QUINSIGAMOND
Community College

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September 22, 2020

Dylan Belknap-Lerner
Massachusetts Teachers Association
2 Heritage Drive, 8th & 9th floor
Quincy, MA 02171

RE: Public Records Request

Dear Mr. Belknap-Lerner:

Thank you for your recent Public Records Request. The Massachusetts Public Records Law (M.G.L. Chapter 66 & Chapter 4, Section 7(26)) provides that every person has a right to access public information. This right of access includes the right to inspect or be furnished a copy of any public record within ten (10) business days following the receipt of a request. A state agency is only required to provide records that are in existence and is not required to create a new record based on information in its custody to accommodate a specific request.

Your request, received on September 8, 2020, for "…Quinsigamond's FY19 annual financial statements" has been fulfilled.

The requested information is attached.

Sincerely,

Josh Martin
Director of Institutional Communications/Records Access Officer

QUINSIGAMOND COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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

Financial Statements and Management's Discussion and Analysis

June 30, 2019 and 2018

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O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Quinsigamond Community College
Worcester, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of Quinsigamond Community College (an agency of the Commonwealth of Massachusetts) (the "College"), and its discretely presented component unit, Quinsigamond Community College Foundation (the "Foundation"), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of Quinsigamond Community College as of June 30, 2019 and 2018, and the respective changes in net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis 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 October 9, 2019, 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.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 9, 2019

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

Management's Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Quinsigamond Community College for the fiscal year ended June 30, 2019. Readers are to consider the information presented here in conjunction with the financial statements and notes that follow this section of the report.

Quinsigamond Community College was established in 1963 to provide access to higher education for Central Massachusetts residents. It is one of twenty-four colleges and universities in the Commonwealth of Massachusetts system of public higher education and is accredited by the New England Commission of Higher Education.

For fifty-six years Quinsigamond Community College's flexible admissions policy, low cost, and extensive financial aid program have provided opportunities for a first-class education and personal growth to thousands of area men and women. Quinsigamond Community College provides unique opportunities specifically created to enhance the economic and social well-being of the Greater Worcester/Central Massachusetts region. The trustees, faculty and staff recognize the long term educational requirements of this large urban area and its diverse populations and strive to meet these needs. Quinsigamond graduates can be found throughout Central Massachusetts in responsible positions in business and industry, health and human services, and engineering and technology.

As a two-year degree granting public college, Quinsigamond Community College is governed by a local Board of Trustees in accordance with the policies established by the Commonwealth of Massachusetts Department of Higher Education.

Financial Highlights

The implementation of Governmental Accounting Standards Board ("GASB") Statement 75 in FY18 for the recording of Other Postemployment Benefits ("OPEB") has significantly had an impact on the long-term liabilities as well as the net position of the College. This is a mandate that applies to public employers that provide post-retirement benefits other than pensions to their retirees. GASB 75 is impacting all state universities and community colleges in Massachusetts as well as in the country.

Enrollments were at an approximate 3.8% decrease from the prior year but were in line with a budgeted 3% decrease in enrollment. Enrollment state-wide has been an ongoing issue over the last several years with a decrease projected forward as well. Quinsigamond continues to look for initiatives to stabilize and grow enrollment.

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

Management's Discussion and Analysis (Unaudited)

Overview of the Financial Statements

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

1.) The Financial Statements: The financial statements are designed to provide readers with a broad overview of the College's finances in a manner similar to a private sector college.

> The ***Statements of Net Position*** present information on the College's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the College's financial position is improving or weakening.
>
> The ***Statements of Revenues and 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 giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. expenses are recorded upon receipt of an invoice, regardless of when payment is made).
>
> The ***Statements of Cash Flows*** are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services). The Government Accounting Standards Board ("GASB") Statements 34 and 35 require this method to be used.

2.) Notes to the financial statements: The notes provide additional information essential to a full understanding of the data provided in the financial statements.

Quinsigamond Community College reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. Quinsigamond Community College is a component unit of the Commonwealth of Massachusetts. Therefore, the result 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.

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

Management's Discussion and Analysis (Unaudited)

Financial Analysis of the College as a Whole

Schedules of Net Position

As noted earlier, net position, over time, may serve as a useful indicator of Quinsigamond Community College's financial position. For the period ended June 30, 2019, assets and deferred outflows exceeded liabilities and deferred inflows by $21.8 million. This represents an increase in net position of 21% from the prior year.

The following schedule is prepared from the College's statements of net position.

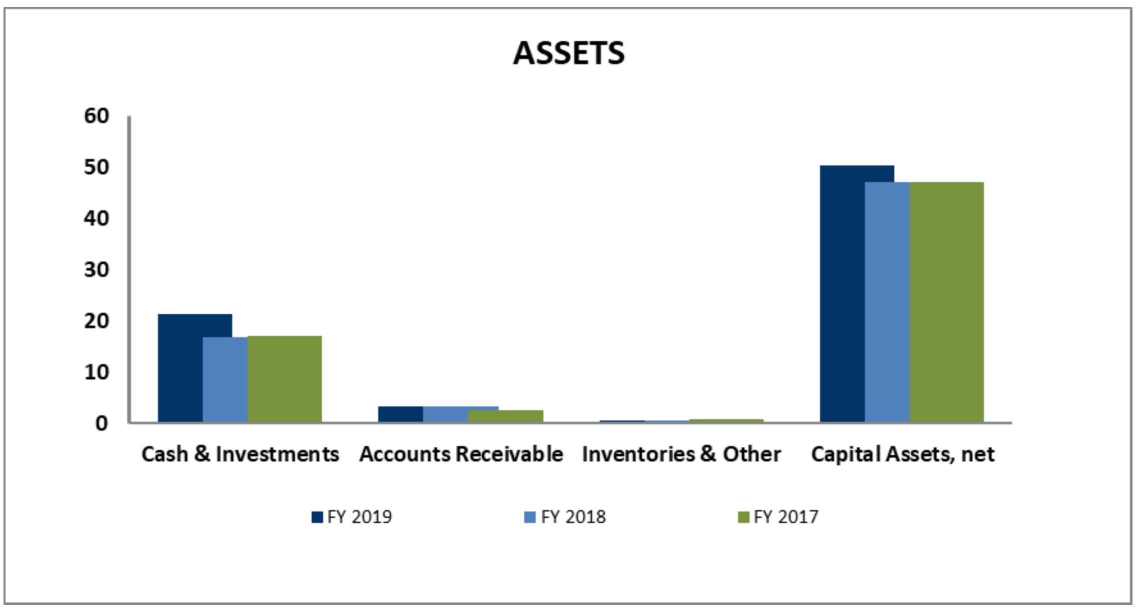
Schedules of Net Position
as of June 30,
(in millions)

	2019	2018	2017
Current assets	**$ 25.25**	$ 20.63	$ 20.39
Non-current assets	**0.01**	0.01	0.01
Capital assets, net of depreciation	**50.37**	47.14	47.04
Deferred outflow of resources	**9.53**	4.06	5.37
Total Assets and Deferred Outflows	**85.16**	71.84	72.81
Current liabilities	**12.40**	10.32	10.20
Non-current liabilities	**40.04**	37.22	41.84
Deferred inflows of resources	**10.41**	6.30	2.89
Total Liabilities and Deferred Inflows	**62.85**	53.84	54.93
Net Position:			
Investment in capital assets	**49.62**	46.22	45.95
Restricted	**0.31**	0.30	0.29
Unrestricted	**(27.62)**	(28.52)	(28.36)
Total Net Position	**22.31**	18.00	17.88
Total Liabilities and Net Position	**$ 85.16**	$ 71.84	$ 72.81

Financial Analysis of the College as a Whole - Continued

Schedules of Net Position - Continued

The largest portion of the College's net position reflect its Investment in Capital Assets (e.g. land, buildings, machinery, and equipment), less any related debt, including capital leases used to acquire those assets. The Restricted portion of the net position represents scholarships that are subject to restrictions on how they must be used. The unrestricted portion of the net position represents that net position that is available to meet the day-to-day operations of the College. With the recording of the pension and OPEB liabilities, those numbers have changed drastically over the years.

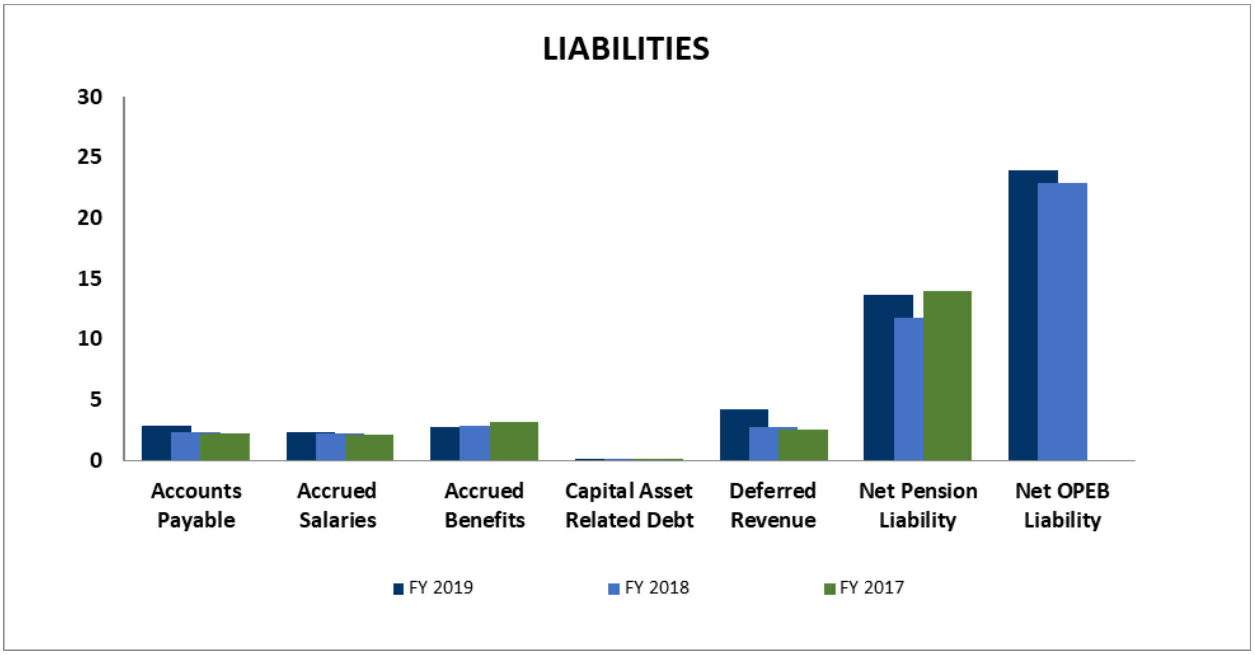


The College's total assets were increased 11.57% due primarily to funding through the state appropriation for capital projects on campus through DCAMM that will continue through FY20.

The College's total liabilities increased by approximately 10.31%, largely due to increases in both the pension and OPEB liabilities. Additionally, student deposits and unearned revenue increased, in total, by $1.4M due to deferred maintenance funding through DCAMM. These funds will be moved and expensed in FY20.

Financial Analysis of the College as a Whole - Continued

Schedules of Net Position - Continued



Financial Analysis of the College as a Whole - Continued

Schedules of Revenues, Expenses, and Changes in Net Position

The following schedules are prepared from the College's Statements of Revenues, Expenses and Changes in Net Position, which are presented on an accrual basis. Revenues and expenses are recorded, when either earned or incurred, regardless of when cash is received or paid. This schedule represents the results of the College's operations.

Operating Results
Years ended June 30,
(in millions)

	2019	2018	2017
Operating Revenue:			
Tuition and fees net of scholarships and fellowships	**$ 19.02**	$ 21.01	$ 22.26
Grants and contracts	**21.95**	21.38	20.26
Auxiliary	**-**	0.06	2.37
Other	**1.63**	1.91	1.90
Total	**42.60**	44.36	46.79
Less operating expenses	**72.89**	74.27	75.11
Net operating loss	**(30.29)**	(29.91)	(28.32)
Non-operating Revenue:			
State appropriations	**30.11**	28.35	28.06
Capital appropriations	**4.36**	1.61	1.38
Other non-operating revenue	**0.12**	0.07	0.03
Total	**34.59**	30.03	29.47
Increase in Net Position	**$ 4.30**	$ 0.12	$ 1.15

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

Management's Discussion and Analysis (Unaudited)

Financial Analysis of the College as a Whole - Continued

Schedules of Revenues, Expenses, and Changes in Net Position - Continued

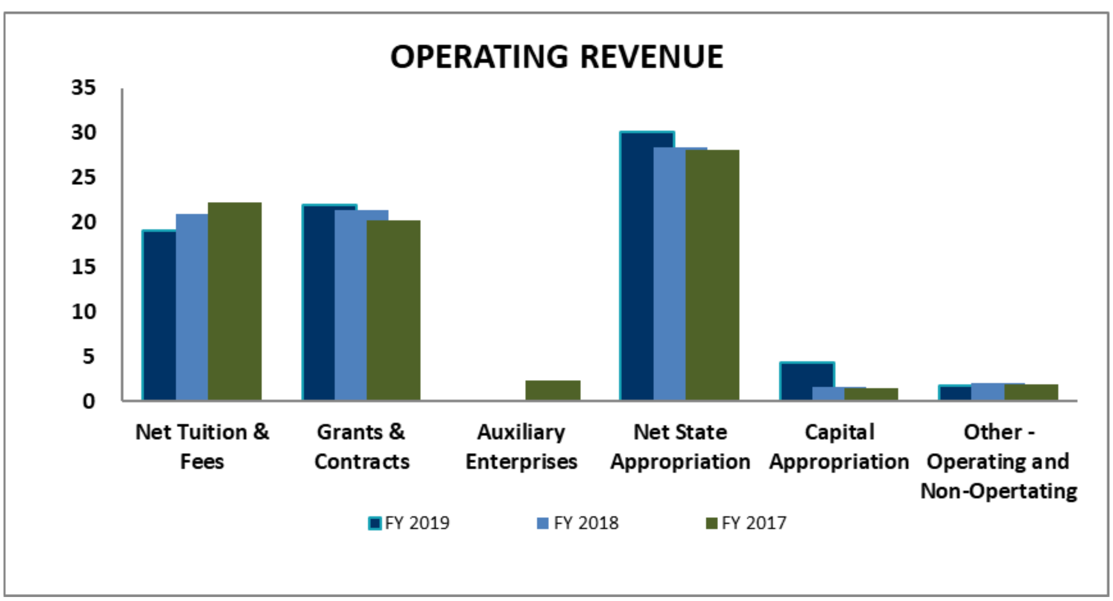
The College's operating revenue is primarily comprised of State appropriations, tuition and fees (less scholarships and fellowships), and grants and contracts (including financial aid). The College will continue to aggressively seek funding to support its operation consistent with its mission, as well as to continue to make prudent use of its financial resources for funding its operating activities.

Loss from Operations

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Department of Higher Education presets tuition. The College sets fees and other charges. State appropriations to the College attempt to make up the loss from operations not made up by tuition and fees. The Department of Higher Education and the Commonwealth of Massachusetts have worked diligently with the community colleges over the last few years to increase the base funding appropriations and review the collective bargaining funding. The College approves budgets to mitigate losses after Commonwealth appropriations by balancing educational and operational needs with tuition and fee revenue.

Revenues

The following is a graphic illustration of the College's revenues by source, which are used to fund the College's activities.



QUINSIGAMOND COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited)

Financial Analysis of the College as a Whole - Continued

Revenues - continued

Highlights of the revenue activity for the year include:

- Total revenue, including operating and non-operating, increased by $2.8 million or 3.76% from FY 2018 to FY 2019;
- Tuition and fees revenue has decreased by $2.0 million or 9.47%; and
- Total grants and contracts revenue increased by $0.57 million or 2.67% from FY 2018.

Operating Expenses

Operating expenses can be displayed in two formats, natural classification or functional classification. Both formats are included.

The following is a summary of the College's expenses using the *Natural Classification Format*:

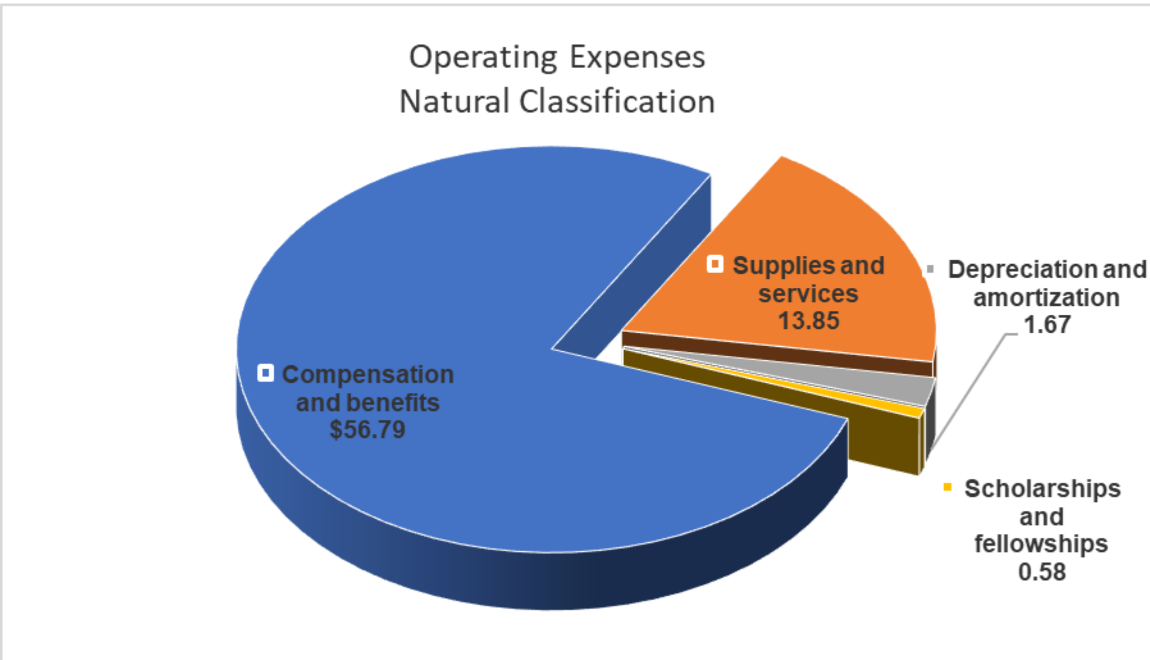
	2019	2018	2017
Compensation and benefits	**$ 56.79**	$ 55.89	$ 55.11
Supplies and services	**13.85**	15.76	17.43
Depreciation and amortization	**1.67**	1.65	1.71
Scholarships and fellowships	**0.58**	0.95	0.86
Total operating expenses	**$ 72.89**	$ 74.27	$ 75.11

Total operating expenditures decreased from $74.27 million to $72.89 million, a decrease of approximately $1.38 million. Using the natural classification format, the decrease is largely due to a decrease in supplies and services which decreased by $1.91 million or 12.12%. Additionally, there was an increase in compensation and benefits of $0.9 million or 1.61%, largely due to the pension and OPEB activity that effected expenses.

Financial Analysis of the College as a Whole - Continued

Operating Expenses - continued

The following is a graphic representation of operating expenses using the *Natural Classification Format:*



Natural classifications of expenditures are useful for budgeting and analyzing the operational aspect of a college, whereas functional classifications are more useful when comparing institutions of higher education.

When looking at expenditures classified according to the Functional Classification Format, it is useful to note that instruction-related costs account for 58.6% of total expenditures which is consistent with FY 2018. The distribution of functional expenditures has remained relatively consistent over the past three-year time period with the exception of auxiliary enterprises as they have transitioned over to outside vendors.

QUINSIGAMOND COMMUNITY COLLEGE
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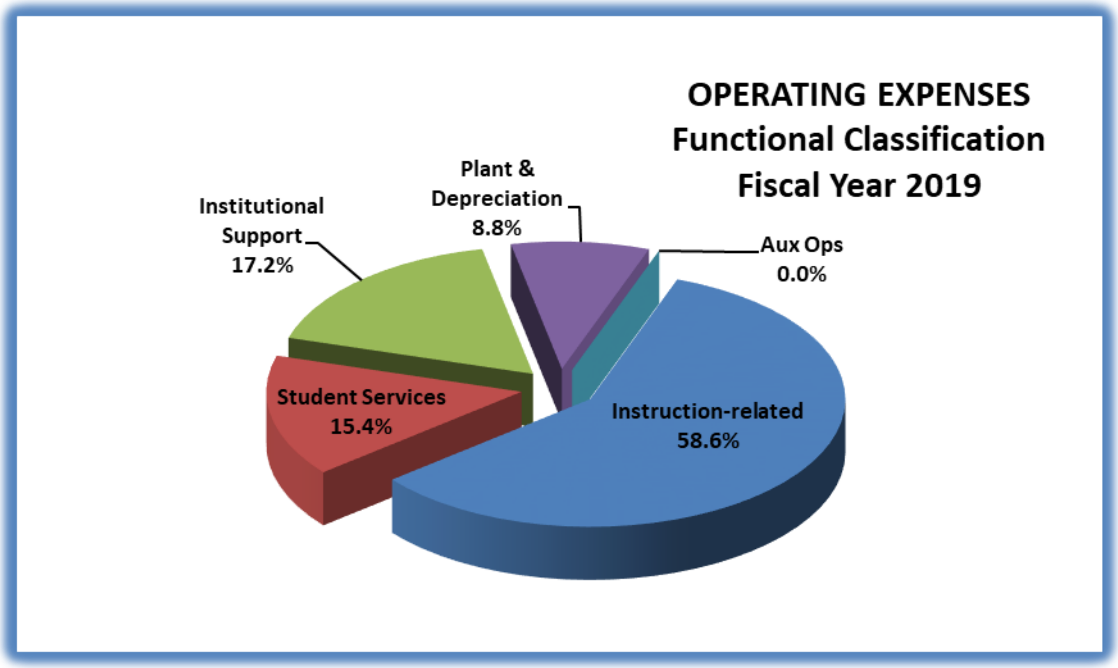
Management's Discussion and Analysis (Unaudited)

Financial Analysis of the College as a Whole - Continued

Operating Expenses - Continued



The following is a summary of the College's expenses using the *Functional Classification Format*.

Functional Expenses

	2019	2018	2017
Instruction	**$ 36.91**	$ 35.56	$ 35.16
Scholarships and fellowships	**0.58**	0.95	0.86
Academic support	**5.24**	5.52	5.13
Student services	**11.26**	12.12	11.77
Institutional support	**12.53**	13.26	13.08
Public service	**0.02**	0.03	0.10
Operation & maintenance of plant	**4.68**	5.00	5.09
Depreciation	**1.67**	1.66	1.71
Auxiliary enterprises	**-**	0.17	2.21
Total operating expenses	**$ 72.89**	$ 74.27	$ 75.11

QUINSIGAMOND COMMUNITY COLLEGE
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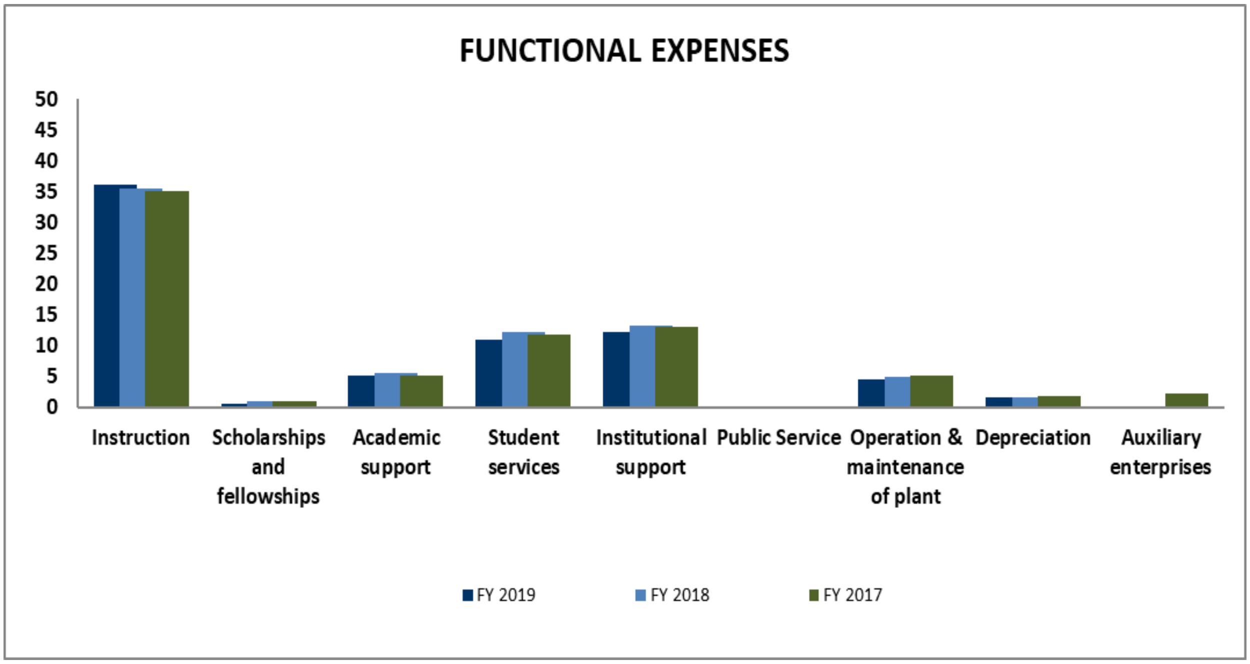
Management's Discussion and Analysis (Unaudited)

Financial Analysis of the College as a Whole - Continued

Operating Expenses - Continued



Capital Asset and Debt Administration

Capital Assets

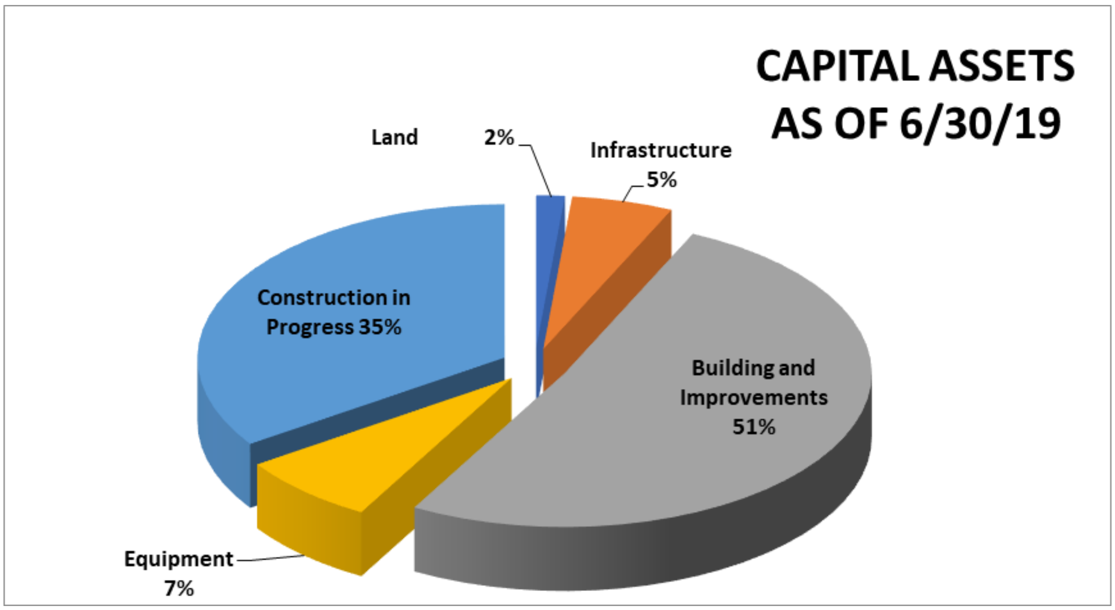
As of June 30, 2019, Quinsigamond Community College had $50.37 million invested in capital assets, net of related debt. This investment in capital assets includes land, buildings (including improvements and construction in progress), furnishings and equipment (including the cost of capital leases) and books. Depreciation charges for these capital assets totaled $1.67 million, while additions totaled $4.68 million for the current fiscal year.

The College records capital assets under *Generally Accepted Accounting Principles*, whereby assets are recorded at their historical cost and depreciated over the useful life of the asset. In the case of land and buildings, these historical costs may vary significantly from their current fair market value.

Capital Asset and Debt Administration - Continued

Capital Assets - Continued

The following chart details the capital assets:



All capital asset purchases are pre-approved by the Board of Trustees and are included in the College's capital spending plan submitted to the Board of Higher Education and the Commonwealth's Fiscal Affairs Division. Additional information about Quinsigamond Community College's capital assets can be found in Note 6 of this report.

Long-Term Liabilities

At June 30, 2019, the College had $40.04 million in outstanding long-term liabilities which has increased from FY 2018, largely due to the pension and OPEB long-term liabilities which are out of the College's control. The College has been diligent about decreasing long-term liabilities with no long-term capital lease obligations for a second consecutive year. The long-term portion of the bonds payable decreased to $573,791 as of June 30, 2019. Accrued compensation and benefits have slightly increased to $1.87 million, an increase of $32,159 or 1.8% from FY2018.

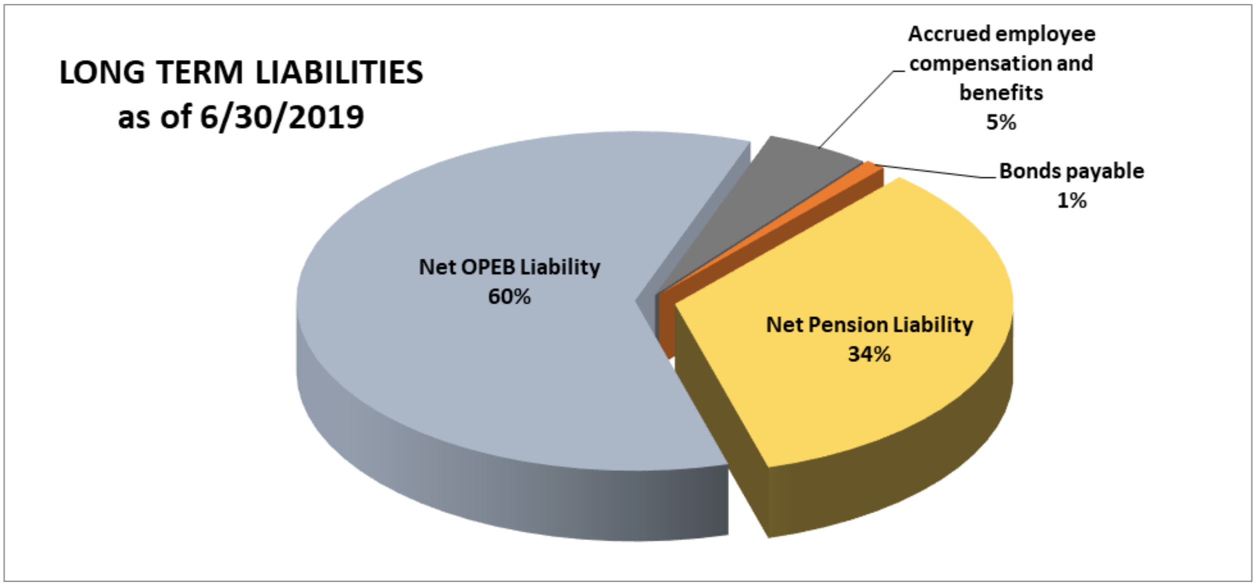
QUINSIGAMOND COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Capital Asset and Debt Administration - Continued

Long-Term Liabilities - continued

The chart below illustrates long-term liabilities by type of debt instrument:



Economic Factors that Will Affect the Future

Statewide Concerns

The Commonwealth of Massachusetts, as well as the nation continues to struggle with economic challenges. The College will continue its prudent use of financial resources and pursue other revenue sources, such as Federal, State and Local Grants and donations.

Regional Concerns

Enrollment at 2-year institutions nationwide has seen a decrease as have 4-year colleges. The Worcester trend is no different than the national trend. Quinsigamond Community College continues to position itself to adapt to changes by developing programs, services, and policies for the College that seek to reduce social, psychological, geographic and financial barriers to college attendance.

Economic Factors that Will Affect the Future - Continued

Regional Concerns - continued

Quinsigamond Community College has expanded its programs geographically. In addition to offering programs at our main campus on West Boylston Street in Worcester, the College also provides programs at the following locations: Southbridge, Massachusetts; the Worcester Senior Center; Burncoat High School; Worcester Vocational-Technical High School; Assabet Valley High School in Marlborough; and the Healthcare and Workforce Development Center in Downtown Worcester.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in Quinsigamond Community College's finances. Questions concerning the information provided in this report, or requests for additional financial information, should be addressed to Stephen Marini, COO/CFO and Vice President of Administrative Services, Quinsigamond Community College, 670 West Boylston Street, Worcester, MA, 01606.

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

Statements of Net Position

June 30, 2019 and 2018

QUINSIGAMOND 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	
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Current Assets:				
Cash and equivalents	**$ 16,884,044**	$ 14,176,803	**$ 481,654**	$ 389,129
Deposits held by State Treasurer	**1,805,796**	2,111,987	-	-
Cash held by State Treasurer	**2,618,591**	558,046	-	-
Accounts and grants receivable, net	**3,329,705**	3,217,252	-	-
Contributions receivable, current portion	**-**	-	**55,840**	82,530
Inventory and other current assets	**608,722**	566,470	**-**	-
Total Current Assets	**25,246,858**	20,630,558	**537,494**	471,659
Non-Current Assets:				
Capital assets, net	**50,365,760**	47,139,545	-	-
Contributions receivable, non-current portion	**-**	-	**15,000**	56,960
Beneficial interest in assets held by others	**-**	-	**4,005,790**	3,873,788
Other assets	**7,366**	8,961	**36,290**	36,290
Total Non-Current Assets	**50,373,126**	47,148,506	**4,057,080**	3,967,038
Total Assets	**75,619,984**	67,779,064	**4,594,574**	4,438,697
Deferred Outflows of Resources:				
Deferred outflows related to pension plan	**3,926,042**	3,299,717	-	-
Deferred outflows related to OPEB	**5,610,673**	761,758	**-**	-
Total Deferred Outflows of Resources	**9,536,715**	4,061,475	**-**	-
Total Assets and Deferred Outflows of Resources	**$ 85,156,699**	$ 71,840,539	**$ 4,594,574**	$ 4,438,697

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Current Liabilities:				
Accounts payable	**$ 2,888,644**	$ 2,365,505	**$ 3,332**	$ 2,299
Accrued salaries and wages	**2,324,372**	2,177,880	**-**	-
Accrued compensated absences	**2,628,535**	2,691,612	**-**	-
Accrued workers' compensation	**154,605**	162,489	**-**	-
Current portion of bonds payable	**169,930**	160,297	**-**	-
Current portion of capital lease obligations	**-**	15,954	**-**	-
Student deposits and unearned revenues	**4,014,896**	2,577,302	**-**	-
Funds held for others	**217,657**	168,331	**-**	-
Total Current Liabilities	**12,398,639**	10,319,370	**3,332**	2,299
Non-Current Liabilities:				
Accrued compensated absences	**1,310,912**	1,232,642	**-**	-
Accrued workers' compensation	**557,859**	603,970	**-**	-
Bonds payable	**573,791**	743,819	**-**	-
Net pension liability	**13,641,190**	11,762,761	**-**	-
Net OPEB liability	**23,960,277**	22,878,618	**-**	-
Total Non-Current Liabilities	**40,044,029**	37,221,810	**-**	-
Total Liabilities	**52,442,668**	47,541,180	**3,332**	2,299
Deferred Inflows of Resources:				
Deferred inflows related to pension plan	**2,830,388**	3,477,085	**-**	-
Deferred inflows related to OPEB	**7,578,374**	2,819,271	**-**	-
Total Deferred Inflows of Resources	**10,408,762**	6,296,356	**-**	-
Total Liabilities and Deferred Inflows of Resources	**62,851,430**	53,837,536	**3,332**	2,299
Net Position:				
Net investment in capital assets	**49,622,039**	46,219,475	**-**	-
Restricted:				
Expendable	**303,176**	296,429	**2,955,994**	2,869,126
Nonexpendable	**-**	-	**585,572**	473,714
Unrestricted	**(27,619,946)**	(28,512,901)	**1,049,676**	1,093,558
Total Net Position	**22,305,269**	18,003,003	**4,591,242**	4,436,398
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 85,156,699**	$ 71,840,539	**$ 4,594,574**	$ 4,438,697

QUINSIGAMOND COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Operating Revenues:				
Tuition and fees	**$ 38,661,220**	$ 39,571,346	**$ -**	$ -
Less: scholarships and fellowships	**(19,641,514)**	(18,564,096)	**-**	-
Net tuition and fees	**19,019,706**	21,007,250	-	-
Federal grants and contracts	**15,392,417**	16,096,376	-	-
State grants and contracts	**6,181,066**	4,543,745	-	-
Private grants and contracts	**377,826**	740,284	-	-
Auxiliary enterprises	-	62,753	-	-
Gifts and contributions	**215,596**	387,532	**458,754**	349,031
Other income	**1,411,943**	1,526,343	**-**	-
Total Operating Revenues	**42,598,554**	44,364,283	**458,754**	349,031
Operating Expenses:				
Educational and general:				
Instruction	**36,905,953**	35,559,244	-	-
Scholarship and fellowships	**575,414**	949,355	-	-
Academic support	**5,233,919**	5,522,120	-	-
Student services	**11,259,398**	12,117,006	-	-
Institutional support	**12,533,518**	13,259,585	**124,533**	166,508
Public service	**24,537**	32,446	-	-
Operation and maintenance of plant	**4,682,112**	5,004,140	-	-
Depreciation	**1,670,390**	1,653,231	-	-
Gifts and contributions	**-**	-	**300,541**	371,766
Auxiliary enterprises	**-**	174,131	**-**	-
Total Operating Expenses	**72,885,241**	74,271,258	**425,074**	538,274
Operating Income (Loss)	**(30,286,687)**	(29,906,975)	**33,680**	(189,243)
Non-Operating Revenues (Expenses):				
State appropriations, net	**30,013,455**	28,299,318	-	-
Restricted state appropriations	**93,648**	50,000	-	-
Investment income	**153,034**	95,612	**121,164**	240,650
Interest expense	**(29,680)**	(26,110)	**-**	-
Net Non-Operating Revenues	**30,230,457**	28,418,820	**121,164**	240,650
Change in Net Position before Capital Appropriations	**(56,230)**	(1,488,155)	**154,844**	51,407
Capital appropriations	**4,358,496**	1,609,056	**-**	-
Change in Net Position	**4,302,266**	120,901	**154,844**	51,407
Net Position, Beginning of Year	**18,003,003**	17,882,102	**4,436,398**	4,384,991
Net Position, End of Year	**$ 22,305,269**	$ 18,003,003	**$ 4,591,242**	$ 4,436,398

See accompanying notes to the financial statements.

QUINSIGAMOND COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	2019	2018
Cash Flows from Operating Activities:		
Tuition and fees	**$ 17,888,113**	$ 21,219,003
Grants and contracts	**22,670,389**	20,471,076
Payments to employees	**(46,963,408)**	(48,120,262)
Payments to suppliers and vendors	**(13,370,580)**	(15,306,203)
Scholarships and fellowships	**(575,414)**	(949,355)
Auxiliary enterprises expenses	**-**	(174,131)
Auxiliary enterprises revenues	**-**	62,753
Other income	**1,627,539**	1,913,875
Net Cash Applied to Operating Activities	**(18,723,361)**	(20,883,244)
Cash Flows from Non-Capital Financing Activity:		
State appropriations	**21,989,080**	20,638,467
Cash Flows from Capital Financing Activities:		
Capital appropriations	**2,405,088**	463,400
Purchases of capital assets	**(1,156,217)**	(278,863)
Principal paid on bond payable	**(160,395)**	(151,310)
Principal paid on capital leases	**(15,954)**	(14,979)
Interest paid on bond and capital leases	**(29,680)**	(26,110)
Net Cash Provided by (Applied to) Capital Financing Activities	**1,042,842**	(7,862)
Cash Flows from Investing Activity:		
Investment income	**153,034**	95,612
Net Increase (Decrease) in Cash and Equivalents	**4,461,595**	(157,027)
Cash and Equivalents, Beginning of the Year	**16,846,836**	17,003,863
Cash and Equivalents, End of the Year	**$ 21,308,431**	$ 16,846,836

QUINSIGAMOND COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2019	2018
Reconciliation of Net Operating Loss to		
Net Cash Applied to Operating Activities:		
Net operating loss	**$ (30,286,687)**	$ (29,906,975)
Adjustments to reconcile net operating loss to net cash		
applied to operating activities:		
Depreciation and amortization	**1,670,390**	1,653,231
Bad debts	**(115,100)**	65,630
Fringe benefits provided by the State	**8,118,023**	7,710,851
Changes in assets and liabilities:		
Accounts receivable	**2,647**	(620,923)
Inventories and other assets	**(40,657)**	165,700
Accounts payable	**523,139**	113,815
Accrued salaries and wages	**146,492**	110,250
Accrued compensated absences	**15,193**	(327,492)
Accrued workers' compensation	**(53,995)**	(159,927)
Student deposits and unearned revenues	**(349,386)**	(130,145)
Net pension activity	**605,407**	(149,906)
Net OPEB activity	**991,847**	604,786
Funds held for others	**49,326**	(12,139)
Net Cash Applied to Operating Activities	**$ (18,723,361)**	$ (20,883,244)
Non-Cash Transactions:		
Capital assets acquired through capital appropriations	**$ 3,740,388**	$ 1,476,955
Fringe benefits provided by the State	**$ 8,118,023**	$ 7,710,851
Cash and Equivalents, End of Year:		
Cash and equivalents	**$ 16,884,044**	$ 14,176,803
Deposits held by State Treasurer	**1,805,796**	2,111,987
Cash held by State Treasurer	**2,618,591**	558,046
Total	**$ 21,308,431**	$ 16,846,836

See accompanying notes to the financial statements.

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

Notes to the Financial Statements

June 30, 2019 and 2018

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

Organization
Quinsigamond Community College (the "College") is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. The College's primary campus is located in Worcester, Massachusetts and provides instruction and training in a variety of liberal arts, allied health and business fields of study. The College also offers, through the Division of Continuing Education, credit and non-credit courses, as well as community service programs. The College is accredited by the New England Commission of Higher Education.

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

The Quinsigamond Community College Foundation, Inc. (the "Foundation"), an agency of the College, was formed in 1985 to render financial assistance and to support the educational programs and development of the College. The Foundation is legally separate from the College, and the College is not financially accountable for the Foundation. The Foundation has been included within these financial statements because of the nature and significance of its relationship with the College. The complete financial statements can be obtained from the Foundation's administrative office in Worcester, Massachusetts.

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

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

The College's policies for defining operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities.* These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, and interest expense.

Net Position

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

> Investment in capital assets, net: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.
>
> Restricted - nonexpendable: Net position subject to externally imposed conditions such 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 assets may be designated by actions of the College's Board of Trustees.

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

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

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

Investments
Investments in marketable securities are stated at fair value. The College has no donor-restricted endowments at June 30, 2019 and 2018.

Capital Assets
Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than $50,000 are capitalized. The College's capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 25 years. The College does not hold collections of historical treasure, works of art or other items not requiring capitalization or depreciation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed as incurred. Additionally, certain of the College's capital appropriations are used for normal maintenance and repairs and are expensed as incurred.

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.

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

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, 2019 and 2018. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2019 and 2018. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Student Deposits and Unearned Revenues
Student deposits and unearned revenues consist primarily of deposits and advance payments received for tuition and fees related to certain summer programs, and the following academic year, and are recorded as revenues when earned.

Student Fees
Student tuition and fees are presented net of scholarships and fellowships. Certain other scholarships are paid directly to the student and are generally reflected as expenses.

Tax Status
The College is a component unit of the Commonwealth of Massachusetts and is therefore generally exempt from income taxes under Section 115 of the Internal Revenue Code.

Use of Estimates

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

Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, and determining the net pension and OPEB liabilities.

New Governmental Accounting Pronouncements

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

GASB Statement 87 – *Leases* is effective for periods beginning after December 15, 2019. Implementation of this standard will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources.

It provides for an election on leases with terms of less than twelve months to be excluded from this Standard. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management is in the process of evaluating this standard and has not yet determined its impact, if any, on the financial statements.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2018. 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. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issues conduit debt, but is not the obligor, 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.

<u>*Reclassification*</u>
Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation, however, there was no change to the net position.

Note 2 - **Cash and Equivalents**

Custodial credit risk is the risk that in the event of a financial institutions failure, the College would not be able to recover its deposits in full. The College periodically maintains cash balances in excess of the Federal Deposit Insurance Corporation ("FDIC") insurable limits. The standard FDIC insurance amount is $250,000 per depositor, per insured bank, for each ownership category.

Management monitors the financial condition of banking institutions, along with its cash balances, to keep this potential risk to a minimum. At June 30, 2019 and 2018, the carrying amount of the College's deposits, net of deposits and disbursements in transit, were $16,884,044 and $14,176,803, respectively. At June 30, 2019 and 2018, uninsured cash at bank balances in excess of FDIC limits were $17,426,451 and $14,584,228, respectively.

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool for cities, towns and other state and local agencies within the Commonwealth. MMDT operates as a Rule 2a-7-like pool and is valued by MMDT's management on amortized cost where the net asset value is $1 per share. At June 30, 2019 and 2018, the College has $6,250,158 and $6,097,773, respectively, invested with MMDT and is included within cash and equivalents. MMDT is not subject to FDIC or any other insurance.

Note 3 - **Cash Held By State Treasurer**

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $2,618,591 and $558,046 at June 30, 2019 and 2018, 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 utilized to pay for such liabilities.

Note 4 - **Beneficial Interest in Assets Held by Others**

The Foundation has a formal agreement with the Greater Worcester Community Foundation, Inc. ("GWCF") for the management of its investment portfolio. Under the terms of the agency agreement with GWCF, the transfer of funds is irrevocable and grants GWCF with variance power over the use of the assets. GWCF may modify any recommendation or condition from a fund for any specified charitable purpose or to any specified charitable organization if, in the sole judgement of GWCF, such recommendation or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. GWCF will confer with the Foundation for the purpose of remaining aligned with the original intent of the Foundation and its donors.

Note 5 - **Accounts and Grants Receivable, net**

Accounts and grants receivable are comprised of the following at June 30,:

	2019	2018
Student accounts receivable	**$ 3,108,077**	$ 2,788,745
Grants receivable	**845,097**	1,402,525
Other receivables	**654,195**	425,245
	4,607,369	4,616,515
Less: allowance for doubtful accounts	**(1,277,664)**	(1,399,263)
	$ 3,329,705	$ 3,217,252

Note 6 - **Capital Assets**

Capital assets activity for the year ended June 30, 2019 is as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	$ 1,270,349	$ -	$ -	$ -	$ 1,270,349
Construction-in-progress	-	24,400,564	4,684,613	-	-	29,085,177
Total		25,670,913	4,684,613	-	-	30,355,526
Capital assets, depreciable:						
Buildings, including improvements	25	47,746,778	-	-	-	47,746,778
Furnishings and equipment (including the cost of capital leases)	5	6,041,580	211,992	23,218	-	6,230,354
Total		53,788,358	211,992	23,218	-	53,977,132
Less accumulated depreciation:						
Buildings, including improvements		26,582,697	1,497,205	-	-	28,079,902
Furnishings and equipment		5,737,029	173,185	23,218	-	5,886,996
Total accumulated depreciation		32,319,726	1,670,390	23,218	-	33,966,898
Depreciable assets, net		21,468,632	(1,458,398)	-	-	20,010,234
Capital Assets, Net		$ 47,139,545	$ 3,226,215	$ -	$ -	$ 50,365,760

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

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Capital assets activity for the year ended June 30, 2018 is as follows:

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	$ 1,270,349	$ -	$ -	$ -	$ 1,270,349
Construction-in-progress	-	23,673,109	1,755,818	-	(1,028,363)	24,400,564
Total		24,943,458	1,755,818	-	(1,028,363)	25,670,913
Capital assets, depreciable:						
Buildings, including improvements	25	46,718,415	-	-	1,028,363	47,746,778
Furnishings and equipment (including the cost of capital leases)	5	6,176,163	-	134,583	-	6,041,580
Total		52,894,578	-	134,583	1,028,363	53,788,358
Less accumulated depreciation:						
Buildings, including improvements		25,114,074	1,468,623	-	-	26,582,697
Furnishings and equipment		5,687,004	184,608	134,583	-	5,737,029
Total accumulated depreciation		30,801,078	1,653,231	134,583	-	32,319,726
Depreciable assets, net		22,093,500	(1,653,231)	-	1,028,363	21,468,632
Capital Assets, Net		$ 47,036,958	$ 102,587	$ -	$ -	$ 47,139,545

Note 7 - **Long-Term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other long-term liabilities:					
Compensated absences	**$ 3,924,254**	**$ 15,193**	**$ -**	**$ 3,939,447**	**$ 2,628,535**
Workers' compensation	**766,459**	**-**	**53,995**	**712,464**	**154,605**
Net pension liability	**11,762,761**	**1,878,429**	**-**	**13,641,190**	**-**
Net OPEB liability	**22,878,618**	**1,081,659**	**-**	**23,960,277**	**-**
Total other long-term liabilities	**39,332,092**	**2,975,281**	**53,995**	**42,253,378**	**2,783,140**
Leases and bonds payable:					
Bonds payable	**904,116**	**-**	**160,395**	**743,721**	**169,930**
Lease obligations	**15,954**	**-**	**15,954**	**-**	**-**
Total	**$ 40,252,162**	**$ 2,975,281**	**$ 230,344**	**$ 42,997,099**	**$ 2,953,070**

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Other long-term liabilities:					
Compensated absences	$ 4,251,746	$ -	$ 327,492	$ 3,924,254	$ 2,691,612
Workers' compensation	926,386	-	159,927	766,459	162,489
Net pension liability	13,998,922	5,611,786	7,847,947	11,762,761	-
Net OPEB liability	24,907,283	-	2,028,665	22,878,618	-
Total other long-term liabilities	44,084,337	5,611,786	10,364,031	39,332,092	2,854,101
Leases and bonds payable:					
Bonds payable	1,055,426	-	151,310	904,116	160,297
Lease obligations	30,933	-	14,979	15,954	15,954
Total	$ 45,170,696	$ 5,611,786	$ 10,530,320	$ 40,252,162	$ 3,030,352

Bonds Payable
In May 2008, the College issued $2,147,618 in revenue bonds issue Series M-4 through the Massachusetts Health and Educational Facilities Authority ("HEFA") to refinance Series J-5 bonds previously issued by the College. The Series M-4 bonds are payable in annual installments over the next four years with principal amounts ranging between approximately $170,000 and $202,000.

Interest is payable the first business day of every month at a predetermined varying rate (0.68% and 0.31% as of June 30, 2019 and 2018, respectively) above a basis of 1.25%.

Remaining principal and interest payments for the years subsequent to June 30, 2019, on bonds payable are as follows:

Years Ending June 30,	Principal	Interest
2020	$ 169,930	$ 1,614
2021	180,230	1,245
2022	191,044	854
2023	202,517	439
	$ 743,721	$ 4,152

Lease Obligations
The College leased a vehicle with interest at 6.50% that expired in June 2019, at which time the College purchased the vehicle. Property held under the capital lease as of June 30, consists of:

	2019	2018
Vehicle	**$ 47,924**	$ 47,924
Less: accumulated depreciation	**14,377**	9,585
	$ 33,547	$ 38,339

Note 8 - Restricted Net Position

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. At June 30, 2019 and 2018, all restricted expendable net positions are for scholarships and fellowships and amount to $303,176 and $296,429, respectively.

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

	2019	2018
Furnishings and fixtures	**$ 145,563**	$ 193,005
Scholarships	**866,277**	755,566
New building/renovations	**421,523**	421,523
Federal term endowment (Title III)	**541,309**	509,318
Technology upgrading	**356,504**	356,504
Book acquisitions	**343,245**	343,245
Academic and faculty support	**281,573**	289,965
Total	**$ 2,955,994**	$ 2,869,126

Note 9 - Contingencies

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 expenditure resulting from such audits becomes a liability of the College. In the opinion of management, such adjustments, if any, are not expected to materially affect the financial condition of the College.

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). This Program allows individuals to pay in advance for future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2%.

The College is obligated to accept as payment of tuition, the amount determined by the Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of the program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the College.

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability 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 10 - Operating Expenses

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

	2019	2018
Compensation and benefits	**$ 56,786,375**	$ 55,908,818
Supplies and services	**13,853,062**	15,759,854
Depreciation and amortization	**1,670,390**	1,653,231
Scholarships and fellowships	**575,414**	949,355
	$ 72,885,241	$ 74,271,258

Note 11 - **Operating Leases**

The College leases office equipment and building and parking space under lease agreements that expire at various times through August 2024. The agreements require annual lease payments as follows:

Years Ending June 30,	Amount
2020	$ 2,305,056
2021	1,858,199
2022	1,763,968
2023	1,722,058
2024	1,719,579
Thereafter	284,380
	$ 9,653,240

Note 12 - **Pensions**

Defined-Benefit Plan Description

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

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

Benefit Provisions

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

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

Contributions

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

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

Hire Date	Percent of Compensation
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 compenation in excess of $30,000

The Commonwealth does not require the College to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $2,806,058, $2,605,675 and $2,778,057 for the years ended June 30, 2019, 2018 and 2017, 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 12.06%, 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2019, 2018 and 2017, respectively. The College contributed $636,429, $942,885 and $717,071 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 50%, 52% and 51% of total related payroll for fiscal years ended 2019, 2018 and 2017, respectively.

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

At June 30, 2019 and 2018, the College reported a liability of $13,641,190 and $11,762,761, respectively, for its proportionate share of the net pension liability related to its participation in SERS.

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 net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2019 and 2018, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal years. At June 30, 2019 and 2018, the College's proportion was 0.10% and 0.09%, respectively.

For the years ended June 30, 2019 and 2018, the College recognized pension expense of $1,241,838 and $792,978, respectively.

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

Deferred Outflows of Resources Related to Pension

	2019	2018
Contributions subsequent to the measurement date	**$ 636,429**	$ 942,885
Change in plan actuarial assumptions	**1,382,450**	1,224,095
Differences between expected and actual experience	**432,583**	454,796
Changes in proportion - Commonwealth	**36,793**	40,288
Changes in proportion - internal	**1,437,787**	637,653
Total	**$ 3,926,042**	$ 3,299,717

Deferred Inflows of Resources Related to Pension

	2019	2018
Differences between projected and actual earnings on pension plan investments	**$ 474,154**	$ 140,153
Differences between expected and actual experience	**278,008**	320,035
Changes in proportion - Commonwealth	**2,593**	4,193
Changes in proportion - internal	**2,075,633**	3,012,704
Total	**$ 2,830,388**	$ 3,477,085

The College's contributions of $636,429 and $942,885 made during the fiscal years ending 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending June 30,	
2020	$ 701,369
2021	237,354
2022	(351,590)
2023	(128,050)
2024	142
	$ 459,225

Actuarial Assumptions

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

Measurement date	June 30, 2018	June 30, 2017
Inflation on the first $13,000 of allowance	3.00%	3.00%
Salary increases	4.00% - 9.00%	4.00% - 9.00%
Investment rate of return	7.35%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement dates June 30, 2018 and 2017, mortality rates were based on:

-Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females

-Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females

-Disability - reflects RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

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

	2019		2018	
Asset Class	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	5.00%	40%	5.00%
Portfolio Completion Strategies	13%	3.70%	13%	3.60%
Core Fixed Income	12%	0.90%	12%	1.10%
Private Equity	12%	6.60%	11%	6.60%
Real Estate	10%	3.80%	10%	3.60%
Value Added Fixed Income	10%	3.80%	10%	3.80%
Timber/Natural Resources	4%	3.40%	4%	3.20%
Hedge Funds	0%	0.00%	0%	3.60%
	100%		100%	

Discount Rate
The discount rate used to measure the total pension liability was 7.35% and 7.50% at June 30, 2019 and 2018, 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 net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate
The following tables illustrate the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate at June 30,:

2019

1.00% Decrease (6.35%)	Current Discount Rate (7.35%)	1.00% Increase (8.35%)
$ 18,386,044	$ 13,641,190	$ 9,586,895

2018

1.00% Decrease (6.5%)	Current Discount Rate (7.5%)	1.00% Increase (8.5%)
$ 16,020,391	$ 11,762,761	$ 8,333,138

Note 13 - **Other Postemployment Benefits (OPEB)**

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

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. Management of the SRBT is vested with the board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board.

The SRBT does not issue a stand-alone audited financial statement but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided
Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all 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 2018, and as of the valuation date (January 1, 2018 and 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

Effective beginning in fiscal year 2014, by statute, the Commonwealth is required to allocate, to the SRBT, a portion of revenue received under the Master Settlement Agreement with tobacco companies, increasing from 10% in fiscal year 2014 to 100% by fiscal year 2023. In fiscal years 2018 and 2017, 30% and 10%, respectively, of tobacco settlement proceeds or approximately $73 million and $25 million was allocated to the SRBT. The percentage of proceeds to be transferred to the SRBT in fiscal years 2018 and 2017 was set at 30% and 10%, respectively, overriding existing statute.

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.79% and 8.92% of annual covered payroll for the fiscal year ended June 30, 2019 and 2018, respectively. The College contributed $464,080 and $713,876 for the fiscal year ended June 30, 2019 and 2018, respectively, equal to 100% of the required contribution for the year.

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

At June 30, 2019 and 2018, the College reported a liability of $23,960,277 and $22,878,618, 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, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and 2017, 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 2018 and 2017, respectively. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2018 and 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.168% and 0.137%, respectively.

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of $1,612,735 and $1,354,533, respectively.

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

Deferred Outflows of Resources Related to OPEB	**2019**	2018
Contributions subsequent to the measurement date	**$ 464,080**	$ 713,876
Differences between expected and actual experience	**291,019**	-
Changes in proportion - Commonwealth	**77,001**	47,882
Changes in proportion - internal	**4,778,573**	-
Total	**$ 5,610,673**	$ 761,758

Deferred Inflows of Resources Related to OPEB	**2019**	2018
Differences between projected and actual earnings on pension plan investments	**$ 59,829**	$ 41,742
Differences between expected and actual experience	**51,142**	52,602
Changes in proportion - internal	**105,777**	133,687
Changes in OPEB plan actuarial assumptions	**7,361,626**	2,591,240
Total	**$ 7,578,374**	$ 2,819,271

The College's contribution of $464,080 and $713,876 made during the fiscal years ending 2019 and 2018, respectively, reported as deferred outflows of resources related to OPEB resulting from College contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year.

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

Years Ending June 30,	
2019	$ (541,888)
2020	(541,888)
2021	(541,888)
2022	(386,673)
2023	(419,444)
	$ (2,431,781)

Actuarial Assumptions

The total OPEB liability for 2019 and 2018 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	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	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.

- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.

- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.

- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age	
	Under 65	Age 65+
Indemnity	40.0%	85.0%
POS/PPO	50.0%	0.0%
HMO	10.0%	15.0%

The actuarial assumptions used in the January 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2016 and 2015 through December 31, 2017 and 2016, depending upon the criteria being evaluated.

As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2017 and 2016 actuarial valuations to more closely reflect actual experience as a result of the recent experience study completed by the Public Employee Retirement Administration Commission ("PERAC").

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2019 and 2018, are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2019 and 2018 was 3.95% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.87% and 3.58%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025 and 2023 for the fiscal years 2019 and 2018, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.35% and 7.50%, 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:

	2019	
1.00% Decrease (2.95%)	Current Discount Rate (3.95%)	1.00% Increase (4.95%)
$ 28,292,976	$ 23,960,277	$ 20,496,349

2018

1.00% Decrease (2.63%)	Current Discount Rate (3.63%)	1.00% Increase (4.63%)
$ 27,158,750	$ 22,878,618	$ 19,475,580

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

2019

1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 19,906,854	$ 23,960,277	$ 29,251,837

2018

1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 19,475,580	$ 22,878,618	$ 27,158,750

(A) - Current healthcare cost trend rate, as disclosed on page 46

(B) - 1% decrease in current healthcare cost rend rate, as disclosed on page 46

(C) - 1% increase in current healthcare cost rend rate, as disclosed on page 46

Note 14 - **Fringe Benefit Programs**

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

Group Insurance Commission

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

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

Other Employee Benefits

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

Note 15 - **Massachusetts Management Accounting and Reporting System**

Section 15C of Chapter 15A of the Massachusetts General Laws requires Commonwealth Colleges and Universities to report activity of campus based funds to the Comptroller of the Commonwealth on the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS), 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*.

The College's State appropriation is composed of the following at June 30,:

	2019	2018
Direct unrestricted appropriations	**$ 22,082,934**	$ 20,772,130
Add:		
Fringe benefits for benefited employees on the State payroll	**8,118,023**	7,710,851
Less:		
Day school tuition remitted to the State and included in tuition and fee revenue	**(187,502)**	(183,663)
Total unrestricted appropriations	**30,013,455**	28,299,318
Capital appropriations	**4,358,496**	1,609,056
Restricted appropriations	**93,648**	50,000
Total appropriations	**$ 34,465,599**	$ 29,958,374

The restricted appropriations are restricted in use for the Workforce Training Incentive.

A reconciliation between revenue reported to MMARS and the College is as follows:

	2019	2018
Revenue per MMARS	**$ 42,721,907**	$ 44,433,787
Revenue per College	**42,721,907**	44,433,787
Difference	**$ -**	$ -

Note 16 - **Pass-Through Grants**

The College distributed $22,334,953 and $23,714,883 as of June 30, 2019 and 2018, respectively, for student loans through the U.S. Department of Education Federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

QUINSIGAMOND COMMUNTY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of the Proportionate Share of the Net Pension Liability

Massachusetts State Employees' Retirement System

Year ended	**June 30, 2019**	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	**January 1, 2018**	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	**June 30, 2018**	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	**0.103%**	0.092%	0.102%	0.132%	0.116%
Proportionate share of the collective net pension liability	**$ 13,641,190**	$ 11,762,761	$ 11,762,761	$ 13,998,922	$ 8,636,663
Covered payroll	**$ 8,004,117**	$ 7,206,744	$ 7,714,370	$ 7,952,387	$ 8,629,218
Proportionate share of the net pension liability as a percentage of its covered payroll	**170.43%**	163.22%	152.48%	176.03%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	**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 supplemental information.

QUINSIGAMOND COMMUNTY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - Pension

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2019	2018	2017	2016	2015
Contractually required contribution	**$ 636,429**	$ 942,885	$ 717,071	$ 729,008	$ 826,253
Contributions in relation to the contractually required contribution	**636,429**	942,885	717,071	729,008	826,253
Contribution excess	**$ -**	$ -	$ -	$ -	$ -
Covered payroll	**$ 5,277,189**	$ 8,004,117	$ 7,206,744	$ 7,714,370	$ 7,952,387
Contribution as a percentage of covered payroll	**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 supplemental information.

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

Notes to the Required Supplementary Information - Pension

June 30, 2019

Note 1 - **<u>Change in Plan Actuarial and Assumptions</u>**

<u>Measurement date – June 30, 2018</u>
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

<u>Measurement date – June 30, 2017</u>
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

<u>Measurement date – June 30, 2016</u>
The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

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

See Independent Auditor’s Report.

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)

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

Schedules of Proportionate Share of Net OPEB Liability

Massachusetts State Retirees' Benefit Trust

Year ended	**June 30, 2019**	June 30, 2018
Measurement date	**June 30, 2018**	June 30, 2017
Valuation date	**January 1, 2018**	January 1, 2017
Proportion of the collective net OPEB liability	**0.168%**	0.137%
Proportionate share of the collective net OPEB liability	**$ 23,960,277**	$ 22,878,618
College's covered payroll	**$ 8,004,117**	$ 7,206,744
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	**299.35%**	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	**7.38%**	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.

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

Schedules of Contributions - OPEB

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	2019	2018
Statutorily required contribution	**$ 464,080**	$ 713,876
Contributions in relation to the statutorily required contribution	**(464,080)**	(713,876)
Contribution (excess)/deficit	**$ -**	$ -
College's covered payroll	**$ 5,277,189**	$ 8,004,117
Contribution as a percentage of covered payroll	**8.79%**	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – OPEB

June 30, 2019

Note 1 - **Change in Plan Assumptions**

Measurement date – June 30, 2018

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

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.

Measurement date – June 30, 2017

Change in Discount Rate

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

See Independent Auditor's Report.

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

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

To the Board of Trustees of
Quinsigamond Community College
Worcester, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Quinsigamond Community College (the "College"), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Quinsigamond Community College's basic financial statements, and we have issued our report thereon dated October 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered Quinsigamond Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing 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 Quinsigamond Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 9, 2019