

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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



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

**JUNE 30, 2018**

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
Mount Wachusett Community College  
Gardner, Massachusetts

### **Report on Financial Statements**

We have audited the accompanying financial statements of Mount Wachusett Community College (an agency of the Commonwealth of Massachusetts) (the "College"), and its discretely presented component unit Mount Wachusett Community College Foundation, Inc. (the "Foundation"), which comprise the statement of net position as of June 30, 2018, the related statement(s) of revenues and expenses, changes in net position and cash flows for the year 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.

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is effective for fiscal year 2018 and required the College to restate beginning net position at July 1, 2017 to recognize its proportionate share of the net postemployment benefits other than pensions obligation determined for the State Retirees' Benefit Trust.

As discussed in Note 2 to the financial statements, we have previously issued an unmodified opinion on the financial statements dated December 5, 2018. Subsequent to the issuance of the financial statements, it was discovered that the calculation of postemployment benefits other than pensions as of June 30, 2018 and July 1, 2017 was misstated.

Our opinion is not modified with respect to these matters.

### **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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, 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**

December 5, 2018 (except for Management's Discussion and Analysis, Note 2, Note 10, Note 12, Note 16, and Schedule of Proportionate Share of the Net OPEB Liability, as to which the date is February 14, 2019)

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

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

**June 30, 2018 and 2017**

The following discussion and analysis provides an overview of the financial position and activities of Mount Wachusett Community College (the "College") for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements and notes that follow this section of the report.

Mount Wachusett Community College is an accredited, public two-year institution serving 29 cities and towns in North Central Massachusetts. The 269-acre main campus is located in Gardner, Massachusetts; satellite sites are located in Leominster, Fitchburg, and Devens.

The College offers over 45 associate degree and certificate programs, as well as adult basic education/GED programs, education and training for business and industry and noncredit community service programs. The College's corporate training programs are offered through the Division of Workforce Training which operates at the Devens Campus.

The College's students enjoy many support services and resources including the Fitness and Wellness Center, the Academic Support Center, and the 555-seat Theater at the Mount. Courses are offered in the day, evening, on weekends, and via the Internet.

### **Financial Highlights**

As of June 30, 2018 the College's net position is \$24,387,289. The amount represents \$76,875,304 in total assets and deferred outflows of resources while liabilities and deferred inflows of resources equal \$52,488,015. Operating expenses for the fiscal year ended June 30, 2018 total \$51,966,627 while operating revenues were \$29,628,177.

The College's non-operating revenues/expenses for the fiscal year ended June 30, 2018 netted to \$19,699,701. This includes \$19,826,719 of state appropriations. The College also received \$3,151,218 in capital appropriations, \$96,125 in capital grants and \$2,617 in gifts.

### **GASB 75**

In June, 2015, the Governmental Accounting Standards Board (GASB) issued *Statement 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This statement is effective for fiscal years beginning after June 15, 2017. During the fiscal year ended June 30, 2018, the College implemented GASB 75. With the new reporting change, the College is allocated its proportionate share of the Commonwealth of Massachusetts State Employees' post employment benefits other than pensions ("OPEB") liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$19,963,885.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

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

June 30, 2018 and 2017

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Mount Wachusett Community College's basic financial statements. The College's basic *financial statements* are comprised of two components: 1) the *financial statements* and 2) the *notes* to the financial statements. This report also contains other *supplementary information* in addition to the basic financial statement.

**The Financial Statements:** The financial statements (pages 22-25) are designed to provide readers with a broad overview of the College's finances in a manner similar to a private sector College.

The *Statements of Net Position* (p. 22) present information on the College's assets, liabilities and deferred outflows and inflows of resources, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the College's financial position is improving or weakening.

The *Statements of Revenues and Expenses and Changes in Net Position* (p. 23-24) present 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. expenses are recorded upon receipt of an invoice, regardless of when payment is made).

The *Statements of Cash Flows* (p. 25) 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 Government Accounting Standards Board ("GASB") Statements 34 and 35 require this method to be used.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

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

**June 30, 2018 and 2017**

### **Overview of the Financial Statements - Continued**

**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 to the financial statements can be found on pages 26-63 of this report. Mount Wachusett Community College reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. Mount Wachusett Community College is an agency 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 in its government-wide financial statements.

Included in the Comparative Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position is a separate column representing the activity of the Mount Wachusett Community College Foundation, Inc. (the "Foundation"). According to GASB 39, the Foundation is classified as a component unit of the College.

### **Financial Analysis of the College as a Whole**

#### *Schedules of Net Position*

Net position over time serves as a useful indicator of Mount Wachusett Community College's financial position. For the year ended June 30, 2018, assets exceeded liabilities and deferred inflows of resources by \$24.38 million.

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

**June 30, 2018 and 2017**

**Financial Analysis of the College as a Whole - Continued**

*Schedules of Net Position - continued*

The following schedules are prepared from the College's Statement of Net Position (page 21):

<b>Schedules of Net Position</b>		
<b>June 30,</b>		
<b><u>(in millions)</u></b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>
Current assets	\$ <b>10.98</b>	\$ 15.03
Non-current assets:		
Capital assets, net of depreciation	<b>60.90</b>	57.34
Other	<b>0.41</b>	0.38
Total Assets	<b><u>\$ 72.29</u></b>	<b><u>\$ 72.75</u></b>
Deferred outflows of resources	<b><u>\$ 4.58</u></b>	<b><u>\$ 5.21</u></b>
Current liabilities	\$ <b>5.97</b>	\$ 7.40
Noncurrent liabilities	<b>41.29</b>	43.94
Total Liabilities	<b><u>\$ 47.26</u></b>	<b><u>\$ 51.34</u></b>
Deferred inflows of resources	<b><u>\$ 5.23</u></b>	<b><u>\$ 2.85</u></b>
Net Position:		
Investment in capital assets	<b>50.96</b>	49.78
Restricted	<b>0.41</b>	0.39
Unrestricted	<b><u>(26.99)</u></b>	<b><u>(26.40)</u></b>
Total Net Position	<b><u>\$ 24.38</u></b>	<b><u>\$ 23.77</u></b>

# MOUNT WACHUSETT COMMUNITY COLLEGE

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

June 30, 2018 and 2017

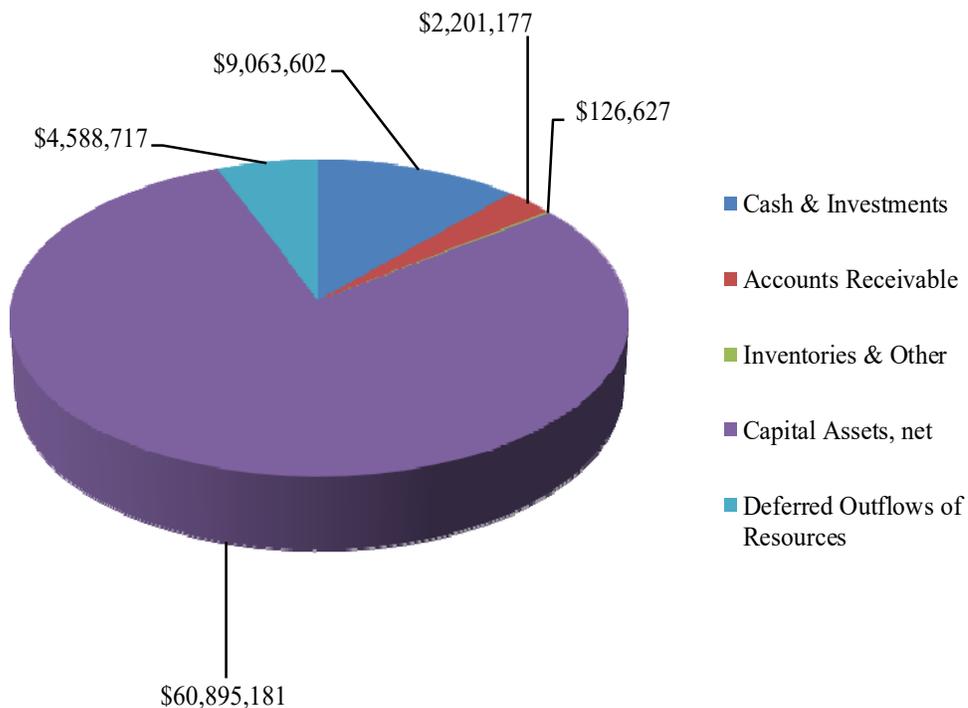
### Financial Analysis of the College as a Whole - Continued

#### Schedules of Net Position - continued

Current assets decreased by approximately \$4.0 million from 2017 to 2018 due primarily to a decrease in cash and investments. Current assets of Cash and investments decreased from \$12.3 million in 2017 to \$8.7 million in 2018. Capital assets, net of depreciation increased by approximately \$3.5 million, the majority of which is the completion of the new student center.

The largest portion of the College's net position reflects its investment in capital assets (e.g. land, buildings, machinery & equipment) less any related debt, including capital leases, used to acquire those assets. Unrestricted Net Position reflects assets that are available to meet the day-to-day operations of the College.

The College's assets and deferred outflows of resources include the following breakdown:



# MOUNT WACHUSETT COMMUNITY COLLEGE

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

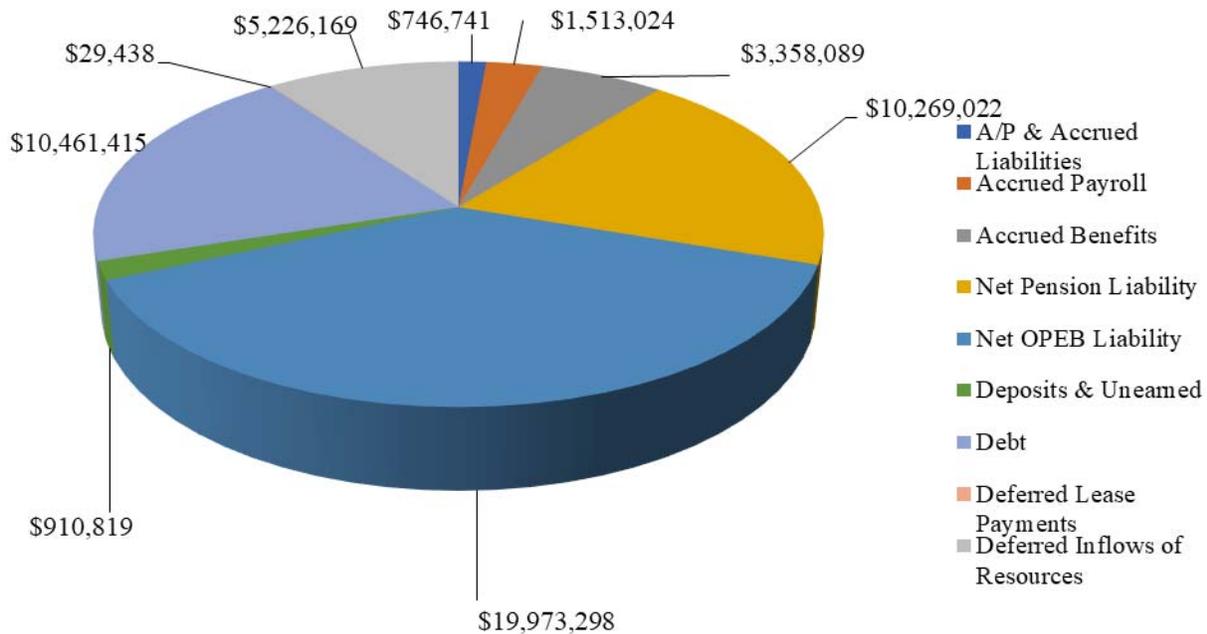
June 30, 2018 and 2017

### Financial Analysis of the College as a Whole - Continued

#### Schedules of Net Position - continued

Current liabilities decreased from 2017 to 2018 by approximately \$1.4 million. The major components of this decrease include accounts payable, unearned revenue and accrued payroll. Non-current liabilities decreased from 2017 to 2018 by approximately \$2.6 million due to a decrease in the long-term portion of the accrued compensated absences and net pension liability.

The College's liabilities and deferred inflows of resources include the following breakdown:



**Accrued Benefits** is made up of an accrual for compensated absences (\$3.1 million) and the College's Workers' Compensation liability (approximately \$238,000).

**Deposits and Unearned** consists of student deposits and advance tuition payments (approximately \$457,000), advance grant payments (approximately \$219,000), funds held for others (approximately \$15,000) and deferred revenue for the theater and fitness and wellness center (approximately \$219,000).

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

**June 30, 2018 and 2017**

**Financial Analysis of the College as a Whole - Continued**

*Schedules of Net Position - continued*

*Debt* is comprised of the following:

- A twenty year bond (\$3,000,000) from the Mass State College Building Authority to support the construction of a new science & technology center.
- A twenty year loan with Massachusetts Health and Educational Facilities Authority (\$1,200,000) to add a 12,000 sq. ft. technology center to the main building.
- A fifteen year Clean Renewable Energy Bond (“CREB”) (\$310,000), the proceeds of which have been used to install photovoltaic cells on the College’s rooftop.
- An eighteen year Clean Renewable Energy Bond (CREB) (\$2,145,000), and a CEIP Bond (Clean Energy Investment Program) \$4,400,000, which were used for the construction of two wind turbines.
- A \$500,000 loan from the Mount Wachusett Community College Foundation.
- A twenty year bond (\$3,055,000) from the Mass State College Building Authority to support construction of a new student center.

During FY 2018, the College repaid \$688,086 of the principal on its capital asset related debt.

*Schedules of Revenues, Expenses and Changes in Net Position*

The following schedules are prepared from the College’s Schedules of Revenues, Expenses, and Changes in Net Position (pages 23-24), which is presented on an accrual basis. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid. These schedules represent the results of the College’s operations.

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

**June 30, 2018 and 2017**

**Financial Analysis of the College as a Whole - Continued**

*Schedules of Revenues, Expenses and Changes in Net Position*

**Operating Results**  
**Years Ended June 30,**  
**(in millions)**

	<u>2018</u>	<u>2017</u>
Operating Revenue:		
Tuition and fees	\$ 10.80	\$ 11.27
Grants and contracts	15.68	17.21
Auxiliary	1.09	1.14
Other	<u>2.06</u>	<u>2.10</u>
Total	29.63	31.72
Less: operating expenses	<u>51.97</u>	<u>53.34</u>
Net operating loss	<u>(22.34)</u>	<u>(21.62)</u>
Non-operating Revenue:		
State appropriations	19.83	19.52
Net interest & other non-operating	(0.12)	-
Capital appropriations, grants, and gifts	<u>3.24</u>	<u>8.66</u>
Total	<u>22.95</u>	<u>28.18</u>
Increase in net position	0.61	6.56
Net Position, Beginning of Year	<u>23.77</u>	<u>37.17</u>
Prior Period Adjustment	<u>-</u>	<u>(19.96)</u>
Net Position, End of Year	<u>\$ 24.38</u>	<u>\$ 23.77</u>

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

**June 30, 2018 and 2017**

**Financial Analysis of the College as a Whole - Continued**

*Schedules of Revenues, Expenses and Changes in Net Position - continued*

A number of revenue streams supplement student tuition and fees and currently include: federal and state grants and contracts, nongovernmental grants and contracts, contracted services of the cafeteria and bookstore, and operation of the fitness and wellness center. The College will continue to aggressively seek additional funding to support its operation consistent with its mission, as well as to continue to make prudent use of its financial resources for funding its operating activities.

*Revenues*

Revenues consisted of the following (in thousands) for the fiscal years ended June 30,:

	<u>2018</u>	<u>2017</u>
Tuition & Fees	\$ 10,797	\$ 11,270
Grants	14,712	16,184
Contracts	968	1,024
Auxiliary	1,086	1,137
State Appropriation	19,827	19,521
Capital Appropriation	3,151	8,496
Capital Grants & Gifts	96	166
Other	<u>2,375</u>	<u>2,112</u>
	<u>\$ 53,012</u>	<u>\$ 59,910</u>

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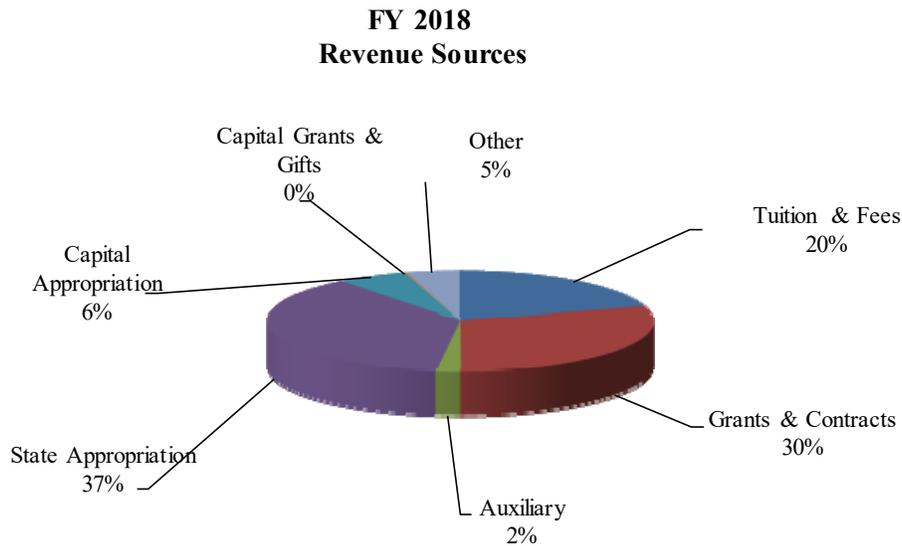
## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018 and 2017

### Financial Analysis of the College as a Whole - Continued

#### Revenues - continued

The following is a graphic illustration of the College's revenues by source:



Major components of the operating revenue for the year include tuition and fees, federal and state grants and contracts. Federal and state grants and contracts include Adult Basic Education funded through the Massachusetts Department of Education, as well as GEAR-Up, Educational Opportunity Center, Visions and Project GO funded by the United States Department of Education And Trade Adjustment Assistance Community College & Career Training (TACCCT) grants from the U.S. Department of Labor. Grants also include federal financial aid such as PELL grants.

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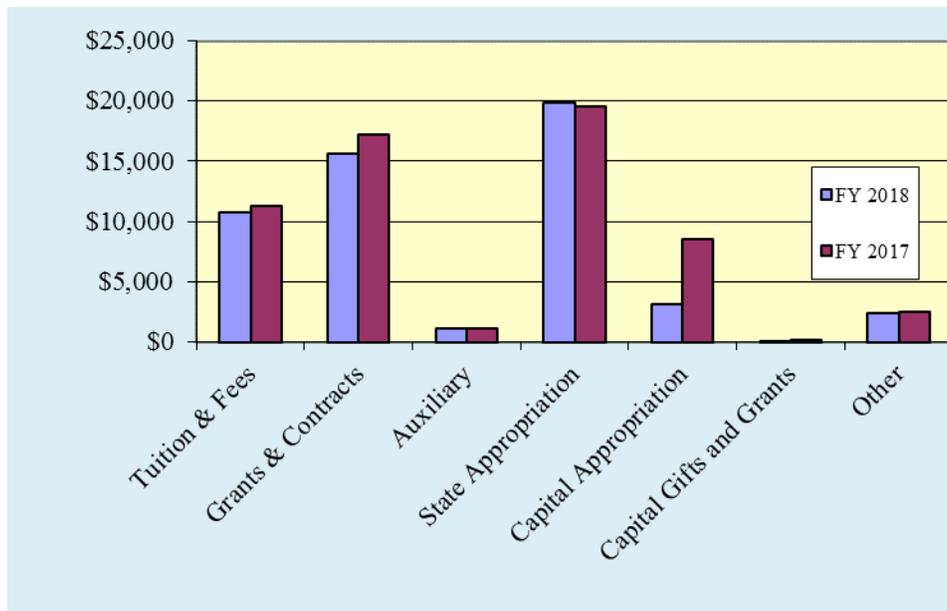
## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018 and 2017

### Financial Analysis of the College as a Whole - Continued

#### Revenues - continued

The chart below shows a year-to-year comparison of the College's revenue sources:



Tuition and fees decreased by \$474,000 over FY 2017 due to declining enrollment. Grant and contract revenue decreased approximately \$1.5 million due primarily to decreases in various Federal grants including Pell and Federal Work Study. The state appropriation increased by approximately \$306,000. There was a capital appropriation of approximately \$3,200,000 for the construction of the new Student Center.

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

**June 30, 2018 and 2017**

**Financial Analysis of the College as a Whole - Continued**

*Operating Expenses*

Operating expenses can be displayed in two formats, natural classification and functional classification. Both formats are included on the next two pages. The following is a summary of the College's expenses using the *Natural Classification Format*:

	<u>2018</u>	<u>2017</u>
Salaries & wages	\$ 27,790,104	\$ 28,857,684
Employee related expenses	273,748	313,055
Fringe benefits	7,378,572	7,572,324
Administrative	4,657,626	3,850,232
Supplies	1,443,965	1,591,415
Utilities/space rental	1,940,324	1,809,699
Consultants	899,241	1,214,347
Facility operations	308,347	427,453
Equipment purchase	970,117	1,755,419
Equipment lease	928,877	813,202
Client purchased service	233,430	291,245
Building & land maintenance	240,124	344,097
Scholarship	3,002,306	2,707,166
Depreciation	2,247,583	1,961,129
Compensated absences	<u>(347,737)</u>	<u>(164,786)</u>
	<b><u>\$ 51,966,627</u></b>	<b><u>\$ 53,343,681</u></b>

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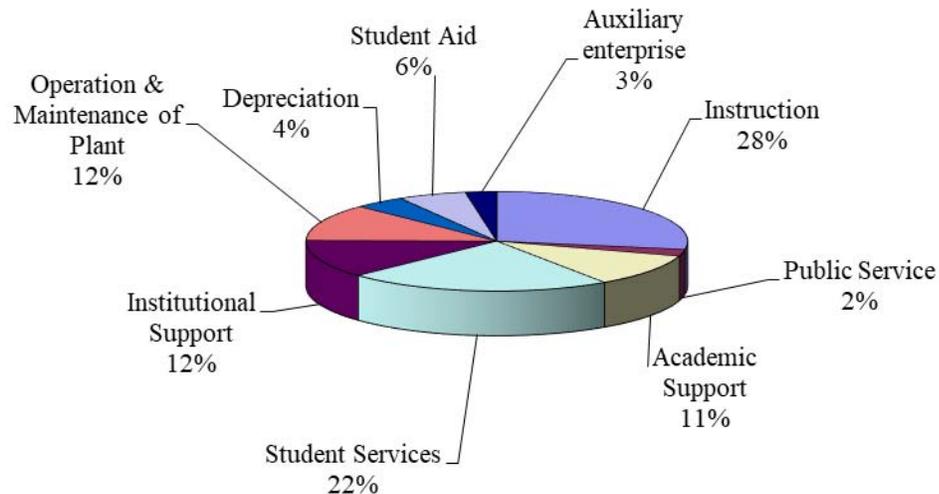
## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018 and 2017

### Financial Analysis of the College as a Whole - Continued

#### *Operating Expenses - continued*

The following chart graphically illustrates the College's major expenses under the natural classification format:



Salaries and wages make up the majority of expenditures for the College. Coupled with the resulting fringe benefits, they make up 67 and 68% of the cost of operations in FY 2018 and 2017, respectively.

Natural classifications of expenditures are useful for budgetary and analytical purposes; however, functional classification can give more insight when attempting to compare institutions of higher education. Functional classifications show the expenditures grouped by programmatic areas.

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

**June 30, 2018 and 2017**

**Financial Analysis of the College as a Whole - Continued**

*Operating Expenses - continued*

The following is a summary of the College's expenses using the functional classification format:

	<u>2018</u>	<u>2017</u>
Instruction	\$ 14,376,117	\$ 14,166,519
Public service	1,148,685	1,174,320
Academic support	5,518,585	5,390,134
Student services	11,632,788	13,187,638
Institutional support	6,406,868	6,693,728
Operation & maintenance	6,253,875	6,586,568
Depreciation	2,247,583	1,961,129
Student aid	3,002,306	2,707,166
Auxiliary enterprise	<u>1,379,820</u>	<u>1,476,479</u>
	<u>\$ 51,966,627</u>	<u>\$ 53,343,681</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE

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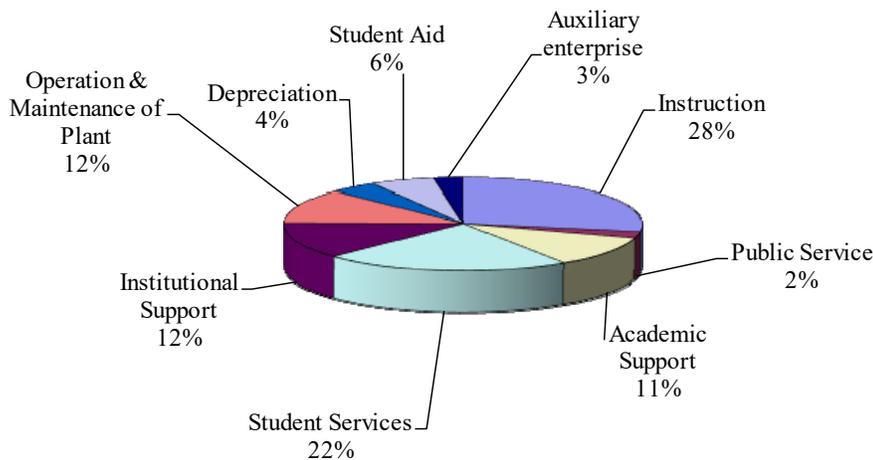
## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018 and 2017

### Financial Analysis of the College as a Whole - Continued

#### Operating Expenses - continued

The following is a graphic representation of the operating expenses under the functional classification format:



Expenses for instruction, academic support, student services and student aid make up the bulk of the College's operational expense with a combined total of 66% in FY 2018. Another 24% of the College's resources went to institutional support and the maintenance of the College's facilities in FY 2018, while 5% is spent on public service and the operation of the College's fitness center and cafeteria.

### Capital Asset and Debt Administration

As of June 30, 2018 the College had \$60,895,181 invested in capital assets, net of accumulated depreciation of \$25,448,782. This investment in capital assets includes land, buildings (including improvements) furnishings and equipment, and books. Depreciation charges for FY 2018 and 2017 were \$2,247,583 and \$1,961,129 respectively. Additions totaled \$5,798,062 primarily for the new student center and parking lots.

The College records capital assets under General Accepted Accounting Principles, whereby assets are recorded at their historical cost and depreciated over a period of 3 - 40 years. In the case of land and buildings, these historical costs may vary significantly from their current fair market value where they would typically appreciate in value rather than depreciate.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2018 and 2017**

**Capital Asset and Debt Administration - Continued**

The following table is a summary of the College’s capital assets at June 30,:

<b>Capital Assets</b>		
<b><u>(in thousands)</u></b>		
	<b><u>2018</u></b>	<b><u>2017</u></b>
Land	\$ 41	\$ 41
Construction in progress	2,971	1,538
Buildings & improvements	78,242	73,990
Furnishing & equipments	4,682	4,568
Library books	<u>408</u>	<u>408</u>
 Total	 86,344	 80,545
 Less: accumulated depreciation	 <u>25,449</u>	 <u>23,201</u>
 Net capital assets	 <u>\$ 60,895</u>	 <u>\$ 57,344</u>

Additions to capital assets for the year ended June 30, 2018 include, but are not limited to:

- \$4,365,886 – New Student Center and Parking Lots

In Fiscal year 2008, the Commonwealth of Massachusetts passed a bond bill which authorizes the issuance of \$2 billion in capital bonds. Of this \$2 billion authorization, \$1 billion is dedicated to capital investments at the state and community colleges, and \$1 billion is dedicated to capital investments at the University of Massachusetts. The monies are to be released to various State departments in \$100 million increments over a ten year period.

Mount Wachusett Community College is slated to receive \$5.4 million to be dedicated to parking lot improvements at the College. To date, the College has utilized \$954,000 of the funds. During FY 2017, the College worked with the Massachusetts State College Building Authority (“MSCBA”) to construct a student center. This project was completed in September, 2017. The project was financed with a \$3,055,000 bond issued through the MSCBA and a \$713,000 allocation from the Department of Capital Asset Management and Maintenance (“DCAMM”).

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

**June 30, 2018 and 2017**

**Capital Asset and Debt Administration - Continued**

All capital asset purchases are pre-approved by the Board of Trustees and are included in the College's capital spending plan submitted to the Board of Higher Education and the Commonwealth's Fiscal Affairs Division. Additional information about Mount Wachusett Community College's capital assets can be found in Note 8 of this report.

**Long-Term Liabilities**

The College's outstanding long-term liabilities consist of the following at June 30,:

	<u>2018</u>	<u>2017</u>
Bonds payable	\$ 10,144,133	\$ 10,738,199
Deferred lease payments	29,438	68,134
Compensated absences	3,119,532	3,467,269
Net pension liability	10,269,022	11,503,109
Net OPEB liability	19,973,298	20,962,791
Notes payable-Foundation	317,282	411,302
Workers' compensation	<u>238,557</u>	<u>294,820</u>
	44,091,262	47,445,624
Less: current portion	<u>2,802,279</u>	<u>3,040,959</u>
Long-term liabilities	<u>\$ 41,288,983</u>	<u>\$ 44,404,665</u>

**Economic Factors that Will Affect the Future**

**Statewide Concerns**

The Commonwealth endeavors to increase funding for public higher education. The Board of Higher Education has devised a performance based funding formula that is used to allocate increases to the community colleges. Ideally, the annual funding for the colleges would consist of level funding of the prior year's appropriation (the base) as well as an additional amount allocated through the formula. The amount allocated by formula becomes part of the next year's base. In 2014, the Commonwealth increased funding for community colleges by \$20 million. The College received \$1,077,000. In 2015, \$13.2 million was added, of which MWCC received \$814,000. Of the \$9.1 million increase during 2016, the College received \$411,000. Fiscal 2017 saw only a 1% increase, which amounted to \$143,000 for the College. There was no increase in FY18.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

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

**June 30, 2018 and 2017**

### **Economic Factors that Will Affect the Future - Continued**

#### *National Concerns*

Nationwide, enrollments, which peaked in 2011, have been on a steady four year decline. Shifts in demographics leading to fewer high school graduates has been one of the major factors here. During economic downturns, displaced workers will return to college to seek new skills. These older non-traditional students make up a large portion of the community college attendees. As the economy has been improving, these students have been able to find new careers and are leaving the college campuses.

#### *Regional Concerns*

The unemployment rate for the Leominster-Fitchburg-Gardner metropolitan area decreased slightly from 4.5% in June of 2017 to 4.4% in June of 2018, according to the U.S. Department of Labor, Bureau of Labor Statistics. This compares to a decrease from 3.8% to 3.5% respectively, on a statewide level.

Due to the demographic changes associated with an aging and increasingly diverse population in the North Central Worcester County area, the need for an affordable, accessible education remains high. In addition, much of the region consists of rural communities where economic development and workforce development issues are dependent upon higher education to respond. Furthermore, excellence in technical education and the demands of the contemporary high-tech workplace require the college to maintain state-of-the art equipment, to develop new programs, and to continue with faculty development efforts.

The College's ability to respond to these concerns depends on the continuation of state funding, the availability of federal and state grants and contracts, a steady enrollment, and cost containment and conservation strategies in order to meet the College's basic operational needs.

#### *Requests for Information*

This financial report is designed to provide a general overview, for all those with an interest in Mount Wachusett Community College's finances. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to Robert E. LaBonte, Vice President of Finance & Administration, 444 Green Street, Mount Wachusett Community College, Gardner, MA.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2018

Assets and Deferred Outflows of Resources

	College	Component Unit
<b>Current Assets:</b>		
Cash and equivalents	\$ 3,111,853	\$ 1,102,641
Cash held by State Treasurer	2,336,871	-
Deposits held by MSCBA	214,183	-
Short-term investments	3,016,715	-
Accounts receivable, net	2,173,560	-
Current portion of pledges receivable	2,617	31,163
Current portion of note receivable - College	-	99,661
Other current assets	126,627	28,320
<b>Total Current Assets</b>	10,982,426	1,261,785
<b>Non-Current Assets:</b>		
Cash restricted for long term purposes	5,383	-
Investments restricted for long term purposes	378,597	4,406,029
Beneficial interest	-	2,026,585
Pledges receivable	25,000	-
Note receivable - College	-	217,621
Capital assets, net	60,895,181	-
<b>Total Non-Current Assets</b>	61,304,161	6,650,235
<b>Deferred Outflows of Resources:</b>		
Deferred outflows related to pension plan	3,130,832	-
Deferred outflows related to OPEB	1,457,885	-
<b>Total Deferred Outflows of Resources</b>	4,588,717	-
<b>Total Assets and Deferred Outflows of Resources</b>	\$ 76,875,304	\$ 7,912,020

Liabilities, Deferred Inflows of Resources and Net Assets

<b>Current Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 746,741	\$ 32,002
Accrued payroll	1,513,024	-
Accrued compensated absences	2,011,006	-
Accrued workers' compensation	50,574	-
Student deposits and unearned revenue	910,819	-
Current portion of bonds payable	611,600	-
Current portion of note payable - Foundation	99,661	-
Future lease payments	29,438	-
<b>Total Current Liabilities</b>	5,972,863	32,002
<b>Non-Current Liabilities:</b>		
Accrued compensated absences	1,108,526	-
Accrued workers' compensation	187,983	-
Bonds payable	9,532,533	-
Net pension liability	10,269,022	-
Net OPEB liability	19,973,298	-
Note payable - Foundation	217,621	-
<b>Total Non-Current Liabilities</b>	41,288,983	-
<b>Total Liabilities</b>	47,261,846	32,002
<b>Deferred Inflows of Resources:</b>		
Service concession arrangements	50,000	-
Deferred inflows related to pension plan	2,831,624	-
Deferred inflows related to OPEB	2,344,545	-
<b>Total Deferred Inflows of Resources</b>	5,226,169	-
<b>Net Position:</b>		
Net investment in capital assets	50,965,231	-
Restricted:		
Nonexpendable	367,459	743,721
Expendable	44,137	4,300,453
Unrestricted	(26,989,538)	2,835,844
<b>Total Net Position</b>	24,387,289	7,880,018
<b>Total Liabilities and Net Position</b>	\$ 76,875,304	\$ 7,912,020

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
(an agency of the Commonwealth of Massachusetts)

**Statement of Revenues and Expenses**

**For the Year Ended June 30, 2018**

	College	Component Unit
<b>Operating Revenues:</b>		
Tuition and fees	\$ 16,727,885	\$ -
Less: Scholarships and allowances	<u>(5,931,208)</u>	-
Net tuition and fees	10,796,677	-
Gifts and contributions	-	714,428
Federal grants and contracts	12,131,406	-
State and local grants and contracts	2,581,093	-
Non-governmental grants and contracts	968,127	-
Auxiliary enterprises	1,086,189	-
Other operating revenues	<u>2,064,685</u>	<u>29,396</u>
<b>Total Operating Revenues</b>	<u>29,628,177</u>	<u>743,824</u>
<b>Operating Expenses:</b>		
Instruction	14,376,117	-
Public service	1,148,685	27,590
Academic support	5,518,585	757,126
Student services	11,632,788	-
Institutional support	6,406,868	107,195
Operation and maintenance of plant	6,253,875	-
Depreciation	2,247,583	-
Scholarships and fellowships	3,002,306	-
Auxiliary enterprise	<u>1,379,820</u>	-
<b>Total Operating Expenses</b>	<u>51,966,627</u>	<u>891,911</u>
<b>Net Operating Loss</b>	<u>(22,338,450)</u>	<u>(148,087)</u>
<b>Non-Operating Revenues (Expenses):</b>		
State appropriation, unrestricted	19,633,599	-
State appropriation, restricted	193,120	-
Investment income	307,710	407,007
Change in value of beneficial interest	-	178,545
Gifts	2,617	-
Interest expense	<u>(437,345)</u>	-
<b>Net Non-Operating Revenues</b>	<u>19,699,701</u>	<u>585,552</u>
<b>Net Increase (Decrease) in Net Position Before Capital Revenue</b>	<b>(2,638,749)</b>	<b>437,465</b>
Capital grants	96,125	-
Capital appropriations	<u>3,151,218</u>	-
<b>Total Capital Revenue</b>	<u>3,247,343</u>	-
<b>Net Increase in Net Position</b>	<u>\$ 608,594</u>	<u>\$ 437,465</u>

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**

(an agency of the Commonwealth of Massachusetts)

**Statement of Changes in Net Position**

**For the Year Ended June 30, 2018**

	<u>College</u>				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
<b>Balance at June 30, 2017, as previously reported</b>	\$ 49,775,781	\$ 364,843	\$ 34,166	\$ (6,432,210)	\$ 43,742,580
Prior period adjustment - Adoption of new accounting principle (Note 2)	-	-	-	(19,963,885)	(19,963,885)
<b>Balance at June 30, 2017, as restated</b>	49,775,781	364,843	34,166	(26,396,095)	23,778,695
Changes in net position	1,189,450	2,616	9,971	(593,443)	608,594
<b>Balance at June 30, 2018</b>	<u>\$ 50,965,231</u>	<u>\$ 367,459</u>	<u>\$ 44,137</u>	<u>\$ (26,989,538)</u>	<u>\$ 24,387,289</u>

	<u>Component Unit</u>				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
<b>Balance at June 30, 2017</b>	\$ -	\$ 717,761	\$ 4,119,380	\$ 2,605,412	\$ 7,442,553
Changes in net position	-	25,960	181,073	230,432	437,465
<b>Balance at June 30, 2018</b>	<u>\$ -</u>	<u>\$ 743,721</u>	<u>\$ 4,300,453</u>	<u>\$ 2,835,844</u>	<u>\$ 7,880,018</u>

*See accompanying notes to the financial statements.*

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Statement of Cash Flows

For the Year Ended June 30, 2018

	<u>College</u>
<b>Cash Flows from Operating Activities:</b>	
Tuition and fees	\$ 10,901,322
Grants and contracts	15,163,611
Payments to employees	(23,088,814)
Payments to students	(3,002,506)
Payments to suppliers and vendors	(18,279,850)
Other receipts	<u>3,097,990</u>
Net Cash Applied to Operating Activities	<u>(15,208,247)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
State appropriations	14,863,472
Restricted appropriations	193,120
Tuition remitted to state	<u>(296,767)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>14,759,825</u>
<b>Cash Flows from Capital Financing Activities:</b>	
Capital grants	96,125
Purchases of capital assets	(2,646,844)
Principal paid on Foundation note	(94,020)
Principal paid on note and bonds payable	(594,066)
Interest paid on note and bonds payable	<u>(437,345)</u>
Net Cash Applied to Capital Financing Activities	<u>(3,676,150)</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of investments	(1,286,223)
Proceeds from sale of investments	1,647,460
Investment income	<u>117,186</u>
Net Cash Provided by Investing Activities	<u>478,423</u>
<b>Net Decrease in Cash and Equivalents</b>	<b>(3,646,149)</b>
Cash and Equivalents, Beginning of Year	<u>9,314,439</u>
<b>Cash and Equivalents, End of Year</b>	<b>\$ <u>5,668,290</u></b>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>	
Net operating loss	<u>\$ (22,338,450)</u>
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	2,247,583
Fringe benefits provided by the State	5,066,894
Service concession arrangement	(50,000)
Increase in allowance for doubtful accounts	135,022
Net pension activity	435,520
Net OPEB activity	896,073
Changes in assets and liabilities:	
Accounts receivables	(44,620)
Other current assets	105,901
Accounts payable and accrued expenses	(578,741)
Accrued salaries and wages	(292,595)
Accrued compensated absences and workers' compensation	(404,001)
Student deposits and unearned revenues	<u>(386,833)</u>
Net Cash Applied to Operating Activities	<u>\$ (15,208,247)</u>
<b>Non-Cash Transactions:</b>	
Fringe benefits provided by the state	<u>\$ 5,066,894</u>
Debt reserve applied towards bond principal	<u>\$ 540</u>
Capital improvements provided by capital appropriations	<u>\$ 3,151,218</u>
Unrealized gain on investments	<u>\$ 190,524</u>

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

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Financial Statements**

**June 30, 2018**

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

*Organization*

Mount Wachusett Community College (the “College”) is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With its primary campus located in Gardner, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College also offers, through the Division of Continuing Education, credit and noncredit courses as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

*Basis of Presentation*

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 Mount Wachusett Community College Foundation, Inc. (the “Foundation”), a component unit of the College, was formed in 1971 to render financial assistance and support to the 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 the financial statements because of the nature and significance of its relationship with the College. Complete financial statements can be obtained from the Foundation’s administrative office in Gardner, 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 revenue.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2018

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

*Basis of Presentation - 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, the Foundation, and required supplementary information. The College presents statements of net position, revenues and 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 statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities including the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

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

*Net Position*

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

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

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

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

*Net Position - continued*

Restricted - expendable: Net assets 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 assets. Unrestricted net assets 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 these trust funds have been consolidated and are included in these financial statements.

*Cash and Equivalents*

The College considers all highly liquid debt instruments with original maturity dates of three months or less, whether held in its own accounts or by state agencies on its behalf, to be cash equivalents.

*Investments*

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

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

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

*Allowance for Doubtful Accounts*

Accounts and pledges receivable are periodically evaluated for collectibility based on past history with students. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic condition.

*Capital Assets*

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment 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. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years.

The 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

*Cash Held by State Treasurer*

Cash held by state treasurer represents funds accessible by the College held by the Commonwealth of Massachusetts for payroll.

*Deposits Held by MSCBA*

Deposits held represent funds held by the Massachusetts State College Building Authority for specific projects.

*Fringe Benefits*

The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, and workers' compensation benefits. Health insurance, unemployment, and pension costs are billed through a fringe benefit rate charged to the College. Workers' compensation costs are assessed separately based on the College's actual experience.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2018

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2018. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2018. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Student Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs, tuition received for the following academic year, advance theater ticket sales, and unexpired health center memberships are deferred and recorded as revenues as earned.

Pensions

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

Postemployment Benefits Other Than Pensions ("OPEB")

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

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

*Student Tuition and Fees*

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

*Future Lease Payments*

United States generally accepted accounting principles requires that rent expense under lease agreements is recognized ratably over the period of the agreement regardless of the presence of rent holidays, scheduled rent increases and other terms affecting the monthly payment. Accordingly, when the required monthly payment is less than the pro rata monthly expense the aggregate of this difference is presented on the statement of net position as a liability. The liability is liquidated in future periods as the required monthly payment increases in accordance with the lease agreement.

*Tax Status*

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

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from 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, and determining the net pension and OPEB liabilities.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

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

*New Governmental Accounting Pronouncements*

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

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

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

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

*New Governmental Accounting Pronouncements - continued*

GASB Statement 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Placements* is effective for years beginning after June 15, 2018. Implementation of this standard will require additional disclosures in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. 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. Management has not completed its review of the requirements of this standard and its applicability.

Note 2 - **Implementation of Newly Effective Accounting Standard and Restatement of Previously Issued Financial Statements**

The College implemented GASB Statement Number 75 (“GASB 75”), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2017.

Subsequent to the original issuance of these financial statements, management was advised of an error in the calculation of OPEB pertaining to projected pay increases for employees in the allocation of the actuarial present value of projected benefit payments to past and future services as of June 30, 2018 and July 1, 2017.

The table below presents the effects of implementing GASB 75 and the correction to the previously issued financial statements.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

**Note 2 - Implementation of Newly Effective Accounting Standard and Restatement of Previously Issued Financial Statements - Continued**

	As Previously Reported at June 30, 2017	Implementation of GASB 75	As Previously Reported at July 1, 2017	Correction of the Error	As Restated at July 1, 2017
Statement of Net Position:					
Deferred outflows related to OPEB	\$ -	502,800	502,800	-	\$ 502,800
Net OPEB liability	\$ -	23,579,247	23,579,247	(3,112,562)	\$ 20,466,685
Unrestricted net position	\$ (6,432,210)	(23,076,447)	(29,508,657)	3,112,562	\$ (26,396,095)

	As Previously Reported at June 30, 2018	Correction of the Error	As Restated at June 30, 2018
Statement of Net Position:			
Deferred outflows related to OPEB	\$ 1,607,240	(149,355)	\$ 1,457,885
Net OPEB liability	\$ 22,589,754	(2,616,456)	\$ 19,973,298
Deferred inflows related to OPEB	\$ 3,006,752	(662,207)	\$ 2,344,545
Unrestricted net position	\$ (30,118,846)	3,129,308	\$ (26,989,538)

Statement of Revenues and Expenses:			
Operating expenses	\$ 51,983,373	(16,746)	\$ 51,966,627

**Note 3 - Cash and Equivalents**

Custodial credit risk is the risk that in the event of a financial institutions failure, the College would not be able to recover its deposits in full. The College periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation (“FDIC”) insurable limits. The standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each ownership category. Some of the College’s deposits are made in domestic banks that are insured with supplemental insurance for those accounts exceeding the Federally insured limits.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2018

### Note 3 - Cash and Equivalents - Continued

For the banks without supplemental insurance, management monitors the financial condition of banking institutions, along with its cash balances, to keep this potential risk to a minimum. At June 30, 2018, the carrying amount of the College's deposits, net of deposits and disbursements in transit, were \$3,117,236. At June 30, 2018, uninsured cash balances in excess of FDIC limits were \$1,494,030.

### Note 4 - Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$2,336,871 at June 30, 2018. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

### Note 5 - Investments

#### College

#### Investment Policy

In accordance with Chapter 15A of the Massachusetts General Laws, The Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislator or derived from federal allocation. The primary objective of the College's investment policy is to provide a source of liquidity, income and capital appreciation for the College. The College's investments are comprised of short term/liquid investments, which include cash and other short-term investments expected to mature within three years, and long-term investments, which include bonds, equities, and other investments expected to mature within three to ten years. Investments identified as endowment funds are designed to ensure a total return sufficient to preserve and enhance the principal of the funds and provided a dependable source of revenue for the identified purposes.

#### Concentration of Credit Risk

The College places no limit on the amount it may invest in any one issuer. The College had no investments exceeding 5% of its total investment balance as of June 30, 2018. Under accounting principles generally accepted in the United States of America, investments issued or explicitly guaranteed by the federal government and mutual funds are specifically excluded for purposes of determining concentration of credit risk disclosures.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 5 - **Investments - Continued**

*College - continued*

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the College, or are held by either the counterparty or the counterparty's trust department or agent but not in the College's name. The College's policy is to hold all investments in its name.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The College's investment policy establishes guidelines for permissible investments, which include certificates of deposits, mutual funds, equities and bonds.

*Disclosure of Credit Risk of Debt Securities*

Credit risk of debt securities is as follows at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>	<u>A</u>	<u>A-</u>	<u>BBB+</u>	<u>BBB</u>	<u>BBB-</u>	<u>BB+</u>	<u>Unrated</u>
Certificates of deposit - non negotiable	<u>\$ 547,252</u>	<u>\$ -</u>	<u>\$ 547,252</u>					

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 5 - **Investments - Continued**

*Maturities of Debt Securities*

Investments are stated at fair value and consist of the following at June 30, 2018:

**Investment Maturities (in years)**

<u>Investment Type</u>	<u>Market Value</u>	<u>Less than 1</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>More than 10 years</u>
Certificate of deposits	\$ 547,252	\$ 547,252	\$ -	\$ -	\$ -
Mutual funds	609,512	609,512	-	-	-
Equities	<u>2,238,548</u>	<u>2,238,548</u>	-	-	-
	<u>\$ 3,395,312</u>	<u>\$ 3,395,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*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 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 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 based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

*Certificates of Deposit:* Valued at initial investment cost plus accrued interest.

*Equities:* Valued at the closing price reported on the active market on which the individual securities are traded.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 5 - **Investments - Continued**

*College - continued*

*Mutual Funds:* Valued at the net asset value (“NAV”) of the shares held by the College at year end.

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

The following tables set forth, by level, the College’s investments at June 30, 2018:

	<u>NAV</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Recurring fair value measurements:</b>					
Certificates of deposit	\$ -	\$ -	\$ 547,252	\$ -	\$ 547,252
Mutual funds	609,512	-	-	-	609,512
Equities	<u>-</u>	<u>2,238,548</u>	<u>-</u>	<u>-</u>	<u>2,238,548</u>
<b>Total investments at fair value</b>	<u>\$ 609,512</u>	<u>\$ 2,238,548</u>	<u>\$ 547,252</u>	<u>\$ -</u>	<u>\$ 3,395,312</u>

*Foundation*

Investments of the Foundation are stated at fair value and consist of the following at June 30, 2018:

	<u>Cost</u>	<u>Market Value</u>
Equities	\$ 1,886,055	\$ 3,496,999
Fixed income funds	<u>920,150</u>	<u>909,030</u>
	<u>\$ 2,806,205</u>	<u>\$ 4,406,029</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 5 - **Investments - Continued**

*Foundation - continued*

The following summarizes the investment return and its classification for the year ended June 30, 2018:

Dividend and interest income	\$ 81,933
Realized gain	6,127
Investment expenses	(15,648)
Net unrealized gain (loss) on investments	<u>334,595</u>
 Total investment return	 <u>\$ 407,007</u>

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

Note 6 - **Accounts Receivable**

The accounts receivable balance comprises the following at June 30, 2018:

Student accounts receivable	\$ 2,250,577
Grants receivable	1,170,215
Other receivables	<u>459,017</u>
	3,879,809
Less: allowance for doubtful accounts	<u>1,706,249</u>
	 <u>\$ 2,173,560</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 7 - **Pledges Receivable**

*College*

Unconditional promises to give represent amounts pledged towards the College's endowment for the humanities. A discount has not been recorded due to a lack of materiality. Pledges receivable consists of the following at June 30, 2018:

Receivable in less than one year	\$ 2,617
Receivable in one to five years	<u>25,000</u>
	27,617
Less: Current portion of pledges receivable	<u>2,617</u>
Pledges receivable, net of current portion	<u><u>\$ 25,000</u></u>

*Foundation*

Unconditional promises to give due in more than one year are reflected at the present value of estimated cash flows using a discount rate of 4% and consist of the following at June 30, 2018:

Receivable in less than one year	\$ 32,433
Receivable in one to five years	<u>-</u>
	32,433
Less: discounts to net present value	<u>1,270</u>
Net pledges receivable	31,163
Less: Current portion of pledges receivable	<u>31,163</u>
Pledges receivable, net of current portion	<u><u>\$ -</u></u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 8 - **Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<b>Estimated Lives (in years)</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reclassifications</b>	<b>Ending Balance</b>
Land		\$ 40,704	\$ -	\$ -	\$ 40,704
Construction in progress		<u>1,538,414</u>	<u>2,855,030</u>	<u>(1,422,854)</u>	<u>2,970,590</u>
Total capital assets non-depreciable		<u>1,579,118</u>	<u>2,855,030</u>	<u>(1,422,854)</u>	<u>3,011,294</u>
Building, including improvements	25-40	73,989,922	2,829,770	1,422,854	78,242,546
Furnishing and equipment (including cost of capital leases)	3-5	4,568,538	113,262	-	4,681,800
Books	5	<u>408,323</u>	<u>-</u>	<u>-</u>	<u>408,323</u>
Total depreciable assets		<u>78,966,783</u>	<u>2,943,032</u>	<u>1,422,854</u>	<u>83,332,669</u>
Less: accumulated depreciation					
Building, including improvements		19,163,585	2,011,643	-	21,175,228
Furnishings and equipment		3,629,291	235,940	-	3,865,231
Books		<u>408,323</u>	<u>-</u>	<u>-</u>	<u>408,323</u>
Total accumulated depreciation		<u>23,201,199</u>	<u>2,247,583</u>	<u>-</u>	<u>25,448,782</u>
Capital assets, net		<u>\$ 57,344,702</u>	<u>\$ 3,550,479</u>	<u>\$ -</u>	<u>\$ 60,895,181</u>

Note 9 - **Deferred Inflows of Resources**

The College has entered into an agreement, categorized as a service concession arrangement under GASB 60 *Accounting and Reporting for Service Concession Arrangements*, expiring through June 2019, with a vendor for the provision of book store management services. As part of this arrangement, the vendor provided the College with \$250,000 in support of the mission of the College. In accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*, the College has accounted for these monies as deferred inflows of resources and will amortize the amounts into income over the life of the agreement. In addition, the agreement provides for additional payments to the College to defray certain costs and as revenue sharing. During the fiscal year ended June 30, 2018, such additional payments aggregated \$205,805.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 10 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2018, consist of:

	<b><u>Beginning</u></b> <b><u>Balance</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b> <b><u>Balance</u></b>	<b><u>Current</u></b> <b><u>Portion</u></b>
Notes and bonds payable:					
Bonds payable	\$ 10,738,199	\$ -	\$ 594,066	\$ 10,144,133	\$ 611,600
Notes payable - related party	<u>411,302</u>	<u>-</u>	<u>94,020</u>	<u>317,282</u>	<u>99,661</u>
Total notes and bonds payable	<u>11,149,501</u>	<u>-</u>	<u>688,086</u>	<u>10,461,415</u>	<u>711,261</u>
Other long-term liabilities:					
Compensated absences	3,467,269	-	347,737	3,119,532	2,011,006
Workers' compensation	294,820	-	56,263	238,557	50,574
Net pension liability	11,503,109	-	1,234,087	10,269,022	-
Net OPEB liability	20,466,685	-	493,387	19,973,298	-
Future lease payments	<u>68,131</u>	<u>-</u>	<u>38,693</u>	<u>29,438</u>	<u>29,438</u>
Total other long-term liabilities	<u>35,800,014</u>	<u>-</u>	<u>2,170,167</u>	<u>33,629,847</u>	<u>2,091,018</u>
	<u>\$ 46,949,515</u>	<u>\$ -</u>	<u>\$ 2,858,253</u>	<u>\$ 44,091,262</u>	<u>\$ 2,802,279</u>

**Bonds Payable**

The College issued a \$1,200,000 Massachusetts Health and Education Facilities Authority (“HEFA”) Variable Rate Demand Revenue Bond, Capital Asset Program Issue, Series M-2 with interest of 1.67% payable monthly. Annual principal payments of \$60,000 commenced June 15, 2003 and reduced to annual payments of \$54,546 during fiscal year 2006. Under the HEFA Bond agreement, the College is required to maintain the ratio of gross tuition and fees to total debt service to be at least 10:1. This bond matures in July 2022.

The College issued a \$310,000 Clean Renewable Energy Bond (“CREB”) through the Massachusetts Development Finance Agency. The bond is for fifteen years and is interest free. No interest has been imputed due to a lack of materiality. Annual principal payments in the amount of \$20,667 commenced on December 31, 2007. The bond matures in December 2022.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - **Long-Term Liabilities - Continued**

*Bonds Payable - continued*

In 2011, the College issued a \$2,145,000 Clean Renewable Energy Bond through the Massachusetts Development Finance Agency with interest at 2.5%. Annual principal payments of \$126,176 and bi-annual interest payments began May 2011 through maturity in May 2027.

On October 1, 2010, the College issued a \$4,400,000 Clean Energy Investment Program Bond (“CEIP”) through the Massachusetts Department of Capital Asset Management. The bond is for twenty years at 4.7% interest. Annual principal and interest payments in the amount of \$310,571 are due through January 2032.

On March 6, 2014, the College issued a \$3,000,000 bond through Massachusetts State College Building Authority (“MSCBA”). These funds are being used for the upgrade and renovation of the Haley Academic Center. The bond is for twenty years at the interest rate of 4.25%. The College is required to make bi-annual principal and interest payments beginning in May 2015. The bond matures in May 2034.

In 2017, the College issued a \$3,055,000 bond through Massachusetts State College Building Authority (“MSCBA”). These funds are being used to build a new student center. The bond is for twenty years at interest rates varying from 1.865% to 3.398%. The College is required to make bi-annual principal and interest payments beginning in November 2017. The bond matures in November 2036.

*Notes Payable - Related Party*

During the year ended June 30, 2016, the College received a loan from the Foundation for \$500,000. This loan will be repaid in annual payments of \$118,698, including interest at 6% per annum, beginning October 31, 2016 through 2020. A corresponding note receivable has been recorded on the records of the Foundation.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 10 - **Long-Term Liabilities - Continued**

*Future Maturities*

Principal and interest on notes and bonds payable for the next five years are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 711,261	\$ 384,914
2020	732,163	359,705
2021	753,836	333,138
2022	659,853	305,762
2023	608,159	284,347
2024-2028	3,182,986	1,074,677
2029-2033	2,917,338	474,522
2034-2038	<u>895,819</u>	<u>53,769</u>
	<u>\$ 10,461,415</u>	<u>\$ 3,270,834</u>

*Lease Commitments*

The College also leases facilities and equipment under various operating leases. Rent expense for operating leases was \$1,627,403 for the year ended June 30, 2018. The following schedule summarizes future minimum payments under non-cancelable leases as of June 30, 2018:

Years Ending <u>June 30,</u>	
2019	\$ 1,394,324
2020	1,299,464
2021	1,004,498
2022	886,564
2023	<u>584,325</u>
	<u>\$ 5,169,175</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2018

### Note 11 - Pension

#### *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 ("SERS") 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.

#### *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.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 11 - **Pension - 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 Commonwealth does not require the College to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$1,712,221, \$1,427,439 and \$1,418,840 for the years ended June 30, 2018, 2017 and 2016, 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 11.78%, 9.45% and 10.39% of annual covered payroll for the fiscal years ended June 30, 2018, 2017 and 2016, respectively. The College contributed \$628,433, \$626,011 and \$599,035 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 72%, 73% and 75% of total related payroll for fiscal years ended 2018, 2017 and 2016, respectively.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 11 - **Pension - Continued**

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

At June 30, 2018, the College reported a liability of \$10,269,022 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, 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, 2017 rolled forward to June 30, 2017.

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 year 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.08%.

For the year ended June 30, 2018, the College recognized pension expense of \$1,063,950. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2018:

Deferred Outflows of Resources Related to Pension

Contributions subsequent to the measurement date	\$ 628,433
Differences between expected and actual experience	397,042
Changes in proportion from Commonwealth	35,172
Changes in plan actuarial assumptions	1,068,648
Changes in proportion due to internal allocation	<u>1,001,537</u>
Total	<u>\$ 3,130,832</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 11 - **Pension - Continued**

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

Deferred Inflows of Resources Related to Pension

Changes in proportion from Commonwealth	\$ 3,661
Changes in proportion due to internal allocation	\$ 2,426,214
Differences between projected and actual earnings of pension plan investments	\$ 122,355
Differences between projected and actual investments earnings	<u>279,394</u>

The College's contributions of \$628,433 made during the fiscal year ending 2018 subsequent to the measurement date will be recognized as a reduction of the net pension liability in the succeeding year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years ending <u>June 30,</u>	
2019	\$ (9,121)
2020	288,516
2021	(71,866)
2022	(529,273)
2023	<u>(7,481)</u>
	<u>\$ (329,225)</u>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 11 - **Pension - 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, 2017
Inflation	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.50%
Interest rate credited to annuity savings fund	3.50%

For measurement dates June 30, 2017, 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-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 and rolled forward to June 30, 2017.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 11 - **Pension - Continued**

*Actuarial Assumptions – continued*

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund’s target asset allocation as of June 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	40%	5.00%
Core Fixed Income	12%	1.10%
Hedge Funds	0%	3.60%
Private Equity	11%	6.60%
Real Return	10%	3.60%
Portfolio Completion Strategies	13%	3.60%
Value Added Fixed Income	10%	3.80%
Timber/Natural Resources	4%	3.20%
	<u>100%</u>	

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
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**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 11 - **Pension - Continued**

*Actuarial Assumptions – continued*

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5% at June 30, 2018. 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 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.

	Current	
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50)%
\$ 13,985,980	\$ 10,269,022	\$ 7,274,923

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB")**

*Plan Description*

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

*Plan Description - continued*

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

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

The SRBT does not issue a stand-alone audited financial statement 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 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, 2017, and as of the valuation date (January 1, 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

*Contributions - continued*

Effective beginning in fiscal year 2014, by statute the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal year 2017, 10% of tobacco settlement proceeds or approximately \$25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal year 2017 was set at 10%, overriding existing statute.

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 8.92% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed \$475,799 for the fiscal year ended June 30, 2018 equal to 100% of the required contribution for the year.

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

At June 30, 2018, the College reported a liability of \$19,973,298 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, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.11%.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

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

For the year ended June 30, 2018, the College recognized OPEB expense of \$1,403,190. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

<u>Deferred Outflows of Resources Related to Pension</u>	
Contributions subsequent to the measurement date	\$ 475,799
Changes in proportion from Commonwealth	41,802
Changes in plan actuarial assumptions	
Changes in proportion due to internal allocation	<u>940,284</u>
Total	<u>\$ 1,457,885</u>
<u>Deferred Inflows of Resources Related to Pension</u>	
Difference between expected and actual experience	\$ 45,922
Differences between projected and actual earnings of pension plan investments	36,441
Changes in assumptions	<u>2,262,182</u>
Total	<u>\$ 2,344,545</u>

The College's contribution of \$475,799 reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

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

Years ending <u>June 30,</u>	
2019	\$ (292,740)
2020	(292,740)
2021	(292,740)
2022	(292,740)
2023	<u>(191,499)</u>
	<u>\$ (1,362,459)</u>

*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, 2017
Inflation	3.00%
Salary increases	4.5% per year
Investment rate of return	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

*Actuarial Assumptions - Continued*

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.

The participation rates are actuarially assumed as below:

- 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	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the periods ranging July 1, 2015 through December 31, 2016, depending upon the criteria being evaluated. As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 actuarial valuation to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

*Actuarial Assumptions - Continued*

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2018, are the same as discussed in Note 11.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.63%. This rate was based on a blend of the Bond Buyer Index rate (3.58%) 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 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.50% 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:

	1.00% Decrease	Current Discount Rate	1.00% Increase
	2.63%	3.63%	4.63%
Net OPEB liability	\$ 23,709,902	\$ 19,973,298	\$ 17,002,406

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 12 - **Postemployment Benefits Other Than Pensions ("OPEB") - Continued**

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

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

	1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
Net OPEB liability	\$ 16,525,364	\$ 19,973,298	\$ 24,510,571

(A) - The current healthcare cost trend rates are as follows:

9.0% for Medicare, 5.0% for EGWP and 5.0% for administration costs.

(B) - The healthcare cost trend rates after a 1% decrease are as follows:

8.0% for Medicare, 4.0% for EGWP and 4.0% for administration costs.

(C) - The healthcare cost trend rates after a 1% increase are as follows:

10.0% for Medicare, 6.0% for EGWP and 6.0% for administration costs.

Note 13 - **Other Fringe Benefits**

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

*Group Insurance Commission*

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 13 - **Other Fringe Benefits - Continued**

*Group Insurance Commission - continued*

The GIC is a quasi-independent state agency governed by a seventeen-member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2018, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

During the fiscal year ended June 30, 2018, 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 Retirement Plans*

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

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 14 - **Restricted Net Position**

*College*

The College has received funding to establish an endowment in which the earnings must be used to support research, education, and public programs in the humanities. As of June 30, 2018, \$367,459 of the endowment was nonexpendable and earnings of \$44,137 was available for expenditure within the purpose and guidelines of the endowment.

*Foundation*

The Foundation's restricted-expendable net position consists of the following at June 30, 2018:

Sterilite Student Success	<b>\$ 2,126,585</b>	
Other scholarships	<b>1,004,219</b>	
Garrison Early Childhood Education	<b>356,767</b>	-
Student Center	<b>281,300</b>	
College to Career Project	<b>200,190</b>	
John Burton Scholarship	<b>96,916</b>	
Needy Books Fund	<b>84,767</b>	
Haley Scholarship Fund	<b>79,186</b>	
Robinson Broadhurst	<b>36,545</b>	
Youth Venture	<b>27,120</b>	
Career Focused Education Scholarship	<b><u>6,858</u></b>	
	<b><u>\$ 4,300,453</u></b>	

The Foundation also has nonexpendable net position of \$743,721 at June 30, 2018, which consists of scholarship endowment funds. The earnings on these funds are available to award student scholarships.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 15 - **Contingencies**

Various lawsuits are pending or threatened against the College, which arose in 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. Any disallowed expenditures resulting from such audits become a liability of the College. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition of the College.

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 this 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 and workers' compensation. 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.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 16 - **Operating Expenses**

The College's operating expenses, on a natural classification basis, are comprised of the following for the year ended June 30, 2018:

Compensation and benefits	<b>\$ 35,442,424</b>
Supplies and services	<b>11,274,314</b>
Depreciation	<b>2,247,583</b>
Scholarships and fellowships	<b><u>3,002,306</u></b>
	<b><u>\$ 51,966,627</u></b>

Note 17 - **Massachusetts Management Accounting and Reporting System**

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") using the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. 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 at June 30, 2018:

Direct unrestricted appropriations	<b>\$ 14,863,472</b>
Add: Fringe benefits for benefited employees on the state payroll	<b>5,066,894</b>
Less: Day school tuition remitted to the state and included in tuition and fees revenue	<b><u>(296,767)</u></b>
Total unrestricted appropriations	<b>19,633,599</b>
Capital appropriations	<b>3,151,218</b>
Restricted appropriations	<b><u>193,120</u></b>
Total Appropriations	<b><u>\$ 22,977,937</u></b>

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Notes to the Financial Statements - Continued**

**June 30, 2018**

Note 17 - **Massachusetts Management Accounting and Reporting System - Continued**

A reconciliation between the College and MMARS as of June 30, 2018 is as follows (unaudited):

	<b><u>2018</u></b>
Revenue per MMARS	\$ 29,954,304
Revenue per College	<u>29,954,304</u>
Difference	<u>\$ -</u>

Note 18 - **Pass-Through Grants**

The College distributed \$5,220,060 during the year ended June 30, 2018, 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 or as cash disbursements and cash receipts in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

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

**Massachusetts State Employees' Retirement System**

Year ended	<b>June 30, 2018</b>	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	<b>June 30, 2017</b>	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	<b>January 1, 2017</b>	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	<b>0.080%</b>	0.083%	0.118%	0.100%
Proportionate share of the collective net pension liability	<b>\$ 10,269,022</b>	\$ 11,503,109	\$ 13,481,424	\$ 7,434,353
College's covered payroll	<b>\$ 6,291,568</b>	\$ 6,338,995	\$ 7,136,425	\$ 7,427,945
College's proportionate share of the net pension liability as a percentage of its covered payroll	<b>163.22%</b>	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	<b>67.21%</b>	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.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Pension Contributions (Unaudited)**

**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	2018	2017	2016	2015
Statutorily required contribution	\$ 628,433	\$ 626,011	\$ 599,035	\$ 741,475
Contributions in relation to the statutorily required contribution	<u>(628,433)</u>	<u>(626,011)</u>	<u>(599,035)</u>	<u>(741,475)</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,334,745	\$ 6,291,568	\$ 6,338,995	\$ 7,136,429
Contribution as a percentage of covered payroll	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.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2018**

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

**Fiscal year June 30, 2018**

Change of Benefits:

Chapter 79 of the Acts of 2014 established an early retirement (“ERI”) program for certain members of the SERS plan. As a result, the total pension liability of SERS increased by approximately \$10 million as of June 30, 2017.

Assumptions:

The mortality rates were changed as follows:

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

These mortality rate changes resulted in an increase of approximately \$304 million in the total pension liability of SERS as of June 30, 2017.

**Fiscal year June 30, 2017**

Change of Benefits:

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer into 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.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2018**

**Fiscal year June 30, 2016**

Change of Benefits:

Chapter 19 of the Acts of 2015 established an ERI program for certain members of the SERS plan. As a result, the total pension liability of SERS increased by approximately \$230 million as of June 30, 2015.

Assumptions:

The discount rate to calculate the pension liability decreased from 7.75% to 7.5%. This change resulted in an increase of approximately \$933 million in the total pension liability of SERS 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)

These mortality changes resulted in an increase of approximately \$1.397 billion in the total pension liability of SERS as of June 30, 2015.

**Fiscal year June 30, 2015**

Assumptions:

An updated experience study encompassed the period January 1, 2006 to December 31, 2011. The study reviewed salary increases and rates of retirement, disability, turnover and mortality. This study adjusted the mortality assumption which resulted in an increase of approximately \$102 million in the total pension liability as of June 30, 2014.

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Proportionate Share of Net OPEB Liability (Unaudited)**

**State Retirees' Benefit Trust**

Year ended	June 30, 2018
Measurement date	June 30, 2017
Valuation date	January 1, 2017
Proportion of the collective net OPEB liability	0.11%
Proportionate share of the collective net OPEB liability	\$ 19,973,298
College's covered payroll	\$ 6,291,568
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	5.39%

Notes:

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

*See accompanying notes to the required supplementary information.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

**Schedule of Contributions - OPEB (Unaudited)**

**State Retirees' Benefit Trust**

**For the Year Ended June 30,**

	<u>2018</u>
Statutorily required contribution	\$ 475,799
Contributions in relation to the statutorily required contribution	<u>(475,799)</u>
Contribution (excess)/deficit	<u>\$ -</u>
College's covered payroll	\$ 5,334,745
Contribution as a percentage of covered payroll	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.*

**MOUNT WACHUSETT COMMUNITY COLLEGE**  
**(an agency of the Commonwealth of Massachusetts)**

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

**June 30, 2018**

Note 1 - **Change in Plan Assumptions**

**Fiscal year June 30, 2018**

Assumptions:

The discount rate was increased to 3.63% based upon a blend of the Bond Buyer Index rate as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%. This increase in the discount rate resulted in a decrease in the net OPEB liability of approximately \$3.08 billion as of June 30, 2017.

*See Independent Auditor's Report.*

**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***



## **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  
Mount Wachusett Community College  
Gardner, 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 Mount Wachusett Community College (the "College"), which comprise the statement of net position as of June 30, 2018 and the related statement of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon with a dual date of December 5, 2018 and February 14, 2019.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

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

**Certified Public Accountants  
Braintree, Massachusetts**

December 5, 2018 (except for Management's Discussion and Analysis, Note 2, Note 10, Note 12, Note 16, and Schedule of Proportionate Share of the Net OPEB Liability, as to which the date is February 14, 2019)