

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2023

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

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

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Roxbury Community College:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Roxbury Community College (the "College"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS and *Government Auditing Standards*, 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 May 17, 2024, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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.

Withum Smith + Brown, PC

May 17, 2024

ROXBURY COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2023, 2022 and 2021

Introduction

The following unaudited management's discussion and analysis (MD & A) provides an overview of the financial position and activities of Roxbury Community College (RCC) for the fiscal years ended June 30, 2023, 2022, and 2021 and for the fiscal years then ended. The information in this section should be read in conjunction with the College's financial statements and notes, which follow this section of the report.

Roxbury Community College (RCC) is one of fifteen comprehensive, open-enrollment, public, two-year community college that is accredited by the New England Commission of Higher Education (NECHE). 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 Massachusetts Department of Higher Education grants authority to the College to award associate degrees and certificates, as a part of a comprehensive public educational system. RCC provides non-credit programs for students to become prepared for employment; for incumbent workers to receive training; and for members of the entire family to engage in lifelong learning. Courses are offered during the day, evening, on weekends, and via the Internet. In addition, the College is a vital part of the community and offers multiple activities and events for engagement in civics, culture, and the arts.

RCC offers its students several support services including: advising, tutoring, learning resources through the library, and referrals that connect students to community resources and social services. In addition, the College has a variety of facilities that support learning including: specialized labs for natural and physical sciences, healthcare including nursing and radiologic technology, computer science, media technology, and child development. The College facilities also include a 500-seat theatre and the Reggie Lewis Track and Athletic Center, which houses one of the best indoor tracks in the country.

Financial Highlights

Total net position of RCC increased \$1,141,535 for fiscal year 2023 as compared to a decrease of \$2,397,665, for fiscal year 2022 and a decrease of \$ 5,086,886 in fiscal year 2021.

As of June 30, 2023, 2022, and 2021, total assets and deferred outflows of RCC were, \$83,347,063, \$77,235,033, and \$79,662,951 respectively. Of these total assets, 88%, 90% and 91%, consisted of the net book value of capital assets as of June 30, 2023, 2022, and 2021, respectively. For the same periods, its total liabilities and deferred inflows of resources were \$21,918,822, \$16,948,327,

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2023, 2022 and 2021

and \$16,978,580, and its net position was \$61,428,241, \$60,286,706, and \$62,684,371, respectively.

Total operating revenues increased by \$3,007,240 for fiscal year 2023 whereas non-operating revenue decreased by \$1,826,008, year over year. The decrease in non-operating revenues is a result of a decrease in the COVID-19 pandemic federal grants. The change in net position before capital appropriations increased by \$1,246,981 over the previous fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Roxbury Community College's (RCC) financial statements. The financial statements of RCC are comprised of two components: 1) the financial statements and 2) the notes to the financial statements. In addition 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.

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, RCC 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.

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Management's Discussion and Analysis - Continued
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The Financial Statements - continued

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

The *Statements of Revenues and Expenses* are prepared on an accrual basis whereby all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements present the details that explain how the net position of the College changed during the most recent fiscal year.

The *Statements of Changes in Net Position* presents, by both classification and in total, both of the changes in net position and ending net position for each of the years presented within the financial statements.

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

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Notes to the Financial Statements - continued

between the financial statements of Roxbury Community College, the financial statements of some of the other related component units of the Commonwealth of Massachusetts and the impact that certain budgetary and appropriation policy differences relating to fiscal year designation have on the financial statements.

For example, the land, buildings, and the depreciation related thereto, are all included in the financial statements of the College, but the outstanding liabilities on the related bonds that were issued in connection with the College investment in plant are included elsewhere on the financial statements of one or more other component units of the Commonwealth. Consequently, the total net position of Roxbury Community College is higher than they otherwise would have been if the liabilities related to its investment in plants 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 \$4,344,722 in fiscal year 2023, \$4,086,566 in fiscal year 2022, and \$3,960,075 in fiscal year 2021, 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 the change in total net position. The unrestricted net position balance decreased by \$2,420,682 from fiscal year end 2022 to 2023.

The financial position of the College is further demonstrated by the relationship between current assets and current liabilities. At June 30, 2023, current liabilities exceeded current assets by \$2,466,339 due to significant purchases made related to technology investments for the campus that were not paid until July 2023 and current Subscription-Based Information Technology Arrangements (SBITA) per GASB 96, which is applicable for the year end June 30, 2023. Prior to the provision for legal contingency, current liabilities exceeded assets by \$404,021. At June 30, 2022, current assets exceeded current liabilities by \$1,995,450. At June 30, 2021, current assets exceeded current liabilities by \$1,375,147.

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

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year any need for additional cash or budgetary funds. For example, the accrued faculty salaries at June 30th 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:

<u>Summary Schedule of Net Position</u>			
	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current Assets	8,705,538	7,422,667	\$ 6,024,204
Non-Current Assets	72,828,957	69,191,535	72,817,755
Deferred Outflows of Resources	1,812,568	620,831	820,992
Total Assets and Deferred Outflows	<u>83,347,063</u>	<u>77,235,033</u>	<u>\$ 79,662,951</u>
Current Liabilities	11,171,877	7,489,535	6,711,375
Non-Current Liabilities	9,779,487	8,669,982	10,067,600
Total Liabilities	<u>20,951,364</u>	<u>16,159,517</u>	<u>16,778,975</u>
Deferred Inflows of Resources	967,458	788,810	199,605
Investment in Capital Assets	64,223,693	60,661,476	63,907,135
Restricted: Expendable	790,369	790,369	790,369
Unrestricted	(3,585,821)	(1,165,139)	(2,013,133)
Net Position	<u>61,428,241</u>	<u>60,286,706</u>	<u>62,684,371</u>
Total Liabilities, Deferred Inflows and Net Position	<u>83,347,063</u>	<u>77,235,033</u>	<u>\$ 79,662,951</u>

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, legal contingency, and other smaller payables.

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Management's Discussion and Analysis - Continued
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June 30, 2023, 2022 and 2021

Financial Analysis - Continued

Long-Term Liabilities

The long-term liabilities consist primarily of a portion of the personnel obligations for compensated absences and worker's compensation in addition to a loan from the State of Massachusetts related to the energy and water efficiency projects, to be repaid by anticipated savings. This loan was for \$9.8 million to be repaid over 20 years, at an interest rate of 3.0% starting January of 2020.

Schedule of Revenues and Expenses

The summary schedule of Revenue and Expenses 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.

Summary Schedule of Revenues and Expenses

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Tuition and Fees	\$ 7,368,142	\$ 6,472,341	\$ 6,025,927
Less: Scholarships	<u>(4,691,355)</u>	<u>(4,035,679)</u>	<u>(3,539,825)</u>
	2,676,787	2,436,662	2,486,102
Federal, State and Private Grants	7,171,109	4,794,831	5,083,604
Athletic Track	295,209	82,908	770,185
Other Revenue	<u>602,381</u>	<u>423,845</u>	<u>141,070</u>
Total Operating Revenues	10,745,486	7,738,246	8,480,961
Operating Expenses:	<u>(36,331,665)</u>	<u>(36,422,834)</u>	<u>(32,003,473)</u>
Operating Loss:	<u>(25,611,597)</u>	<u>(28,684,588)</u>	<u>(23,522,512)</u>

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Management's Discussion and Analysis - Continued
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Summary Schedule of Revenues and Expenses (continued)

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Loss:	<u>(25,611,597)</u>	<u>(28,684,588)</u>	<u>(23,522,512)</u>
Non-Operating Revenues (Expenses):			
CARES Act Funds	3,810,676	6,867,561	691,166
State Appropriations, net	18,794,738	17,619,835	17,085,544
Other Income	280,010	235,253	278,891
Investment Return, net	-	200	200
Interest Expense	<u>(281,322)</u>	<u>(267,319)</u>	<u>(278,403)</u>
Net Non-Operating Revenues	22,604,102	24,455,530	17,777,398
Loss Before Capital Appropriations:	<u>(2,982,077)</u>	<u>(4,229,058)</u>	<u>(5,745,114)</u>
Capital Appropriations:	<u>4,123,612</u>	<u>1,831,393</u>	<u>658,228</u>
Total Increase/(Decrease) in Net Position	<u>1,141,535</u>	<u>(2,397,665)</u>	<u>\$ (5,086,886)</u>

Loss from Operations

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. As such, the College incurred a loss from operations in fiscal years 2023, 2022, and 2021.

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

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.

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Management’s Discussion and Analysis - Continued
(Unaudited)

June 30, 2023, 2022 and 2021

Loss from Operations -Continued

Using the legislative appropriation, tuition, fees and other revenue, College administrators 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, 2023, 2022, and 2021. In accordance with generally accepted accounting principles, state appropriations are not included in operating revenue.

Schedule of Operating Revenues
For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating Revenues:			
Tuition and Fees, net	\$ 2,676,787	\$ 2,436,662	\$ 2,486,102
Federal Grants	3,985,808	3,081,226	2,758,820
State Grants	2,826,556	1,557,064	1,986,850
Private Grants	358,745	156,541	337,934
Athletic Track	295,209	82,908	770,185
Other Revenue	602,381	423,845	141,070
Total Operating Revenues	\$ 10,745,486	\$ 7,738,246	\$ 8,480,961

The method of classification in the table above is based primarily on the source of the funds. Consequently, tuition and fees that were paid through federal and state financial aid grants are included under federal and state grants. The total of all tuition and fees that were retained by the College for use in its operations, net of tuition remittance to the State of Massachusetts (including tuition and fees paid through federal and state financial aid grants) was \$ 7,368,142, \$6,472,341, and \$6,025,927, for FY’s 2023, 2022, and 2021, respectively. This is an indication that the College enrollment continues to improve year over year

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Management’s Discussion and Analysis - Continued
(Unaudited)

June 30, 2023, 2022 and 2021

Operating Revenues - continued

In total, federal grants amounted to \$3,985,808 while state grants totaled \$2,826,556 in fiscal year 2023. Financial aid grants were utilized to pay not only for tuition and fees but also for student books and federal work study wages. State grants were utilized to pay employee salaries, administrative expenses, consultants, students’ tuition, contracted services, and stipends.

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, 2023, 2022 and 2021 (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>2023</u>	<u>2022</u>	<u>2021</u>
Operating Expenses:			
Compensation and benefits	\$ 21,675,214	\$ 18,164,570	\$ 17,762,116
Supplies and services	9,429,434	8,297,983	8,129,013
Depreciation	4,344,722	4,086,566	3,960,075
Provision for legal contingency	-	-	2,062,318
Scholarships and fellowships	882,295	5,873,715	89,951
Total Operating Expenses	<u>\$ 36,331,665</u>	<u>\$ 36,422,834</u>	<u>\$ 32,003,473</u>

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

Changes in expenditures between fiscal year 2023 and fiscal year 2022 are as follows:

- Compensation and benefits saw a rise of \$3,510,644 or 19.33% during fiscal year 2023, driven by increased institutional support and services.
- Supplies and services experienced a \$1,131,451 increase, equivalent to 13.64%, in fiscal year 2023, also attributable to heightened institutional support and services.

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2023, 2022 and 2021

Operating Expenses - continued

- Depreciation expense went up by \$258,156 or 6.32% in fiscal year 2023.
- Scholarships and fellowships witnessed a decrease of \$4,991,420 in fiscal year 2023 due to reduced educational assistance, primarily from Cares funds.
- The total operating expenses decreased by \$91,169 or 0.25% in fiscal year 2023.

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*:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Instruction	\$ 7,905,485	\$ 7,311,173	\$ 7,050,022
Student services	4,709,345	3,357,571	3,036,914
Institutional support	7,992,291	6,124,089	6,442,982
Academic support	5,777,438	4,729,308	4,968,712
Scholarships and fellowships	882,295	5,873,715	89,954
Operation & maintenance of plant	2,765,197	3,072,229	2,383,506
Depreciation	4,344,722	4,086,566	3,960,075
Provision for legal contingency	-	-	2,062,318
Public service	1,954,892	1,868,183	2,008,990
	<u>\$ 36,331,665</u>	<u>\$ 36,422,834</u>	<u>\$ 32,003,473</u>
Total Operating Expenses	<u>\$ 36,331,665</u>	<u>\$ 36,422,834</u>	<u>\$ 32,003,473</u>

Large increases in Operating expenses were in Institutional support by \$1,868,202, Academic Support by \$1,048,130 Public Service by \$86,709, Student Services by \$1,351,774 and Instruction by \$594,321.

The largest decrease was in Scholarships and fellowships by \$4,991,420 as the college obtained only the remaining Cares funds of \$882,295 in 2023.

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Management’s Discussion and Analysis - Continued
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The reduction of \$307,032 in plant operation and maintenance costs can be ascribed to the efficiency improvements from the previous period.

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 2018 is to be viewed as the base from which to measure the College’s financial performance in subsequent years.

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 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
-7.64%	-1.02%	-3.8%	+2.04%	-6.72%	-14.43%

The College’s Primary Reserve Ratio in FY 2023 was -7.64% as compared to -1.02% in 2022 resulting in an increase of 6.62%. The increase in 2023 is primarily due to a substantial increase of \$2,420,682 in Unrestricted net position Prior to this provision, the primary reserve ratio in 2022 had increased 2.8%.

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Management’s Discussion and Analysis - Continued
(Unaudited)

June 30, 2023, 2022 and 2021

Financial Analysis - Continued

Strategic Ratios - continued

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

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

FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
1.89%	-3.82%	-7.51%	4.54%	7.46%	51.32%

The College achieved a positive Return on Net Position Ratio in FY 2023 of 1.89%; an increase of 5.71% over 2022., This increase can be attributed to the increase in enrollment; Federal, State and Private grants, HEERF funding of 3.8m and \$4.1 DCAMM capital appropriation.

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 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
3.39%	-7.39%	-19.17%	10.46%	16.15%	78.38%

In the fiscal year 2023, the college successfully increased the ratio to 3.39, signifying a return to positive operating activity. This is an increase of 10.78% over 2022. As with the Return on Net Position Ratio, the college’s Net Operating Revenues Ratio for FY 2018 and were very high because of significant capital funds invested by the State of Massachusetts to renovate facilities. Without capital funding, the college’s goal is to maintain a ratio of 3%.

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

June 30, 2023, 2022 and 2021

Financial Analysis – Continued

Strategic Ratios - continued

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

The College’s Viability Ratios are as follows:

FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
-34.35%	-4.39%	-13.72%	-6.55%	-19.97%	-39.68%

The College’s viability ratio in 2023 has increased by -29.96% to decreased to -34.33% as compared to the -Viability Ratio in FY 2022 of -4.4%., which was an improvement from the decrease of -13.7% in FY 2021, The decrease in 2023 was due to the College's investment in capital assets and this capital investment resulted in the decrease in the expendable net position as compared to 2022. In 2021 , the decrease of -13.72% was caused by the provision for legal expense described in the notes to the financials.

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, 2022, Roxbury Community College had investments in capital assets of \$72,828,957 (net of accumulated depreciation of \$64,452,132). Investments in capital assets include land,

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

June 30, 2023, 2022 and 2021

Financial Analysis – Continued

Capital Assets - continued

buildings including improvements, furnishings and equipment, including the cost of capital leases and educational resource materials. Depreciation expense for these capital assets totaled \$4,117,044, \$4,086,566, and \$3,960,075, in fiscal years 2023, 2022, and 2021, respectively.

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

More recently, the Government Accounting Standards Board (GASB) issued Statement 96 - Subscription-Based Information Technology Arrangements (SBITA), applicable for yearend June 30, 2023. As part of the college being required to implement GASB 96, right of use of assets (“Leased Assets”) are recorded within the financial statements under capital assets. These leased assets represent the college’s authority (right) to utilize a leased item over the duration of an agreed-upon lease term with another entity or vendor and are subject to straight line amortization over the term of the lease. The total remaining unamortized SBITA at June 30, 2023 was \$664,060. The following schedule details the capital assets:

Schedule of Capital Assets at June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Land	\$ 312,000	\$ 312,000	\$ 312,000
Construction in progress	507,113	507,113	829,017
Building and improvement	127,863,619	123,089,227	122,306,977
Furnishings and equipment	6,879,142	4,660,591	4,660,591
Automobile	97,463		
Software arrangements	891,738		
Educational Resource Materials	730,014	730,014	730,014
Total	<u>137,281,089</u>	<u>129,298,945</u>	<u>128,838,599</u>
Less: accumulated depreciation	<u>(64,452,132)</u>	<u>(60,107,410)</u>	<u>(56,020,844)</u>
Net capital assets	<u>\$ 72,828,957</u>	<u>\$ 69,191,535</u>	<u>\$ 72,817,755</u>

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

June 30, 2023, 2022 and 2021

Economic Factors that will Affect the Future

Massachusetts, overall, has continued to see declining enrollment for institutions of higher education. Due to the demographic changes and an increasingly diverse population in the Boston metropolitan area, the need for an affordable, culturally accessible education remains high. Moreover, economic development and workforce development issues in this region remain critically dependent upon higher education—especially the type of programs provided by community colleges. The increased demand for highly technical education, particularly in medical and health-related fields and smart building technology, which are highly concentrated in the Boston area, require that RCC maintains state-of-the art equipment, continues to develop new programs, and continues to upgrade the competencies of its faculty.

In 2018 RCC opened its new health sciences facility with simulation labs for nursing, radiology technology, anesthesiology technology and phlebotomy.

In response to advocacy from the building management industry, RCC has created the Center for Smart Building Technology to train the workforce needed to support the new energy control systems being used in today's buildings. RCC is committed to opening doors of opportunity for people of color to enter into these high paying jobs of the future.

During the spring of 2020 the state was hit with the spread of the COVID-19 virus causing the Governor to close all state and educational facilities. A phased reopening was established for the reopening of institutions of higher education. In October of 2020 with rising case numbers the Commonwealth halted the phased reopening plan. RCC moved all courses to remote learning with a small number of hybrid courses with limited on campus work mostly in the area of health sciences. The facilities remained closed to classroom instruction for the remainder of the fiscal year. In person classroom instruction resumed for the Fall of 2021. The administration of the College continues to monitor the situation and has made operational changes to ensure the continued success of the College and its students.

Public colleges in Massachusetts have weathered hard times in the past. The College needs to do all it can to make its operations as efficient and as cost effective as possible so that the student educational experience will not be compromised. Towards this end RCC has completed 22 energy conservation measures reducing its overall energy costs by 60%.

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

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Management's Discussion and Analysis - Continued
(Unaudited)

June 30, 2023, 2022 and 2021

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 Accounting and Finance
Roxbury Community College
1234 Columbus Avenue
Boston, Massachusetts

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

Statements of Net Position

June 30, 2023

Assets and Deferred Outflows of Resources

	College	Foundation
Current Assets:		
Cash and equivalents	\$ 2,590,089	\$ 1,138,784
Restricted cash and equivalents	-	204,002
Deposits held by State Treasurer	2,494,269	-
Cash held by State Treasurer	399,560	-
Accounts receivable, net	2,864,387	161,487
Financial aid receivable	17,768	-
Due from related party	126,905	-
Prepaid expenses	<u>212,560</u>	<u>1,400</u>
Total Current Assets	<u>8,705,538</u>	<u>1,505,673</u>
Non-Current Assets:		
Capital assets, net	72,828,957	-
Investments	<u>-</u>	<u>4,101,337</u>
Total Non-Current Assets	<u>72,828,957</u>	<u>4,101,337</u>
Total Assets	<u>81,534,495</u>	<u>5,607,010</u>
Deferred Outflows of Resources:		
Pension related, net	630,156	-
OPEB related, net	<u>1,182,412</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,812,568</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 83,347,063</u>	<u>\$ 5,607,010</u>

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

ROXBURY COMMUNITY COLLEGE
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Statements of Net Position

June 30, 2023

Liabilities, Deferred Inflows of Resources and Net Position

	College	Foundation
Current Liabilities:		
Accounts payable and accrued expenses	\$ 4,705,414	\$ 9,812
Accrued payroll	606,480	-
Accrued compensated absences	1,163,743	-
Due to related party	-	126,905
Accrued workers' compensation	28,278	-
Student deposits and unearned revenue	1,977,236	-
Provision for legal contingency	2,062,318	-
Current portion of SBITA liabilities	224,671	-
Current portion of note payable	<u>403,737</u>	<u>-</u>
Total Current Liabilities	<u>11,171,877</u>	<u>136,717</u>
Non-Current Liabilities:		
Accrued compensated absences	370,702	-
Accrued workers' compensation	212,439	-
Net pension liability	539,958	-
Net OPEB liability	679,532	-
Note payable, net of current portion	7,734,344	-
SBITA liabilities, net of current portion	<u>242,512</u>	<u>-</u>
Total Non-Current Liabilities	<u>9,779,487</u>	<u>-</u>
Total Liabilities	<u>20,951,364</u>	<u>136,717</u>
Deferred Inflows of Resources:		
Pension related, net	245,551	-
OPEB related, net	<u>721,907</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>967,458</u>	<u>-</u>
Net Position:		
Net investment in capital assets	64,223,693	-
Restricted:		
Expendable	790,369	3,597,916
Non-expendable	-	1,451,986
Unrestricted	<u>(3,585,821)</u>	<u>420,391</u>
Total Net Position	<u>61,428,241</u>	<u>5,470,293</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 83,347,063</u>	<u>\$ 5,607,010</u>

ROXBURY COMMUNITY COLLEGE
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Statements of Revenues and Expenses

For the Year Ended June 30, 2023

	<u>College</u>	<u>Foundation</u>
Operating Revenues:		
Tuition and fees	\$ 7,368,142	\$ -
Less: scholarships and fellowships	<u>(4,691,355)</u>	<u>-</u>
Net tuition and fees	2,676,787	-
Federal grants and contracts	3,985,808	-
State grants and contracts	2,826,556	-
Athletic track	295,209	-
Other	602,381	-
Private grants and contracts	358,745	-
Gifts and contributions	<u>-</u>	<u>2,688,168</u>
Total Operating Revenues	<u>10,745,486</u>	<u>2,688,168</u>
Operating Expenses:		
Institutional support	7,992,291	634,085
Instruction	7,905,485	-
Student services	4,709,345	-
Academic support	5,777,438	-
Operation and maintenance of plant	2,765,197	-
Scholarship and fellowships	882,295	-
Public support	1,954,892	-
Depreciation	<u>4,344,722</u>	<u>-</u>
Total Operating Expenses	<u>36,331,665</u>	<u>634,085</u>
Net Operating Income (Loss)	<u>(25,586,179)</u>	<u>2,054,083</u>
Non-Operating Revenues (Expenses):		
Federal grants	3,810,676	-
State appropriations, net	18,794,738	-
Interest expense	(281,322)	-
Other income	280,010	-
Investment return, net	<u>-</u>	<u>378,374</u>
Net Non-Operating Revenues	<u>22,604,102</u>	<u>378,374</u>
Change in Net Position Before Capital Appropriations	(2,982,077)	2,432,457
Capital Appropriations	<u>4,123,612</u>	<u>-</u>
Change in Net Position	\$ 1,141,535	\$ 2,432,457

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 Year Ended June 30, 2023

College					
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2022	\$ 60,661,476	\$ -	\$ 790,369	\$ (1,165,139)	\$ 60,286,706
Changes in net position	3,562,217	-	-	(2,420,682)	1,141,535
Balance, June 30, 2023	<u>\$ 64,223,693</u>	<u>\$ -</u>	<u>\$ 790,369</u>	<u>\$ (3,585,821)</u>	<u>\$ 61,428,241</u>
Foundation					
	Net Investment in Capital Assets	Restricted Nonexpendable	Restricted Expendable	Unrestricted	Total
Balance, June 30, 2022	\$ -	\$ 784,986	\$ 2,121,840	\$ 131,010	\$ 3,037,836
Changes in net position	-	667,000	1,476,076	289,381	2,432,457
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 1,451,986</u>	<u>\$ 3,597,916</u>	<u>\$ 420,391</u>	<u>\$ 5,470,293</u>

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

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

Statements of Cash Flows

For the Year Ended June 30 2023

Cash Flows from Operating Activities:	
Tuition and fees	\$ 1,859,519
Grants and contracts	7,171,109
Payments to suppliers	(7,604,536)
Payments to students	(882,295)
Payments to employees	(16,522,248)
Other operating revenues	<u>897,590</u>
Net Cash Applied to Operating Activities	<u>(15,080,861)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriations	14,186,011
State solar incentives	280,010
Federal grants	<u>3,810,676</u>
Net Cash Provided by Non-Capital Financing Activities	<u>18,276,697</u>
Cash Flows from Capital Financing Activities:	
Purchase of capital assets	(2,966,794)
Principal paid on SBITAs	(211,980)
Interest paid on SBITAs	(25,420)
Principal paid on capital debt	(391,978)
Interest paid on capital debt	<u>(255,902)</u>
Net Cash Provided by (Applied to) Capital Financing Activities	<u>(3,852,074)</u>
Cash Flows from Investing Activity:	
Interest and dividends on investments, net	<u>-</u>
Net Change in Cash and Equivalents	(656,238)
Cash and Equivalents, Beginning of Year	<u>6,140,156</u>
Cash and Equivalents, End of Year	<u>\$ 5,483,918</u>

ROXBURY COMMUNITY COLLEGE
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Statements of Cash Flows - Continued

For the Year Ended June 30 2023

**Reconciliation of Net Operating Loss to
Net Cash Applied to Operating Activities:**

Net operating loss	\$ (25,586,179)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	4,344,722
Fringe benefits provided by the State	4,608,727
Bad debts	(157,054)
Changes in assets and liabilities:	
Accounts receivable	(1,688,284)
Due from related party	(126,905)
Prepaid expense	(179,441)
Accounts payable and accrued expenses	2,431,990
Accrued payroll	(138,929)
Accrued compensated absences and workers' compensation	176,021
Student deposits and unearned revenue	1,028,070
Net pension activity	108,782
Net OPEB activity	97,619

Net Cash Applied to Operating Activities \$ (15,080,861)

**Reconciliation of Cash and Equivalents to
Cash and Equivalents, End of Year:**

Cash and equivalents	\$ 2,590,089
Cash held by State	399,560
Deposits held by State Treasurer	2,494,269

Cash and Equivalents, End of Year \$ 5,483,918

Non-Cash Transactions:

Capital appropriations	\$ 4,123,612
Fringe benefits provided by the State	\$ 4,608,727

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

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

Notes to the Financial Statements - Continued

June 30, 2023

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

Organization

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

The College is an agency of the Commonwealth of Massachusetts (the State or the Commonwealth). The accompanying financial statements reflect only the transactions of the College and its discretely presented component unit. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the College had been operated independently of the State.

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

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

Notes to the Financial Statements - Continued

June 30, 2023

Basis of Presentation and Accounting - continued

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

The College's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. 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 (the "Commonwealth"), net investment income, Commonwealth incentives for energy efficiency, 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 the College established in November 1983. The Roxbury Community College Foundation was established to provide financial assistance and support to the educational programs and development of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. As of June 30, 2023 the Foundation owes the College for \$126,905 for goods and services purchased on its behalf.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Basis of Presentation and Accounting - continued

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

Net Position

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

Net Investment in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those such assets or related debt are included in this component of net position.

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

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

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

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

Cash and Equivalents

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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Investments

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

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

Capital Assets

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

College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value, materially extend the life of, the asset 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.

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.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

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.

Workers' Compensation

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.

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 year-end. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2023. Upon retirement, these employees are entitled to receive payment for this accrued balance.

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.

Postemployment Benefits Other Than Pensions ("OPEB")

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

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

Notes to the Financial Statements - Continued

June 30, 2023

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 based on loss experience, known and inherent risks, and current economic conditions.

Student Tuition and Fees

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

Income Tax Status

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period.

Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension and OPEB liabilities.

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Notes to the Financial Statements - Continued

June 30, 2023

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (“COVID-19”) as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College’s operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds (“HEERF”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), and American Rescue Plan Act (“ARPA”). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the MSI can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The student aid award and the institutional award must be spent by June 30, 2023.

The College was awarded the following HEERF funds as of June 30, 2023:

	<u>Student Aid</u>	<u>Institutional</u>	
	<u>Award</u>	<u>Award</u>	<u>Total</u>
CARES	\$ 838,572	\$ 838,572	\$ 1,677,144
CRRSAA	838,572	2,980,878	3,819,450
ARPA	<u>3,357,720</u>	<u>3,348,946</u>	<u>6,706,666</u>
Total	<u>\$ 5,034,864</u>	<u>\$ 7,168,396</u>	<u>\$ 12,203,260</u>

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Notes to the Financial Statements - Continued

June 30, 2023

The College has recognized the following as non-operating Federal grants for the year ended June 30, 2023:

	Student Aid Award	Institutional Award	Total
CARES	\$ -	\$ -	\$ -
CRRSAA	-	-	-
ARPA	838,572	2,967,389	3,805,961
Total	\$ 838,572	\$ 2,967,389	\$ 3,805,961

As of June 30, 2023, the College has expended all available HEERF funding.

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

As of July 1, 2022, the College implemented GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right to use asset and liability for SBITAs.

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96 since the adjustment for the right to use assets - SBITAs of \$891,738 was completely offset by the adjustment for the SBITA liability of \$679,163 and prepaid expenses of \$212,575. The right of use assets and liability for SBITAs was previously \$0 as of July 1, 2022.

Note 3 - **Cash and Equivalents**

The carrying amount of the College's bank deposits and deposits in trust depositories are \$2,590,089, as compared to bank balances of \$2,975,147 at June 30, 2023. The differences between the carrying amount and the bank balances were attributed to deposits in transit and outstanding checks.

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Notes to the Financial Statements - Continued

June 30, 2023

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, 2023 are approximately \$2,700,000.

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

Accounts payable, accrued salaries, and facility maintenance to be funded from state-appropriated funds totaled \$399,560 at June 30, 2023. 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**

Financial Aid Receivable

The financial aid receivable represents financial aid awarded to students during the fiscal year not received from the Federal or State Governments as of June 30th of each year. Total amounts due as of June 30, 2023 were \$17,768.

Accounts Receivable

Accounts receivable are comprised of the following at June 30, 2023:

Student accounts receivable	\$ 7,908,747
Grants receivable	366,199
Other receivable	<u>93,934</u>
	8,368,880
Less: allowance for doubtful accounts	<u>(5,504,493)</u>
Total accounts receivable, net	<u>\$ 2,864,387</u>

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Notes to the Financial Statements - Continued

June 30, 2023

Note 6 - **Investments**

Investments of the Foundation

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

	<u>2023</u>
Mutual and exchange traded funds:	
Investment grade index fund	\$ 518,923
International equities	491,640
Emerging markets equities	281,817
Domestic equities	<u>2,808,957</u>
	<u>\$ 4,101,337</u>

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Please refer to the financial statements of the respective component unit for more information.

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June 30, 2023

Note 7 - **Capital Assets**

Capital asset activity for the year ended June 30, 2023 was as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Reclass	Ending Balance
Capital assets, not depreciated:					
Construction in progress	-	\$ 507,113	\$ -	\$ -	\$ 507,113
Land	-	<u>312,000</u>	<u>-</u>	<u>-</u>	<u>312,000</u>
Total not depreciated		<u>819,113</u>	<u>-</u>	<u>-</u>	<u>819,113</u>
Capital assets, depreciated:					
Buildings and improvements	20-40	123,089,227	4,774,392	-	127,863,619
Furnishings and equipment	5	4,614,123	2,265,019	-	6,879,142
Automobile	5	46,468	50,995	-	97,463
Software arrangements	4	891,738	-	-	891,738
Educational resource materials	5	<u>730,014</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total depreciable assets		<u>129,371,570</u>	<u>7,090,406</u>	<u>-</u>	<u>136,461,976</u>
Total capital assets		<u>130,190,683</u>	<u>7,090,406</u>	<u>-</u>	<u>137,281,089</u>
Less: accumulated depreciation:					
Buildings and improvements		55,427,011	3,966,659	-	59,393,670
Automobile		46,468	5,100	-	51,568
Furnishings and equipment		3,903,917	145,285	-	4,049,202
Software arrangements		-	227,678	-	227,678
Educational resource materials		<u>730,014</u>	<u>-</u>	<u>-</u>	<u>730,014</u>
Total accumulated depreciation		<u>60,107,410</u>	<u>4,344,722</u>	<u>-</u>	<u>64,452,132</u>
Capital assets, net		<u>\$ 70,083,273</u>	<u>\$ 2,745,684</u>	<u>\$ -</u>	<u>\$ 72,828,957</u>

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June 30, 2023

Note 8 - **Long-Term Liabilities**

Long-term liabilities consist of the following at June 30, 2023:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Note payable	\$ 8,530,059	\$ -	\$ 391,978	\$ 8,138,081	\$ 403,737
Other long-term liabilities:					
SBITAs liability	679,163	-	211,980	467,183	224,671
Compensated absences	1,385,995	148,450	-	1,534,445	1,163,743
Workers' compensation	213,146	27,571	-	240,717	28,278
Net pension liability	-	539,958	-	539,958	-
Net OPEB liability	<u>-</u>	<u>679,532</u>	<u>-</u>	<u>679,532</u>	<u>-</u>
Total other long-term liabilities	<u>2,278,304</u>	<u>1,395,511</u>	<u>211,980</u>	<u>3,461,835</u>	<u>1,416,692</u>
Total Long-term liabilities	<u>\$ 10,808,363</u>	<u>\$ 1,395,511</u>	<u>\$ 603,958</u>	<u>\$ 11,599,916</u>	<u>\$ 1,820,429</u>

Notes Payable

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

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Notes to the Financial Statements - Continued

June 30, 2023

Maturities of principal and interest subsequent to June 30, 2023 are as follows:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	403,737	244,142
2025	415,849	232,030
2026	428,325	219,555
2027	441,174	206,705
2028	454,410	193,470
2029-2033	2,484,898	754,499
2034-2038	2,880,679	358,719
2039	<u>629,010</u>	<u>18,870</u>
	<u>\$ 8,138,082</u>	<u>\$ 2,227,991</u>

Note 9 - **Subscription-Based Information Technology Arrangements**

The College has entered into subscription-based information technology arrangements (SBITAs) involving its financial management software and document management software.

The financial management software arrangement is a five-year agreement, initiated in fiscal year 2021 with an annual payment that ranges from \$179,000 to \$201,500. The College has used a 3.9% discount rate for this arrangement based on the estimated incremental borrowing rate for a five year note at adoption of the SBITA accounting pronouncement to determine the present value of the SBITA liability. There is no option to purchase the software. The College did not make payments for this arrangement other than the payment for the year ended June 30, 2023.

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Notes to the Financial Statements - Continued

June 30, 2023

The document management software arrangement is a five-year agreement, initiated in fiscal year 2021 with annual payments of \$47,500. The College has used a 3.9% discount rate for this arrangement based on the estimated incremental borrowing rate for a five year note at adoption of the SBITA accounting pronouncement to determine the present value of the SBITA liability. There is no option to purchase the software. The College did not make payments for this arrangement other than the payment for the year ended June 30, 2023.

At June 30, 2023, the total amounts of the SBITA right of use assets and accumulated amortization for SBITAs were \$891,738 and \$227,678, respectively.

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2023 are as follows:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 224,671	\$ 16,967
2025	<u>242,512</u>	<u>7,950</u>
	<u>\$ 467,183</u>	<u>\$ 24,917</u>

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. The College held \$790,369 of restricted-expendable net assets at June 30, 2023.

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.

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Notes to the Financial Statements - Continued

June 30, 2023

Note 11 - **Operating Expenses**

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

Compensation and benefits	\$ 21,868,794
Supplies and services	9,235,854
Depreciation	4,344,722
Scholarships and fellowships	<u>882,295</u>
	<u>\$ 36,331,665</u>

Note 12 - **Pensions**

Defined Benefit Plan Description

Certain employees of the College participate in a cost-sharing, multiple-employer defined benefit pension plan - the Massachusetts State Employees' Retirement System - administered by the Massachusetts State Board of Retirement (the "Board"), which is a public employee retirement system ("PERS"). 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 stand-alone financial statements. Additional information regarding the plan is contained in the Commonwealth's financial statements, which are available online from the Office of State Comptroller's website.

Benefit Provisions

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

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June 30, 2023

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

Contributions

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$1,948,500, \$1,712,652, and \$1,546,888 for the years ended June 30, 2023, 2022, and 2021 respectively.

For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.70%, 16.11% and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The College contributed \$25,178, \$54,636, and \$0 for the fiscal years ended June 30, 2023, 2022, and 2021, respectively, equal to 100% of the required contributions for each year.

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Notes to the Financial Statements - Continued

June 30, 2023

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the College reported a liability of \$539,958 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, 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, 2022 rolled forward to June 30, 2022.

The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2023. The College's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023 relative to total contributions of all participating employers for the fiscal years. At June 30, 2023, the College's proportion was 0.004%.

For the year ended June 30, 2023, the College recognized pension expense of \$133,960. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

<u>Deferred Outflows of Resources related to Pension</u>	
Contributions subsequent to measurement date	\$ 25,178
Differences between expected and actual experience	13,432
Changes in proportion from Commonwealth	37
Changes in plan actuarial assumptions	14,866
Changes in proportion due to internal allocation	<u>576,643</u>
	<u>\$ 630,156</u>

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Notes to the Financial Statements - Continued

June 30, 2023

*Pension Liabilities, Pension Expense and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions – continued*

Deferred Inflows of Resources Related to Pension

Differences between expected and actual	
investments earnings	\$ 2,879
Differences between expected and actual experience	21,075
Changes in proportion from Commonwealth	1,461
Changes in proportion due to internal allocation	<u>220,136</u>
	<u>\$ 245,551</u>

The College's contributions of \$25,178 made during the fiscal year ending 2023, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding year.

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

Fiscal Years	
<u>Ending June 30,</u>	
2024	\$ 85,791
2025	76,379
2026	59,408
2027	113,075
2028	<u>24,774</u>
	<u>\$ 359,427</u>

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Notes to the Financial Statements - Continued

June 30, 2023

Actuarial Assumptions

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

Measurement date	June 30, 2022
Inflation on the first \$13,000 of allowance	2.5%
Salary increases	4.00% to 9.00%
Investment rate of return	7.00%
Interest rate credited to annuity savings fund	3.50%

For measurement date June 30, 2021, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 set forward 1 year for females.
- Disability - reflects the post-retirement mortality described above, set forward 1 year.

Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2021 through 2020 for post-retirement mortality.

The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 and rolled forward to June 30, 2022.

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Notes to the Financial Statements - Continued

June 30, 2023

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, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.0%	4.2%
Portfolio Completion Strategies	15.0%	5.0%
Core Fixed Income	15.0%	7.3%
Private Equity	10.0%	2.7%
Real Estate	10.0%	3.3%
Value Added Fixed Income	8.0%	3.7%
Timberland/Natural Resources	4.0%	3.9%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2023. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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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 at June 30, 2022:

1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
\$ 744,725	\$ 539,958	\$ 366,695

Note 13 - **Other Postemployment Benefits (“OPEB”)**

Plan Description

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

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

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

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June 30, 2023

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

Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2023, and as of the valuation date (January 1, 2022), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.28% of annual covered payroll for the fiscal year ended June 30, 2023. The College contributed \$10,973 for the fiscal year ended June 30, 2023 equal to 100% of the required contribution for the year.

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

At June 30, 2023, the College reported a liability of \$679,532 for its proportionate share of the net OPEB liability related to its participation in SRBT.

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial

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June 30, 2023

valuation as of January 1, 2022. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2022. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the College's proportion was .005%.

For the year ended June 30, 2023, the College recognized OPEB expense of \$116,688.

The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2023:

Deferred Outflows of Resources Related to OPEB

Difference between projected and actual earnings on OPEB plan investments	\$ 1,033
Contributions subsequent to measurement date	10,973
Differences between expected and actual experience	12,509
Changes in proportion from Commonwealth	312
Changes in plan actuarial assumptions	50,050
Changes in proportion due to internal allocation	<u>1,107,535</u>
	<u>\$ 1,182,412</u>

Deferred Inflows of Resources Related to OPEB

Differences between expected and actual experience	\$ 112,504
Changes in OPEB plan actuarial assumptions	245,937
Changes in proportion from Commonwealth	3,356
Changes in proportion due to internal allocation	<u>360,110</u>
	<u>\$ 721,907</u>

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June 30, 2023

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

The College's contributions of \$10,973 made during the fiscal year 2023, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the succeeding year. No contributions were made subsequent to the measurement date in the fiscal year 2022.

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

Years Ending	
<u>June 30,</u>	
2024	\$ 101,004
2025	102,038
2026	105,959
2027	110,539
2028	<u>29,992</u>
	<u>\$ 449,532</u>

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Notes to the Financial Statements - Continued

June 30, 2023

Actuarial Assumptions

The total OPEB liability for 2023 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2022
Inflation	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2022_f4. Medicare and non-medicare benefits range from 5.00% to 7.60%.

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year.

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Notes to the Financial Statements - Continued

June 30, 2023

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	28.0%	96.0%
POS/PPO	62.0%	0.0%
HMO	12.0%	4.0%

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study for the periods ranging July 1, 2020 through December 31, 2021, depending upon the criteria being evaluated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2023, are the same as discussed in the pension footnote.

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Discount Rate

The discount rate used to measure the total OPEB liability for 2023 was 4.30%. This rate was based on a blend of the Bond Buyer Index rate (3.54%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date," when projected benefits are not covered by projected assets, is 2042 for the fiscal year 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

1.00% Decrease	Current	1.00% Increase
3.30%	Discount Rate	5.30%
3.30%	4.30%	5.30%
\$ 792,747	\$ 679,532	\$ 586,534

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Note 12 - **Other Postemployment Benefits (“OPEB”) - Continued**

Sensitivity of the College’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates.

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

1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
(B)	(A)	(C)
\$ 569,642	\$ 679,532	\$ 818,639

- (A) - Current healthcare cost trend rate, as disclosed in the actuarial assumptions
- (B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed in the actuarial assumptions
- (C) - 1-percentage increase in current healthcare cost trend rate, as disclosed in the actuarial assumptions

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Note 14 - **Fringe Benefits Provided by State**

Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and postemployment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance for active employees and retirees is paid through a fringe benefit rate charged to the College by the Commonwealth.

Group Insurance Commission

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2020 and 2019, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax healthcare spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Insurance

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

Note 15 - **Massachusetts Management Accounting and Reporting System**

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

Direct unrestricted appropriations	\$ 14,186,011
Add: Fringe benefits for employees on the state payroll	<u>4,608,727</u>
Total unrestricted appropriations	18,794,738
Capital appropriations	<u>4,123,612</u>
Total Appropriations	<u>\$ 22,918,350</u>

No timing differences occurred where the College had additional revenue that was reported to Massachusetts Management Accounting and Reporting System after June 30, 2023 (unaudited).

As of June 30, 2023 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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Educational Audited Financial Statements*.

Note 16 - **Contingencies**

Provision for Legal Contingency

In December 2021, a former employee was awarded approximately \$2,062,000 in a lawsuit against the College for wrongful termination. This decision was recognized as a liability at June 30, 2021. The College is currently appealing the decision. The College also has the option to submit the claim for reimbursement from the Commonwealth of Massachusetts' settlement and judgment's account ("account"). Management believes that the claim is eligible to be fully reimbursed by the account. However, it is not assured that the College will be reimbursed for the claim until it is approved by the Commonwealth of Massachusetts. As of the date of the financial statements, the College has not submitted the claim for reimbursement.

Various lawsuits are currently pending or threatened against the College for wrongful termination. These claims are in the early the stages of litigation. Management is vigorously fighting these claims. In the opinion of management, these claims would not materially affect the College's financial position.

Prepaid Tuition Savings Plan

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

ROXBURY COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2023

Grants

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the College. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Massachusetts State Employees' Retirement System

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2022	January 1, 2021	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.004%	0.000%	0.002%	0.000%	0.000%	0.000%	0.001%	0.005%	0.015%
Proportionate share of the collective net pension liability	\$ 539,958	\$ -	\$ 424,317	\$ 25,688	\$ 637	\$ -	\$ 131,366	\$ 578,384	\$ 1,129,044
College's covered payroll	\$ 339,143	\$ -	\$ 189,808	\$ 14,494	\$ 375	\$ -	\$ 72,368	\$ 306,167	\$ 1,128,071
College's proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	128.61%	223.55%	177.23%	170.09%	0.00%	181.52%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

ROXBURY COMMUNITY COLLEGE
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Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 25,178	\$ 54,636	\$ -	\$ 26,725	\$ 1,748	\$ 44	\$ -	\$ 6,841	\$ 31,811
Contributions in relation to the contractually required contribution	<u>(25,178)</u>	<u>(54,636)</u>	<u>-</u>	<u>(26,725)</u>	<u>(1,748)</u>	<u>(44)</u>	<u>-</u>	<u>(6,841)</u>	<u>(31,811)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 150,766	\$ 339,143	\$ -	\$ 189,808	\$ 14,494	\$ 375	\$ -	\$ 72,368	\$ 306,167
Contribution as a percentage of covered payroll	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2023

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

Measurement date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females.
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females.
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement date – June 30, 2020

The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2019

The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2018

The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

- Disabled members – the amount reflects the same assumptions as for superannuation retirees, but with an age set forward of one year

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

June 30, 2023

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Disability – did not change

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0%, depending on group and length of service, to a range of 4.0% to 9.0%, depending on group and length of service.

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

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

June 30, 2023

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

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%.

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive (“ERI”) for certain members of SERS who, upon election of the ERI, retired effective June 30, 2015. As a result, the total pension liability of SERS increased by approximately \$230 million as of June 30, 2015.

The mortality rates were changed as follows:

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

ROXBURY COMMUNITY COLLEGE
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Schedules of Proportionate Share of the Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.005%	0.000%	0.003%	0.000%	0.000%	0.000%
Proportionate share of the collective net OPEB liability	\$ 679,532	\$ -	\$ 545,996	\$ 48,440	\$ 1,108	\$ -
College's covered payroll	\$ 339,145	\$ -	\$ 189,808	\$ 14,494	\$ 375	\$ -
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.21%	295.85%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.40%	6.96%	7.38%	4.80%

Notes:

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

See accompanying notes to the required supplementary information.

ROXBURY COMMUNITY COLLEGE
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Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 10,973	\$ 25,947	\$ -	\$ 13,844	\$ 1,275	\$ 33
Contributions in relation to the statutorily required contribution	<u>10,973</u>	<u>25,947</u>	<u>-</u>	<u>13,844</u>	<u>1,275</u>	<u>33</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 150,766	\$ 339,145	\$ -	\$ 189,808	\$ 14,494	\$ 375
Contribution as a percentage of covered payroll	7.28%	7.65%	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

June 30, 2023

Note 1 - **Changes in Plan Assumptions**

Fiscal year June 30, 2023

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2022_f4. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate

The discount rate was increased to 4.00% (based upon a blend of the Bond Buyer Index rate (3.54%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated to reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2021_b. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Investment Rate

The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates

The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate

The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

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

June 30, 2023

Note 1 - **Changes in Plan Assumptions - Continued**

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 20920_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax.

Change in Investment Rate

The investment rate of return decreased from 7.25% to 7.15%.

Change in Salary Scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS.

Change in Discount Rate

The discount rate was decreased to 2.28% (based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

The investment rate of return decreased from 7.35% to 7.25%.

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

June 30, 2023

Note 1 - **Changes in Plan Assumptions - Continued**

Change in Trend on Future Costs

The original healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

Change in Discount Rate

The discount rate was decreased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.51%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.5% to 8.0%, which impacted the high cost excise tax.

Change in Mortality Rates

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members – would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year

Change in Discount Rate

The discount rate was increased to 3.95% (based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

The discount rate was increased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

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

INDEPENDENT AUDITOR'S REPORT 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:

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"), and its discretely presented major component unit, as of and for the years ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated May 17, 2024.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control, described below as items 2023-001 and 2023-002 that we consider to be a material weaknesses.

The College's response to the findings identified in our audit is described below. *Government Auditing Standards* requires the auditor to perform limited procedures on the College's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Current Year Findings

Finding 2023-001

Criteria

Internal controls should be in place to provide reasonable assurance that the College's trial balance provided to the auditors was accurate and provided on a timely basis.

Condition

The initial trial balance provided to the auditors was not accurate and needed a number of adjustments for the financial statements to be in compliance with generally accepted accounting principles.

Cause

Financial year-end procedures were not in place to ensure that the trial balance provided to the auditors was accurate and provided on a timely basis.

Effect

Significant adjustments were required on the initial trial balance provided to the auditors which increases the risk that the financial statements could be materially misstated.

Recommendation:

We recommend that the College update year-end procedures to ensure that a trial balance can be provided to the auditors that is accurate and provided on a timely basis.

Management Response:

The College will add additional year-end review procedures to ensure greater accuracy to it's trial balance.

Finding 2023-002

Criteria

Internal controls should be in place to provide reasonable assurance that the College's maintains proper employment documentation, including but not limited to; Forms W-4s and I-9s, and employee payrates. The College should also have internal controls surrounding the verification and appropriateness of employee's bi-weekly compensation.

Condition

The College was unable to provide the employment documentation and supporting documents mentioned above for 33 of the 40 employees selected for internal control testing as part of this audit.

Cause

Processes and procedures were not in place to ensure that appropriate documents were retained by the College in accordance with the College's policies, applicable laws, and regulations

Effect

The College has exposure to fines and penalties for non-compliance with Federal and State documentation laws and regulations. In addition, the College does not have proper controls over it's payroll recording and approval process.

Recommendation:

We recommend that the College work to ensure employee documentation is properly retained in accordance with College policies and procedures and employment laws.

Management Response:

The College will develop procedures to ensure all current employee's required information is obtained and properly retained. The College has hired and trained additional human resource personnel to address matter and has implemented additional procedures to ensure maintaining of proper employee documentation.

Prior Year Findings

Finding 2022-001

Condition

The initial trial balance provided to the auditors was not accurate and needed significant adjustments for the financial statements to be in compliance with generally accepted accounting principles.

Current Year Update on the finding from June 30, 2022

This finding has not been resolved. See Finding 2023-001.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



May 17, 2024