist of other special revenue funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. It is comprised of *special revenue funds* which are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *other postemployment benefits trust fund* is used to accumulate resources to provide funding for future OPEB liabilities.

D. Cash and Investments

Government-Wide and Fund Financial Statements

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

E. Fair Value Measurements

The Collaborative reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value

practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the Collaborative's financial instruments, see Note 2 – Cash and Investments.

F. Accounts Receivable

Government-Wide and Fund Financial Statements

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Due from member communities

Departmental and other receivables consist tuition payments receivable for special education services provided as well as a receivable for transportation services provided to members.

Intergovernmental

Various federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

G. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

H. Capital Assets

Government-Wide Financial Statements

Capital assets, which include equipment, furniture and fixtures, and vehicles, are reported in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Office equipment and furniture.....	5
Leasehold improvements.....	10
School buses.....	5 - 10

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the year of the purchase.

I. Deferred Outflows/Inflows of Resources

Government-Wide Financial Statements (Net Position)

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Collaborative reported deferred outflows related to other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Collaborative reported deferred inflows related to other postemployment benefits and unearned revenue in this category.

Government Fund Financial Statements

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents amounts that have been recorded in the governmental fund financial statements but the revenue is not available and so will not be recognized as an inflow of resources (revenue) until it becomes available. The Collaborative reported unearned revenue in this category.

J. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are not eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds are eliminated from the governmental activities in the statement of net position.

K. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers within governmental funds are eliminated from the governmental activities in the statement of activities.

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

L. Net Position and Fund Equity*Government-Wide Financial Statements (Net Position)*

Net position reported as "net investment in capital assets" includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital assets.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Sometimes the Collaborative will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Collaborative’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Financial Statements (Fund Balances)

Governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

The governmental fund balance classifications are as follows:

“Nonspendable” fund balance includes amounts that cannot be spent because they are either not in spendable form or they are legally or contractually required to be maintained intact.

“Restricted” fund balance includes amounts subject to constraints placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or that are imposed by law through constitutional provisions or enabling legislation.

“Committed” fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.

“Assigned” fund balance includes amounts that are constrained by the Collaborative’s intent to be used for specific purposes but are neither restricted nor committed.

“Unassigned” fund balance includes the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Collaborative’s spending policy is to spend restricted fund balance first, followed by committed, assigned and unassigned fund balance. Most governmental funds are designated for one purpose at the time of their creation. Therefore, any expenditure from the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. The general fund and certain other funds may have more than one purpose.

M. Long-term debt

Government-Wide Financial Statements

Long-term debt is reported as liabilities in the government-wide statement of net position. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as administrative expenditures.

N. Investment Income

Investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

O. Pensions

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

P. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. This time is required to be used during the school year and does not carryforward, therefore the Collaborative does not report a liability for any unused vacation or sick time.

Q. Use of Estimates*Government-Wide and Fund Financial Statements*

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

R. Total Column*Government-Wide Financial Statements*

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Cash Equivalents". The deposits and investments of trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U.S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (Pool). In addition, there are various restrictions limiting the amount and length of deposits and investments.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is valued at amortized cost.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Collaborative's deposits may not be returned to it. The Collaborative has a formal policy for custodial credit risk that includes a review of the financial institutions financial statements and the background of the Advisor.

At year-end, the carrying amount of deposits totaled \$6,014,845 and the bank balance totaled \$6,154,393. Of that amount \$500,000 was covered by Federal Depository Insurance and \$4,896,063 was collateralized. The remaining balance of \$758,330 was exposed to custodial risk because it was uninsured and uncollateralized.

Fair Market Value of Investments

The Collaborative holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Collaborative's mission, the Collaborative determines that the disclosures related to these investments only need to be disaggregated by major type. The Collaborative chooses a tabular format for disclosing the levels within the fair value hierarchy.

The Collaborative categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The following table presents the Collaborative fair value measurements on a recurring basis as of June 30, 2020:

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
<u>Other investments:</u>				
Equity securities.....	\$ 14,251	\$ 14,251	\$ -	\$ -
Equity mutual funds.....	858,741	858,741	-	-
Fixed income.....	954,729	954,729	-	-
Total investments.....	\$ 1,827,721	\$ 1,827,721	\$ -	\$ -

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the entity will not be able to recover the value of its investments or collateral security that are in the possession of an outside party. Of the Collaborative's investments, \$1,827,721 of equity securities and fixed income securities are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the counterparty.

The Collaborative has a formal policy for custodial credit risk that includes a review of the financial institutions financial statements and the background of the Advisor.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect the fair value of the Collaboratives' investments. The Collaborative does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Collaborative has adopted a formal policy related to Credit Risk by diversifying the investment portfolio so the impact of potential losses from any one type of security or issuer is minimized.

Concentration of Credit Risk

The Collaborative places no limit on the amount the government may invest in any one issuer.

NOTE 3 – RECEIVABLES

At June 30, 2020, receivables for the individual major and non-major governmental funds in the aggregate are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Due from member communities.....	\$ 2,053,118	\$ (25,109)	\$ 2,028,009

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
School Buses.....	11,646,835	2,565,011	-	14,211,846
Leasehold improvements.....	202,892	-	-	202,892
Office equipment and furniture.....	28,868	-	-	28,868
	<u>11,878,595</u>	<u>2,565,011</u>	<u>-</u>	<u>14,443,606</u>
<u>Less accumulated depreciation for:</u>				
School Buses.....	(6,198,039)	(1,474,164)	-	(7,672,203)
Leasehold improvements.....	(182,601)	(20,291)	-	(202,892)
Office equipment and furniture.....	(24,608)	(4,260)	-	(28,868)
	<u>(6,405,248)</u>	<u>(1,498,715)</u>	<u>-</u>	<u>(7,903,963)</u>
Total capital assets, net.....	<u>\$ 5,473,347</u>	<u>\$ 1,066,296</u>	<u>\$ -</u>	<u>\$ 6,539,643</u>

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers can occur between the general fund and nonmajor funds. There were no such transfers in 2020.

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

On May 14, 2020, the Cape Cod Collaborative was granted a loan (the "loan") from TD Bank, N.A. in the aggregate amount of \$1,936,792, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted on March 27, 2020.

The Loan, which is in the form of a Note dated May 14, 2020 issued by the Collaborative, matures on May 14, 2022 and bears interest at the rate of 1% per annum, payable monthly commencing on December 14, 2020. The Note may be prepaid by the Collaborative at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Collaborative intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. While the Collaborative currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, there can be no currently known assurance that other conditions might cause the Collaborative to be ineligible for forgiveness of the loan, in whole or in part.

NOTE 7 – PREPAID TUITION

Member communities are allowed to prepay a portion of the next year's tuition. At June 30, 2020, the Collaborative had received \$1,461,797 of prepaid tuition from member communities.

NOTE 8 – FACILITY LEASES

The Collaborative has entered into operating lease agreements for the Osterville Campus, Waypoint Academy in Sandwich, Camp Burgess facility, Dennisport maintenance facility, Nauset Transportation office trailer, and Pocasset maintenance facility. The cost of these leases for the year ended June 30, 2020 totaled \$320,292.

Future minimum lease payments for these agreements are as follows:

<u>Years ending June 30:</u>	
2021.....	\$ 147,022
2022.....	96,970
2023.....	87,970
2024.....	87,970
2025.....	87,970
2026.....	87,970
2027.....	87,970
2028.....	87,970
2029.....	87,970
2030.....	<u>87,970</u>
 Total.....	 <u>\$ 947,752</u>

NOTE 9 – CAPITAL LEASES

The Collaborative has entered into non-cancelable long-term lease agreements for the purchase of buses. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The following identifies the assets acquired through capital lease agreements:

<u>Asset:</u>	<u>Governmental Activities</u>
School Buses.....	\$ 14,211,846
Less: accumulated depreciation...	<u>(7,672,203)</u>
 Total.....	 <u>\$ 6,539,643</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 were as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>
2021.....	\$ 1,651,042
2022.....	1,556,633
2023.....	1,347,257
2024.....	1,118,339
2025.....	828,267
2026.....	436,329
2027.....	<u>33,391</u>
Total minimum lease payments.....	6,971,258
Less: amounts representing interest.....	<u>(454,568)</u>
Present value of minimum lease payments... \$	<u><u>6,516,690</u></u>

Related interest expense for the year ended June 30, 2020 was \$198,842.

Changes in Long-term Liabilities

During the year ended June 30, 2020, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Other Increases</u>	<u>Other Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital lease obligations.....	\$ 5,393,900	\$ 2,565,011	\$ (1,442,221)	\$ 6,516,690	\$ 1,486,817
Other postemployment benefits.....	<u>506,613</u>	<u>360,753</u>	<u>(227,553)</u>	<u>639,813</u>	<u>-</u>
Total long-term liabilities.....	<u><u>\$ 5,900,513</u></u>	<u><u>\$ 2,925,764</u></u>	<u><u>\$ (1,669,774)</u></u>	<u><u>\$ 7,156,503</u></u>	<u><u>\$ 1,486,817</u></u>

NOTE 10 – GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

The Collaborative has adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the Collaborative's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling

legislation.

- **Committed:** fund balances that contain self-imposed constraints of the government from its highest level of decision making authority.
- **Assigned:** fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- **Unassigned:** fund balance of the general fund that is not constrained for any particular purpose.

The Collaborative has classified its fund balances with the following hierarchy:

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:			
Restricted for:			
Art & Music.....	\$ -	\$ 6,139	\$ 6,139
Advanced Studies & Leadership Program.....	-	39,209	39,209
Grants.....	-	55,065	55,065
Garden Fund.....	-	488	488
Preschool Expansion.....	-	25,290	25,290
Unassigned.....	<u>3,864,159</u>	<u>-</u>	<u>3,864,159</u>
 Total Fund Balances.....	 <u>\$ 3,864,159</u>	 <u>\$ 126,191</u>	 <u>\$ 3,990,350</u>

NOTE 11 – RISK FINANCING

The Collaborative is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Collaborative carries commercial insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

The Collaborative participates in premium-based health care plans for its employees and retirees.

NOTE 12 – PENSION PLAN

Plan Descriptions

The Collaborative is a member of the Massachusetts State Employees’ Retirement System (MSERS), a public employee retirement system that administers a cost-sharing multi-employer defined benefit plan covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The MSERS is part of the Commonwealth’s reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

The Collaborative is also a member of the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter

schools, educational collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situations

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the Collaborative's teachers and retired teachers to the MTRS. Therefore, the Collaborative is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the Collaborative does not contribute directly to MTRS, the Collaborative does not have a net pension liability. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$1,175,063 is reported in the general fund as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$9,689,850 as of the measurement date.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the Collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives. Therefore, the Collaborative does not have a net pension liability. The Collaborative's required contribution to MSERS equaled its actual contribution for the year ended December 31, 2019 was \$213,581.

The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the non-teaching employees of the Collaboratives and therefore has a 100% special funding situation. The total of the Commonwealth provided contributions are allocated based on each employer's covered payroll to the total covered payroll of employers in MSERS as of the measurement date of June 30, 2019. The Collaborative's portion of the collective pension expense, contributed by the Commonwealth, of \$1,713,767 is reported as intergovernmental revenue and pension expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the Collaborative is \$10,316,755 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth’s state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description – The Collaborative administers a single-employer defined benefit healthcare plan (the “Plan”). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Collaborative’s group health insurance plan, which covers both active and retired members. Chapter 32B of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the Collaborative and Collaborative employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

Funding Policy – Contribution requirements are also negotiated between the Collaborative and union representatives. The required contribution is based on a pay-as-you-go financing requirement. The Collaborative contributes 50 percent of the cost of only medical insurance premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining portion of their premium costs. For 2020, the Collaborative contributed approximately \$228,000 towards these benefits, including the pre-funded contribution discussed below.

The Commonwealth of Massachusetts passed special legislation that has allowed the Collaborative to establish a postemployment benefit trust fund and to enable the Collaborative to begin pre-funding its OPEB liabilities. During 2020, the Collaborative pre-funded future OPEB liabilities totaling \$180,000 by contributing funds to the Other Postemployment Benefit Fund in excess of the pay-as-you-go required contribution. These funds are reported within the Fiduciary Funds financial statements. As of June 30, 2020, the balance in this fund totaled \$1,485,490. The Trust is managed by the Board of Directors who are authorized to manage the Trust in accordance with the Trust Agreement.

Measurement Date – GASB #74 requires the net OPEB liability to be measured as of the OPEB Plan’s most recent fiscal year-end. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018.

Membership - The following represents the Plan’s membership at June 30, 2020:

Active members.....	181
Inactive members currently receiving benefits.....	<u>10</u>
Total.....	<u><u>191</u></u>

Components of OPEB Liability – Components of the other postemployment benefits liability as of June 30, 2020, were as follows:

Total OPEB liability.....	\$	2,125,303
Less: OPEB plan's fiduciary net position.....		<u>(1,485,490)</u>
Net OPEB liability.....	\$	<u>639,813</u>
The OPEB plan's fiduciary net position		
as a percentage of the total OPEB liability.....		69.90%

Significant Actuarial Assumption – The total other postemployment benefit liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Inflation rate.....	2.40%
Investment rate of return.....	7.00%, net of investment expenses, including inflation.
Healthcare cost trend rate.....	8 percent for 2018, decreasing .05 percent per year to 5.5 percent, then grading down to an ultimate trend rate of 3.9 percent.
Pre-retirement employees - general.....	RP-2014 Employees Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females
Post-retirement employees - general.....	RP-2014 Health Annuitant Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females
Pre-retirement employees - teachers.....	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.
Post-retirement employees - teachers.....	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.

Rate of return - The annual money-weighted rate of return on OPEB plan investments was 3.66%. The money-weighted rate of return expresses investment performance, net of OPEB plan investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return of by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The Plan's expected future real rate of return of 4.60% is

added to the expected inflation of 2.40% to produce the long-term expected nominal rate of return of 7.00%. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan’s target asset allocation as of June 30, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity-large cap.....	32.00%	7.67%
Domestic equity-small/mid cap.....	5.00%	9.43%
International equity-developed market....	5.00%	5.50%
International equity-emerging market.....	2.00%	8.06%
Domestic fixed income.....	37.00%	1.18%
International fixed income.....	4.00%	4.02%
Alternatives.....	9.00%	4.59%
Real Estate.....	5.00%	7.82%
Cash.....	1.00%	-0.25%
Total.....	100.00%	

Discount rate – The discount rate used to measure the total OPEB liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions will be made in accordance with the Plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate – The following presents the net other postemployment benefit liability, calculated using the discount rate of 7.00%, as well as what the net other postemployment benefit liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point (8.00%) than the current rate.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability.....	\$ 1,013,931	\$ 639,813	\$ 340,485

Sensitivity of the net OPEB liability to changes in the healthcare trend – The following presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1-percentage-point lower or 1-percentage-point higher than the current rate of 8% year one decreasing to 3.9%.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 281,186	\$ 639,813	\$ 1,099,882

Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan	
		Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019.....	\$ 1,763,362	\$ 1,256,749	\$ 506,613
Changes for the year:			
Service cost.....	133,758	-	133,758
Interest.....	140,501	-	140,501
Changes of benefit terms.....	(22,575)	-	(22,575)
Changes in assumptions.....	157,810	-	157,810
Benefit payments.....	(47,553)	(47,553)	-
Net investment income.....	-	48,741	(48,741)
Contributions by employer.....	-	227,553	(227,553)
Net change.....	<u>361,941</u>	<u>228,741</u>	<u>133,200</u>
Balances at June 30, 2020.....	<u>\$ 2,125,303</u>	<u>\$ 1,485,490</u>	<u>\$ 639,813</u>

Changes in assumptions - The discount rate changed from 7.50% as of June 30, 2019 to 7.00% as of June 30, 2020.

Changes in plan provisions – None

NOTE 14 – CONTINGENCIES

Various legal actions and claims are pending against the Collaborative. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 15 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state’s Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses.

The Collaborative is considered an essential business and although it was closed to the public for a period of time, classes remained operational and most employees continued to perform their daily duties. The Collaborative has continued to support districts through the provision of special education and general education transportation services. The pandemic significantly impacted the provision of this service. Although the Collaborative worked closely with associated school districts, there was a significant impact to Collaborative revenues to support operational expenses in this area. Most districts supported the maintenance of transportation capital assets and transportation staff throughout the initial period of the pandemic.

The FY2021 school year has begun, all in-person, with an optional hybrid program for families electing this form of learning. FY2021 enrollment is down approximately 5-10% to start the new fiscal/school year. The Collaborative has incurred unanticipated costs, approaching several hundred thousand dollars, specifically related to the pandemic and currently plans to fund these expenditures using available reserves. It is anticipated that staffing for programmatic and transportation services will be challenging throughout the continuing pandemic potentially causing unpredictable fluctuations with both revenue and expenditures for FY21. The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2020 which is the date the financial statements were available to be issued.

NOTE 17 – RESTATEMENT OF NET POSITION AND FUND BALANCE PREVIOUSLY REPORTED

The beginning net position of governmental activities and beginning fund balance of the general fund have been restated to reflect a change in the valuation of the Collaborative’s accounts receivable balances.

	6/30/2019 Previously Reported Balances	Change in Valuation of Accounts Receivable	6/30/2019 Restated Balances
Government-Wide Financial Statements			
Governmental activities.....	\$ 3,638,677	\$ (126,393)	\$ 3,512,284
Governmental Funds Financial Statements			
General fund.....	\$ 3,892,821	(126,393)	3,766,428

NOTE 18 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.

- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

General Fund Budgetary Comparison Schedule

The General Fund is the general operating fund of the Collaborative. It is used to account for all the financial resources, except those required to be accounted for in another fund.

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Actual Budgetary Amounts	Variance to Final Budget
	Original Budget	Budget Modifications	Final Budget		
REVENUES:					
Tuition.....	\$ 6,090,252	\$ -	\$ 6,090,252	\$ 5,893,009	\$ (197,243)
Service revenue.....	1,262,375	-	1,262,375	1,080,981	(181,394)
Transportation.....	8,930,261	-	8,930,261	9,250,297	320,036
Other departmental revenue.....	50,000	-	50,000	52,496	2,496
Investment income.....	-	-	-	24,910	24,910
TOTAL REVENUES.....	16,332,888	-	16,332,888	16,301,693	(31,195)
EXPENDITURES:					
Current:					
Waypoint academy.....	2,930,344	11,018	2,941,362	2,681,126	260,236
STAR program.....	2,897,880	32,867	2,930,747	2,803,069	127,678
Itinerant services.....	920,901	2,876	923,777	703,379	220,398
Transportation.....	12,051,278	342,394	12,393,672	12,039,551	354,121
Professional development and executive search.....	309,985	968	310,953	268,245	42,708
Advanced studies and leadership program.....	311,854	974	312,828	273,603	39,225
TOTAL EXPENDITURES.....	19,422,242	391,097	19,813,339	18,768,973	1,044,366
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,089,354)	(391,097)	(3,480,451)	(2,467,280)	1,013,171
OTHER FINANCING SOURCES (USES):					
Board authorized fund balance transfers.....	-	391,097	391,097	-	(391,097)
Capital lease financing.....	3,089,354	-	3,089,354	2,565,011	(524,343)
TOTAL OTHER FINANCING SOURCES (USES).....	3,089,354	391,097	3,480,451	2,565,011	(915,440)
NET CHANGE IN FUND BALANCE.....	-	-	-	97,731	97,731
FUND BALANCES AT BEGINNING OF YEAR, as restated.....	3,766,428	-	3,766,428	3,766,428	-
FUND BALANCES AT END OF YEAR.....	\$ 3,766,428	\$ -	\$ 3,766,428	\$ 3,864,159	\$ 97,731

See notes to required supplementary information.

Collaborative Pension Plan Schedules

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts State Employees Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the Collaborative along with related ratios.

The Schedule of Collaborative's Contributions presents multi-year trend information on the Collaborative's required and actual contributions to the pension plan and related ratios.

These schedules are intended to present information for ten years. Until a ten year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the nonteacher employees and retirees covered under the Massachusetts State Employees' Retirement System.

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the collaborative; the portion of the collective pension expense as both a revenue and pension expense recognized by the collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 10,316,755	\$ 1,713,767	66.28%
2019.....	8,840,685	1,164,697	67.91%
2018.....	8,227,737	1,064,611	67.21%
2017.....	8,185,506	1,136,788	63.48%
2016.....	6,641,623	741,921	55.38%
2015.....	4,442,707	315,923	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Collaborative's teachers and retired teachers pensions are covered under the Massachusetts Teachers' Retirement System while all other employees and retirees are covered under the Massachusetts State Employees Retirement System. This schedule only reports on the teacher and retired teachers covered under the Massachusetts Teachers' Retirement System.

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 9,689,850	\$ 1,175,063	53.95%
2019.....	9,374,364	949,956	54.84%
2018.....	9,215,485	961,847	54.25%
2017.....	9,569,480	976,150	52.73%
2016.....	8,812,686	714,787	55.38%
2015.....	7,495,802	520,769	61.64%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS
MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

A special funding situation was created by Massachusetts General Laws for all educational collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by PERAC, currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation. Since the collaborative does not contribute directly to MSERS for the past service cost, there is no net pension liability to recognize. This schedule discloses the collaborative's required and actual contribution for the normal cost; covered payroll; and contributions recognized by the pension plan in relation to the covered payroll.

Year	Collaborative's Statutory Required and Actual Contribution for Normal Cost	Collaborative's Covered Payroll	Amount of Contributions Recognized by the Pension Plan in Relation to Covered Payroll
2020.....	\$ 213,581	\$ 3,813,946	5.60%
2019.....	239,873	4,283,446	5.60%
2018.....	209,060	3,733,214	5.60%
2017.....	185,163	3,306,482	5.60%
2016.....	186,458	3,329,607	5.60%
2015.....	177,775	3,174,554	5.60%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability presents multi-year trend information on the School's net other postemployment benefit liability and related ratios.

The Schedule of the School's Contributions presents multi-year trend information on the Collaborative's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on other postemployment assets, net of investment expense.

**SCHEDULE OF CHANGES IN THE
COLLABORATIVE'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 91,399	\$ 95,055	\$ 98,857	\$ 133,758
Interest.....	97,457	108,935	121,288	140,501
Changes of benefit terms.....	-	-	-	(22,575)
Differences between expected and actual experience....	-	-	(105,142)	-
Changes of assumptions.....	-	-	153,087	157,810
Benefit payments.....	(38,813)	(40,097)	(46,086)	(47,553)
Net change in total OPEB liability.....	150,043	163,893	222,004	361,941
Total OPEB liability - beginning.....	1,227,422	1,377,465	1,541,358	1,763,362
Total OPEB liability - ending (a).....	\$ 1,377,465	\$ 1,541,358	\$ 1,763,362	\$ 2,125,303
Plan fiduciary net position				
Employer contributions.....	\$ 218,813	\$ 180,000	\$ 226,086	\$ 180,000
Employer contributions for OPEB payments.....	38,813	40,097	-	47,553
Net investment income.....	31,908	24,300	93,150	48,741
Benefit payments.....	(38,813)	(40,097)	(46,086)	(47,553)
Net change in plan fiduciary net position.....	250,721	204,300	273,150	228,741
Plan fiduciary net position - beginning of year.....	567,391	779,299	983,599	1,256,749
Plan fiduciary net position - end of year (b).....	\$ 818,112	\$ 983,599	\$ 1,256,749	\$ 1,485,490
Net OPEB liability - ending (a)-(b).....	\$ 559,353	\$ 557,759	\$ 506,613	\$ 639,813
Plan fiduciary net position as a percentage of the total OPEB liability.....	59.39%	63.81%	71.27%	69.90%
Covered-employee payroll.....	\$ 6,423,123	\$ 6,517,602	\$ 6,754,577	\$ 7,544,325
Net OPEB liability as a percentage of covered-employee payroll.....	8.71%	8.56%	7.50%	8.48%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE COLLABORATIVE'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
June 30, 2020.....	\$ 173,616	\$ (227,553)	\$ (53,937)	7,544,325	3.02%
June 30, 2019.....	139,107	(226,086)	(86,979)	6,754,577	3.35%
June 30, 2018.....	135,433	(220,097)	(84,664)	6,517,602	3.38%
June 30, 2017.....	136,483	(218,813)	(82,330)	6,423,123	3.41%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	3.66%
June 30, 2019.....	8.81%
June 30, 2018.....	2.85%
June 30, 2017.....	5.09%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – BUDGETARY BASIS OF ACCOUNTINGA. Budgetary Information

The Collaborative adopts a balanced budget that is approved by the Collaborative’s Board of Directors. The Business Administrator presents an annual budget to the Board, which includes estimates of revenues and other financing sources and recommendations of expenditures and other financing uses. The Board, which has the full authority to amend and/or reject the budget or any line item, adopts the expenditure budget by majority vote. Increases to the budget subsequent to the approval of the annual budget require majority Board approval.

The majority of appropriations are non-continuing which lapse at the end of each year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior year be carried forward and made available for spending in the current year. These carry forwards are included as part of the subsequent year’s original budget.

The Collaborative adopts an annual budget for the general fund in conformity with the guidelines described above. The original 2020 approved budget for the general fund authorized approximately \$19.4 million in appropriations.

The Business Administrator has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, a budgetary basis of accounting is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the year ended June 30, 2020, is presented below:

Net change in fund balance - budgetary basis.....	\$	97,731
<u>Basis of accounting differences:</u>		
Recognition of revenue for on-behalf payments.....		2,888,830
Recognition of expenditures for on-behalf payments.....		<u>(2,888,830)</u>
Net change in fund balance - GAAP basis.....	\$	<u>97,731</u>

NOTE B – PENSION PLANA. Schedule of Collaborative's Contributions

A special funding situation was created by Massachusetts General Laws for all Educational Collaboratives in the Commonwealth. Collaboratives contribute amounts equal to the normal cost of non-teaching employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently ___% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the Collaboratives.

B. Schedules of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the Collaborative which create two special funding situations.

- The MSERS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.
- The MTRS schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the Collaborative; the portion of the collective pension expense as both revenue and pension expense recognized by the Collaborative; and the Plan's fiduciary net position as a percentage of the total liability.

NOTE C – OTHER POSTEMPLOYMENT BENEFITS

The Collaborative administers a single-employer defined benefit healthcare plan (the "Other Postemployment Benefit Plan"). The plan provides lifetime healthcare for eligible retirees through the Collaborative's health insurance plan, which covers both active and retired members.

Schedule of Changes in the Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the Collaborative's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

Schedule of Contributions

The Schedule of the Collaborative's Contributions includes the Collaborative's annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered-employee payroll. The Collaborative is not required to fully fund this contribution. It also demonstrates the contributions as a percentage of covered payroll. The actuarially determined contribution rate is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Methods and assumptions used to determine contribution rates are shown on the following page.

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry Age Normal Cost Method.
Inflation rate.....	2.40%
Investment rate of return.....	7.00%, net of investment expenses, including inflation.
Healthcare cost trend rate.....	8 percent for 2018, decreasing .05 percent per year to 5.5 percent, then grading down to an ultimate trend rate of 3.9 percent.
Pre-retirement employees - general.....	RP-2014 Employees Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females
Post-retirement employees - general.....	RP-2014 Health Annuitant Blue Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016 and set forward one year for females
Pre-retirement employees - teachers.....	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.
Post-retirement employees - teachers.....	RP-2014 White Collar Mortality Table, base year 2014, projected with generational mortality improvement using scale MP-2016.

Schedule of Investment Returns

The Schedule of Investment Return includes the money-weighted investment return on other postemployment assets, net of investment expense.

Changes in Assumptions

The discount rate changed from 7.50% as of June 30, 2019 to 7.00% as of June 30, 2020.

Changes in Plan Provisions

None.

Other Information

REQUIRED DISCLOSURES FOR MASSACHUSETTS EDUCATIONAL COLLABORATIVES

The following information is provided to conform with the requirements of the Massachusetts Session Law, Chapter 43 of the Acts of 2012: An Act Relative to Improving Accountability and Oversight of Education Collaboratives. This law was adopted in March of 2012 and constitutes a comprehensive amendment Massachusetts General Law, Chapter 40, Section 4E which establishes the requirements for the formation and administration of Educational Collaboratives in Massachusetts.

NOTE 1 – TRANSACTIONS BETWEEN THE EDUCATIONAL COLLABORATIVE AND ANY RELATED FOR-PROFIT OR NON-PROFIT ORGANIZATION

There are no related organizations that the Collaborative is associated with and therefore no transactions to report.

NOTE 2 – TRANSACTIONS OR CONTRACTS RELATED TO THE PURCHASE, SALE, RENTAL, OR LEASE OF REAL PROPERTY

The following are transactions that qualify for reporting in this category:

Osterville Campus - Town of Barnstable	\$ 87,970
Waypoint Academy - Town of Sandwich	105,670
Camp Burgess facility - South Shore YMCA	40,000
Pocasset maintenance facility - Chipper LLC	27,600
Office trailer Nauset Transportation - Williams Scotsman	5,052
Dennisport maintenance facility - Raymond Caterino	54,000
	<u>320,292</u>
	<u>\$ 320,292</u>

NOTE 3 – NAMES, DUTIES, AND TOTAL COMPENSATION OF THE FIVE MOST HIGHLY COMPENSATED EMPLOYEES

The following employees were the five highest compensated employees for the period ended June 30, 2020:

Paul Hilton, Executive Director	\$ 162,927
Anita Woods, Director of Special Education Programs	137,700
Christina Caputo, Waypoint Program Coordinator	122,400
Amy Lipkind, Business Manager	111,117
Linda Dillon, Occupational Therapist	102,000

NOTE 4 – AMOUNTS EXPENDED ON ADMINISTRATION AND OVERHEAD

For the year ended June 30, 2020, the Collaborative expended \$619,485 and \$309,963 for amounts related to administration and overhead, respectively.

NOTE 5 – ACCOUNTS HELD BY THE COLLABORATIVE THAT MAY BE SPENT AT THE DISCRETION OF ANOTHER PERSON OR ENTITY

At June 30, 2020, there were no accounts that qualified for reporting in this category.

NOTE 6 – AMOUNTS EXPENDED ON SERVICES FOR INDIVIDUALS WITH DISABILITIES, 22 YEARS OF AGE OR OLDER

At June 30, 2020, there were no expenditures that qualified for reporting in this category.

NOTE 7 – ANNUAL DETERMINATION AND DISCLOSURE OF CUMULATIVE SURPLUS

Certified Cumulative Surplus is defined as the amount of general fund surplus in the collaborative accounts, as certified through an independent audit. Cumulative surplus is derived from a collaborative’s unexpended general funds over a number of fiscal years. General funds are for the most part, the funds that a collaborative receives from school districts for tuitions, dues, fees for service, surcharges and related interest, as well as indirect costs allowed under certain grant awards not earmarked under the conditions of the funding for a specific purpose.

The Board of Directors voted to approve and retain \$3,864,159 as the amount designated as Cumulative Surplus from the general funds remaining in the Collaborative’s accounts as of June 30, 2020. This amount does not exceed the limit of 25% of general fund expenditures for the year as shown in the following table:

(A)	Voted Cumulative Surplus as of June 30, 2019, as restated.....	\$ 3,766,428	(A)	<u>p. 18</u>
(B)	1. Amount of (A) used to support the FY20 budget....	\$ -		
	2. Amount of (A) returned to member districts.....	\$ <u> -</u>		
		<u>3,766,428</u>	(B)	
(C)	Unexpended FY20 General Funds.....	97,731	(C)	<u>p. 18</u>
(D)	Cumulative Surplus as of June 30, 2020.....	<u>3,864,159</u>	(D)	
(E)	FY20 Total General Fund Expenditures.....	<u>21,657,803</u>	(E)	<u>p. 18</u>
(F)	Cumulative Surplus Percentage.....	<u>17.84%</u>	(F)	<u>p. N/A</u>

***Report on Internal Control Over Financial
Reporting and on Compliance***



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

Independent Auditor's Report

To the Board of 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, each major fund, and the aggregate remaining fund information of the Cape Cod Collaborative (the Collaborative), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Collaborative's basic financial statements, and have issued our report thereon dated December 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Collaborative's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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.

Powers + Juliani, LLC

December 9, 2020