

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

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

**JUNE 30, 2020**

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

**Financial Statements**

**June 30, 2020 and 2019**

**CONTENTS**

<b>Independent Auditors' Report</b>	1-2
<b>Management's Discussion and Analysis (Unaudited)</b>	3-14
<b>Financial Statements:</b>	
Statements of Net Position	15
Statements of Revenues and Expenses	16
Statements of Changes in Net Position	17
Statements of Cash Flows	18
Notes to the Financial Statements	19-56
<b>Required Supplementary Information:</b>	
Schedules of Proportionate Share of Net Pension Liability (Unaudited)	57
Schedules of Pension Contributions (Unaudited)	58
Notes to the Required Supplementary Information – Pension (Unaudited)	59-60
Schedules of Proportionate Share of Net OPEB Liability (Unaudited)	61
Schedules of OPEB Contributions (Unaudited)	62
Notes to the Required Supplementary Information – SRBT (Unaudited)	63-64
<b>Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	65-66



## 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 the business-type activities and the discretely presented major component unit Massasoit Community College (an agency of the Commonwealth of Massachusetts, the "Commonwealth") (the "College"), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions 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 audits 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 our 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.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented major component unit of Massasoit Community College as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**


As discussed in Note 2 to the financial statements, the College restated prior balances with regards to the College's Other Post-Employment Benefits liability and the related deferred inflows and outflows. Our opinion is not modified with respect to that matter.

**Required Supplementary Information**

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants  
Braintree, Massachusetts**

**November 18, 2020**

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

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

**June 30, 2020, 2019 and 2018**

The following discussion and analysis provides management’s view of the financial position of Massasoit Community College (the “College”) as of June 30, 2020, 2019 and 2018 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 6,600 students, 111 full-time and 629 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, 2020, 2019 and 2018, the College’s assets and deferred outflows were \$75,069,305, \$73,687,811, and \$66,651,202 and its liabilities and deferred inflows were \$54,587,251, \$59,781,570, and \$56,429,680. The resulting net position is summarized into the following categories:

	<b>June 30</b>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net investment in capital assets	\$ 32,209,400	\$ 29,280,153	\$ 28,474,942
Restricted, expendable	2,320,433	4,911,964	933,189
Unrestricted	<u>(14,047,779)</u>	<u>(20,285,876)</u>	<u>(19,186,609)</u>
Total net position	<u>\$ 20,482,054</u>	<u>\$ 13,906,241</u>	<u>\$ 10,221,522</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 year 2020, was (16.0) %, 2019 (21.0) % and (23.9) % in 2018. This Primary Reserve Ratio was negatively impacted by the adoption of GASB 75, Financial Reporting for Postemployment Benefits Other Than Pensions (“GASB 75”) and GASB 68 Accounting for Pensions (“GASB 68”).

The Return on Net Position Ratio determines whether an institution has financially improved since the previous year by measuring total economic return. This ratio is 43.2% for 2020, 31.4 % for 2019 and 1.3 % in 2018.

The Net Operating Revenue Ratio indicates whether total operating activities result in a surplus or a deficit. The net operating revenue ratio was 4.7% for the year ended June 30, 2020, 3.5% for fiscal year 2019 and .1% for fiscal year 2018.

# MASSASOIT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

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

June 30, 2020, 2019 and 2018

The Viability Ratio measures the availability of expendable net position to cover debt. This ratio was also negatively impacted by the adoption of GASB 68 and GASB 75. The Viability Ratio for fiscal year 2020 was (157.2) %, 2019 (204.7) %, and 2018 (247.2) %.

Overall, the College's operating revenues declined approximately \$1.4 million. The majority of the decline was in the net tuition revenue this past fiscal year. Revenues from net tuition and fees declined by approximately \$1,058,000 or 4.2%. The College's investment portfolio yielded a net gain of approximately \$480,000. Operating expenditures decreased approximately \$1,034,000 or 1.5 %.

### 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. For fiscal year 2020, the statement of changes in net position is presented separately from the statement of revenues and expenses.

# **MASSASOIT COMMUNITY COLLEGE**

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

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

**June 30, 2020, 2019 and 2018**

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 15-18 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. 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 19-56 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, 2020 by \$20,482,054, 2019 by \$13,906,241 and \$10,221,522 in 2018.

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

**June 30, 2020, 2019 and 2018**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Assets and Deferred Outflows of Resources:</b>			
Current Assets	\$ 33,388,973	\$ 33,537,024	\$ 25,627,365
Non-current Assets	38,681,005	36,166,229	35,760,753
Deferred Outflows of Resources	<u>2,999,327</u>	<u>3,984,558</u>	<u>5,263,084</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 75,069,305</u>	<u>\$ 73,687,811</u>	<u>\$ 66,651,202</u>
<b>Liabilities and Deferred Inflows of Resources:</b>			
Current Liabilities	\$ 12,956,822	\$ 15,732,140	\$ 11,417,932
Non-current Liabilities	28,547,411	36,058,134	40,798,575
Deferred Inflows of Resources	<u>13,083,018</u>	<u>7,991,296</u>	<u>4,213,173</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 54,587,251</u>	<u>\$ 59,781,570</u>	<u>\$ 56,429,680</u>
<b>Net Position:</b>			
Net investment in capital assets	\$ 32,209,400	\$ 29,280,153	\$ 28,474,942
Restricted-expendable	2,320,433	4,911,964	933,189
Unrestricted	<u>(14,047,779)</u>	<u>(20,285,876)</u>	<u>(19,186,609)</u>
Total Net Position	<u>\$ 20,482,054</u>	<u>\$ 13,906,241</u>	<u>\$ 10,221,522</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**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2020, 2019 and 2018**

**Condensed Statements of Revenues and Expenses**

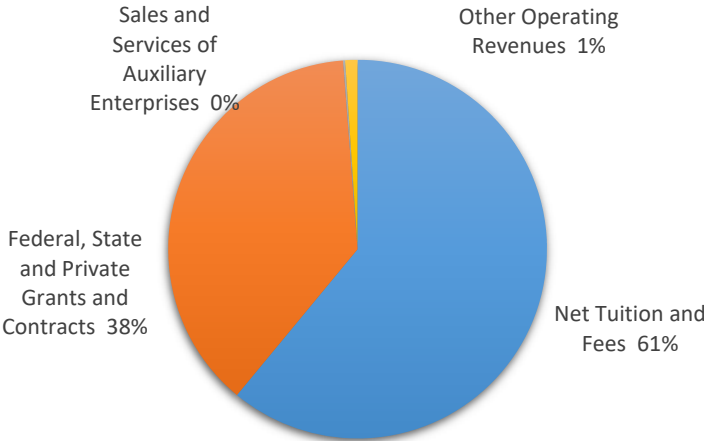
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating Revenues:			
Tuition and fees, net	\$ 23,843,545	\$ 24,901,048	\$ 25,752,213
Operating grants and contracts	14,902,159	14,971,476	18,528,460
Other	480,090	767,180	1,522,833
Total Operating Revenues	<u>39,225,794</u>	<u>40,639,704</u>	<u>45,803,506</u>
Operating Expenses	<u>68,554,441</u>	<u>69,588,682</u>	<u>74,726,769</u>
Net Operating Loss	<u>(29,328,647)</u>	<u>(28,948,978)</u>	<u>(28,923,263)</u>
Non-Operating Revenues:			
State appropriations, net	30,715,425	30,764,897	28,566,805
Federal grants revenue	1,533,187	-	-
Other	182,488	609,540	367,541
Total Non-Operating Revenues	<u>32,431,100</u>	<u>31,374,437</u>	<u>28,934,346</u>
Income Before Capital Appropriations	3,102,453	2,425,459	11,083
Capital Appropriations	<u>3,473,360</u>	<u>1,259,260</u>	<u>106,890</u>
Increase in Net Position	<u>\$ 6,575,813</u>	<u>\$ 3,684,719</u>	<u>\$ 117,973</u>

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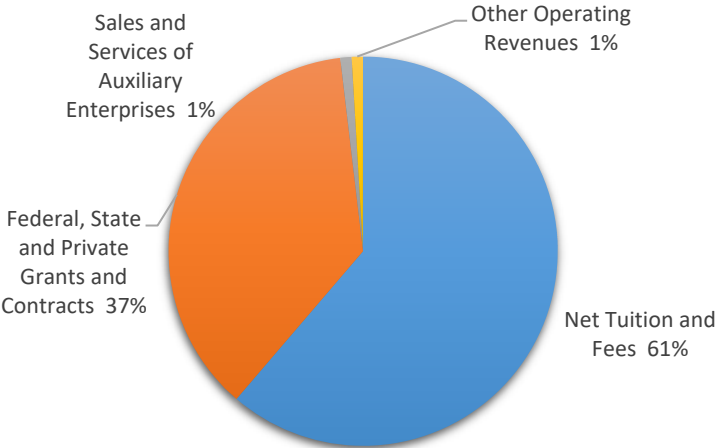
**Management’s Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020, 2019 and 2018**

**Operating Revenues by Source 2020**



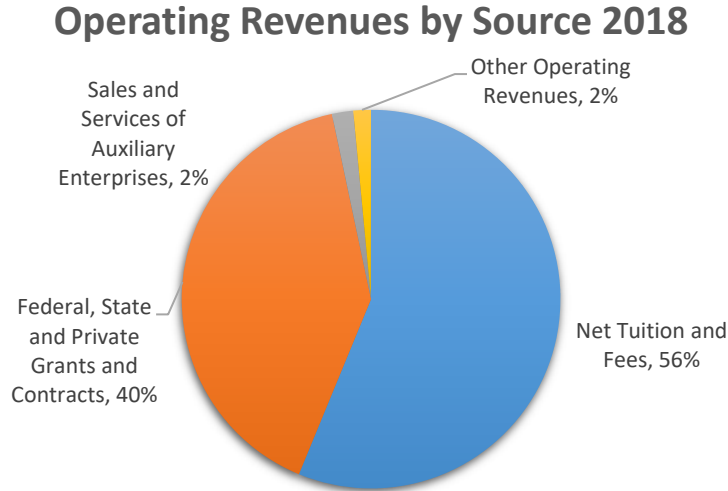
**Operating Revenues by Source 2019**



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

**June 30, 2020, 2019 and 2018**



Tuition and fees received by Massasoit Community College included the following for the year ended June 30:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Tuition	\$ 4,298,492	\$ 4,603,669	\$ 4,627,891
General college fees	20,699,235	21,310,103	21,706,766
Technology fees	944,321	1,012,956	1,067,264
Course fees	701,531	555,011	467,763
Other tuition and fees	<u>632,023</u>	<u>490,653</u>	<u>617,494</u>
	<u>\$ 27,275,602</u>	<u>\$ 27,972,392</u>	<u>\$ 28,487,178</u>

Highlights of operating revenue activity for the year include:

- Tuition and fees decreased by approximately \$697,000, in total, compared to the previous year. Enrollment has decreased by 3.7% in billable credits.
- Federal, Commonwealth, local, private grants and contracts decreased by \$96,316 this fiscal year. The net decrease was due to the DOL’s TAACCCT grant ending in FY19 and offset by the addition this fiscal year of the Federal CARES ACT funds for students to help with COVID-19 related expenses.
- A gain of \$479,866 in investment income during the year ended June 30, 2020 was due to ending the year favorably from market conditions, increasing the market value of the portfolio to \$12,526,307 at fiscal year-end.

# **MASSASOIT COMMUNITY COLLEGE**

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

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

**June 30, 2020, 2019 and 2018**

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

- Two Adult Basic Education grants received for a total of \$295,265. Similar to the previous fiscal year's amount of \$298,402.
- Two Federal Perkins Vocational and Technical Education grants received \$258,439. The previous fiscal year's Perkins grant amount was \$282,039. This represents a decrease in funding of \$23,600.
- A Federal TRIO grant received \$351,569 from the U.S. Department of Education. The previous fiscal year's amount was \$351,980. This year was consistent with last year's funding.
- A Gateway to College Program brought in \$538,796 compared to \$662,429 last year. This is a decrease of \$123,633. The Gateway to College Grant has become a self-sustaining program.
- The College received two awards for the STEM Starter Academy Grant receiving a total of \$275,662 for the current fiscal year and \$287,839 for FY2019.
- An additional MA Skills Grant was received for \$244,462 which is in support of the Diesel Program.
- The National Science Foundation for S-STEM received \$82,048 for this fiscal year. This grant will allow financial assistance to the STEM Scholars program that seeks to build a diverse pipeline of STEM professionals.
- EEC Career Pathways received \$484,467 this fiscal year with an increase of \$303,073 this fiscal year. The prior year received funding of \$181,394. This grant promotes professional development opportunities for early childhood education and our-of-school time workforce.
- Workforce Training Grant received \$236,248 in this fiscal year which was an increase of \$139,629 over the prior fiscal year.
- Commonwealth Corp grant received \$117,500 which increased \$100,500 over the prior fiscal year. This grant has a focus also on Diesel technology.
- Other grants that received funding during this fiscal year included Dual Enrollment Grant for \$130,764, MAICEI grant for \$68,621, Department of Developmental Services for \$36,035. The 100 Males to College – BSU PIF received \$10,327 for this fiscal year. .

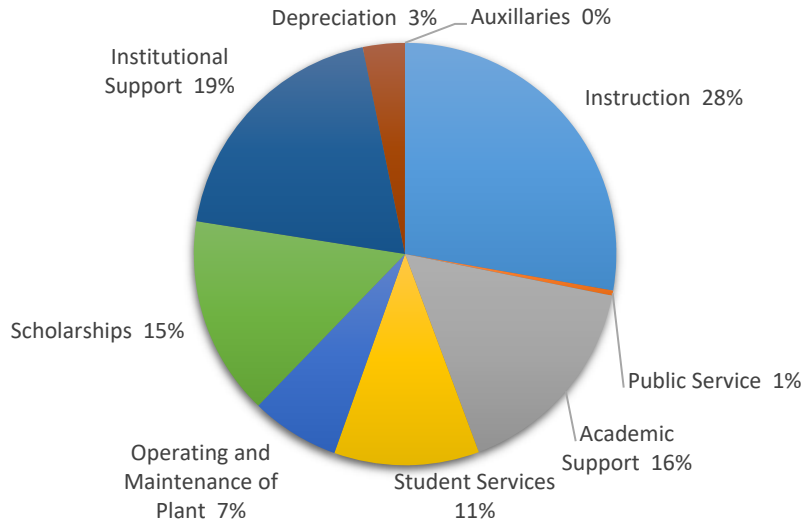
**MASSASOIT COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

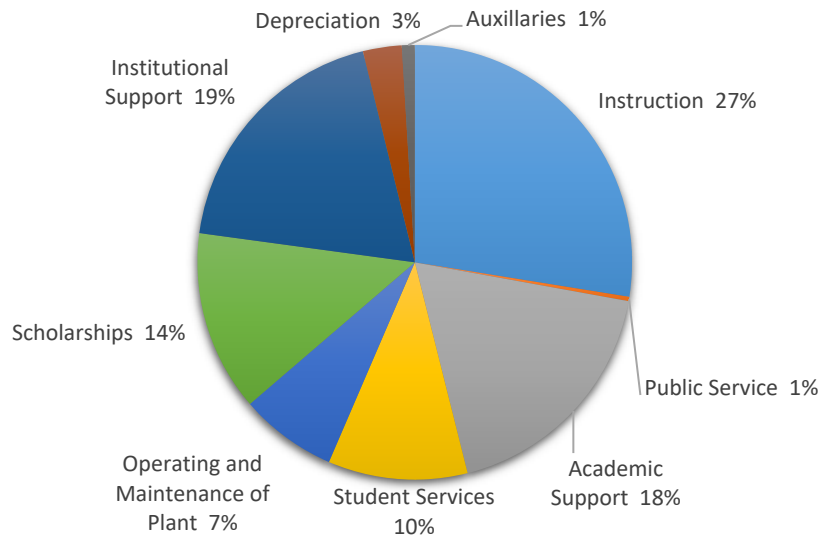
**June 30, 2020, 2019 and 2018**

**Massasoit Community College – Operating Expenses by Source**

**Operating Expenses by Source 2020**



**Operating Expenses by Source 2019**

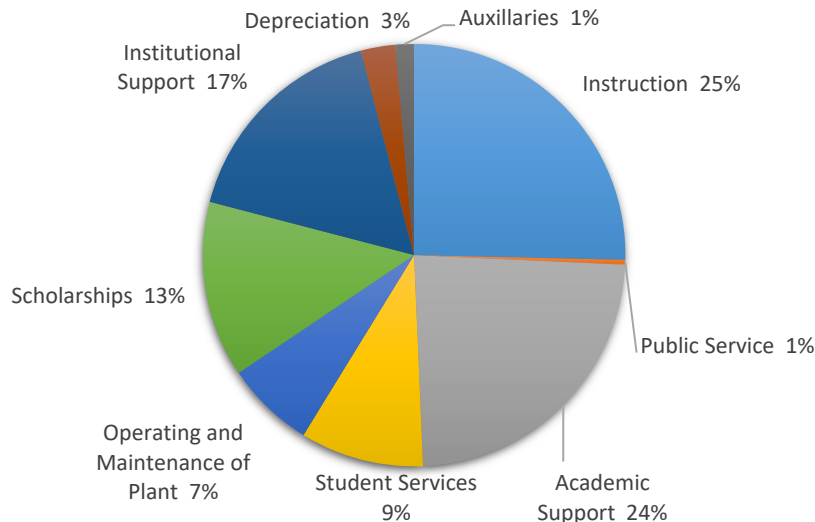


**MASSASOIT COMMUNITY COLLEGE**  
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**Management's Discussion and Analysis (Unaudited) - Continued**

**June 30, 2020, 2019 and 2018**

**Operating Expenses by Source 2018**



Highlights of operating expense activity include:

- This fiscal year the overall operating expenditures decreased by \$1,034,241 or 1.5%. This fiscal year the impact of GASB 75 for OPEB and GASB 68 for Pensions, resulted in a prior period adjustment to fiscal year 2019 of \$657,985. A net credit of \$1,001,261 due to GASB75 and GASB 68 was recorded in fiscal year 2020. Scholarships and fellowships increased due to the CARES Act funds for students to help with COVID-19 related expenses. Expenditure savings in utilities and general operations due to the COVID-19 pandemic were realized throughout each expenditure category. Depreciation of our fixed assets increased this fiscal year by \$205,187.
- The state appropriation continues cover more of the payroll resulting in a lower fringe chargeback. Additionally, related fringes for fiscal year 2020, at the rate of 37.91%, were charged for the locally funded payroll, The fringe rate has been increasing each fiscal year with FY19 at 36.62%, compared to 36.27% in fiscal year 2018
- Accruals for compensated absences and workers compensation have increased expenses by \$135,400 for operational departments during this fiscal year.
- Capital projects include the completion of the Dining Hall renovations started in FY19. Additional capital project renovations included, HR/Administration suite in Canton and the TV Studio in Brockton. Parking lots 3, 4 and 5 were completed this fiscal year as well as the Field House roof replacement.

# **MASSASOIT COMMUNITY COLLEGE**

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

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

**June 30, 2020, 2019 and 2018**

For non-operating revenues and expenses, the Commonwealth's unrestricted appropriation, including fringe benefits, net of tuition remissions decreased by \$49,472, (0.2) % decrease. A special Federal HEERF appropriation totaling \$1,533,187 as part of the CARES Act in response to the COVID-19 crisis. Of that special appropriation, \$1,402,510 was expended for emergency grants to students and \$130,677 for institutional costs. Gains from investments totaled \$479,866. 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 \$297,378.

### **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, 2020, 2019 and 2018 amounts to \$38,681,005, \$36,166,229, and \$35,760,753 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 32-33 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, OPEB liability and for the long-term portion of bond and 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**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2020, 2019 and 2018**

**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 increased to 17.7% due to the global COVID-19 pandemic. The prior years remained low at 3.0% in June 2019, 3.5% in 2018 according to the US Bureau of Labor Statistics. This year the COVID-19 pandemic has had a major impact on enrollment. The college switched to online classes during the Spring semester.

The College recognized another year of decreasing enrollment and fiscal year 2021 is projected to also decrease, approximately by 20% in billable credit hours. This is a direct result of the COVID-19 pandemic. The following chart illustrates the College’s recent enrollment figures:

	<u>Credits</u>
Fiscal 2018	138,352
Fiscal 2019	130,674
Fiscal 2020	125,780
Fiscal 2021 (projected)	99,477

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

Statements of Net Position  
June 30, 2020 and 2019

Assets and Deferred Outflows of Resources

	Primary <u>Government</u> 2020 <u>College</u>	(Restated) Primary <u>Government</u> 2019 <u>College</u>	Component <u>Unit</u> 2020 <u>Foundation</u>	Component <u>Unit</u> 2019 <u>Foundation</u>
<b>Current Assets:</b>				
Cash and equivalents	\$ 10,515,720	\$ 7,818,199	\$ 880,801	\$ 520,995
Deposits held by state treasurer	2,279,547	2,519,738	-	-
Cash held by state treasurer	2,648,187	4,981,855	-	-
Investments	12,526,307	12,381,794	687,861	799,050
Accounts receivable, net	5,021,814	5,469,973	-	5,629
Other current assets	397,398	365,465	-	-
<b>Total Current Assets</b>	<u>33,388,973</u>	<u>33,537,024</u>	<u>1,568,662</u>	<u>1,325,674</u>
<b>Non-Current Asset:</b>				
Capital assets, net	38,681,005	36,166,229	673,891	673,891
<b>Total Assets</b>	<u>72,069,978</u>	<u>69,703,253</u>	<u>2,242,553</u>	<u>1,999,565</u>
<b>Deferred Outflows of Resources:</b>				
Deferred outflows of resources related to pension	1,494,657	2,462,093	-	-
Deferred outflows of resources related to OPEB	1,504,670	1,522,465	-	-
<b>Total Deferred Outflows of Resources</b>	<u>2,999,327</u>	<u>3,984,558</u>	<u>-</u>	<u>-</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 75,069,305</u>	<u>\$ 73,687,811</u>	<u>\$ 2,242,553</u>	<u>\$ 1,999,565</u>

Liabilities Deferred Inflows of Resources and Net Position

<b>Current Liabilities:</b>				
Accounts payable	\$ 1,426,312	\$ 6,212,109	\$ 14,000	\$ 44,361
Accrued payroll	2,854,364	2,541,883	-	-
Accrued compensated absences	2,627,085	2,480,479	-	-
Accrued workers' compensation benefits	92,878	101,430	-	-
Current portion of notes payable	429,856	414,472	-	-
Student deposits and unearned revenues	5,526,327	3,981,767	-	-
<b>Total Current Liabilities</b>	<u>12,956,822</u>	<u>15,732,140</u>	<u>14,000</u>	<u>44,361</u>
<b>Non-Current Liabilities:</b>				
Accrued compensated absences	1,032,376	1,086,461	-	-
Accrued workers' compensation	417,439	366,008	-	-
Notes payable, net of current portion	6,041,749	6,471,604	-	-
Net pension liability	7,297,962	8,824,467	-	-
Net OPEB liability	13,757,885	19,309,594	-	-
<b>Total Non-Current Liabilities</b>	<u>28,547,411</u>	<u>36,058,134</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>41,504,233</u>	<u>51,790,274</u>	<u>14,000</u>	<u>44,361</u>
<b>Deferred Inflows of Resources:</b>				
Deferred inflows of resources related to pension	3,803,150	3,203,930	-	-
Deferred inflows of resources related to OPEB	9,279,868	4,787,366	-	-
<b>Total Deferred Inflows of Resources</b>	<u>13,083,018</u>	<u>7,991,296</u>	<u>-</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	32,209,400	29,280,153	673,891	673,891
Restricted-expendable	2,320,433	4,911,964	842,021	568,186
Unrestricted	(14,047,779)	(20,285,876)	712,641	713,127
<b>Total Net Position</b>	<u>20,482,054</u>	<u>13,906,241</u>	<u>2,228,553</u>	<u>1,955,204</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 75,069,305</u>	<u>\$ 73,687,811</u>	<u>\$ 2,242,553</u>	<u>\$ 1,999,565</u>

See accompanying notes to the financial statements.

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

**Statements of Revenues and Expenses**

**For the Years Ended June 30,**

	Primary <u>Government</u>	(Restated) Primary <u>Government</u>	Component <u>Unit</u>	Component <u>Unit</u>
	2020 <u>College</u>	2019 <u>College</u>	2020 <u>Foundation</u>	2019 <u>Foundation</u>
<b>Operating Revenues:</b>				
Tuition and fees	\$ 27,275,602	\$ 27,972,392	\$ -	\$ -
Less: scholarships and fellowships	<u>3,432,057</u>	<u>3,071,344</u>	-	-
Net tuition and fees	23,843,545	24,901,048	-	-
Federal grants and contracts	11,218,158	11,342,018	-	-
State grants and contracts	3,218,665	3,301,139	-	-
Private grants and contracts	465,336	328,319	-	-
Gifts and contributions	-	-	418,377	193,715
Auxiliary enterprises	70,353	383,365	-	-
Other operating revenues	<u>409,737</u>	<u>383,815</u>	<u>102,983</u>	<u>119,087</u>
<b>Total Operating Revenues</b>	<u>39,225,794</u>	<u>40,639,704</u>	<u>521,360</u>	<u>312,802</u>
<b>Operating Expenses:</b>				
Educational and general:				
Instruction	19,040,262	19,171,058	-	-
Scholarships and fellowships	10,441,196	9,356,298	179,785	171,881
Academic support	11,081,251	12,683,575	-	-
Student services	7,617,162	7,212,739	-	-
Institutional support	13,233,464	13,236,838	103,307	90,505
Public service	264,866	220,518	-	-
Operation and maintenance of plant	4,661,021	5,039,544	-	-
Depreciation	2,204,835	1,999,648	-	-
Auxiliary enterprises	<u>10,384</u>	<u>668,464</u>	-	-
<b>Total Operating Expenses</b>	<u>68,554,441</u>	<u>69,588,682</u>	<u>283,092</u>	<u>262,386</u>
<b>Net Operating Income (Loss)</b>	<u>(29,328,647)</u>	<u>(28,948,978)</u>	<u>238,268</u>	<u>50,416</u>
<b>Non-Operating Revenues (Expenses):</b>				
State appropriations, net	30,715,425	30,764,897	-	-
Federal grants revenue	1,533,187	-	-	-
Investment income, net	479,866	923,852	35,081	55,186
Interest expense	<u>(297,378)</u>	<u>(314,312)</u>	-	-
<b>Net Non-Operating Revenues</b>	<u>32,431,100</u>	<u>31,374,437</u>	<u>35,081</u>	<u>55,186</u>
<b>Increase in Net Position Before Capital Appropriations</b>	<b>3,102,453</b>	<b>2,425,459</b>	<b>273,349</b>	<b>105,602</b>
Capital Appropriations	<u>3,473,360</u>	<u>1,259,260</u>	-	-
<b>Increase in Net Position</b>	<u>\$ 6,575,813</u>	<u>\$ 3,684,719</u>	<u>\$ 273,349</u>	<u>\$ 105,602</u>

See accompanying notes to the financial statements.

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

**Statements of Changes in Net Position**

**For the Years Ended June 30, 2020 and 2019**

	<b>College</b>			
	<u>Net Investment in Capital Assets</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
<b>Balance at June 30, 2018</b>	\$ 28,474,942	\$ 933,189	\$ (19,186,609)	\$ 10,221,522
Changes in net position, as previously reported	<u>805,211</u>	<u>3,978,775</u>	<u>(441,282)</u>	<u>4,342,704</u>
<b>Balance at June 30, 2019, as previously reported</b>	29,280,153	4,911,964	(19,627,891)	14,564,226
Prior period adjustment - See Note 2	<u>-</u>	<u>-</u>	<u>(657,985)</u>	<u>(657,985)</u>
<b>Balance at June 30, 2019, as restated</b>	29,280,153	4,911,964	(20,285,876)	13,906,241
Changes in net position	<u>2,929,247</u>	<u>(2,591,531)</u>	<u>6,238,097</u>	<u>6,575,813</u>
<b>Balance at June 30, 2020</b>	<u>\$ 32,209,400</u>	<u>\$ 2,320,433</u>	<u>\$ (14,047,779)</u>	<u>\$ 20,482,054</u>

	<b>Foundation</b>			
	<u>Net Investment in Capital Assets</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
<b>Balance at June 30, 2018</b>	\$ 673,891	\$ 860,838	\$ 314,873	\$ 1,849,602
Changes in net position	<u>-</u>	<u>(292,652)</u>	<u>398,254</u>	<u>105,602</u>
<b>Balance at June 30, 2019</b>	673,891	568,186	713,127	1,955,204
Changes in net position	<u>-</u>	<u>273,835</u>	<u>(486)</u>	<u>273,349</u>
<b>Balance at June 30, 2020</b>	<u>\$ 673,891</u>	<u>\$ 842,021</u>	<u>\$ 712,641</u>	<u>\$ 2,228,553</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,**

	<b>2020</b>	<b>(Restated)</b>
	<b>College</b>	<b>2019</b>
		<b>College</b>
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 25,194,786	\$ 23,948,096
Grants and contracts	14,287,856	13,516,040
Payments to employees	(47,607,583)	(39,682,381)
Payments to suppliers and vendors	(5,082,596)	(4,886,369)
Payments to students	(10,441,196)	(9,356,298)
Auxiliary enterprises disbursements	-	(668,464)
Auxiliary enterprises receipts	70,353	383,365
Other operating receipts	<u>1,665,518</u>	<u>383,815</u>
Net Cash Applied to Operating Activities	<u>(21,912,862)</u>	<u>(16,362,196)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
State appropriations	22,791,923	23,687,715
Federal grants	1,533,187	
Tuition remitted to state	<u>(665,839)</u>	<u>(629,169)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>23,659,271</u>	<u>23,058,546</u>
<b>Cash Flows from Capital Financing Activities:</b>		
Purchases of capital assets	(1,246,251)	(1,145,864)
Principal payment on notes payable	(414,471)	(399,735)
Interest paid on notes payable	<u>(297,378)</u>	<u>(314,312)</u>
Net Cash Applied to Capital Financing Activities	<u>(1,958,100)</u>	<u>(1,859,911)</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of investments	(144,513)	(721,994)
Interest on investments	<u>479,866</u>	<u>923,852</u>
Net Cash Provided by Investing Activities	<u>335,353</u>	<u>201,858</u>
<b>Net Increase in Cash and Equivalents</b>	<b>123,662</b>	<b>5,038,297</b>
Cash and Equivalents, Beginning of Year	<u>15,319,792</u>	<u>10,281,495</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ 15,443,454</b>	<b>\$ 15,319,792</b>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>		
Net operating loss	\$ (29,328,647)	\$ (28,948,978)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	2,204,835	1,999,648
Bad debts	423,067	357,774
Fringe benefits provided by the state	8,589,341	7,706,351
Net pension activity	40,151	438,645
Net OPEB activity	(1,041,412)	204,474
Changes in assets and liabilities:		
Accounts receivable	25,092	(2,445,963)
Other current assets	(31,933)	(61,179)
Accounts payable	(4,785,797)	4,831,621
Accrued payroll	312,481	(224,832)
Accrued compensated absences and workers' compensation	135,400	100,442
Student deposits and unearned revenues	<u>1,544,560</u>	<u>(320,199)</u>
Net Cash Applied to Operating Activities	<u>(21,912,862)</u>	<u>(16,362,196)</u>
<b>Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:</b>		
Cash and equivalents	\$ 10,515,720	\$ 7,818,199
Cash held by state treasurer	2,279,547	4,981,855
Deposits held by state treasurer	<u>2,648,187</u>	<u>2,519,738</u>
Cash and equivalents, end of year	<u>\$ 15,443,454</u>	<u>\$ 15,319,792</u>
<b>Non-Cash Transactions:</b>		
Capital assets acquired through capital appropriations	<u>\$ 3,473,360</u>	<u>\$ 1,259,260</u>
Fringe benefits provided by the state	<u>\$ 8,589,341</u>	<u>\$ 7,706,351</u>
Unrealized Gain on investments	<u>\$ 479,866</u>	<u>\$ 923,852</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, 2020 and 2019

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 Commission of Higher Education. 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.

*Operations*

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (COVID-19) as a pandemic. On March 30, 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online. The College refunded a total of \$66,973 before June 30, 2020 to students for a pro rata share of the tuition and fees charged for the period from when the College transitioned students to a distance learning environment to the completion of the 2020 spring semester.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (HEERF). The College was awarded \$3,581,373 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is required by the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended \$1,402,510 for emergency grants to students and \$130,677 for institutional costs from the HEERF funds.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

*Basis of Presentation and Accounting - Continued*

The College's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as 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.

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

*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, 2020 and 2019.

*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, 2020 and 2019**

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.

*Post-Employment Benefits Other Than Pensions ("OPEB")*

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

*Fringe Benefits*

The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation benefits and certain post-employment 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.

*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, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of Commonwealth service at June 30, 2020 and 2019. 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

Use of Estimates

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

Adoption of New Accounting Pronouncements

The College adopted GASB Statement 83 – *Certain Asset Retirement Obligations* (“AROs”). 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. The implementation of this statement did not have a material effect on the financial statements.

The College adopted GASB Statement 84 – *Fiduciary Activities*. The objective of this statement is to establish criteria for identifying and reporting of fiduciary activities. The implementation of this statement did not have a material effect on the financial statements.

The College adopted GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements*. Implementation of this standard required additional disclosures in the notes to the financial statements related to debt. The implementation of this standard did not have a material effect on the financial statements.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

*New Governmental Accounting Pronouncements*

GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. 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 standard.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61*, is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. The objective of this Statement is to improve the consistency of reporting conduit debt. This statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 93 – *Replacement of Interbank Offered Rates* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to provide government entities relief with replacing or amending financial instruments for the purpose of replacing LIBOR, which is expected to cease to exist in December 2021. Before the implementation of this standard, hedge accounting terminates if material terms are amended.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

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

*New Governmental Accounting Pronouncements – Continued*

GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use asset and a corresponding liability would be recognized for SBITAs.

GASB Statement 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans* is effective for reporting periods beginning after June 15, 2021. The objective of this statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated as the same as the primary government appointing a majority of the potential component unit's governing board.

Management has not completed its review of the requirements of these standards and their applicability.

Note 2 - **Prior Period Adjustment**

Management of the College was notified of an error in the calculation of OPEB for the year ended June 30, 2019. The error did not have an effect on the calculation of OPEB as of June 30, 2018.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

**Note 2 - Prior Period Adjustment – Continued**

The following presents the effects of the prior period adjustment:

	As Previously Reported <u>at June 30, 2019</u>	Correction of an <u>Error</u>	As Restated <u>at June 30, 2019</u>
Statements of Net Position:			
Deferred outflows of resources related to OPEB	\$ 1,503,970	18,495	\$ 1,522,465
Deferred inflows of resources related to OPEB	\$ 7,920,623	(3,133,257)	\$ 4,787,366
Net OPEB liability	\$ 15,499,857	3,809,737	\$ 19,309,594
Unrestricted net position	\$ (19,627,891)	(657,985)	\$ (20,285,876)
Statements of Revenues and Expenses:			
Operating expenses	\$ 68,930,697	657,985	\$ 69,588,682

**Note 3 - 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 collateralized by a third party. As of June 30, 2020 and 2019, the Colleges bank balances were approximately \$10,094,000 and \$7,768,000, respectively. As of June 30, 2020 and 2019, uninsured bank balances with collateral held by a pledging bank was approximately \$9,844,000 and \$7,518,000.

Accounts payable, accrued payroll and capital projects to be funded from state-appropriated funds totaled \$2,648,187 and \$4,981,855 at June 30, 2020 and 2019, 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, 2020 and 2019 through MMARS were recorded in the sum of \$2,279,547 and \$2,519,738, respectively.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 4 - **Accounts Receivable**

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

	<u>2020</u>	<u>2019</u>
Student accounts receivable	\$ 7,797,042	\$ 7,180,658
Grants receivable	1,220,343	606,038
Other receivables	<u>414,413</u>	<u>1,670,194</u>
	<b>9,431,798</b>	<b>9,456,890</b>
Less: allowance for doubtful accounts	<u>(4,409,984)</u>	<u>(3,986,917)</u>
	<b><u>\$ 5,021,814</u></b>	<b><u>\$ 5,469,973</u></b>

Note 5 - **Investments**

*College*

At June 30, 2020 and 2019, 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, 2020 and 2019:

Investment Type	<u>2020</u> <u>Investment Maturities (in Years)</u>				
	<u>Fair</u> <u>Value</u>	<u>Less</u> <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More</u> <u>Than 10</u>
<b><u>Debt Securities:</u></b>					
Bond mutual fund	\$ 1,640,016	\$ 383,681	\$1,256,335	\$ -	\$ -
U.S. Agencies	1,606,851	-	1,606,851	-	-
Certificates of deposit	<u>1,039,364</u>	<u>1,039,364</u>	-	-	-
	4,286,231	<u>\$ 1,423,045</u>	<u>\$2,863,186</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>Other Investment:</u></b>					
Corporate equity securities	<u>8,240,076</u>				
<b>Total</b>	<b><u>\$ 12,526,307</u></b>				

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 5 - **Investments – Continued**

*College – Continued*

Investment Type	2019				
	<u>Investment Maturities (in Years)</u>				
	<u>Fair</u> <u>Value</u>	<u>Less</u> <u>Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More</u> <u>Than 10</u>
<u>Debt Securities:</u>					
Bond mutual fund	\$ 1,616,896	\$ 385,592	\$1,231,304	\$ -	\$ -
U.S. Agencies	1,528,486	-	1,528,486	-	-
Certificates of deposit	<u>1,029,581</u>	<u>1,029,581</u>	-	-	-
	4,174,963	<u>\$ 1,415,173</u>	<u>\$2,759,790</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Other Investment:</u>					
Equity mutual fund	<u>8,206,831</u>				
Total	<u>\$ 12,381,794</u>				

The U.S. Agencies' balance received an AGCY rating from Moody's in terms of credit risk quality ratings and the bond mutual funds and certificated of deposit are unrated as of June 30, 2020 and 2019.

The College also has four certificates of deposit (“CD”) with different financial institutions. For the years ended June 30, 2020 and 2019, the CD’s generate interest at varying rates from 0.35% to 1.80% and 0.40% to 1.80%, respectively, 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 at June 30, 2020 and 2019.

*Corporate Equity Securities and Mutual Funds:* Valued at quoted market value of the shares held at fiscal year-end.

*U.S. Agencies:* Valued at the initial investment plus accrued interest.

*Certificates of Deposit:* Valued at the initial investment plus accrued interest, but not traded on an active market.



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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 5 - **Investments – Continued**

*College – Continued*

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future 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 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 20, 2020			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements:</b>				
Mutual funds	\$ 2,862,164	\$ -	\$ -	\$ 2,862,164
Corporate equity securities	7,017,928	-	-	7,017,928
U.S. Agencies	1,606,851	-	-	1,606,851
Certificates of deposit	-	1,039,364	-	1,039,364
<b>Total marketable securities at fair value</b>	<b>\$ 11,486,943</b>	<b>\$ 1,039,364</b>	<b>\$ -</b>	<b>\$ 12,526,307</b>
	June 20, 2019			
	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements:</b>				
Mutual funds	\$ 2,478,209	\$ -	\$ -	\$ 2,478,209
Corporate equity securities	7,345,518	-	-	7,345,518
U.S. Agencies	1,528,486	-	-	1,528,486
Certificates of deposit	-	1,029,581	-	1,029,581
<b>Total marketable securities at fair value</b>	<b>\$ 11,352,213</b>	<b>\$ 1,029,581</b>	<b>\$ -</b>	<b>\$ 12,381,794</b>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 5 - **Investments – Continued**

*Foundation*

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

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 550,676	635,641
Equity securities	<u>137,185</u>	<u>163,409</u>
	<u>\$ 687,861</u>	<u>\$ 799,050</u>

Note 6 - **Capital Assets**

Capital assets consist of the following at June 30, 2020:

	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	79,432,626	4,542,446	-	-	83,975,072
Furnishings and equipment	5	12,097,260	177,165	-	-	12,274,425
Educational resource materials	5	<u>96,295</u>	-	-	-	<u>96,295</u>
Total depreciable assets		<u>91,626,181</u>	<u>4,719,611</u>	-	-	<u>96,345,792</u>
Total capital assets		<u>94,477,898</u>	<u>4,719,611</u>	-	-	<u>99,197,509</u>
Less: accumulated depreciation:						
Buildings and improvements		46,511,640	2,168,223	-	-	48,679,863
Furnishings and equipment		11,703,734	36,612	-	-	11,740,346
Educational resource materials		<u>96,295</u>	-	-	-	<u>96,295</u>
Total accumulated depreciation		<u>58,311,669</u>	<u>2,204,835</u>	-	-	<u>60,516,504</u>
Capital assets, net		<u>\$ 36,166,229</u>	<u>\$ 2,514,776</u>	\$ -	\$ -	<u>\$ 38,681,005</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

**Note 6 - Capital Assets – Continued**

Capital assets consist of the following at June 30, 2019:

	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	77,228,586	2,204,040		-	79,432,626
Furnishings and equipment	5	11,896,176	201,084		-	12,097,260
Educational resource materials	5	96,295	-		-	96,295
Total depreciable assets		<u>89,221,057</u>	<u>2,405,124</u>	<u>-</u>	<u>-</u>	<u>91,626,181</u>
Total capital assets		<u>92,072,774</u>	<u>2,405,124</u>	<u>-</u>	<u>-</u>	<u>94,477,898</u>
Less: accumulated depreciation:						
Buildings and improvements		44,548,604	1,963,036		-	46,511,640
Furnishings and equipment		11,667,122	36,612		-	11,703,734
Educational resource materials		96,295	-		-	96,295
Total accumulated depreciation		<u>56,312,021</u>	<u>1,999,648</u>	<u>-</u>	<u>-</u>	<u>58,311,669</u>
Capital assets, net		<u>\$ 35,760,753</u>	<u>\$ 405,476</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,166,229</u>

**Note 7 - Long-Term Liabilities**

Long-term liabilities at June 30, 2020 consist of:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Notes payable	\$ 6,886,077	\$ -	\$ 414,472	\$ 6,471,605	\$ 429,856
Other long-term liabilities:					
Compensated absences	3,566,940	92,521	-	3,659,461	2,627,085
Workers' compensation	467,438	42,879	-	510,317	92,878
Net pension liability	8,824,467	-	1,526,505	7,297,962	-
Net OPEB liability	<u>19,309,594</u>	<u>-</u>	<u>5,551,709</u>	<u>13,757,885</u>	<u>-</u>
Total long-term liabilities	<u>\$ 39,054,516</u>	<u>\$ 135,400</u>	<u>\$ 7,492,686</u>	<u>\$ 31,697,230</u>	<u>\$ 3,149,819</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 7 - **Long-Term Liabilities – Continued**

Long-term liabilities at June 30, 2019 consisted of:

	2019				
	Beginning Balance	Additions	Reductions	(Restated) Ending Balance	Current Portion
Notes payable	\$ 7,285,811	\$ -	\$ 399,735	\$ 6,886,076	\$ 414,472
Other long-term liabilities:					
Compensated absences	3,543,908	23,032	-	3,566,940	2,480,479
Workers' compensation	390,028	77,410	-	467,438	101,430
Net pension liability	11,051,800	-	2,227,333	8,824,467	-
Net OPEB Liability	<u>21,495,791</u>	<u>-</u>	<u>2,186,197</u>	<u>19,309,594</u>	<u>-</u>
Total long-term liabilities	<u>\$ 43,767,338</u>	<u>\$ 100,442</u>	<u>\$ 4,813,265</u>	<u>\$ 39,054,515</u>	<u>\$ 2,996,381</u>

*Notes Payable*

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

	<b>2020</b>	<b>2019</b>
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%	<b>\$ 442,950</b>	\$ 506,229
Note payable, Division of Capital 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 4.5%	<b>896,819</b>	958,822

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 7 - **Long-Term Liabilities – Continued**

*Notes Payable - Continued*

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%

**\$ 3,304,661**                      3,488,947

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%

**1,827,175**                      1,932,078

Notes payable                      **\$ 6,471,605**                      **\$ 6,886,076**

Maturities of principal and interest subsequent to June 30, 2020 are as follows:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 429,856	\$ 279,700
2022	445,915	261,395
2023	462,679	242,386
2024	480,179	222,665
2025	498,446	202,127
2026-2030	2,605,742	680,342
2031-2033	<u>1,548,788</u>	<u>132,581</u>
	<b><u>\$ 6,471,605</u></b>	<b><u>\$ 2,021,196</u></b>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 7 - **Long-Term Liabilities – Continued**

*Leases*

The College leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to June 30, 2020:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Operating</u> <u>Leases</u>
2020	\$ 181,782
2022	180,875
2023	<u>179,606</u>
	<u>\$ 542,263</u>

Rent expense for operating leases was \$391,496 and \$231,689 for the years ended June 30, 2020 and 2019, respectively.

Note 8 - **Pensions**

*Defined Benefit Plan Description*

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

*Benefit Provisions*

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

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

*Contributions*

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

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

*Contributions*

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amount to \$3,408,620, \$2,663,760, and \$2,457,898 for the year ended June 30, 2020, 2019 and 2018, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate; the rate was 14.08%, 12.06% and 11.78% of annual covered payroll for the fiscal year ended June 30, 2020, 2019 and 2018, respectively. The College contributed \$469,998, \$496,607, and \$609,951 for the fiscal year ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 66%, 68% and 67% of total payroll for fiscal year ended June 30, 2020, 2019 and 2018, respectively.

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

At June 30, 2020 and 2019, the College reported a liability of \$7,297,962 and \$8,824,467, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, 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, 2019 rolled forward to June 30, 2019. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, 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, 2018 rolled forward to June 30, 2018.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2020 and 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.050% and 0.067%, respectively.



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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

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

For the years ended June 30, 2019 and 2018, the College recognized pension expense of \$510,150 and \$935,252, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2020</u>	<u>2019</u>
Difference between expected and actual experience	\$ 242,367	\$ 279,837
Change in pension plan actuarial assumptions	540,957	894,305
Changes in proportion from Commonwealth	12,885	23,799
Changes in proportion due to internal allocation	228,450	767,545
Contributions subsequent to the measurement date	<u>469,998</u>	<u>496,607</u>
Total deferred outflows of resources related to pension	<u>\$ 1,494,657</u>	<u>\$ 2,462,093</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

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

<u>Deferred Inflows of Related to Pension</u>	<u>2020</u>	<u>2019</u>
Net differences between projected and actual investment earnings on pension plan investments	\$ 108,859	\$ 306,729
Difference between expected and actual experience	94,914	179,843
Changes in proportion from Commonwealth	371	1,677
Changes in proportion due to internal allocation	<u>3,599,006</u>	<u>2,715,681</u>
Total deferred inflows of resources related to pension	<u>\$ 3,803,150</u>	<u>\$ 3,203,930</u>

The College's contributions of \$469,998 and \$496,607 made during the fiscal years ending 2020 and 2019, 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 decreases in pension expense as follows:

Years Ending <u>June 30,</u>	
2020	\$ (483,627)
2021	(768,475)
2022	(660,358)
2023	(645,886)
2024	<u>(220,145)</u>
	<u>\$ (2,778,491)</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

*Actuarial Assumptions*

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

Measurement date	June 30, 2019	June 30, 2018
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.25%	7.35%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2019 and 2018, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females.
- Disability - reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year.

The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 2019 and rolled forward to June 30, 2019. The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 2018 and rolled forward to June 30, 2018.

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 weighing the expected future rates of return by the target asset allocation percentage.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

*Actuarial Assumptions*

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	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	5.00%	39%	5.00%
Portfolio Completion Strategies	11%	3.70%	13%	3.70%
Core Fixed Income	15%	0.90%	12%	0.90%
Private Equity	13%	6.60%	12%	6.60%
Real Estate	10%	3.80%	10%	3.80%
Value Added Fixed Income	8%	3.80%	10%	3.80%
Timber/Natural Resources	4%	3.40%	4%	3.40%
	<u>100%</u>		<u>100%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25% and 7.35% at June 30, 2020 and 2019, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth’s contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 8 - **Pensions – Continued**

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30,:

June 30, 2020		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
3.25%	7.25%	8.25%
\$ 9,713,824	\$ 7,297,962	\$ 5,233,724
June 30, 2019		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
6.35%	7.35%	8.35%
\$ 11,893,906	\$ 8,824,467	\$ 6,201,749

Note 9 - **OPEB (Restated)**

*Plan Description*

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

*Plan Description - Continued*

Management of the SRBT is vested with the board of trustees, which consists of 7 members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), 1 person appointed by the Governor, and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board. The SRBT does not issue a stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

*Benefits Provided*

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

*Contributions*

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2020 and 2019, and as of the valuation date (January 1, 2019 and 2018), participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.29% and 8.79% of annual covered payroll for the fiscal years ended June 30, 2020 and 2019, respectively. The College contributed \$243,471 and \$362,123 for the fiscal years ended June 30, 2020 and 2019, respectively, equal to 100% of the required contribution for each year.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

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

At June 30, 2020 and 2019, the College reported a liability of \$13,757,885 and \$19,309,594, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2018, respectively.

The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2019 and 2018. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.075% and 0.104%, respectively.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

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

For the years ended June 30, 2020 and 2019, the College recognized OPEB (benefit) and expense of \$(708,591) and \$10,051, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2020</u>	(Restated) <u>2019</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Changes in proportion from Commonwealth	\$ 33,546	\$ 49,812
Changes in OPEB plan actuarial assumptions	10,586	18,495
Changes in proportion due to internal allocation	665,312	903,775
Difference between expected and actual experience	551,755	188,260
Contributions subsequent to the measurement date	<u>243,471</u>	<u>362,123</u>
Total deferred outflows of resources related to OPEB	<u>\$ 1,504,670</u>	<u>\$ 1,522,465</u>



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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

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

<u>Deferred Inflows of Resources Related to OPEB</u>	<u>2020</u>	(Restated) <u>2019</u>
Net differences between projected and actual investment earnings on OPEB plan investments	\$ 6,327	\$ 38,704
Difference between expected and actual experience	17,618	33,083
Changes in proportion due to internal allocation	7,187,091	3,086,615
Change in OPEB plan actuarial assumptions	<u>2,068,832</u>	<u>1,628,964</u>
Total deferred inflows of resources related to OPEB	<u>\$ 9,279,868</u>	<u>\$ 4,787,366</u>

The College's contributions of \$243,471 and \$362,123 made during the fiscal year 2020 and 2019, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2021	\$(1,960,233)
2022	(1,960,233)
2023	(1,887,598)
2024	(1,641,049)
2025	<u>(569,556)</u>
	<u>\$ (8,018,669)</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

*Actuarial Assumptions*

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

Measurement date	June 30, 2019	June 30, 2018
Inflation	2.50%	3.00%
Salary increases	4.0% per year	4.50%
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation	7.35%, net of OPEB plan investment expense, including inflation
Healthcare Costs Trends	7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 & 2024 then decreasing 0.25% each year to an ultimate rate of 4.5% in 2026 for Medical  5.0% for EGWP through 2025, then 4.5% in 2026; 4.5% for administrative costs	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical  5.0% for EGWP 5.0% for administrative costs

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

*Actuarial Assumptions - Continued*

The participation rates are actuarially assumed as below:

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

	<u>Retirement Age</u>	
	<u>Under 65</u>	<u>Age 65+</u>
Indemnity	25.0%	85.0%
POS/PPC	60.0%	0.0%
HMO	15.0%	15.0%

The actuarial assumptions used in the January 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2017 and 2016 through December 31, 2018 and 2017, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2018 and 2017 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

*Actuarial Assumptions - Continued*

Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2020 and 2019, are the same as discussed in the pension footnote.

*Discount Rate*

The discount rate used to measure the total OPEB liability for 2020 and 2019 was 3.63% and 3.95%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.51% and 3.87%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2029 and 2023 for the fiscal years 2020 and 2019, respectively.

Therefore, the long-term expected rate of return on OPEB plan investments is 7.25% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

<b>June 30, 2020</b>		
<b>Current</b>		
<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
<b>(2.63%)</b>	<b>(3.63%)</b>	<b>(4.63%)</b>
<b>\$ 16,422,468</b>	<b>\$ 13,757,885</b>	<b>\$ 11,651,129</b>
<b>June 30, 2019</b>		
<b>Current</b>		
<b>1.00% Decrease</b>	<b>Discount Rate</b>	<b>1.00% Increase</b>
<b>(2.92%)</b>	<b>(3.92%)</b>	<b>(4.92%)</b>
<b>\$ 22,952,969</b>	<b>\$ 19,309,594</b>	<b>\$ 16,419,299</b>

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 9 - **OPEB (Restated) – Continued**

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

The following presents the College’s proportionate share of the net OPEB liability, as well as what the College’s proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates, as disclosed on page 49 of this report:

<b>June 30, 2020</b>		
<b>Current Healthcare</b>		
<b><u>1.00% Decrease</u></b>	<b><u>Cost Trend Rate</u></b>	<b><u>1.00% Increase</u></b>
\$ 11,338,235	\$ 13,757,885	\$ 16,950,354
<b>June 30, 2019</b>		
<b>Current Healthcare</b>		
<b><u>1.00% Decrease</u></b>	<b><u>Cost Trend Rate</u></b>	<b><u>1.00% Increase</u></b>
\$ 16,334,263	\$ 19,309,594	\$ 23,070,904

Note 10 - **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 11 - **Related Party Transactions**

The Foundation provided parking facilities to the College pursuant to a lease agreement which was terminated in March 2019. Accordingly, total rent expense paid to related parties for the year ended June 30, 2019 was \$22,500 and is included in operation and plant maintenance.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 12 - **Contingencies**

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. Many higher educational institutions have been served with a class action lawsuit due to this decision. The plaintiffs' claim that they have suffered academic harm after the 2020 spring semester transitioned to distance learning. Since the lawsuits are in the early stages, there have been no settlements or court decisions on this matter. The College has not been served with a lawsuit related to COVID-19. Management believes that any potential future adverse outcome is possible, but unlikely, and would not be material to the College. 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.

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 13 - **Operating Expenses**

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

	<u>2020</u>	<u>2019 (Restated)</u>
Compensation and benefits	\$ 47,070,841	\$ 47,468,815
Supplies and services	8,837,569	10,763,921
Depreciation	2,204,835	1,999,648
Scholarships and fellowships	<u>10,441,196</u>	<u>9,356,298</u>
	<u>\$ 68,554,441</u>	<u>\$ 69,588,682</u>

Note 14 - **Other 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 are paid through a fringe benefit rate charged to the College by the Commonwealth.

*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 number 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 14 - **Other Fringe Benefits - Continued**

*Group Insurance Commission (“GIC”) – Continued*

The GIC is a quasi-independent state agency governed by an eleven-member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2020 and 2019, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain 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).

*Other Employee Benefits*

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

Note 15 - **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**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 15 - **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>2020</u>	<u>2019</u>
Direct unrestricted appropriations	<b>\$ 22,791,923</b>	\$ 23,687,715
Add: Fringe benefits for benefited employees on the state payroll	<b>8,589,341</b>	7,706,351
Less: Day school tuition remitted to the state and included in tuition revenue	<u>(665,839)</u>	<u>(629,169)</u>
Total unrestricted appropriations	<b>30,715,425</b>	30,764,897
Capital appropriations	<u><b>3,473,360</b></u>	<u>1,259,260</u>
Total Appropriations	<u><b>\$ 34,188,785</b></u>	<u>\$ 32,024,157</u>

A reconciliation of revenue between the College and MMARS as of June 30, 2020 is as follows (unaudited):

Revenue per MMARS	\$ 43,676,558
Revenue per College	<u>43,676,558</u>
Difference	\$ <u>          -</u>

Note 16 - **Pass-Through Loans**

The College distributed approximately \$3,949,000 and \$4,278,000 for the years ended June 30, 2020 and 2019, 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.

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

**Notes to the Financial Statements - Continued**

**June 30, 2020 and 2019**

Note 16 - **Management's Acceptance of Financial Statements**

Subsequent event

The COVID-19 crisis has created volatility in the financial markets and a significant decrease in the overall economy. The full adverse impact and duration of COVID-19 on the College's finances and operations cannot be determined.

As a result of many factors, including, but not limited to the COVID-19 crisis, student enrollment has declined for the 2020 Fall semester.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

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

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

**Massachusetts State Employees' Retirement System**

Year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.050%	0.067%	0.086%	0.089%	0.105%	0.077%
Proportionate share of the collective net pension liability	\$ 7,297,962	\$ 8,824,467	\$ 11,051,800	\$ 12,291,456	\$ 11,964,719	\$ 5,709,966
College's covered payroll	\$ 4,117,803	\$ 5,177,852	\$ 6,771,156	\$ 6,773,439	\$ 6,333,557	\$ 5,705,044
College's proportionate share of the net pension liability as a percentage of its covered payroll	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

*See accompanying notes to the required supplementary information.*

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

**Schedules of Pension Contributions (Unaudited)**

**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 469,998	\$ 496,607	\$ 609,951	\$ 673,730	\$ 640,090	\$ 658,057
Contributions in relation to the statutorily required contribution	<u>(469,998)</u>	<u>(496,607)</u>	<u>(609,951)</u>	<u>(673,730)</u>	<u>(640,090)</u>	<u>(658,057)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,338,054	\$ 4,117,803	\$ 5,177,852	\$ 6,771,156	\$ 6,773,439	\$ 6,333,557
Contribution as a percentage of covered payroll	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

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

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

**For the Year Ended June 30, 2020**

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed in the January 1, 2017 Actuarial Valuation as follows:

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

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

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

**For the Year Ended June 30, 2020**

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

Measurement date – June 30, 2016

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

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

**MASSASOIT COMMUNITY COLLEGE**  
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**Schedules of Proportionate Share of Net OPEB Liability (Unaudited)**

**State Retirees' Benefit Trust**

		(Restated)	
Year ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.0750%	0.1040%	0.1230%
Proportionate share of the collective net OPEB liability	\$ 13,757,885	\$ 19,309,594	\$ 21,495,791
College's covered payroll	\$ 4,117,803	\$ 5,177,852	\$ 6,771,156
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	6.01%	5.39%

Notes:

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

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

*See accompanying notes to the required supplementary information.*



**MASSASOIT COMMUNITY COLLEGE**  
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**Schedules of OPEB Contributions (Unaudited)**

**State Retirees' Benefit Trust**

**For the Years Ended June 30,**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 243,471	\$ 362,123	\$ 461,805
Contributions in relation to the statutorily required contribution	<u>(243,471)</u>	<u>(362,123)</u>	<u>(461,805)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,338,054	\$ 4,117,803	\$ 5,177,852
Contribution as a percentage of covered payroll	7.29%	8.79%	8.92%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

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

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

**For the Year Ended June 30, 2020**

Note 1 - **Change in Plan Assumptions**

**Fiscal year June 30, 2020**

Assumptions:

*Change in Inflation*

The inflation rate decreased from 3.0% to 2.5%.

*Change in Salary Assumptions*

Salary decreased from 4.5% to 4.0%.

*Change in Investment Rate*

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

*Change in Trend on Future Costs*

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

*Change in Discount Rate*

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

**Fiscal year June 30, 2019**

Assumptions:

*Change in Trend on Future Costs*

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

*Change in Mortality Rates*

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

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

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

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

**For the Year Ended June 30, 2020**

Note 1 - **Change in Plan Assumptions**

*Change in Discount Rate*

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

**Fiscal year June 30, 2018**

Assumptions:

*Change in Discount Rate*

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

**Independent 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 and business-type activities of Massasoit Community College (the "College"), and its discretely presented major component unit, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated November 18, 2020.

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

### **Purpose of this Report**

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

A handwritten signature in cursive script that reads "O'Connor + Drew, P.C.".

**Certified Public Accountants  
Braintree, Massachusetts**

**November 18, 2020**