

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

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

JUNE 30, 2015

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

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

June 30, 2015

C O N T E N T S

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-19
Basic Financial Statements:	
Statement of Net Position	20
Statement of Revenues and Expenses	21
Statement of Changes in Net Position	22
Statement of Cash Flows	23-24
Notes to the Financial Statements	25-48
Required Supplementary Information:	
Schedule of the College's Proportionate Share of the Net Pension Liability (Unaudited)	49
Schedule of the College's Contributions (Unaudited)	50
Notes to the Required Supplementary Information	51
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 <i>Government Auditing Standards</i>	52-53
Schedule of Current Year Findings	54-56
Schedule of Prior Year Findings	57-59



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Roxbury Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statement of net position as of June 30, 2015, the related statement of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements. We have also audited the statement of financial position of Roxbury Community College Foundation, Inc. (the "Foundation") as of June 30, 2015, and the related statement of revenues and expenses, changes in net position and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, except for the matters described in the "Emphasis of Matters" paragraphs below, the financial statements referred to above present fairly, in all material respects, the net position of Roxbury Community College as of June 30, 2015, and the respective changes in net position and cash flows for the year then ended, in conformity 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 No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, is effective for fiscal year 2015 and required the College to restate beginning net position to recognize its proportionate share of the net pension obligation determined for the Massachusetts State Employees' Retirement System.

As discussed further in notes 3 and 15, the College has been placed on a retrospective form of payment by the U.S. Department of Education (DOE) in connection with its participation in Federal Financial Aid Programs and is subject to a program review by the DOE related to the disbursement of financial aid to ineligible students. Additionally, the College is potentially liable to a private grantor for having failed to comply with the terms of a grant regarding the expenditure of funds. If the College has liquidity issues due to the retrospective form of payments by the DOE or if the contingent liabilities occur, the College would require additional funding and/or guarantees from the state.

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. The College has not received any communications from the DOE in regards to this matter since July 2013.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-19, the schedule of the College's proportionate share of the net pension liability on page 49, the schedule of the College's contributions on page 50 and the notes to the required supplementary information on page 51 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 19, 2015, on our consideration of the 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 Roxbury Community College's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

November 19, 2015

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2015

Introduction

The following discussion and analysis provide an overview of the financial position and activities of Roxbury Community College (RCC) as of June 30, 2015 and 2014 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 decreased \$1,007,987 for fiscal year 2015 as compared to a decrease of \$358,637 in fiscal year 2014.

As of June 30, 2015 and 2014, total assets and deferred outflows of the College were \$29,977,438 of which 84% consisted of the net book value of capital assets and \$31,847,011, respectively. For the same periods, its total liabilities and deferred inflows were \$8,120,462 and \$8,982,048 and its net position was \$21,856,976 and \$22,864,963, respectively.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Highlights - Continued

Total operating revenues decreased by \$2,046,715 for fiscal year 2015. The decrease is a result of the College recognizing fewer revenues from Federal and State of Massachusetts grants and financial aid activity. The total operating loss increased by \$1,492,293 for fiscal year 2015 due mainly to not receiving a special appropriation from the State to cover operating deficits. By excluding this extra appropriation from the results of fiscal year 2014, the College actually improved its operating result in fiscal year 2015.

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 three financial statements: the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements of Cash Flows.

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

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

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Overview of the Financial Statements - Continued

The Financial Statements - Continued

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a complete understanding of the data provided in the financial statements.

Under the standards established by the Government Accounting Standards Board, operating revenue designates funds generated by the college such as tuition, fees, and rental income. State appropriations are treated as "non-operating revenues". Consequently, the College, as with most public institutions, can usually expect to have a significant operating loss.

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

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Overview of the Financial Statements - Continued

Notes to the Financial Statements - Continued

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.

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 \$1,918,129 in fiscal year 2015 and \$1,747,561 in fiscal year 2014, flows directly through to the total decrease in net position on the Statements of Changes in Net Position even if the budget of the College is otherwise completely in balance.

For this reason, the change in unrestricted net position (which is unaffected by depreciation and other changes in fixed assets) is usually a better indicator of the financial position of the College as a separate entity, than is the change in total net position. The unrestricted net position balance decreased by \$1,367,438 from fiscal year end 2014 to fiscal year end 2015.

The financial position of the College is further demonstrated by the relationship between current assets and current liabilities. Current liabilities exceeded current assets by \$552,294 at June 30, 2015. Current assets exceeded current liabilities by \$990,033 at June 30, 2014.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Overview of the Financial Statements - Continued

Notes to the Financial Statements - Continued

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. 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>2015</u>	(Restated) <u>2014</u>
Current Assets	\$ 4,632,514	\$ 6,816,585
Non-Current Assets	<u>25,300,421</u>	<u>24,940,970</u>
Deferred Outflows of Resources	\$ 44,503	\$ 89,456
Total Assets and Deferred Outflows	\$ <u>29,977,438</u>	\$ <u>31,847,011</u>
Current Liabilities	\$ 5,184,808	\$ 5,826,552
Non-Current Liabilities	<u>2,336,025</u>	<u>3,155,496</u>
Total Liabilities	<u>7,520,833</u>	<u>8,982,048</u>
Deferred Inflows of Resources	\$ 599,629	\$ -
Investment in Capital Assets	25,148,931	24,789,480
Unrestricted	<u>(3,291,955)</u>	<u>(1,924,517)</u>
Net Position	<u>21,856,976</u>	<u>22,864,963</u>
Total Liabilities and Net Position	\$ <u>29,977,438</u>	\$ <u>31,847,011</u>

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis - Continued

Schedule of Net Position - Continued

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

Long-Term Liabilities

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

Schedule of Revenues and Expenses

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

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis - Continued

Schedule of Revenues and Expenses - Continued

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

	<u>2015</u>	(Restated) <u>2014</u>
Operating Revenue:		
Tuition & Fees	\$ 8,244,313	\$ 7,928,359
Less: Scholarships	(6,318,082)	(5,537,149)
Federal, State & Private Grants	8,796,089	9,966,041
Athletic Track	477,472	604,751
Other Revenue	<u>467,954</u>	<u>752,459</u>
Total Operating Revenue	11,667,746	13,714,461
Total Operating Expenses	<u>(29,106,644)</u>	<u>(29,661,066)</u>
Operating Loss	<u>(17,438,898)</u>	<u>(15,946,605)</u>
Non-Operating Revenues (Expense):		
State Appropriations - Net	14,167,725	15,414,328
Investment Income	6,823	64,683
Interest Expense	<u>(21,222)</u>	<u>(25,734)</u>
Net Non-Operating Revenues	<u>14,153,326</u>	<u>15,453,277</u>
Loss Before Capital Appropriations	(3,285,572)	(493,328)
Capital Appropriations	<u>2,277,585</u>	<u>134,691</u>
Total Decrease in Net Position	\$ <u>(1,007,987)</u>	\$ <u>(358,637)</u>

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 and all public community colleges, incurred a loss from operations in fiscal year 2015 and fiscal year 2014.

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.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis – Continued

Loss From Operations - Continued

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 her 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, 2015 and 2014. In accordance with generally accepted accounting principles, state appropriations are not included in operating revenue.

**Schedule of Operating Revenues
For the Years Ended June 30,**

	<u>2015</u>	<u>2014</u>
Operating Revenues:		
Tuition and Fees	\$ 1,926,231	\$ 2,391,210
Federal Grants	7,264,128	7,802,843
State Grants	1,504,086	2,119,426
Athletic Track	477,472	604,751
Other Revenue	<u>495,829</u>	<u>796,231</u>
 Total Operating Revenues	 \$ <u>11,667,746</u>	 \$ <u>13,714,461</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 \$8,244,313 and \$7,928,359 (approximately 71% and 58% of its total operating revenue), respectively for FY 2015 and FY 2014. This amounted to an increase of \$315,954 from FY 2014 to FY 2015.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis - Continued

Operating Revenues - Continued

In total, federal grants amounted to \$7,264,128, while state grants totaled \$1,504,086 in fiscal year 2015. Financial aid grants were also utilized to pay not only for tuition and fees but also for student books, health insurance, and a small portion of off-campus room and board. Federal work/study grants, which were paid directly to students, totaled approximately \$125,000 in fiscal year 2015, compared with approximately \$115,400 in fiscal year 2014.

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, 2015 and 2014 (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>2015</u>	<u>2014</u>
Operating Expenses:		
Compensation and benefits	\$ 18,944,724	\$ 20,230,591
Supplies and services	6,710,670	6,011,752
Depreciation	1,918,129	1,747,561
Scholarships and fellowships	<u>1,533,121</u>	<u>1,671,162</u>
 Total Operating Expenses	 <u>\$ 29,106,644</u>	 <u>\$ 29,661,066</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 2015 and fiscal year 2014 are as follows:

- Compensation and benefits decreased by \$1,285,867 or 6.4% in fiscal year 2015.
- Supplies and services increased by \$698,918 or 11.6% in fiscal year 2015.
- Depreciation expense increased \$170,568 or 9.8% in fiscal year 2015.
- Scholarships and fellowships decreased by \$138,041 or 8.3% in fiscal year 2015.
- The total operating expenses decreased by \$554,422 or 1.9% in fiscal year 2015.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis - Continued

Operating Expenses - 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>2015</u>	<u>2014</u>
Instruction	\$ 5,127,844	\$ 5,079,043
Student Services	3,205,187	3,344,813
Institutional Support	9,987,158	10,001,981
Academic Support	2,536,527	3,435,174
Scholarships and fellowships	1,533,121	1,671,162
Operation & maintenance of plant	3,068,864	2,789,502
Depreciation	1,918,129	1,747,561
Public Service	<u>1,729,814</u>	<u>1,591,830</u>
 Total Operating Expenses	 \$ <u>29,106,644</u>	 \$ <u>29,661,066</u>

The largest increase was in operation & maintenance of plant by \$279,362 or 10.0%. This category represents costs to operate and maintain the college campus and has increased from prior year because the equipment and buildings of the College are older and require more maintenance.

The largest decrease by amount occurred in Academic Support by \$898,647 or 26.2% due to attempts by the College to meet its budget goals.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

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 2009 are to be viewed as the base from which to measure the College's financial performance in subsequent years.

In fiscal year 2009, the College was in a negative position; all of its strategic ratios were negative. During fiscal year 2010 and 2011, the financial position of the College had improved partly due to the federal stimulus fund. However, the trend has reversed for fiscal year 2013 and 2014.

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 (2013 and prior is pre-GASB 68):

FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
-11.3%	-6.5%	-4.5%	+1.3%	+1.2%

The College's Primary Reserve Ratio in FY 2015 trended downward compared to FY 2014 which was heavily impacted by the prior year supplemental State of Massachusetts appropriation of \$3.0 MM.

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 (2013 and prior is pre-GASB 68):

FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
-4.1%	-1.4%	-8.8%	-4.5%	-3.1%

The College's Return on Net Position Ratio in FY 2015 worsened over FY 2014 due to the absence of the supplemental State appropriation noted above.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis - Continued

Strategic Ratios - Continued

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 (2013 and prior is pre-GASB 68):

FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
-8.6%	-2.6%	-9.0%	-4.4%	-2.9%

The College's Return on Net Operation Revenues Ratio in FY 2015 declined from FY 2014 due to the issue surrounding the supplemental State appropriation noted above.

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

The College made significant improvement in this ratio through fiscal year 2011. During fiscal years 2014 and 2015, there was no new long-term debts resulting in the book balance at the end of fiscal year 2015 of \$0. However, due to recent 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.

To help alleviate potential cash constraints, the College entered into a \$1,000,000 unsecured line of credit from a bank in 2008 for the first time in its history. There was an outstanding balance on the line of credit of \$1,000,000 at June 30, 2014. This credit line was terminated with Bank of America in fiscal year 2015 due to its concerns over the legality of the financial arrangement with a State agency.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Financial Analysis - Continued

Strategic Ratios - Continued

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

Capital Assets

At June 30, 2015, Roxbury Community College had investments in capital assets of \$25,148,931 (net of accumulated depreciation of \$38,307,923). Investments in capital assets include land, buildings including improvements, furnishings and equipment, including the cost of capital leases and educational resource materials. Depreciation expense for these capital assets totaled \$1,918,129 in FY 2015 and \$1,747,561 in FY 2014.

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, 2015

Land	\$ 312,000
Construction in progress	554,308
Building and improvements	58,591,493
Furnishings and Equipment	3,222,571
Automobile	46,468
Library books (Educational Resource Materials)	<u>730,014</u>
Total	63,456,854
Less: accumulated depreciation	<u>38,307,923</u>
Net capital assets	\$ <u>25,148,931</u>

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Economic Factors that will Affect the Future

Statewide Concerns

The nation and the world are pulling out of the most significant downturn in the economy since the Great Depression. The speed and extent of the recovery has been quite slow, with potentially negative implications on higher education in Massachusetts. During fiscal year 2015 the State did not provide a supplemental appropriation as happened in fiscal year 2014 which was unique to the State Higher Education system and likely a one-time event to keep the College afloat. Consequently, fiscal year 2015 was not as successful as fiscal year 2014 by looking only at net income. The College will need to continue to refine its operations and redefine its mission for those students it serves to meet its financial goals.

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

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

Massachusetts continues to rank near the bottom among the states in its funding of higher education. For fiscal year 2015 the State's fiscal condition caused the governor to implement a 9c downward adjustment to State higher education institutions' appropriations. It remains to be seen if this will occur again in fiscal year 2016.

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.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Economic Factors that will Affect the Future – Continued

Regional Concerns

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

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

Challenges

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

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 the final report 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.

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, and the generous contributions of individuals and foundations who recognize the importance of the mission of Roxbury Community College.

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

Management's Discussion and Analysis – Continued (Unaudited)

June 30, 2015

Economic Factors that will Affect the Future – Continued

Conclusion - Continued

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 with the 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, Massachusetts, 02120

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

Statement of Net Position

June 30, 2015

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

Statement of Net Position

June 30, 2015

Assets and Deferred Outflows of Resources

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Current Assets:		
Cash and equivalents	\$ 298,485	\$ 778,119
Deposits held by State Treasurer	17,421	-
Cash held by State Treasurer	1,115,166	-
Accounts receivable, net	1,807,375	-
Financial aid receivable	1,271,698	-
Investments	122,369	3,049,138
Prepaid expenses	-	31,174
Total Current Assets	4,632,514	3,858,431
Non-Current Asset:		
Capital assets, net	25,148,931	-
Loans receivable for Federal Perkins loan program	151,490	-
Total Non-Current Assets	25,300,421	-
Total Assets	29,932,935	3,858,431
Deferred Outflows of Resources:		
Changes in plan actuarial assumptions	12,692	-
Contributions made after the measurement date	31,811	-
Total Deferred Outflows of Resources	44,503	-
Total Assets and Deferred Outflows of Resources	\$ 29,977,438	\$ 3,858,431

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:		
Accounts payable	\$ 1,511,707	\$ 15,996
Financial aid payable to students	391,180	-
Accrued payroll	1,340,670	-
Accrued compensated absences	1,173,579	-
Accrued workers' compensation	56,896	-
Student deposits and unearned revenue	710,776	12,900
Total Current Liabilities	5,184,808	28,896
Non-Current Liabilities:		
Accrued compensated absences	451,398	-
Accrued workers' compensation	204,093	-
Contingent financial aid liability (Note 10)	400,000	-
Loans payable for Federal Perkins loan program	151,490	-
Net pension liability	1,129,044	-
Total Non-Current Liabilities	2,336,025	-
Total Liabilities	7,520,833	28,896
Deferred Inflows of Resources:		
Differences between projected and actual earnings of plan investments	231,735	-
Changes in proportion due to internal allocation	367,503	-
Changes in proportion from Commonwealth	391	-
Total Deferred Inflows of Resources	599,629	-
Net Position:		
Investment in capital assets, net	25,148,931	-
Restricted:		
Expendable	-	1,835,014
Non-expendable	-	1,812,651
Unrestricted	(3,291,955)	181,870
Total Net Position	21,856,976	3,829,535
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 29,977,438	\$ 3,858,431

See accompanying notes to the financial statements.

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

Statement of Revenues and Expenses

For the Year Ended June 30, 2015

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>College</u>	<u>Foundation</u>
Operating Revenues:		
Tuition and fees	\$ 8,244,313	\$ -
Less: scholarships and fellowships	<u>6,318,082</u>	<u>-</u>
Net tuition and fees	1,926,231	-
Federal grants and contracts	7,264,128	-
State grants and contracts	1,504,086	-
Athletic track	477,472	-
Other	467,954	-
Private grants and contracts	27,875	-
Gifts and contributions	<u>-</u>	<u>117,172</u>
Total Operating Revenues	<u>11,667,746</u>	<u>117,172</u>
Operating Expenses:		
Institutional support	9,987,158	92,285
Instruction	5,127,844	-
Student services	3,205,187	-
Academic support	2,536,527	-
Operation and maintenance of plant	3,068,864	-
Scholarship and fellowships	1,533,121	-
Depreciation	1,918,129	-
Public support	1,729,814	-
Gifts and contributions	<u>-</u>	<u>77,275</u>
Total Operating Expenses	<u>29,106,644</u>	<u>169,560</u>
Net Operating Loss	<u>(17,438,898)</u>	<u>(52,388)</u>
Non-Operating Revenues (Expenses):		
State appropriations, net	14,167,725	-
Investment income	6,823	84,814
Interest expense	<u>(21,222)</u>	<u>-</u>
Net Non-Operating Revenues	<u>14,153,326</u>	<u>84,814</u>
Income (Loss) Before Capital Appropriations	<u>(3,285,572)</u>	<u>32,426</u>
Capital Appropriations	<u>2,277,585</u>	<u>-</u>
Increase (Decrease) in Net Position	<u>\$ (1,007,987)</u>	<u>\$ 32,426</u>

See accompanying notes to 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, 2015

	<u>College</u>				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance June 30, 2014, as previously reported	\$ 24,789,480	\$ -	\$ -	\$ (210,367)	\$ 24,579,113
Implementation of newly effective accounting principle (Note 2)	-	-	-	(1,714,150)	(1,714,150)
Balance, June 30, 2014 as restated	24,789,480	-	-	(1,924,517)	22,864,963
Change in net position for 2015	359,451	-	-	(1,367,438)	(1,007,987)
Balance, June 30, 2015	\$ 25,148,931	\$ -	\$ -	\$ (3,291,955)	\$ 21,856,976

	<u>Foundation</u>				
	<u>Investment in Capital Assets, Net</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance June 30, 2014, as previously stated	\$ -	\$ 1,812,651	\$ 1,804,183	\$ 131,736	\$ 3,748,570
Prior Period Adjustment	-	-	-	48,539	48,539
Balance, June 30, 2014	-	1,812,651	1,804,183	180,275	3,797,109
Change in net position for 2015	-	-	30,831	1,595	32,426
Balance, June 30, 2015	\$ -	\$ 1,812,651	\$ 1,835,014	\$ 181,870	\$ 3,829,535

See accompanying notes to the financial statements.

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

Statement of Cash Flows

For the Year Ended June 30, 2015

	<u>College</u>
Cash Flows from Operating Activities:	
Tuition and fees	\$ 2,692,781
Grants and contracts	10,250,430
Payments to suppliers	(6,019,789)
Payments to students	(1,533,121)
Payments to employees	(17,006,013)
Other operating revenues	<u>945,426</u>
Net Cash Applied to Operating Activities	<u>(10,670,286)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriations	11,522,087
Tuition remitted to state	(98,375)
Remission to state for 9(C) reduction	<u>(162,217)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,261,495</u>
Cash Flows from Capital Financing Activities:	
Payment on line of credit	(1,000,000)
Interest paid on note payable	<u>(21,222)</u>
Net Cash Applied to Capital Financing Activities	<u>(1,021,222)</u>
Cash Flows from Investing Activities:	
Proceeds from sale of investments	7,918
Gain on investments	(3,699)
Interest and dividends on investments, net	<u>3,124</u>
Net Cash Provided by Investing Activities	<u>7,343</u>
Net Decrease in Cash and Equivalents	(422,670)
Cash and Equivalents, Beginning of Year	<u>1,853,742</u>
Cash and Equivalents, End of Year	<u>\$ 1,431,072</u>

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2015

	<u>College</u>
Reconciliation of Net Operating Loss to:	
Net Cash Applied to Operating Activities:	
Net operating loss	\$(17,438,898)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	1,918,129
Fringe benefits paid by state	2,906,235
Bad debts	181,413
Changes in assets and liabilities:	
Accounts receivable	125,127
Financial aid receivable	1,454,341
Accounts payable	254,909
Due to students	(216,836)
Accrued payroll	(31,053)
Accrued compensated absences and workers' compensation	(470,460)
Student deposits and unearned revenue	676,787
Net pension activity	<u>(29,980)</u>
Net Cash Applied to Operating Activities	<u>\$(10,670,286)</u>
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:	
Cash and cash equivalents	\$ 298,485
Deposits held by State Treasurer	17,421
Cash held by State Treasurer	<u>1,115,166</u>
Cash and Equivalents, End of Year	<u>\$ 1,431,072</u>
Non-Cash Transactions:	
Capital appropriations	<u>\$ 2,277,585</u>
Fringe benefits provided by the State	<u>\$ 2,906,235</u>

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2015

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

Organization

Roxbury Community College (an agency of the Commonwealth of Massachusetts) (the "College") is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. The College's campus is located in Roxbury, Massachusetts, and provides instruction and training in a variety of liberal arts, allied health and business fields of study. The College, which is accredited by the New England Association of Schools and Colleges, also offers, through the Division of Continuing Education, credit and noncredit courses, as well as community service programs.

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 revenue.

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 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 20, 2015

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

Basis of Presentation and Accounting - Continued

The College's policy is to define operating activities in the statements of revenues and expenses as 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 1983. The Foundation was established to render financial assistance and support to the educational programs and development of the College. The Foundation is legally separate from the College, and the College is not financially accountable for the Foundation. The Foundation has been included in these financial statements because of the nature and significance of its relationship with the College. Complete financial statements can be obtained from the Foundation's administrative office in Roxbury, Massachusetts.

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, reduced by the outstanding principal balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

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

Notes to the Financial Statements - Continued

June 20, 2015

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

Net Position - Continued

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's cash and equivalents are cash on hand, cash and deposits held with the Commonwealth's Treasurer, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

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.

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

Notes to the Financial Statements - Continued

June 20, 2015

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

Capital Assets

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

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

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

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

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.

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

Notes to the Financial Statements - Continued

June 20, 2015

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

Pensions

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2015. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2015. 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 scholarship amounts are paid directly to, or refunded to students 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 20, 2015

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

Use of Estimates

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

New Governmental Accounting Pronouncements

Fair Value Measurement and Application-GASB Statement 72, is effective for periods beginning after June 15, 2015. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation methodologies should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value, which are as follows: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable, directly or indirectly. Level 3 inputs are unobservable inputs such as management's assumptions about certain factors affecting the value of the asset or liability. Management is in the process of evaluating the implementation of this Statement but does not expect any material effect to its financial position.

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – GASB Statement 73. The provisions of this Statement applicable to the College are effective for periods beginning after June 15, 2015. The purpose of these provisions is to clarify and enhance certain reporting requirements of GASB Statements 67 and 68. GASB Statement 68 is effective for the fiscal year ended June 30, 2015. Management has not yet evaluated the effects of the implementation of GASB Statement 73.

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

Notes to the Financial Statements - Continued

June 20, 2015

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

New Governmental Accounting Pronouncements - Continued

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

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – GASB Statement 76, supersedes similarly named Statement 55 and is effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (“GAAP”). The hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP. Management is currently reviewing this pronouncement, implementation of which must be applied retroactively.

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

Notes to the Financial Statements - Continued

June 20, 2015

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

As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, the College has restated net position in the statement of net position by \$1,714,150 as of June 30, 2014. The prior period restatement of net position reflects the recognition of a net pension liability as of June 30, 2015, as required by the application of GASB 68.

	<u>As Previously Reported</u>	<u>Restated</u>
As of June 30, 2014:		
Deferred outflow	\$ -	\$ 89,456
Net pension liability	\$ -	\$ 1,803,606
Unrestricted net deficit	\$ (210,367)	\$ (1,924,517)

Note 3 - **Uncertainties**

Contingent Liabilities

During the year ended 2013, as a result of the College's continuing inability to manage its Federal Financial Aid programs in accordance with the terms of those programs, the U. S. Department of Education (DOE) changed its method of payment to Heightened Cash Management 2 (HCM2) under which the College is required to fund all federal student financial aid awards prior to submission for reimbursement. This has caused the College to experience significant decreases in cash flow requiring them to obtain advance funding from the State.

As discussed further in Note 15, in the event the federal government requires repayment and assesses penalties in connection with the contingent financial aid liability, assesses penalties regarding the College's violations of The Jeanne Clery Act and the private grantor requests repayment of the misspent funds, it is unlikely the College would be able to satisfy these obligations through operating cash flows, necessitating it to request 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 such obligations as described above.

During the year ended 2014, much of the Colleges' administrative management, including the president and chief financial officer were replaced. Current management is working towards remedying these issues and to satisfy the DOE's requirements to be taken off of HCM2.

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

Notes to the Financial Statements - Continued

June 30, 2015

Note 3 - Uncertainties – Continued

The Jeanne Clery Act

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

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 the 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, 2015 were \$492,710.

Note 5 - Cash and Deposits Held by the State Treasurer

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$978,829 at June 30, 2015. 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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 20, 2015

Note 6 - **Receivables**

Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2015:

Student accounts receivable	\$ 6,693,945
Grants receivable	302,850
Other receivable	<u>46,587</u>
	7,043,382
Less: allowance for doubtful accounts	<u>(5,236,007)</u>
Total accounts receivable, net	<u><u>\$ 1,807,375</u></u>

Financial Aid Receivable (See Note 3)

The financial aid receivable represents federal and state financial aid awarded to students during the fiscal year and due from the federal and state governments. Financial aid receivable is comprised of the following at June 30, 2015:

Federal financial aid receivable	\$ 1,071,016
State financial aid receivable	<u>200,682</u>
Total financial aid receivable	<u><u>\$ 1,271,698</u></u>

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 7 - **Investments**

College

Investments of the College are stated at fair market value and consist of the following at June 30, 2015:

Investment Maturities (in years)

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>
<u>Debt Securities:</u>			
U.S. Government and Agencies	\$ 25,425	\$ 10,054	\$ 15,371
Corporate	<u>10,163</u>	<u>10,163</u>	<u>-</u>
	35,588	<u>\$ 20,217</u>	<u>\$ 15,371</u>
<u>Other Investments:</u>			
Equity securities	67,924		
Mutual funds	<u>18,857</u>		
Total	<u>\$ 122,369</u>		

The following tables summarize the quality ratings of the College's debt investments at June 30, 2015:

Quality Ratings

	<u>Fair Value</u>	<u>AA+</u>	<u>BBB+</u>
U.S. Government and Agencies	\$ 25,425	\$ 25,425	\$ -
Corporate	<u>10,163</u>	<u>-</u>	<u>10,163</u>
	<u>\$ 35,588</u>	<u>\$ 25,425</u>	<u>\$ 10,163</u>

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 7 - **Investments - Continued**

The following schedule summarizes the investment income in the statements of revenues and expenses for the year ended June 30, 2015:

Interest and dividend income	\$	3,124
Net unrealized gains		23
Net realized gains		<u>3,676</u>
Total investment return	\$	<u><u>6,823</u></u>

Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30, 2015:

	<u>Cost</u>	<u>Market Value</u>	<u>Net Unrealized Gain (Loss)</u>
Mutual and exchange traded funds:			
Investment grade index fund	\$ 239,871	\$ 234,295	\$ (5,576)
Real estate	168,501	179,643	11,142
Commodities	99,020	78,363	(20,657)
International equities	496,368	489,105	(7,263)
Emerging markets equities	142,979	143,159	180
Domestic equities	635,029	745,615	110,586
Domestic equities	551,986	678,958	126,972
Surrender value of life insurance	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total	<u>\$ 2,833,754</u>	<u>\$ 3,049,138</u>	<u>\$ 215,384</u>

The following schedule summarizes the investment income in the statements of revenues and expenses for the Foundation for the year ended June 30, 2015:

Interest and dividend income	\$	127,000
Investment expense		(16,799)
Net unrealized and realized gains		<u>(25,387)</u>
	\$	<u><u>84,814</u></u>

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 8 - Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retire	Reclass	Ending Balance
Capital assets, not depreciated:						
Construction in progress	-	\$ -	\$ 554,308	\$ -	\$ -	\$ 554,308
Land	-	<u>312,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>312,000</u>
Total not depreciated		<u>312,000</u>	<u>554,308</u>	<u>-</u>	<u>-</u>	<u>866,308</u>
Capital assets, depreciated:						
Buildings and improvements	20-40	56,928,084	1,663,409	-	-	58,591,493
Furnishings and equipment (including the cost of capital leases)	5	3,162,703	59,868	-	-	3,222,571
Automobile	5	46,468	-	-	-	46,468
Educational resource materials	5	<u>730,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total depreciable assets		<u>60,867,269</u>	<u>1,723,277</u>	<u>-</u>	<u>-</u>	<u>62,590,546</u>
Total capital assets		<u>61,179,269</u>	<u>2,277,585</u>	<u>-</u>	<u>-</u>	<u>63,456,854</u>
Less: accumulated depreciation:						
Buildings and improvements		33,093,195	1,642,685	-	-	34,735,880
Automobile		44,921	1,547	-	-	46,468
Furnishings and equipment		2,521,664	273,897	-	-	2,795,561
Educational resource materials		<u>730,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total accumulated depreciation		<u>36,389,794</u>	<u>1,918,129</u>	<u>-</u>	<u>-</u>	<u>38,307,923</u>
Capital assets, net		<u>\$ 24,789,475</u>	<u>\$ 359,456</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,148,931</u>

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 9 - Long-Term Liabilities

Long-term liabilities consist of the following at June 30, 2015:

	(Restated)				
	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion
Compensated absences	\$ 2,069,799	\$ -	\$ 444,822	\$ 1,624,977	\$ 1,173,579
Workers' compensation	286,627	-	25,638	260,989	56,896
Contingent financial aid liability	400,000	-	-	400,000	-
Loans payable for Federal Perkins loan program	151,490	-	-	151,490	-
Net pension liability	<u>1,803,606</u>	<u>-</u>	<u>674,562</u>	<u>1,129,044</u>	<u>-</u>
Total long-term liabilities	<u>\$ 4,711,522</u>	<u>\$ -</u>	<u>\$ 1,145,022</u>	<u>\$ 3,566,500</u>	<u>\$ 1,230,475</u>

Operating Leases

At June 30, 2015, the College has various operating leases for certain equipment. The following schedule summarizes future minimum payments under non-cancelable leases at June 30, 2015:

<u>Fiscal Years</u>	<u>Operating</u>
<u>Ending June 30,</u>	<u>Leases</u>
2016	\$ 45,645
2017	45,645
2018	45,645
2019	<u>19,015</u>
	<u>\$ 155,950</u>

Rent expense for operating leases was \$46,481 for the year ended June 30, 2015.

Line of Credit

During fiscal year 2015, the College paid off and discontinued an unsecured revolving line of credit, which allowed for maximum drawings of \$1,000,000 bearing interest equal to the prime rate of 3.25%.

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

Notes to the Financial Statements - Continued

June 20, 2015

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 Statements of Net Position represent balances due from students and the Colleges' estimated liability to the Federal Government for these loans. The College has not issued loans under this program for more than ten years.

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, 2015, 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, are comprised of the following for the year ended June 30, 2015:

Compensation and benefits	\$ 18,944,724
Supplies and services	6,710,670
Depreciation	1,918,129
Scholarships and fellowships	<u>1,533,121</u>
	<u>\$ 29,106,644</u>

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 13 - **Pensions**

Defined Benefit Plan Description

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately \$1,112,000 for the year ended June 30, 2015. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 73% of annual total payroll for the College in 2015.

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.

Benefit Provisions

SERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes 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 in 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 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
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 20, 2015

Note 13 - **Pensions - Continued**

Contributions

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

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

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

The College is required to contribute at an actuarially determined rate; the rate was 10.39% of annual covered payroll for the fiscal year ended June 30, 2015. The College contributed \$31,811 for the fiscal year ended June 30, 2015, equal to 100% of the required contributions for each year.

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

At June 30, 2015, the College reported a liability of \$1,129,044 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability was measured as of June 30, 2014, 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, 2014 rolled forward to June 30, 2014. 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 2014. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2014 relative to total contributions of all participating employers for that fiscal year. At June 30, 2014, the College's proportion was 0.015%.

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 13 - **Pensions - Continued**

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

For the year ended June 30, 2015, the College recognized pension expense of \$1,831. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Changes in plan actuarial assumptions	\$ 12,692
Contributions subsequent to the measurement date	<u>31,811</u>
Total	\$ <u>44,503</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 231,735
Changes in proportion due to internal allocation	367,503
Changes in proportion from Commonwealth	<u>391</u>
Total	\$ <u>599,629</u>

Contributions of \$31,811 are reported as deferred outflows of resources related to pensions resulting from the College contributions in fiscal year 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

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

Notes to the Financial Statements - Continued

June 30, 2015

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:

Years Ending <u>June 30,</u>	
2016	\$ (136,868)
2017	(136,868)
2018	(136,868)
2019	(136,868)
2020	<u>(39,465)</u>
Total	\$ <u>(586,937)</u>

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	3.50% to 9.00%
Investment rate of return	8.00%

Mortality rates were based on pre-retirement of RP-2000 Employees table projected 20 years with Scale AA (gender distinct) and post-retirement of Healthy Annuitant table projected 15 years with Scale AA (gender distinct).

The actuarial assumptions used in the January 1, 2014 valuation rolled forward to June 30, 2014, and the calculation of the total pension liability at June 30, 2014 were consistent with the results of actuarial experience study performed as of January 1, 2014.

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 13 - **Pensions - Continued**

Actuarial Assumptions - Continued

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	43%	7.20%
Core Fixed Income	13%	2.50%
Hedge Funds	10%	5.50%
Private Equity	10%	8.80%
Real Return	10%	6.30%
Value Added Fixed Income	10%	6.30%
Timber/Natural Resources	<u>4%</u>	5.00%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 13 - **Pensions - Continued**

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 of 8.0 percent 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.

1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00%)
\$ 1,634,536	\$ 1,129,044	\$ 695,149

Note 14 - **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 are paid through a fringe benefit rate charged to the College by the Commonwealth, and currently the liability is borne by the Commonwealth, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 14 - **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 amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC administers a plan included within the State Retire Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

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, 2015, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

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

Notes to the Financial Statements - Continued

June 20, 2015

Note 15 - **Contingencies**

General Contingencies

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

Prepaid Tuition Savings Plan

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

Contingent Financial Aid Liability

As a recipient of federal and state funds, the College is subject to oversight by various agencies. Expenditure of funds from federal and state programs requires compliance with agreements and may be subject to oversight audits by applicable agencies. During the performance of audit procedures over the management of federal funds for academic years 2011-2012 and 2012-2013, it was noted that certain expenditures were not in conformity with the applicable federal requirements. The results of these procedures have not yet been reviewed by the Department of Education. In connection with this matter, management has accrued a liability of \$400,000 representing its best estimate of the potential liability.

Private Grant

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

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

Notes to the Financial Statements - Continued

June 30, 2015

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

As of June 30, 2015, 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*.

The College's state maintenance appropriation is composed of the following at June 30, 2015:

Direct unrestricted appropriations	\$ 11,720,217
Add: Fringe benefits for employees on the state payroll	2,906,235
Less: 9C reduction	(162,217)
Less: Additional cash w/ state treasurer	(198,135)
Less: Day school tuition remitted to the state and included in tuition revenue	<u>(98,375)</u>
Total unrestricted appropriations	14,167,725
Capital appropriations	<u>2,277,585</u>
Total Appropriations	<u>\$ 16,445,310</u>

A reconciliation between the College and MMARS as of June 30, 2015 is as follows (unaudited):

Revenue per MMARS	\$ 13,976,410
Revenue per College	\$ 13,976,410

REQUIRED SUPPLEMENTAL INFORMATION

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

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

Valuation was performed as of January 1, 2014 and adjusted through June 30, 2014 (measurement date)

Proportion of the collective net pension liability	0.015%
Proportionate share of the collective net pension liability	\$ 1,129,044
College's covered-employee payroll	\$ 1,128,071
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.09%
Plan fiduciary net position as a percentage of the total pension liability	76.32%

Notes:

The Schedule is intended to show ten years. Information is only available for one year.
The valuation was performed as of January 1, 2014 and adjusted through June 30, 2014.

See accompanying notes to the required supplemental information.

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

Schedule of Contributions (Unaudited)

For the Year Ended June 30, 2015

Contractually required contribution	\$ 31,811
Contributions in relation to the contractually required contribution	<u>(31,811)</u>
Contribution excess	<u>\$ -</u>
Covered-employee payroll	\$ 306,167
Contribution as a percentage of covered-employee payroll	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 Schedule is intended to show ten years. Information is only available for one year.

See accompanying notes to the required supplemental information.

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

Notes to the Required Supplementary Information (Unaudited)

June 30, 2015

Note 1 - **Change in Assumptions**

Changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statement of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions is .015%, as shown on the Schedule of Proportionate Share of Net Pension Liability, and represent the relationship of contributions made by the College to total contributions by all participating State Agencies.

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

Changes in assumptions	\$ 15,512
Recognized in current year pension expense	<u>2,820</u>
Deferred outflows of resources	\$ <u>12,692</u>

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



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based 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 statement of net position as of June 30, 2015, the related statement 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 Roxbury Community College's basic financial statements and have issued our report thereon dated November 19, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 College's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies identified in the accompanying schedule of findings and responses as items 2015-001 and 2015-002 to be material weaknesses.

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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item 2015-001.

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the College's responses and, accordingly, we express no opinion on them.

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'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

November 19, 2014

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

Schedule of Current Year Findings

June 30, 2015

Finding 2015-001

Criteria

Internal controls should be in place to ensure that the College is in compliance with various Federal financial aid regulations.

According to *34 CFR 682.610(c) (2)*:

A College shall, unless it expects to submit its next student status confirmation report to the Secretary or the guaranty agency within the next 60 days, notify the guaranty agency or lender within 30 days if the College discovers a Stafford, SLS, or PLUS loan has been made to a student who enrolled at the College and:

- a. Has ceased to be enrolled on at least a half-time basis
- b. Has failed to enroll on at least a half-time basis for the period for which the loan was intended
- c. The loan was made to a full-time student who has ceased to be enrolled on a full-time basis
- d. Has changed his or her permanent address

Condition

In a sample of 40 students who graduated, withdrew from the institution or became enrolled on at least a half-time basis, we noted the following:

- Seventeen students were never reported to NSLDS.
- Twenty-two out of 23 selected students were not reported timely to the NSLDS. Reporting of these status changes occurred from 17 to 168 days after the due date.
- Eight students' status changes were reported incorrectly to NSLDS.

This was a finding during the fiscal year 2014 audit. See Finding 2014-1.

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

Schedule of Current Year Findings - Continued

June 30, 2015

Cause

Factors that contributed to this finding:

The registrar's office did not communicate necessary information and responsibilities effectively regarding compliance with enrollment reporting. As a result of students not being reported to the NSLDS in past years, management was required to submit all previous status changes before submitting the current year status change.

Effect

The College was not in compliance with Federal regulations.

Recommendation

We recommend that management strengthen their oversight of the NSLDS reporting to ensure that timely reporting of enrollment information is made to the NSLDS in order for them to be in compliance with the requirements.

Views of Responsible Officials

In response to this finding the college established a team of professionals with expertise in enrollment, financial aid and IT. The team went back to the 2013 – 2014 aid year and corrected the school's enrollment reporting from Fall 2013 and have carried it through to current reporting. The result of this work is that for the Fall 2015 semester RCC has successfully reported 97.75% of all students on the NSLDS roster, including the Program Level reporting that has been required since Fall 2014. It is believed that the missing 2.25% consist of: students who have no NSLDS history (therefore no account) and will be picked up on the next monthly submission once an account is established.

Reporting is happening monthly and error findings reconciled before submission of the data to NSLDS.

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

Schedule of Current Year Findings - Continued

June 30, 2015

Finding 2015-002

Criteria

Internal controls should be designed, implemented and monitored to ensure that all transactions for federal, state and private grants are properly posted to the general ledger system.

Condition

During the performance of our audit of the College's financial statements, we noted a number of posting errors in regards expenses for federal, state and private grants.

Cause

Grant managers failed to properly monitor the posting of transactions, for their respective grants, to the general ledger system and to maintain regular communication with the business office about errors in the posting of transactions for their grants.

Effect

Failure to implement effective internal controls over financial reporting increases the risk of noncompliance with grant agreements and reporting errors.

Recommendation

We recommend that the business office be designated oversight authority for grants to ensure that all transactions associated with grants are properly posted and reviewed.

Views of Responsible Officials

Management concurs with the above noted recommendation and has already instituted routine meetings with grant managers and business office personnel as well as a shared network drive dedicated to tracking grant documentation.

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

Schedule of Prior Year Findings - Continued

June 30, 2015

Finding 2014-1

Condition

In a separate engagement, which we were requested by the College to perform and submit a report, we noted non-compliance with federal financial aid regulations in the following areas:

Finding A

In a sample of 25 students who withdrew from the College, the billing charges for twenty students to calculate the refund due on student withdrawal was based on the cost of attendance and not actual charges, as is required. The effect of these errors was an overstatement of the refunds in the amount of \$2,341.

Finding B

In a sample of 40 students who either graduated, withdrew from the institution or became enrolled on at least a half-time basis, we noted the following:

- None of the 40 selected students were reported timely to the NSLDS. Reporting of these status changes occurred from 7 to 297 days after the due date.
- Six students were never reported to NSLDS.
- Six students' status change was reported incorrectly to NSLDS.

Auditors' Current Year Comment

We noted no additional instances of non-compliance in regards to Finding A during the course of our fiscal year 2015 audit of the College. In regards to Finding B, see finding 2015-1 for more information and a correction action plan.

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

Schedule of Prior Year Findings - Continued

June 30, 2015

Finding 2014-2

Condition

During the performance of our audit of the College's financial statements, we became aware that monthly reconciliations of operating and grant cash accounts for the year as is necessary for proper cash management and internal controls had not been performed. In September 2014, we were provided with the operating and grant bank reconciliations that covered the entire fiscal year.

Auditors' Current Year Comment

During our current year audit, we noted no further instances of non-compliance with this internal control requirement.

Finding 2014-3

Condition

During the performance of our audit of the College's financial statements, we noted the following internal control weaknesses related to journal entries prepared during the year:

- The College did not have effective controls to ensure that all journal entries were properly supported.
- The College did not have effective processes to ensure that all journal entries were properly reviewed and approved prior to posting to the general ledger.

Auditors' Current Year Comment

During our current year audit, we noted no further instances of non-compliance with this internal control requirement.

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

Schedule of Prior Year Findings - Continued

June 30, 2015

Finding 2014-4 - Student Billing

Condition

We selected a sample of 25 students who had withdrawn from the College during the academic year and noted that incorrect refunds were issued to 17 of the students. Two of the students received refunds that were understated by \$181 and \$474, respectively. The remaining 15 students received refunds in excess of the correct balance in amounts ranging between \$474 and \$2,283, aggregating in overpayments of \$16,417.

Auditors' Current Year Comment

The current year testing did not reveal any of these findings.

Finding 2014-5 - Talent Search Grant

Condition

The College could not locate the roster of students that participated in the Talent Search Program during fiscal year 2014.

Auditors' Current Year Comment

Participation in this grant was discontinued as of the end of fiscal year 2014.