

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

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

JUNE 30, 2016

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

Financial Statements

June 30, 2016 and 2015

C O N T E N T S

Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-14
Financial Statements:	
Statements of Net Position	15
Statements of Revenues, Expenses and Changes in Net Position	16
Statements of Cash Flows	17
Notes to the Financial Statements	18-43
Required Supplementary Information:	
Schedules of Proportionate Share of Net Pension Liability (Unaudited)	44
Schedules of Contributions (Unaudited)	45
Notes to the Required Supplementary Information (Unaudited)	46
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>	47-48



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Massasoit Community College (an agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statements of net position as of June 30, 2016 and 2015, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We also audited the financial statements of Massasoit Community College Foundation, Inc. (the "Foundation") as of June 30, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of Massasoit Community College as of June 30, 2016 and 2015, and the changes in net position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 -14, the schedules of proportionate share of net pension liability on page 44, the schedules of contributions on page 45 and the notes to the required supplementary information on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2016, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Duen, P.C.

Certified Public Accountants

Braintree, Massachusetts

October 12, 2016

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

Management’s Discussion and Analysis (Unaudited)

June 30, 2016 and 2015

The following discussion and analysis provides management’s view of the financial position of Massasoit Community College (the “College”) as of June 30, 2016, 2015 and 2014, and the results of operations for the years then ended. This analysis should be read in conjunction with the College’s financial statements and notes thereto which are also presented in this document.

Massasoit Community College is a comprehensive public two-year institution of higher learning with approximately 7,600 students, 126 full-time and 634 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, 2016, 2015 and 2014, the College’s assets and deferred outflows were \$61,479,779, \$57,803,790 and \$55,911,114, and its liabilities and deferred inflows were \$33,494,787, \$28,524,476, and \$26,602,261, respectively. The result net position is summarized into the following categories:

	June 30		
	2016	2015	2014
Net investment in capital assets	\$ 26,032,257	\$ 24,909,706	\$ 23,697,020
Restricted, expendable	586,630	1,354,030	2,275,394
Unrestricted	<u>1,366,105</u>	<u>3,015,578</u>	<u>3,336,439</u>
Total net position	<u>\$ 27,984,992</u>	<u>\$ 29,279,314</u>	<u>\$ 29,308,853</u>

The Primary Reserve Ratio provides a snapshot of financial strength and flexibility by indicating how long the institution can operate using available expendable reserves without relying on additional new assets generated by operations. The Primary Reserve Ratio for fiscal years 2016, 2015 and 2014 was 4.1%, 7.4% and 9.8%, respectively.

The Return on Net Position Ratio determines whether an institution has financially improved since the previous year by measuring total economic return. This ratio has continuously decreased since fiscal year-ended 2014; from 13.3%, in fiscal year 2014, to (0)%, in fiscal year 2015 and lastly, to (3.9)%, in fiscal year 2016.

The Net Operating Revenue Ratio indicates whether total operating activities result in a surplus or a deficit. The net operating revenue ratio was (2.1)%, (.3)%, and 3.6%, respectively, for the years ended June 30, 2016, 2015, 2014.

MASSASOIT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

The Viability Ratio measures the availability of expendable net position to cover debt. This ratio for fiscal year 2016, 2015 and 2014 was 36.8%, 63.0% and 74.3%, respectively.

Overall, the College's operating revenues grew by approximately \$3.3 million or 7.4%; this growth can be greatly attributed to the Department of Labor Trade Adjustment Assistance Community College and Career Training (TAACCCT) grant's second year of revenues. Revenues from tuition and fees increased by approximately \$414,000 or 1.4%. The College's investment portfolio yielded a net loss of approximately \$41,000. Operating expenditures increased by 6.2%. This increase is also attributed to the TAACCCT grant expenditures, as the College is the lead institution for this grant, as well as the implementation of GASB 68.

Overview of the Financial Statements

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

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

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

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

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

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

The *Statements of Cash Flows* is reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services.) The Governmental Accounting Standards Board (GASB) Statements 34 and 35 require this method to be used. In accordance with GASB 39, the Foundation is not required to present the Statements of Cash Flows.

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

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

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 18-43 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, 2016, 2015, and 2014 by \$27,984,992, \$29,279,314 and \$29,308,853, respectively.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Condensed Statements of Net Position

	June 30		
	2016	2015	2014
Assets and Deferred Outflows of Resources:			
Current Assets	\$ 21,823,955	\$ 23,029,434	\$ 23,012,305
Non-current Assets	34,075,776	33,312,362	32,446,399
Deferred Outflows of Resources	<u>5,580,048</u>	<u>1,461,994</u>	<u>452,410</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 61,479,779</u>	<u>\$ 57,803,790</u>	<u>\$ 55,911,114</u>
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	\$ 11,984,178	\$ 12,226,471	\$ 10,936,325
Non-current Liabilities	21,157,608	15,124,064	15,665,936
Deferred Inflows of Resources	<u>353,001</u>	<u>1,173,941</u>	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 33,494,787</u>	<u>\$ 28,524,476</u>	<u>\$ 26,602,261</u>
Net Position:			
Net investment in capital assets	\$ 26,032,257	\$ 24,909,706	\$ 23,697,020
Restricted-expendable	586,630	1,354,030	2,275,394
Unrestricted	<u>1,366,105</u>	<u>3,015,578</u>	<u>3,336,439</u>
Total Net Position	<u>\$ 27,984,992</u>	<u>\$ 29,279,314</u>	<u>\$ 29,308,853</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, 2016 and 2015

Condensed Statements of Revenues and Expenses

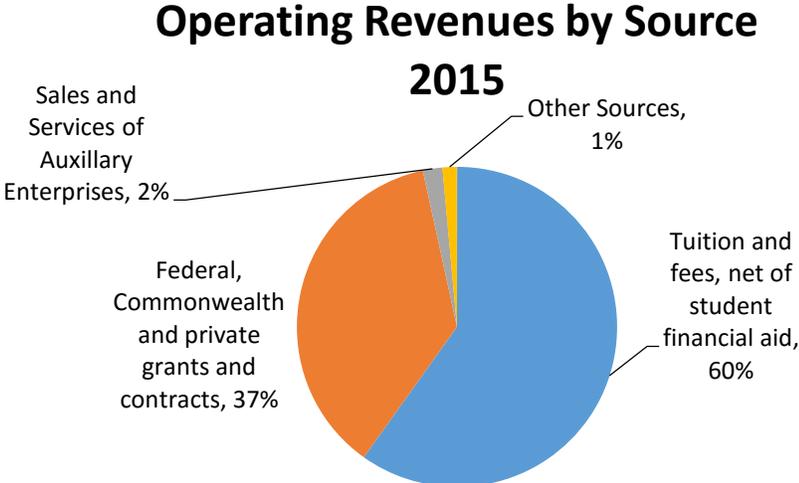
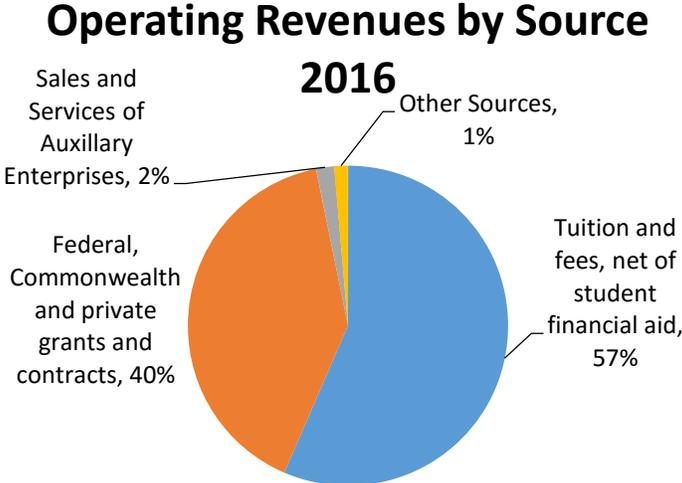
	2016	2015	2014
Operating Revenues:			
Tuition and fees, net	\$ 27,399,220	\$ 27,035,313	\$ 26,463,799
Operating grants and contracts	19,531,866	16,570,297	15,353,871
Other	1,549,126	1,542,858	1,415,733
Total Operating Revenues	48,480,212	45,148,468	43,233,403
Operating Expenses	75,798,127	71,360,679	66,265,997
Net Operating Loss	(27,317,915)	(26,212,211)	(23,032,594)
Non-Operating Revenues (Expenses):			
State appropriations, net	26,086,637	26,025,242	24,546,186
Other	(402,798)	(28,330)	911,508
Total Non-Operating Revenues	25,683,839	25,996,912	25,457,694
Income (Loss) Before Capital Appropriations	(1,634,076)	(215,299)	2,425,100
Capital Appropriations	339,754	185,760	1,808,756
Increase (Decrease) in Net Position	\$ (1,294,322)	\$ (29,539)	\$ 4,233,856

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

Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Massasoit Community College – Operating Revenues by Source

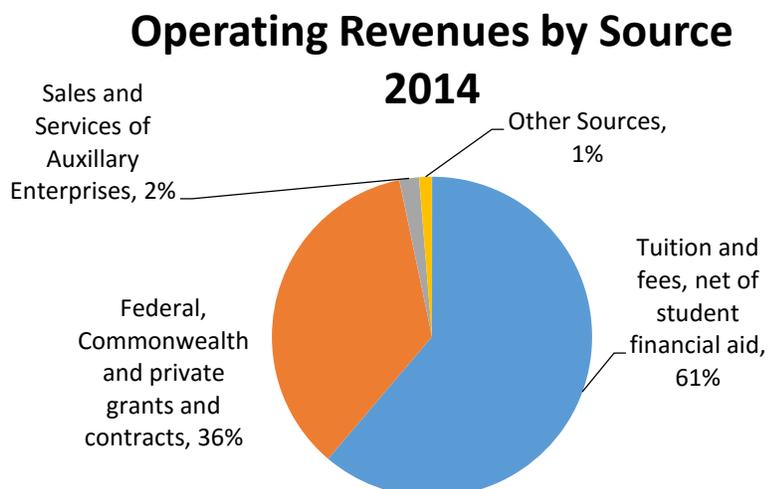


MASSASOIT COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Massasoit Community College – Operating Revenues by Source – Continued



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

Tuition	\$ 5,547,104	\$ 5,519,633	\$ 5,579,020
General college fees	22,463,437	22,046,589	21,341,065
Technology fees	1,162,736	1,203,956	1,247,397
Course fees	487,324	465,803	515,737
Other tuition and fees	<u>393,920</u>	<u>404,397</u>	<u>491,715</u>
	<u>\$ 30,054,521</u>	<u>\$ 29,640,378</u>	<u>\$ 29,174,934</u>

Highlights of operating revenue activity for the year include:

- Tuition and fees increased by approximately \$414,143, in total, compared to the previous year. There was an \$8 increase in the College Fee for this fiscal year.
- An increase of \$3,325,029 or 23% in Federal, Commonwealth, local, private grants and contracts is greatly attributable to the DOL's TAACCCT grant as grant activities increased during year two. Massasoit Community College is the lead institution on this grant.
- State Grants and Contracts decreased \$340,501 or 16% in fiscal year 2016. The Transformation Agenda grant ended in fiscal year 2016. Funding for the STEM Starter grant was lower this fiscal year and timing of expenditures also contributed to a lower revenue amount in fiscal year 2016.
- An unrealized loss of \$41,079 in investment income during the year ended June 30, 2016 was due to the unfavorable market conditions during the current year decreasing the market value of the portfolio to \$10 million at fiscal year-end.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

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

- Two Adult Basic Education grants received \$279,595, in total. The previous fiscal year's amount was \$269,227. This represents an increase of \$10,368.
- A Federal Perkins Vocational and Technical Education received \$247,497. The previous fiscal year's Perkins grant amount was \$134,261. This represents a increase in funding of \$113,236.
- A Federal TRIO grant received \$260,891 from the U.S. Department of Education. The previous fiscal year's amount was \$328,829. This represents a decrease of \$67,938 in federal funding.
- A Gateway to College Program brought in \$683,715 compared to \$697,251 last year. This is an decrease of \$13,536. The Gateway to College Grant has become a self-sustaining program.
- Massasoit received the TAACCCT grant which Massasoit Community College is the lead institution. The grant had reimbursable expenses of \$5,364,730.
- The College received funding of \$182,432 for the College Access Challenge Grant. Massasoit was the lead institution and partnered with Bristol Community College for this grant.
- The National Science Foundation Grant, a reimbursement grant had expenditures and receipts totaling \$32,752 for this year. Last year the grant had receipts and expenditures of \$28,357.
- The College received a Title III Grant – Project STARS authorized for \$2 million; the funding this year was \$487,876.
- The College received \$188,054 for the STEM Starter Academy Grant for the fiscal year.
- Other grants that received funding during this fiscal year included Workforce Training Grant for \$49,974 Dual Enrollment Grant for \$42,250, MCAS grant for \$23,168, Department of Developmental Services for \$36,035.

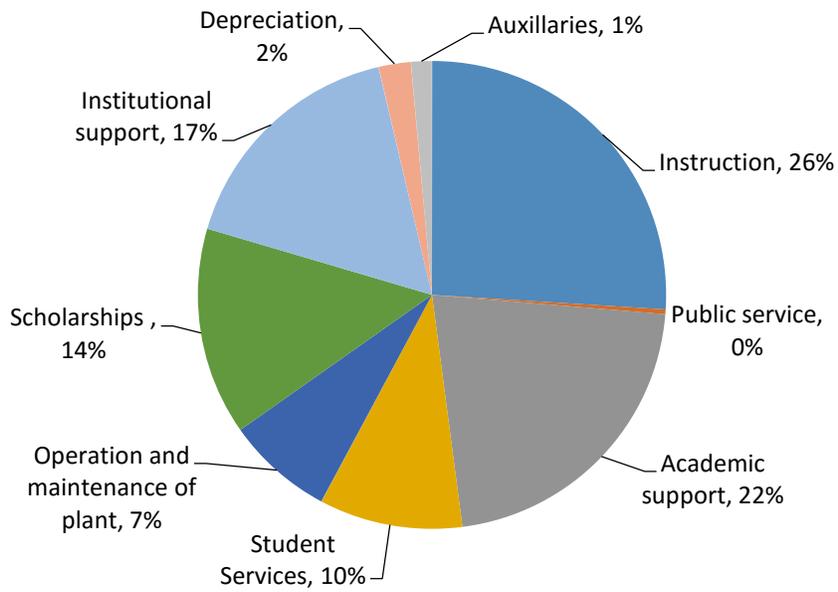
MASSASOIT COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

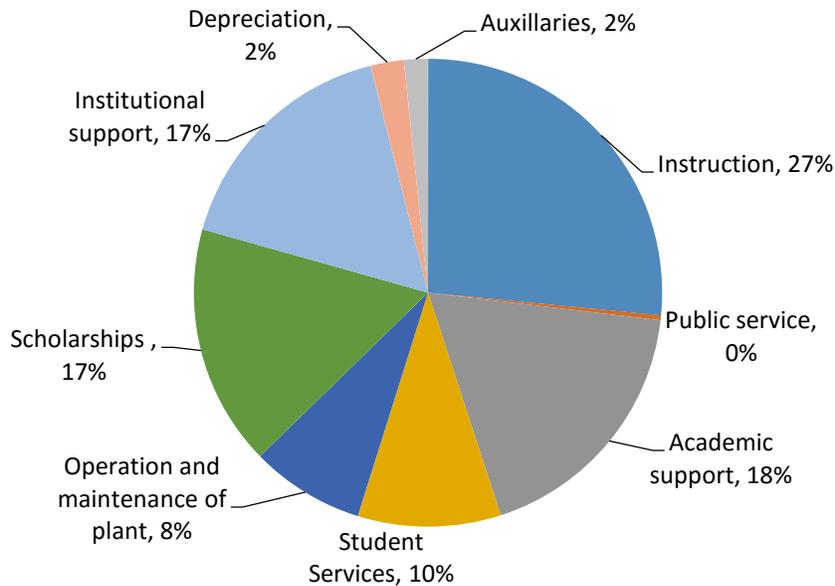
June 30, 2016 and 2015

Massasoit Community College – Operating Expenses by Source

**Operating Expenses by Source
 2016**



**Operating Expenses by Source
 2015**



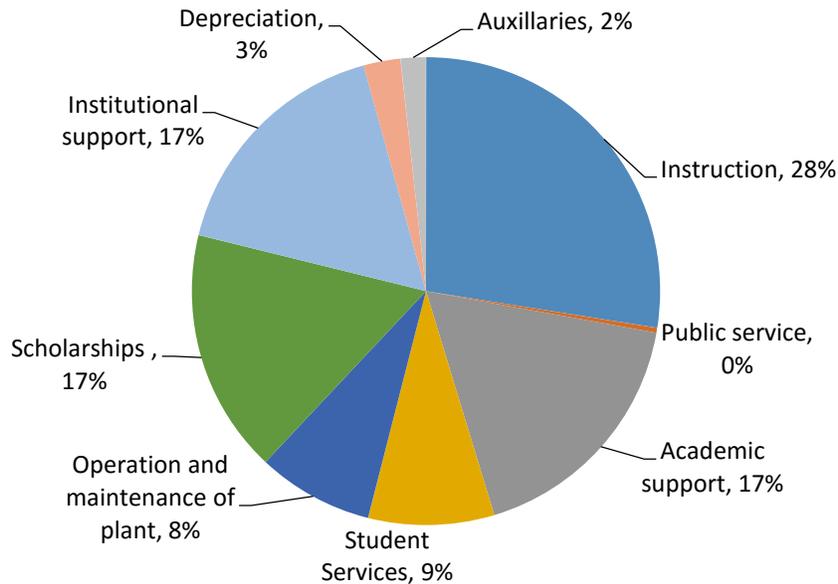
MASSASOIT COMMUNITY COLLEGE
 (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

Massasoit Community College – Operating Expenses by Source – Continued

**Operating Expenses by Source
2014**



Highlights of operating expense activity include:

- The overall operating expenditures increased by 6.2%. These increases are directly attributed to GASB 68 pension expense, collective bargaining costs, and increase to fringe benefit costs. However, most of the increases are from the TAACCCT grant expenditures.
- Scholarship expenditures decreased 8% over the previous year. Pell Grants decreased due to the decline in enrollment.
- The amount of state appropriation covers approximately 75% of payroll and fringe chargebacks. As the payroll expenditures increase, the College must use local operating funds to cover the remaining 25% balance. Additionally, related fringes at the rate of 29.18%, charged for the locally funded payroll, were also expended out of local operating funds. The fringe rate also increased 27.27%, in fiscal year 2015, to 29.18%, in fiscal year 2016.
- Accruals for compensated absences have also increased expenses for operational departments during this fiscal year.
- Capital projects include Phase III renovations of the Student Center, the Vet Tech Suite at the Canton Campus and a lighting project at the Brockton Campus.
- TAACCCT grant expenses are included in the Academic Support category. Massasoit is the lead institution with the other state community colleges reporting as sub-recipients for this Department of Labor grant.
- Bad debt expense increased during this fiscal year.
- Operation and maintenance of plant had a decrease in utility costs for this fiscal year.

MASSASOIT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2016 and 2015

For non-operating revenues and expenses, the Commonwealth's unrestricted appropriation, including fringe benefits, net of tuition remissions, and special appropriation increased by \$61,395, a less than 1% increase. There was no 9C reduction in fiscal year 2016. Unrealized loss from investments in the Commonfund totaled \$41,079. 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 \$361,719.

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, 2016, 2015 and 2014 amounts to \$34,075,776, \$33,312,362 and \$32,446,399, 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 28-29 of this report.

Long-Term Debt

Massasoit Community College long-term debt consists of the accruals for compensated absences, workmen's compensation, net pension liability and for the long-term portion of 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, 2016 and 2015

Economic Factors and Next Year's Enrollment

The seasonally adjusted unemployment rate for the Commonwealth of Massachusetts within which the College primarily draws students declined from 4.7% in June 2015 to 4.2% in June 2016, according to the US Bureau of Labor Statistics. The trend is that unemployment is expected to decline. Historically, in times of economic improvement, public colleges have experienced decreases in their enrollments as unemployed and underemployed workers return to the workforce.

The College recognized its third consecutive year of decreasing enrollment and fiscal year 2017 is projected to also decrease, approximately by 3.1% in billable credit hours. The following chart illustrates the College's recent enrollment figures:

	Billed Credits
Fiscal 2014	162,898
Fiscal 2015	155,748
Fiscal 2016	150,735
Fiscal 2017 (projected)	146,063

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, 2016 and 2015

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2016 <u>College</u>	2015 <u>College</u>	2016 <u>Foundation</u>	2015 <u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 3,836,978	\$ 4,555,390	\$ 478,141	\$ 383,804
Deposits held by state treasurer	2,892,878	3,706,297	-	-
Cash held by state treasurer	237,586	915,320	-	-
Investments	10,004,080	10,045,388	539,534	551,744
Accounts receivable, net	4,458,371	3,722,865	-	-
Other current assets	<u>394,062</u>	<u>84,174</u>	<u>-</u>	<u>-</u>
Total Current Assets	<u>21,823,955</u>	<u>23,029,434</u>	<u>1,017,675</u>	<u>935,548</u>
Non-Current Asset:				
Capital assets, net	<u>34,075,776</u>	<u>33,312,362</u>	<u>673,891</u>	<u>673,891</u>
Total Assets	<u>55,899,731</u>	<u>56,341,796</u>	<u>1,691,566</u>	<u>1,609,439</u>
Deferred Outflows of Resources:				
Difference between expected and actual experience	236,502	-	-	-
Change in plan actuarial assumptions	2,072,044	64,186	-	-
Change in proportion due to internal allocation	2,631,412	739,751	-	-
Contributions made after the measurement date	<u>640,090</u>	<u>658,057</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>5,580,048</u>	<u>1,461,994</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 61,479,779</u>	<u>\$ 57,803,790</u>	<u>\$ 1,691,566</u>	<u>\$ 1,609,439</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,034,422	\$ 1,607,475	\$ 9,300	\$ 7,750
Accrued payroll	2,571,734	3,725,965	-	-
Accrued compensated absences	2,750,998	2,799,249	-	-
Accrued workers' compensation benefits	125,881	116,806	-	-
Current portion of notes payable	372,092	359,136	-	-
Student deposits and unearned revenues	<u>4,129,051</u>	<u>3,617,840</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>11,984,178</u>	<u>12,226,471</u>	<u>9,300</u>	<u>7,750</u>
Non-Current Liabilities:				
Accrued compensated absences	1,050,749	951,575	-	-
Accrued workers' compensation	470,713	419,003	-	-
Notes payable, net of current portion	7,671,427	8,043,520	-	-
Net pension liability	<u>11,964,719</u>	<u>5,709,966</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>21,157,608</u>	<u>15,124,064</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>33,141,786</u>	<u>27,350,535</u>	<u>9,300</u>	<u>7,750</u>
Deferred Inflows of Resources:				
Net differences between projected and actual earnings on plan investments	343,816	1,171,964	-	-
Changes in proportion from Commonwealth	<u>9,185</u>	<u>1,977</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>353,001</u>	<u>1,173,941</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	26,032,257	24,909,706	673,891	673,891
Restricted-expendable	586,630	1,354,030	769,015	688,354
Unrestricted	<u>1,366,105</u>	<u>3,015,578</u>	<u>239,360</u>	<u>239,444</u>
Total Net Position	<u>27,984,992</u>	<u>29,279,314</u>	<u>1,682,266</u>	<u>1,601,689</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 61,479,779</u>	<u>\$ 57,803,790</u>	<u>\$ 1,691,566</u>	<u>\$ 1,609,439</u>

See accompanying notes to the financial statements.

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2016 and 2015

	Primary <u>Government</u>		Component <u>Unit</u>	
	2016 <u>College</u>	2015 <u>College</u>	2016 <u>Foundation</u>	2015 <u>Foundation</u>
Operating Revenues:				
Tuition and fees	\$ 30,054,521	\$ 29,640,378	\$ -	\$ -
Less: scholarships and fellowships	<u>2,655,301</u>	<u>2,605,065</u>	<u>-</u>	<u>-</u>
Net tuition and fees	27,399,220	27,035,313	-	-
Federal grants and contracts	17,545,962	14,220,933	-	-
State grants and contracts	1,724,071	2,064,572	-	-
Private grants and contracts	261,833	284,792	-	-
Gifts and contributions	-	-	302,412	170,365
Auxiliary enterprises	880,109	884,632	-	-
Other operating revenues	<u>669,017</u>	<u>658,226</u>	<u>117,893</u>	<u>108,919</u>
Total Operating Revenues	<u>48,480,212</u>	<u>45,148,468</u>	<u>420,305</u>	<u>279,284</u>
Operating Expenses:				
Educational and general:				
Instruction	19,703,540	18,942,643	-	-
Scholarships and fellowships	10,863,980	11,885,958	187,164	140,086
Academic support	16,379,544	12,914,706	-	-
Student services	7,500,323	7,033,955	-	-
Institutional support	12,708,747	11,919,153	151,680	109,429
Public service	241,668	238,849	-	-
Operation and maintenance of plant	5,614,756	5,607,814	-	-
Depreciation	1,693,152	1,637,301	-	-
Auxiliary enterprises	<u>1,092,417</u>	<u>1,180,300</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>75,798,127</u>	<u>71,360,679</u>	<u>338,844</u>	<u>249,515</u>
Net Operating Income (Loss)	<u>(27,317,915)</u>	<u>(26,212,211)</u>	<u>81,461</u>	<u>29,769</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	26,086,637	26,025,242	-	-
Investment income (loss), net	(41,079)	347,975	(884)	7,564
Interest expense	<u>(361,719)</u>	<u>(376,305)</u>	<u>-</u>	<u>-</u>
Net Non-Operating Revenues (Expenses)	<u>25,683,839</u>	<u>25,996,912</u>	<u>(884)</u>	<u>7,564</u>
Income (Loss) Before Capital Appropriations	(1,634,076)	(215,299)	80,577	37,333
Capital Appropriations	<u>339,754</u>	<u>185,760</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	(1,294,322)	(29,539)	80,577	37,333
Net Position, at Beginning of Year	<u>29,279,314</u>	<u>29,308,853</u>	<u>1,601,689</u>	<u>1,564,356</u>
Net Position, at End of Year	<u>\$ 27,984,992</u>	<u>\$ 29,279,314</u>	<u>\$ 1,682,266</u>	<u>\$ 1,601,689</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, 2016 and 2015

	<u>2016</u> <u>College</u>	<u>2015</u> <u>College</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 27,757,403	\$ 27,083,030
Grants and contracts	18,949,388	16,312,925
Payments to employees	(39,592,448)	(37,902,438)
Payments to suppliers and vendors	(16,317,683)	(12,403,678)
Payments to students	(10,863,980)	(11,885,958)
Auxiliary enterprises disbursements	(1,092,417)	(1,180,300)
Auxiliary enterprises receipts	880,109	884,632
Other operating receipts	<u>669,017</u>	<u>658,226</u>
Net Cash Applied to Operating Activities	<u>(19,610,611)</u>	<u>(18,433,561)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	20,782,968	21,628,811
Tuition remitted to state	(544,483)	(693,381)
9C reduction	<u>-</u>	<u>(296,400)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>20,238,485</u>	<u>20,639,030</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(2,116,812)	(2,317,504)
Principal payment on notes payable	(359,137)	(346,723)
Interest paid on notes payable	<u>(361,719)</u>	<u>(376,305)</u>
Net Cash Applied to Capital Financing Activities	<u>(2,837,668)</u>	<u>(3,040,532)</u>
Cash Flows from Investing Activity:		
Interest on investments	<u>229</u>	<u>154</u>
Net Decrease in Cash and Equivalents	<u>(2,209,565)</u>	<u>(834,909)</u>
Cash and Equivalents, Beginning of Year	<u>9,177,007</u>	<u>10,011,916</u>
Cash and Equivalents, End of Year	<u>\$ 6,967,442</u>	<u>\$ 9,177,007</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (27,317,915)	\$ (26,212,211)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	1,693,152	1,637,301
Bad debts	165,546	944,616
Fringe benefits provided by the state	5,848,152	5,386,212
Net pension activity	1,315,759	(71,387)
Changes in assets and liabilities:		
Accounts receivable	(901,052)	(1,504,808)
Other current assets	(309,888)	55,975
Accounts payable and accrued expenses	426,947	316,408
Accrued payroll	(1,154,231)	464,885
Accrued compensated absences and workers' compensation	111,708	198,910
Student deposits and unearned revenues	<u>511,211</u>	<u>350,538</u>
Net Cash Applied to Operating Activities	<u>\$ (19,610,611)</u>	<u>\$ (18,433,561)</u>
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	\$ 3,836,978	\$ 4,555,390
Deposits held by state treasurer	2,892,878	3,706,297
Cash held by state treasurer	<u>237,586</u>	<u>915,320</u>
Cash and equivalents, end of year	<u>\$ 6,967,442</u>	<u>\$ 9,177,007</u>
Non-Cash Transactions:		
Capital assets acquired through capital appropriations	<u>\$ 339,754</u>	<u>\$ 185,760</u>
Fringe benefits provided by the state	<u>\$ 5,848,152</u>	<u>\$ 5,386,212</u>
Unrealized gain (loss) on investments	<u>\$ (41,308)</u>	<u>\$ 347,821</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, 2016 and 2015

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

Organization

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

Basis of Presentation and Accounting

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Basis of Presentation and Accounting - Continued

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Net Position - Continued

Restricted - 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.

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

Trust Funds

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

Cash and Equivalents

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

Allowance for Doubtful Accounts

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

Investments

Investments in marketable securities are stated at fair value. The College has no donor restricted endowments at June 30, 2016 and 2015.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at 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. Library materials are no longer capitalized and amortized. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

Pensions

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

Fringe Benefits

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2016 and 2015. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2016 and 2015. Upon retirement, these employees are entitled to receive payment for this accrued balance.

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 the related services are provided.

Student Fees

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

Tax Status

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

Use of Estimates

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

New Governmental Accounting Pronouncements - Continued

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

Note 2 - **Cash and Deposits held by the State Treasurer**

Custodial Credit Risk

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution’s failure, the College would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The College has a formal deposit policy for custodial credit risk whereby deposits in the bank in excess of the insured amount are insured and collateralized by a third party.

Accounts payable and accrued payroll to be funded from state-appropriated funds totaled \$237,586 and \$915,320 at June 30, 2016 and 2015, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently 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, 2016 and 2015 through MMARS were recorded in the sum of \$2,892,878 and \$3,706,297, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 3 - **Accounts Receivable**

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

	<u>2016</u>	<u>2015</u>
Student accounts receivable	\$ 5,815,195	\$ 5,496,622
Grants receivable	1,552,457	818,575
Other receivables	<u>102,264</u>	<u>253,667</u>
	7,469,916	6,568,864
Less: allowance for doubtful accounts	<u>(3,011,545)</u>	<u>(2,845,999)</u>
	<u>\$ 4,458,371</u>	<u>\$ 3,722,865</u>

Note 4 - **Investments**

College

At June 30, 2016 and 2015, 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:

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 4 - **Investments - Continued**

College - Continued

Investment Type	<u>2015</u> Investment Maturities (in Years)				
	<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	\$ 2,611,614	\$ 43,205	\$ 462,177	\$ 518,173	\$ 1,588,059
U.S. Agencies	230,805	10,233	55,711	38,657	126,204
Certificates of deposit	<u>1,007,684</u>	<u>1,007,684</u>	<u>-</u>	<u>-</u>	<u>-</u>
	3,850,103	<u>\$ 1,061,122</u>	<u>\$ 517,888</u>	<u>\$ 556,830</u>	<u>\$ 1,714,263</u>
<u>Other Investment:</u>					
Equity mutual fund	<u>6,195,285</u>				
Total	<u>\$ 10,045,388</u>				

The bond mutual funds are unrated as they represent funds placed with one private investment institution, Commonfund. The U.S. Agencies' balance received an AGCY rating from Moody's in terms of credit risk quality ratings. At June 30, 2016 and 2015, 90% of the College's investment portfolio consisted of funds held and managed by the Commonfund.

The College also has four certificates of deposit ("CD") with different financial institutions. The CD's generate interest at varying rates from 0.40% to 0.55% 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. With the adoption of GASB Statement 72, there have been no changes in the methodologies used to measure fair value.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 4 - **Investments - Continued**

Foundation

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

	<u>2016</u>	<u>2015</u>
Commonfund equity fund	\$ 185,921	\$ 191,212
Commonfund bond fund	94,300	90,307
Mutual funds	245,251	257,514
Equity securities	<u>14,062</u>	<u>12,711</u>
	<u>\$ 539,534</u>	<u>\$ 551,744</u>

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

	<u>2016</u>	<u>2015</u>
Interest and dividend income	\$ 932	\$ 821
Investment expense	(2,984)	(1,928)
Net unrealized and realized gains	<u>1,168</u>	<u>8,671</u>
	<u>\$ (884)</u>	<u>\$ 7,564</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 5 - **Capital Assets**

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 5 - **Capital Assets - Continued**

Capital assets consist of the following at June 30, 2015:

	Estimated lives <u>(in years)</u>	Beginning <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	Ending <u>Balance</u>
Capital assets, not depreciated:						
Land	-	\$ 2,851,717	\$ _____	\$ _____	\$ _____	\$ 2,851,717
Capital assets, depreciated:						
Buildings and improvements	10-40	67,155,345	2,431,525	-	-	69,586,870
Furnishings and equipment	5	11,528,486	71,739	35,664	-	11,564,561
Educational resource materials	5	<u>96,295</u>	-	-	-	<u>96,295</u>
Total depreciable assets		<u>78,780,126</u>	<u>2,503,264</u>	<u>35,664</u>	-	<u>81,247,726</u>
Total capital assets		<u>81,631,843</u>	<u>2,503,264</u>	<u>35,664</u>	-	<u>84,099,443</u>
Less: accumulated depreciation:						
Buildings and improvements		37,669,188	1,563,815	-	-	39,233,003
Furnishings and equipment		11,419,961	73,486	35,664	-	11,457,783
Educational resource materials		<u>96,295</u>	-	-	-	<u>96,295</u>
Total accumulated depreciation		<u>49,185,444</u>	<u>1,637,301</u>	<u>35,664</u>	-	<u>50,787,081</u>
Capital assets, net		<u>\$ 32,446,399</u>	<u>\$ 865,963</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 33,312,362</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 6 - **Long-Term Liabilities**

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

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

Long-term liabilities at June 30, 2015 consisted of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Notes payable	\$ 8,749,379	\$ -	\$ 346,723	\$ 8,402,656	\$ 359,136
Other long-term liabilities:					
Compensated absences	3,449,822	301,002	-	3,750,824	2,799,249
Workers' compensation	637,901	-	102,092	535,809	116,806
Net pension liability	<u>5,945,710</u>	<u>-</u>	<u>235,744</u>	<u>5,709,966</u>	<u>-</u>
Total long-term liabilities	<u>\$ 18,782,812</u>	<u>\$ 301,002</u>	<u>\$ 684,559</u>	<u>\$ 18,399,255</u>	<u>\$ 3,275,191</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 6 - **Long-Term Liabilities - Continued**

Notes Payable

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

	<u>2016</u>	<u>2015</u>
Notes payable:		
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%	\$ 696,067	\$ 759,345
Note payable, Division of Capital Asset Management (DCAM). Original amount of debt issued - \$1,367,790. Principal and interest of \$105,150 is payable semi- annually with interest charged at 4.5%	1,129,267	1,181,261
Note payable, Division of Capital Asset Management (DCAM). Original amount of debt issued - \$4,439,479. Principal and interest of \$341,290 is payable semi- annually with interest charged at 4.5%	3,995,546	4,150,084
Note payable, Division of Capital Asset Management (DCAM). Original amount of debt issued - \$2,480,203. Principal and interest of \$184,117 is payable semi- annually with interest charged at 4.1%	<u>2,222,639</u>	<u>2,311,966</u>
Notes payable	<u>\$8,043,519</u>	<u>\$8,402,656</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 6 - **Long-Term Liabilities - Continued**

Notes Payable - Continued

Maturities of principal and interest subsequent to June 30, 2016 are as follows:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 372,092	\$ 346,446
2018	385,617	330,675
2019	399,735	314,312
2020	414,472	297,378
2021	429,855	279,699
2022-2026	2,404,735	1,109,384
2027-2031	2,651,125	567,185
2032-2033	<u>985,888</u>	<u>64,926</u>
	<u>\$ 8,043,519</u>	<u>\$ 3,310,005</u>

Leases

The College leases various equipment under operating lease agreements. The following summarizes future minimum payments under non-cancelable leases subsequent to June 30, 2016:

Fiscal Years <u>Ending June 30,</u>	<u>Operating Leases</u>
2017	\$ 214,042
2018	214,042
2019	211,618
2020	<u>98,309</u>
	<u>\$ 738,010</u>

Rent expense for operating leases was \$268,843 and \$325,672 for the years ended June 30, 2016 and 2015, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Pensions**

Defined Benefit Plan Description

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to \$1,969,957 and \$586,670 for the years ended June 30, 2016 and 2015, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the retirement System. Annual covered payroll was approximately 68% and 70% of total related payroll for fiscal years end 2016 and 2015, respectively.

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

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

Benefit Provisions

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Pensions - Continued**

Contributions

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

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

The College is required to contribute at an actuarially determined rate; the rate was 9.45% and 10.39% of annual covered payroll for the fiscal years ended June 30, 2016 and 2015, respectively. The College contributed \$640,090 and \$658,057 for the fiscal years ended June 30, 2016 and 2015, respectively, equal to 100% of the required contributions for each year.

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

At June 30, 2016 and 2015, the College reported a liability of \$11,964,719 and \$5,709,966, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability was measured as of June 30, 2015, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015 for reporting at June 30, 2016, the reporting date. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014 for reporting at June 30, 2015, the reporting date. The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts', collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2015 and 2014, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2015 and 2014 relative to total contributions of all participating employers for the fiscal years. At June 30, 2015 and 2014, the College's proportion was 0.105% and 0.077%, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Pensions - Continued**

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

For the years ended June 30, 2016 and 2015, the College recognized pension expense of \$1,969,957 and \$586,670, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

	<u>2016</u>	<u>2015</u>
<u>Deferred Outflows of Resources</u>		
Difference between expected and actual experience	\$ 236,502	\$ -
Change in plan actuarial assumptions	2,072,044	64,186
Change in proportion due to internal allocation	2,631,412	739,751
Contributions subsequent to the measurement date	<u>640,090</u>	<u>658,057</u>
Total	<u>\$ 5,580,048</u>	<u>\$ 1,461,994</u>
<u>Deferred Inflows of Resources</u>		
Net differences between projected and actual earnings on pension plan investments	\$ 343,816	\$ 1,171,964
Changes in proportion from Commonwealth	<u>9,185</u>	<u>1,977</u>
Total	<u>\$ 353,001</u>	<u>\$ 1,173,941</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Pensions - Continued**

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

The College's contributions of \$640,090 and \$658,057 made during the fiscal years ending 2016 and 2015, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2017	\$ 988,783
2018	988,783
2019	988,783
2020	1,379,041
2021	<u>241,567</u>
	<u>\$ 4,586,957</u>

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

For measurement dates June 30, 2015 and 2014, mortality rates were based on pre-retirement of the RP-2000 Employees table projected 20 years with Scale BB and Scale AA, (gender distinct), respectively, and post-retirement of Healthy Annuitant table projected 15 years with Scale BB and AA (gender distinct), respectively.

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Pensions - Continued**

Actuarial Assumptions - Continued

The actuarial assumptions used in the January 1, 2015 valuation rolled forward to June 30, 2015 and the calculation of the total pension liability at June 30, 2015 were consistent with the results of the actuarial experience study performed as of January 1, 2015.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 7 - **Pensions - Continued**

Discount Rate

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

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

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

June 30, 2016		
Current		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 16,263,989	\$ 11,964,719	\$ 8,256,552
June 30, 2015		
Current		
1.00% Decrease (7.00%)	Discount Rate (8.00%)	1.00% Increase (9.00%)
\$ 8,266,413	\$ 5,709,966	\$ 3,515,610

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 8 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time.

Restricted - expendable net position consists of income to be used for grants and research, as well as funds to be used for capital projects.

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

Note 9 - **Related Party Transactions**

The Foundation provides parking facilities to the College pursuant to a lease agreement expiring in October 2019. Total rent expense paid to related parties for both the years ended June 30, 2016 and 2015 was \$30,000 and is included in operation and maintenance of plant.

Note 10 - **Contingencies**

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 11 - **Operating Expenses**

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

	<u>2016</u>	<u>2015</u>
Compensation and benefits	\$ 45,713,836	\$ 43,881,058
Supplies and services	17,527,159	13,956,362
Depreciation	1,693,152	1,637,301
Scholarships and fellowships	<u>10,863,980</u>	<u>11,885,958</u>
	<u>\$ 75,798,127</u>	<u>\$ 71,360,679</u>

Note 12 - **Fringe Benefits**

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

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

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 12 - **Fringe Benefits**

Group Insurance Commission (GIC)

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

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

The GIC is a quasi-independent state agency governed by an eleven member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2016 and 2015, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

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

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS) on the statutory basis of accounting. The statutory basis of accounting is modified accrual basis of accounting and differs from the information included in these financial statements.

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

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

	<u>2016</u>	<u>2015</u>
Direct unrestricted appropriations	\$ 20,782,968	\$ 21,628,811
Add: Fringe benefits for benefited employees on the state payroll	5,848,152	5,386,212
Less: Day school tuition remitted to the state and included in tuition revenue	(544,483)	(693,381)
Less: 9 (C) Reduction	<u>-</u>	<u>(296,400)</u>
Total unrestricted appropriations	26,086,637	26,025,242
Capital appropriations	<u>339,754</u>	<u>185,760</u>
Total Appropriations	<u>\$ 26,426,391</u>	<u>\$ 26,211,002</u>

A reconciliation of revenue between the College and MMARS as of June 30, 2016 is as follows (unaudited):

Revenue per MMARS	\$ 45,540,597
Revenue per College	<u>45,540,597</u>
Difference	\$ <u>-</u>

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

Notes to the Financial Statements - Continued

June 30, 2016 and 2015

Note 14 - **Pass-Through Grants**

The College distributed approximately \$6,173,000 and \$6,411,000 for the years ended June 30, 2016 and 2015, respectively, for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues nor as cash disbursements and cash receipts in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Valuation date	January 1, 2015	January 1, 2014
Measurement date	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.105%	0.077%
Proportionate share of the collective net pension liability	\$ 11,964,719	\$ 5,709,966
College's covered-employee payroll	\$ 6,333,557	\$ 5,705,044
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015 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)

Schedule of Contributions (Unaudited)

For the Years Ended June 30,

	2016	2015
Contractually required contribution	\$ 640,090	\$ 658,057
Contributions in relation to the contractually required contribution	<u>(640,090)</u>	<u>(658,057)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 6,771,113	\$ 6,333,557
Contribution as a percentage of covered-employee payroll	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information (Unaudited)

For the Years Ended June 30, 2016 and 2015

Note 1 - **Change in Assumptions**

Changes in assumptions about the discount rate from 8.0% to 7.50%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of \$2.33 billion dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2016. Previously, changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions is 0.105% and 0.077%, respectively, as shown on the Schedules of Proportionate Share of Net Pension Liability, and represents the relationship of contributions made by the College to total contributions by all participating State Agencies.

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

	<u>2016</u>	<u>2015</u>
Changes in assumptions	\$ 2,513,296	\$78,450
Recognized in current year pension expense	<u>441,252</u>	<u>14,264</u>
Changes in assumptions	\$ 2,072,044	\$64,186

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Massasoit Community College (the "College"), which comprise the statements of net position as of June 30, 2016 and 2015, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Massasoit Community College's basic financial statements and have issued our report thereon dated October 12, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

O'Connell and Duen, P.C.

Certified Public Accountants

Braintree, Massachusetts

October 12, 2015