

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

JUNE 30, 2017

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

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

June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Roxbury Community College
Roxbury, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Roxbury Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We have also audited the statements of financial position of Roxbury Community College Foundation, Inc. (the "Foundation") as of June 30, 2017 and 2016, and the related statements of revenues and expenses, changes in net position and cash flows for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Roxbury Community College as of June 30, 2017 and 2016, and the respective changes in net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed further in Notes 2 and 15, the College has been placed on a retrospective form of payment by the U.S. Department of Education (“ED”) in connection with its participation in Federal Financial Aid Programs and is subject to a program review by the ED related to the disbursement of financial aid to ineligible students. Additionally, the College is potentially liable to a private grantor for having failed to comply with the terms of a grant regarding the expenditure of funds. If the College has liquidity issues due to the retrospective form of payments by the ED or if the contingent liabilities occur, the College would require additional funding and/or guarantees from the Commonwealth of Massachusetts.

As discussed further in Note 2, the U.S. Department of Education notified the College, that it has initiated an investigation into its non-compliance with The Jeanne Clery Act, based on the College’s self-reporting of the matter. The ultimate outcome of the investigation cannot presently be determined and the potential liability may have a material impact on the College’s financial position. Accounting principles generally accepted in the United States of America require that material contingent liabilities be recorded, which would decrease the assets and net position of the College. The amount by which this departure would affect the assets and net position of the College is not reasonably determinable. In December 2016, the College received the Clery investigation Program Review Report from the ED; management sent its responses on the program review report findings in February 2017 and are now awaiting further action or communication from the ED.

Our opinion is not modified with respect to the above matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 4-21, the schedule of proportionate share of net pension liability on page 55, the schedule of contributions on page 56 and the notes to the required supplementary information on page 57 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of Roxbury Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connell and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

November 14, 2017

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

Introduction

The following discussion and analysis provide an overview of the financial position and activities of Roxbury Community College as of June 30, 2017, 2016 and 2015 and for the fiscal years then ended. The information in this section should be considered in conjunction with the financial statements and notes, which follow this section of the report.

Roxbury Community College is a public, two-year institution that is accredited by the New England Association of Colleges and Schools (NEASC). RCC serves the greater Boston Metropolitan Area, particularly Roxbury, Dorchester, Mattapan, Jamaica Plain, Roslindale, Hyde Park, the South End and surrounding communities. The campus is located at 1234 Columbus Avenue, Roxbury, Massachusetts, 02120.

The College is approved by the Massachusetts Department of Higher Education to grant associate degrees and certificates. The College offers developmental courses in English, Mathematics and Science designed to prepare adults for college-level academic work.

Roxbury Community College's business development and corporate training programs are offered through the Department of Corporate and Community Education. Courses are offered during the day, evening, on weekends, and via the Internet through a state educational system in which all public colleges participate.

The College offers many student support services and resources such as the Library; Teaching and Learning Center; Advising Center; and access to community social service referrals. In addition, the College has the Media Arts Center with a 500-seat, wheelchair accessible theatre, and the Reggie Lewis Track and Athletic Center, which houses one of the best indoor tracks in New England.

Financial Highlights

Total net position of the College increased \$18,122,537 for fiscal year 2017 as compared to an increase of \$155,312 and a decrease of \$1,007,987 in fiscal years 2016 and 2015, respectively.

As of June 30, 2017, 2016 and 2015, total assets and deferred outflow of resources of the College were \$47,611,615, \$28,987,620 and \$29,977,438, respectively. Of these total assets, 93%, 88% and 84% consisted of the net book value of capital assets as of June 30, 2017, 2016 and 2015, respectively. For the same periods, its total liabilities and deferred inflows of resources were \$7,476,790, \$6,975,332 and \$8,120,462 and its net position was \$40,134,825, \$22,012,288 and \$21,856,976, respectively.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Highlights - Continued

Total operating revenues decreased by \$3,069,862 for fiscal year 2017. The decrease is a result of a continued decline in enrollment as well as not receiving funds from the Foundation during 2017. The total operating loss increased by \$409,005 for fiscal year 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Roxbury Community College's ("the College") financial statements. The financial statements of the College are comprised of two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains supplementary information in the form of a Report on Internal Control over Financial Reporting and on Compliance and Other Matters in addition to the financial statements.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the finances of the College. The financial report includes four financial statements: the Statements of Net Position, the Statements of Revenues and Expenses, the Statements of Changes in Net Position and the Statements of Cash Flows.

These statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. These principles establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the institution as a whole. A description of the financial statements follows.

Under the provisions of GASB No. 39, the College includes the Roxbury Community College Foundation in its financial statements as a separate component unit. The Foundation is a nonprofit organization whose primary purpose is to raise funds and hold them exclusively for the benefit of the College. Its financial position and activity are reported in a separate column. No consolidating or eliminating entries are to be used in this presentation for transactions between the Foundation and the College.

The *Statements of Net Position* presents information on the assets and liabilities of the College, with the difference between the two reported as net position. Over time, increases or decreases in the net position, particularly increases or decreases in unrestricted net position, indicate whether the financial position of the College is improving or weakening.

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

June 30, 2017 and 2016

Overview of the Financial Statements - Continued

The Financial Statements - Continued

The *Statements of Revenues and Expenses and the Statements of Changes in Net Position* are prepared on an accrual basis whereby all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This statement presents the details that explain how the net position of the College changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the accrual for compensated absences).

The *Statements of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services). GASB Statements No. 34 and 35 require this method to be used.

Notes to the Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the financial statements. Under the standards established by the Government Accounting Standards Board, operating revenue designates funds generated by the college such as tuition, fees, and rental income. State appropriations are treated as "non-operating revenues". Consequently, the College, as with most public institutions, can usually expect to have a significant operating loss.

Roxbury Community College is an agency of the Commonwealth of Massachusetts. Its financial statements are therefore prepared in conjunction with related state agencies so that the results of the College's operations, its net position and cash flows can all be consistently included in the Commonwealth's Comprehensive Annual Financial Report. This report incorporates all branches of the government of Massachusetts into a set of unified financial statements.

An evaluation of the financial condition of the College, as a *separate* entity, is sometimes needed by the President, the college's administration, members of its Board of Trustees, and others who do business directly with the College. To do so requires an understanding of the relationship between the financial statements of Roxbury Community College, the financial statements of some of the other related component units of the Commonwealth of Massachusetts and the impact that certain budgetary and appropriation policy differences relating to fiscal year designation have on the financial statements.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Overview of the Financial Statements – Continued

Notes to the Financial Statements - Continued

For example, the land, buildings and the depreciation related thereto, are all included in the financial statements of the College, but the outstanding liabilities on the related bonds that were issued in connection with the College investment in plant are included elsewhere on the financial statements of one or more other component units of the Commonwealth. Consequently, the total net position of Roxbury Community College is higher than they otherwise would have been if the liabilities related to its investment in plant had been included.

On the other hand, the total increase in net position would have been smaller, if the non-operating revenue appropriated to reduce the liability on the bonds had been included on the books of the College. Consequently, the annual depreciation expense, which was \$1,837,344 in fiscal year 2017, \$1,914,414 in fiscal year 2016 and \$1,918,129 in fiscal year 2015, flows directly through to decrease net position on the Statements of Revenues and Expenses and Changes in Net Position even if the budget of the College is otherwise completely in balance.

For this reason, the change in unrestricted net position (which is unaffected by depreciation and other changes in fixed assets) is usually a better indicator of the financial position of the College as a separate entity, rather than is the change in total net position. The unrestricted net position balance decreased by \$502,167 from fiscal year end 2016 to fiscal year end 2017 and \$134,507 from fiscal year end 2015 to fiscal year end 2016.

The financial position of the College is further demonstrated by the relationship between current assets and current liabilities. Current liabilities exceeded current assets by \$1,701,363, \$925,328 and \$552,294 at June 30, 2017, 2016 and 2015, respectively.

The financial position of the College as presented in the financial statements, as an agency of the Commonwealth of Massachusetts does not properly reflect in some respects the financial position of the College when considered as a separate entity.

The financial position of the College as presented in the financial statements, as an agency of the Commonwealth of Massachusetts does not properly reflect in some respects the financial position of the College when considered as a separate entity. For example, certain current liabilities, which properly need to be recognized in the balance sheet of the entire Commonwealth, are nearly permanent differences for which budgetary and appropriation policies in effect postpone year after year any need for additional cash or budgetary funds.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Overview of the Financial Statements – Continued

Notes to the Financial Statements - Continued

For example, the accrued faculty salaries at June 30 are by state policy to be paid out of the subsequent year's appropriation.

Financial Analysis

Schedule of Net Position

The Statements of Net Position is presented on an accrual basis of accounting. Buildings and other fixed assets are capitalized and depreciated. The following schedule summarizes the detail presented in the Statements of Net Position at June 30:

Summary Schedule of Net Position

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 3,367,644	\$ 3,279,835	\$ 4,632,514
Non-Current Assets	44,214,052	25,589,348	25,300,421
Deferred Outflows of Resources	<u>29,919</u>	<u>118,437</u>	<u>44,503</u>
Total Assets and Deferred Outflows	<u>\$ 47,611,615</u>	<u>\$ 28,987,620</u>	<u>\$ 29,977,438</u>
Current Liabilities	\$ 5,069,007	\$ 4,205,163	\$ 5,184,808
Non-Current Liabilities	<u>1,311,905</u>	<u>1,733,089</u>	<u>2,336,025</u>
Total Liabilities	<u>6,380,912</u>	<u>5,938,252</u>	<u>7,520,833</u>
Deferred Inflows of Resources	\$ 1,095,878	\$ 1,037,080	\$ 599,629
Investment in Capital Assets	44,063,454	25,438,750	25,148,931
Unrestricted	<u>(3,928,629)</u>	<u>(3,426,462)</u>	<u>(3,291,955)</u>
Net Position	<u>40,134,825</u>	<u>22,012,288</u>	<u>21,856,976</u>
Total Liabilities and Net Position	<u>\$ 47,611,615</u>	<u>\$ 28,987,620</u>	<u>\$ 29,977,438</u>

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Schedule of Net Position - Continued

Almost all of the net position of the College is capital assets (e.g. land, buildings, machinery, and equipment). The liabilities of the College include accrued employee compensation and benefits (such as compensated absences), unearned revenue, accounts payable, and other smaller payables.

Long-Term Liabilities

The long-term liabilities consist primarily of a portion of the personnel obligations for compensated absences and worker's compensation, as well as an accrual for contingent financial aid liabilities.

Schedule of Revenues and Expenses

The schedule on the next page is prepared from the College's Statements of Revenues and Expenses of the financial statements. This information is presented on an accrual basis whereby all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This schedule represents the results of the College's operations.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Summary Schedule of Revenues and Expenses
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenue:			
Tuition & Fees	\$ 7,602,237	\$ 8,816,252	\$ 8,244,313
Less: Scholarships	(5,191,770)	(5,892,549)	(6,318,082)
Federal, State & Private Grants	7,741,459	9,168,906	8,796,089
Athletic Track	522,418	520,097	477,472
Other Revenue	<u>336,175</u>	<u>1,467,675</u>	<u>467,954</u>
Total Operating Revenue	11,010,519	14,080,381	11,667,746
Total Operating Expenses	<u>(27,930,887)</u>	<u>(30,654,661)</u>	<u>(29,106,644)</u>
Operating Loss	<u>(16,920,368)</u>	<u>(16,574,280)</u>	<u>(17,438,898)</u>
Non-Operating Revenues (Expense):			
State Appropriations - Net	15,224,458	14,534,028	14,167,725
Investment Income	200	1,986	6,823
Loss on disposal of capital assets	(62,917)	-	-
Interest Expense	<u>-</u>	<u>-</u>	<u>(21,222)</u>
Net Non-Operating Revenues	<u>15,161,741</u>	<u>14,536,014</u>	<u>14,153,326</u>
Loss Before Capital Appropriations	(1,758,627)	(2,038,266)	(3,285,572)
Capital Appropriations	<u>19,881,164</u>	<u>2,193,578</u>	<u>2,277,585</u>
Total Increase (Decrease) in Net Position	\$ <u>18,122,537</u>	\$ <u>155,312</u>	\$ <u>(1,007,987)</u>

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Loss From Operations

Because generally accepted accounting principles require state appropriations, which represent the largest source of funding to public higher education institutions in Massachusetts, to be presented as non-operating revenues, the College incurred a loss from operations in fiscal years 2017, 2016 and 2015.

The primary source of operating revenue comes from college tuition and fees. The remainder of the operating revenue comes from other grants, rental income, and commissions for the College from the parking lots, bookstore, and vending machines.

The Massachusetts Board of Higher Education (BHE) is legally responsible for establishing day tuition rates, while the College's Board of Trustees approves fees and other charges. The Legislative appropriations to the College cover the loss from operations that is not funded by tuition, fees, and other revenue.

Using the Legislative appropriation, tuition, fees and other revenue, the President and his staff create a balanced budget for approval by the Board of Trustees of the College to enable it to provide educational and operational services consistent with its mission.

Operating Revenues

The following is a graphic illustration of the operating revenues, by source, that were used to fund the College's operating activities for the years ended June 30, 2017, 2016 and 2015. In accordance with generally accepted accounting principles, state appropriations are not included in operating revenue.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Operating Revenues - Continued

Schedule of Operating Revenues
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Tuition and Fees	\$ 2,410,467	\$ 2,923,703	\$ 1,926,231
Federal Grants	5,710,800	6,149,507	7,254,536
State Grants	1,756,246	2,907,051	1,504,086
Private Grants	274,413	112,348	37,467
Athletic Track	522,418	520,097	477,472
Other Revenue	<u>336,175</u>	<u>1,467,675</u>	<u>467,954</u>
Total Operating Revenues	\$ <u>11,010,519</u>	\$ <u>14,080,381</u>	\$ <u>11,667,746</u>

The method of classification in the table above is based primarily on the source of the funds. Consequently, tuition and fees that were paid through federal and state financial aid grants are included under federal and state grants. The total of all tuition and fees that were retained by the College for use in its operations, net of tuition remittance to the State of Massachusetts (including tuition and fees paid through federal and state financial aid grants) was \$7,602,237, \$8,816,252 and \$8,244,313, for FY's 2017, 2016 and FY 2015 respectively.

In total, federal grants amounted to \$5,710,800, while state grants totaled \$1,756,246 in fiscal year 2017. Financial aid grants were also utilized to pay not only for tuition and fees but also for student books, health insurance, and a small portion of off-campus room and board. Federal work/study wages, which were paid directly to students, totaled approximately \$111,000, \$136,000 and \$125,000 in fiscal years 2017, 2016 and 2015, respectively.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Operating Expenses

Operating expenses can be displayed in two formats: a format called "natural classification" based on objects of expenditures, and a programmatic or functional classification. The format of expenses in the main Statement of Revenues, Expenses, and Changes in Net Position is based on the programmatic or functional classification. The following is a summary of the College's expenses for the years ended June 30, 2017, 2016 and 2015 (along with a graphic representation of those expenses) using the *Natural Classification format*:

Schedule of Operating Expenses - Natural Classification Basis
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Expenses:			
Compensation and benefits	\$ 19,100,488	\$ 19,285,730	\$ 18,944,724
Supplies and services	6,033,724	8,414,213	6,710,670
Depreciation	1,837,344	1,914,414	1,918,129
Scholarships and fellowships	<u>959,331</u>	<u>1,040,304</u>	<u>1,533,121</u>
 Total Operating Expenses	 \$ <u>27,930,887</u>	 \$ <u>30,654,661</u>	 \$ <u>29,106,644</u>

Natural classifications of expenditures are useful for budgeting and analyzing the operational aspects of a college.

The major changes in expenditures between fiscal year 2017 and fiscal year 2016 are as follows:

- Compensation and benefits decreased by \$185,242 or 1.0% in fiscal year 2017.
- Supplies and services decreased by \$2,380,489 or 28.3% in fiscal year 2017.
- Depreciation expense decreased \$77,070 or 4.0% in fiscal year 2017.
- Scholarships and fellowships decreased by \$80,973 or 7.8% in fiscal year 2017.
- The total operating expenses decreased by \$2,723,774 or 8.9% in fiscal year 2017.

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Management's Discussion and Analysis - Continued
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June 30, 2017 and 2016

Financial Analysis - Continued

Programmatic or Functional Classification:

In addition to the natural classification format, operating expenses can also be classified through a programmatic or functional classification format, which has been the primary format used internally for budgeting and analysis.

Functional classifications of expenditures are particularly useful for comparisons with the expenses of other institutions of higher education with similar missions and student characteristics.

The following presentation reclassifies the operating expenses using the *programmatic or functional classification format*:

Schedule of Operating Expenses - Functional Classification
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 8,736,460	\$ 8,953,867	\$ 8,978,934
Student Services	3,684,955	3,653,595	3,777,518
Institutional Support	4,958,001	5,581,420	4,945,736
Academic Support	3,195,063	4,920,785	3,022,917
Scholarships and fellowships	1,035,162	1,040,304	1,533,121
Operation & maintenance of plant	2,669,856	2,724,688	3,068,864
Depreciation	1,837,344	1,914,414	1,918,129
Public Service	<u>1,814,046</u>	<u>1,865,588</u>	<u>1,861,405</u>
Total Operating Expenses	\$ <u>27,930,887</u>	\$ <u>30,654,661</u>	\$ <u>29,106,644</u>

The largest decrease year over year was in Academic Support by \$1,725,722. The major events impacting the decrease in this category is represented by the reduction in student enrollment in 2017 and the decreases in grant related expenditures in 2017 due to inclusion of one-time grants in prior year.

Strategic Ratios

Since fiscal year 2002, accounting guidelines have strongly encouraged colleges to include strategic ratios in their financial analyses to provide a clear, high-level assessment of the overall financial health of the institution. The financial data of FY 2013 are to be viewed as the base from which to measure the College's financial performance in subsequent years.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis – Continued

Strategic Ratios - Continued

In fiscal year 2013, the College was in a negative position; all of its strategic ratios were negative. During fiscal year 2014, the financial position of the College had improved partly due to the supplemental state appropriation received of \$3.0 MM.

Primary Reserve Ratio: This ratio measures the financial strength of the College by comparing expendable net position to total expenses. Expendable net position represents those assets that the College can access quickly and spend to satisfy its obligations. This ratio is an indicator of financial strength and flexibility by indicating how long the College could function using its expendable reserves without relying on additional net position generated by operations. It is reasonable to expect expendable net position to increase in proportion to the rate of growth in operating size. The trend of this ratio is important. A negative ratio or a decreasing trend over time indicates a weakening financial condition.

The College's Primary Reserve Ratios are as follows:

FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
-14.0%	-11.2%	-11.3%	-6.5%	-4.4%

The College's Primary Reserve Ratio in FY 2017 trended downward compared to FY 2016. This was caused by continued weakness in enrollment on both the credit and non-credit programming.

Return on Net Position Ratio: This ratio determines whether the institution is financially better off than in previous years by measuring the total economic return. An improving trend in this ratio indicates that the College is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility.

The College's Return on Net Position Ratios is as follows:

FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
+82.3%	+0.7%	-4.4%	-1.4%	-8.8%

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Strategic Ratios - Continued

The College's Return on Net Position Ratio in FY 2017 improved over FY 2016 due to the recognition of State appropriation revenue related to the construction in process on campus.

Net Operating Revenues Ratio: This ratio indicates whether total operating activities resulted in a surplus or deficit. The ratio explains how the surplus from operating activities affects the behavior of the other three strategic ratios. A large surplus or deficit directly influences the amount of funds an institution adds to or subtracts from net position, thereby affecting the Primary Reserve Ratio, the Return on Net Position Ratio, and the Viability Ratio.

The College's Net Operating Revenues Ratios are as follows:

FY 2017	FY 2016	FY 2015	FY 2014	FY 2013
+69.1%	+0.5%	-3.9%	-1.2%	-9.0%

The College's Return on Net Operation Revenues Ratio in FY 2017 also improved from FY 2017 due to the State appropriation revenue noted above related to construction.

Viability Ratio: This is a key measure of institutional financial health - the availability of expendable net position to cover debt should the College need to settle its obligations as of the balance sheet date. A ratio of 1:1 or greater indicates that, as of the balance sheet date, the College has sufficient expendable net position to satisfy debt obligations. This ratio may vary from year to year as institutional objectives and obligations change. If the Viability Ratio should fall below 1:1, it means the institution's ability to respond to adverse conditions from internal sources diminishes, as does the ability to attract capital from external sources and its flexibility to fund new objectives.

The College made significant improvement in this ratio through fiscal year 2011. During fiscal years 2015, 2016 and 2017, there was no new long-term debts resulting in the book balance at the end of fiscal year 2017 of \$0. However, due to recent US Department of Education investigations into financial aid compliance, there exists potential financial liability for the College. A contingency amount of \$400,000 was established in fiscal year 2013 and currently listed as part of long-term liabilities on the financial statement.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Strategic Ratios - Continued

These four ratios, when considered together over an extended period of time, provide useful information about the overall financial health of the College, and can help shape financial discussions and policies in the future. Comparisons of actual ratio percentages may be made within the community college system in Massachusetts. However, comparisons of the actual ratio percentages with other institutions outside of the state and community college system in Massachusetts may not be advisable, because of the peculiar accounting differences previously discussed related to the accounting conventions used for the higher education component units in Massachusetts.

Capital Assets

At June 30, 2017, Roxbury Community College had investments in capital assets of \$44,063,454 (net of accumulated depreciation of \$42,012,784). Investments in capital assets include land, buildings including improvements, furnishings and equipment, including the cost of capital leases and educational resource materials. Depreciation expense for these capital assets totaled \$1,837,344, \$1,914,414 and \$1,918,129 in fiscal years 2017, 2016 and 2015, respectively.

The College records capital assets under Generally Accepted Accounting Principles (GAAP) whereby assets are recorded at their historical cost and depreciated over a period ranging from 3 to 40 years. In the case of land and buildings, these historical costs may vary significantly from the current fair market value. The land, the four College buildings and the Reggie Lewis Track and Athletic Center, which now comprise the College, were acquired and constructed between 1972 and 1996.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Financial Analysis - Continued

Capital Assets - Continued

The following schedule details the capital assets:

Schedule of Capital Assets at June 30, 2017

Land	\$ 312,000
Construction in progress	23,004,398
Building and improvements	58,588,774
Furnishings and Equipment	3,394,584
Automobile	46,468
Library books (Educational Resource Materials)	<u>730,014</u>
Total	\$ 86,076,238
Less: accumulated depreciation	<u>42,012,784</u>
Net capital assets	\$ <u>44,063,454</u>

Economic Factors that will Affect the Future

Statewide Concerns

The nation and the world are pulling out of the most significant downturn in the economy since the Great Depression. The speed and extent of the recovery has been quite slow, with potentially negative implications on higher education in Massachusetts. During fiscal year 2017 the State did not provide a supplemental appropriation as happened in fiscal year 2014 which was unique to the State Higher Education system and likely a one-time event to keep the College afloat. Even without additional State funding, fiscal year 2017 was more successful than fiscal year 2016 when looking at net change in net position before capital appropriations as there was an improvement of \$279,639. The College will need to continue to refine its operations and redefine its mission for those students it serves to meet its financial goals.

Public colleges in Massachusetts have weathered hard times in the past. This time could be different if the recovery continues to be very slow. The College needs to do all it can to make its operations as efficient and as cost effective as possible so that the student educational experience will not be compromised. In order to ensure effective delivery of services to students, the State has initiated additional funding using a performance-based formula which may be to the detriment of its higher education system as benchmarks and deliverables may be difficult to define and meet.

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued **(Unaudited)**

June 30, 2017 and 2016

Economic Factors that will Affect the Future - Continued

Statewide Concerns - Continued

The reductions in state appropriations have forced colleges to increase the fees they charge students. In so doing, colleges have had to balance the need for lower tuition and fees, (so that the colleges can be financially accessible to as many low-income students as possible in accordance with its mission), with the need to keep up with technological innovation in college programs. The College raised its fees for fiscal year 2016 in order to improve its financial performance.

Massachusetts continues to rank near the bottom among the states in its funding of higher education. For fiscal year 2015 the State's fiscal condition caused the governor to implement a 9c downward adjustment to State higher education institutions' appropriations. There was no 9c adjustment in either fiscal years 2016 or 2017.

Nevertheless, the long-term economic health of Massachusetts depends on the educational level and technical expertise of its citizenry, and the attainment of an educated citizenry requires the investment of more of the available governmental funds to higher education.

Regional Concerns

Due to the demographic changes associated with immigration and an increasingly diverse population in the Boston metropolitan area, the need for an affordable, accessible education remains high. Moreover, economic development and workforce development issues in this region remain critically dependent upon higher education. Furthermore, the increased demands for highly technical education, particularly in medical and health-related fields, which are highly concentrated in the Boston area, require that the college maintain state-of-the art equipment, continue to develop new programs, and to continue to upgrade the competencies of its faculty.

The high cost of living in the Boston metropolitan area remains a concern especially with recent rises in housing rental costs. Cost of living remains an unattractive trait for Boston-area institutions especially to low-income students.

Challenges

The College has experienced two changes in the chief executive position in just over one year. On July 22, 2013 the College welcomed President Dr. Valerie Roberson, replacing the one-year service of interim president Dr. Linda Turner. Dr. Roberson has had to quickly assemble a new leadership team to address not only issues such as academic programming and staffing levels amid a several year declining enrollment situation but administrative issues as noted below.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Economic Factors that will Affect the Future - Continued

Challenges - Continued

The Federal Department of Education's audit of the College's past compliance with the Jeanne Clery Act on campus safety, and the Student Financial Aid program review are both still outstanding issues. The College is awaiting a reply from the Department of Education on its response to the final reports issued on the Jeanne Clery Act findings and the financial aid awards program review.

The College has also been placed on the Heightened Cash Management-2 (HCM2) reimbursement system by the Federal Department of Education, Office of Student Financial Aid. The HCM2 status entails that the College fund all federal financial aid award disbursements before receiving reimbursement and after the DOE's review of transactions. This has placed the College in a tight cash-flow environment for day-to-day financial operations. The College has sent a letter to Washington making a formal request to have the sanctions associated with HCM2 lifted.

Another issue impacting the College's financial health has been the Reggie Lewis Center. The Center has a tremendous potential for entrepreneurially driven success but has been hampered by the current State mandated structure which restricts the College's ability to fully benefit from financial surpluses generated by it. Thus, the College has been considering several proposals to the State to address its concerns over the center.

Conclusion

The ability of the College to respond to these concerns will depend on institutional leadership, the continuation of state funding, the continued availability of federal and state grants and contracts as well as the generous contributions of individuals and foundations who recognize the importance of the mission of Roxbury Community College.

For its part, the College needs to continue seeking to increase its enrollment, to contain its costs, and to direct its energies toward the fulfillment of its mission to provide the community it serves with the most affordable, highest quality, student-centered education that it so desperately needs.

By helping its students to become productive and responsible citizens, the College generates many tangible and intangible benefits through its students to the community and the state for many years to come. Past, present, and future students of the College can be expected to generate additional tax revenue, reduce social welfare costs, contribute to the economic development of the community, and provide the intangible benefits of an educated, productive, and morally enlightened citizenry - all of which are likely to far exceed the original cost of their education.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2017 and 2016

Requests For Information

This financial report is designed to provide a general overview, for all readers with an interest in the finances of Roxbury Community College. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to:

Office of Administration and Finance
Roxbury Community College
1234 Columbus Avenue
Boston, Massachusetts 02120

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2017 and 2016

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2017 College	2016 College	2017 Foundation	2016 Foundation
Current Assets:				
Cash and equivalents	\$ 436,288	\$ 57,323	\$ 126,826	\$ 408,288
Deposits held by State Treasurer	49,523	32,000	-	-
Cash held by State Treasurer	599,525	256,515	-	-
Accounts receivable, net	1,953,095	2,516,950	3,246	12,983
Financial aid receivable	329,213	417,047	-	-
Investments	-	-	2,644,573	2,389,647
Prepaid expenses	-	-	1,400	2,400
Total Current Assets	3,367,644	3,279,835	2,776,045	2,813,318
Non-Current Assets:				
Capital assets, net	44,063,454	25,438,750	-	-
Loans receivable for Federal Perkins Loan program	150,598	150,598	-	-
Total Non-Current Assets	44,214,052	25,589,348	-	-
Total Assets	47,581,696	28,869,183	2,776,045	2,813,318
Pension Related, Net	29,919	118,437	-	-
Total Assets and Deferred Outflows of Resources	\$ 47,611,615	\$ 28,987,620	\$ 2,776,045	\$ 2,813,318

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:				
Accounts payable	\$ 2,544,281	\$ 1,801,347	\$ 20,172	\$ 7,888
Financial aid payable to students	25,166	207,481	-	-
Accrued payroll	781,177	797,306	-	-
Accrued compensated absences	1,162,905	1,088,089	-	-
Accrued workers' compensation	50,177	54,066	-	-
Student deposits and unearned revenue	505,301	256,874	-	10,130
Total Current Liabilities	5,069,007	4,205,163	20,172	18,018
Non-Current Liabilities:				
Accrued compensated absences	402,899	401,935	-	-
Accrued workers' compensation	227,042	202,172	-	-
Contingent financial aid liability (Note 10)	400,000	400,000	-	-
Loans payable for Federal Perkins Loan program	150,598	150,598	-	-
Net pension liability	131,366	578,384	-	-
Total Non-Current Liabilities	1,311,905	1,733,089	-	-
Total Liabilities	6,380,912	5,938,252	20,172	18,018
Pension Related, net	1,095,878	1,037,080	-	-
Net Position:				
Investment in capital assets, net	44,063,454	25,438,750	-	-
Restricted:				
Expendable	-	-	1,244,912	1,253,974
Non-expendable	-	-	1,393,986	1,393,986
Unrestricted	(3,928,629)	(3,426,462)	116,975	147,340
Total Net Position	40,134,825	22,012,288	2,755,873	2,795,300
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 47,611,615	\$ 28,987,620	\$ 2,776,045	\$ 2,813,318

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

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses

For the Years Ended June 30,

	Primary Government		Component Unit	
	2017	2016	2017	2016
	<u>College</u>	<u>College</u>	<u>Foundation</u>	<u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 7,602,237	\$ 8,816,252	\$ -	\$ -
Less: scholarships and fellowships	<u>5,191,770</u>	<u>5,892,549</u>	<u>-</u>	<u>-</u>
Net tuition and fees	2,410,467	2,923,703	-	-
Federal grants and contracts	5,710,800	6,149,507	-	-
State grants and contracts	1,756,246	2,907,051	-	-
Athletic track	522,418	520,097	-	-
Other	336,175	510,414	-	-
Private grants and contracts	274,413	1,069,609	-	-
Gifts and contributions	<u>-</u>	<u>-</u>	<u>170,098</u>	<u>288,030</u>
Total Operating Revenues	<u>11,010,519</u>	<u>14,080,381</u>	<u>170,098</u>	<u>288,030</u>
Operating Expenses:				
Institutional support	4,958,001	5,581,420	132,710	170,750
Instruction	8,736,460	8,953,867	-	-
Student services	3,684,955	3,653,595	-	-
Academic support	3,195,063	4,920,785	-	-
Operation and maintenance of plant	2,669,856	2,724,688	-	-
Scholarship and fellowships	1,035,162	1,040,304	-	-
Depreciation	1,837,344	1,914,414	-	-
Public support	1,814,046	1,865,588	-	-
Gifts and contributions	<u>-</u>	<u>-</u>	<u>401,177</u>	<u>1,148,988</u>
Total Operating Expenses	<u>27,930,887</u>	<u>30,654,661</u>	<u>533,887</u>	<u>1,319,738</u>
Net Operating Loss	<u>(16,920,368)</u>	<u>(16,574,280)</u>	<u>(363,789)</u>	<u>(1,031,708)</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	15,224,458	14,534,028	-	-
Investment return, net	200	1,986	324,362	(2,527)
Loss on disposal of capital assets	<u>(62,917)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Non-Operating Revenues (Expenses)	<u>15,161,741</u>	<u>14,536,014</u>	<u>324,362</u>	<u>(2,527)</u>
Change in Net Position Before Capital Appropriations	(1,758,627)	(2,038,266)	(39,427)	(1,034,235)
Capital Appropriations	<u>19,881,164</u>	<u>2,193,578</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>\$ 18,122,537</u>	<u>\$ 155,312</u>	<u>\$ (39,427)</u>	<u>\$ (1,034,235)</u>

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

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2017 and 2016

	<u>College</u>				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ 25,148,931	\$ -	\$ -	\$ (3,291,955)	\$ 21,856,976
Change in net position for 2016	<u>289,819</u>	<u>-</u>	<u>-</u>	<u>(134,507)</u>	<u>155,312</u>
Balance, June 30, 2016	25,438,750	-	-	(3,426,462)	22,012,288
Change in net position for 2017	<u>18,624,704</u>	<u>-</u>	<u>-</u>	<u>(502,167)</u>	<u>18,122,537</u>
Balance, June 30, 2017	<u>\$ 44,063,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,928,629)</u>	<u>\$ 40,134,825</u>

	<u>Foundation</u>				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ -	\$ 1,812,651	\$ 1,835,014	\$ 181,870	\$ 3,829,535
Change in net position for 2016	<u>-</u>	<u>(418,665)</u>	<u>(581,040)</u>	<u>(34,530)</u>	<u>(1,034,235)</u>
Balance, June 30, 2016	-	1,393,986	1,253,974	147,340	2,795,300
Change in net position for 2017	<u>-</u>	<u>-</u>	<u>(9,062)</u>	<u>(30,365)</u>	<u>(39,427)</u>
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 1,393,986</u>	<u>\$ 1,244,912</u>	<u>\$ 116,975</u>	<u>\$ 2,755,873</u>

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

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 3,040,434	\$ 1,576,527
Grants and contracts	7,829,293	10,023,557
Payments to suppliers	(5,331,275)	(8,313,572)
Payments to students	(1,035,162)	(1,040,304)
Payments to employees	(15,633,841)	(16,872,826)
Other operating revenues	<u>858,593</u>	<u>1,987,772</u>
Net Cash Applied to Operating Activities	<u>(10,271,958)</u>	<u>(12,638,846)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	11,655,057	11,503,737
Tuition remitted to state	<u>-</u>	<u>(63,825)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,655,057</u>	<u>11,439,912</u>
Cash Flows from Capital Financing Activity:		
Purchase of capital assets	<u>(643,801)</u>	<u>(10,655)</u>
Cash Flows from Investing Activities:		
Proceeds on sale of investments	-	124,255
Interest and dividends on investments, net	<u>200</u>	<u>100</u>
Net Cash Provided by Capital Investing Activities	<u>200</u>	<u>124,355</u>
Net Increase (Decrease) in Cash and Equivalents	739,498	(1,085,234)
Cash and Equivalents, Beginning of Year	<u>345,838</u>	<u>1,431,072</u>
Cash and Equivalents, End of Year	<u>\$ 1,085,336</u>	<u>\$ 345,838</u>

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (16,920,368)	\$ (16,574,280)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	1,837,344	1,914,414
Fringe benefits provided by the State	3,569,401	3,094,116
Bad debts	85,958	64,793
Changes in assets and liabilities:		
Accounts receivable	477,897	(774,368)
Financial aid receivable	87,834	854,651
Accounts payable	742,934	289,640
Financial aid payable to students	(182,315)	(183,699)
Accrued payroll	(16,129)	(543,364)
Accrued compensated absences and workers' compensation	96,761	(139,704)
Student deposits and unearned revenue	248,427	(453,902)
Net pension activity	<u>(299,702)</u>	<u>(187,143)</u>
Net Cash Applied to Operating Activities	<u>\$ (10,271,958)</u>	<u>\$ (12,638,846)</u>
Reconciliation of Cash and Equivalents to Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 436,288	\$ 57,323
Cash held by State	49,523	32,000
Deposits held by State Treasurer	<u>599,525</u>	<u>256,515</u>
Cash and Equivalents, End of Year	<u>\$ 1,085,336</u>	<u>\$ 345,838</u>
Non-Cash Transactions:		
Capital appropriations	<u>\$ 19,881,164</u>	<u>\$ 2,193,578</u>
Fringe benefits provided by the State	<u>\$ 3,569,401</u>	<u>\$ 3,094,116</u>

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

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Organization

Roxbury Community College (an agency of the Commonwealth of Massachusetts – the “Commonwealth”) (the "College") is a state-supported comprehensive two-year college that offers an education leading to Associate degrees in the Arts and Sciences, as well as one-year certificate programs. From the College’s location in Roxbury, Massachusetts, the College provides instructions and training in a variety of liberal arts, allied health and business fields of study. The College also offers, through the Division of Continuing Education, credit and noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

Basis of Presentation and Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”).

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses and changes in net position demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of inter-fund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis, basic financial statements including the College’s discretely presented component unit and required supplementary information. The College presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined College-wide basis.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Basis of Presentation and Accounting - continued

The College's policies for defining operating activities in the statements of revenues, expenses and changes in net position are those that generally result from exchange transactions such as payments received for services and for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements.

The Roxbury Community College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt component unit of Roxbury Community College, established in November 1983. The Foundation was established to provide financial assistance and support to the educational programs and development of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by, or are for, the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2017 and 2016, the Foundation distributed \$152,533 and \$957,261, respectively to the College for both restricted and unrestricted purposes. The funds have been included in private grants and contracts on the statements of revenues and expenses.

Complete financial statements can be obtained from the Foundation's administrative office in Roxbury, Massachusetts.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Net Position

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

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

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

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

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

The College has adopted a policy of generally utilizing restricted – expendable funds, when available, prior to unrestricted funds.

Cash and Equivalents

The College considers cash on hand, cash and deposits held by the State Treasurer, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Investments

Investments in marketable securities are stated at fair value. Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statement of revenues and expenses. Any net earnings not expended are included in net position categories as follows:

- (i) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) as increases in restricted – expendable net position if the terms of the gift or the College’s interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College has relied upon the Attorney General’s interpretation of state law that unappropriated endowment gains should generally be classified as restricted – expendable; and
- (iii) as increases in unrestricted net position in all other cases.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at the date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Library materials are no longer capitalized and amortized. Interest costs on debt related to capital assets are capitalized during the construction period.

College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life are not capitalized.

The College does not have collections of historical treasures, works of art, or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

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

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Financial Aid Payable to Students

As result of being placed on the Heightened Cash Management 2 (“HCM2”) method of payment, as discussed further in Note 2, the College is required to advance to students all federal financial awards before submitting for reimbursement from the U.S. Department of Education.

Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and recorded as revenues when earned.

Fringe Benefits

The College participates in the Commonwealth’s Fringe Benefit programs, including health insurance, unemployment, pension, workers’ compensation and certain post-retirement benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers’ compensation coverage to its employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers’ compensation in its records. Workers’ compensation costs are actuarially determined based on the College’s actual experience.

Pensions

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2017 and 2016. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2017 and 2016. Upon retirement, these employees are entitled to receive payment for this accrued balance.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Grants

The College receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency.

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the receivable portfolio, the estimated value of underlying collateral and current economic conditions.

Student Tuition and Fees

Student tuition and fees are presented net of scholarships and fellowships applied to students' accounts. Certain other scholarships are paid directly to, or refunded to, the student and are generally reflected as expenses.

Income Tax Status

The College is an agency of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation and determining the net pension liability.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

New Governmental Accounting Pronouncements

GASB Statement 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (“OPEB”). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. Management has not completed its evaluation of the implementation of this standard, but as discussed in Note 13, management does expect that it will require restating certain balances as of June 30, 2017.

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

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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

New Governmental Accounting Pronouncements - continued

GASB Statement 85 – *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Management has not completed its review of the requirements of this standard and its applicability.

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

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

Note 2 - **Uncertainties**

Heightened Cash Management 2

As a result of the College's continuing inability to manage its federal financial aid programs in accordance with federal requirements, the U.S. Department of Education ("ED") placed the College on Heightened Cash Management 2 ("HCM2") during the year ended June 30, 2013. HCM2 requires the College to make disbursements to students from its own institutional funds prior to submitting a reimbursement payment required from the ED. This has caused the College to experience significant decreases in cash flow. Management of the College is working towards remedying these issues and to satisfy the ED's requirements to be taken off HCM2 however; as of June 30, 2017, there have been no changes in the College's status with the ED.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - **Uncertainties - Continued**

The Jeanne Clery Act

Based upon information received anonymously from a whistleblower during 2012, the College initiated an investigation into its compliance with The Jeanne Clery Act. After the College's investigation, the College reported to the ED numerous instances of non-compliance occurring from 2009 to 2012. The ED has not completed its investigation and the ultimate outcome cannot be determined as of June 30, 2017. The potential liability may have a material impact on the College's financial position.

Contingent Liabilities

As discussed further in Note 15, in the event the Federal government requires repayment and assesses penalties in connection with HCM2, assesses penalties regarding the College's violations of The Jeanne Clery Act and/or the private grantor requests repayment of the misspent funds (Note 15), it is unlikely the College would be able to satisfy these obligations through operating cash flows and the College would be forced to request additional funding or debt guarantees from the State. There is no guarantee that the State will continue to provide the College with sufficient funds to operate successfully and meet the obligations described above.

Note 3 - **Cash and Equivalents**

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits in banks in excess of the insured amount are uninsured and uncollateralized. The College does not have a formal deposit policy for custodial credit risk. Amounts exposed to custodial risk at June 30, 2017 and 2016 were \$261,219 and \$293,050, respectively.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - **Cash and Deposits Held by the State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$599,525 and \$256,515 at June 30, 2017 and 2016, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities. All cash and deposits held by the State Treasurer in excess of the encumbered amounts have been designated for the subsequent year.

Note 5 - **Receivables**

Accounts Receivable

Accounts receivable are comprised of the following at June 30,:

	<u>2017</u>	<u>2016</u>
Student accounts receivable	\$ 6,775,686	\$ 7,280,009
Grants receivable	262,665	378,963
Other receivable	<u>-</u>	<u>29,192</u>
	7,038,351	7,688,164
Less: allowance for doubtful accounts	<u>(5,085,256)</u>	<u>(5,171,214)</u>
 Total accounts receivable, net	 <u>\$ 1,953,095</u>	 <u>\$ 2,516,950</u>

Financial Aid Receivable (See Note 2)

The financial aid receivable represents federal financial aid awarded to students during the fiscal year and due from the Federal Government.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - **Investments**

Investments of the Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30,:

	2017		
	<u>Cost</u>	<u>Market Value</u>	<u>Net Unrealized Gain (Loss)</u>
Mutual and exchange traded funds:			
Investment grade index fund	\$ 130,903	\$ 129,289	\$ (1,614)
Real estate	90,045	95,631	5,586
Commodities	41,855	27,153	(14,702)
International equities	451,654	490,009	38,355
Emerging markets equities	126,873	142,310	15,437
Domestic equities	996,210	1,260,181	263,971
Surrender value of life insurance	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total	<u>\$ 2,337,540</u>	<u>\$ 2,644,573</u>	<u>\$ 307,033</u>
	2016		
	<u>Cost</u>	<u>Market Value</u>	<u>Net Unrealized Gain (Loss)</u>
Mutual and exchange traded funds:			
Investment grade index fund	\$ 130,903	\$ 132,274	\$ 1,371
Real estate	183,229	207,072	23,843
Commodities	41,855	28,842	(13,013)
International equities	445,192	419,824	(25,368)
Emerging markets equities	126,873	115,688	(11,185)
Domestic equities	904,250	985,947	81,697
Surrender value of life insurance	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total	<u>\$ 2,332,302</u>	<u>\$ 2,389,647</u>	<u>\$ 57,345</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - **Investments - Continued**

Investments of the Foundation - continued

The following schedules summarize the investment return and its classification in the statements of revenues and expenses and changes in net assets of the Foundation for the years ended June 30,:

	2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 4,722	\$ 77,729	\$ 82,451
Realized gains on investments	764	6,097	6,861
Unrealized gains on investments	28,413	226,771	255,184
Investment fees	(2,242)	(17,892)	(20,134)
Total	<u>\$ 31,657</u>	<u>\$ 292,705</u>	<u>\$ 324,362</u>
	2016		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 4,896	\$ 50,030	\$ 54,926
Realized gains on investments	7,208	119,597	126,805
Unrealized losses on investments	(14,067)	(155,159)	(169,226)
Investment fees	(1,249)	(13,783)	(15,032)
Total	<u>\$ (3,212)</u>	<u>\$ 685</u>	<u>\$ (2,527)</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retired	Reclass	Ending Balance
Capital assets, not depreciated:						
Construction in progress	-	\$ 2,651,447	\$ 20,352,951	\$ -	\$ -	\$ 23,004,398
Land	-	<u>312,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,000</u>
Total not depreciated		<u>2,963,447</u>	<u>20,352,951</u>	<u>-</u>	<u>-</u>	<u>23,316,398</u>
Capital assets, depreciated:						
Buildings and improvements	20-40	58,698,587	-	(109,813)	-	58,588,774
Furnishings and equipment (including the cost of capital leases)	5	3,222,571	172,013	-	-	3,394,584
Automobile	5	46,468	-	-	-	46,468
Educational resource materials	5	<u>730,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total depreciable assets		<u>62,697,640</u>	<u>172,013</u>	<u>(109,813)</u>	<u>-</u>	<u>62,759,840</u>
Total capital assets		<u>65,661,087</u>	<u>20,524,964</u>	<u>(109,813)</u>	<u>-</u>	<u>86,076,238</u>
Less: accumulated depreciation:						
Buildings and improvements		36,385,704	1,653,395	(46,897)	-	37,992,202
Automobile		46,468	-	-	-	46,468
Furnishings and equipment		3,060,151	183,949	-	-	3,244,100
Educational resource materials		<u>730,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total accumulated depreciation		<u>40,222,337</u>	<u>1,837,344</u>	<u>(46,897)</u>	<u>-</u>	<u>42,012,784</u>
Capital assets, net		<u>\$ 25,438,750</u>	<u>\$ 18,687,620</u>	<u>\$ (62,916)</u>	<u>\$ -</u>	<u>\$ 44,063,454</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Capital Assets - Continued**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retired	Reclass	Ending Balance
Capital assets, not depreciated:						
Construction in progress	-	\$ 554,308	\$ 2,097,139	\$ -	\$ -	\$ 2,651,447
Land	-	<u>312,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,000</u>
Total not depreciated		<u>866,308</u>	<u>2,097,139</u>	<u>-</u>	<u>-</u>	<u>2,963,447</u>
Capital assets, depreciated:						
Buildings and improvements	20-40	58,591,493	107,094	-	-	58,698,587
Furnishings and equipment (including the cost of capital leases)	5	3,222,571	-	-	-	3,222,571
Automobile	5	46,468	-	-	-	46,468
Educational resource materials	5	<u>730,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total depreciable assets		<u>62,590,546</u>	<u>107,094</u>	<u>-</u>	<u>-</u>	<u>62,697,640</u>
Total capital assets		<u>63,456,854</u>	<u>2,204,233</u>	<u>-</u>	<u>-</u>	<u>65,661,087</u>
Less: accumulated depreciation:						
Buildings and improvements		34,735,880	1,649,824	-	-	36,385,704
Automobile		46,468	-	-	-	46,468
Furnishings and equipment		2,795,561	264,590	-	-	3,060,151
Educational resource materials		<u>730,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total accumulated depreciation		<u>38,307,923</u>	<u>1,914,414</u>	<u>-</u>	<u>-</u>	<u>40,222,337</u>
Capital assets, net		<u>\$ 25,148,931</u>	<u>\$ 289,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,438,750</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - **Long-Term Liabilities**

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

	2017				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 1,490,024	\$ 75,780	\$ -	\$ 1,565,804	\$ 1,162,905
Workers' compensation	256,238	20,981	-	277,219	50,177
Contingent financial aid liability	400,000	-	-	400,000	-
Loans payable for Federal Perkins loan program	150,598	-	-	150,598	-
Net pension liability	<u>578,384</u>	<u>-</u>	<u>447,018</u>	<u>131,366</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,875,244</u>	<u>\$ 96,761</u>	<u>\$ 447,018</u>	<u>\$ 2,524,987</u>	<u>\$ 1,213,082</u>
	2016				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 1,624,977	\$ -	\$ 134,953	\$ 1,490,024	\$ 1,088,089
Workers' compensation	260,989	-	4,751	256,238	54,066
Contingent financial aid liability	400,000	-	-	400,000	-
Loans payable for Federal Perkins loan program	151,490	-	892	150,598	-
Net pension liability	<u>1,129,044</u>	<u>-</u>	<u>550,660</u>	<u>578,384</u>	<u>-</u>
Total long-term liabilities	<u>\$ 3,566,500</u>	<u>\$ -</u>	<u>\$ 691,256</u>	<u>\$ 2,875,244</u>	<u>\$ 1,142,155</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Operating Leases

At June 30, 2017, the College has various operating leases for certain equipment. The following schedule summarizes future minimum payments under non-cancelable leases at June 30, 2017:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Operating</u> <u>Leases</u>
2018	\$ 35,916
2019	34,016
2020	<u>10,071</u>
	<u>\$ 80,003</u>

Rent expense for operating leases were \$50,587 and \$57,743 for the years ended June 30, 2017 and 2016, respectively.

Note 9 - **Federal Perkins Loan Program**

The College has actively participated in the past in the Federal Perkins Loan Program. The Perkins Loan Program is funded through a combination of federal and College resources. Upon termination of participation in this program, the College must refund to the Department of Education federal funds used in the program. Amounts disclosed on the Statements of Net Position represent balances due from students and the Colleges' estimated liability to the Federal Government for these loans. The College has not issued loans under this program for more than ten years.

The Federal Perkins Loan Program Extension Act of 2015 (the "Extension Act"), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 can receive a spring semester Perkins loan disbursement. The College is currently evaluating alternative methods of financial aid for students affected by the Extension Act for the 2018-19 academic year.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 10 - **Restricted Net Position**

The College is on occasion the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. Restricted-expendable net position consists of funds whose income is mainly to be used for grants and scholarships. At June 30, 2017 and 2016, the College held no restricted net assets.

The Foundation's restricted-expendable net assets consist of funds whose income is mainly to be used for grants and scholarships. The Foundation's restricted-nonexpendable net position consists of investments to be held in perpetuity and the income is restricted for the purpose of providing scholarships, and other activities that benefit the College.

Note 11 - **Operating Expenses**

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

	<u>2017</u>	<u>2016</u>
Compensation and benefits	\$ 19,100,488	\$ 19,285,730
Supplies and services	6,033,724	8,242,756
Depreciation	1,837,344	1,914,414
Scholarships and fellowships	959,331	1,040,304
Bad debt allowance	<u>-</u>	<u>171,457</u>
	<u>\$ 27,930,887</u>	<u>\$ 30,654,661</u>

Note 12 - **Pensions**

Defined Benefit Plan Description

Certain employees of the college participate in a cost-sharing multiple-employer defined benefit pension plan – the Massachusetts State Employees' Retirement System – administered by the Massachusetts State Board of Retirement ("the Board"), which is a public employee retirement system ("PERS").

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

Defined Benefit Plan Description - continued

Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees' Retirement System does not issue a stand-alone financial statement.

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to \$1,060,165 and \$1,002,379 for the years ended June 30, 2017 and 2016, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was 63% and approximately 68% of annual total related payroll for fiscal years end in 2017 and 2016, respectively.

Benefit Provisions

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

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

Benefit Provisions - continued

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

Contributions

The SERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

Member contributions for SERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>Percentage of Compensation</u>
Prior to 1975	5% of regular compensation
1975-1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The College is required to contribute at an actuarially determined rate; the rate was 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2017 and 2016, respectively. The College contributed \$6,841 for the fiscal years ended June 30, 2016, equal to 100% of the required contributions for each year. No contributions were made for the fiscal year ended June 30, 2017.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

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

At June 30, 2017 and 2016, the College reported a liability of \$131,366 and \$578,384, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2017, the reporting date, was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. The net pension liability as of June 30, 2016, the reporting date, was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2016 and 2015, respectively.

The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2016 and 2015 relative to total contributions of all participating employers for that fiscal year. At June 30, 2016 and 2015, the College's proportion was 0.001% and 0.005%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

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

For the years ended June 30, 2017 and 2016, the College recognized pension benefit of \$299,596 and \$179,689, respectively. At June 30, 2017 and 2016, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2017	2016
<u>Deferred Outflows of Resources</u>		
Changes in plan actuarial assumptions	\$ 14,568	\$ 100,163
Differences between projected and actual experiences	6,240	11,433
Contributions made after the measurement date	-	6,841
Differences between projected and actual investment earnings on pension plan investments	8,818	-
Changes in proportion from Commonwealth	293	-
	\$ 29,919	\$ 118,437
<u>Deferred Inflows of Resources</u>		
Difference between projected and actual earnings of plan investments	\$ -	\$ 16,620
Changes in proportion due to internal allocation	1,095,815	1,020,016
Changes in proportion from Commonwealth	63	444
	\$ 1,095,878	\$ 1,037,080

The College's contributions of \$6,841 made during the fiscal year ending 2016 subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. The College did not make any contributions during the fiscal year ending 2017.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2018	\$ (267,350)
2019	(267,350)
2020	(263,809)
2021	(268,096)
2022	<u>646</u>
Total	<u>\$ (1,065,959)</u>

Actuarial Assumptions

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

Measurement Date	June 30, 2016	June 30, 2015
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	3.50% to 9.00%
Investment rate of return	7.50%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2016 and 2015, mortality rates were based on:

- Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

Actuarial Assumptions - continued

The actuarial assumptions used in the January 1, 2016 and 2015 valuations rolled forward to June 30, 2016 and 2015, respectively, and the calculation of the total pension liability at June 30, 2017 and 2016 were consistent with the results of actuarial experience study performed as of January 1, 2016 and 2015, respectively.

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, are summarized in the following table.

Asset Class	2016		2015	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	40%	6.90%	40%	6.90%
Core Fixed Income	13%	1.60%	13%	2.40%
Private Equity	10%	8.70%	10%	8.50%
Real Estate	10%	4.60%	10%	6.50%
Value Added Fixed Income	10%	4.80%	10%	5.80%
Hedge Funds	9%	4.00%	9%	5.80%
Portfolio Completion Strategies	4%	3.60%	4%	5.50%
Timber/Natural Resources	4%	5.40%	4%	6.60%
	100%		100%	

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at June 30 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

June 30, 2017		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 171,190	\$ 131,366	\$ 97,613
June 30, 2016		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 786,214	\$ 578,384	\$ 399,128

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance and pension costs (described in the subsequent paragraph) for active employees and retirees are paid through a fringe benefit rate charged to the College by the Commonwealth, and currently the liability is borne by the Commonwealth, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. As discussed previously, GASB 75 – *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, replaces GASB 45 and will require a restatement of balance at July 1, 2017.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies.

Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the College. The GIC administers a plan included within the State Retire Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Group Insurance Commission - continued

The GIC is a quasi-independent state agency governed by an eleven member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2017 and 2016, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans.

In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Insurance

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

Other Employee Benefits

The employees of the College can elect to participate in two defined contribution plans offered and administered by the Massachusetts Department of Higher Education – an IRC 402(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The College has no obligation to contribute to these plans and no obligation for any future pay-out.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 14 - **Massachusetts Management Accounting and Reporting System**

The College's state maintenance appropriation is composed of the following at June 30,:

	<u>2017</u>	<u>2016</u>
Direct unrestricted appropriations	\$ 11,655,057	\$ 11,503,737
Add: Fringe benefits for employees on the state payroll	3,569,401	3,094,116
Less: Day school tuition remitted to the state and included in tuition revenue	<u>-</u>	<u>(63,825)</u>
Total unrestricted appropriations	15,224,458	14,534,028
Capital appropriations	<u>19,881,164</u>	<u>2,193,578</u>
Total Appropriations	<u>\$ 35,105,622</u>	<u>\$ 16,727,606</u>

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System after June 30, 2017 and 2016.

As of June 30, 2017, the College had paid or accrued for all amounts charged to it through the Commonwealth's fringe benefit program. Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System ("MMARS") on the statutory basis of accounting.

The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Educational Audited Financial Statements*.

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 15 - **Contingencies**

General Contingencies

Various lawsuits are pending or threatened against the College that have arisen in the ordinary course of operations. In the opinion of management, no litigation is now pending or threatened that would materially affect the College's financial position.

Prepaid Tuition Savings Plan

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%. The College is obligated to accept as payment of tuition the amount determined by this Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of the Program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

Contingent Financial Aid Liability

As a recipient of federal and state funds, the College is subject to oversight by various agencies. Expenditure of funds from federal and state programs requires compliance with agreements and may be subject to oversight audits by applicable agencies. During the performance of audit procedures over the management of federal funds for academic years 2011-2012 and 2012-2013, it was noted that certain expenditures were not in conformity with the applicable federal requirements. The results of these procedures have not yet been reviewed by the Department of Education. As of June 30, 2017 and 2016, management has recorded a \$400,000 liability, which they believe fairly represents the potential liability relating to these expenditures.

Private Grant

During 2009, the Foundation was awarded a \$450,000 private grant to provide funding to the College for the construction of a clinical simulation computer laboratory. The College expended the funds for purposes other than as called for in the grant. Management has initiated conversations with the grantor regarding this matter. Due to the preliminary notion of these conversations, management has not accrued a liability for the grant funds as they are hopeful the grantor will not take any actions requiring repayment.

REQUIRED SUPPLEMENTAL INFORMATION

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

Year Ended	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.001%	0.005%	0.015%
Proportionate share of the collective net pension liability	\$ 131,366	\$ 578,384	\$ 1,129,044
College's covered-employee payroll	\$ 72,368	\$ 306,167	\$ 1,128,071
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.52%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

ROXBURY COMMUNITY COLLEGE
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Schedule of Contributions (Unaudited)

For the Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ -	\$ 6,841	\$ 31,811
Contributions in relation to the contractually required contribution	<u>-</u>	<u>(6,841)</u>	<u>(31,811)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ -	\$ 72,368	\$ 306,167
Contribution as a percentage of covered-employee payroll	9.95%	9.45%	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actuarially determined contribution rate each year.

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

ROXBURY COMMUNITY COLLEGE
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Notes to the Required Supplementary Information (Unaudited)

For the Years Ended June 30, 2017 and 2016

Note 1 - **Change in Assumptions**

Changes in assumptions about the discount rate from 8.00% to 7.50%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of \$2.33 billion dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2016. Previously, changes in assumptions about future economic or demographic factors and inputs resulted in additional plan-wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions are 0.001%, 0.005%, and 0.015%, respectively, as shown on the Schedules of Proportionate Share of Net Pension Liability, and represent the relationship of contributions made by the College to total contributions by all participating State Agencies.

The College's portion of these amounts is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Changes in assumptions	\$ 131,084	\$ 131,084	\$ 15,512
Recognized in current year pension expense	<u>116,516</u>	<u>30,921</u>	<u>2,820</u>
Deferred outflows of resources	<u>\$ 14,568</u>	<u>\$ 100,163</u>	<u>\$ 12,692</u>

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



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

To the Board of Trustees of
Roxbury Community College
Roxbury, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Roxbury Community College (the "College"), which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 14, 2017.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Roxbury Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connell and Duen, P.C.

Certified Public Accountants
Braintree, Massachusetts

November 14, 2017

ROXBURY COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings

June 30, 2016

Finding 2016-001 – Federal Student Financial Aid

Finding

In a separate compliance engagement, which we were requested by the College to perform and submit a report, we noted the following current year non-compliance findings that were also findings in award years 2016, 2015, 2014, 2013 and 2012.

- 1) National Student Loan Data System (“NSLDS”) Reporting
- 2) Return of Title IV Funds

Auditors’ Current Year Comment

During our current year audit, we noted minor instances of non-compliance with this internal control requirement. These instances of noncompliance are smaller in scope than those indicated in previous years and are no longer an indication of a significant deficiency or material weakness in the College’s control over financial aid. The areas of noncompliance noted in the current year audit are minor reporting compliance requirements that do not affect a student’s financial aid eligibility or affect the amount of financial aid awarded to students. These findings are also consistent with other minor compliance findings that all other Colleges have in their Single audits.