

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

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

**JUNE 30, 2016**

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

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

**June 30, 2016 and 2015**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Roxbury Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statements of net position as of June 30, 2016 and 2015, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

### **Basis for Qualified Opinion**

The financial statements referred to above do not include the financial data of the College's legally separate component unit, Roxbury Community College Foundation, Inc. (the "Foundation"). Accounting principles generally accepted in the United States of America require financial data for component units to be reported with the financial data of the primary reporting unit unless separate financial statements for the component unit are issued. Financial data for the component unit has not been included in these financials or issued in separate financial statements because the financial information of the component unit has not been provided or audited in a timely manner for inclusion in these financials.

### **Qualified Opinion**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the net position of Roxbury Community College as of June 30, 2016 and 2015, and the respective changes in net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of Matters**

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

As discussed further in Note 2, the U.S. Department of Education notified the College, that it has initiated an investigation into its non-compliance with The Jeanne Clery Act, based on the College's self-reporting of the matter. The ultimate outcome of the investigation cannot presently be determined and the potential liability may have a material impact on the College's financial position. Accounting principles generally accepted in the United States of America require that material contingent liabilities be recorded, which would decrease the assets and net position of the College. The amount by which this departure would affect the assets and net position of the College is not reasonably determinable. The College has not received any communications from the ED 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 4-21, the schedule of proportionate share of net pension liability on page 51, the schedule of contributions on page 52 and the notes to the required supplementary information on page 53 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 December 13, 2016, on our consideration of Roxbury Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants  
Braintree, Massachusetts**

December 13, 2016

# **ROXBURY COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Management's Discussion and Analysis (Unaudited)**

**June 30, 2016 and 2015**

### **Introduction**

The following discussion and analysis provide an overview of the financial position and activities of Roxbury Community College as of June 30, 2016, 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 increased \$155,312 for fiscal year 2016 as compared to decreases of \$1,007,987 and \$358,637 in fiscal years 2015 and 2014.

As of June 30, 2016, 2015 and 2014, total assets of the College were \$28,987,620, \$29,977,438 and \$31,847,011, respectively. Of these total assets, 88%, 84% and 78% consisted of the net book value of capital assets as of June 30, 2016, 2015 and 2014, respectively. For the same periods, its total liabilities and deferred inflows of resources were \$6,975,332, \$8,120,462 and \$8,982,048 and its net position was \$22,012,288, \$21,856,976 and \$22,864,963, respectively.

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

**June 30, 2016 and 2015**

**Financial Highlights - Continued**

Total operating revenues increased by \$2,412,635 for fiscal year 2016. The increase is a result of the College recognizing revenues from its Foundation as well as growth in its Continuing Education division. The total operating loss decreased by \$864,618 for fiscal year 2016.

**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.

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

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

**June 30, 2016 and 2015**

**Overview of the Financial Statements - Continued**

*The Financial Statements - Continued*

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.

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.



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

**June 30, 2016 and 2015**

**Overview of the Financial Statements – Continued**

*Notes to the Financial Statements - Continued*

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

On the other hand, the total decrease in net position would have been smaller, if the non-operating revenue appropriated to reduce the liability on the bonds had been included on the books of the College. Consequently, the annual depreciation expense, which was \$1,914,414 in fiscal year 2016, \$1,918,129 in fiscal year 2015 and \$1,747,561 in fiscal year 2014, flows directly through to decrease net position on the Statements of Revenues, Expenses, and Changes in Net Position even if the budget of the College is otherwise completely in balance.

For this reason, the change in unrestricted net position (which is unaffected by depreciation and other changes in fixed assets) is usually a better indicator of the financial position of the College as a separate entity, rather than is the change in total net position. The unrestricted net position balance decreased by \$134,507 from fiscal year end 2015 to fiscal year end 2016 and \$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 \$925,328 and \$552,294 at June 30, 2016 and 2015, respectively and current assets exceeded current liabilities by \$990,033 at June 30, 2014.

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

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

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

**June 30, 2016 and 2015**

**Overview of the Financial Statements - Continued**

*Notes to the Financial Statements - Continued*

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

**Financial Analysis**

*Schedule of Net Position*

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

**Summary Schedule of Net Position**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$ 3,279,835	\$ 4,632,514	\$ 6,816,585
Non-Current Assets	25,589,348	25,300,421	24,940,970
Deferred Outflows of Resources	<u>118,437</u>	<u>44,503</u>	<u>89,456</u>
Total Assets and Deferred Outflows	\$ <u>28,987,620</u>	\$ <u>29,977,438</u>	\$ <u>31,847,011</u>
Current Liabilities	\$ 4,205,163	\$ 5,184,808	\$ 5,826,552
Non-Current Liabilities	<u>1,733,089</u>	<u>2,336,025</u>	<u>3,155,496</u>
Total Liabilities	<u>5,938,252</u>	<u>7,520,833</u>	<u>8,982,048</u>
Deferred Inflows of Resources	\$ 1,037,080	\$ 599,629	\$ -
Investment in Capital Assets	25,438,750	25,148,931	24,789,480
Unrestricted	<u>(3,426,462)</u>	<u>(3,291,955)</u>	<u>(1,924,517)</u>
Net Position	<u>22,012,288</u>	<u>21,856,976</u>	<u>22,864,963</u>
Total Liabilities and Net Position	\$ <u>28,987,620</u>	\$ <u>29,977,438</u>	\$ <u>31,847,011</u>

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

**June 30, 2016 and 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**  
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**Management's Discussion and Analysis - Continued**  
(Unaudited)

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Schedule of Revenues and Expenses - Continued*

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating Revenue:			
Tuition & Fees	\$ 8,816,252	\$ 8,244,313	\$ 7,928,359
Less: Scholarships	(5,892,549)	(6,318,082)	(5,537,149)
Federal, State & Private Grants	9,168,906	8,796,089	9,966,041
Athletic Track	520,097	477,472	604,751
Other Revenue	<u>1,467,675</u>	<u>467,954</u>	<u>752,459</u>
Total Operating Revenue	<b>14,080,381</b>	11,667,746	13,714,461
Total Operating Expenses	<u>(30,654,661)</u>	<u>(29,106,644)</u>	<u>(29,661,066)</u>
Operating Loss	<u>(16,574,280)</u>	<u>(17,438,898)</u>	<u>(15,946,605)</u>
Non-Operating Revenues (Expense):			
State Appropriations - Net	14,534,028	14,167,725	15,414,328
Investment Income	1,986	6,823	64,683
Interest Expense	<u>-</u>	<u>(21,222)</u>	<u>(25,734)</u>
Net Non-Operating Revenues	<u>14,536,014</u>	<u>14,153,326</u>	<u>15,453,277</u>
Loss Before Capital Appropriations	<b>(2,038,266)</b>	(3,285,572)	(493,328)
Capital Appropriations	<u>2,193,578</u>	<u>2,277,585</u>	<u>134,691</u>
Total Increase (Decrease) in Net Position	\$ <u>155,312</u>	\$ <u>(1,007,987)</u>	\$ <u>(358,637)</u>

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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Loss From Operations*

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

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

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

*Operating Revenues*

The following is a graphic illustration of the operating revenues, by source, that were used to fund the College's operating activities for the years ended June 30, 2016, 2015 and 2014. In accordance with generally accepted accounting principles, state appropriations are not included in operating revenue.

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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Operating Revenues - Continued*

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Revenues:</b>			
Tuition and Fees	\$ 2,923,703	\$ 1,926,231	\$ 2,391,210
Federal Grants	6,149,507	7,254,536	7,802,843
State Grants	2,907,051	1,504,086	2,119,426
Private Grants	112,348	37,467	43,772
Athletic Track	520,097	477,472	604,751
Other Revenue	<u>1,467,675</u>	<u>467,954</u>	<u>752,459</u>
 Total Operating Revenues	 \$ <u>14,080,381</u>	 \$ <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 \$8,816,252, \$8,244,313 and 7,928,359 (approximately 63%, 71%, and 58% of its total operating revenue), respectively for fiscal years 2016, 2015 and 2014, respectively. This amounted to an increase of \$571,939 from fiscal year 2015 to fiscal year 2016 and \$315,954 from fiscal year 2014 to fiscal year 2015.

In total, federal grants amounted to \$6,149,507, while state grants totaled \$2,907,050 in fiscal year 2016. Financial aid grants were also utilized to pay not only for tuition and fees but also for student books, health insurance, and a small portion of off-campus room and board. Federal work/study wages, which were paid directly to students, totaled approximately \$136,000, \$125,000 and \$115,400 in fiscal years 2016, 2015 and 2014, respectively.

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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Operating Expenses*

Operating expenses can be displayed in two formats: a format called “natural classification” based on objects of expenditures, and a programmatic or functional classification. The format of expenses in the main Statement of Revenues, Expenses, and Changes in Net Position is based on the programmatic or functional classification. The following is a summary of the College’s expenses for the years ended June 30, 2016, 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>2016</u>	<u>2015</u>	<u>2014</u>
<b>Operating Expenses:</b>			
Compensation and benefits	\$ <b>19,285,730</b>	\$ 18,944,724	\$ 20,230,591
Supplies and services	<b>8,242,756</b>	6,710,670	6,011,752
Depreciation	<b>1,914,414</b>	1,918,129	1,747,561
Scholarships and fellowships	<b>1,040,304</b>	1,533,121	1,671,162
Bad debt allowance	<u><b>171,457</b></u>	-	-
 Total Operating Expenses	 \$ <u><b>30,654,661</b></u>	 \$ <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 2016 and fiscal year 2015 are as follows:

- Compensation and benefits increased by \$341,006 or 1.8% in fiscal year 2016.
- Supplies and services increased by \$1,703,549 or 25.4% in fiscal year 2016.
- Depreciation expense decreased \$3,715 or 0.2% in fiscal year 2016.
- Scholarships and fellowships decreased by \$492,817 or 32.1% in fiscal year 2016.
- The total operating expenses increased by \$1,548,023 or 5.3% in fiscal year 2016.

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

**June 30, 2016 and 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>2016</u>	<u>2015</u>	<u>2014</u>
Instruction	\$ 9,325,922	\$ 8,978,934	\$ 5,079,043
Student Services	3,671,038	3,777,518	3,344,813
Institutional Support	4,909,791	4,945,736	10,001,981
Academic Support	5,181,720	3,022,937	3,435,174
Scholarships and fellowships	1,040,304	1,533,121	1,671,162
Operation & maintenance of plant	2,724,689	3,068,864	2,789,502
Depreciation	1,914,414	1,918,129	1,747,561
Public Service	<u>1,886,783</u>	<u>1,861,405</u>	<u>1,591,830</u>
 Total Operating Expenses	 \$ <u>30,654,661</u>	 \$ <u>29,106,644</u>	 \$ <u>29,661,066</u>



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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Operating Expenses - Continued*

The largest increase from fiscal year 2015 to fiscal year 2016 was in Academic Support by \$2,158,783 or 71.4%. The major event impacting this category is represented by funding from a Mass Life Sciences grant.

The largest decrease by amount from fiscal year 2015 to fiscal year 2016 was in Scholarships & Fellowships by \$492,817 or 32.1%. This was due to the increase in fees without a corresponding increase to federal and state support, there was less funding to return to students for living expenses.

*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 through 2016.

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

The College's Primary Reserve Ratios are as follows:

FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
-11.2%	-11.3%	-6.5%	-4.4%	-1.3%

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

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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Strategic Ratios - Continued*

The College's Primary Reserve Ratio in fiscal year 2016 remained consistent with fiscal year 2015. The Primary Reserve Ratio in fiscal year 2014 was heavily impacted by supplemental State of Massachusetts appropriations 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:

FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
+0.7%	-4.4%	-1.4%	-8.8%	-4.5%

The College's Return on Net Position Ratio in fiscal year 2016 was better than in fiscal year 2015 due to the net increase in net position in fiscal year 2016.

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

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

FY 2016	FY 2015	FY 2014	FY 2013	FY 2012
+0.5%	-3.9%	-1.2%	-9.0%	-4.4%

The College's Return on Net Operation Revenues Ratio in fiscal 2016 increased from fiscal year 2015 due to the net increase in net position in fiscal year 2016.

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

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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Strategic Ratios - Continued*

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

The College made significant improvement in this ratio through fiscal year 2011. During fiscal years 2016 and 2015, there was no new long-term debts resulting in the book balance at the end of fiscal year 2016 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.

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, 2016, Roxbury Community College had investments in capital assets of \$25,438,750 (net of accumulated depreciation of \$40,222,337). 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 \$1,914,414 in fiscal year 2016, \$1,918,129 in fiscal year 2015 and \$1,747,561 in fiscal year 2014.

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

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

**June 30, 2016 and 2015**

**Financial Analysis - Continued**

*Capital Assets - Continued*

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

The following schedule details the capital assets:

**Schedule of Capital Assets at June 30, 2016**

Land	\$ 312,000
Construction in progress	2,651,447
Building and improvements	58,698,589
Furnishings and Equipment	3,222,577
Automobile	46,468
Library books (Educational Resource Materials)	<u>730,014</u>
Total	\$ 65,661,095
Less: accumulated depreciation	<u>40,222,341</u>
Net capital assets	\$ <u>25,438,754</u>

**Economic Factors that will Affect the Future**

*Statewide Concerns*

The nation and the world are pulling out of the most significant downturn in the economy since the Great Depression. The speed and extent of the recovery has been quite slow, with potentially negative implications on higher education in Massachusetts. During fiscal year 2016 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 2016 was not as successful as fiscal year 2015 by looking only at net income from operations. The College will need to continue to refine its operations and redefine its mission for those students it serves to meet its financial goals.

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

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

**June 30, 2016 and 2015**

**Economic Factors that will Affect the Future - Continued**

*Statewide Concerns - Continued*

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.

*Regional Concerns*

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

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

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

**June 30, 2016 and 2015**

**Economic Factors that will Affect the Future - Continued**

*Regional Concerns - Continued*

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

*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 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 but has received the financial aid program review and is currently responding to its findings as well as preparing corrective action plans.

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 Department of Education's review of transactions. This has placed the College in a tight cash-flow environment for day-to-day financial operations.

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

*Conclusion*

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

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

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

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

**June 30, 2016 and 2015**

**Economic Factors that will Affect the Future - Continued**

*Conclusion - Continued*

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)**

**Statements of Net Position**

**June 30, 2016 and 2015**



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

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	<u>2016</u>	<u>2015</u>
<b>Current Assets:</b>		
Cash and equivalents	\$ 57,323	\$ 298,485
Deposits held by State Treasurer	32,000	17,421
Cash held by State Treasurer	256,515	1,115,166
Accounts receivable, net	2,516,950	1,807,375
Financial aid receivable	417,047	1,271,698
Investments	-	122,369
<b>Total Current Assets</b>	<u>3,279,835</u>	<u>4,632,514</u>
<b>Non-Current Assets:</b>		
Capital assets, net	25,438,750	25,148,931
Loans receivable for Federal Perkins Loan program	150,598	151,490
<b>Total Non-Current Assets</b>	<u>25,589,348</u>	<u>25,300,421</u>
<b>Total Assets</b>	<u>28,869,183</u>	<u>29,932,935</u>
<b>Deferred Outflows of Resources:</b>		
Changes in plan actuarial assumptions	100,163	12,692
Contributions made after the measurement date	6,841	31,811
Differences between expected and actual experiences	11,433	-
<b>Total Deferred Outflows of Resources</b>	<u>118,437</u>	<u>44,503</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 28,987,620</u>	<u>\$ 29,977,438</u>

Liabilities, Deferred Inflows of Resources and Net Position

<b>Current Liabilities:</b>		
Accounts payable	\$ 1,801,347	\$ 1,511,707
Financial aid payable to students	207,481	391,180
Accrued payroll	797,306	1,340,670
Accrued compensated absences	1,088,089	1,173,579
Accrued workers' compensation	54,066	56,896
Student deposits and unearned revenue	256,874	710,776
<b>Total Current Liabilities</b>	<u>4,205,163</u>	<u>5,184,808</u>
<b>Non-Current Liabilities:</b>		
Accrued compensated absences	401,935	451,398
Accrued workers' compensation	202,172	204,093
Contingent financial aid liability (Note 15)	400,000	400,000
Loans payable for Federal Perkins Loan program	150,598	151,490
Net pension liability	578,384	1,129,044
<b>Total Non-Current Liabilities</b>	<u>1,733,089</u>	<u>2,336,025</u>
<b>Total Liabilities</b>	<u>5,938,252</u>	<u>7,520,833</u>
<b>Deferred Inflows of Resources:</b>		
Differences between projected and actual earnings of plan investments	16,620	231,735
Changes in proportion due to internal allocation	1,020,016	367,503
Changes in proportion from Commonwealth	444	391
<b>Total Deferred Inflows of Resources</b>	<u>1,037,080</u>	<u>599,629</u>
<b>Net Position:</b>		
Investment in capital assets, net	25,438,750	25,148,931
Restricted:		
Expendable	-	-
Non-expendable	-	-
Unrestricted	(3,426,462)	(3,291,955)
<b>Total Net Position</b>	<u>22,012,288</u>	<u>21,856,976</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 28,987,620</u>	<u>\$ 29,977,438</u>

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

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

**Statements of Revenues and Expenses**

**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Operating Revenues:</b>		
Tuition and fees	\$ 8,816,252	\$ 8,244,313
Less: scholarships and fellowships	<u>5,892,549</u>	<u>6,318,082</u>
Net tuition and fees	2,923,703	1,926,231
Federal grants and contracts	6,149,507	7,254,536
State grants and contracts	2,907,051	1,504,086
Athletic track	520,097	477,472
Other	1,467,675	467,954
Private grants and contracts	<u>112,348</u>	<u>37,467</u>
<b>Total Operating Revenues</b>	<u><b>14,080,381</b></u>	<u><b>11,667,746</b></u>
<b>Operating Expenses:</b>		
Institutional support	4,909,791	4,945,736
Instruction	9,325,922	8,978,934
Student services	3,671,038	3,777,518
Academic support	5,181,720	3,022,937
Operation and maintenance of plant	2,724,689	3,068,864
Scholarship and fellowships	1,040,304	1,533,121
Depreciation	1,914,414	1,918,129
Public support	<u>1,886,783</u>	<u>1,861,405</u>
<b>Total Operating Expenses</b>	<u><b>30,654,661</b></u>	<u><b>29,106,644</b></u>
<b>Net Operating Loss</b>	<u><b>(16,574,280)</b></u>	<u><b>(17,438,898)</b></u>
<b>Non-Operating Revenues (Expenses):</b>		
State appropriations, net	14,534,028	14,167,725
Investment return, net	1,986	6,823
Interest expense	<u>-</u>	<u>(21,222)</u>
<b>Net Non-Operating Revenues</b>	<u><b>14,536,014</b></u>	<u><b>14,153,326</b></u>
<b>Change in Net Position Before Capital Appropriations</b>	<b>(2,038,266)</b>	<b>(3,285,572)</b>
Capital Appropriations	<u><b>2,193,578</b></u>	<u><b>2,277,585</b></u>
<b>Change in Net Position</b>	<u><u><b>\$ 155,312</b></u></u>	<u><u><b>\$ (1,007,987)</b></u></u>

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

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

**Statements of Changes in Net Position**

**For the Years Ended June 30, 2016 and 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>
<b>Balance, June 30, 2014</b>	\$ 24,789,480	\$ -	\$ -	\$ (1,924,517)	\$ 22,864,963
Change in net position for 2015	<u>359,451</u>	<u>-</u>	<u>-</u>	<u>(1,367,438)</u>	<u>(1,007,987)</u>
<b>Balance, June 30, 2015</b>	<b>25,148,931</b>	<b>-</b>	<b>-</b>	<b>(3,291,955)</b>	<b>21,856,976</b>
Change in net position for 2016	<u>289,819</u>	<u>-</u>	<u>-</u>	<u>(134,507)</u>	<u>155,312</u>
<b>Balance, June 30, 2016</b>	<b><u>\$ 25,438,750</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (3,426,462)</u></b>	<b><u>\$ 22,012,288</u></b>

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

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

**Statements of Cash Flows**

**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 1,576,527	\$ 2,692,781
Grants and contracts	10,023,557	10,250,430
Payments to suppliers	(8,313,572)	(6,019,789)
Payments to students	(1,040,304)	(1,533,121)
Payments to employees	(16,872,826)	(17,006,013)
Other operating revenues	<u>1,987,772</u>	<u>945,426</u>
Net Cash Applied to Operating Activities	<u>(12,638,846)</u>	<u>(10,670,286)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriations	11,602,112	11,522,087
Tuition remitted to state	(162,200)	(98,375)
Remission to state for 9(C) reduction	<u>-</u>	<u>(162,217)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>11,439,912</u>	<u>11,261,495</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Purchase of capital assets	(10,655)	-
Payment on line of credit	-	(1,000,000)
Interest paid on note payable	<u>-</u>	<u>(21,222)</u>
Net Cash Applied to Capital Financing Activities	<u>(10,655)</u>	<u>(1,021,222)</u>
<b>Cash Flows from Investing Activities:</b>		
Proceeds on sale of investments	126,141	7,918
Gain on investments	(1,886)	(3,699)
Interest and dividends on investments, net	<u>100</u>	<u>3,124</u>
Net Cash Provided by Capital Investing Activities	<u>124,355</u>	<u>7,343</u>
<b>Net Decrease in Cash and Equivalents</b>	<b>(1,085,234)</b>	<b>(422,670)</b>
Cash and Equivalents, Beginning of Year	<u>1,431,072</u>	<u>1,853,742</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 345,838</u></b>	<b><u>\$ 1,431,072</u></b>

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

**Statements of Cash Flows - Continued**

**For the Years Ended June 30,**

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (16,574,280)	\$ (17,438,898)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	1,914,414	1,918,129
Fringe benefits provided by the State	3,094,116	2,906,235
Bad debts	64,793	181,413
Changes in assets and liabilities:		
Accounts receivable	(774,368)	125,127
Financial aid receivable	854,651	1,454,341
Accounts payable	289,640	254,909
Due to students	(183,699)	(216,836)
Accrued payroll	(543,364)	(31,053)
Accrued compensated absences and workers' compensation	(139,704)	(470,460)
Student deposits and unearned revenue	(453,902)	676,787
Net pension activity	<u>(187,143)</u>	<u>(29,980)</u>
<b>Net Cash Applied to Operating Activities</b>	<b><u>\$ (12,638,846)</u></b>	<b><u>\$ (10,670,286)</u></b>
<b>Reconciliation of Cash and Equivalents to Cash and Equivalents, End of Year:</b>		
Cash and equivalents	\$ 57,323	\$ 298,485
Cash held by State	32,000	17,421
Deposits held by State Treasurer	<u>256,515</u>	<u>1,115,166</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 345,838</u></b>	<b><u>\$ 1,431,072</u></b>
<b>Non-Cash Transactions:</b>		
Capital appropriations	<u>\$ 2,193,578</u>	<u>\$ 2,277,585</u>
Fringe benefits provided by the State	<u>\$ 3,094,116</u>	<u>\$ 2,906,235</u>

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

# **ROXBURY COMMUNITY COLLEGE**

**(an agency of the Commonwealth of Massachusetts)**

## **Notes to the Financial Statements**

**June 30, 2016 and 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 an education leading to Associate degrees in the Arts and Sciences, as well as one-year certificate programs. From the College's location in Roxbury, Massachusetts, the College provides instructions and training in a variety of liberal arts, allied health and business fields of study. The College also offers, through the Division of Continuing Education, credit and noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

*Basis of Presentation and Accounting*

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

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

*Basis of Presentation and Accounting - Continued*

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

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

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

*Net Position*

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

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 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 considers cash on hand, cash and deposits held by the State Treasurer, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition to be cash equivalents.

*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 30, 2016 and 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 2, the College is required to advance to students all federal financial awards before submitting for reimbursement from the U.S. Department of Education.

*Student Deposits and Unearned Revenue*

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

*Fringe Benefits*

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

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

*Fringe Benefits - Continued*

The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

*Pensions*

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

*Compensated Absences*

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2016 and 2015. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2016 and 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 scholarships are paid directly to, or refunded to, the student and are generally reflected as expenses.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

*Income Tax Status*

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

*Use of Estimates*

The preparation of financial statements in conformity with 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*

*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* – GASB 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.

*Reclassification*

Certain amounts in the 2015 financial statements have been reclassified to conform with the 2016 presentation.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 2 - **Uncertainties**

*Heightened Cash Management 2*

As a result of the College's continuing inability to manage its federal financial aid programs in accordance with federal requirements, the U.S. Department of Education ("ED") placed the College on Heightened Cash Management 2 ("HCM2") during the year ended June 30, 2013. HCM2 requires the College to make disbursements to students from its own institutional funds prior to submitting a reimbursement payment required from the ED. This has caused the College to experience significant decreases in cash flow. Management of the College is working towards remedying these issues and to satisfy the ED's requirements to be taken off HCM2 however; as of June 30, 2016, there have been no changes in the College's status with the ED.

*The Jeanne Clery Act*

Based upon information received anonymously from a whistleblower during 2012, the College initiated an investigation into its compliance with The Jeanne Clery Act. After the College's investigation, the College reported to the ED numerous instances of non-compliance occurring from 2009 to 2012. The ED has not completed its investigation and the ultimate outcome cannot be determined as of June 30, 2016. The potential liability may have a material impact on the College's financial position.

*Contingent Liabilities*

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

Note 3 - **Cash and Equivalents**

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the College would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Deposits in banks in excess of the insured amount are uninsured and uncollateralized. The College does not have a formal deposit policy for custodial credit risk. Amounts exposed to custodial risk at June 30, 2016 and 2015 were \$293,050 and \$492,710, respectively.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$256,515 and \$1,115,166 at June 30, 2016 and 2015, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities. All cash and deposits held by the State Treasurer in excess of the encumbered amounts have been designated for the subsequent year.

Note 5 - **Receivables**

*Accounts Receivable*

Accounts receivable are comprised of the following at June 30:

	<u>2016</u>	<u>2015</u>
Student accounts receivable	\$ 7,280,009	\$ 6,693,945
Grants receivable	378,963	302,850
Other receivable	<u>29,192</u>	<u>46,587</u>
	<b>7,688,164</b>	<b>7,043,382</b>
Less: allowance for doubtful accounts	<u>(5,171,214)</u>	<u>(5,236,007)</u>
Total accounts receivable, net	<u><b>\$ 2,516,950</b></u>	<u><b>\$ 1,807,375</b></u>

*Financial Aid Receivable (See Note 2)*

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:

	<u>2016</u>	<u>2015</u>
Federal financial aid receivable	\$ 417,047	\$ 1,071,016
State financial aid receivable	<u>-</u>	<u>200,682</u>
Total financial aid receivable	<u><b>\$ 417,047</b></u>	<u><b>\$ 1,271,698</b></u>

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 6 - **Investments**

During 2016, the Board of Trustees elected to liquidate the College's investment accounts.

Prior to liquidation, investments of the College were stated at fair market value and consist of the following at June 30, 2015:

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

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

<b><u>Quality Ratings</u></b>			
	<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>

As of June 30, 2015, all of the College's investments are valued as level 1.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 6 - **Investments - Continued**

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

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 100	\$ 3,124
Net unrealized gains	-	23
Net realized gains	<u>1,886</u>	<u>3,676</u>
Total investment return	<u>\$ 1,986</u>	<u>\$ 6,823</u>

Note 7 - **Capital Assets**

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

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

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 7 - **Capital Assets - Continued**

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**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 8 - **Long-Term Liabilities**

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

	<u>2016</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Compensated absences	\$ 1,624,977	\$ -	\$ 134,953	\$ 1,490,024	\$ 1,088,089
Workers' compensation	260,989	-	4,751	256,238	54,066
Contingent financial aid liability	400,000	-	-	400,000	-
Loans payable for Federal Perkins loan program	151,490	-	892	150,598	-
Net pension liability	<u>1,129,044</u>	<u>-</u>	<u>550,660</u>	<u>578,384</u>	<u>-</u>
Total long-term liabilities	<u>\$ 3,566,500</u>	<u>\$ -</u>	<u>\$ 691,256</u>	<u>\$ 2,875,244</u>	<u>\$ 1,142,155</u>

	<u>2015</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
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>

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

*Operating Leases*

At June 30, 2016, the College has various operating leases for certain equipment. The following schedule summarizes future minimum payments under non-cancelable leases at June 30, 2016:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Operating</u> <u>Leases</u>
2017	\$ 35,916
2018	35,916
2019	34,016
2020	<u>10,071</u>
	<u>\$ 115,919</u>

Rent expense for operating leases were \$57,743 and \$46,481 for the years ended June 30, 2016 and 2015, respectively.

Note 9 - **Federal Perkins Loan Program**

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

Note 10 - **Restricted Net Position**

The College is on occasion the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. Restricted-expendable net position consists of funds whose income is mainly to be used for grants and scholarships. At June 30, 2016 and 2015, the College held no restricted net assets.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 10 - **Restricted Net Position - Continued**

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

Note 11 - **Operating Expenses**

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

	<u>2016</u>	<u>2015</u>
Compensation and benefits	\$ 19,285,730	\$ 18,944,724
Supplies and services	8,242,756	6,710,670
Depreciation	1,914,414	1,918,129
Scholarships and fellowships	1,040,304	1,533,121
Bad debt allowance	<u>171,457</u>	<u>-</u>
	<u>\$ 30,654,661</u>	<u>\$ 29,106,644</u>

Note 12 - **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 \$1,002,379 and \$1,111,515 for the years ended June 30, 2016 and 2015, respectively. 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 2016 and 2015, respectively.

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

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 12 - **Pensions - Continued**

*Defined Benefit Plan Description - Continued*

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

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

*Benefit Provisions*

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

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

*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.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 12 - **Pensions - Continued**

*Contributions - Continued*

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

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

The College is required to contribute at an actuarially determined rate; the rate was 9.45% and 10.39% of annual covered payroll for the fiscal years ended June 30, 2016 and 2015, respectively. The College contributed \$6,841 and \$31,811 for the fiscal years ended June 30, 2016 and 2015, respectively, 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, 2016 and 2015, the College reported a liability of \$578,384 and \$1,129,044, respectively, 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, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015 for reporting at June 30, 2016, the reporting date. The net pension liability was measured at 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 June 1, 2014 rolled forward to June 30, 2014 for reporting at June 30, 2015, the reporting date. 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 years 2015 and 2014, respectively.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 12 - **Pensions - Continued**

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

The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2015 and 2014 relative to total contributions of all participating employers for that fiscal year. At June 30, 2015 and 2014, the College's proportion was 0.005% and 0.015%, respectively.

For the years ended June 30, 2016 and 2015, the College recognized pension benefit of \$179,689 and expense of \$1,831, respectively. At June 30, 2016 and 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>2016</b>	<b>2015</b>
<u>Deferred Outflows of Resources</u>		
Changes in plan actuarial assumptions	<b>\$ 100,163</b>	\$ 12,692
Differences between expected and actual experiences	<b>11,433</b>	-
Contributions made after the measurement date	<b><u>6,841</u></b>	<u>31,811</u>
	<b><u>\$ 118,437</u></b>	<b><u>\$ 44,503</u></b>
 <u>Deferred Inflows of Resources</u>		
Difference between projected and actual earnings of plan investments	<b>\$ 16,620</b>	\$ 231,735
Changes in proportion due to internal allocation	<b>1,020,016</b>	367,503
Changes in proportion from Commonwealth	<b><u>444</u></b>	<u>391</u>
	<b><u>\$ 1,037,080</u></b>	<b><u>\$ 599,629</u></b>

The College's contributions of \$6,841 and \$31,811 made during the fiscal years ending 2016 and 2015, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 12 - **Pensions - Continued**

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

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

Years Ending <u>June 30,</u>	
2017	\$ (239,245)
2018	(239,245)
2019	(239,245)
2020	(220,662)
2021	<u>12,913</u>
Total	\$ <u>(925,484)</u>

*Actuarial Assumptions*

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

Measurement Date	<b>June 30, 2015</b>	June 30, 2014
Inflation	<b>3.00%</b>	3.00%
Salary increases	<b>3.50% to 9.00%</b>	3.50% to 9.00%
Investment rate of return	<b>7.50%</b>	8.00%
Interest rate credited to annuity savings fund	<b>3.50%</b>	3.50%

For measurement dates June 30, 2015 and 2014, mortality rates were based on pre-retirement of the RP-2000 Employees table projected 20 years with Scale BB and Scale AA (gender distinct), respectively, and post-retirement of Healthy Annuitant table projected 15 years with Scale BB and AA (gender distinct), respectively. The actuarial assumptions used in the January 1, 2015 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of actuarial experience study performed as of January 1, 2015.

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 12 - **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, are summarized in the following table.

Asset Class	2015		2014	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	40%	6.90%	43%	7.20%
Core Fixed Income	13%	2.40%	13%	2.50%
Hedge Funds	9%	5.80%	10%	5.50%
Private Equity	10%	8.50%	10%	8.80%
Real Estate	10%	6.50%	10%	6.30%
Portfolio Completion Strategies	4%	5.50%	0%	0.00%
Value Added Fixed Income	10%	5.80%	10%	6.30%
Timber/Natural Resources	4%	6.60%	4%	5.00%
	100%		100%	



**ROXBURY COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 12 - **Pensions – Continued**

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5% and 8.0%, respectively, at June 30 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

<b>June 30, 2016</b>		
<b>Current</b>		
<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
<b>(6.50%)</b>	<b>(7.50%)</b>	<b>(8.50%)</b>
\$ 786,214	\$ 578,384	\$ 399,128
<b>June 30, 2015</b>		
<b>Current</b>		
<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
<b>(7.00%)</b>	<b>(8.00%)</b>	<b>(9.00%)</b>
\$ 1,634,536	\$ 1,129,044	\$ 695,149

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

*Fringe Benefits*

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

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

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

*Group Insurance Commission*

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

*Group Insurance Commission - Continued*

The GIC is a quasi-independent state agency governed by an eleven member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2016 and 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).

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

As of June 30, 2016, the College had paid or accrued for all amounts charged to it through the Commonwealth’s fringe benefit program. Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth’s Statewide Accounting System, Massachusetts Management Accounting and Reporting System (“MMARS”) on the statutory basis of accounting.

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

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

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

	<u>2016</u>	<u>2015</u>
Direct unrestricted appropriations	\$ <b>11,503,737</b>	\$ 11,720,217
Add: Fringe benefits for employees on the state payroll	<b>3,094,116</b>	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>(63,825)</u>	<u>(98,375)</u>
 Total unrestricted appropriations	 <b>14,534,028</b>	 14,167,725
 Capital appropriations	 <u>2,193,578</u>	 <u>2,277,585</u>
 Total Appropriations	 <u>\$ 16,727,606</u>	 <u>\$ 16,445,310</u>

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2016 and 2015**

Note 15 - **Contingencies - Continued**

*Prepaid Tuition Savings Plan - Continued*

The effect of the Program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

*Contingent Financial Aid Liability*

As a recipient of federal and state funds, the College is subject to oversight by various agencies. Expenditure of funds from federal and state programs requires compliance with agreements and may be subject to oversight audits by applicable agencies. During the performance of audit procedures over the management of federal funds for academic years 2011-2012 and 2012-2013, it was noted that certain expenditures were not in conformity with the applicable federal requirements. The results of these procedures have not yet been reviewed by the Department of Education. As of June 30, 2016 and 2015, management has recorded a \$400,000 liability, which they believe fairly represents the potential liability relating to these expenditures.

*Private Grant*

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

Note 16 - **Subsequent Events**

Subsequent to year end, at the request of the College, the State Auditor of the Commonwealth of Massachusetts reviewed the operations of the Reggie Lewis Track and Athletic Center and the Roxbury Community College Foundation. The College has referred the matter to the State Attorney General, who is currently reviewing the information.

## **REQUIRED SUPPLEMENTAL INFORMATION**

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

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

Valuation date	<b>January 1, 2015</b>	January 1, 2014
Measurement date	<b>June 30, 2015</b>	June 30, 2014
Proportion of the collective net pension liability	<b>0.005%</b>	0.015%
Proportionate share of the collective net pension liability	<b>\$ 578,384</b>	\$ 1,129,044
College's covered-employee payroll	<b>\$ 306,167</b>	\$ 1,128,071
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	<b>188.91%</b>	100.09%
Plan fiduciary net position as a percentage of the total pension liability	<b>67.87%</b>	76.32%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years.

*See accompanying notes to the required supplemental information.*

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

**Schedule of Contributions (Unaudited)**

**For the Year Ended June 30,**

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

Notes:

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

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years.

*See accompanying notes to the required supplemental information.*



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

**Notes to the Required Supplementary Information (Unaudited)**

**For the Years Ended June 30, 2016 and 2015**

Note 1 - **Change in Assumptions**

Changes in assumptions about the discount rate from 8.0% to 7.50%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of \$2.33 billion dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2016. Previously, changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions are 0.005% and 0.015%, respectively, as shown on the Schedules of Proportionate Share of Net Pension Liability, and represent the relationship of contributions made by the College to total contributions by all participating State Agencies.

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

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Roxbury Community College (the "College"), which comprise the statements of net position as of June 30, 2016 and 2015, the related statements of revenues and expenses, changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Roxbury Community College's basic financial statements and have issued our report thereon dated December 13, 2016.

### **Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2016-001 that we consider to be material weaknesses.

## **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 2016-001.

## **College's Response to Findings**

The College's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*O'Connell and Duen, P.C.*

**Certified Public Accountants  
Braintree, Massachusetts**

December 13, 2016

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

**Schedule of Current Year Findings**

**June 30, 2016**

**Finding 2016-001 – Federal Student Financial Aid**

*Criteria*

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

*Finding*

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

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

*Cause*

Prior and current management of the College have not completed the necessary corrective actions to prevent the reoccurrence of these repeat findings. Improved and increased training of personnel has not been fully implemented, nor have appropriate steps been taken to replace and/or add personnel to assist with the timely and proper completion of required processes and to engage supervisory personnel to ensure the processes have been completed as required.

*Effect*

Due to the College’s failure to remedy these findings, in June 2013 the Federal Department of Education (“ED”) changed the payment methodology under which the College operated. Heightened Cash Management-2 (“HCM2”), requires the College to submit all federal financial aid disbursements for reimbursement, instead of advance funding as applies to most institutions of higher education. The College continues under this payment program and as a result has experienced strains on its ability manage its cash flow. The College has had continued non-compliance with federal regulations regarding Title IV aid which has resulted in the College remaining on HCM2.

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

**Schedule of Current Year Findings - Continued**

**June 30, 2016**

***Recommendation***

The College should also continue its efforts to hire personnel experienced and knowledgeable in the implementation of the federal rules and regulations under which it operates and with which it must comply. All employees who are responsible for financial aid compliance need to be properly trained to ensure they are aware of all compliance requirements. The College must emphasize the importance of training for all employees responsible for compliance. In addition to training, the College needs to have proper oversight and review of financial aid related work materials. The College should also document policies and procedures for financial aid to create consistency when adhering to financial aid requirements.

A corrective action plan addressing all prior and current findings noted in this report should be developed including the time frame in which the various aspects of the plan are to be acted upon. In light of the repeat nature of many of the current findings, it is particularly important that overall responsibility for the corrective action plan be assigned to a senior level position and that progress towards meeting the corrective action plan be regularly submitted and discussed with the Board of Trustees of the College. Revisions to the corrective action plan should be made as necessary to facilitate its successful and timely completion. Until all aspects of the plan have been satisfactorily met, it should remain as a top priority of the College's management.

***Management Response***

The College's management understands the urgency of meeting the requirements for participation in the US Department of Education's ("ED") Title IV programs. Since the initial audit findings leading to the ED's program review, a great deal of progress has been made in eliminating errors and areas of non-compliance. The College has invested in training as well as attendance for financial aid staff members at NASFA conferences.

Despite these efforts, certain audit findings in two unrelated areas have occurred for the year ended June 30, 2016. The first, pertaining to the submission of required student data to the National Student Loan Data System ("NSLDS") had been corrected and reported in a timely way throughout much of the year. However, due to staff turnover, better communication was needed in regards to the hand-off of responsibility. Currently, the processing of information to NSLDS is current. Management is investigating additional back-up procedures.

The other finding pertains to the calculation for determining the amount of financial aid to return due to student withdrawal through the R2T4 process. Upon completion of the compliance audit, management will sit with the auditors to understand better the details for determining a detailed corrective action plan with due dates and assigned responsibility to various staff members. This plan will be monitored by the College's Finance Committee.

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

**Schedule of Prior Year Findings**

**June 30, 2015**

**Finding 2015-001 – Federal Student Financial Aid**

***Finding***

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 area:

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.

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

***Auditors' Current Year Comment***

This finding was not corrected during fiscal year 2016. See finding 2016-001.

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**Finding 2015-002 - Grants**

***Finding***

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. 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.

***Auditors' Current Year Comment***

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