

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

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

JUNE 30, 2017



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

Financial Statements

June 30, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Massasoit Community College
Brockton, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 -14, the schedules of proportionate share of net pension liability on page 46, the schedules of contributions on page 47 and the notes to the required supplementary information on page 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2017

MASSASOIT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2017, 2016 and 2015

The following discussion and analysis provides management's view of the financial position of Massasoit Community College (the "College") as of June 30, 2017, 2016 and 2015, and the results of operations for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto which are also presented in this document.

Massasoit Community College is a comprehensive public two-year institution of higher learning with approximately 7,500 students, 122 full-time and 603 part-time faculty members on campuses in Brockton, Canton, and Middleborough, Massachusetts. The College offers associate degree programs in arts, sciences, and applied sciences, one-year and short-term certificates for a range of occupations and interests, and contributes to its service area through community education, workforce development, theater and conference event programs.

Financial Highlights

At June 30, 2017, 2016 and 2015, the College's assets and deferred outflows were \$65,510,715, \$61,479,779 and \$57,803,790, and its liabilities and deferred inflows were \$34,078,982, \$33,494,787, and \$28,524,476, respectively. The resulting net position is summarized into the following categories:

	June 30		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net investment in capital assets	\$ 29,190,750	\$ 26,032,257	\$ 24,909,706
Restricted, expendable	385,304	586,630	1,354,030
Unrestricted	<u>1,855,679</u>	<u>1,366,105</u>	<u>3,015,578</u>
Total net position	<u>\$ 31,431,733</u>	<u>\$ 27,984,992</u>	<u>\$ 29,279,314</u>

The Primary Reserve Ratio provides a snapshot of financial strength and flexibility by indicating how long the institution can operate using available expendable reserves without relying on additional new assets generated by operations. The Primary Reserve Ratio for fiscal years 2017, 2016 and 2015 was 4.3%, 4.1% and 7.4%, respectively.

The Return on Net Position Ratio determines whether an institution has financially improved since the previous year by measuring total economic return. This ratio has increased this fiscal year to 12.1%, from (3.9)% in fiscal year 2016, and (0)% in fiscal year 2015.

The Net Operating Revenue Ratio indicates whether total operating activities result in a surplus or a deficit. The net operating revenue ratio was .8%, (2.1)%, and (.3)%, respectively, for the years ended June 30, 2017, 2016, 2015.

MASSASOIT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

The Viability Ratio measures the availability of expendable net position to cover debt. This ratio for fiscal year 2017, 2016 and 2015 was 44.1%, 36.8% and 63.0%, respectively.

Overall, the College's operating revenues grew by approximately \$1.7 million or 3.6%; this growth can be greatly attributed to the Department of Labor Trade Adjustment Assistance Community College and Career Training ("TAACCCT") grant's third year of revenues. Revenues from tuition and fees increased by approximately \$140,000 or .5%. The College's investment portfolio yielded a net gain of approximately \$1,196,000. Operating expenditures increased by 4.2%. This increase is also attributed to the TAACCCT grant expenditures, as the College is the lead institution for this grant, as well as recording pension expense in accordance with GASB 68.

Overview of the Financial Statements

Massasoit Community College's financial statements are comprised of two primary components: 1) the financial statements and 2) the notes to the financial statements.

The Financial Statements – The financial statements are designed to provide readers with a broad overview of Massasoit Community College's finances and are comprised of three basic statements.

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. Previously, financial statements focused on individual fund groups rather than on the College as a whole. A description of the financial statements follows:

The *Statements of Net Position* presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating. GASB 39, adopted as of July 1, 2003 requires the Foundation's net position be included in the College's Statements of Net Position.

The *Statements of Revenues, Expenses, and Changes in Net Position* presents information showing how the College's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the payment for the accrued compensated absences, or the receipt of amounts due from students and others for services rendered). GASB 39 requires the Foundation's revenues and expenditures are included in the College's Statements of Revenues, Expenses and Changes in Net Position.

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

June 30, 2017, 2016 and 2015

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.) The Governmental Accounting Standards Board ("GASB") Statements 34 and 35 require this method to be used. In accordance with GASB 39, the Foundation is not required to present the Statements of Cash Flows.

The financial statements can be found on pages 15-17 of this report.

The College reports its activity as a business-type activity using the economic resources measurement focus and full accrual basis of accounting. The College is a part of the Commonwealth of Massachusetts (the "Commonwealth"). Therefore, the results of the College's operations, its net position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 18-45 of this report.

Financial Analysis of the College

As noted earlier, net position may serve over time as a useful indicator of Massasoit Community College's financial position. In the case of the College, assets and deferred outflows exceeded liabilities and deferred inflows as of June 30, 2017, 2016, and 2015 by \$31,431,733, \$27,984,992 and \$29,279,314, respectively.

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

June 30, 2017, 2016 and 2015

Condensed Statements of Net Position

		June 30	
	2017	2016	2015
Assets and Deferred Outflows of Resources:			
Current Assets	\$ 11,965,142	\$ 11,819,875	\$ 12,984,046
Non-current Assets	48,062,382	44,079,856	43,357,750
Deferred Outflows of Resources	<u>5,483,191</u>	<u>5,580,048</u>	<u>1,461,994</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 65,510,715</u>	<u>\$ 61,479,779</u>	<u>\$ 57,803,790</u>
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	\$ 11,814,033	\$ 11,984,178	\$ 12,226,471
Non-current Liabilities	20,992,395	21,157,608	15,124,064
Deferred Inflows of Resources	<u>1,272,554</u>	<u>353,001</u>	<u>1,173,941</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 34,078,982</u>	<u>\$ 33,494,787</u>	<u>\$ 28,524,476</u>
Net Position:			
Net investment in capital assets	\$ 29,190,750	\$ 26,032,257	\$ 24,909,706
Restricted-expendable	385,304	586,630	1,354,030
Unrestricted	<u>1,855,679</u>	<u>1,366,105</u>	<u>3,015,578</u>
Total Net Position	<u>\$ 31,431,733</u>	<u>\$ 27,984,992</u>	<u>\$ 29,279,314</u>

By far the largest portion of Massasoit Community College's net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt, including capital leases, used to acquire those assets that are still outstanding. Massasoit Community College uses these capital assets to provide services to students, faculty and administration; consequently, these assets are *not* available for future spending. Although Massasoit Community College's investment in its capital assets is reported net of related debt and accumulated depreciation, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The College has a capital reserve fund for future repair and replacement of capital assets and in recent years has added to the capital reserve with available funds after year-end.

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

June 30, 2017, 2016 and 2015

Condensed Statements of Revenues and Expenses

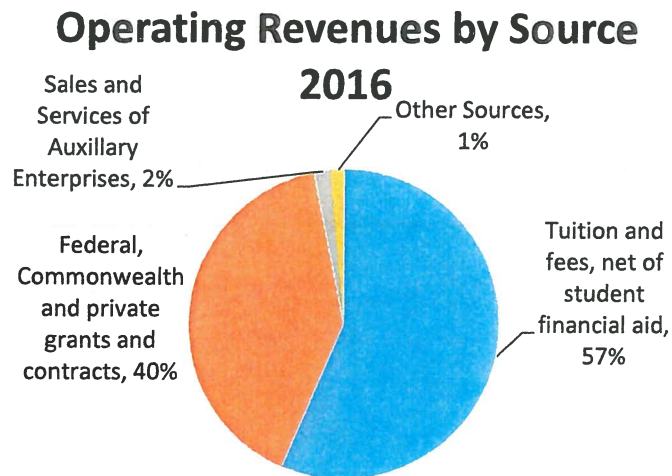
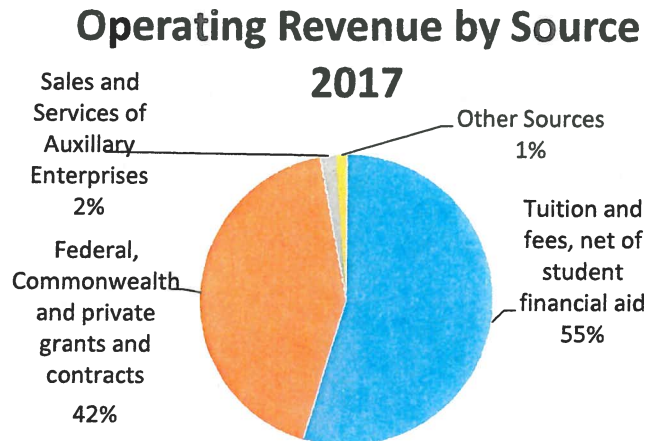
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating Revenues:			
Tuition and fees, net	\$ 27,446,266	\$ 27,399,220	\$ 27,035,313
Operating grants and contracts	21,271,376	19,531,866	16,570,297
Other	1,511,235	1,549,126	1,542,858
Total Operating Revenues	<u>50,228,877</u>	<u>48,480,212</u>	<u>45,148,468</u>
Operating Expenses	<u>78,985,739</u>	<u>75,798,127</u>	<u>71,360,679</u>
Net Operating Loss	<u>(28,756,862)</u>	<u>(27,317,915)</u>	<u>(26,212,211)</u>
Non-Operating Revenues (Expenses):			
State appropriations, net	28,396,841	26,086,637	26,025,242
Other	849,828	(402,798)	(28,330)
Total Non-Operating Revenues	<u>29,246,669</u>	<u>25,683,839</u>	<u>25,996,912</u>
Income (Loss) Before Capital Appropriations	489,807	(1,634,076)	(215,299)
Capital Appropriations	<u>2,956,934</u>	<u>339,754</u>	<u>185,760</u>
Increase (Decrease) in Net Position	<u>\$ 3,446,741</u>	<u>\$ (1,294,322)</u>	<u>\$ (29,539)</u>

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

Massasoit Community College – Operating Revenues by Source



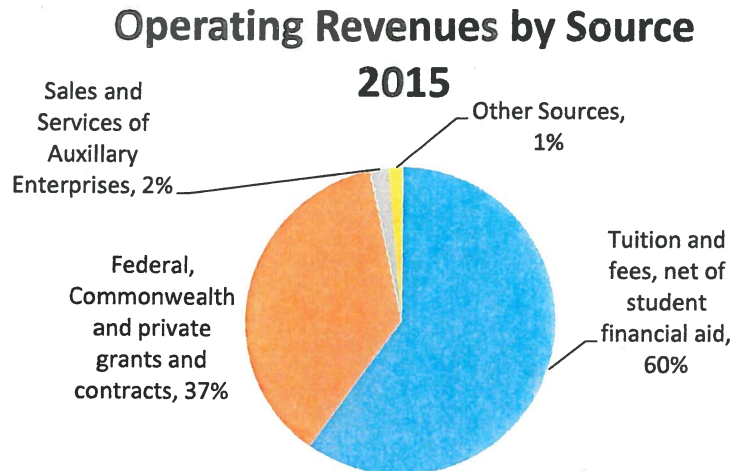
MASSASOIT COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

Massasoit Community College – Operating Revenues by Source – Continued



Tuition and fees earned by Massasoit Community College included the following for the years ended June 30:

Tuition	\$ 5,124,842	\$ 5,175,585	\$ 5,037,789
General college fees	22,721,917	22,463,437	22,046,589
Technology fees	1,119,012	1,162,736	1,203,956
Course fees	484,541	487,324	465,803
Other tuition and fees	<u>744,186</u>	<u>765,439</u>	<u>886,241</u>
	<u>\$ 30,194,498</u>	<u>\$ 30,054,521</u>	<u>\$ 29,640,378</u>

Highlights of operating revenue activity for the year include:

- Tuition and fees increased by approximately \$140,000, in total, compared to the previous year. There was an \$8 increase in the College Fee for this fiscal year.
- An increase of \$894,352 or 5% in Federal, Commonwealth, local, private grants and contracts is directly attributable to the DOL's TAACCCT grant as grant activities have increased this fiscal year. Massasoit Community College is the lead institution on this grant.
- State Grants and Contracts increased \$958,699 in fiscal year 2017. Two additional grants for the MA Skills Vet Tech Lab Grant and the MA Skills Engineering Grant contributed to this increase in FY17.
- An unrealized gain of \$1,196,274 in investment income during the year ended June 30, 2017 was due to the favorable market conditions during the current year increasing the market value of the portfolio to \$11 million at fiscal year-end.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

Major grants and contracts received by Massasoit Community College for the year included the following:

- Two Adult Basic Education grants received \$264,640, in total. The previous fiscal year's amount was \$279,595. This represents an decrease of \$14,955.
- Two Federal Perkins Vocational and Technical Education grants received \$233,052. The previous fiscal year's Perkins grant amount was \$247,497. This represents a decrease in funding of \$14,445.
- A Federal TRIO grant received \$235,562 from the U.S. Department of Education. The previous fiscal year's amount was \$260,891. This represents a decrease of \$24,329 in federal funding.
- A Gateway to College Program brought in \$711,129 compared to \$683,715 last year. This is an increase of \$27,414. The Gateway to College Grant has become a self-sustaining program.
- Massasoit received the TAACCCT grant which Massasoit Community College is the lead institution. The grant had reimbursable expenses of \$5,364,730 in FY 16 and \$7,516.375 in FY17.
- The College received a Title III Grant – Project STARS authorized for \$2 million; the funding this year was \$410,292.
- The College received two awards for the STEM Starter Academy Grant receiving a total of \$282,376 for the fiscal year.
- The College also received a MA Skills Vet Tech Lab Grant in the amount of \$432,736 and a MA Sills Engineering Grant for \$408,014 in support of the Engineering Lab renovations and the Vet Tech Lab.
- Other grants that received funding during this fiscal year included Workforce Training Grant for \$49,978 Dual Enrollment Grant for \$30,750, MAICEI grant for \$14,676, Department of Developmental Services for \$36,035.

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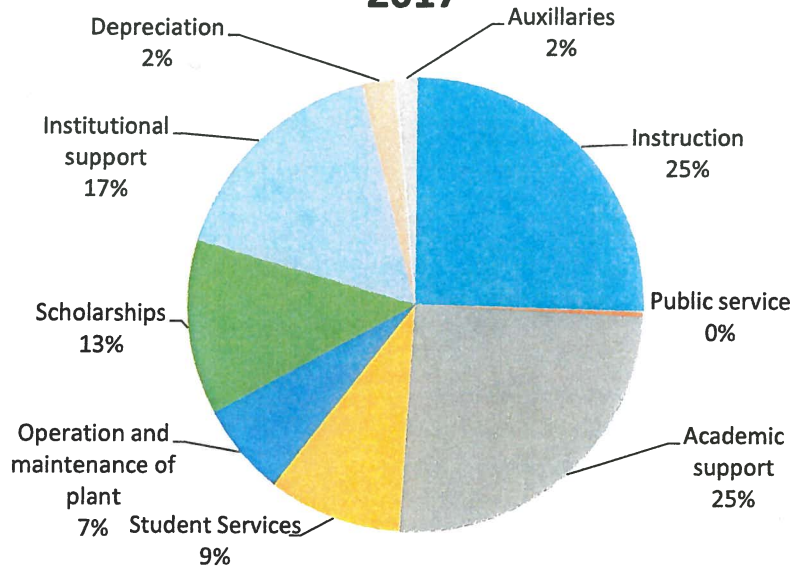
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

Massasoit Community College – Operating Expenses by Source

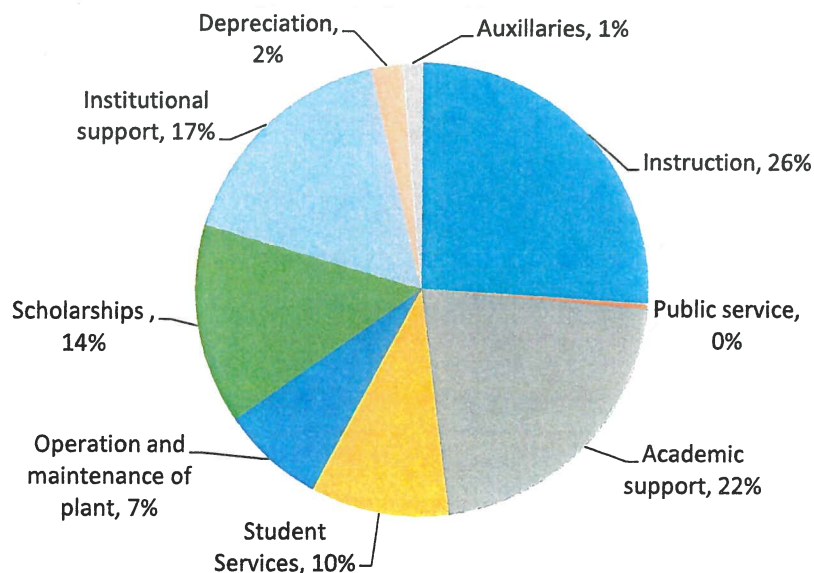
Operating Expenses by Source

2017



Operating Expenses by Source

2016



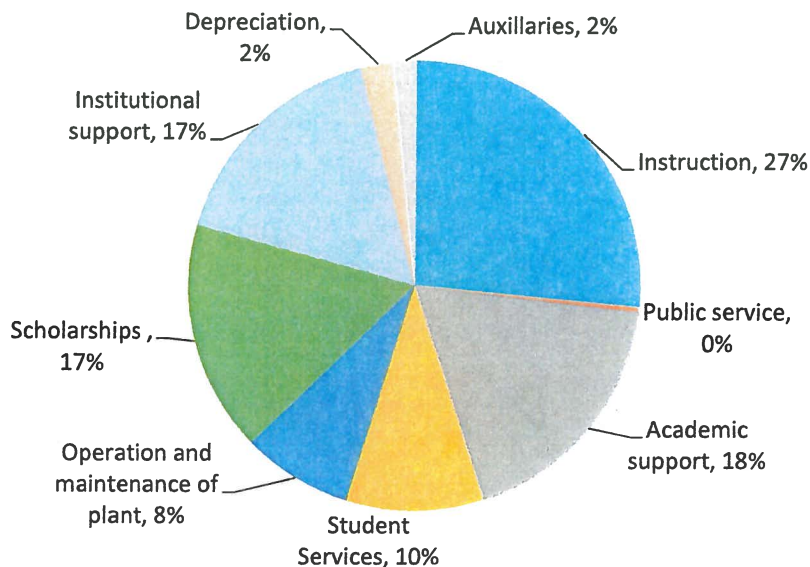
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

Massasoit Community College – Operating Expenses by Source – Continued

**Operating Expenses by Source
2015**



Highlights of operating expense activity include:

- The overall operating expenditures increased by 4.2%. These increases are directly attributed to GASB 68 pension expense, collective bargaining costs, and increase to fringe benefit costs. However, most of the increases are from the TAACCCT grant expenditures.
- Scholarship expenditures decreased 9% over the previous year. Pell Grants decreased due to the decline in enrollment.
- The amount of state appropriation covers approximately 75% of payroll and fringe chargebacks. As the payroll expenditures increase, the College must use local operating funds to cover the remaining 25% balance. Additionally, related fringes at the rate of 33.5%, charged for the locally funded payroll, were also expended out of local operating funds. The fringe rate has been increasing each fiscal year. For FY17 the rate was 33.5%, compared to 29.18% in fiscal year 2016 and 27.27%, in fiscal year 2015.
- Accruals for compensated absences and workers compensation have decreased expenses for operational departments during this fiscal year.
- Capital projects include the Vet Tech suite renovation in Canton, a classroom lighting project, Engineering lab renovations, a Field House partial roof replacement, equipment for the Engineering lab and a SimMan Manikin.
- TAACCCT grant expenses are included in the Academic Support category. Massasoit is the lead institution with the other state community colleges reporting as sub-recipients for this Department of Labor grant.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017, 2016 and 2015

For non-operating revenues and expenses, the Commonwealth's unrestricted appropriation, including fringe benefits, net of tuition remissions, and special appropriation increased by \$2,310,204, a 8.8% increase. Unrealized gain from investments in the Commonfund totaled \$1,196,274. The non-operating expense included interest expense from the Clean Renewable Energy Bond repayment, and the Clean Energy Investment Program debt service payments for Phase I, Phase II and Phase III, totaling \$346,446.

Loss from Operations

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Department of Higher Education sets the tuition rate. The College sets fees and other charges. Commonwealth appropriations to the College help to offset the loss from operations not made up by tuition and fees. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

Capital Assets and Debts of the College

Capital Assets

The College's investment in capital assets as of June 30, 2017, 2016 and 2015 amounts to \$36,862,178, \$34,075,776 and \$33,312,362, respectively, net of accumulated depreciation. This investment in capital assets includes, land, building, (including improvements), furnishings and equipment, (including the cost of capital leases) and books.

All capital asset purchases are pre-approved by the Board of Trustees and included in the College's capital spending plan submitted to the Department of Higher Education and the Commonwealth's Fiscal Affairs Division. Additional information about Massasoit Community College's capital assets can be found in Note 5 on pages 29-30 of this report.

Long-Term Debt

Massasoit Community College long-term debt consists of the accruals for compensated absences, workmen's compensation, net pension liability and for the long-term portion of notes payable debt service obligations due to the Commonwealth. The accrual for compensated absences consists of the long-term portion of sick and vacation pay related to employees on the College's payroll.

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

June 30, 2017, 2016 and 2015

Economic Factors and Next Year's Enrollment

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts within which the College primarily draws students has remained low at 4.2% in June 2016 to 4.3% in June 2017, according to the US Bureau of Labor Statistics. The trend is that unemployment is expected to remain low. Historically, in times of economic improvement, public colleges have experienced decreases in their enrollments as unemployed and underemployed workers return to the workforce.

The College recognized its third consecutive year of decreasing enrollment and fiscal year 2018 is projected to also decrease, approximately by 4.3% in billable credit hours. The following chart illustrates the College's recent enrollment figures:

	<u>Credits</u>
Fiscal 2015	155,748
Fiscal 2016	150,735
Fiscal 2017	144,222
Fiscal 2018 (projected)	139,720

Requests for Information

This financial report is designed to provide a general overview of Massasoit Community College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, Massasoit Community College, at One Massasoit Boulevard, Brockton, Massachusetts 02302.

MASSASOIT COMMUNITY COLLEGE
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Statements of Net Position

June 30, 2017 and 2016

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2017 College	2016 College	2017 Foundation	2016 Foundation
Current Assets:				
Cash and equivalents	\$ 3,476,365	\$ 3,836,978	\$ 552,416	\$ 478,141
Deposits held by state treasurer	2,996,544	2,892,878	-	-
Cash held by state treasurer	219,330	237,586	-	-
Accounts receivable, net	4,981,975	4,458,371	2,500	-
Other current assets	<u>290,928</u>	<u>394,062</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>11,965,142</u>	<u>11,819,875</u>	<u>554,916</u>	<u>478,141</u>
Non-Current Assets:				
Investments	11,200,204	10,004,080	601,258	539,534
Capital assets, net	<u>36,862,178</u>	<u>34,075,776</u>	<u>673,891</u>	<u>673,891</u>
Total Non-Current Assets	<u>48,062,382</u>	<u>44,079,856</u>	<u>1,275,149</u>	<u>1,213,425</u>
Total Assets	<u>60,027,524</u>	<u>55,899,731</u>	<u>1,830,065</u>	<u>1,691,566</u>
Deferred Outflows of Resources:				
Deferred outflows related to pension	<u>5,483,191</u>	<u>5,580,048</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 65,510,715</u>	<u>\$ 61,479,779</u>	<u>\$ 1,830,065</u>	<u>\$ 1,691,566</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:				
Accounts payable and accrued expenses	\$ 1,844,827	\$ 2,034,422	\$ 11,000	\$ 9,300
Accrued payroll	2,951,581	2,571,734	-	-
Accrued compensated absences	2,589,858	2,750,998	-	-
Accrued workers' compensation benefits	69,704	125,881	-	-
Current portion of notes payable	385,617	372,092	-	-
Student deposits and unearned revenues	<u>3,972,446</u>	<u>4,129,051</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>11,814,033</u>	<u>11,984,178</u>	<u>11,000</u>	<u>9,300</u>
Non-Current Liabilities:				
Accrued compensated absences	1,099,727	1,050,749	-	-
Accrued workers' compensation	315,401	470,713	-	-
Notes payable, net of current portion	7,285,811	7,671,427	-	-
Net pension liability	<u>12,291,456</u>	<u>11,964,719</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>20,992,395</u>	<u>21,157,608</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>32,806,428</u>	<u>33,141,786</u>	<u>11,000</u>	<u>9,300</u>
Deferred Inflows of Resources:				
Deferred inflows related to pension	<u>1,272,554</u>	<u>353,001</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	29,190,750	26,032,257	673,891	673,891
Restricted-expendable	385,304	586,630	819,368	769,015
Unrestricted	<u>1,855,679</u>	<u>1,366,105</u>	<u>325,806</u>	<u>239,360</u>
Total Net Position	<u>31,431,733</u>	<u>27,984,992</u>	<u>1,819,065</u>	<u>1,682,266</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 65,510,715</u>	<u>\$ 61,479,779</u>	<u>\$ 1,830,065</u>	<u>\$ 1,691,566</u>

See accompanying notes to the financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2017 and 2016

	Primary Government		Component Unit	
	2017 <u>College</u>	2016 <u>College</u>	2017 <u>Foundation</u>	2016 <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 30,194,498	\$ 30,054,521	\$ -	\$ -
Less: scholarships and fellowships	<u>2,748,232</u>	<u>2,655,301</u>	-	-
Net tuition and fees	27,446,266	27,399,220	-	-
Federal grants and contracts	18,440,314	17,545,962	-	-
State grants and contracts	2,682,770	1,724,071	-	-
Private grants and contracts	148,292	261,833	-	-
Gifts and contributions	-	-	230,510	302,412
Auxiliary enterprises	929,146	880,109	-	-
Other operating revenues	<u>582,089</u>	<u>669,017</u>	<u>130,756</u>	<u>117,893</u>
Total Operating Revenues	<u>50,228,877</u>	<u>48,480,212</u>	<u>361,266</u>	<u>420,305</u>
Operating Expenses:				
Educational and general:				
Instruction	20,094,646	19,703,540	-	-
Scholarships and fellowships	9,861,379	10,863,980	123,013	187,164
Academic support	19,854,152	16,379,544	-	-
Student services	7,484,682	7,500,323	-	-
Institutional support	13,118,128	12,708,747	153,956	151,680
Public service	292,148	241,668	-	-
Operation and maintenance of plant	5,244,619	5,614,756	-	-
Depreciation	1,861,846	1,693,152	-	-
Auxiliary enterprises	<u>1,174,139</u>	<u>1,092,417</u>	-	-
Total Operating Expenses	<u>78,985,739</u>	<u>75,798,127</u>	<u>276,969</u>	<u>338,844</u>
Net Operating Income (Loss)	<u>(28,756,862)</u>	<u>(27,317,915)</u>	<u>84,297</u>	<u>81,461</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	28,396,841	26,086,637	-	-
Investment income (loss), net	1,196,274	(41,079)	52,502	(884)
Interest expense	<u>(346,446)</u>	<u>(361,719)</u>	-	-
Net Non-Operating Revenues (Expenses)	<u>29,246,669</u>	<u>25,683,839</u>	<u>52,502</u>	<u>(884)</u>
Income (Loss) Before Capital Appropriations	489,807	(1,634,076)	136,799	80,577
Capital Appropriations	<u>2,956,934</u>	<u>339,754</u>	-	-
Increase (Decrease) in Net Position	3,446,741	(1,294,322)	136,799	80,577
Net Position, at Beginning of Year	<u>27,984,992</u>	<u>29,279,314</u>	<u>1,682,266</u>	<u>1,601,689</u>
Net Position, at End of Year	<u>\$ 31,431,733</u>	<u>\$ 27,984,992</u>	<u>\$ 1,819,065</u>	<u>\$ 1,682,266</u>

See accompanying notes to the financial statements.

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

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	2017 <u>College</u>	2016 <u>College</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 26,955,573	\$ 27,757,403
Grants and contracts	21,081,861	18,949,388
Payments to employees	(39,256,688)	(39,592,448)
Payments to suppliers and vendors	(18,481,052)	(16,317,683)
Payments to students	(9,861,379)	(10,863,980)
Auxiliary enterprises disbursements	(1,174,139)	(1,092,417)
Auxiliary enterprises receipts	929,146	880,109
Other operating receipts	<u>582,089</u>	<u>669,017</u>
Net Cash Applied to Operating Activities	<u>(19,224,589)</u>	<u>(19,610,611)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	21,933,257	20,782,968
Tuition remitted to state	<u>(574,170)</u>	<u>(544,483)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>21,359,087</u>	<u>20,238,485</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(1,691,314)	(2,116,812)
Principal payment on notes payable	(372,091)	(359,137)
Interest paid on notes payable	<u>(346,446)</u>	<u>(361,719)</u>
Net Cash Applied to Capital Financing Activities	<u>(2,409,851)</u>	<u>(2,837,668)</u>
Cash Flows from Investing Activity:		
Interest on investments	<u>150</u>	<u>229</u>
Net Decrease in Cash and Equivalents	(275,203)	(2,209,565)
Cash and Equivalents, Beginning of Year	<u>6,967,442</u>	<u>9,177,007</u>
Cash and Equivalents, End of Year	<u>\$ 6,692,239</u>	<u>\$ 6,967,442</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (28,756,862)	\$ (27,317,915)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	1,861,846	1,693,152
Bad debts	359,066	165,546
Fringe benefits provided by the state	7,037,754	5,848,152
Net pension activity	1,343,147	1,315,759
Changes in assets and liabilities:		
Accounts receivable	(882,670)	(901,052)
Other current assets	103,134	(309,888)
Accounts payable and accrued expenses	(189,595)	426,947
Accrued payroll	379,847	(1,154,231)
Accrued compensated absences and workers' compensation	(323,651)	111,708
Student deposits and unearned revenues	<u>(156,605)</u>	<u>511,211</u>
Net Cash Applied to Operating Activities	<u>\$ (19,224,589)</u>	<u>\$ (19,610,611)</u>
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	\$ 3,476,365	\$ 3,836,978
Deposits held by state treasurer	2,996,544	2,892,878
Cash held by state treasurer	<u>219,330</u>	<u>237,586</u>
Cash and equivalents, end of year	<u>\$ 6,692,239</u>	<u>\$ 6,967,442</u>
Non-Cash Transactions:		
Capital assets acquired through capital appropriations	<u>\$ 2,956,934</u>	<u>\$ 339,754</u>
Fringe benefits provided by the state	<u>\$ 7,037,754</u>	<u>\$ 5,848,152</u>
Unrealized gain (loss) on investments	<u>\$ 1,196,124</u>	<u>\$ (41,308)</u>

See accompanying notes to the financial statements.

MASSASOIT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies

Organization

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

Basis of Presentation and Accounting

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

The Massasoit Community College Foundation, Inc. (the "Foundation"), a component unit of the College, was formed on April 15, 1976 to render financial assistance and support to educational programs and development of the College. The Foundation is legally separate from the College, and the College is not financially accountable for the Foundation. The Foundation has been included in these financial statements because of the nature and significance of its relationship with the College. A complete copy of the financial statements can be obtained from the Foundation's administrative office in Canton, Massachusetts.

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

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Basis of Presentation and Accounting - Continued

The College 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, expenses and changes in net position and cash flows on a combined college-wide basis.

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

Net Position

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

Net investment in capital assets: Capital assets, net of accumulated depreciation, reduced by the outstanding principal balances of borrowings that are attributable to the acquisition, construction, repair or improvement of those assets.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

Net Position - Continued

Unrestricted: All other categories of net position. Unrestricted net position may be designated by actions of the College's Board of Trustees.

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

Trust Funds

In accordance with the requirements of the Commonwealth of Massachusetts, the College's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Cash and Equivalents

The College considers all highly liquid debt instruments purchased with an original maturity date of three months or less, and monies held by agencies of the state on behalf of the College to be cash equivalents.

Allowance for Doubtful Accounts

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Investments

Investments in marketable securities are stated at fair value. The College has no donor-restricted endowments at June 30, 2017 and 2016.

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be on the lowest priority input that is significant to the entire measurement.

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

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 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. Interest costs on debt related to capital assets are capitalized during the construction period and then depreciated over the life of the project. 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 of the asset or materially extend assets lives 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.

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.

Fringe Benefits

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

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

Compensated Absences

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

Student Deposits and Unearned Revenues

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are recorded as revenue as the related services are provided. Grants and other advance payments are recognized as revenue in accordance with the underlying agreement.

Student 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 students and are generally reflected as expenses.

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 the 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 the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, and determining the net pension liability.

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

New Governmental Accounting Pronouncements

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 1 - Summary of Significant Accounting Policies - Continued

New Governmental Accounting Pronouncements - Continued

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

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

Note 2 - Cash and Deposits held by the State Treasurer

Custodial Credit Risk

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"). The College has a formal deposit policy for custodial credit risk whereby deposits in the bank in excess of the insured amount are insured and collateralized by a third party.

Accounts payable and accrued payroll to be funded from state-appropriated funds totaled \$219,330 and \$237,586 at June 30, 2017 and 2016, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Accounts payable and accrued salaries to be funded by cash forwarded by the College to, and held by, the State Treasurer for payment of so-called "non-appropriated" liabilities at June 30, 2017 and 2016 through MMARS were recorded in the sum of \$2,996,544 and \$2,892,878, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 3 - Accounts Receivable

The accounts receivable balance is comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Student accounts receivable	\$ 6,508,349	\$ 5,815,195
Grants receivable	1,744,187	1,552,457
Other receivables	<u>100,050</u>	<u>102,264</u>
	8,352,586	7,469,916
Less: allowance for doubtful accounts	<u>(3,370,611)</u>	<u>(3,011,545)</u>
	<u>\$ 4,981,975</u>	<u>\$ 4,458,371</u>

Note 4 - Investments

College

At June 30, 2017 and 2016, the entire balance of investments are insured, registered, or held by the College's agent in the College's name. The College currently follows investment policies largely defined by the Commonwealth of Massachusetts, as well as internal College investment policies. The policies do not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate fluctuations. Investments of the College are stated at fair market value and consist of the following at June 30:

2017					
Investment Maturities (in Years)					
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Debt Securities:					
Bond mutual fund	\$ 2,657,796	\$ 66,347	\$ 390,542	\$ 438,191	\$ 1,762,716
U.S. Agencies	357,971	-	104,949	30,761	222,261
Certificates of deposit	<u>1,016,753</u>	<u>1,016,753</u>	<u>-</u>	<u>-</u>	<u>-</u>
	4,032,520	<u>\$ 1,083,100</u>	<u>\$ 495,491</u>	<u>\$ 468,952</u>	<u>\$ 1,984,977</u>
Other Investment:					
Equity mutual fund	<u>7,167,684</u>				
Total	<u>\$ 11,200,204</u>				

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - Investments - Continued

College – Continued

<u>2016</u>					
<u>Investment Maturities (in Years)</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
<u>Debt Securities:</u>					
Bond mutual fund	\$ 2,665,356	\$ 25,822	\$ 451,152	\$ 469,554	\$ 1,718,828
U.S. Agencies	302,747	7,420	41,553	60,252	193,522
Certificates of deposit	<u>1,012,100</u>	<u>1,012,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
	3,980,203	<u>\$ 1,045,342</u>	<u>\$ 492,705</u>	<u>\$ 529,806</u>	<u>\$ 1,912,350</u>
<u>Other Investment:</u>					
Equity mutual fund	<u>6,023,877</u>				
Total	<u>\$10,004,080</u>				

The bond mutual funds are unrated as they represent funds placed with one private investment institution, Commonfund. The U.S. Agencies' balance received an AGCY rating from Moody's in terms of credit risk quality ratings. At June 30, 2017 and 2016, 91% and 90%, respectively, of the College's investment portfolio consisted of funds held and managed by the Commonfund.

The College also has four certificates of deposit ("CD") with different financial institutions. The CDs generate interest at varying rates from 0.34% to 0.75% and all have an original maturity of 12 months from the date of purchase.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to measure fair value.

Commonfund Investments: Commonfund investments consist of pools of investments managed by an investment management team selected by the Board of Trustees. However, these funds are not available to the general public, but the investment manager does produce a daily price of its pooled investments.

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - Investments - Continued

College - Continued

Certificates of Deposit and U.S. Agencies: Valued at the initial investment cost plus accrued interest.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine if the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level, the College's Investments:

June 30, 2017					
	NAV per share	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Commonfund Multi-Strategy Equity Mutual Fund	\$ 7,167,684	\$ -	\$ -	\$ -	\$ 7,167,684
Commonfund Multi-Strategy Bond Mutual Fund	2,657,796	-	-	-	2,657,796
U.S. Agencies	357,971				357,971
Certificates of deposit	-	1,016,753	-	-	1,016,753
Total marketable securities at fair value	\$ 10,183,451	\$ 1,016,753	\$ -	\$ -	\$ 11,200,204
June 30, 2016					
	NAV per share	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Commonfund Multi-Strategy Equity Mutual Fund	\$ 6,023,877	\$ -	\$ -	\$ -	\$ 6,023,877
Commonfund Multi-Strategy Bond Mutual Fund	2,665,356	-	-	-	2,665,356
U.S. Agencies	302,747				302,747
Certificates of deposit	-	1,012,100	-	-	1,012,100
Total marketable securities at fair value	\$ 8,991,980	\$ 1,012,100	\$ -	\$ -	\$ 10,004,080

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - Investments - Continued

Foundation

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

	<u>2017</u>	<u>2016</u>
Commonfund equity fund	\$ 221,224	\$ 185,921
Commonfund bond fund	95,815	94,300
Mutual funds	260,013	245,251
Equity securities	<u>24,206</u>	<u>14,062</u>
Total	<u>\$ 601,258</u>	<u>\$ 539,534</u>

The following schedule summarizes the net investment return and its classification in the statements of revenues and expenses for the year ended June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 1,253	\$ 932
Investment expense	(2,384)	(2,984)
Net unrealized and realized gains	<u>53,633</u>	<u>1,168</u>
Total	<u>\$ 52,502</u>	<u>\$ (884)</u>

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 5 - Capital Assets

Capital assets consist of the following at June 30, 2017:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land	-	<u>\$ 2,851,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,851,717</u>
Capital assets. Depreciated:						
Buildings and Improvements	10 - 40	<u>71,887,888</u>	<u>4,472,181</u>	<u>-</u>	<u>-</u>	<u>76,360,069</u>
Furnishings and equipment	5	<u>11,720,109</u>	<u>176,067</u>	<u>-</u>	<u>-</u>	<u>11,896,176</u>
Educational resource material	5	<u>96,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,295</u>
Total depreciable assets		<u>83,704,292</u>	<u>4,648,248</u>	<u>-</u>	<u>-</u>	<u>88,352,540</u>
Total capital assets		<u>86,556,009</u>	<u>4,648,248</u>	<u>-</u>	<u>-</u>	<u>91,204,257</u>
Less: accumulated depreciation:						
Building and improvements		<u>40,882,696</u>	<u>1,784,018</u>	<u>-</u>	<u>-</u>	<u>42,666,714</u>
Furnishings and equipment		<u>11,501,242</u>	<u>77,828</u>	<u>-</u>	<u>-</u>	<u>11,579,070</u>
Educational resource materials		<u>96,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,295</u>
Total accumulated depreciation		<u>52,480,233</u>	<u>1,861,846</u>	<u>-</u>	<u>-</u>	<u>54,342,079</u>
Capital assets, net		<u>\$ 34,075,776</u>	<u>\$ 2,786,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,862,178</u>

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 5 - Capital Assets - Continued

Capital assets consist of the following at June 30, 2016:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land	-	\$ 2,851,717	\$ -	\$ -	\$ -	\$ 2,851,717
Capital assets. Depreciated:						
Buildings and Improvements	10 - 40	69,586,870	2,301,018	-	-	71,887,888
Furnishings and equipment	5	11,564,561	155,548	-	-	11,720,109
Educational resource material	5	96,295	-	-	-	96,295
Total depreciable assets		81,247,726	2,456,566	-	-	83,704,292
Total capital assets		84,099,443	2,456,566	-	-	86,556,009
Less: accumulated depreciation:						
Building and improvements		39,233,003	1,649,693	-	-	40,882,696
Furnishings and equipment		11,457,783	43,459	-	-	11,501,242
Educational resource materials		96,295	-	-	-	96,295
Total accumulated depreciation		50,787,081	1,693,152	-	-	52,480,233
Capital assets, net		\$ 33,312,362	\$ 763,414	\$ -	\$ -	\$ 34,075,776

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - Long-Term Liabilities

Long-term liabilities at June 30, 2017 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	\$ 8,043,519	\$ -	\$ 372,091	\$ 7,671,428	\$ 385,617
Other long-term liabilities:					
Compensated absences	3,801,747	-	112,162	3,689,585	2,589,858
Workers' compensation	596,594	-	211,489	385,105	69,704
Net pension liability	<u>11,964,719</u>	<u>326,737</u>	<u>-</u>	<u>12,291,456</u>	<u>-</u>
Total long-term liabilities	<u>\$ 24,406,579</u>	<u>\$ 326,737</u>	<u>\$ 695,742</u>	<u>\$ 24,037,574</u>	<u>\$ 3,045,179</u>

Long-term liabilities at June 30, 2016 consisted of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	\$ 8,402,656	\$ -	\$ 359,137	\$ 8,043,519	\$ 372,092
Other long-term liabilities:					
Compensated absences	3,750,824	50,923	-	3,801,747	2,750,998
Workers' compensation	535,809	60,785	-	596,594	125,881
Net pension liability	<u>5,709,966</u>	<u>6,254,753</u>	<u>-</u>	<u>11,964,719</u>	<u>-</u>
Total long-term liabilities	<u>\$ 18,399,255</u>	<u>\$ 6,366,461</u>	<u>\$ 359,137</u>	<u>\$ 24,406,579</u>	<u>\$ 3,248,971</u>

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - Long-Term Liabilities - Continued

Notes Payable

The following is a summary of the College's notes payable for the year ended June 30:

Notes payable:	<u>2017</u>	<u>2016</u>
Note payable, Century Bank. Original amount of debt issued \$1,075,742. Principal of \$63,279 is payable annually and interest is payable semiannually at 3.5%.	\$ 632,788	\$ 696,067
Asset Management and Maintenance ("DCAMM"). Original amount of debt issued \$1,367,790. Principal and interest of \$105,150 is payable semi-annually with interest charged at	1,074,934	1,129,267
Note payable, DCAMM. Original amount of debt issued \$4,439,479. Principal and interest of \$341,290 is payable semi-annually with interest charged at 4.5%	3,834,056	3,995,546
Note payable, DCAMM. Original amount of debt issued \$2,480,203. Principal and interest of \$184,117 is payable semi-annually with interest charged at 4.1%	<u>2,129,650</u>	<u>2,222,639</u>
Notes payable	<u>\$ 7,671,428</u>	<u>\$ 8,043,519</u>

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - Long-Term Liabilities - Continued

Notes Payable - Continued

Maturities of principal and interest subsequent to June 30, 2017 are as follows:

Fiscal Years Ending June 30,	Principal	Intrest
2018	\$ 385,617	\$ 330,675
2019	399,735	314,312
2020	414,472	297,378
2021	429,855	279,699
2022	445,915	261,395
2023-2027	2,496,240	1,006,648
2028-2032	2,596,135	451,503
2033	<u>503,459</u>	<u>21,949</u>
	<u>\$ 7,671,428</u>	<u>\$ 2,963,559</u>

Leases

The College leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to June 30, 2017:

Fiscal Years Ending June 30,	Operating Leases
2018	\$ 235,190
2019	215,190
2020	<u>102,595</u>
	<u>\$ 552,975</u>

Rent expense for operating leases was \$247,457 and \$268,843 for the years ended June 30, 2017 and 2016, respectively.

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions

Defined Benefit Plan Description

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to \$2,026,066 and \$1,969,957 for the years ended June 30, 2017 and 2016, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the retirement System. Annual covered payroll was approximately 63% and 68% of total related payroll for fiscal years end June 30, 2017, respectively.

Certain employees of the College participate in a cost-sharing multiple-employer defined benefit-pension plan – the Massachusetts State Employees' Retirement System ("SERS") – administered by the Massachusetts State Board of Retirement (the "Board"), which is a public employee retirement system ("PERS"). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

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

Benefit Provisions

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

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

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions - Continued

Contributions

The SERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. Member contributions for SERS vary depending on the most recent date of membership:

<u>Hire Date</u>	<u>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 College is required to contribute at an actuarially determined rate; the rate was 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2017 and 2016, respectively. The College contributed \$673,730 and \$640,090 for the fiscal years ended June 30, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions - Continued

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

At June 30, 2017 and 2016, the College reported a liability of \$12,291,456 and \$11,964,719, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2017, the reporting date, was measured as of June 30, 2016, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 rolled forward to June 30, 2016. The net pension liability as of June 30, 2016, the reporting date, was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2016 and 2015, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2016 and 2015 relative to total contributions of all participating employers for the fiscal years. At June 30, 2016 and 2015, the College's proportion was 0.089% and 0.105%, respectively.

For the years ended June 30, 2017 and 2016, the College recognized pension expense of \$2,026,066 and \$1,969,957, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions – Continued

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

	<u>2017</u>	<u>2016</u>
<u>Deferred Outflows of Resources</u>		
Difference between expected and actual experience	\$ 583,811	\$ 236,502
Net differences between projected and actual earnings on pension plan investments	825,103	-
Change in plan actuarial assumptions, net	1,363,041	2,072,044
Changes in proportion from Commonwealth	27,383	-
Changes in proportion due to internal allocation	2,010,123	2,631,412
Contributions subsequent to the measurement date	<u>673,730</u>	<u>640,090</u>
Total deferred outflows related to pension	<u>\$ 5,483,191</u>	<u>\$ 5,580,048</u>
<u>Deferred Inflows of Resources</u>		
Net differences between projected and actual earnings on pension plan investments	\$ -	\$ 343,816
Changes in proportion from Commonwealth	5,922	9,185
Changes in proportion due to internal allocation	<u>1,266,632</u>	<u>-</u>
Total deferred inflows related to pension	<u>\$ 1,272,554</u>	<u>\$ 353,001</u>

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions – Continued

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

The College's contributions of \$673,730 and \$640,090 made during the fiscal years ending 2017 and 2016, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases in pension expense as follows:

Years Ending <u>June 30,</u>	
2018	\$ 803,771
2019	803,771
2020	1,135,084
2021	733,927
2022	<u>60,354</u>
	<u>\$ 3,536,907</u>

Actuarial Assumptions

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

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

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

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

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions - Continued

Actuarial Assumptions - Continued

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

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

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

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - Pensions - Continued

Discount Rate

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

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

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

June 30, 2017		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 16,017,671	\$ 12,291,456	\$ 9,133,344
June 30, 2016		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
\$ 16,263,989	\$ 11,964,719	\$ 8,256,552

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - Restricted Net Position

The College is 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 income to be used for grants and research, as well as funds to be used for capital projects.

The Foundation's restricted - expendable net position consists of funds, whose income is mainly used for various scholarships, grants and other general purposes.

Note 9 - Related Party Transactions

The Foundation provides parking facilities to the College pursuant to a lease agreement expiring in October 2019. Total rent expense paid to related parties for both the years ended June 30, 2017 and 2016 was \$30,000 and is included in operation and maintenance of plant.

Note 10 - Contingencies

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

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. The College must repay any disallowed expenditures resulting from such audits. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for 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.

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 11 - Operating Expenses

The College's operating expenses, on a natural classification basis, are comprised of the following at June 30:

	<u>2017</u>	<u>2016</u>
Compensation and benefits	\$ 47,693,785	\$ 45,713,836
Supplies and services	19,568,729	17,527,159
Depreciation	1,861,846	1,693,152
Scholarships and fellowships	<u>9,861,379</u>	<u>10,863,980</u>
	<u>\$ 78,985,739</u>	<u>\$ 75,798,127</u>

Note 12 - Fringe Benefits

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

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

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - Fringe Benefits - Continued

Group Insurance Commission ("GIC")

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

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

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 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, June 30, 2017 and 2016, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - Fringe Benefits - Continued

New Accounting Guidelines Effective for Fiscal 2018

As discussed in Note 1, GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions is effective for fiscal 2018 and is applicable for employees participating in a cost-sharing multiple employer plan such as the State Retirement Benefits Trust Fund. The College will be required to restate beginning net position as of July 1, 2017 to recognize the employer's proportionate share of the plan's net other postemployment benefit ("OPEB") obligation. OPEB expense reported in the College's financial statements will reflect the change in the net OPEB liability for the fiscal year.

Note 13 - Massachusetts Management Accounting and Reporting System ("MMARS")

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 modified accrual basis of accounting and differs from the information included in these financial statements.

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

MASSASOIT COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - Massachusetts Management Accounting and Reporting System ("MMARS") - Continued

The College's State Appropriations are comprised of the following for the years ended June 30:

	<u>2017</u>	<u>2016</u>
Direct unrestricted appropriations	\$ 21,933,257	\$ 20,782,968
Add: Fringe benefits for benefited employees on the state payroll	7,037,754	5,848,152
Less: Day school tuition remitted to the state and included in tuition revenue	<u>(574,170)</u>	<u>(544,483)</u>
Total unrestricted appropriations	28,396,841	26,086,637
Capital appropriations	<u>2,956,934</u>	<u>339,754</u>
Total Appropriations	<u><u>\$31,353,775</u></u>	<u><u>\$26,426,391</u></u>

A reconciliation of revenue between the College and MMARS as of June 30, 2017 is as follows (unaudited):

Revenue per MMARS	\$ 43,594,198
Revenue per College	<u>43,594,198</u>
Difference	\$ <u><u> -</u></u>

Note 14 - Pass-Through Loans

The College distributed approximately \$6,173,000 and \$6,411,000 for the years ended June 30, 2017 and 2016, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues nor as cash disbursements and cash receipts in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.089%	0.105%	0.077%
Proportionate share of the collective net pension liability	\$ 12,291,456	\$ 11,964,719	\$ 5,709,966
College's covered-employee payroll	\$ 6,773,439	\$ 6,333,557	\$ 5,705,044
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

MASSASOIT COMMUNITY COLLEGE
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Schedule of Contributions (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2017	2016	2015
Statutorily required contribution	\$ 673,730	\$ 640,090	\$ 658,057
Contributions in relation to the statutorily required contribution	<u>(673,730)</u>	<u>(640,090)</u>	<u>(658,057)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,771,156	\$ 6,773,439	\$ 6,333,557
Contribution as a percentage of covered-employee payroll	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***



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

To the Board of Trustees of
Massasoit Community College
Brockton, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massasoit Community College (the "College"), which comprise the statements of net position as of June 30, 2017 and 2016, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Massasoit Community College's basic financial statements and have issued our report thereon dated October 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Massasoit Community College's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an 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 College's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Massasoit Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connor and Dineen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 11, 2017