

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

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

JUNE 30, 2018



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

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

June 30, 2018

C O N T E N T S

Independent Auditors' Report	1-3
Management's Discussion and Analysis (Unaudited)	4-14
Financial Statements:	
Statement of Net Position	15
Statement of Revenues and Expenses	16
Statement of Changes in Net Position	17
Statement of Cash Flows	18-19
Notes to the Financial Statements	20-62
Required Supplementary Information:	
Schedule of Proportionate Share of the Net Pension Liability (Unaudited)	63
Schedule of Contributions - Pension (Unaudited)	64
Notes to the Required Supplementary Information - Pension (Unaudited)	65-66
Schedule of Proportionate Share of Net OPEB Liability (Unaudited)	67
Schedule of Contributions - OPEB (Unaudited)	68
Notes to Required Supplementary Information - OPEB (Unaudited)	69
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	70-71



INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of Bristol Community College (an Agency of the Commonwealth of Massachusetts) (the "College"), which comprise the statement of net position as of June 30, 2018, the related statements of revenues and expenses, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Bristol Community College Foundation, Inc. (the "Foundation") as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Emphasis of a Matter

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

As discussed in Note 2 to the financial statements, we have previously issued an unmodified opinion on the financial statements dated October 12, 2018. Subsequent to the issuance of the financial statements, it was discovered that the calculation of postemployment benefits other than pensions as of June 30, 2018 and July 1, 2017 was misstated.

Our opinion is not modified with respect to these matters.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2018 (except for Management's Discussion and Analysis, Note 2, Note 8, Note 10, Note 16, and Schedule of Proportionate Share of the Net OPEB Liability, as to which the date is January 30, 2019)

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

Management's Discussion and Analysis (Unaudited)

June 30, 2018

Introduction

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

As management of Bristol Community College, we offer readers of our financial statements, this narrative overview, and analysis of the financial activities of Bristol Community College for the fiscal years ended June 30, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the College's basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the College.

Bristol Community College Foundation (the "Foundation") is a legally separate tax-exempt component unit of Bristol Community College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

The Financial Statements

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

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

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

The Financial Statements - Continued

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

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

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

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

The financial statements can be found on pages 15-19 of this report.

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

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

The Financial Statements - Continued

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 20-62 of this report.

Financial Analysis

Bristol Community College adheres to a prudent utilization of the College's financial resources including careful cost controls, conservative utilization of debt and adherence to a sound approach to maintenance of physical plant. At June 30, 2018, the assets of Bristol Community College exceeded liabilities by \$51,029,145 a \$7,140,867 or 16.27% increase from the excess of \$43,888,278 at the close of 2017. The primary reason for this large increase is due to the recording of revenue for a Life Science Grant of \$4,400,000, as well as planned reductions in College expenses by management as a result of decreased student enrollment. At June 30, 2017, the assets of Bristol Community College exceeded liabilities by \$62,218,198, a \$4,016,327 or 6.90% increase from the excess of \$58,201,871 at the close of 2016. The primary reason for this increase was to the additional construction in progress of \$4,109,297 recorded for the John J. Sbraga building.

The largest portion of Bristol Community College's net position is its investment in capital assets (e.g., land, buildings and equipment). Bristol Community College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. The implementation of GASB 75, post-employment benefits other than pensions, in fiscal year 2018 has required state agencies to record the liability allocated to the college by the Office of the State Comptroller. This adjustment of \$18,329,920 has created a negative unrestricted net position of \$6,755,482.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Financial Analysis - Continued

Condensed Schedule of Net Position

	<u>2018</u>	<u>(Restated) 2017</u>
Current and other assets	\$ 35,632,126	\$ 30,922,146
Non-current assets	1,200,000	-
Capital assets, net	53,233,547	50,552,402
Deferred outflows of resources	4,190,945	3,907,587
 Total assets and deferred outflows of resources	 <u>94,256,618</u>	 <u>85,382,135</u>
 Other liabilities	 9,500,551	 8,659,332
Long-term liabilities outstanding	28,829,272	29,961,411
Deferred inflows of resources	4,897,650	2,873,114
 Total liabilities and deferred inflows of resources	 <u>43,227,473</u>	 <u>41,493,857</u>
 Net Position:		
 Investment in capital assets, net	 53,233,547	 50,552,402
Restricted	4,551,080	139,465
Unrestricted	(6,755,482)	(6,803,589)
 Total net position	 <u>\$ 51,029,145</u>	 <u>\$ 43,888,278</u>

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

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Financial Analysis - Continued

Condensed Schedule of Revenues, Expenses and Changes in Net Position		
	<u>2018</u>	(Restated) <u>2017</u>
Operating revenues:		
Student tuition and fees	\$ 29,893,118	\$ 30,843,219
Less scholarship discounts and allowances	<u>(17,638,451)</u>	<u>(18,688,102)</u>
Student tuition and fees, net	12,254,667	12,155,117
Operating grants and contracts	31,523,960	29,531,093
Other sources	<u>714,145</u>	<u>850,227</u>
Total operating revenues	44,492,772	42,536,437
Operating expenses	<u>71,447,841</u>	<u>74,235,449</u>
Net operating loss	<u>(26,955,069)</u>	<u>(31,699,012)</u>
Non-operating revenues:		
State appropriations	28,139,954	27,928,331
Investment income and unrealized gains and losses	787,676	963,123
Gifts and contributions	<u>3,388,665</u>	<u>1,948,030</u>
Total non-operating revenues	<u>32,316,295</u>	<u>30,839,484</u>
Gain (loss) before other revenues, expenses, gains, or losses	5,361,226	(859,528)
Capital appropriations	<u>1,779,641</u>	<u>4,875,855</u>
Increase in net position	7,140,867	4,016,327
Net position, beginning of the year	<u>43,888,278</u>	<u>39,871,951</u>
Net position, end of the year	\$ <u>51,029,145</u>	\$ <u>43,888,278</u> *

* a prior period adjustment for the GASB 75 implementation is the reason for the change in FY17 net position beginning of year

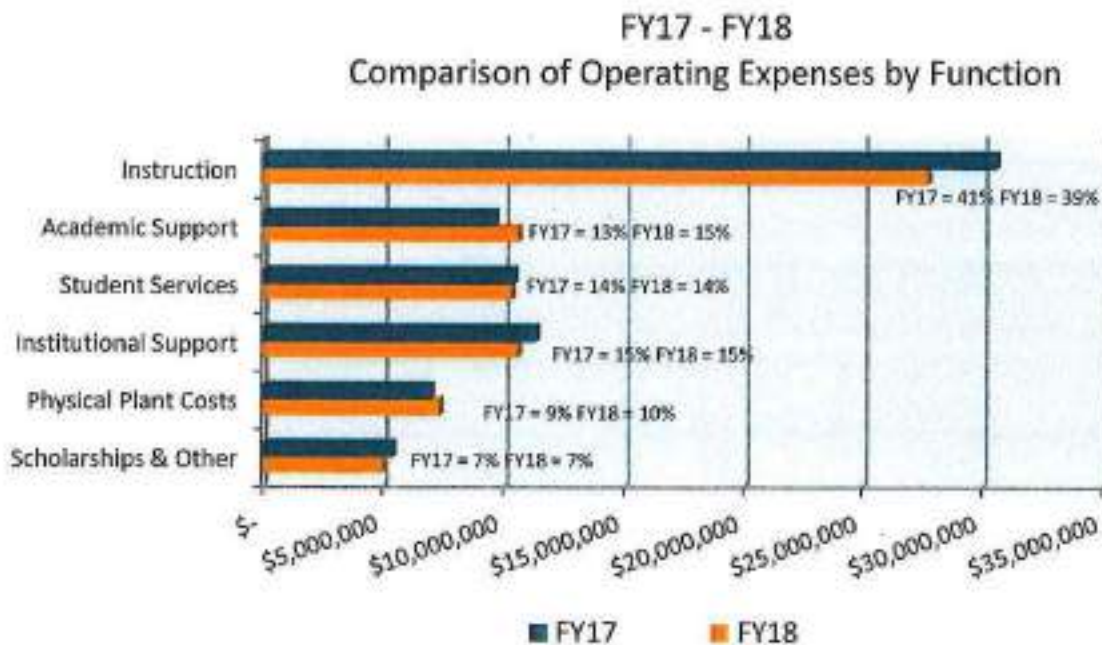
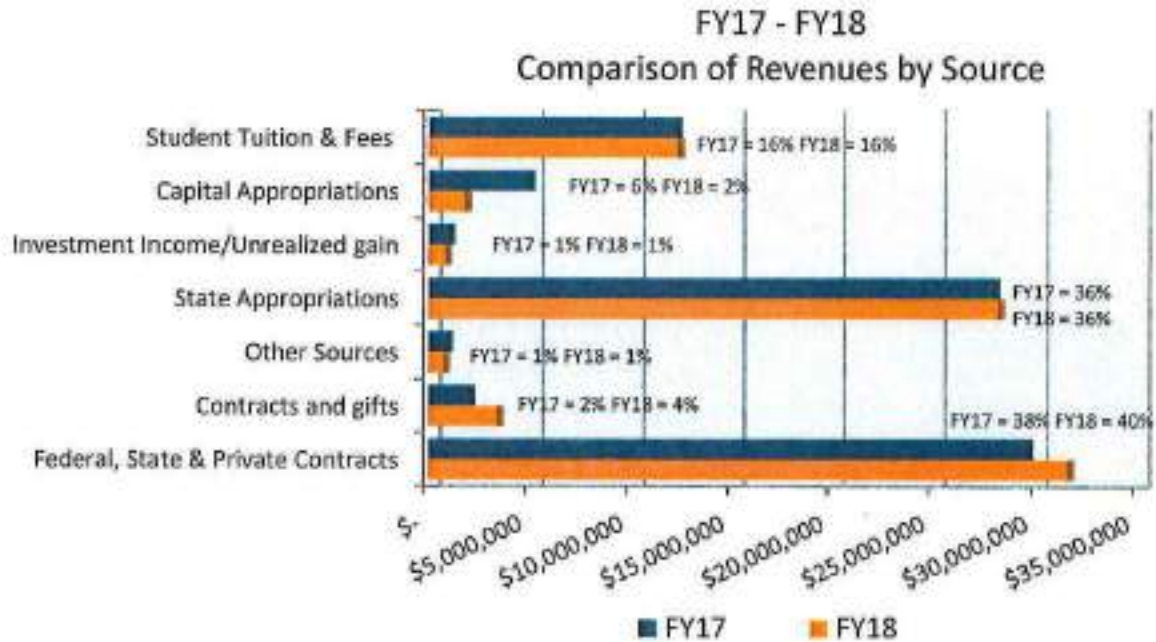
BRISTOL COMMUNITY COLLEGE

(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Financial Analysis - Continued



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

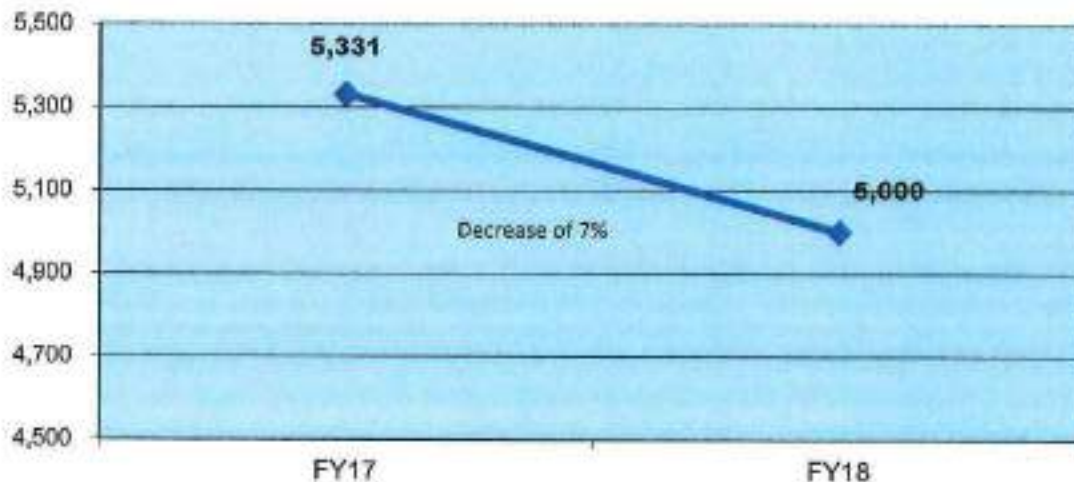
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Financial Analysis - Continued

The College continues to examine revenue diversification and cost containment due to financial pressure from increased cost of compensation and benefits, and the need to continue investing in technology to support teaching and learning. Student tuition and fees, state appropriations, and federal financial aid remain the primary sources of funding for the College. Gross student tuition and fees in Fiscal Year 2018 decreased by approximately 3% from Fiscal Year 2017 tuition and fees due an approximate 7% decrease in enrollment credits and a slight fee increase of \$8 per credit. The enrollment decrease was a trend shared by most Massachusetts Community Colleges. State appropriations remained approximately the same from Fiscal Year 2018 to 2017. The careful use of revenues generated by tuition and fees, and state appropriations, ensures that the mission statement of the College was followed and that students would continue to receive a high quality of education and services.

Student FTE



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

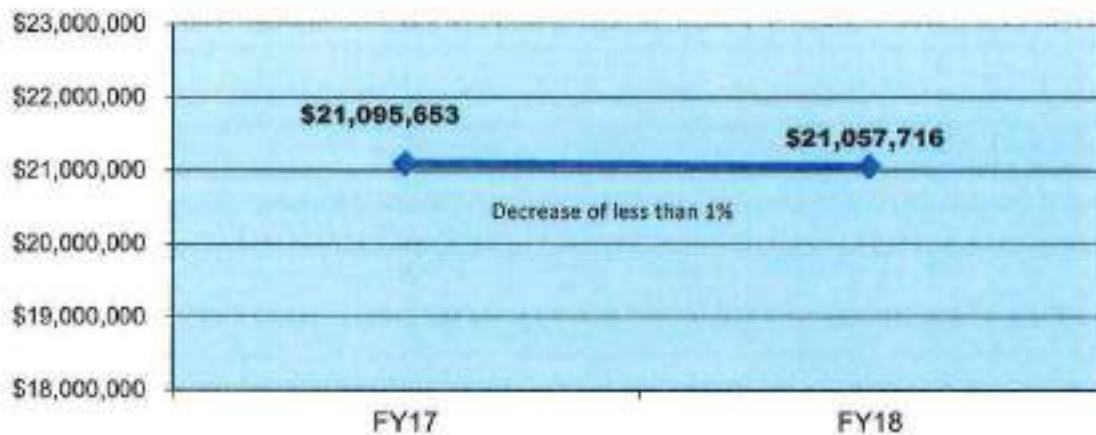
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

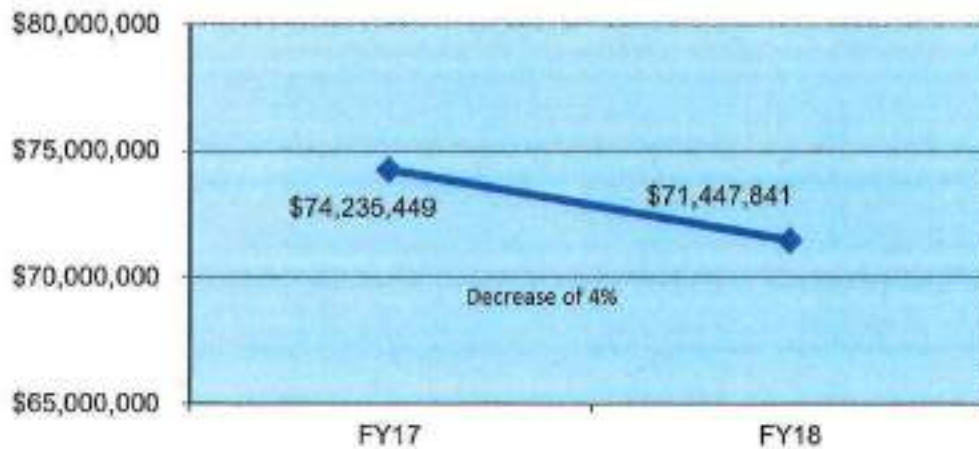
Financial Analysis - Continued

Operating expenses decreased significantly during the same time frame. This is the result of reductions in expenditures in anticipation of decreases in revenue due to enrollment decreases

Unrestricted State Appropriation



Operating Expenses



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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Loss from Operations

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

State Appropriations

Unless otherwise permitted by the Massachusetts Legislature, the College is required to remit tuition to the Commonwealth. Therefore, the College collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the College and the amount of state funds appropriated in any given year. The following details the Commonwealth's unrestricted appropriations received by the College for the fiscal years ended June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Gross Commonwealth unrestricted appropriations:	\$ 21,057,716	\$ 21,095,653
Plus fringe benefits*	7,289,928	6,989,529
Less tuition remitted	(429,918)	(441,711)
Less 9C reduction	-	-
Net Commonwealth support	<u>\$ 27,917,726</u>	<u>\$ 27,643,471</u>

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

BRISTOL COMMUNITY COLLEGE

(an Agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Capital Assets and the Debts of the College

Capital Assets: Bristol Community College's investment in capital assets, net of related liabilities, as of June 30, 2018 and 2017, amounts to \$53,233,547 and \$50,552,402 respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, and furnishings and equipment. Capital assets increased during the year ended June 30, 2018 by 5.3% or \$2,681,145. This was primarily the result of the addition of several new computer labs and roof repairs being completed in fiscal year 2018. Capital assets increased during the year ended June 30, 2017 by 8.5% or \$3,970,335. This was primarily the result of the increased addition of the new John J. Sbraga Health and Science Building. All capital asset purchases are pre-approved by the Board of Trustees and are included in the College's Operating Budget submitted to the Board of Higher Education and the Commonwealth's Fiscal Affairs Division. Additional information about Bristol Community College's capital assets can be found in note 5 on pages 34-35 of this report.

In fiscal year 2018, the college opened a Women Center, new Veterans Center, and Health Services Center. The college also renovated two science laboratories. The college has focused on deferred maintenance, repairs, and has secured over \$15 million in state funding for deferred maintenance projects.

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

In Fiscal Year 2018, the Commonwealth continued to experience economic growth. The College's Unrestricted State Appropriation increased \$274,255 in Fiscal Year 2018 primarily due to an increase in the fringe rate. Initial projections for fiscal year 2019 include a 1% increase in support from the Commonwealth, are flat revenue projections for the Commonwealth. Also, due to a decline in average high school class sizes and strong economy, the enrollment for both Bristol Community College and other Massachusetts public colleges are expected to continue to decline. The College increased fees \$5.00 per credit for Fiscal Year 2019. We anticipate a 5% to 7% enrollment decline in Fiscal Year 2019.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2018

Request for Information

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

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

Statement of Net Position

June 30, 2018

	Primary Government	Component Unit
	College	Foundation
<u>Liabilities, Deferred Inflows of Resources and Net Position</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 1,695,736	\$ 111,071
Accrued payroll	2,652,139	-
Compensated absences (Note 8)	2,585,544	-
Workers' compensation (Note 8)	47,087	-
Students' deposits and unearned revenues	2,387,495	-
Funds held for others	132,550	-
Unearned rental income	-	96,748
Current portion of mortgage payable (Note 14)	-	128,429
Total Current Liabilities	9,500,551	336,248
Non-Current Liabilities:		
Compensated absences (Note 8)	866,248	-
Workers' compensation (Note 8)	167,924	-
Mortgage payable (Note 14)	-	2,705,752
Net pension liability (Note 9)	9,438,049	-
Net OPEB liability (Note 10)	18,357,051	-
Total Non-Current Liabilities	28,829,272	2,705,752
Total Liabilities	38,329,823	3,042,000
Deferred Inflows of Resources:		
Pension related, net (Note 9)	2,712,827	-
OPEB related, net (Note 10)	2,154,823	-
Service concession revenue applicable to future years (Note 11)	30,000	-
Total Deferred Inflows of Resources	4,897,650	-
Net Position:		
Investment in capital assets, net	53,233,547	1,504,555
Restricted (Note 12):		
Nonexpendable	-	6,434,526
Expendable	4,551,080	5,881,598
Unrestricted (Note 13)	(6,755,482)	1,871,302
Total Net Position	51,029,145	15,691,981
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 94,256,618	\$ 18,733,981

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

Statement of Revenues and Expenses

For the Year Ended June 30, 2018

	Primary Government	Component Unit
	College	Foundation
Operating Revenues:		
Tuition and fees	\$ 29,893,118	\$ -
Less: scholarship allowances	(17,638,451)	-
Net student tuition and fees	12,254,667	-
Federal grants and contracts	23,603,397	-
State grants and contracts	3,074,494	-
Private grants and contracts	4,846,069	-
Other sources	714,145	1,305,668
Total Operating Revenues	44,492,772	1,305,668
Operating Expenses (Note 16):		
Instruction	27,694,729	-
Academic support	10,570,705	-
Student services	10,311,726	-
Scholarships and fellowships	4,998,747	133,367
Operation and maintenance of plant	5,059,906	-
Institutional support	10,554,097	-
Fundraising	-	25,937
Depreciation	2,257,931	182,117
Other operating expenses	-	79,369
Total Operating Expenses	71,447,841	420,790
Net Operating Income (Loss)	(26,955,069)	884,878
Non-Operating Revenues (Expenses):		
State appropriations, net (Note 18)	28,139,954	-
Contributions to College	3,388,665	(3,388,665)
Gifts and contributions	-	321,858
Net investment income (Note 3)	787,676	722,196
Total Net Non-Operating Revenues (Expenses)	32,316,295	(2,344,611)
Net Income (Loss) Before Other Revenues	5,361,226	(1,459,733)
Other Revenues:		
Capital appropriations (Note 18)	1,779,641	-
Total Increase (Decrease) in Net Position	\$ 7,140,867	\$ (1,459,733)

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

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

Statement of Changes in Net Position

For the Year Ended June 30, 2018

	<u>College</u>				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2017, as previously reported	\$ 50,552,402	\$ -	\$ 139,465	\$ 11,526,331	\$ 62,218,198
Prior period adjustment - See Note 2	-	-	-	(18,329,920)	(18,329,920)
Balance at June 30, 2017, as restated	50,552,402	-	139,465	(6,803,589)	43,888,278
Change in net position for 2018	2,681,145	-	4,411,615	48,107	7,140,867
Balance at June 30, 2018	<u>\$ 53,233,547</u>	<u>\$ -</u>	<u>\$ 4,551,080</u>	<u>\$ (6,755,482)</u>	<u>\$ 51,029,145</u>

	<u>Foundation</u>				
	<u>Net investment in capital assets</u>	<u>Restricted Nonexpendable</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2017	\$ 905,837	\$ 6,374,148	\$ 7,745,949	\$ 2,125,780	\$ 17,151,714
Change in net position for 2018	598,718	60,378	(1,864,351)	(254,478)	(1,459,733)
Balance at June 30, 2018	<u>\$ 1,504,555</u>	<u>\$ 6,434,526</u>	<u>\$ 5,881,598</u>	<u>\$ 1,871,302</u>	<u>\$ 15,691,981</u>

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

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

Statement of Cash Flows

For the Year Ended June 30, 2018

	<u>College</u>
Cash Flows from Operating Activities:	
Tuition and student fees	\$ 11,571,070
Grants and contracts	31,544,418
Payments to suppliers	(10,984,365)
Payments to employees	(44,191,439)
Payments to students	(4,998,747)
Income from other sources	<u>635,256</u>
Net Cash Applied to Operating Activities	<u>(16,423,807)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriations	21,279,944
Tuition remitted to state	(429,918)
Gifts and grants received for other than capital purposes	3,388,665
Funds held for others	<u>18,773</u>
Net Cash Provided by Non-Capital Financing Activities	<u>24,257,464</u>
Cash Flows from Capital and Related Financing Activities:	
Capital appropriations	1,548,152
Purchases of capital assets	<u>(4,707,587)</u>
Net Cash Applied to Capital Financing Activities	<u>(3,159,435)</u>
Cash Flows from Investing Activities:	
Purchase of investments	(908,432)
Proceeds from sales and maturities of investments	665,643
Interest on investments	<u>25,728</u>
Net Cash Applied to Investing Activities	<u>(217,061)</u>
Net Increase in Cash and Equivalents	4,457,161
Cash and Equivalents, Beginning of Year	<u>12,005,755</u>
Cash and Equivalents, End of Year	<u>\$ 16,462,916</u>

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2018

	<u>College</u>
Reconciliation of Net Operating Loss to Net Cash	
Applied to Operating Activities:	
Net operating loss	\$ (26,955,069)
Adjustments to reconcile net operating loss to net cash applied to operating activities:	
Depreciation	2,257,931
Fringe benefits provided by the State	7,289,928
Bad debts	307,283
Deferred inflows of resources - service concession revenue	(10,000)
Changes in assets and liabilities:	
Accounts receivable	(727,565)
Other current assets	(27,800)
Accounts payable, accrued liabilities and accrued payroll	1,003,547
Accrued compensated absences and workers' compensation	(290,957)
Students' deposits and unearned revenues	74,425
Net pension activity	(78,888)
Net OPEB activity	<u>733,358</u>
Net Cash Applied to Operating Activities	<u>\$ (16,423,807)</u>
Summary of Cash and Equivalents, End of Year:	
Cash and equivalents	\$ 12,618,978
Cash held by State Treasurer	<u>3,843,938</u>
Total	<u>\$ 16,462,916</u>
Non-Cash Transactions:	
Fringe benefits provided by the State	<u>\$ 7,289,928</u>
Capital improvements provided by capital appropriations	<u>\$ 231,489</u>

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

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

Notes to the Financial Statements

June 30, 2018

Note 1 - Summary of Significant Accounting Policies

Organization

Bristol Community College (the "College") is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With campuses located in Fall River, Massachusetts and New Bedford, Massachusetts, along with other satellite campuses, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College's mission is to provide educational, occupational, and cultural opportunities for an academically, economically and culturally diverse population. The College also offers, through the Center for Business and Industry, noncredit courses, as well as community service programs. The College is accredited by the New England Association of Schools and Colleges.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue, as soon as all eligibility requirements have been met.

The College's policy is to define operating activities in the statements of revenues, and expenses as those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts, and interest expense.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - Summary of Significant Accounting Policies - Continued

Basis of Presentation - continued

Bristol Community College Foundation (the "Foundation") is a legally separate entity. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

The Foundation is a not-for-profit corporation established in August 1980. The Foundation was established to promote and support the furtherance of the educational and cultural mission of Bristol Community College. The Foundation is located at the College's Fall River campus.

During the year ended June 30, 2018, the Foundation distributed \$3,388,665, to the College for both restricted and unrestricted purposes.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - Summary of Significant Accounting Policies - Continued

Net Position

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 that the College must maintain in perpetuity.

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

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

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

Trust Funds

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

Cash and Equivalents

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - Summary of Significant Accounting Policies - Continued

Investments

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

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment, and art collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land, art sculpture and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years.

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

Pensions

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - Summary of Significant Accounting Policies - Continued

Postemployment Benefits Other Than Pensions ("OPEB")

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

Other Fringe Benefits

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

Compensated Absences

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

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on loans receivable of the College are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral and current economic conditions. Based on a periodic review of its receivables, the Foundation has determined that all receivables are materially collectible and that therefore an allowance for uncollectible amounts at June 30, 2018 is unnecessary.

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

Notes to the Financial Statements - Continued

June 30, 2018

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

Workers' Compensation

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

Students' Deposits and Unearned Revenue

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

Student Tuition and fees

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

Tax Status

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

Use of Estimates

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - Summary of Significant Accounting Policies - Continued

New Governmental Accounting Pronouncements

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 1 - Summary of Significant Accounting Policies - Continued

New Governmental Accounting Pronouncements - continued

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

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2019. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Management has not completed its review of the requirements of this standard and its applicability.

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

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

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

	As Previously Reported <u>at June 30, 2017</u>	Implementation of <u>GASB 75</u>	As Previously Reported <u>at July 1, 2017</u>	Correction of <u>the Error</u>	As Restated <u>at July 1, 2017</u>
Statement of Net Position:					
Deferred outflows related to OPEB	\$ -	462,113	462,113	-	\$ 462,113
Net OPEB liability	\$ -	21,649,915	21,649,915	(2,857,882)	\$ 18,792,033
Unrestricted net position	\$ 11,526,331	(21,187,802)	(9,661,471)	2,857,882	\$ (6,803,585)
	As Previously Reported <u>at June 30, 2018</u>	Correction of <u>the Error</u>	As Restated <u>at June 30, 2018</u>		
Statement of Net Position:					
Deferred outflows related to OPEB	\$ 1,588,191	(139,595)	\$ 1,448,596		
Net OPEB liability	\$ 20,761,783	(2,404,732)	\$ 18,357,051		
Deferred inflows related to OPEB	\$ 2,763,445	(608,622)	\$ 2,154,823		
Unrestricted net position	\$ (9,629,241)	2,873,759	\$ (6,755,482)		
Statement of Revenues and Expenses:					
Operating expenses	\$ 71,463,718	(15,877)	\$ 71,447,841		

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments

Overall Deposits and Investments Descriptions

Deposits and investments consist of the following at June 30, 2018:

Cash in banks	\$ 12,618,978
Investments:	
Certificates of deposit	3,520,292
Bond mutual funds	5,749,232
Stock mutual funds	6,929,702
Money market funds	127,122
Total investments	16,326,348
Total cash in banks and investments	\$ 28,945,326

Custodial Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits might not be recovered. Deposits are made in domestic banks that are federally insured with supplemental insurance for those accounts exceeding the federally insured limits. The College's bank balances, which excludes the College's sweep account, at June 30, 2018 were approximately \$4,750,000, and were not exposed to custodial credit risk as uninsured and uncollateralized.

Total cash deposited with one financial institution, including sweep and checking accounts, aggregates approximately \$8,750,000 or 69% at June 30, 2018, of total cash and equivalents. These deposits are secured by an irrevocable stand-by letter of credit issued by the Federal Home Loan Bank of Pittsburgh up to an aggregate amount of \$14,000,000 providing a scope of coverage substantially the same as that provided by federal deposit insurance and thus not exposed to custodial credit risk.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Concentration of Credit Risk

There was no concentration of credit risk at June 30, 2018. Certificates of deposits are made in domestic banks that are federally insured with supplemental insurance for those accounts exceeding the federally insured limits.

Investment Policy

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

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Deposits, Investments and Maturities

The College's investments and maturities inferring risk at June 30, 2018 consist of:

Investment type	Fair value	Investment maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Debt securities:					
Certificates of deposit	\$ 3,520,292	\$ 3,520,292	\$ -	\$ -	\$ -
Bond mutual funds	5,749,232	79,841	950,505	4,718,886	-
	9,269,524	<u>\$ 3,600,133</u>	<u>\$ 950,505</u>	<u>\$ 4,718,886</u>	<u>\$ -</u>
Other investments:					
Cash in bank	12,618,978				
Stock mutual funds	6,929,702				
Money market funds	127,122				
Total	<u>\$ 28,945,326</u>				

The credit quality ratings of the College's debt investments are unrated for the year ended June 30, 2018. The bond mutual funds are unrated as they represent funds placed with a private investment company.

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Fair Value Hierarchy - continued

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

Following is a description of the valuation methodologies used for assets measured at fair value. With the adoption of GASB Statement 72, there have been no changes in the methodologies used to measure fair value.

Registered investment companies: Valued at the daily closing price as reported by the fund. Mutual funds held by the Board of Trustees are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Board of Trustees are deemed to be actively traded.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Fair Value Hierarchy - continued

The following tables set forth the fair value of the College's investments measured on a recurring basis at June 30, 2018:

	NAV per share	Level 1	Level 2	Level 3	Total
Registered investment companies	\$ -	\$ 12,806,056	\$ -	\$ -	\$ 12,806,056
Certificates of deposit	-	3,520,292	-	-	3,520,292
Total marketable securities at fair value	\$ -	\$ 16,326,348	\$ -	\$ -	\$ 16,326,348

Net Investment Income

The following schedule summarizes the investment return in the statement of revenues and expenses for the year ended June 30, 2018:

Interest and dividend income	\$ 285,797
Realized gains	352,872
Unrealized gains	199,883
Investment fees	(50,876)
	<u>\$787,676</u>

Other Matters

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Foundation Investment Policy

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

The largest percentage of fixed-income investments shall be invested in portfolios of high-quality corporate bonds and U.S. Treasury securities. These investments may be made through a number of separately managed portfolios offered by professional managers.

The Foundation is the recipient of a 20-year endowment challenge federal grant. The grantor required the Foundation to maintain separate investment accounts for all undistributed funds attributable to this grant for that 20-year period. In addition, the Board of Directors has chosen to establish segregated accounts for three of its largest endowed funds. These accounts are managed and maintained separately and do not participate in the earnings allocation of the Foundation's master investment accounts.

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

The Commonwealth of Massachusetts has enacted the Uniform Prudent Management of Institutional Funds Act. The Foundation has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Foundation Investment Policy - continued

The Foundation has a policy of appropriating for distribution to meet current financial needs without expending more than 5% of the 3-year average market value of all endowments. Certain other endowed funds may be subject to other restrictions including those directed by the donor. When economic downturns result in temporarily restricted portions of endowment funds to fall below zero, then the only expenditure allowed by policy is net interest and dividends earned for the prior year. The Foundation's endowment net assets are those funds that either by donor restriction or Board designation are intended to be invested long-term in order to earn income and to fund programs and awards over a long period or in perpetuity.

Foundation Custodial Risk

Money market accounts held with investment portfolios and reported as cash and equivalents are not protected by the Federal Deposit Insurance Corporation.

Investments of the Foundation

The Foundation's investments consist of the following at June 30, 2018:

Beneficial interest in trusts	\$ 771,727
Equity securities and funds	9,156,240
Corporate bonds	1,921,893
Foreign equities	111,799
Federal obligations	<u>888,067</u>
Total investments	<u>\$ 12,849,726</u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 3 - Cash and Investments - Continued

Investments of the Foundation - continued

The following schedules summarize the investment return and its classification in the statement of activities for the year ended June 30, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	\$ 46,964	\$ 223,766	\$ 8,558	\$ 279,288
Perpetual trust distributions	32,280	-	-	32,280
Investment fees	(12,561)	(61,116)	(2,362)	(76,039)
Net losses on perpetual trusts	-	-	(4,904)	(4,904)
Realized and unrealized gains	85,960	405,611	-	491,571
Total investment return	<u>\$ 152,643</u>	<u>\$ 568,261</u>	<u>\$ 1,292</u>	<u>\$ 722,196</u>

Total investments reported are comprised of the following at June 30, 2018:

Investments, current	\$ 463,545
Investments designated long-term	404,923
Investments restricted for long-term purposes	<u>11,981,258</u>
Total investments	<u>\$ 12,849,726</u>

Note 4 - Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$1,143,938 at June 30, 2018. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used to pay for such liabilities. Cash held by State Treasurer also included \$2.7 million of College funds sent to the State Treasurer to be used in accordance with the Massachusetts Life Sciences Grant.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 5 - Accounts Receivable

Accounts receivable include the following at June 30, 2018:

Student accounts receivable	\$ 2,926,851
Grants receivable	1,171,182
Other receivables	<u>422,962</u>
	4,520,995
Less: allowance for doubtful accounts	<u>(583,986)</u>
	<u>\$ 3,937,009</u>

Note 6 - Contributions Receivable

Contributions receivable of the Foundation are all considered collectable and are as follows at June 30, 2018:

Amounts due in:

Less than one year	\$ 326,363
One to five years	<u>95,500</u>
	421,863
Less: discounts to net present value	<u>2,311</u>
	<u>\$ 419,552</u>

Pledges receivable with due dates extending beyond one year are discounted using United States Treasury bill rates for similar term investments at the date each pledge is received. The applicable rate at June 30, 2018 was 1.56%.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - Capital Assets

Capital assets of the College consist of the following at June 30, 2018:

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:						
Land		\$ 35,825	\$ -	\$ -	\$ -	\$ 35,825
Art sculpture		98,200	-	-	-	98,200
Construction in progress		887,253	1,559,382	-	(883,394)	1,563,241
Total non-depreciable		1,021,278	1,559,382	-	(883,394)	1,697,266
Depreciable:						
Land improvements	20	3,084,469	152,610	-	-	3,237,079
Building, including improvements	20-40	83,275,344	3,227,084	-	883,394	87,385,822
Furnishings and equipment	3-10	2,694,179	-	(75,000)	-	2,619,179
Leasehold improvements	5	471,658	-	-	-	471,658
Total depreciable		89,525,650	3,379,694	(75,000)	883,394	93,713,738
Less: accumulated depreciation:						
Land improvements		(1,393,616)	(158,039)	-	-	(1,551,655)
Building, including improvements		(36,088,650)	(1,908,600)	-	-	(37,997,250)
Furnishings and equipment		(2,040,602)	(191,292)	75,000	-	(2,156,894)
Leasehold improvements		(471,658)	-	-	-	(471,658)
Total accumulated depreciation		(39,994,526)	(2,257,931)	75,000	-	(42,177,457)
Capital assets, net		\$ 50,552,402	\$ 2,681,145	\$ -	\$ -	\$ 53,233,547

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 7 - Capital Assets - Continued

Capital assets of the Foundation consist of the following at June 30, 2018:

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Non-depreciable:						
Land		\$ 940,700	\$ -	\$ -	\$ -	\$ 940,700
Construction in progress		98,445	409,908	-	-	508,353
Art sculpture		18,000	-	-	-	18,000
Total non-depreciable		1,057,145	409,908	-	-	1,467,053
Depreciable:						
Land improvements	20	14,813	-	-	-	14,813
Building, including improvements	20-40	4,305,032	250,232	-	-	4,555,264
Total depreciable		4,319,845	250,232	-	-	4,570,077
Less: accumulated depreciation:						
Land improvements		(5,926)	(740)	-	-	(6,666)
Building, including improvements		(1,510,351)	(181,377)	-	-	(1,691,728)
Total accumulated depreciation		(1,516,277)	(182,117)	-	-	(1,698,394)
Capital assets, net		\$ 3,860,713	\$ 478,023	\$ -	\$ -	\$ 4,338,736

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 8 - Long-Term Liabilities

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

	(Restated) Beginning balance	Additions	Reductions	Ending balance	Current portion
Compensated absences	\$ 3,731,668	\$ -	\$ (279,876)	\$ 3,451,792	\$ 2,585,544
Workers' compensation	226,092	-	(11,081)	215,011	47,087
Net pension liability	10,561,888	-	(1,123,839)	9,438,049	-
OPEB liability	18,792,033	-	(434,982)	18,357,051	-
Total long-term liabilities	<u>\$ 33,311,681</u>	<u>\$ -</u>	<u>\$ (1,849,778)</u>	<u>\$ 31,461,903</u>	<u>\$ 2,632,631</u>

Note 9 - Pension

Defined Benefit Plan Description

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

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:

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

Contributions - continued

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 approximately \$2,463,000, \$2,652,000 and \$2,470,000 for the years ended June 30, 2018, 2017 and 2016, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 11.78%, 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2018, 2017 and 2016, respectively. The College contributed \$700,937, \$575,354 and \$550,021 for the fiscal years ended June 30, 2018, 2017 and 2016, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 65%, 62% and 62% of total related payroll for fiscal years end 2018, 2017 and 2016, respectively.

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

At June 30, 2018, the College reported a liability of \$9,438,049 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.074%.

For the year ended June 30, 2018, the College recognized pension expense of \$622,052. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2018:

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

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

Deferred Outflows of Resources Related to Pension

Contributions subsequent to the measurement date	\$ 700,937
Differences between expected and actual experience	364,913
Changes in proportions from Commonwealth	32,326
Changes in plan actuarial assumptions	982,173
Changes in proportions due to internal allocations	<u>662,000</u>
Total	<u>\$ 2,742,349</u>

Deferred Inflows of Resources Related to Pension

Differences between expected and actual experience	\$ 256,785
Differences between projected and actual earnings on pension plan investments	112,454
Changes in proportions from Commonwealth	3,364
Changes in proportions due to internal allocations	<u>2,340,224</u>
Total	<u>\$ 2,712,827</u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

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

The College's contributions of \$700,937 made during the fiscal year ending 2018, subsequent to the measurement date will be recognized as a reduction of the net pension liability in the succeeding year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2019	\$ (100,633)
2020	172,883
2021	(158,293)
2022	(578,630)
2023	<u>(6,742)</u>
	<u>\$ (671,415)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2017
Inflation	3.00%
Salary increases	4.00% to 9.00%
Investment rate of return	7.50%
Investment rate credited to annuity savings fund	3.50%

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

Actuarial Assumptions - continued

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

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females
- Disability - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

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, 2017 are summarized in the following table:

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

Actuarial Assumptions - continued

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	40.00%	5.00%
Portfolio Completion Strategies	13.00%	3.60%
Core Fixed Income	12.00%	1.10%
Private Equity	11.00%	6.60%
Value Added Fixed Income	10.00%	3.80%
Real Estate	10.00%	3.60%
Timber/Natural Resources	4.00%	3.20%
Hedge Funds	0.00%	3.60%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at June 30, 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary 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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 9 - Pension - Continued

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

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

<u>June 30, 2018</u>		
	Current	
1.00% Decrease	Discount Rate	1.00% Increase
(6.50%)	(7.50%)	(8.50%)
<u>\$ 12,854,230</u>	<u>\$ 9,438,049</u>	<u>\$ 6,686,234</u>

Note 10 - 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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

Plan Description - continued

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

Benefits Provided

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

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2017 and as of the valuation date (January 1, 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

Contributions - continued

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.92% of annual covered payroll for the fiscal year ended June 30, 2018. The College contributed \$530,693 for the fiscal year ended June 30, 2018 equal to 100% of the required contribution for the year.

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

At June 30, 2018, the College reported a liability of \$18,357,051 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2017. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal year 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2018, the College's proportion was 0.1050%.

For the year ended June 30, 2018, the College recognized OPEB expense of \$1,292,836. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2018:

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

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

Deferred Outflows of Resources Related to OPEB

Contributions subsequent to the measurement date	\$ 530,693
Changes in proportion from Commonwealth	38,419
Changes in proportion due to internal allocation	<u>879,484</u>
Total deferred outflows related to OPEB	<u>\$ 1,448,596</u>

Deferred Inflows of Resources Related to OPEB

Net differences between projected and actual earnings on OPEB plan investments	\$ 33,492
Differences between expected and actual experience	42,206
Changes in OPEB plan actuarial assumptions	<u>2,079,125</u>
Total deferred inflows related to OPEB	<u>\$ 2,154,823</u>

The College's contribution of \$530,693 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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

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

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	\$ (259,613)
2020	(259,613)
2021	(259,613)
2022	(259,613)
2023	<u>(198,468)</u>
	<u>\$ (1,236,920)</u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

Actuarial Assumptions

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

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

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.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

Actuarial Assumption

- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

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

The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2018, are the same as discussed in the Pension footnote number 9.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

Discount Rate

The discount rate used to measure the total OPEB liability was 3.63%. This rate was based on a blend of the Bond Buyer Index rate (3.58%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on OPEB plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

	1.00% Decrease	Discount Rate	1.00% Increase
	2.63%	3.63%	4.63%
Net OPEB Liability \$	21,791,288	\$ 18,357,051	\$ 15,626,565

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 10 - OPEB - Continued

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

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

1.00% Decrease	Current Healthcare	1.00% Increase
(B)	Cost Trend Rate	(C)
\$ 15,188,125	\$ 18,357,051	\$ 22,527,166

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

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

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

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

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

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

Note 11 - Deferred Inflows of Resources

The College has entered into service concession arrangements for dining and bookstore operations with Unidine Food Management, Inc. ("Unidine") and Follett Higher Education Group, Inc. ("Follett"), respectively. In exchange for these agreements, Unidine and Follett have provided the College with funds to augment the cost of improvements to the College's dining and bookstore facilities. These monies are amortized into revenue ratably over the life of the agreements through June 2017 and June 2021. In the event of termination, as provided for by either party in the agreements, repayment of the unamortized portion would be required. The agreements also require additional payments from Unidine and Follett to defray costs incurred by the College, as well as revenue sharing, which amounted to approximately \$365,000 during the year ended June 30, 2018.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 11 - Deferred Inflows of Resources - Continued

Recognition of these deferred inflows in annual revenue is as follows:

Years Ending <u>June 30,</u>	
2019	\$ 10,000
2020	10,000
2021	<u>10,000</u>
	<u>\$ 30,000</u>

Note 12 - 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. During the year ended June 30, 2018, the College received a \$4.4 million Massachusetts Life Sciences Grant. All other restricted-expendable funds are to be used for academic programs.

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

Note 13 - Unrestricted Net Position

The Foundation's unrestricted net assets are composed of the following at June 30, 2018:

Unrestricted net assets designated by the Foundation's
Board of Directors for the following purposes:

Margaret Jackson Art Center and Visual Arts Fund	\$ 354,254
President's Merit Scholarship	50,669
Undesignated	<u>1,466,379</u>
Total unrestricted net assets	<u>\$ 1,871,302</u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - Commitments and Contingencies

Related Party Transactions

On March 30, 2007, the College entered into a revocable license agreement with the Foundation for use of a building and related premises located in Attleboro, Massachusetts to be used for additional classroom and instructional space and such other related purpose consistent with that of a community college. The license, which expired on March 30, 2016, is automatically renewed for one year unless written notice is given by either party not less than thirty days prior to the then scheduled expiration date. Total costs under this license agreement was approximately \$284,000 for the year ended June 30, 2018. For the year ended June 30, 2019, the College is committed to payments totaling approximately \$213,000 related to this license agreement. The Foundation has a mortgage payable on this property of \$2,834,181 as of June 30, 2018.

The College currently occupies its New Bedford campus under a tenant-at-will agreement with the Foundation that requires monthly payments of approximately \$48,000. Negotiations for a ten-year lease with the Foundation are currently on-going under the auspices of the Department of Capital Asset Management and Maintenance ("DCAMM"). Total rent expense for this lease agreement was approximately \$576,000 for the year ended June 30, 2018.

Litigation

In May 2017, the College filed a notice of appeal of a jury trial verdict which, in October 2016, awarded the plaintiff, of a discrimination suit, \$2.5 million. The College filed an appeal of this ruling in August 2018. In the event that the verdict is upheld, or another judgement or settlement is reached, the College intends to submit the full amount of any judgement or settlement to the Commonwealth Office of the Comptroller for payment pursuant to 815 CMR 5.00.

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 14 - Commitments and Contingencies - Continued

Federal, State, and Private Grants and Contracts

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

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

Risk Management

The College participates in the various programs administered by the Commonwealth for property, general liability, automobile liability and workers' compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 15 - Lease Commitments

The College has lease agreements for additional academic space in Taunton and Fall River, expiring through June 2026. Total occupancy costs under these lease agreements was approximately \$1,041,000 for the year ended June 30, 2018.

Future annual lease payments subsequent to June 30, 2018 are as follows:

Years Ending <u>June 30,</u>	
2019	\$ 1,061,558
2020	1,082,818
2021	1,104,716
2022	1,117,654
2023	747,632
Thereafter	<u>2,553,984</u>
	<u>\$ 7,668,362</u>

Note 16 - Operating Expenses

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

Compensation and benefits	\$ 52,358,209
Supplies and services	11,832,954
Depreciation	2,257,931
Scholarships and fellowships	<u>4,998,747</u>
	<u>\$ 71,447,841</u>

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 17 - Other Fringe Benefits

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

Group Insurance Commission

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

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

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 17 - Other Fringe Benefits - Continued

Other Retirement Plans

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

Note 18 - State Appropriations

Direct unrestricted appropriations:	\$ 21,057,716
Add: fringe benefits for benefited employees on the state payroll	7,289,928
Less: day school tuition remitted to the state and included in tuition and fee revenue	<u>(429,918)</u>
Total unrestricted appropriations	27,917,726
Restricted appropriations	222,228
Capital appropriations	<u>1,779,641</u>
Total appropriations	<u>\$ 29,919,595</u>

Note 19 - 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*.

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

Notes to the Financial Statements - Continued

June 30, 2018

Note 19 - Massachusetts Management Accounting and Reporting System - Continued

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

Revenue per MMARS	\$ 21,684,899
Revenue per College	<u>23,456,338</u>
Difference	<u>\$ (1,771,439)</u>

The difference for the year ended June 30, 2018 relates to a combination of factors including funding by the state for tuition waivers totaling approximately \$622,000 and funding by the College for payroll, facility improvements and other items of approximately \$1,150,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

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

Massachusetts State Employees' Retirement System

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

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

for the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 700,937	\$ 575,354	\$ 550,021	\$ 649,384
Contributions in relation to the statutorily required contribution	<u>700,937</u>	<u>575,354</u>	<u>550,021</u>	<u>649,384</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 5,950,229	\$ 5,782,451	\$ 5,818,335	\$ 6,250,090
Contribution as a percentage of covered payroll	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - Pension (Unaudited)

June 30, 2018

Note 1 - Change in Plan Actuarial and Assumptions

Fiscal year June 30, 2018

Change of Benefits:

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

Assumptions:

The mortality rates were changed as follows:

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

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

Fiscal year June 30, 2017

Change of Benefits:

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

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

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

June 30, 2018

Note 1 - Change in Plan Actuarial and Assumptions - Continued

Fiscal year June 30, 2016

Change of Benefits:

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

Assumptions:

The discount rate to calculate the pension liability decreased from 7.75% to 7.5%. This change resulted in an increase of approximately \$933 million in the total pension liability of SERS as of June 30, 2015.

The mortality rates were changed as follows:

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

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

Fiscal year June 30, 2015

Assumptions:

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

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

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

State Retirees' Benefit Trust

Year ended	June 30, 2018
Measurement date	June 30, 2017
Valuation date	January 1, 2017
Proportion of the collective net OPEB liability	0.105%
Proportionate share of the collective net OPEB liability	\$ 18,357,051
College's covered payroll	\$ 5,782,451
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

State Retirees' Benefit Trust

For the Year Ended June 30, 2018

Statutorily required contribution	\$ 530,693
Contributions in relation to the statutorily required contribution	<u>(530,693)</u>
Contribution (excess)/deficit	<u>\$ -</u>
College's covered payroll	\$ 5,950,229
Contribution as a percentage of covered payroll	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information - OPEB
June 30, 2018

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2018

Assumptions:

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

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bristol Community College (an Agency of the Commonwealth of Massachusetts) (the "College") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon with a dual date of October 12, 2018 and January 30, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 12, 2018 (except for Management's Discussion and Analysis, Note 2, Note 8, Note 10, Note 16, and Schedule of Proportionate Share of the Net OPEB Liability, as to which the date is January 30, 2019)

