

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

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

JUNE 30, 2018

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

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

June 30, 2018

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Emphasis of Matters

As discussed in Note 2 to the financial statements, GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is effective for fiscal year 2018 and required the College to restate beginning net position at July 1, 2017 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the State Retirees' Benefit Trust.

As discussed further in Notes 3 and 17, 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. If the College has liquidity issues due to the retrospective form of payments by the ED, the College would require additional funding and/or guarantees from the Commonwealth of Massachusetts.

As discussed further in Note 3, 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 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with

auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2018, 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'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

November 13, 2018

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2018 and 2017

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Roxbury Community College as of June 30, 2018, and 2017 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 \$20,460,481 for fiscal year 2018 as compared to an increase of \$17,853,256 in fiscal year 2017.

As of June 30, 2018, and 2017, total assets and deferred outflows of the College were \$77,195,837 and \$47,611,615, respectively. Of these total assets, 96% and 93% consisted of the net book value of capital assets as of June 30, 2018 and 2017, respectively. For the same periods, its total liabilities and deferred inflows of resources were \$16,869,768 and \$7,746,071 and its net position was \$60,326,069 and \$39,865,544, respectively.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Financial Highlights - Continued

Total operating revenues decreased by \$94,963 for fiscal year 2018, year over year. The decrease is a result of a small decline in enrollment net of funds received from the Foundation. The total operating loss before capital appropriations increased by \$194,262 for fiscal year 2018 as a result of the increase in depreciation expense of \$492,958 associated with the building improvements made in 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 Statement of Net Position, the Statement of Revenues and Expenses, the Statement of Changes in Net Position and the Statement 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 holds 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 *Statement 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, 2018 and 2017

Overview of the Financial Statements - Continued

The Financial Statements - Continued

The *Statements of Revenues and Expenses and 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. These statements present 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 *Statement of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services). 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, 2018 and 2017

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 decrease 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 \$2,330,302 in fiscal year 2018, and \$1,837,344 in fiscal year 2017, flows directly through to decrease net position on the Statement of Revenues and Expenses, 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 increased by \$154,303 from fiscal year end 2017 to fiscal year end 2018 and decreased by \$771,448 from fiscal year end 2016 to fiscal year end 2017.

The financial position of the College is further demonstrated by the relationship between current assets and current liabilities. Current liabilities exceeded current assets by \$2,110,845 and \$1,701,363 at June 30, 2018 and 2017, 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, 2018 and 2017

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>2018</u>	<u>(Restated)</u> <u>2017</u>
Current Assets	\$ 3,036,674	\$ 3,367,644
Non-Current Assets	74,159,086	44,214,052
Deferred Outflows of Resources	<u>77</u>	<u>29,919</u>
Total Assets and Deferred Outflows	<u>\$ 77,195,837</u>	<u>\$ 47,611,615</u>
Current Liabilities	\$ 5,147,519	\$ 5,069,007
Non-Current Liabilities	<u>10,638,635</u>	<u>1,581,186</u>
Total Liabilities	<u>\$ 15,786,154</u>	<u>\$ 6,650,193</u>
Deferred Inflows of Resources	<u>1,083,614</u>	<u>1,095,878</u>
Investment in Capital Assets	\$ 64,369,676	\$ 44,063,454
Unrestricted	<u>(4,043,607)</u>	<u>(4,197,910)</u>
Net Position	<u>\$ 60,326,069</u>	<u>\$ 39,865,544</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 77,195,837</u>	<u>\$ 47,611,615</u>

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

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. In addition, a loan from the State of Massachusetts related to the energy and water efficiency projects, to be repaid by anticipated savings, was put into effect. This loan is for \$9.8MM, to be repaid over 20 years, at an interest rate of 3.0%, starting January of 2020.

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, 2018 and 2017

Financial Analysis - Continued

Schedule of Net Position - Continued

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

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Tuition and Fees	\$ 8,018,181	\$ 7,602,237
Less: Scholarships	<u>(5,070,557)</u>	<u>(5,191,770)</u>
	2,947,624	2,410,467
Federal, State and Private Grants	7,211,411	7,741,459
Athletic Track	437,316	522,418
Other Revenue	<u>319,205</u>	<u>336,175</u>
Total Operating Revenues	10,915,556	11,010,519
Operating Expenses:	<u>(28,030,142)</u>	<u>(27,930,887)</u>
Operating Loss:	<u>(17,114,586)</u>	<u>(16,920,368)</u>
Non-Operating Revenues (Expenses):		
State Appropriations, net	15,189,876	15,224,458
Investment Income	100	200
Loss on Disposal of Capital Assets	<u>-</u>	<u>(62,917)</u>
Net Non-Operating Revenues	15,189,976	15,161,741
Loss Before Capital Appropriations:	<u>(1,924,610)</u>	<u>(1,758,627)</u>
Capital Appropriations:	<u>22,385,135</u>	<u>19,881,164</u>
Total Increase in Net Position	<u>\$ 20,460,525</u>	<u>\$ 18,122,537</u>

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

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 2018 and 2017.

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, 2018 and 2017. 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, 2018 and 2017

Financial Analysis - Continued

Operating Revenues - Continued

Schedule of Operating Revenues
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Operating Revenues:		
Tuition and Fees, net	\$ 2,947,624	\$ 2,410,467
Federal Grants	5,326,480	5,710,800
State Grants	1,170,140	1,756,246
Private Grants	714,791	274,413
Athletic Track	437,316	522,418
Other Revenue	<u>319,205</u>	<u>336,175</u>
Total Operating Revenues	<u>\$ 10,915,556</u>	<u>\$ 11,010,519</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 \$8,018,181 and \$7,602,237, for FY's 2018 and 2017, respectively.

In total, federal grants amounted to \$5,326,480, while state grants totaled \$1,170,140 in fiscal year 2018. Financial aid grants were also utilized to pay not only for tuition and fees but also for student books. Federal work/study wages, which were paid directly to students, totaled approximately \$89,000 and \$111,000 in fiscal years 2018 and 2017, respectively.

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Management’s Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

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, 2018 and 2017 (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>2018</u>	<u>2017</u>
Operating Expenses:		
Compensation and Benefits	\$ 18,488,133	\$ 18,961,755
Supplies and Services	6,083,982	6,096,626
Depreciation	2,330,302	1,837,344
Scholarships and Fellowships	<u>1,127,725</u>	<u>1,035,162</u>
Total Operating Expenses	<u>\$ 28,030,142</u>	<u>\$ 27,930,887</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 2018 and fiscal year 2017 are as follows:

- Compensation and benefits decreased by \$473,622 or 2.5% in fiscal year 2018.
- Supplies and services decreased by \$12,644 or 0.2% in fiscal year 2018.
- Depreciation expense increased \$492,958 or 26.8% in fiscal year 2018.
- Scholarships and fellowships increased by \$92,563 or 8.9% in fiscal year 2018.
- The total operating expenses increased by \$99,255 or 0.4% in fiscal year 2018.

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Management's Discussion and Analysis - Continued
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June 30, 2018 and 2017

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>2018</u>	<u>2017</u>
Operating Expenses:		
Instruction	\$ 8,389,446	\$ 8,736,460
Student Services	3,548,300	3,684,955
Institutional Support	4,688,346	4,958,001
Academic Support	3,389,103	3,195,063
Scholarships and Fellowships	1,127,725	1,035,162
Operations and Maintenance of Plant	2,647,018	2,669,856
Depreciation	2,330,302	1,837,344
Public Service	<u>1,909,902</u>	<u>1,814,046</u>
Total Operating Expenses	<u>\$ 28,030,142</u>	<u>\$ 27,930,887</u>

The largest increase year over year was in Depreciation by \$492,958. The major event impacting this category was placing in service various components of the DCAMM sponsored energy and major campus renovation projects.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Financial Analysis - Continued

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.

In fiscal year 2014, all of the College's 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 million.

The net operating margin before depreciation expense increased from a positive 1% in fiscal year 2017 to 3.7% in fiscal year 2018.

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:

<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
-14.4%	-14.0%	-11.2%	-11.3%	-6.5%

The College's Primary Reserve Ratio in FY 2018 improved slightly compared to FY 2017. This was caused by management's continued efforts to rein in spending in a declining enrollment environment on both the credit and non-credit programming.

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Management’s Discussion and Analysis - Continued
 (Unaudited)

June 30, 2018 and 2017

Financial Analysis - Continued

Strategic Ratios - Continued

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:

<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
✔ +51.3	✔ +82.3%	✔ +0.7%	-4.4%	-1.4%

The College’s Return on Net Position Ratio continued to be positive in FY 2018 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:

<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>	<u>FY 2014</u>
✔ +74.4%	✔ +69.1%	✔ +0.5%	-3.9%	-1.2%

The College's Return on Net Operation Revenues Ratio in FY 2018 also improved from FY 2017 due to the State appropriation revenue noted above related to construction.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Financial Analysis - Continued

Strategic Ratios - Continued

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's ratio for 2018 was (39.68%). During fiscal year 2018, as noted above, a new long-term debt was created resulting in a book balance at the end of fiscal year 2018 of \$9.8MM. Due to 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.

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, 2018, Roxbury Community College had investments in capital assets of \$74,008,488 (net of accumulated depreciation of \$44,343,084). 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 \$2,330,302 and \$1,837,344 in fiscal years 2018 and 2017, respectively.

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

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Financial Analysis - Continued

Capital Assets - Continued

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.

The following schedule details the capital assets:

Schedule of Capital Assets at June 30, 2018

Land	\$ 312,000
Construction in Progress	31,860,878
Buildings and Improvements	81,409,247
Furnishings and Equipment	4,039,433
Library Books (Educational Resource Material)	<u>730,014</u>
	118,351,572
Less: Accumulated Depreciation	<u>44,343,084</u>
Net Capital Assets	<u>\$ 74,008,488</u>

Economic Factors that will Affect the Future

Statewide Concerns

Due to the strong economy the state is experiencing a very low unemployment rate. Traditionally when unemployment rates are low community colleges see a decline in enrollment as people return to the workforce and forgo continuing their education. Added to this the state has seen a decline in high school age students over the past five years reducing the graduates that would be a natural target population to increase enrollment at the state's community colleges. Across the commonwealth enrollment has been down for the past three years overall.

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

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Economic Factors that will Affect the Future - Continued

Statewide Concerns - Continued

Public colleges in Massachusetts have weathered hard times in the past. 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.

The higher education sector has continuously pushed the state legislature to fully fund the state's collective bargaining agreements. By not funding these salary increases the state's college campuses have had to pass along the added costs to students by increasing college fees. 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 2018 in order to improve its financial performance. It has also implemented course specific fees on classes that have high consumables such as science lab classes.

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 2017 or 2018.

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.

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

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Economic Factors that will Affect the Future - Continued

Regional Concerns - Continued

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 and in recruiting quality employees.

Challenges

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.

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.

The major construction projects on campus has made it difficult to attract and retain students as the campus environment has not been the most inviting. The major construction projects have been substantially completed as of September 2018 so this should improve significantly.

The College now has a state of the art health sciences education facility and renovated science labs and is considered a leader in STEM education. It has built strategic relationships with the business community and has strong advisory councils for each of its major program areas. In fall of 2018 it has launched a new associates of science degree program in smart building operating technologies to respond the critical shortage of skilled workers in this field.

In January of 2018 the College completed a major energy conservation project with \$21 million in investments including solar and geothermal energy and has already won several awards for its green energy initiative which is projected the save the College over \$800,000 per year in energy costs.

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

Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2018 and 2017

Economic Factors that will Affect the Future - Continued

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.

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

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

Statement of Net Position

June 30, 2018

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

Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources

	College	Foundation
Current Assets:		
Cash and equivalents	\$ 234,063	\$ 157,196
Deposits held by State Treasurer	40,696	-
Cash held by State Treasurer	112,786	-
Accounts receivable, net	2,027,591	-
Financial aid receivable	618,750	-
Investments	-	2,480,585
Prepaid expenses	2,788	1,400
Total Current Assets	3,036,674	2,639,181
Non-Current Assets:		
Capital assets, net	74,008,488	-
Loans receivable for Federal Perkins Loan program	150,598	-
Total Non-Current Assets	74,159,086	-
Total Assets	77,195,760	2,639,181
Deferred Outflows of Resources:		
Pension related, net	44	-
OPEB related, net	33	-
Total Deferred Outflows of Resources	77	-
Total Assets and Deferred Outflows of Resources	\$ 77,195,837	\$ 2,639,181

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

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

Statement of Net Position

June 30, 2018

Liabilities, Deferred Inflows of Resources and Net Position

	College	Foundation
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,337,187	\$ 178,742
Financial aid payable to students	423,387	-
Accrued payroll	617,576	-
Accrued compensated absences	1,210,090	-
Accrued workers' compensation	37,513	-
Student deposits and unearned revenue	521,766	-
Total Current Liabilities	5,147,519	178,742
Non-Current Liabilities:		
Accrued compensated absences	309,791	-
Accrued workers' compensation	139,434	-
Contingent financial aid liability (Note 10)	400,000	-
Loans payable for Federal Perkins Loan program	150,598	-
Note payable	9,638,812	-
Total Non-Current Liabilities	10,638,635	-
Total Liabilities	15,786,154	178,742
Deferred Inflows of Resources:		
Pension related, net	860,841	-
OPEB related, net	222,773	-
Total Deferred Inflows of Resources	1,083,614	-
Net Position:		
Investment in capital assets, net	64,369,676	-
Restricted:		
Expendable	-	980,319
Non-expendable	-	1,384,986
Unrestricted	(4,043,607)	95,134
Total Net Position	60,326,069	2,460,439
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 77,195,837	\$ 2,639,181

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

Statement of Revenues and Expenses

For the Year Ended June 30, 2018

	College	Foundation
Operating Revenues:		
Tuition and fees	\$ 8,018,181	\$ -
Less: scholarships and fellowships	<u>5,070,557</u>	<u>-</u>
Net tuition and fees	2,947,624	-
Federal grants and contracts	5,326,480	-
State grants and contracts	1,170,140	-
Athletic track	437,316	-
Other	319,205	-
Private grants and contracts	714,791	-
Gifts and contributions	<u>-</u>	<u>169,667</u>
Total Operating Revenues	<u>10,915,556</u>	<u>169,667</u>
Operating Expenses:		
Institutional support	4,688,346	199,702
Instruction	8,389,446	-
Student services	3,548,300	-
Academic support	3,389,103	-
Operation and maintenance of plant	2,647,018	-
Scholarship and fellowships	1,127,725	-
Depreciation	2,330,302	-
Public support	1,909,902	-
Gifts and contributions	<u>-</u>	<u>507,338</u>
Total Operating Expenses	<u>28,030,142</u>	<u>707,040</u>
Net Operating Loss	<u>(17,114,586)</u>	<u>(537,373)</u>
Non-Operating Revenues:		
State appropriations, net	15,189,876	-
Investment return, net	<u>100</u>	<u>241,939</u>
Net Non-Operating Revenues	<u>15,189,976</u>	<u>241,939</u>
Change in Net Position Before Capital Appropriations	(1,924,610)	(295,434)
Capital Appropriations	<u>22,385,135</u>	<u>-</u>
Change in Net Position	<u>\$ 20,460,525</u>	<u>\$ (295,434)</u>

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

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

Statement of Changes in Net Position

For the Year Ended June 30, 2018

	College				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2017, as previously reported	\$ 44,063,454	\$ -	\$ -	\$ (3,928,629)	\$ 40,134,825
Prior period adjustment - Implementation of newly effective accounting standard (Note 2)	-	-	-	(269,281)	(269,281)
Balance, June 30, 2017, as restated	44,063,454	-	-	(4,197,910)	39,865,544
Changes in net position	<u>20,306,222</u>	<u>-</u>	<u>-</u>	<u>154,303</u>	<u>20,460,525</u>
Balance, June 30, 2018	<u>\$ 64,369,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,043,607)</u>	<u>\$ 60,326,069</u>
	Foundation				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2017	\$ -	\$ 1,393,986	\$ 1,244,912	\$ 116,975	\$ 2,755,873
Changes in net position	-	(9,000)	(264,593)	(21,841)	(295,434)
Balance, June 30, 2018	<u>\$ -</u>	<u>\$ 1,384,986</u>	<u>\$ 980,319</u>	<u>\$ 95,134</u>	<u>\$ 2,460,439</u>

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

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

Statement of Cash Flows

For the Year Ended June 30, 2018

	<u>College</u>
Cash Flows from Operating Activities:	
Tuition and fees	\$ 3,287,814
Grants and contracts	6,921,874
Payments to suppliers	(6,676,933)
Payments to students	(1,127,725)
Payments to employees	(15,178,847)
Other operating revenues	<u>756,521</u>
Net Cash Applied to Operating Activities	<u>(12,017,296)</u>
Cash Flows from Non-Capital Financing Activity:	
State appropriations	<u>11,570,794</u>
Cash Flows from Capital Financing Activity:	
Purchase of capital assets	<u>(251,389)</u>
Cash Flows from Investing Activity:	
Interest and dividends on investments, net	<u>100</u>
Net Decrease in Cash and Equivalents	(697,791)
Cash and Equivalents, Beginning of Year	<u>1,085,336</u>
Cash and Equivalents, End of Year	<u>\$ 387,545</u>

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2018

	College
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:	
Net operating loss	\$ (17,114,586)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	2,330,302
Fringe benefits provided by the State	3,619,082
Bad debts	62,081
Changes in assets and liabilities:	
Accounts receivable	(136,577)
Financial aid receivable	(289,537)
Prepaid expenses	(2,788)
Accounts payable and accrued expenses	(692,130)
Financial aid payable to students	398,221
Accrued payroll	321,435
Accrued compensated absences and workers' compensation	(146,195)
Student deposits and unearned revenue	16,465
Net pension activity	(336,528)
Net OPEB activity	<u>(46,541)</u>
Net Cash Applied to Operating Activities	<u>\$ (12,017,296)</u>
 Reconciliation of Cash and Equivalents to Cash and Equivalents, End of Year:	
Cash and equivalents	\$ 234,063
Cash held by State	40,696
Deposits held by State Treasurer	<u>112,786</u>
Cash and Equivalents, End of Year	<u>\$ 387,545</u>
 Non-Cash Transactions:	
Capital appropriations	<u>\$ 22,385,135</u>
Fringe benefits provided by the State	<u>\$ 3,619,082</u>
Capital asset acquisitions financed by DCAMM	<u>\$ 9,638,812</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

June 30, 2018

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 statement of revenues and expenses demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenues.

The College has determined that it functions as a business-type activity, as defined by GASB. The effect of 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, 2018

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 and expenses 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 year ended June 30, 2018, the Foundation distributed \$380,954 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, 2018

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, 2018

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 5 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, 2018

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 3, 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.

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

Notes to the Financial Statements - Continued

June 30, 2018

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

Postemployment Benefits Other Than Pensions (“OPEB”)

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2018. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2018. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Grants

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

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.

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

Notes to the Financial Statements - Continued

June 30, 2018

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

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 and OPEB liabilities.

New Governmental Accounting Pronouncements

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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2018

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

New Governmental Accounting Pronouncements - continued

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.

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

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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

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

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

	<u>As previously Reported</u>	<u>As Restated</u>
<u>As of June 30, 2017:</u>		
Statement of Net Position:		
Net OPEB liability	\$ -	\$ 269,281
Unrestricted net position	\$ (3,928,629)	\$ (4,197,910)

Note 3 - **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, 2018, there have been no changes in the College's status with the ED.

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, 2018. The potential liability may have a material impact on the College's financial position.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - **Uncertainties - Continued**

Contingent Liabilities

As discussed further in Note 17, in the event the Federal government requires repayment and assesses penalties in connection with HCM2 and/or assesses penalties regarding the College's violations of The Jeanne Clery Act, 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 4 - **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, 2018 was \$40,045.

Note 5 - **Cash and Deposits Held by the State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$112,786 at June 30, 2018. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities. All cash and deposits held by the State Treasurer in excess of the encumbered amounts have been designated for the subsequent year.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 6 - **Receivables**

Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2018:

Student accounts receivable	\$ 6,953,095
Grants receivable	<u>97,671</u>
	7,050,766
Less: allowance for doubtful accounts	<u>(5,023,175)</u>
 Total accounts receivable, net	 <u><u>\$ 2,027,591</u></u>

Financial Aid Receivable (See Note 3)

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

Note 7 - **Investments**

Investments of the Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30, 2018:

	<u>Cost</u>	<u>Market Value</u>	<u>Net Unrealized Gain (Loss)</u>
Mutual and exchange traded funds:			
Investment grade index fund	\$ 132,650	\$ 127,853	\$ (4,797)
International equities	442,613	436,765	(5,848)
Emerging markets equities	154,613	158,250	3,637
Domestic equities	1,038,152	1,257,717	219,565
Surrender value of life insurance	<u>500,000</u>	<u>500,000</u>	<u>-</u>
 Total	 <u><u>\$ 2,268,028</u></u>	 <u><u>\$ 2,480,585</u></u>	 <u><u>\$ 212,557</u></u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - **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 year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividend income	\$ 10,491	\$ 69,208	\$ 79,699
Realized gains on investments	66,545	205,547	272,092
Unrealized gains on investments	(22,537)	(69,614)	(92,151)
Investment fees	<u>(4,329)</u>	<u>(13,372)</u>	<u>(17,701)</u>
Total	<u>\$ 50,170</u>	<u>\$ 191,769</u>	<u>\$ 241,939</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - **Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Reclass- ifications	Ending Balance
Capital assets, not depreciated:					
Construction in progress	-	\$ 23,004,398	\$ 8,856,480	\$ -	\$ 31,860,878
Land	-	<u>312,000</u>	<u>-</u>	<u>-</u>	<u>312,000</u>
Total not depreciated		<u>23,316,398</u>	<u>8,856,480</u>	<u>-</u>	<u>32,172,878</u>
Capital assets, depreciated:					
Buildings and improvements	20-40	58,588,774	22,820,473	-	81,409,247
Furnishings and equipment (including the cost of capital leases)	5	3,394,584	598,381	-	3,992,965
Automobile	5	46,468	-	-	46,468
Educational resource materials	5	<u>730,014</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total depreciable assets		<u>62,759,840</u>	<u>23,418,854</u>	<u>-</u>	<u>86,178,694</u>
Total capital assets		<u>86,076,238</u>	<u>32,275,334</u>	<u>-</u>	<u>118,351,572</u>
Less: accumulated depreciation:					
Buildings and improvements		37,992,200	2,193,599	-	40,185,799
Automobile		46,468	-	-	46,468
Furnishings and equipment		3,244,100	136,703	-	3,380,803
Educational resource materials		<u>730,014</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total accumulated depreciation		<u>42,012,782</u>	<u>2,330,302</u>	<u>-</u>	<u>44,343,084</u>
Capital assets, net		<u>\$ 44,063,456</u>	<u>\$ 29,945,032</u>	<u>\$ -</u>	<u>\$ 74,008,488</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Long-Term Liabilities**

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

	(Restated)				
	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion
Compensated absences	\$ 1,565,804	\$ -	\$ 45,923	\$ 1,519,881	\$ 1,210,090
Workers' compensation	277,219	-	100,272	176,947	37,513
Contingent financial aid liability	400,000	-	-	400,000	-
Loans payable for Federal Perkins loan program	150,598	-	-	150,598	-
Note payable	-	9,638,812	-	9,638,812	-
Net pension liability	131,366	-	131,366	-	-
Net OPEB liability	<u>269,281</u>	<u>-</u>	<u>269,281</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 2,794,268</u>	<u>\$ 9,638,812</u>	<u>\$ 546,842</u>	<u>\$ 11,886,238</u>	<u>\$ 1,247,603</u>

Notes Payable

During the year ended June 30, 2018, the College entered into a 20-year agreement with the Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM") to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAMM is responsible for construction of specific energy conservation projects funded by CEIP funds. The original amount of debt issued was \$9,638,812. Principal and interest of \$647,880 is payable annually beginning on January 1, 2020 with interest charged at 3.00%

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - **Long-Term Liabilities - Continued**

Notes Payable - continued

Maturities of principal and interest subsequent to June 30, 2018 are as follows:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ -
2020	358,715	289,165
2021	369,477	278,403
2022	380,561	267,319
2023	391,978	255,902
2024-2028	2,143,495	1,095,902
2029-2033	2,484,898	754,499
2034-2038	2,880,679	358,718
2039	<u>629,009</u>	<u>18,871</u>
	<u>\$ 9,638,812</u>	<u>\$3,318,779</u>

Operating Leases

At June 30, 2018, the College has various operating leases for certain equipment. Future minimum payments under non-cancelable leases are \$13,872 due during the year ending June 30, 2019.

Rent expense for operating leases was \$51,605 for the year ended June 30, 2018.

Note 10 - **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 Statement 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.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - **Federal Perkins Loan Program - Continued**

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.

Note 11 - **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, 2018, 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 12 - **Operating Expenses**

The College’s operating expenses, on a natural classification basis, comprise the following for the year ended June 30, 2018:

Compensation and benefits	\$ 18,488,133
Supplies and services	6,083,982
Depreciation	2,330,302
Scholarships and fellowships	<u>1,127,725</u>
	<u>\$ 28,030,142</u>

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 13 - **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”). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

The Massachusetts State Employees' Retirement System does not issue a stand-alone financial statement. Additional information regarding the Plan is contained in the Commonwealth's financial statements, which is available on-line from the Office of State Comptroller's website.

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (“MGL”) 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”).

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.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 13 - **Pensions - Continued**

Contributions - continued

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 Commonwealth does not require the College to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$1,222,971 the year ended June 30, 2018.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 11.78%, 9.45% and 10.39% of annual covered payroll for the fiscal years ended June 30, 2018, 2017, and 2016, respectively. The College contributed \$44, \$0 and \$6,841 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 65%, 63% and 68% of total related payroll for fiscal years end 2018, 2017 and 2016, respectively.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 13 - **Pensions - Continued**

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

At June 30, 2018, the College did not report a liability, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2018 relative to total contributions of all participating employers for that fiscal year. At June 30, 2018, the College's proportion was 0.000%.

For the year ended June 30, 2018, the College recognized a pension benefit of \$336,484. At June 30, 2018, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflow of Resources

Contributions made after the measurement date	<u>\$ 44</u>
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Deferred Inflow of Resources

Changes in proportion due to internal allocation	<u>\$ 860,841</u>
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The College's contributions of \$44 made during the fiscal year ending 2018, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 13 - **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:

Fiscal Years <u>Ending June 30,</u>	
2019	\$ (215,210)
2020	(215,210)
2021	(215,210)
2022	<u>(215,211)</u>
	<u>\$ (860,841)</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, 2017
Inflation	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.50%
Interest rate credited to annuity savings fund	3.50%

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

- Pre-retirement - reflects RP-2014 Blue Collar Employees Table projected with Scale MP-2016 and set forward 1 year for females
- Post-retirement – reflects RP-2014 Blue Collar Employees Table projected with Scale MP-2016 and set forward 1 year for females.
- 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 2015 (gender distinct)

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 13 - **Pensions - Continued**

Actuarial Assumptions - continued

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

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, 2018 are summarized in the following table:

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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 13 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

January 00, 1900		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ -	\$ -	\$ -

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”)**

Plan Description

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

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

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

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

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care / benefit costs, which are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”) - Continued**

Contributions

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

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

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.92% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed \$33 for the fiscal year ended June 30, 2018 equal to 100% of the required contribution for the year.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”) - Continued**

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

At June 30, 2018, the College reported a liability of \$0 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The College’s proportion of the net OPEB liability was based on its share of the Commonwealth’s collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College’s share of total covered payroll for the fiscal year 2017. The College’s proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College’s proportion was 0.00%.

For the year ended June 30, 2018, the College recognized OPEB benefit of \$46,508. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

Deferred Outflow of Resources

Contributions made after the measurement date	<u>\$ 33</u>
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Deferred Inflow of Resources

Changes in proportion due to internal allocation	<u>\$ 222,773</u>
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ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”) - Continued**

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

The College's contribution of \$33 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Years <u>Ending June 30,</u>		
2019	\$	(44,555)
2020		(44,555)
2021		(44,555)
2022		(44,555)
2023		<u>(44,553)</u>
	\$	<u>(222,773)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2017
Inflation	3.00%
Salary increases	4.50% per year
Investment rate of return	7.50%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.50%, decreasing by 0.50% each year to an ultimate rate of 5.00% in 2024 for Medical; 5.00% for EGWP; 5.00% for administrative costs

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”) - Continued**

Actuarial Assumptions - Continued

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”) - Continued**

Actuarial Assumptions - continued

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2018, are the same as discussed in the Pension footnote number 13.

Discount Rate

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

Sensitivity of the College's proportionate share of the net OPEB liability to changes in the discount rate

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

June 30, 2018		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ -	\$ -	\$ -

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - **Other Postemployment Benefits (“OPEB”) - Continued**

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

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

	1.00% Decrease	Current Healthcare Cost trend Rate	1.00% Increase
	(B)	(A)	(C)
Net OPEB liability	\$ -	\$ -	\$ -

(A) - The current healthcare cost trend rates are as follows:

9.0% for Medicare, 5.0% for EGWP and 5.0% for administration costs.

(B) - The healthcare cost trend rates after a 1% decrease are as follows:

8.0% for Medicare, 4.0% for EGWP and 4.0% for administration costs.

(C) - The healthcare cost trend rates after a 1% increase are as follows:

10.0% for Medicare, 6.0% for EGWP and 6.0% for administration costs.

Note 15 - **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 for active employees and retirees is paid through a fringe benefit rate charged to the College by the Commonwealth.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 15 - **Fringe Benefits Provided by State - Continued**

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 number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by an 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, 2018, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 15 - **Fringe Benefits Provided by State - Continued**

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.

Note 16 - **Massachusetts Management Accounting and Reporting System**

The College's state maintenance appropriation is composed of the following at June 30, 2018:

Direct unrestricted appropriations	\$ 11,570,794
Add: Fringe benefits for employees on the state payroll	<u>3,619,082</u>
Total unrestricted appropriations	15,189,876
Capital appropriations	<u>22,385,135</u>
Total Appropriations	<u>\$ 37,575,011</u>

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 16 - **Massachusetts Management Accounting and Reporting System - Continued**

As of June 30, 2018, 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*.

Note 17 - **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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 17 - **Contingencies - Continued**

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. The College is also currently under an investigation under the Jeanne Clery Act, which could also potentially result in various penalties due to instances of non-compliance. As of June 30, 2018, management has recorded a \$400,000 liability, which they believe fairly represents the potential liability relating to these matters.

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, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.000%	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	0.00%	181.52%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplemental information.

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

Schedule of Contributions - Pension (Unaudited)

For the Year Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 44	\$ -	\$ 6,841	\$ 31,811
Contributions in relation to the contractually required contribution	<u>44</u>	<u>-</u>	<u>(6,841)</u>	<u>(31,811)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 375	\$ -	\$ 72,368	\$ 306,167
Contribution as a percentage of covered-employee payroll	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplemental information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2018

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

Fiscal year June 30, 2018

Change of Benefits:

Chapter 79 of the Acts of 2014 established an early retirement (“ERI”) program for certain members of the SERS plan. As a result, the total pension liability of SERS increased by approximately \$10 million as of June 30, 2017.

Assumptions:

The mortality rates were changed as follows:

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

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

- Disability – did not change

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

Fiscal year June 30, 2017

Change of Benefits:

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

Fiscal year June 30, 2016

Change of Benefits:

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

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

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

June 30, 2018

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

Assumptions:

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

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

Fiscal year June 30, 2015

Assumptions:

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

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

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

Year Ended	June 30, 2018
Measurement date	June 30, 2017
Valuation date	January 1, 2017
Proportion of the collective net OPEB liability	0.000%
Proportionate share of the collective net OPEB liability	\$ -
College's covered payroll	\$ -
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	4.80%

Notes:

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

See accompanying notes to the required supplemental information.

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

Schedule of Contributions - OPEB (Unaudited)

For the Year Ended June 30, 2018

	<u>2018</u>
Statutorily required contribution	\$ 33
Contributions in relation to the statutorily required contribution	<u>33</u>
Contribution (excess)/deficit	<u>\$ -</u>
College's covered payroll	\$ 375
Contribution as a percentage of covered payroll payroll	8.92%

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, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

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

Notes to the Required Supplementary Information - OPEB (unaudited)

June 30, 2018

Note 1 - **Changes in Plan Assumptions**

Fiscal year June 30, 2018

Assumptions:

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

**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, 2018, the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 13, 2018.

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 13, 2018