

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of
Massachusetts)

FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

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

June 30, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Bristol Community College
Fall River, Massachusetts

Report on Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

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

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

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

Opinions

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bristol Community College and its discretely presented component unit, as of June 30, 2020 and 2019, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Foundation as of June 30, 2019 were audited by other auditors whose reported dated October 14, 2020, expressed an unmodified opinion on those financial statements.

Emphasis of Matters

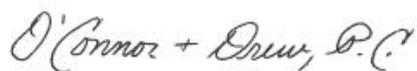
As discussed in Note 2 to the financial statements, the Commonwealth of Massachusetts notified the College that the calculation of postemployment benefits other than pensions as of June 30, 2019 was misstated. Our opinion is not modified with respect to that matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

December 7, 2020

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

Introduction

Bristol Community College (the "College") is a two-year public comprehensive community college offering career and transfer programs of study that lead to associate degrees or certificates. Bristol Community College is accredited by the New England Association of Schools and Colleges. This accreditation indicates that the institution has been carefully evaluated and been found to meet standards agreed upon by qualified educators.

As management of Bristol Community College, we offer readers of our financial statements, this narrative overview, and analysis of the financial activities of Bristol Community College for the fiscal year ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the College's basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the College.

Bristol Community College Foundation (the "Foundation") is a legally separate tax-exempt component unit of Bristol Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends 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. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Management's Discussion and Analysis is required to focus on the College, not its component unit.

The Financial Statements

The College's financial report includes three financial statements: the *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position*, and the *Statement of Cash Flows*. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB).

These financial statements focus on the financial condition, the results of operations, and the cash flows of the College as a whole.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

The *Statement of Net Position* presents information on all of Bristol Community College's assets and liabilities with the difference of the two reported as *Net Position*. Changes in the College's net position are one indicator of the College's financial health.

Over time, increases or decreases in net position are an indicator of the improvement or erosion of the College's financial health when considered with nonfinancial facts such as enrollment levels and the condition of the facilities. The *Statement of Net Position* include all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The *Statement of Revenues, Expenses and Changes in Net Position* 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 given rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the accrual for compensated absences). Activities are reported as either operating or nonoperating. A Public College's dependency on state aid will result in operating deficits because the financial reporting model classifies state appropriations as nonoperating revenues. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

The financial statements can be found on pages 13-16 of this report.

Bristol Community College reports its activity as a business type activity using the economic resources measurement focus and accrual basis of accounting. The 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.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

Notes to 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 financial statements can be found on pages 17-62 of this report.

Financial Analysis

Bristol Community College adheres to a prudent utilization of the College's financial resources including careful cost controls, conservative utilization of debt and adherence to a sound approach to maintenance of physical plant. At June 30, 2020, the assets of Bristol Community College exceeded liabilities by \$74,962,755 a \$20,737,249 or 38.00% increase from the excess of \$54,225,504 at the close of 2019. The primary reason for this large increase is due to the increase in capital projects at the College totaling approximately of \$19,700,000. At June 30, 2019, the assets of Bristol Community College exceeded liabilities by \$54,225,504, a \$3,196,359 or 6.20% increase from the excess of \$51,029,145 at the close of 2018.

The largest portion of Bristol Community College's net position is its investment in capital assets (e.g., land, buildings and equipment). Bristol Community College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

Condensed Schedule of Net Position

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 38,694,929	\$ 37,074,646	\$ 35,632,126
Non-current assets	-	-	1,200,000
Capital assets, net	75,878,981	57,575,644	53,233,547
Deferred outflows of resources	<u>5,289,935</u>	<u>6,273,224</u>	<u>4,190,945</u>
Total assets and deferred outflows of resources	<u>119,863,845</u>	<u>100,923,514</u>	<u>94,256,618</u>
Current liabilities outstanding	9,140,091	9,132,733	9,500,551
Other liabilities	23,762,856	33,535,744	28,829,272
Deferred inflows of resources	<u>11,998,145</u>	<u>4,029,533</u>	<u>4,897,650</u>
Total liabilities and deferred inflows of resources	<u>44,901,092</u>	<u>46,698,010</u>	<u>43,227,473</u>
Net Position:			
Investment in capital assets, net	75,662,249	57,283,517	53,233,547
Restricted	3,943,029	4,213,917	4,551,080
Unrestricted	<u>(4,642,525)</u>	<u>(7,271,930)</u>	<u>(6,755,482)</u>
Total net position	<u>\$ 74,962,753</u>	<u>\$ 54,225,504</u>	<u>\$ 51,029,145</u>

Restricted net position is subject to external restrictions on how they must be used. Bristol Community College's restricted net position is for scholarships, student loans, and federal and state grants.

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

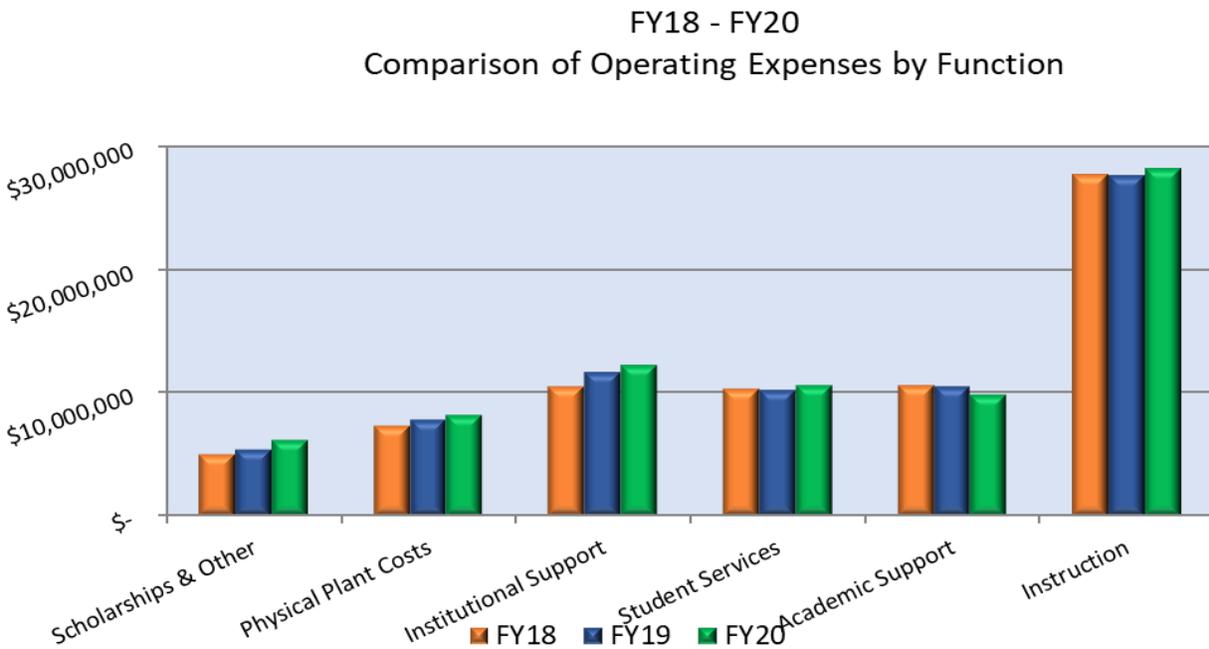
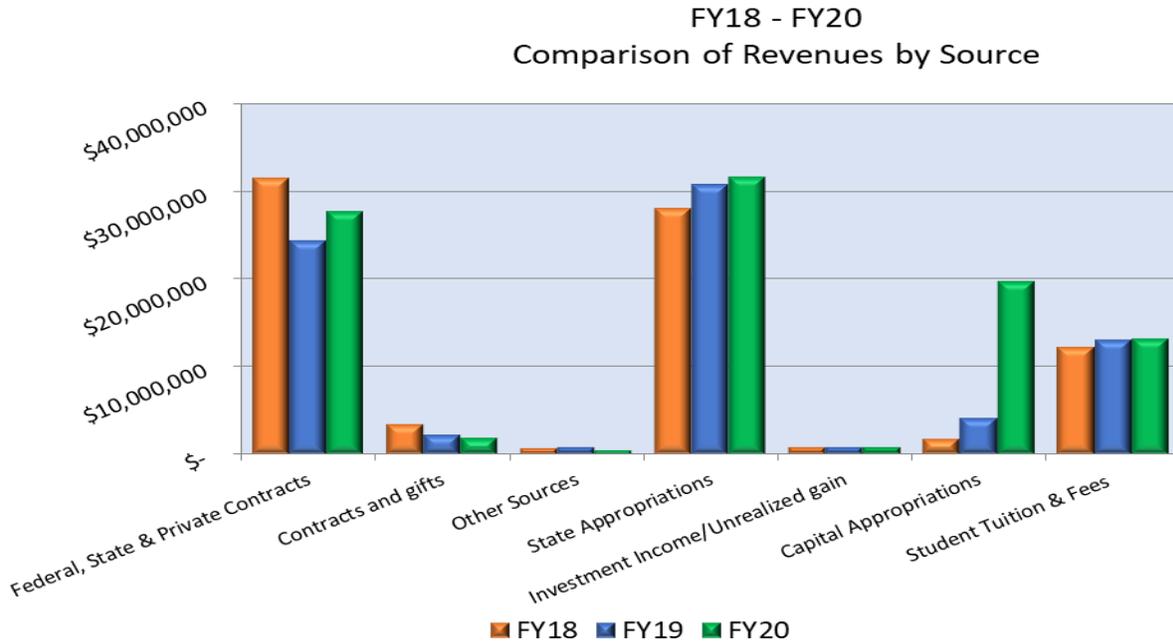
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating revenues:			
Student tuition and fees	\$ 29,041,581	\$ 28,854,826	\$ 29,893,118
Less scholarship discounts and allowances	<u>(15,856,524)</u>	<u>(15,733,308)</u>	<u>(17,638,451)</u>
Student tuition and fees, net	13,185,057	13,121,518	12,254,667
Operating grants and contracts	26,667,285	24,395,376	31,523,960
Other sources	<u>494,958</u>	<u>787,376</u>	<u>714,145</u>
Total operating revenues	40,347,300	38,304,270	44,492,772
Operating expenses	<u>74,807,460</u>	<u>73,125,196</u>	<u>71,447,841</u>
Net operating loss	<u>(34,460,160)</u>	<u>(34,820,926)</u>	<u>(26,955,069)</u>
Non-operating revenues:			
State appropriations	31,738,884	30,831,968	28,139,954
CARES One	1,024,590		
Investment income and unrealized gains and los	828,608	775,446	787,676
Gifts and contributions	<u>1,906,404</u>	<u>2,260,253</u>	<u>3,388,665</u>
Total non-operating revenues	<u>35,498,486</u>	<u>33,867,667</u>	<u>32,316,295</u>
Gain (loss) before other revenues, expenses, gains, or losses	1,038,326	(953,259)	5,361,226
Capital appropriations	<u>19,698,923</u>	<u>4,149,618</u>	<u>1,779,641</u>
Increase (decrease) in net position	20,737,249	3,196,359	7,140,867
Net position, beginning of the year	<u>54,225,504</u>	<u>51,029,145</u>	<u>43,888,278</u>
Net position, end of the year	\$ <u><u>74,962,753</u></u>	\$ <u><u>54,225,504</u></u>	\$ <u><u>51,029,145</u></u> \$

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019



BRISTOL COMMUNITY COLLEGE

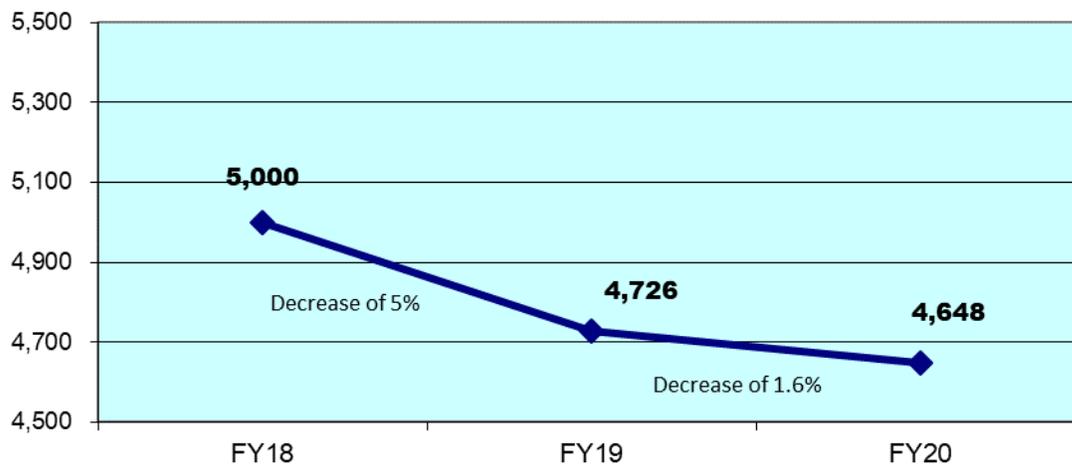
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

The College continues to examine revenue diversification and cost containment due to financial pressure from increased cost of compensation and benefits, and the need to continue investing in technology to support teaching and learning. Student tuition and fees, state appropriations, and federal financial aid remain the primary sources of funding for the College. Gross student tuition and fees in Fiscal Year 2020 increased by approximately .7% from Fiscal Year 2019 tuition and fees due an approximate 5% decrease in enrollment credits and a slight fee increase of \$7.00 per credit. The enrollment decrease was a trend shared by most Massachusetts Community Colleges. State appropriations increased 2.9% from FY19 to FY20. State appropriations increased 9.6% from Fiscal Year 2018 to 2019, the majority of this increase was due to a change in how the Commonwealth distributed its Department of Elementary and Secondary Education (DESE) distributed its grants to the College. In previous years, it was funded through a grant, and in FY2019 it was funded via a state appropriation. This change in DESE funding increased the College's state appropriation by approximately \$1.7 million. The careful use of revenues generated by tuition and fees, and state appropriations, ensures that the mission statement of the College was followed and that students would continue to receive a high quality of education and services.

Student FTE

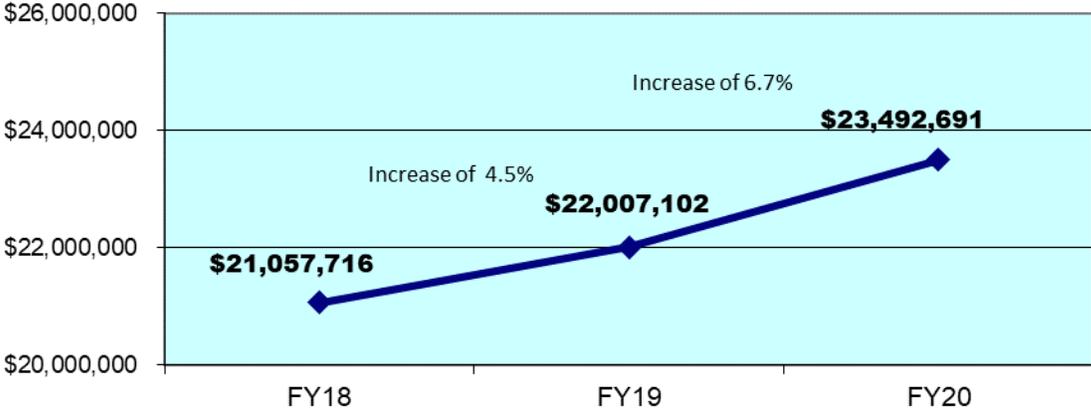


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Management’s Discussion and Analysis (Unaudited) - Continued

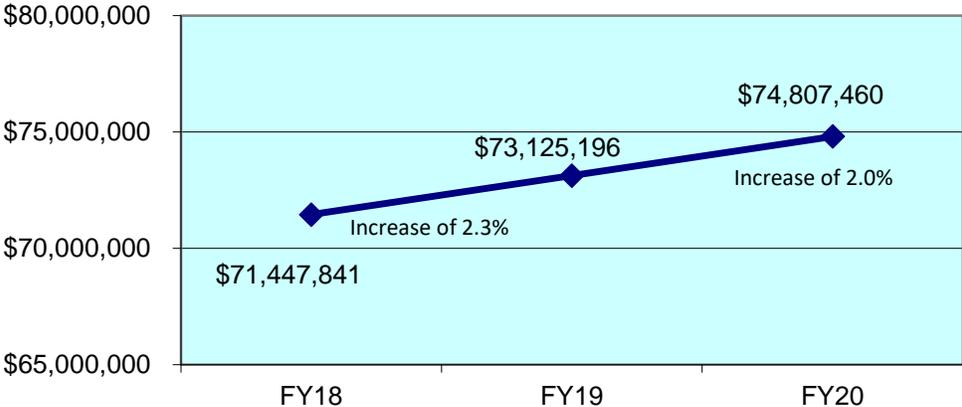
June 30, 2020 and 2019

Unrestricted State Appropriation



Operating expenses increased slightly during the same time frame. This is primarily due contractual obligations, and an increase in depreciation expense. In Fiscal Year 2018, operating expenses decreased less than 1% from 2017.

Operating Expenses



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

June 30, 2020 and 2019

Loss from Operations

It is the nature of public higher education institutions to incur a loss from operations because the state appropriation is presented as non operating income. The Commonwealth's Board of Higher Education establishes tuition charges. The College sets fees and other charges. The College, with the purpose of balancing educational and operating needs with tuition and fee revenue, approves the budgets to mitigate losses after appropriations.

State Appropriations

Unless otherwise permitted by the Massachusetts Legislature, the College is required to remit tuition to the Commonwealth. Therefore, the College collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the College and the amount of state funds appropriated in any given year. The following details the Commonwealth's unrestricted appropriations received by the College for the fiscal years ended June 30, 2020, 2019, and 2018.

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Gross Commonwealth unrestricted appropriations:	\$ 23,492,691	\$ 22,007,102	\$ 21,095,653
Plus fringe benefits*	8,213,011	7,770,203	6,989,529
Less tuition remitted	\$ (448,323)	\$ (447,577)	\$ (441,711)
Net Commonwealth support	<u>\$ 31,257,379</u>	<u>\$ 29,329,728</u>	<u>\$ 27,643,471</u>

*The Commonwealth pays the fringe benefit cost for College employees paid from Commonwealth appropriations. Therefore, such fringe benefit support is added to the "State Appropriations" financial statement line item as presented in the above table. The College pays the Commonwealth for the fringe benefit cost of employees paid from funding sources other than the State's appropriations.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2020 and 2019

Capital Assets and the Debts of the College

Capital Assets: Bristol Community College's investment in capital assets, net of accumulated depreciation, as of June 30, 2020 and 2019, amounts to \$75,878,981 and \$57,575,644 respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and furnishings and equipment. Capital assets increased during the year ended June 30, 2020 by 31.8% or \$18,303,337. This was primarily the result of the increase in funds from the Commonwealth's Division of Capital Management (DCAMM). Capital assets increased for year ended June 30, 2019 by 8.1% or \$4,342,097. This also was primarily the result of an increase in funds from the Commonwealth's Division of Capital Management (DCAMM). Capital assets increased during the year ended June 30, 2018 by 8.5% or \$3,970,335. This was primarily the result of the increased addition of the new John J Sbrega Health and Science Building. All capital asset purchases are pre-approved by the Board of Trustees and are included in the College's Operating Budget submitted to the Board of Higher Education and the Commonwealth's Fiscal Affairs Division. Additional information about Bristol Community College's capital assets can be found in note 7 on pages 33-34 of this report.

Economic Factors and Next Year's Tuition and Student Fee Rates

In Fiscal Year 2020, the College was impacted by a pandemic which had a dramatic impact on college operations. Our enrollment for summer finished very strong but future projections indicate enrollment declines at the least for fall 2020. The college incurred many new costs in spring 2020 to adapt to remote learning. We moved to 100% remote learning in the spring and summer.

Initial projections for Fiscal Year 2021 are decreased revenue projections for the Commonwealth due to the impact of COVID 19. Initial reports are a decrease in state support by 15% less any federal support. Also, due to the impact of COVID and a decline in high school class sizes, the enrollment for both Bristol Community College as well as other Massachusetts public colleges is likely to continue to experience a decline. We anticipate modest fee increases for next year.

Request for Information

This financial report is designed to provide a general overview of Bristol Community College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Comptroller, Bristol Community College, 777 Elsbree Street, Fall River, Massachusetts 02720.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2020 and 2019

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2020 College	Restated 2019 College	2020 Foundation	2019 Foundation
Current Assets:				
Cash and equivalents (Note 3)	\$ 15,759,808	\$ 10,997,629	\$ 819,107	\$ 743,276
Cash held by State Treasurer (Note 4)	985,037	4,640,377	-	-
Investments (Note 3)	17,399,325	17,056,020	13,991,339	13,696,116
Accounts receivable, net (Note 5)	4,373,760	4,234,243	210,215	55,751
Contributions receivable, current portion (Note 6)	-	-	267,899	316,049
Other current assets	<u>176,999</u>	<u>146,377</u>	<u>28,769</u>	<u>33,788</u>
Total Current Assets	<u>38,694,929</u>	<u>37,074,646</u>	<u>15,317,329</u>	<u>14,844,980</u>
Non-Current Assets:				
Contributions receivable, net of current portion (Note 6)	-	-	397,689	597,689
Capital assets, net of accumulated depreciation (Note 7)	<u>75,878,981</u>	<u>57,575,644</u>	<u>4,026,195</u>	<u>4,156,727</u>
Total Non-Current Assets	<u>75,878,981</u>	<u>57,575,644</u>	<u>4,423,884</u>	<u>4,754,416</u>
Total Assets	<u>114,573,910</u>	<u>94,650,290</u>	<u>19,741,213</u>	<u>19,599,396</u>
Deferred Outflows of Resources:				
Pension related, net (Note 9)	1,934,116	2,587,237	-	-
OPEB related, net (Note 10)	<u>3,355,819</u>	<u>3,685,987</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>5,289,935</u>	<u>6,273,224</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 119,863,845</u>	<u>\$ 100,923,514</u>	<u>\$ 19,741,213</u>	<u>\$ 19,599,396</u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2020</u> College	Restated 2019 College	<u>2020</u> Foundation	2019 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities (Note 4)	\$ 1,235,970	\$ 1,602,165	\$ 407,706	\$ 28,643
Accrued payroll (Note 4)	2,622,039	2,495,221	-	-
Compensated absences (Note 8)	2,370,359	2,278,363	-	-
Workers' compensation (Note 8)	55,776	60,026	-	-
Students' deposits and unearned revenues	2,519,832	2,465,902	-	-
Other liabilities	258,931	155,661	-	-
Unearned rental income	-	-	79,107	80,697
Current portion of capital lease (Note 8)	77,184	75,395	-	-
Current portion of mortgage payable (Note 13)	-	-	143,521	135,370
Total Current Liabilities	9,140,091	9,132,733	630,334	244,710
Non-Current Liabilities:				
Compensated absences, net of current portion (Note 8)	814,044	833,056	-	-
Workers' compensation, net of current portion (Note 8)	264,774	155,120	-	-
Capital lease, net of current portion (Note 8)	139,548	216,732	-	-
Mortgage payable, net of current portion (Note 13)	-	-	2,428,434	2,571,167
Net pension liability (Note 9)	7,813,926	10,140,807	-	-
Net OPEB liability (Note 10)	14,730,564	22,190,029	-	-
Total Non-Current Liabilities	23,762,856	33,535,744	2,428,434	2,571,167
Total Liabilities	32,902,947	42,668,477	3,058,768	2,815,877
Deferred Inflows of Resources:				
Pension related, net (Note 9)	3,332,724	2,075,078	-	-
OPEB related, net (Note 10)	8,665,421	1,954,455	-	-
Total Deferred Inflows of Resources	11,998,145	4,029,533	-	-
Net Position:				
Net investment in capital assets	75,662,249	57,283,517	1,454,240	1,450,190
Restricted (Note 11):				
Nonexpendable	-	-	6,784,240	6,548,707
Expendable	3,943,029	4,213,917	7,000,702	6,936,989
Unrestricted (Note 12)	(4,642,525)	(7,271,930)	1,443,263	1,847,633
Total Net Position	74,962,753	54,225,504	16,682,445	16,783,519
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 119,863,845	\$ 100,923,514	\$ 19,741,213	\$ 19,599,396

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Revenues and Expenses

For the Years Ended June 30,

	Primary Government		Component Unit	
	2020	Restated 2019	2020	2019
	College	College	Foundation	Foundation
Operating Revenues:				
Tuition and fees	\$ 29,041,581	\$ 28,854,826	\$ -	\$ -
Less: scholarship allowances	<u>(15,856,524)</u>	<u>(15,733,308)</u>	<u>-</u>	<u>-</u>
Net student tuition and fees	13,185,057	13,121,518	-	-
Federal grants and contracts	22,353,861	22,458,119	-	-
State grants and contracts	3,975,472	1,671,390	-	-
Private grants and contracts	337,952	265,867	-	-
Other sources	<u>494,958</u>	<u>787,376</u>	<u>817,080</u>	<u>1,331,695</u>
Total Operating Revenues	<u>40,347,300</u>	<u>38,304,270</u>	<u>817,080</u>	<u>1,331,695</u>
Operating Expenses (Note 15):				
Instruction	28,098,710	27,543,998	-	-
Academic support	9,695,488	10,501,242	-	-
Student services	10,506,566	10,195,466	-	-
Scholarships and fellowships	6,190,233	5,390,208	132,692	123,264
Operation and maintenance of plant	5,346,606	5,195,239	-	-
Institutional support	12,143,497	11,697,485	70,465	82,116
Depreciation	<u>2,826,360</u>	<u>2,601,558</u>	<u>182,951</u>	<u>182,951</u>
Total Operating Expenses	<u>74,807,460</u>	<u>73,125,196</u>	<u>386,108</u>	<u>388,331</u>
Net Operating Income (Loss)	<u>(34,460,160)</u>	<u>(34,820,926)</u>	<u>430,972</u>	<u>943,364</u>
Non-Operating Revenues:				
Federal grants	1,024,590	-	-	-
State appropriations, net (Note 17)	31,738,884	30,831,968	-	-
Contributions to College	1,906,404	2,260,253	(1,906,404)	(2,260,253)
Gifts and contributions	-	-	737,507	1,341,984
Net investment income	<u>828,608</u>	<u>775,446</u>	<u>636,851</u>	<u>1,066,443</u>
Total Net Non-Operating Revenues	<u>35,498,486</u>	<u>33,867,667</u>	<u>(532,046)</u>	<u>148,174</u>
Changes in Net Position Before Other Revenues	1,038,326	(953,259)	(101,074)	1,091,538
Other Revenues:				
Capital appropriations (Note 17)	<u>19,698,923</u>	<u>4,149,618</u>	<u>-</u>	<u>-</u>
Changes in Net Position	<u>\$ 20,737,249</u>	<u>\$ 3,196,359</u>	<u>\$ (101,074)</u>	<u>\$ 1,091,538</u>

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Changes in Net Position

For the Years Ended June 30, 2020 and 2019

	<u>College</u>				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2018	\$ 53,233,547	\$ -	\$ 4,551,080	\$ (6,755,482)	\$ 51,029,145
Change in net position for 2019, as previously reported	<u>4,049,970</u>	<u>-</u>	<u>(337,163)</u>	<u>239,690</u>	<u>3,952,497</u>
Balance at June 30, 2019, as previously reported	57,283,517	-	4,213,917	(6,515,792)	54,981,642
Prior period adjustment - See Note 2	<u>-</u>	<u>-</u>	<u>-</u>	<u>(756,138)</u>	<u>(756,138)</u>
Balance at June 30, 2019, as restated	57,283,517	-	4,213,917	(7,271,930)	54,225,504
Changes in net position for 2020	<u>18,378,732</u>	<u>-</u>	<u>(270,888)</u>	<u>2,629,405</u>	<u>20,737,249</u>
Balance at June 30, 2020	\$ 75,662,249	\$ -	\$ 3,943,029	\$ (4,642,525)	\$ 74,962,753

	<u>Foundation</u>				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2018	\$ 1,504,555	\$ 6,434,526	\$ 5,881,598	\$ 1,871,302	\$ 15,691,981
Changes in net position for 2019	<u>(54,365)</u>	<u>114,181</u>	<u>1,055,391</u>	<u>(23,669)</u>	<u>1,091,538</u>
Balance at June 30, 2019	1,450,190	6,548,707	6,936,989	1,847,633	16,783,519
Changes in net position for 2020	<u>4,050</u>	<u>235,533</u>	<u>63,713</u>	<u>(404,370)</u>	<u>(101,074)</u>
Balance at June 30, 2020	\$1,454,240	\$6,784,240	\$7,000,702	\$1,443,263	\$16,682,445

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	College	
	<u>2020</u>	Restated <u>2019</u>
Cash Flows from Operating Activities:		
Tuition and student fees	\$ 12,975,695	\$ 12,757,770
Grants and contracts	26,521,063	24,212,198
Payments to suppliers	(12,683,700)	(12,102,035)
Payments to employees	(44,612,498)	(43,945,893)
Payments to students	(6,190,233)	(5,390,208)
Income from other sources	<u>(339,489)</u>	<u>777,376</u>
Net Cash Applied to Operating Activities	<u>(24,329,162)</u>	<u>(23,690,792)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	23,974,196	23,509,342
Federal grants	1,024,590	-
Tuition remitted to state	(448,323)	(447,577)
Gifts and grants received for other than capital purposes	<u>1,906,404</u>	<u>2,260,253</u>
Net Cash Provided by Non-Capital Financing Activities	<u>26,456,867</u>	<u>25,322,018</u>
Cash Flows from Capital and Related Financing Activities:		
Capital appropriations	3,102,397	3,268,161
Principal payments on capital leases	(75,395)	(73,663)
Purchases of capital assets	<u>(4,533,171)</u>	<u>(5,696,408)</u>
Net Cash Applied to Capital and Related Financing Activities	<u>(1,506,169)</u>	<u>(2,501,910)</u>
Cash Flows from Investing Activities:		
Purchase of investments	(343,305)	(729,672)
Proceeds from sales and maturities of investments	717,357	660,068
Interest on investments	<u>111,251</u>	<u>115,378</u>
Net Cash Provided by Investing Activities	<u>485,303</u>	<u>45,774</u>
Net Increase (Decrease) in Cash and Equivalents	1,106,839	(824,910)
Cash and Equivalents, Beginning of Year	<u>15,638,006</u>	<u>16,462,916</u>
Cash and Equivalents, End of Year	<u>\$ 16,744,845</u>	<u>\$ 15,638,006</u>

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	College	
	<u>2020</u>	<u>Restated 2019</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (34,460,160)	\$ (34,820,926)
Adjustments to reconcile net loss to net cash applied to operating activities:		
Depreciation	2,826,360	2,601,558
Fringe benefits provided by the State	8,213,011	7,770,203
Bad debts	270,000	307,201
Changes in assets and liabilities:		
Accounts receivable	(409,517)	(604,435)
Other current assets	(30,622)	(40,524)
Accounts payable, accrued liabilities and accrued payroll	(239,377)	(250,489)
Accrued compensated absences and workers' compensation	178,388	(340,238)
Students' deposits and unearned revenues	53,930	47,509
Other liabilities	103,270	24,009
Net pension activity	(416,114)	220,121
Net OPEB activity	<u>(418,331)</u>	<u>1,395,219</u>
Net Cash Applied to Operating Activities	<u>\$ (24,329,162)</u>	<u>\$ (23,690,792)</u>
Summary of Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 15,759,808	\$10,997,629
Cash held by State Treasurer	<u>985,037</u>	<u>4,640,377</u>
Total	<u>\$ 16,744,845</u>	<u>\$ 15,638,006</u>
Non-Cash Transactions:		
Fringe benefits provided by the State	<u>\$ 8,213,011</u>	<u>\$ 7,770,203</u>
Capital improvements provided by capital appropriations	<u>\$ 16,596,526</u>	<u>\$ 881,457</u>
Capital improvements provided by capital lease	<u>\$ -</u>	<u>\$ 365,790</u>

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

Organization

Bristol Community College (the “College”) is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With campuses located in Fall River, Massachusetts and New Bedford, 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’s mission is to provide educational, occupational, and cultural opportunities for an academically, economically, and culturally diverse population. The College also offers, through the Center for Business and Industry, noncredit courses, as well as community service programs. The College is accredited by the New England Commission of Higher Education.

Operations

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (“COVID-19”) as a pandemic. In March 2020, the College transitioned students to a distance learning environment for the completion of the 2020 spring semester and the 2020 summer semester was taught online.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) became law. As part of the law, the CARES Act created the Higher Education Emergency Relief Fund (“HEERF”). The College was awarded \$4,686,502 of which 50% (or half) is required to be distributed to students affected by the COVID-19 crisis as emergency grants and the other half is required by the College to cover costs associated with changes in operations due to the COVID-19 crisis. According to the terms of HEERF, an institution can only spend costs associated with changes in operations due to the COVID-19 crisis up to the amount provided to students as emergency grants.

As of June 30, 2020, the College expended \$1,024,590 for emergency grants to students and \$0 for institutional costs from the HEERF funds.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (“GASB”). 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 College’s policy is to define operating activities in the statements of revenues, expenses and changes in net position 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. These non-operating activities include the College’s operating and capital appropriations from the Commonwealth of Massachusetts (the “Commonwealth”).

Bristol Community College Foundation (the “Foundation”) is a legally separate tax-exempt component unit of Bristol Community College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends 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. Because these resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

The Foundation is a not-for-profit corporation established in August 1980. The Foundation was established to promote and support the furtherance of the educational and cultural mission of Bristol Community College. The Foundation is located at the College’s Fall River campus. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College and is therefore discretely presented in the College’s financial statements.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

During the years ended June 30, 2020 and 2019, the Foundation distributed approximately \$1,906,000 and \$2,260,000, respectively, to the College for both restricted and unrestricted purposes.

In reliance on the guidance issued by the Massachusetts Board of Higher Education, the College and its discretely presented component unit have classified the prior matching contributions from the Commonwealth of Massachusetts to the Endowment Incentive Program in accordance with either the donor's original intent or the previously issued guidance. Accordingly, these amounts may be classified as restricted nonexpendable, restricted expendable, or unrestricted.

The complete financial statements for the Foundation can be obtained from Bristol Community College Foundation, 777 Elsbree Street, Fall River, MA 02720.

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 position subject to externally imposed conditions that the College must maintain in perpetuity.

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

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

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

Trust Funds

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Cash and Equivalents

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

The Foundation considers all highly liquid debt instruments purchased with a maturity date of three months or less when purchased to be cash and equivalents. Money market accounts held with investment portfolios are cash equivalents. Cash and equivalents are report as current or non-current assets depending on the current restrictions and designations of funds.

Investments

Investments in marketable securities are stated at fair value. The College has no donor-restricted endowments.

Capital Assets

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

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.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Postemployment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the College's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retiree's 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.

Other Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation, and certain postretirement benefits. Health insurance, unemployment, and pension costs are billed through a fringe benefit rate charged to the College.

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, 2020 and 2019. The accrued sick leave balance represents 20% of amounts earned by those employees with 10 or more years of state service at June 30, 2020 and 2019. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks and current economic conditions.

Workers' Compensation

The Commonwealth provides workers' compensation coverage to its employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Students' Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and recorded as revenues when earned.

Student Tuition and fees

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

Tax Status

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the revenues and expenses 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 determining the value of accounts receivable, net pension and OPEB liabilities, and estimating depreciation, amortization and recoverability of long-lived assets.

Adoption of New Governmental Accounting Pronouncements

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

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

New Governmental Accounting Pronouncements

GASB Statement 87 – Leases is effective for periods beginning after June 15, 2021. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard.

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

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

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

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

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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.

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

Reclassification

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation, however, there was no change to the net position.

Note 2 - **Prior Period Adjustment**

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

The following presents the effects of the prior period adjustment:

	As Previously Reported <u>at June 30, 2019</u>	Correction of <u>the Error</u>	As Restated <u>at June 30, 2019</u>
Statement of Net Position:			
Deferred outflows related to OPEB	\$ 3,664,733	\$ 21,254	\$ 3,685,987
Net OPEB liability	17,811,989	4,378,040	22,190,029
Deferred inflows related to OPEB	5,555,103	(3,600,648)	1,954,455
Unrestricted net position	(6,515,792)	(756,138)	(7,271,930)
Statement of Revenues and Expenses:			
Operating expenses	72,369,058	756,138	73,125,196

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 3 - **Cash and Investments**

Overall Deposits and Investments Descriptions

Deposits and investments consist of the following at June 30,:

	2020	2019
Cash in banks	\$ 15,759,808	\$ 10,997,629
Investments:		
Certificates of deposit	2,841,338	3,515,246
Bond mutual funds	6,747,838	6,273,567
Stock mutual funds	7,458,332	7,075,911
Money market funds	351,817	191,296
Total investments	17,399,325	17,056,020
Total cash in banks and investments	\$ 33,159,133	\$ 28,053,649

Custodial Risk

Total cash deposited with one financial institution, including sweep and checking accounts, aggregates approximately \$11,005,000 and \$5,705,000, or 69% and 50%, at June 30, 2020 and 2019, respectively, of total cash and equivalents. These deposits are secured by an irrevocable stand-by letter of credit issued by the Federal Home Loan Bank of Pittsburgh up to an aggregate amount of \$9,000,000 providing a scope of coverage substantially the same as that provided by federal deposit insurance and thus not exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Deposits are made in domestic banks that are federally insured with supplemental insurance for those accounts exceeding the federally insured limits. The College's bank balances at other banks at June 30, 2020 and 2019 were approximately \$5,657,000 and \$6,488,000, respectively, and were not exposed to custodial credit risk as uninsured and uncollateralized.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Concentration of Credit Risk

There was no concentration of credit risk at June 30, 2020. Certificates of deposits are made in domestic banks that are federally insured with supplemental insurance for those accounts exceeding the federally insured limits.

Investment Policy

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from federal allocations. The principle objectives of the investment policy are: (1) preservation of capital and safety of principal, (2) minimizing price volatility, (3) liquidity, (4) return on investment, and (5) diversification. Permissible deposits and investments are as follows:

Cash: Domestic banks, federal savings and loan institutions, and credit unions that are federally insured and Massachusetts banks with supplemental insurance for those accounts exceeding the federally insured limits to a maximum of \$1,000,000. Accounts are allowed to go slightly above insured rates for accrued interest.

Investments: Obligations issued or guaranteed as to principal and interest by the U.S. Government, its agencies or instrumentalities, corporate obligations that are - rated A or better by Standard & Poor's Corporation, or A or better by Moody's Investors Services; commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, or guaranteed through a letter of credit arrangement with a major financial institution, repurchase agreements, mutual funds and equity securities.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Deposits, Investments and Maturities

The College's investments and maturities inferring risk at June 30, consist of:

		2020 Investments			
Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt securities:					
Certificates of deposit	\$ 2,841,338	\$ 2,841,338	\$ -	\$ -	\$ -
Bond mutual funds	6,747,838	-	-	6,747,838	-
	<u>9,589,176</u>	<u>\$ 2,841,338</u>	<u>\$ -</u>	<u>\$ 6,747,838</u>	<u>\$ -</u>
Other investments:					
Cash in bank	15,759,808				
Stock mutual funds	7,458,332				
Money market funds	<u>351,817</u>				
Total	<u>\$ 33,159,133</u>				

		2019 Investments			
Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt securities:					
Certificates of deposit	\$ 3,515,246	\$ 3,515,246	\$ -	\$ -	\$ -
Bond mutual funds	6,273,567	-	-	6,273,567	-
	9,788,813	<u>\$ 3,515,246</u>	<u>\$ -</u>	<u>\$ 6,273,567</u>	<u>\$ -</u>
Other investments:					
Cash in bank	10,997,629				
Stock mutual funds	7,075,911				
Money market funds	<u>191,296</u>				
Total	<u>\$ 28,053,649</u>				

The credit quality ratings of the College's debt investments are unrated for the years ended June 30, 2020 and 2019. The bond mutual funds are unrated as they represent funds placed with a private investment company.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Fair Value Hierarchy

The College 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2020.

Registered investment companies: Mutual funds are valued at the daily closing price as reported by the fund. Mutual funds held by the Board of Trustees are open-end mutual funds that are registered with the Securities and Exchange Commission. The mutual funds held by the Board of Trustees are deemed to be actively traded, and are therefore, classified as Level 1.

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

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

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

June 30, 2020				
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 14,557,987	\$ -	\$ -	\$ 14,557,987
Certificates of deposit	<u>2,841,338</u>	<u>-</u>	<u>-</u>	<u>2,841,338</u>
Total marketable securities at fair value	<u>\$ 17,399,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,399,325</u>
June 30, 2019				
	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ 13,540,774	\$ -	\$ -	\$ 13,540,774
Certificates of deposit	<u>3,515,246</u>	<u>-</u>	<u>-</u>	<u>3,515,246</u>
Total marketable securities at fair value	<u>\$ 17,056,020</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,056,020</u>

Other Matters

The College does not have foreign currency investments, securities lending transactions, or derivative investments.

Foundation Investment Policy

The investment objectives for the Foundation's endowment and quasi-endowment assets are to provide income to support current operations and to achieve growth of principal and income over time to preserve or increase purchasing power. Based upon historical evidence, equity investments have produced substantially greater returns net of inflation. As a long-term guideline, equity investments will constitute approximately 65% of endowment assets, with an acceptable range of 55% to 65%, and up to 25% of which may be invested in international stocks. Fixed-income investments may include short-term money market securities, which have historically produced the lowest return of inflation. Such investments, however, shall be kept at the minimum levels that the Finance Committee considers necessary to meet foreseeable short-term liquidity requirements. The largest percentage of fixed-income investments shall be invested in portfolios of high-quality corporate bonds and U.S. Treasury securities. These

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investments may be made through a number of separately managed portfolios offered by professional managers.

The majority of the Foundation's endowed funds are invested together in the Foundation's master investment accounts. Total investment return for the year is allocated annually to each fund based upon its weighted average value as a percentage of total fund balance.

The Foundation has a policy of appropriating for distribution to meet current financial needs without expending more than 4% of the 3-year average market value of all endowments. Certain other endowed funds may be subject to other restrictions including those directed by the donor.

The Foundation's endowment net assets are those funds, that either by donor restriction or Board designation, are intended to be invested long-term in order to earn income and to fund programs and awards over a long period or in perpetuity.

Investments of the Foundation

The Foundation's investments consist of the following at June 30,:

	<u>2020</u>	<u>2019</u>
Beneficial interest in trusts	\$ 757,525	\$ 790,269
Common Stocks	6,602,920	7,055,651
Mutual Funds	4,162,399	2,821,950
Corporate bonds	1,476,317	1,957,841
U.S. Government obligations	992,178	1,070,405
Total investments	<u>\$ 13,991,339</u>	<u>\$ 13,696,116</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.

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled approximately \$985,000 and \$740,000 at June 30, 2020 and 2019, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used to pay for such liabilities. Cash held by State Treasurer also included \$3.9 million of College funds sent to the State Treasurer to be used in accordance with the Massachusetts Life Sciences Grant, as of June 30, 2019.

Note 5 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	2020	2019
Student accounts receivable	\$ 3,081,572	\$ 3,109,752
Grants receivable	1,585,566	1,220,688
Other receivables	337,978	556,634
	5,005,116	4,887,074
Less: allowance for doubtful accounts	(631,356)	(652,831)
	\$ 4,373,760	\$ 4,234,243

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Note 6 - **Contributions Receivable**

Contributions receivable of the Foundation are all considered collectable and are as follows at June 30,:

	<u>2020</u>	<u>2019</u>
Due in one year or less	\$ 267,899	\$ 316,049
Due in one to five years	<u>400,000</u>	<u>600,000</u>
Total	667,899	916,049
Less: discount to net present value	<u>2,311</u>	<u>2,311</u>
Present value of receivable	665,588	913,738
Less: current portion	<u>267,899</u>	<u>316,049</u>
Contributions receivable, net of current portion	<u>\$ 397,689</u>	<u>\$ 597,689</u>

As of June 30, 2020, and 2019, the Foundation considers discounts on contributions receivable due in one to five years to be immaterial. As of June 30, 2020, approximately 90% of the contribution's receivable are from one foundation.

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June 30, 2020 and 2019

Note 7 - **Capital Assets**

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

		2020					
		Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:							
	Land		\$ 35,825	\$ -	\$ -	\$ -	\$ 35,825
	Art sculpture		98,200	-	-	-	98,200
	Construction in progress		1,107,707	17,127,060	-	(263,413)	17,971,354
	Total non-depreciable		1,241,732	17,127,060	-	(263,413)	18,105,379
Depreciable:							
	Land improvements	20	3,343,671	-	-	-	3,343,671
	Building, including improvements	20-40	94,126,964	3,212,091	-	263,413	97,602,468
	Furnishings and equipment	3-10	3,170,634	86,250	-	-	3,256,884
	Leasehold improvements	5	471,658	704,296	-	-	1,175,954
	Total depreciable		101,112,927	4,002,637	-	263,413	105,378,977
Less: accumulated depreciation:							
	Land improvements		(1,708,349)	(149,533)	-	-	(1,857,882)
	Building, including improvements		(40,212,512)	(2,409,332)	-	-	(42,621,844)
	Furnishings and equipment		(2,386,496)	(253,408)	-	-	(2,639,904)
	Leasehold improvements		(471,658)	(14,087)	-	-	(485,745)
	Total accumulated depreciation		(44,779,015)	(2,826,360)	-	-	(47,605,375)
	Capital assets, net		\$ 57,575,644	\$18,303,337	\$ -	\$ -	\$ 75,878,981

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		2019				
		Estimated				Ending
		lives	Beginning	Additions	Retirements	Reclassifications
		(in years)	balance	Retirements	Reclassifications	balance
Non-depreciable:						
	Land		\$ 35,825	\$ -	\$ -	\$ 35,825
	Art sculpture		98,200	-	-	98,200
	Construction in progress		1,563,241	1,031,747	-	(1,487,281)
			<u>1,697,266</u>	<u>1,031,747</u>	<u>-</u>	<u>(1,487,281)</u>
	Total non-depreciable		1,697,266	1,031,747	-	(1,487,281)
Depreciable:						
	Land improvements	20	3,237,079	106,592	-	3,343,671
	Building, including improvements	20-40	87,385,822	5,253,861	-	1,487,281
	Furnishings and equipment	3-10	2,619,179	551,455	-	3,170,634
	Leasehold improvements	5	471,658	-	-	471,658
			<u>93,713,738</u>	<u>5,911,908</u>	<u>-</u>	<u>1,487,281</u>
	Total depreciable		93,713,738	5,911,908	-	1,487,281
Less: accumulated depreciation:						
	Land improvements		(1,551,655)	(156,694)	-	-
	Building, including improvements		(37,997,250)	(2,215,262)	-	-
	Furnishings and equipment		(2,156,894)	(229,602)	-	-
	Leasehold improvements		(471,658)	-	-	-
			<u>(42,177,457)</u>	<u>(2,601,558)</u>	<u>-</u>	<u>-</u>
	Total accumulated depreciation		(42,177,457)	(2,601,558)	-	-
	Capital assets, net		<u>\$ 53,233,547</u>	<u>\$ 4,342,097</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ 53,233,547</u>	<u>\$ 4,342,097</u>	<u>\$ -</u>	<u>\$ -</u>
			<u>\$ 57,575,644</u>	<u>\$ 4,342,097</u>	<u>\$ -</u>	<u>\$ -</u>

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June 30, 2020 and 2019

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

		2020				
		Estimated			Ending	
		lives	Beginning	Additions	Reclassifications	
		(in years)	balance		balance	
	Land		\$ 940,700	\$ -	\$ 508,353	\$ 1,449,053
	Construction in progress		509,295	52,419	(508,353)	53,361
	Art sculpture		18,000	-	-	18,000
	Total non-depreciable		1,467,995	52,419	-	1,520,414
Depreciable:						
	Land improvements	20	14,813	-	-	14,813
	Building, including improvements	20-40	4,555,264	-	-	4,555,264
	Total depreciable		4,570,077	-	-	4,570,077
Less: accumulated depreciation:						
	Land improvements		(7,406)	(741)	-	(8,147)
	Building, including improvements		(1,873,939)	(182,210)	-	(2,056,149)
	Total accumulated depreciation		(1,881,345)	(182,951)	-	(2,064,296)
	Capital assets, net		\$ 4,156,727	\$ (130,532)	\$ -	\$ 4,026,195

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

		2019				
		Estimated lives (in years)	Beginning balance	Additions	Reclassifications	Ending balance
Non-depreciable:						
	Land		\$ 940,700	\$ -	\$ -	\$ 940,700
	Construction in progress		508,353	942	-	509,295
	Art sculpture		18,000	-	-	18,000
	Total non-depreciable		1,467,053	942	-	1,467,995
Depreciable:						
	Land improvements	20	14,813	-	-	14,813
	Building, including improvements	20-40	4,555,264	-	-	4,555,264
	Total depreciable		4,570,077	-	-	4,570,077
Less: accumulated depreciation:						
	Land improvements		(6,666)	(740)	-	(7,406)
	Building, including improvements		(1,691,728)	(182,211)	-	(1,873,939)
	Total accumulated depreciation		(1,698,394)	(182,951)	-	(1,881,345)
	Capital assets, net		\$ 4,338,736	\$ (182,009)	\$ -	\$ 4,156,727

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 8 - **Long-Term Liabilities**

Long-term liabilities at June 30, consist of the following:

	2020				
	Restated Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences	\$ 3,111,419	\$ 72,984	\$ -	\$ 3,184,403	\$ 2,370,359
Workers' compensation	215,146	105,404	-	320,550	55,776
Capital lease obligation	292,127		(75,395)	216,732	77,184
Net pension liability	10,140,807		(2,326,881)	7,813,926	-
Net OPEB liability	22,190,029	-	(7,459,465)	14,730,564	-
Total long-term liabilities	<u>\$35,949,528</u>	<u>\$ 178,388</u>	<u>\$ (9,861,741)</u>	<u>\$ 26,266,175</u>	<u>\$ 2,503,319</u>
	2019				
	Beginning balance	Restated Additions	Reductions	Restated Ending balance	Current portion
Compensated absences	\$ 3,451,792	\$ -	\$ (340,373)	\$ 3,111,419	\$ 2,278,363
Workers' compensation	215,011	135	-	215,146	60,026
Capital lease obligation	-	365,790	(73,663)	292,127	75,395
Net pension liability	9,438,049	702,758	-	10,140,807	-
Net OPEB liability	18,357,051	3,832,978	-	22,190,029	-
Total long-term liabilities	<u>\$31,461,903</u>	<u>\$4,901,661</u>	<u>\$ (414,036)</u>	<u>\$ 35,949,528</u>	<u>\$ 2,413,784</u>

Capital Lease Obligation

The College leases LED lights under a capital lease maturing in April 2024. The College entered into a contract with Ascentium Capital and KS Bank in March 2018 to finance the project which was completed in five phases providing new lighting for ten buildings.

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The following reports the cost and accumulated depreciation for equipment under capital lease agreements at June 30,:

	<u>2020</u>	<u>2019</u>
Cost	\$ 386,165	\$ 386,165
Less: Accumulated depreciation	<u>57,924</u>	<u>19,308</u>
	<u>\$ 328,241</u>	<u>\$ 366,857</u>

The following summarizes future annual minimum payments due under non-cancelable capital leases subsequent to June 30, 2020:

Years Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$	77,184	\$ 4,315	\$ 81,499
2022		79,029	2,470	81,499
2023		<u>60,519</u>	<u>607</u>	<u>61,126</u>
		<u>\$ 216,732</u>	<u>\$ 7,392</u>	<u>\$ 224,124</u>

Note 9 - **Pensions**

Defined Benefit Plan Description

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

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

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June 30, 2020 and 2019

Benefit Provisions

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

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

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June 30, 2020 and 2019

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 approximately \$3,259,000, \$2,686,000 and \$2,463,000 for the years ended June 30, 2020, 2019 and 2018, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 14.08%, 12.06% and 11.78% of annual covered payroll for the fiscal years ended June 30, 2020, 2019 and 2018, respectively. The College contributed \$733,040, \$531,717 and \$700,937 for the fiscal years ended June 30, 2020, 2019 and 2018, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 66%, 67% and 65% of total related payroll for fiscal years end 2020, 2019 and 2018, respectively.

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June 30, 2020 and 2019

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

At June 30, 2020 and 2019, the College reported a liability of \$7,813,926 and \$10,140,807, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to June 30, 2019. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for fiscal years 2020 and 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.053% and 0.077%, respectively.

For the years ended June 30, 2020 and 2019, the College recognized pension expense of \$316,927, and \$751,835, respectively.

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June 30, 2020 and 2019

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2020</u>	<u>2019</u>
<u>Deferred Outflows of Resources Related to Pension</u>		
Contributions subsequent to the measurement date	\$ 733,040	\$ 531,717
Differences between expected and actual experience	259,502	321,580
Changes in proportions from Commonwealth	13,796	27,349
Changes in plan actuarial assumptions	579,202	1,027,708
Changes in proportions due to internal allocations	<u>348,576</u>	<u>678,883</u>
Total	<u>\$ 1,934,116</u>	<u>\$ 2,587,237</u>
 <u>Deferred Inflows of Resources Related to Pension</u>		
Differences between expected and actual experience	\$ 101,624	\$ 206,670
Differences between projected and actual earnings on pension plan investments	116,555	352,484
Changes in proportions from Commonwealth	397	1,928
Changes in proportions due to internal allocations	<u>3,114,148</u>	<u>1,513,996</u>
Total	<u>\$ 3,332,724</u>	<u>\$ 2,075,078</u>

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June 30, 2020 and 2019

The College's contributions of \$733,040 and \$531,717 made during the fiscal years ending 2020 and 2019, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the succeeding year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2021	\$ (321,707)
2022	(626,694)
2023	(510,933)
2024	(495,437)
2025	<u>(176,877)</u>
	<u>\$ (2,131,648)</u>

Actuarial Assumptions

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

	June 30, 2020	June 30, 2019
Measurement date	3.00%	3.00%
Inflation on the first \$13,000 of allowance	4.00% to 9.00%	4.00% to 9.00%
Salary increases	7.25%	7.35%
Investment rate of return	3.50%	3.50%
Investment rate credited to annuity savings fund		

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June 30, 2020 and 2019

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

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale MP-2016, set forward 1 year.

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

Investment assets of SERS are with the Pension Reserves Investment Trust (“PRIT”) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage.

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

Asset Class	2020		2019	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39.0%	4.9%	39.0%	5.0%
Core Fixed Income	15.0%	1.3%	12.0%	0.9%
Private Equity	13.0%	8.2%	12.0%	6.6%
Portfolio Completion Strategies	11.0%	3.9%	13.0%	3.7%
Real Estate	10.0%	3.6%	10.0%	3.8%
Value Added Fixed Income	8.0%	4.7%	10.0%	3.8%
Timber/Natural Resources	4.0%	4.1%	4.0%	3.4%
	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate

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

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June 30, 2020 and 2019

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.

<u>June 30, 2020</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.25%)	(7.25%)	(8.25%)
\$ 10,400,589	\$ 7,813,926	\$ 5,603,747
<u>June 30, 2019</u>		
Current		
1.00% Decrease	Discount Rate	1.00% Increase
(6.35%)	(7.35%)	(8.35%)
\$ 13,668,113	\$ 10,140,807	\$ 7,126,860

Note 10 - **OPEB (Restated)**

Plan Description

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

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

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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Management of the SRBT is vested with the 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.

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, 2019, and as of the valuation date (January 1, 2019), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.29% and 8.79% of annual covered payroll for the fiscal years ended June 30, 2020 and 2019, respectively. The College contributed \$379,333 and \$387,725 for the fiscal year ended June 30, 2020 and 2019, respectively, equal to 100% of the required contribution for the year.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

At June 30, 2020 and 2019, the College reported a liability of \$14,730,564 and \$22,190,029, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2019 and 2018, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2018, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2019 and 2018. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2020 and 2019, the College's proportion was 0.084% and 0.119%, respectively. For the year ended June 30, 2020 and 2019, the College recognized OPEB expense of \$57,067 and \$1,143,377, respectively.

The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

<u>Deferred Outflows of Resources Related to OPEB</u>	<u>2020</u>	<u>Restated 2019</u>
Contributions subsequent to the measurement date	\$ 379,733	\$ 387,725
Differences between expected and actual experience	590,764	216,343
Changes in OPEB plan actuarial assumptions	11,335	21,254
Changes in proportion from Commonwealth	35,918	57,243
Changes in proportion due to internal allocation	<u>2,338,069</u>	<u>3,003,422</u>
Total deferred outflows related to OPEB	<u>\$ 3,355,819</u>	<u>\$ 3,685,987</u>

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Deferred Inflows of Resources Related to OPEB

Net differences between projected and actual earnings on OPEB plan investments	\$ 6,775	\$ 44,477
Differences between expected and actual experience	18,864	38,019
Changes in proportion due to internal allocation	6,424,684	-
Changes in OPEB plan actuarial assumptions	<u>2,215,098</u>	<u>1,871,960</u>
Total deferred inflows related to OPEB	<u>\$ 8,665,421</u>	<u>\$ 1,954,456</u>

The College's contribution of \$379,733 and \$387,725 made during the fiscal year 2020 and 2019, respectively, subsequent to the measurement date will be recognized as a reduction of the net OPEB liability each of the succeeding years.

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

Years Ending
June 30,

2021	\$ (1,425,275)
2022	(1,425,275)
2023	(1,347,504)
2024	(1,083,525)
2025	<u>(407,756)</u>
	<u>\$ (5,689,335)</u>

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Actuarial Assumptions

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

Measurement date	June 30, 2019	June 30, 2018
Inflation	2.50%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation	7.35%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 & 2024 then decreasing 0.50% each year to an ultimate rate of 4.5% in 2026 for Medical; 5.0% for EGWP through 2025, then 4.5% in 2026; 4.5% for administrative costs	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 85% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

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

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

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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, 2020 and 2019, are the same as discussed in the Pension footnote number 9.

Discount Rate

The discount rate used to measure the total OPEB liability for 2020 and 2019 was 3.63% and 3.92%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.51% and 3.87%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2029 and 2023 for the fiscal years 2020 and 2019, respectively. Therefore, the long-term expected rate of return on OPEB plan investments is 7.25% and 7.35%, respectively per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	<u>2020</u>		
	1.00% Decrease	Discount Rate	1.00% Increase
	2.63%	3.63%	4.63%
Net OPEB Liability	\$ 17,583,533	\$ 14,730,564	\$ 12,474,861
	<u>2019</u>		
		Current	
	1.00% Decrease	Discount Rate	1.00% Increase
	2.92%	3.92%	4.92%
Net OPEB Liability	\$ 26,376,891	\$ 22,190,029	\$ 18,868,585

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

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

<u>2020</u>		
1.00% Decrease	Current Healthcare	1.00% Increase
(B)	Cost Trend Rate	(C)
(A)	(A)	(C)
\$ 12,139,846	\$ 14,730,564	\$ 18,148,740

<u>2019</u>		
1.00% Decrease	Current Healthcare	1.00% Increase
(B)	Cost Trend Rate	(C)
(A)	(A)	(C)
\$ 18,770,865	\$ 22,190,029	\$ 26,512,418

(A) - Current healthcare cost trend rate, as disclosed on page 53

(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 53

(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 53

Note 11 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. All restricted-expendable funds are to be used for academic programs.

The Foundation's restricted - nonexpendable and expendable net assets consist of investments to be utilized for various scholarships and program support.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 12 - **Net Assets Without Restriction**

The Foundation's net assets without restriction are composed of the following at June 30,:

	2020	2019
Net assets without restriction designated by the Foundation's Board of Directors for the following purposes:		
Margaret Jackson Art Center and Visual Arts Fund	\$ 385,229	\$ 365,926
President's Merit Scholarship	111,837	106,719
Undesignated	946,197	1,374,988
Total net assets without restriction	\$ 1,443,263	\$ 1,847,633

Note 13 - **Commitments and Contingencies**

Related Party Transactions

On March 30, 2007, the College entered into a revocable license agreement with the Foundation for use of a building and related premises located in Attleboro, Massachusetts, to be used for additional classroom and instructional space and such other related purposes consistent with that of a community college. The license, which expired on March 30, 2016, is automatically renewed for one year unless notice is given by either party not less than thirty days prior to the then current-scheduled expiration date. Total costs under this license agreement were approximately \$287,000 and \$284,000 for the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the College had made payments of approximately \$287,000 and \$284,000, respectively, related to this license agreement. The Foundation has a mortgage payable on this property of \$2,571,167 as of June 30, 2020.

During May 2019, the College entered into a lease agreement with the Foundation for use of campus space in New Bedford. Commitments under the agreement are to remit a base annual rental fee for a period of 10 years in monthly installments of approximately \$46,000.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Litigation

A former employee was victorious against the College for a discrimination lawsuit. The original verdict of \$2.5 million was later reduced to \$1 million on appeal. Management, in consultation with legal counsel, believes that the claim will be settled for an amount less than \$1 million. A liability has not been recognized as the College can submit claims to the Commonwealth of Massachusetts' Settlement and Judgement's Fund for payment.

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

Contingency

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

Federal, State, and Private Grants and Contracts

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.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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.

Risk Management

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 14 - **Lease Commitments**

The College has leases for academic space to provide student access in Taunton, New Bedford and Fall River. Total occupancy costs for the years ended June 30, 2020 and 2019 were approximately \$1,649,000 and \$1,163,000, respectively.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Future annual lease payments subsequent to June 30, 2020 are as follows:

Years Ending <u>June 30,</u>	
2021	\$ 680,238
2022	554,176
2023	554,176
2024	554,176
2025	554,176
Thereafter	<u>2,124,341</u>
	<u>\$ 5,021,283</u>

Note 15 - **Operating Expenses**

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

	<u>2020</u>	<u>(Restated)</u> <u>2019</u>
Compensation and benefits	\$ 53,647,370	\$ 53,435,945
Supplies and services	12,143,497	11,697,485
Depreciation	2,826,360	2,601,558
Scholarships and fellowships	6,190,233	5,390,208
	<u>\$ 74,807,460</u>	<u>\$ 73,125,196</u>

Note 16 - **Other Fringe Benefits**

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and postemployment 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.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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.

Group Insurance Commission - continued

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

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

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

Note 17 - **State Appropriation**

	2020	2019
Direct unrestricted appropriations:	\$ 23,492,691	\$ 22,007,102
Add: fringe benefits for benefited employees on the state payroll	8,213,011	7,770,203
Less: day school tuition remitted to the state and included in tuition and fee revenue	(448,323)	(447,577)
Total unrestricted appropriations	31,257,379	29,329,728
Restricted appropriations	481,505	1,502,240
Capital appropriations	19,698,923	4,149,618
Total appropriations	\$ 51,437,807	\$ 34,981,586

Note 18 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth colleges and universities to report activities of campus-based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System ("MMARS") on the statutory basis of accounting. The statutory basis of accounting is a modified accrual basis of accounting and differs from the information included in these financial statements. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

BRISTOL COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2020 and 2019

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

	<u>2020</u>	<u>2019</u>
Revenue per MMARS	\$ 26,089,351	\$ 26,157,792
Revenue per College	<u>27,611,516</u>	<u>27,386,982</u>
Difference	<u>\$ (1,522,165)</u>	<u>\$ (1,229,190)</u>

The difference for the year ended June 30, 2020 relates to a combination of factors including funding by the state for tuition waivers totaling approximately \$530,200 and funding by the College for payroll, facility improvements and other items of approximately \$991,900.

Note 19 - **Subsequent Event**

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

As a result of the COVID-19 crisis and other factors, student enrollment has decreased for the fall 2020 semester.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net Pension Liability (Unaudited)

Year ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.053%	0.077%	0.074%	0.077%	0.104%	0.087%
Proportionate share of the collective net pension liability	\$ 7,813,926	\$ 10,140,807	\$ 9,438,049	\$ 10,561,888	\$ 11,807,041	\$ 6,491,611
College's covered-employee payroll	\$ 4,408,928	\$ 5,950,229	\$ 5,782,451	\$ 5,818,335	\$ 6,250,090	\$ 6,846,015
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	177.23%	170.43%	163.22%	181.53%	188.91%	94.82%
Plan fiduciary net position as a percentage of the total pension liability	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

BRISTOL COMMUNITY COLLEGE
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Schedules of Contributions (Unaudited) - Pension

For the Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 733,040	\$ 531,717	\$ 700,937	\$ 575,354	\$ 550,021	\$ 649,384
Contributions in relation to the contractually required contribution	<u>733,040</u>	<u>531,717</u>	<u>700,937</u>	<u>575,354</u>	<u>550,021</u>	<u>649,384</u>
Contribution excess	<u>\$ -</u>					
Covered-employee payroll	\$ 5,206,250	\$ 4,408,930	\$ 5,950,229	\$ 5,782,451	\$ 5,818,335	\$ 6,250,090
Contribution as a percentage of covered-employee payroll	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

BRISTOL COMMUNITY COLLEGE
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Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2020 and 2019

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

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

The mortality rate assumptions were changed as follows:

- Disabled members – the amount reflects the same assumptions as for 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.

BRISTOL COMMUNITY COLLEGE
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**Notes to the Required Supplementary Information - Pension (Unaudited) -
Continued**

June 30, 2020 and 2019

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

Measurement date – June 30, 2015

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

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

The mortality rates were changed as follows:

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

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

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2020	<u>Restated</u> June 30, 2019	June 30, 2018
Measurement date	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.084%	0.119%	0.105%
Proportionate share of the collective net OPEB liability	\$ 14,730,564	\$ 22,190,029	\$ 18,357,051
College's covered payroll	\$ 4,408,928	\$ 5,950,229	\$ 5,782,451
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.96%	6.01%	5.39%

Notes:

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.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 379,733	\$ 387,725	\$ 530,693
Contributions in relation to the statutorily required contribution	<u>(379,733)</u>	<u>(387,725)</u>	<u>(530,693)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 5,206,250	\$ 4,408,930	\$ 5,950,229
Contribution as a percentage of covered payroll	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.

BRISTOL COMMUNITY COLLEGE
(an Agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - OPEB (Unaudited)

June 30, 2020 and 2019

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%

Change in Trend on Future Costs

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

Change in Discount Rate

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend of Future Costs

The healthcare trend rate decreased from 8.5% to 8.0% which affects 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.

Change in Discount Rate

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

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



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

To the Board of Trustees of
Bristol Community College
Fall River, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bristol Community College (an Agency of the Commonwealth of Massachusetts) (the "College") which comprise the statements of net position as of June 30, 2020, and the related statements of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 7, 2020.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Certified Public Accountants
Braintree, Massachusetts**

December 7, 2020