

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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



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

**JUNE 30, 2022**

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

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

**June 30, 2022**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, of Mount Wachusett Community College (an agency of the Commonwealth of Massachusetts) (the "College"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the College, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

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

#### **Change in Accounting Principle**

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, GASB Statement Number 87, *Leases*. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants  
Braintree, Massachusetts**

October 13, 2022

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

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

**June 30, 2022**

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, 2022. 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 50 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.

On March 11, 2020, the World Health Organization declared the global outbreak of the novel corona virus (COVID-19) as a pandemic. On March 18, 2020, the Community College began to transition students to a distant learning environment for the completion of the 2020 spring semester, and the 2020 summer semester was taught online. The college continued with a remote learning model for the 2020/2021 academic year with minimal in person teaching. A repopulation committee and plans were begun in August of 2021.

### **Financial Highlights**

As of June 30, 2022 the College's net position is \$44,975,216. The amount represents \$90,263,299 in total assets and deferred outflows of resources while liabilities and deferred inflows of resources equal \$45,288,083. Operating expenses for the fiscal year ended June 30, 2022 total \$54,340,358 while operating revenues were \$26,022,140.

The College's non-operating revenues/expenses for the fiscal year ended June 30, 2022 netted to \$28,989,813. This includes \$24,019,535 of state appropriations as well as \$5,856,918 from federal funding for pandemic relief for students as well as some institutional costs and lost revenue. The College also received \$4,096,538 in capital appropriations.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

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

June 30, 2022

### 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 19-22) 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. 19) 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. 20) 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. 21-22) 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.

**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 25-57 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.

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

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

**June 30, 2022**

**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, 2022, assets exceeded liabilities and deferred inflows of resources by \$44.98 million.

The following schedules are prepared from the College's Statement of Net Position (page 19):

**Schedules of Net Position**

	<b>June 30,</b>	
	<b><u>(in millions)</u></b>	
	<b><u>2022</u></b>	<b><u>2021</u></b>
Current assets	\$ 18.94	\$23.03
Non-current assets:		
Capital assets, net of depreciation	67.94	64.16
Other	<u>0.43</u>	<u>0.50</u>
Total Assets	<u>87.31</u>	<u>87.69</u>
Deferred outflows of resources	<u>2.95</u>	<u>3.32</u>
Current liabilities	7.53	6.36
Noncurrent liabilities	<u>22.09</u>	<u>26.13</u>
Total Liabilities	<u>29.62</u>	<u>32.49</u>
Deferred inflows of resources	<u>15.66</u>	<u>18.31</u>
Net Position:		
Investment in capital assets	58.62	55.89
Restricted	0.43	0.51
Unrestricted	<u>(14.07)</u>	<u>(16.19)</u>
Total Net Position	<u>\$ 44.98</u>	<u>\$40.21</u>

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

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

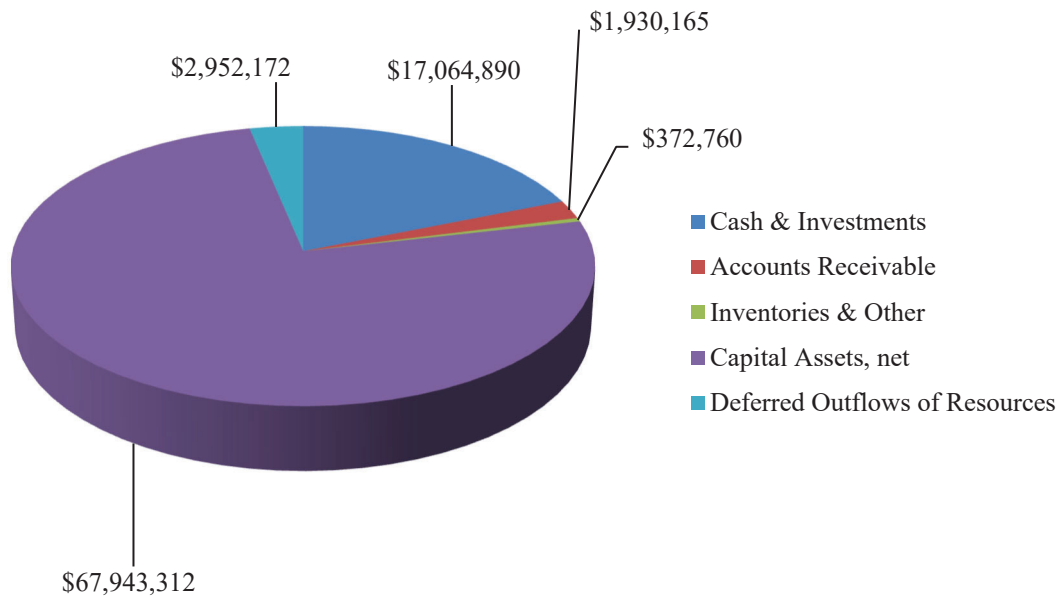
June 30, 2022

### Schedules of Net Position – continued

Current assets decreased by approximately \$4 million from 2021 to 2022 factors to the decrease include a decrease in state appropriated dollars for use of capital projects as significant project activity was completed in FY22 and reduction in short term investments due to market changes.

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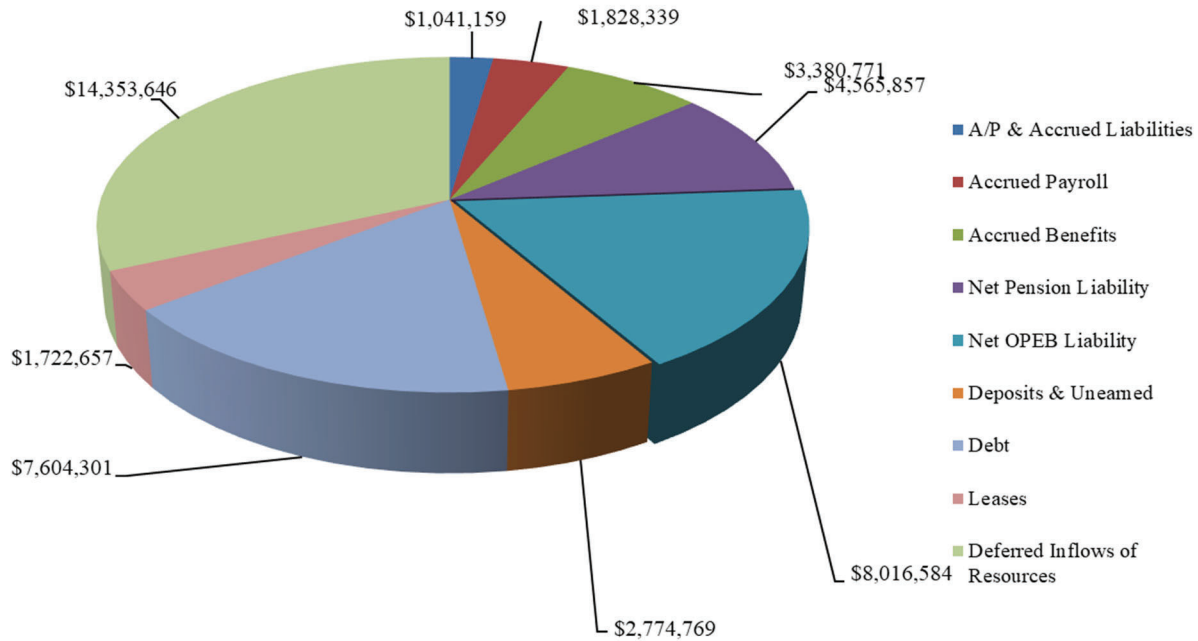
## Management's Discussion and Analysis (Unaudited) - Continued

**June 30, 2022**

*Schedules of Net Position - continued*

Current liabilities increased from 2021 to 2022 by approximately \$1.2 million. Non-current liabilities decreased from 2021 to 2022 by \$4.0 million primarily due to a decrease in the net OPEB liability of \$1.6 million, decrease in net pension liability of \$2.9 million, decrease in bonds payable of \$.66 million and addition of leases payable of \$1.1 million. Deferred inflows of resources decreased by \$2.6 million increase due to changes in OPEB and governmental non exchange transactions.

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



# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

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

June 30, 2022

*Accrued Benefits* is made up of an accrual for compensated absences \$3.0 million and the College's Workers' Compensation liability approximately \$.3 million.

*Deposits and Unearned* consists of student deposits and advance tuition payments (approximately \$1.5 million, and approximately \$1.3 million for governmental voluntary nonexchange transactions.

*Debt* is comprised of the following:

- 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 thirty year CEIP Bond (Clean Energy Investment Program) (\$4,400,000), which were used for the construction of two wind turbines.
- 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 bond (\$3,055,000) from the Mass State College Building Authority to support construction of a new student center.

During FY 2022, the College repaid \$659,869 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 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, 2022**

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

	<u>2022</u>	<u>2021</u>
Operating Revenue:		
Tuition and fees	\$ 8.59	\$ 9.26
Grants and contracts	15.40	14.99
Auxiliary	0.62	0.50
Other	<u>1.41</u>	<u>0.77</u>
Total	<u>26.02</u>	25.52
Less: operating expenses	<u>54.34</u>	<u>49.84</u>
Net operating loss	<u>(28.32)</u>	<u>(24.32)</u>
Non-operating Revenue:		
State appropriations	24.02	22.71
Net interest & other non-operating	(0.88)	0.22
Capital appropriations, grants, and gifts	<u>9.95</u>	<u>7.89</u>
Total	<u>33.09</u>	<u>28.65</u>
Increase in net position	4.77	6.50
Net Position, Beginning of Year	<u>40.21</u>	<u>33.71</u>
Net Position, End of Year	<u>\$ 44.98</u>	<u>\$ 40.21</u>

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

**June 30, 2022**

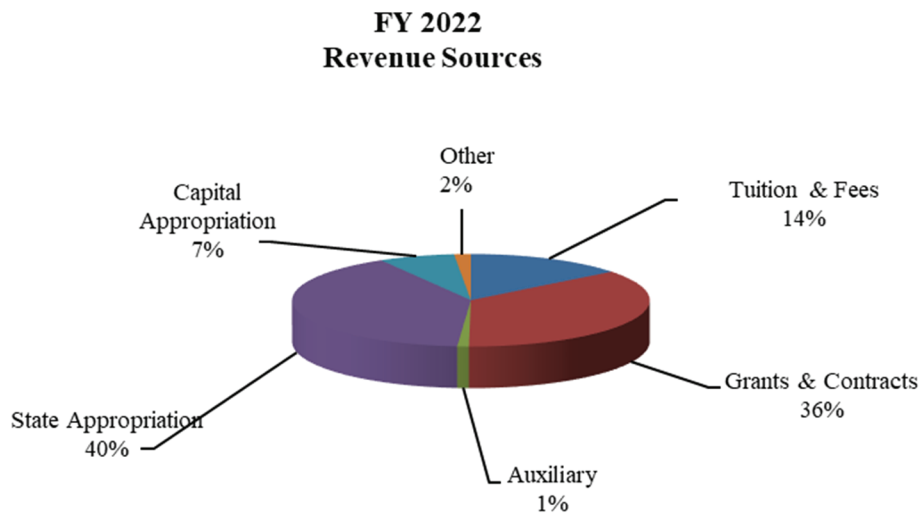
A number of revenue streams supplement student tuition and fees and currently include: federal and state grants and contracts, nongovernmental grants and contracts, contracted services of the cafeteria and bookstore, and operation of the fitness and wellness center. The College will continue to aggressively 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Tuition & Fees	\$ 8,589	\$ 9,257
Grants	20,068	20,462
Contracts	1,192	1,238
Auxiliary	621	499
State Appropriation	24,019	22,710
Capital Appropriation	4,097	1,173
Other	<u>902</u>	<u>1,338</u>
	<u>\$ 59,488</u>	<u>\$ 56,677</u>

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



# MOUNT WACHUSETT COMMUNITY COLLEGE

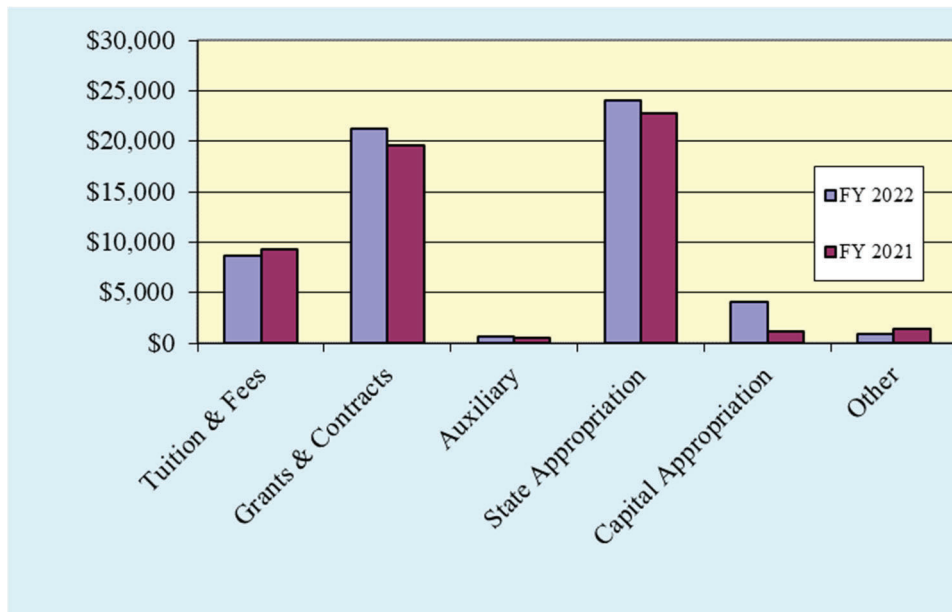
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## Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2022

Major components of the operating revenue for the year include state appropriations, tuition and fees, and federal and state grants and contracts. Federal and state grants and contracts include Student Support Services project, GEAR-Up, Success Grant, Adult Basic Education funded through the Massachusetts Department of Education, and the Educational Opportunity Center. Grants also include federal financial aid such as PELL and CARES/CRRSAA/ARPA Act grants.

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



Tuition and fees decreased by \$.7m over FY 2021 due primarily to lower enrollment. Grant and contract revenue increased by approximately \$1.7m. This is largely driven by the Success Grant and Adult Virtual 538 through the Department of Education.

The state appropriation increased by approximately \$1.3m while capital appropriations increased by \$2.9m.

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

**June 30, 2022**

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>2022</u>	<u>2021</u>
Salaries & wages	29,445,027	\$27,419,049
*Employee related expenses	(3,383,853)	(2,492,288)
Fringe benefits	8,275,972	8,017,426
Administrative	3,502,509	2,220,971
Supplies	1,577,727	1,121,877
Utilities/space rental	1,271,926	1,907,688
Consultants	923,199	1,150,808
Facility operations	324,476	292,174
Equipment purchase	1,498,768	906,462
Equipment lease	1,257,402	1,190,014
Client purchased service	223,559	151,313
Building & land maintenance	232,212	56,851
Scholarship	5,656,024	4,972,638
Depreciation	3,642,589	2,696,917
Compensated absences	<u>(107,178)</u>	<u>231,181</u>
	<u>\$54,340,358</u>	<u>\$49,843,081</u>

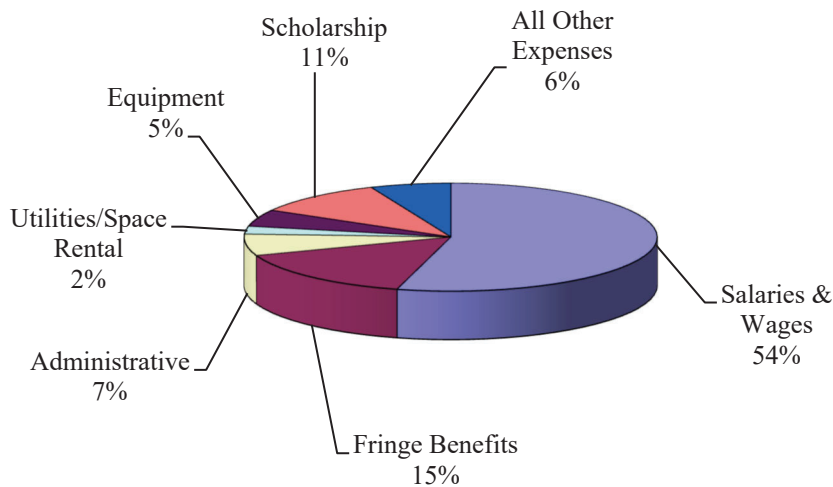
\*Please note that Employee related expenses includes Pension and OPEB.

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

**June 30, 2022**

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 69% of the cost of operations in FY22 and 71% in FY 2021 and 69% in FY 2020.

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**

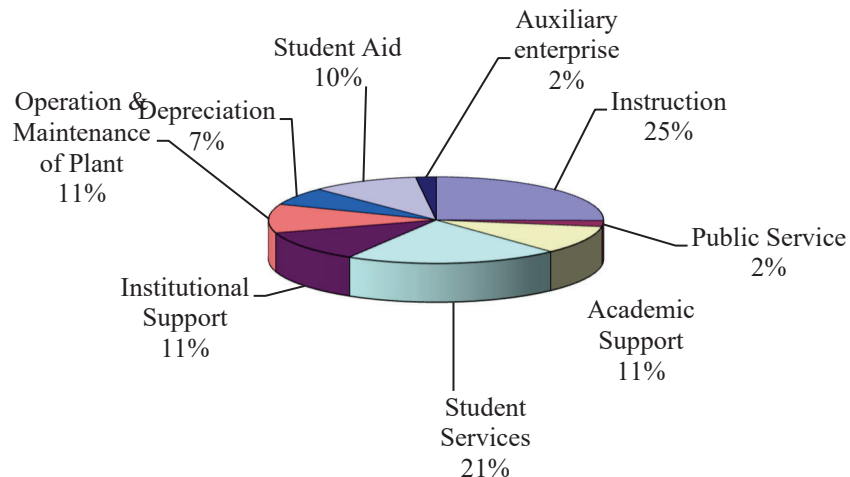
**June 30, 2022**

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

	<u>2022</u>	<u>2021</u>
Instruction	<b>13,681,852</b>	\$12,480,067
Public service	<b>1,235,404</b>	1,008,255
Academic support	<b>5,753,609</b>	4,820,648
Student services	<b>11,180,673</b>	10,876,540
Institutional support	<b>6,281,719</b>	6,433,964
Operation & maintenance of plant	<b>5,840,209</b>	5,650,684
Depreciation	<b>3,642,589</b>	2,696,917
Student aid	<b>5,656,024</b>	4,972,638
Auxiliary enterprise	<b><u>1,068,249</u></b>	<u>903,368</u>
	<b><u>54,340,328</u></b>	<b><u>\$49,843,081</u></b>

\* Please note that employee related expenses includes Pension and OPEB.

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



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

**June 30, 2022**

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 67% in FY 2022. Another 29% of the College's resources went to institutional support and the maintenance of the College's facilities in FY 2022, while 4% 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, 2022 the College had \$67,943,312 invested in capital assets, net of accumulated depreciation of \$36,827,740. This investment in capital assets includes land, buildings (including improvements) furnishings and equipment, and books. Depreciation charges for FY 2022 and 2021 were \$3,642,589 and \$2,696,917 respectively. Additions totaled \$6,889,146 primarily for the Fitness Center Mechanical Upgrade, New Fire Alarm System, Fitness Center Water Main, Window Replacement, Lighting Improvements and Chiller Repairs. This total includes \$2,607,447 which reflects Leased Buildings and stated as Capital Assets under GASB 87.

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.

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>2022</u></b>	<b><u>2021</u></b>
Land	\$ 41	\$ 41
Construction in progress	4,230	405
Buildings & improvements	91,937	91,334
Furnishing & equipments	5,548	5,153
Library Books	408	408
Leased Buildings	<u>2,607</u>	<u>-</u>
Total	<b>104,771</b>	97,341
Less: accumulated depreciation	<u>36,828</u>	<u>33,185</u>
Net capital assets	<b><u>\$ 67,943</u></b>	<b><u>\$ 64,156</u></b>

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

**June 30, 2022**

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 7 of this report.

Long-Term Liabilities

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

	<u>2022</u>	<u>2021</u>
Bonds payable	\$ 7,604,301	\$ 8,264,170
Lease payable	1,722,657	-
Compensated absences	3,049,161	3,156,340
Net pension liability	4,565,857	7,465,770
Net OPEB liability	8,016,584	9,606,696
Workers' compensation	<u>331,610</u>	<u>406,825</u>
	<b>25,290,170</b>	<b>28,899,801</b>
Less: current portion	<u>3,204,406</u>	<u>2,806,162</u>
Long-term liabilities	<u>\$ 22,085,764</u>	<u>\$ 26,093,639</u>

**Economic Factors that Will Affect the Future**

Statewide Concerns

The College's annual maintenance appropriation is comprised of a base amount, a performance based annual increase, and an allocation to cover the costs of new collective bargaining agreements. Generally, these three components will roll over into the next fiscal year as the new base amount component of the appropriation.

National Concerns

The vast majority of higher educational institutions transitioned to distance learning during the 2020 spring semester due to the COVID-19 crisis. The potential impacts to enrollment are varied, from the current remote learning model, the change in unemployment levels, and the other life factors that a student may be facing, all of which may affect the priority of secondary education.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

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

**June 30, 2022**

Nationwide, enrollments, which peaked in 2011, have been on a steady decline. Shifts in demographics leading to fewer high school graduates has been one of the major factors. 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 improves, these students are able to find new careers and leave the college campuses.

### Regional Concerns

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 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 Sandra Quaye, 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, 2022**

**Assets and Deferred Outflows of Resources**

	<b><u>College</u></b>
<b>Current Assets:</b>	
Cash and equivalents	\$ 8,438,494
Cash held by State Treasurer	5,567,671
Short-term investments	2,629,693
Accounts receivable, net	1,930,165
Other current assets	<u>372,760</u>
<b>Total Current Assets</b>	<u>18,938,783</u>
<b>Non-Current Assets:</b>	
Cash restricted for long term purposes	33,850
Investments restricted for long term purposes	395,182
Capital assets, net	<u>67,943,312</u>
<b>Total Non-Current Assets</b>	<u>68,372,344</u>
<b>Deferred Outflows of Resources:</b>	
Deferred outflows related to pensions	1,020,467
Deferred outflows related to OPEB	<u>1,931,705</u>
<b>Total Deferred Outflows of Resources</b>	<u>2,952,172</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 90,263,299</u></b>

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

## Liabilities, Deferred Inflows of Resources and Net Position

	<u>College</u>
<b>Current Liabilities:</b>	
Accounts payable and accrued liabilities	\$ 1,041,159
Accrued payroll	1,828,339
Accrued compensated absences	1,983,268
Accrued workers' compensation	39,976
Student deposits and unearned revenue	1,458,880
Current portion of bonds payable	608,159
Current portion of lease payable	<u>573,003</u>
<b>Total Current Liabilities</b>	<u>7,532,784</u>
<b>Non-Current Liabilities:</b>	
Accrued compensated absences	1,065,893
Accrued workers' compensation	291,634
Net OPEB liability	8,016,584
Net pension liability	4,565,857
Bonds payable	6,996,142
Lease payable	<u>1,149,654</u>
<b>Total Non-Current Liabilities</b>	<u>22,085,764</u>
<b>Total Liabilities</b>	<u>29,618,548</u>
<b>Deferred Inflows of Resources:</b>	
Governmental voluntary nonexchange transaction	1,315,889
Deferred inflows related to pension plan	3,969,117
Deferred inflows related to OPEB	<u>10,384,529</u>
<b>Total Deferred Inflows of Resources</b>	<u>15,669,535</u>
<b>Net Position:</b>	
Net investment in capital assets	58,616,354
Restricted:	
Nonexpendable	377,497
Expendable	51,536
Unrestricted	<u>(14,070,171)</u>
<b>Total Net Position</b>	<u>44,975,216</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>\$ 90,263,299</u>

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

**Statements of Revenues and Expenses and Changes in Net Position**

**For the Year Ended June 30, 2022**

	<u>College</u>
<b>Operating Revenues:</b>	
Tuition and fees	\$ 12,944,004
Less: Scholarships and allowances	<u>(4,355,299)</u>
Net tuition and fees	8,588,705
Federal grants and contracts	9,837,527
State and local grants and contracts	4,373,277
Non-governmental grants and contracts	1,192,074
Auxiliary enterprises	621,129
Other operating revenues	<u>1,409,428</u>
<b>Total Operating Revenues</b>	<u>26,022,140</u>
<b>Operating Expenses:</b>	
Instruction	13,681,882
Public service	1,235,404
Academic support	5,753,609
Student services	11,180,673
Institutional support	6,281,719
Operation and maintenance of plant	5,840,209
Depreciation	3,642,589
Scholarships and fellowships	5,656,024
Auxiliary enterprise	<u>1,068,249</u>
<b>Total Operating Expenses</b>	<u>54,340,358</u>
<b>Net Operating Loss</b>	<u>(28,318,218)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Federal grants	5,856,918
State appropriation, unrestricted	24,019,535
Investment income	(507,062)
Interest expense	<u>(379,578)</u>
<b>Net Non-Operating Revenues</b>	<u>28,989,813</u>
<b>Net Increase in Net Position Before Capital Revenue</b>	671,595
Capital appropriations	<u>4,096,538</u>
<b>Total Capital Revenue</b>	<u>4,096,538</u>
<b>Net Increase in Net Position</b>	4,768,133
Net Position, Beginning of Year	<u>40,207,083</u>
<b>Net Position, End of Year</b>	<u>\$ 44,975,216</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 Cash Flows

For the Year Ended June 30, 2022

	<u>College</u>
<b>Cash Flows from Operating Activities:</b>	
Tuition and fees	\$ 8,626,583
Grants and contracts	12,763,096
Payments to employees	(35,297,126)
Payments to students	(5,656,024)
Payments to suppliers and vendors	(6,877,706)
Other receipts	<u>2,138,433</u>
Net Cash Applied to Operating Activities	<u>(24,302,744)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
Federal grants	7,501,341
State appropriations	17,712,457
Tuition remitted to State	<u>(196,825)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>25,016,973</u>
<b>Cash Flows from Capital Financing Activities:</b>	
Purchases of capital assets	(725,161)
Principal paid on lease and bonds payable	(1,544,659)
Interest paid on lease and bonds payable	<u>(379,578)</u>
Net Cash Applied to Capital Financing Activities	<u>(2,649,398)</u>
<b>Cash Flows from Investing Activities:</b>	
Proceeds from sale of investments	524,281
Investment income	<u>(507,062)</u>
Net Cash Provided by Investing Activities	<u>17,219</u>
<b>Net Decrease in Cash and Equivalents</b>	<b>(1,917,950)</b>
Cash and Equivalents, Beginning of Year	<u>15,957,965</u>
<b>Cash and Equivalents, End of Year</b>	<b><u>\$ 14,040,015</u></b>

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Statement of Cash Flows - Continued

For the Year Ended June 30, 2022

	<u>College</u>
<b>Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:</b>	
Net operating loss	\$ (28,318,218)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	3,642,589
Fringe benefits provided by the State	6,503,903
Governmental voluntary nonexchange transaction	(3,095,978)
Increase in allowance for doubtful accounts	243,372
Net pension activity	(1,421,166)
Net OPEB activity	(2,242,821)
Changes in assets and liabilities:	
Accounts receivable	(171,051)
Other current assets	1,212
Accounts payable and accrued expenses	86,478
Accrued payroll	121,701
Accrued compensated absences and workers' compensation	(182,394)
Student deposits and unearned revenues	<u>529,629</u>
<b>Net Cash Applied to Operating Activities</b>	<b><u>\$ (24,302,744)</u></b>
<b>Reconciliation of Cash and Equivalents to the Statement of Net Assets:</b>	
Cash and equivalents	\$ 8,438,494
Cash held by State Treasurer	5,567,671
Restricted cash and equivalents	<u>33,850</u>
<b>Cash and Equivalents</b>	<b><u>\$ 14,040,015</u></b>
<b>Non-Cash Transactions:</b>	
Fringe benefits provided by the State	<u>\$ 6,503,903</u>
Capital improvements provided by capital appropriations	<u>\$ 4,096,538</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 Financial Position**

**June 30, 2022**

<u>Assets</u>	<b>Component Unit</b>
<b>Assets:</b>	
Cash and equivalents	\$ 35,051
Restricted cash and equivalents	915,916
Investments	4,315,438
Beneficial interest in assets held by Community Foundation of North Central Massachusetts	2,087,794
Property and equipment, net	1,220,683
Other assets	<u>9,393</u>
<b>Total Assets</b>	<b><u>\$ 8,584,275</u></b>
<u>Liabilities and Net Assets</u>	
<b>Liabilities:</b>	
Accounts payable and accrued expenses	\$ 21,666
Refundable advances	<u>50,000</u>
<b>Total Liabilities</b>	<u>71,666</u>
<b>Net Assets:</b>	
Without donor restrictions:	
Board designated	2,252,126
Undesignated	1,193,461
With donor restrictions	<u>5,067,022</u>
<b>Total Net Assets</b>	<u>8,512,609</u>
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 8,584,275</u></b>

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

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

**Statement of Activities and Changes in Net Assets**

**For the Year Ended June 30, 2022**

	<b>Component <u>Unit</u></b>
<b>Revenue, Support and Gains:</b>	
Contributions and gifts of cash and other financial assets	\$ 812,579
Contributions and gifts of nonfinancial assets	58,800
Fundraising	5,015
Change in value of beneficial interest	(289,108)
Net investment return	<u>(568,435)</u>
<b>Total Revenue, Support and Gains</b>	<u>18,851</u>
<b>Expenses:</b>	
Program services	<u>871,997</u>
Supporting Services:	
Management and general	103,425
Fundraising	<u>48,497</u>
<b>Total Supporting Services</b>	<u>151,922</u>
<b>Total Expenses</b>	<u>1,023,919</u>
<b>Change in Net Assets</b>	(1,005,068)
Net Assets, Beginning of Year	<u>9,517,677</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 8,512,609</u></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, 2022**

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 Commission of Higher Education.

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

*Operations*

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

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2022**

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

The College has been awarded the following HEERF and SIP funds as of June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 1,277,374	\$ 1,277,373	\$ 125,765	\$ 2,680,512
CRRSAA	1,277,374	4,243,298	228,070	5,748,742
ARPA	4,873,054	4,662,274	-	9,535,328
<b>Total</b>	<b>\$ 7,427,802</b>	<b>\$ 10,182,945</b>	<b>\$ 353,835</b>	<b>\$ 17,964,582</b>

The College has recognized the following funds as non-operating Federal grants for the year ended June 30, 2022:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ -	\$ -	\$ -	\$ -
CRRSAA	244,427	811,961	-	1,056,388
ARPA	2,453,323	2,347,207	-	4,800,530
<b>Total</b>	<b>\$ 2,697,750</b>	<b>\$ 3,159,168</b>	<b>\$ -</b>	<b>\$ 5,856,918</b>

As of June 30, 2022, the College has spent all funds for CARES and CRRSAA. The College has \$4,734,798 and \$329,668 of unspent ARPA and SIP funds, respectively.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Financial Statements - Continued**

**June 30, 2022**

### *Basis of Presentation*

The accompanying financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”) using the economic resources measurement focus and the accrual basis of accounting. Mount Wachusett Community College Foundation’s (the “Foundation”) financial statements are prepared in accordance with accounting and reporting requirements prescribed by the Financial Accounting Standards Board (“FASB”). As such, certain revenue recognition and lease criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

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.

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

The College’s policy is to define operating activities in the statement of revenues and expenses as 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.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Financial Statements - Continued**

**June 30, 2022**

The Foundation is a legally separate tax-exempt organization. The Foundation was formed in 1971 to render financial assistance and support to the educational programs and development of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2022 and is therefore discretely presented in the College's financial statements.

The Foundation is a private not-for-profit organization that reports in accordance with standards of the Financial Accounting Standards Board ("FASB"), including ASC 958-205, Presentation of Financial Statements for Not-for-Profit Entities. Accordingly, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

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

Separate statements of financial position and activities are presented in this report for the College's discretely presented component unit. The financial statements for the Foundation are presented in accordance with FASB.

### Net Position

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

Net investment in capital assets: Capital assets, net of accumulated depreciation 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.

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.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Financial Statements - Continued**

**June 30, 2022**

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

### Cash Held by State Treasurer

Cash held by State Treasurer represents funds accessible by the College held by the Commonwealth of Massachusetts for payroll.

### Restricted Cash and Equivalents

Restricted cash and equivalents are monies held by the College restricted by the National Endowment for the Humanities for to support research, education, and public programs in the humanities.

### Investments

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

- (i) As increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- (ii) As increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant State law imposes 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, 2022**

### Allowance for Doubtful Accounts

Accounts and pledges receivable are periodically evaluated for collectability based on past history with students.

### Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest on debt costs on debt related to capital assets are expensed during the construction period. College capital assets, except for 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

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

### 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, 2022. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of State service at June 30, 2022. Upon retirement, these employees are entitled to receive payment for this accrued balance.

### 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. The Commonwealth provides workers' compensation coverage to its participating employers on a self-insured basis.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Financial Statements - Continued**

**June 30, 2022**

### Workers' Compensation

The Commonwealth provides workers' compensation coverage to its employees on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation is assessed separately to the College based on the College's actual experience.

### 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.

### Post-employment Benefits Other Than Pensions ("OPEB")

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

### 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.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Financial Statements - Continued**

**June 30, 2022**

### *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, lease discount rate, and determining the net pension and net OPEB liabilities.

### *Future Governmental Accounting Pronouncements*

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

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

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

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2022

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify differences among leases, PPP and SBITA (which is effective for reporting periods after June 15, 2022) and reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

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

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

As of July 1, 2021, the College implemented GASB 87, *Leases*. GASB 87 enhances the consistency for leasing activities and establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

There was no change to net position as of July 1, 2021, upon the implementation of GASB 87 since the adjustment for the right to use assets of \$2,607,447 was completely offset by the adjustment for the lease liability. The right of use asset and lease liability were \$0 at July 1, 2021.

### Note 3 - **Cash and Equivalents**

Custodial credit risk is the risk that in the event of a financial institution's 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**

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## **Notes to the Financial Statements - Continued**

**June 30, 2022**

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, 2022, the College's bank balances was \$8,465,982. The College had deposits of \$6,254,754 in excess of FDIC and other supplemental insurance at June 30, 2022, which was exposed to custodial credit risk, and are uncollateralized.

Note 4 - **Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded from State-appropriated funds totaled \$5,567,671 at June 30, 2022. 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**

*Investment Policy*

In accordance with Chapter 15A of the Massachusetts General Laws, the College's 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 provide 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, 2022. 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, 2022

### 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 and Maturities of Debt Securities

Certificates of deposits of \$565,063 at June 30, 2022 are stated at fair value, mature in less than one year and had an unrated credit risk. The College holds no debt securities with a maturity date greater than one year.

### Fair Value Measurements

The College's investments have been categorized based upon the fair value hierarchy in accordance with GASB 72 below.

**Level 1** - Observable market prices (unadjusted) in active markets for identical assets or liabilities that the College can access at measurement date.

**Level 2** - Observable market-based inputs or unobservable inputs that are corroborated by market data.

**Level 3** - Unobservable inputs that are not corroborated by observable market data.

# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Notes to the Financial Statements - Continued

**June 30, 2022**

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2022.

*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.

*Mutual Funds:* Valued at the daily closing price as reported by the fund. Mutual funds are open-end funds that are registered with the Securities and Exchange Commission and are deemed to be actively traded.

The College's investments at fair value measurement are as follows at June 30, 2022:

	Level 1	Level 2	Level 3	Total
<b>Recurring fair value measurements:</b>				
Certificates of deposit	\$ -	\$ 565,063	\$ -	\$ 565,063
Mutual funds	418,163	-	-	418,163
Equities	<u>2,041,649</u>	<u>-</u>	<u>-</u>	<u>2,041,649</u>
<b>Total investments at fair value</b>	<u>\$ 2,459,812</u>	<u>\$ 565,063</u>	<u>\$ -</u>	<u>\$ 3,024,875</u>

### Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30, 2022:

Equities	\$ 2,980,336
Fixed-income funds	<u>1,335,102</u>
	<u>\$ 4,315,438</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.

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

**June 30, 2022**

Note 6 - **Accounts Receivable**

The accounts receivable balance comprises the following at June 30, 2022:

Student accounts receivable	\$ 1,930,558
Grants receivable	1,208,594
Other receivables	<u>249,312</u>
	3,388,464
Less: allowance for doubtful accounts	<u>1,458,299</u>
	<u>\$ 1,930,165</u>

Note 7 - **Capital Assets**

Capital asset activity for the year ended June 30, 2022 was as follows:

	<b>Estimated Lives (in years)</b>	<b>(Restated) Beginning Balance</b>	<b>Additions</b>	<b>Retirements</b>	<b>Reclassifications</b>	<b>Ending Balance</b>
Land		\$ 40,704	\$ -	\$ -	\$ -	\$ 40,704
Construction in progress		<u>405,041</u>	<u>3,824,828</u>	-	-	<u>4,229,869</u>
Total capital assets non-depreciable		<u>445,745</u>	<u>3,824,828</u>	-	-	<u>4,270,573</u>
Building, including improvements	<b>25-40</b>	91,334,451	602,410	-	-	91,936,861
Furnishing and equipment	<b>3-5</b>	5,153,387	394,461	-	-	5,547,848
Books	<b>5</b>	408,323	-	-	-	408,323
Leased buildings	<b>2-8</b>	<u>2,607,447</u>	-	-	-	<u>2,607,447</u>
Total depreciable assets		<u>99,503,608</u>	<u>996,871</u>	-	-	<u>100,500,479</u>
Less: accumulated depreciation						
Building, including improvements		28,038,106	2,552,336	-	-	30,590,442
Furnishings and equipment		4,738,722	183,358	-	-	4,922,080
Books		408,323	-	-	-	408,323
Leased building		-	<u>906,895</u>	-	-	<u>906,895</u>
Total accumulated depreciation		<u>33,185,151</u>	<u>3,642,589</u>	-	-	<u>36,827,740</u>
Capital assets, net		<u>\$ 66,764,202</u>	<u>\$ 1,179,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,943,312</u>

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

**June 30, 2022**

**Note 8 - Long-Term Liabilities**

Long-term liabilities at June 30, 2022 consist of:

	<b>(Restated)</b> <b>Beginning</b> <b>Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending</b> <b>Balance</b>	<b>Current</b> <b>Portion</b>
Lease and bonds payable:					
Bonds payable	\$ 8,264,170	\$ -	\$ 659,869	\$ 7,604,301	\$ 608,159
Lease payable	<u>2,607,447</u>	<u>-</u>	<u>884,790</u>	<u>1,722,657</u>	<u>573,003</u>
Total lease and bonds payable	<u>10,871,617</u>	<u>-</u>	<u>1,544,659</u>	<u>9,326,958</u>	<u>1,181,162</u>
Other long-term liabilities:					
Compensated absences	3,156,340	-	107,179	3,049,161	1,983,268
Workers' compensation	406,825	-	75,215	331,610	39,976
Net pension liability	7,465,770	-	2,899,913	4,565,857	-
Net OPEB liability	<u>9,606,696</u>	<u>-</u>	<u>1,590,112</u>	<u>8,016,584</u>	<u>-</u>
Total other long-term liabilities	<u>20,635,631</u>	<u>-</u>	<u>4,672,419</u>	<u>15,963,212</u>	<u>2,023,244</u>
	<u>\$ 31,507,248</u>	<u>\$ -</u>	<u>\$ 6,217,078</u>	<u>\$ 25,290,170</u>	<u>\$ 3,204,406</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 \$54,545 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 of at least 10:1. The bond matured in June 2022 and was fully repaid.

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 matured in December 2021 and was fully repaid.

In 2011, the College issued a \$2,145,000 Clean Renewable Energy Bond through the Massachusetts Development Finance Agency with interest at 3.5%. Annual principal payments of \$126,176 and bi-annual interest payments began May 2011 through maturity in May 2027. The balance at June 30, 2022 was \$630,882.

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

**June 30, 2022**

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. The balance at June 30, 2022 was \$2,457,463.

On March 6, 2014, the College issued a \$3,000,000 bond through the 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. The balance at June 30, 2022 was \$2,110,000.

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. The balance at June 30, 2022 was \$2,405,956.

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>
2023	\$ 608,159	\$ 284,347
2024	624,883	262,308
2025	642,113	239,326
2026	659,796	215,683
2027	682,117	191,225
2028-2032	3,102,504	596,714
2033-2037	<u>1,284,729</u>	<u>97,352</u>
	<u>\$ 7,604,301</u>	<u>\$ 1,886,955</u>

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

**June 30, 2022**

Lease Payable

A summary of the College's leases at June 30, 2022 is as follows:

Description	Commencement Date for GASB 87	Lease Term at GASB 87 Commencement (months)	Payment Amount	Interest Rate	6/30/2022 Lease Liability
42 Linus Allian Ave., Gardner	7/1/2021	110	Variable	3.25%	\$1,111,496
One Jackson Place, Devens	7/1/2021	18	Variable	3.25%	\$ 294,541
326 Nichols Road, Fitchburg	7/1/2021	35	Variable	3.25%	\$ 316,620

The College has various rental lease agreements at locations off-campus for instructional uses. Payments on all leases are due monthly ranging with payments ranging from approximately \$12,000 to \$54,000. The College does not have an option to extend the leases. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability. The College did not make payments for the lease other than the monthly payments for the year ended June 30, 2022.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2022 are as follows:

Year Ending June 30,	Principal	Interest
2023	\$ 573,003	\$ 41,667
2024	274,112	32,436
2025	126,017	25,968
2026	130,615	21,798
2027	134,924	17,490
2028-2030	483,986	24,936
	<u>\$ 1,722,657</u>	<u>\$ 164,295</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Notes to the Financial Statements - Continued

June 30, 2022

Note 9 - **Deferred Inflow of Resources**

The College has received advance funding related to various on-campus projections from the Massachusetts Division of Capital Asset Management and Maintenance (“DCAMM”). Amounts not yet expended on these projects and that do not meet eligibility requirements as defined by GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, have been classified as deferred inflows of resources. The balance at June 30, 2022 was \$1,315,889.

Note 10 - **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 does not issue stand-alone financial statements. Additional information regarding the Plan is contained in the Commonwealth’s financial statements, which are 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”).

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

**June 30, 2022**

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

Contributions

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by State appropriations. Pension funding for employees paid from State appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$2,797,062, \$2,440,327 and \$2,323,354 for the years ended June 30, 2022, 2021 and 2020, respectively.

For employees covered by SERS but not paid from State appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.11%, 14.66% and 14.08% of annual covered payroll for the fiscal years ended June 30, 2022, 2021 and 2020, respectively. The College contributed \$521,306, \$520,436 and \$470,220 for the fiscal years ended June 30, 2022, 2021 and 2020, respectively, equal to 100% of the required contributions for each year.

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

**June 30, 2022**

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

At June 30, 2022, the College reported a liability of \$4,565,857 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, 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, 2021 rolled forward to June 30, 2021.

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 fiscal year 2022. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2022, the College's proportion was 0.044%.

For the year ended June 30, 2022, the College recognized pension benefit of \$(899,860). The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2022:

Deferred Outflows of Resources Related to Pension

Contributions subsequent to the measurement date	\$ 521,306
Change in plan actuarial assumptions	311,273
Differences between expected and actual experience	157,549
Changes in proportion - Commonwealth	1,825
Changes in proportion - internal	<u>28,514</u>
Total	<u>\$ 1,020,467</u>

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

**June 30, 2022**

Deferred Inflows of Resources Related to Pension

Differences between projected and actual earnings on pension plan investments	\$ 1,790,081
Differences between expected and actual experience	330,565
Changes in proportion - Commonwealth	14,426
Changes in proportion - internal	<u>1,834,045</u>
 Total	 <u>\$ 3,969,117</u>

The College's contributions of \$521,306 made during the fiscal year ending 2022 subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending <u>June 30,</u>	
2023	\$ (744,446)
2024	(731,750)
2025	(837,827)
2026	(1,029,084)
2027	<u>(126,849)</u>
	 <u>\$ (3,469,956)</u>

# MOUNT WACHUSETT COMMUNITY COLLEGE

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## Notes to the Financial Statements - Continued

June 30, 2022

### 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, 2021
Inflation	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.00%
Interest rate credited to annuity savings fund	3.50%

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

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

Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

The 2022 pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of January 1, 2021 and rolled forward to June 30, 2021.

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.

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

**June 30, 2022**

Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.80%
Core Fixed Income	15%	0.30%
Private Equity	13%	7.80%
Portfolio Completion Strategies	11%	2.90%
Real Estate	10%	3.70%
Value Added Fixed Income	8%	3.90%
Timber/Natural Resources	<u>4%</u>	4.30%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

**June 30, 2022**

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

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30, 2022:

1.00% Decrease	Discount Rate	1.00% Increase
<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
\$ 6,988,719	\$ 4,565,857	\$ 2,574,454

Note 11 - **Other Post-Employment Benefits (“OPEB”)**

*Plan Description*

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

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

Management of the SRBT is vested with the 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 stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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## **Notes to the Financial Statements - Continued**

**June 30, 2022**

### *Benefits Provided*

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

### *Contributions*

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2022, and as of the valuation date January 1, 2021, participants contributed 10% to 20%, respectively, of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions among the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.65% of annual covered payroll for the fiscal year ended June 30, 2022. The College contributed \$247,575 for the fiscal year ended June 30, 2022, which is equal to 100% of the required contribution for each year.

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

At June 30, 2022, the College reported a liability of \$8,016,584 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, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2021.

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

**June 30, 2022**

The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2022. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022, relative to total contributions, of all participating employers for the fiscal year. At June 30, 2022, the College's proportion was 0.050%.

For the year ended June 30, 2022, the College recognized OPEB benefit of (\$1,982,288). The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2022:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 247,575
Difference between expected experience	204,639
Changes in proportion due to internal allocation	797,240
Changes in proportion from the Commonwealth of Massachusetts	8,988
Change in plan assumptions	<u>673,263</u>
Total	\$ <u>1,931,705</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$ 97,419
Difference between expected experience	1,411,174
Changes in proportion due to internal allocation	7,264,133
Changes in proportion from the Commonwealth of Massachusetts	34,819
Change in plan assumptions	<u>1,576,984</u>
Total	\$ <u>10,384,529</u>

The College's contributions of \$247,575 made during the fiscal year 2022 subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

**Notes to the Financial Statements - Continued**

**June 30, 2022**

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

Years Ending <u>June 30,</u>	
2023	\$ (2,113,445)
2024	(1,949,184)
2025	(1,939,009)
2026	(1,900,405)
2027	<u>(798,356)</u>
Total	\$ <u>(8,700,399)</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, 2021
Inflation	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2021_b. Medicare and non-medicare benefits range from 4.04% to 7.30%

# MOUNT WACHUSETT COMMUNITY COLLEGE

## (an agency of the Commonwealth of Massachusetts)

### Notes to the Financial Statements - Continued

**June 30, 2022**

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage are assumed to elect coverage at retirement.
- Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or current age if later.
- 100% of spouses are assumed to elect to continue coverage after the retiree's death.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Under 65	Age 65+
Indemnity	28.0%	96.0%
POS/PPO	60.0%	0.0%
HMO	12.0%	6.0%

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the periods ranging July 1, 2019 through December 31, 2020, depending upon the criteria being evaluated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2022 are the same as discussed in the Pension footnote number 10.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

**June 30, 2022**

Discount Rate

The discount rate used to measure the total OPEB liability for 2022 was 2.77%. This rates was based on a blend of the Bond Buyer Index rate (2.16%) 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 2041 for the fiscal year 2022. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care 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 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
(1.77%)	(2.77%)	(3.77%)
\$ 9,523,639	\$ 8,016,584	\$ 6,802,681

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 health care cost trend rates that are one-percentage-point lower or one-percentage-point higher than the current health care cost trend rates:

1.00% Decrease	Current Health Care Cost Trend Rate	1.00% Increase
(B)	(A)	(C)
\$ 6,563,934	\$ 8,016,584	\$ 9,909,875

- (A) - Current health care cost trend rate, as disclosed on page 50.
- (B) - 1-percentage decrease in current health care cost trend rate, as disclosed on page 50.
- (C) - 1-percentage increase in current health care cost trend rate, as disclosed on page 50.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2022

Note 12 - **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 number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by 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, 2021, 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).

*Other Employee Benefits*

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

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

**Notes to the Financial Statements - Continued**

**June 30, 2022**

Note 13 - **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, 2022, \$429,033 of the endowment was nonexpendable. As of June 30, 2022, earnings of \$51,536 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, 2022:

Sterilite Student Success	\$ 2,108,391
Other Scholarships	698,811
College to Career Project	226,558
Garrison Early Childhood Education	133,549
John Burton Scholarship	98,465
Youth Venture	95,205
Other Programs	87,939
Needy Books Fund	79,285
Robinson Broadhurst	57,842
Haley Scholarship Fund	30,972
Education Access Fund	<u>4,407</u>
	<u>\$ 3,621,424</u>

The Foundation also has nonexpendable net position of \$1,445,598 at June 30, 2022 which consists of scholarship endowment funds. The earnings on these funds are available to award student scholarships.

Note 14 - **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.

# MOUNT WACHUSETT COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

## Notes to the Financial Statements - Continued

June 30, 2022

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.

### Note 15 - Operating Expenses

The College's operating expenses, on a natural classification basis, are comprised of the following for the year ended June 30, 2022:

Compensation and benefits	\$ 34,337,146
Supplies and services	10,704,599
Depreciation	3,642,589
Scholarships and fellowships	<u>5,656,024</u>
	<u>\$ 54,340,358</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2022**

Note 16 - **Pass-Through Grants**

The College distributed \$3,204,900 during the year ended June 30, 2022 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.

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, 2022:

Direct unrestricted appropriations	\$ 17,712,457
Add: Fringe benefits for benefited Employees on the State payroll	6,503,903
Less: Day school tuition remitted to the State and included in tuition and fees revenue	<u>(196,825)</u>
Total unrestricted appropriations	24,019,535
Capital Appropriations	<u>4,096,538</u>
Total Appropriations	\$ <u>28,116,073</u>

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

**Notes to the Financial Statements - Continued**

**June 30, 2022**

A reconciliation between the College and MMARS as of June 30, 2022 is as follows (unaudited):

Revenue per MMARS	\$ 32,810,874
Revenue per College	<u>32,810,874</u>
Difference	<u>\$ -</u>

**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 Measurement date Valuation date	June 30, 2022 June 30, 2021 January 1, 2021	June 30, 2021 June 30, 2020 January 1, 2019	June 30, 2020 June 30, 2019 January 1, 2019	June 30, 2019 June 30, 2018 January 1, 2018	June 30, 2018 June 30, 2017 January 1, 2017	June 30, 2017 June 30, 2016 January 1, 2016	June 30, 2016 June 30, 2015 January 1, 2015	June 30, 2015 June 30, 2014 January 1, 2014
Proportion of the collective net pension liability	0.044%	0.044%	0.050%	0.069%	0.080%	0.083%	0.118%	0.100%
Proportionate share of the collective net pension liability	\$ 4,565,857	\$ 7,465,770	\$ 7,313,373	\$ 9,091,855	\$ 10,269,022	\$ 11,503,109	\$ 13,481,424	\$ 7,434,353
College's covered payroll	\$ 3,550,041	\$ 3,339,631	\$ 4,126,501	\$ 5,334,745	\$ 6,291,568	\$ 6,338,995	\$ 7,136,429	\$ 2,467,743
College's proportionate share of the net pension liability as a percentage of its covered payroll	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	301.26%
Plan fiduciary net position as a percentage of the total pension liability	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

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

**Schedule of Contributions - Pension (Unaudited)**  
**Massachusetts State Employees' Retirement System**

**For the Years Ended June 30,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 521,306	\$ 520,436	\$ 470,220	\$ 497,656	\$ 628,433	\$ 626,011	\$ 599,035	\$ 741,475
Contributions in relation to the statutorily required contribution	<u>(521,306)</u>	<u>(520,436)</u>	<u>(470,220)</u>	<u>(497,656)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,235,916	\$ 3,550,041	\$ 3,339,631	\$ 4,126,501	\$ 5,334,745	\$ 6,291,568	\$ 6,338,995	\$ 7,136,429
Contribution as a percentage of covered payroll	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

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

**June 30, 2022**

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

Measurement date – June 30, 2021

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

The mortality rates were changed as follows:

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

Measurement date – June 30, 2020

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

Measurement Date – June 30, 2019

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

The mortality rate assumptions were changed as follows:

- Disabled members – was changed from reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct) to reflects RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 set forward 1 year

*See Independent Auditor's Report.*

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

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

**June 30, 2022**

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017

The mortality rates were changed as follows:

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

Measurement date – June 30, 2016

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

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

*See Independent Auditor’s Report.*

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

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

**June 30, 2022**

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

*See Independent Auditor’s Report.*

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

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

**Massachusetts State Retirees' Benefit Trust**

Year ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Valuation date	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016
Proportion of the collective net OPEB liability	0.050%	0.046%	0.075%	0.107%	0.114%	
Proportionate share of the collective net OPEB liability	\$ 8,016,576	\$ 9,606,696	\$ 13,786,949	\$ 19,894,729	\$ 19,973,298	
College's covered payroll	\$ 3,550,041	\$ 3,339,631	\$ 4,126,501	\$ 5,334,745	\$ 6,291,568	
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	225.82%	287.66%	334.11%	372.93%	317.46%	
Plan fiduciary net position as a percentage of the total OPEB liability	10.70%	6.40%	6.96%	6.01%	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)**

**Massachusetts State Retirees' Benefit Trust**

**For the Years Ended June 30,**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 247,575	\$ 273,287	\$ 243,585	\$ 362,888	\$ 475,799
Contributions in relation to the statutorily required contribution	<u>(247,575)</u>	<u>(273,287)</u>	<u>(243,585)</u>	<u>(362,888)</u>	<u>(475,799)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 3,235,916	\$ 3,550,041	\$ 3,339,631	\$ 4,126,501	\$ 5,334,745
Contribution as a percentage of covered payroll	7.65%	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

*See accompanying notes to the required supplementary information.*

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

**Notes to the Required Supplementary Information – OPEB**

**June 30, 2022**

Note 1 - **Change in Plan Assumptions**

**Fiscal year June 30, 2022**

Assumptions:

*Change in Per Capita Claims Costs*

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

*Change in Medical Trend Rates*

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

*Change in Investment Rate*

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

*Change in Mortality Rates*

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

*Change in Discount Rate*

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

**Fiscal year June 30, 2021**

Assumptions:

*Change in Per Capita Claims Costs*

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

*Change in Medical Trend Rates*

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

*Change in Investment Rate*

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

# **MOUNT WACHUSETT COMMUNITY COLLEGE**

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

## **Notes to the Required Supplementary Information – OPEB**

**June 30, 2022**

### *Change in Salary Scale*

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

### *Change in Discount Rate*

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

### **Fiscal year June 30, 2020**

#### Assumptions:

### *Change in Inflation*

The inflation rate decreased from 3.0% to 2.5%.

### *Change in Salary Assumptions*

Salary decreased from 4.5% to 4.0%.

### *Change in Investment Rate*

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

### *Change in Trend on Future Costs*

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

### *Change in Discount Rate*

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

### **Fiscal year June 30, 2019**

#### Assumptions:

### *Change in Trend on Future Costs*

The health care trend rate decreased from 8.5% to 8.0%, which impacts the high cost excise tax.

### *Change in Mortality Rates*

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

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

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

**Notes to the Required Supplementary Information – OPEB - Continued**

**June 30, 2022**

*Change in Discount Rate*

The discount rate was increased to 3.92% based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

**Fiscal year June 30, 2018**

Assumptions:

*Change in Discount Rate*

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

**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 and business-type activities of Mount Wachusett Community College (the "College"), and its discretely presented major component unit, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 13, 2022.

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Certified Public Accountants  
Braintree, Massachusetts**

October 13, 2022