BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements and
Management's Discussion and Analysis

June 30, 2019

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Bunker Hill Community College
Boston, Massachusetts

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

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

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

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

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of Bunker Hill Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bunker Hill Community College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 28, 2019

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

The following discussion and analysis provides management's view of the financial position of Bunker Hill Community College (the College) as of June 30, 2019 and 2018, and the changes in net position for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereto, which are also presented in this document.

The College is a public institution of higher education that served nearly 13,000 students in fall 2018 semester, with 148 full time faculty, 643 adjunct faculty, and 351 staff members for the year ended June 30, 2019. Campuses are located in Boston and Chelsea, Massachusetts. In addition, the College offers programs at four off-campus locations throughout the greater Boston area. The College offers 63 programs leading to associate degrees including two concentrations that prepare students to enter technical programs and 46 certificate programs. Through our initiatives the College seeks to empower and inspire students, faculty and staff from diverse backgrounds to make meaningful contributions to our local and global communities.

Financial Highlights

- At June 30, 2019, the College's assets and deferred outflows were $96,183,311 and its liabilities and deferred inflows were $74,430,411 resulting in net position of $21,752,900. This represents a decrease in net position of $247,952 for fiscal year 2019. By contrast, at June 30, 2018, the College's assets and deferred outflows were $89,697,642 and its liabilities and deferred inflows were $67,696,790 resulting in net position of $22,000,852.

	June 30	
	2019	**2018**
Invested in capital assets, net of related liabilities	$ **35,403,540**	$ **32,948,525**
Unrestricted	**(13,650,640)**	**(10,947,673)**
Total net position	$ **21,752,900**	$ **22,000,852**

- The decrease in the College's net position of $247,952 in fiscal year 2019 and decrease in College's net position of $202,990 in fiscal year 2018 was mainly due to implementation of GASB 75 OPEB liabilities in FY 2018 and 2019.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Overview of the Financial Statements

The College's financial statements comprise two primary components: 1) the financial statements and 2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities.

Bunker Hill Community College Foundation (Foundation) is a legally separate tax-exempt component unit of Bunker Hill 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 consists of business and civic leaders in the greater Boston area. Although the College does not control the timing or the amount of receipts from the Foundation, the 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 financial statements are designed to provide readers with a broad overview of the College's finances and comprise three basic statements:

The Statements of Net Position presents information on all of the College's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the College's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., the payment for accrued compensated absences or the receipt of amounts due from students and others for services rendered).

The Statements of Cash Flows is reported on the direct method. The direct method of cash flows reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and other student fees) and disbursements (e.g., payments to employees). GASB Statement No. 34 and No. 35 require this method to be used. In accordance with GASB Statement No. 39, the Foundation is not required to present the statement of cash flows.

Overview of the Financial Statements - Continued

The financial statements can be found on pages 27-30 of this report.

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

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 31-69 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. At the close of fiscal year 2019, assets exceeded liabilities by $21,752,900 compared to $22,000,852 in fiscal year 2018.

The College's FY 2019 net position of $21,752,900 includes investment in capital assets of $35,403,540 (e.g., land, buildings and improvements, and equipment), less any related liabilities such as capital leases used to acquire those assets. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related liabilities, it should be noted that the resources needed to repay these liabilities must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the liabilities noted above, which are reflected in the College's financial statements, the Commonwealth regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

Financial Analysis - Continued

	Summary of the College's Net Position			
	June 30		Between 2019 and 2018	
	2019	2018	Dollar change	Change percentage
Current assets	$ 25,385,964	$ 29,138,658	$ (3,752,694)	-13%
Noncurrent assets	52,515,736	47,408,902	5,106,834	11%
Deferred outflows	18,281,611	13,150,082	5,131,529	39%
Total assets and deferred outflows	96,183,311	89,697,642	6,485,669	7%
Current liabilities	14,191,473	15,221,275	(1,029,802)	-7%
Noncurrent liabilities	50,506,003	47,528,671	2,977,332	6%
Deferred inflows	9,732,935	4,946,844	4,786,091	97%
Total liabilities	74,430,411	67,696,790	6,733,621	10%
Net position:				
Invested in capital assets, net of related debt	35,403,540	32,948,525	2,455,015	7%
Unrestricted	(13,650,640)	(10,947,673)	(2,702,967)	25%
Total net position	$ 21,752,900	$ 22,000,852	$ (247,952)	-1%

- As stated earlier, the decrease in the College's net position of $247,952 in fiscal year 2019 and decrease of $202,990 in net assets in fiscal year 2018 was due to implementation of GASB 75 OPEB liabilities in FY 2019 and 2018.

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis – Continued

	Summary of Changes in Net Position			
	Year Ended June 30		Between 2019 and 2018	
	2019	2018	Change	Change percentage
Operating:				
Tuition and fees, net of scholarship allowances	$ 30,529,892	$ 30,490,034	$ 39,858	—%
Grants and contracts	32,986,503	31,940,929	1,045,574	3
Other operating revenues	2,908,814	2,520,179	388,635	15
Total operating revenues	66,425,209	64,951,142	1,474,067	2
Total operating expenses	107,396,299	102,931,031	4,465,268	4
Operating loss	(40,971,090)	(37,979,889)	(2,991,201)	8
Nonoperating:				
Total state support	38,918,104	36,540,880	2,377,224	7
Net other nonoperating	1,805,034	1,236,019	569,015	46
Total change in net position	(247,952)	(202,990)	(44,962)	22
Net position, beginning of year	22,000,852	22,203,842	(202,990)	(1)
Net position, end of year	$ 21,752,900	$ 22,000,852	$ (247,952)	(1)%

BUNKER HILL COMMUNITY COLLEGE

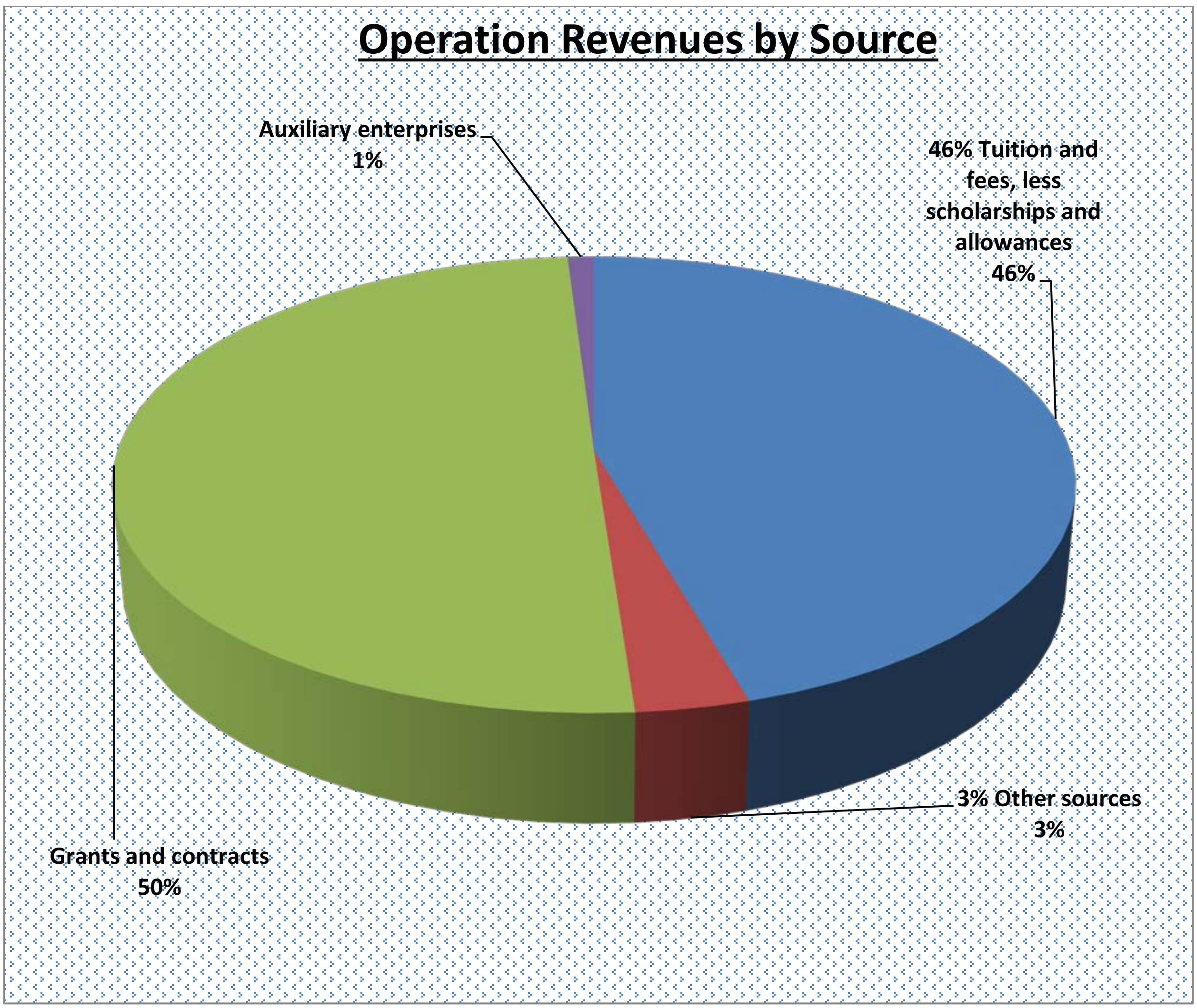
Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis – Continued

Tuition and fees, less scholarships and allowances increased by .13% in fiscal year 2019 compared to a decrease of 2% in fiscal year 2018. Tuition and fees, less scholarship allowances were 46 % of total operating revenues in fiscal year 2019 and was 47% in fiscal year 2018. Federal, State, Local and Private Grants and contracts revenue increased by 5% compared to fiscal year 2018 and was 50 % of total operating revenue in fiscal year 2019.



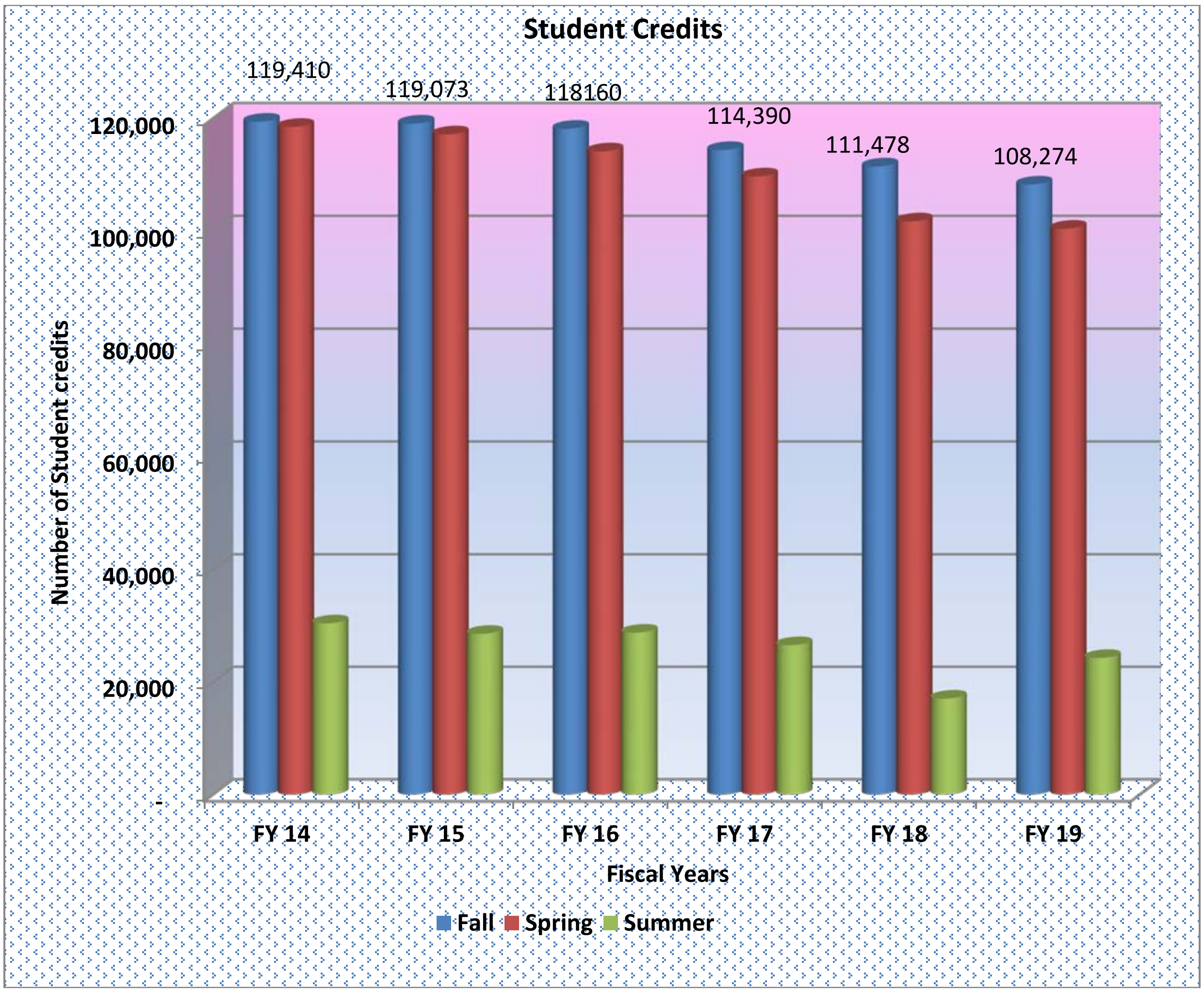
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis – Continued



BUNKER HILL COMMUNITY COLLEGE

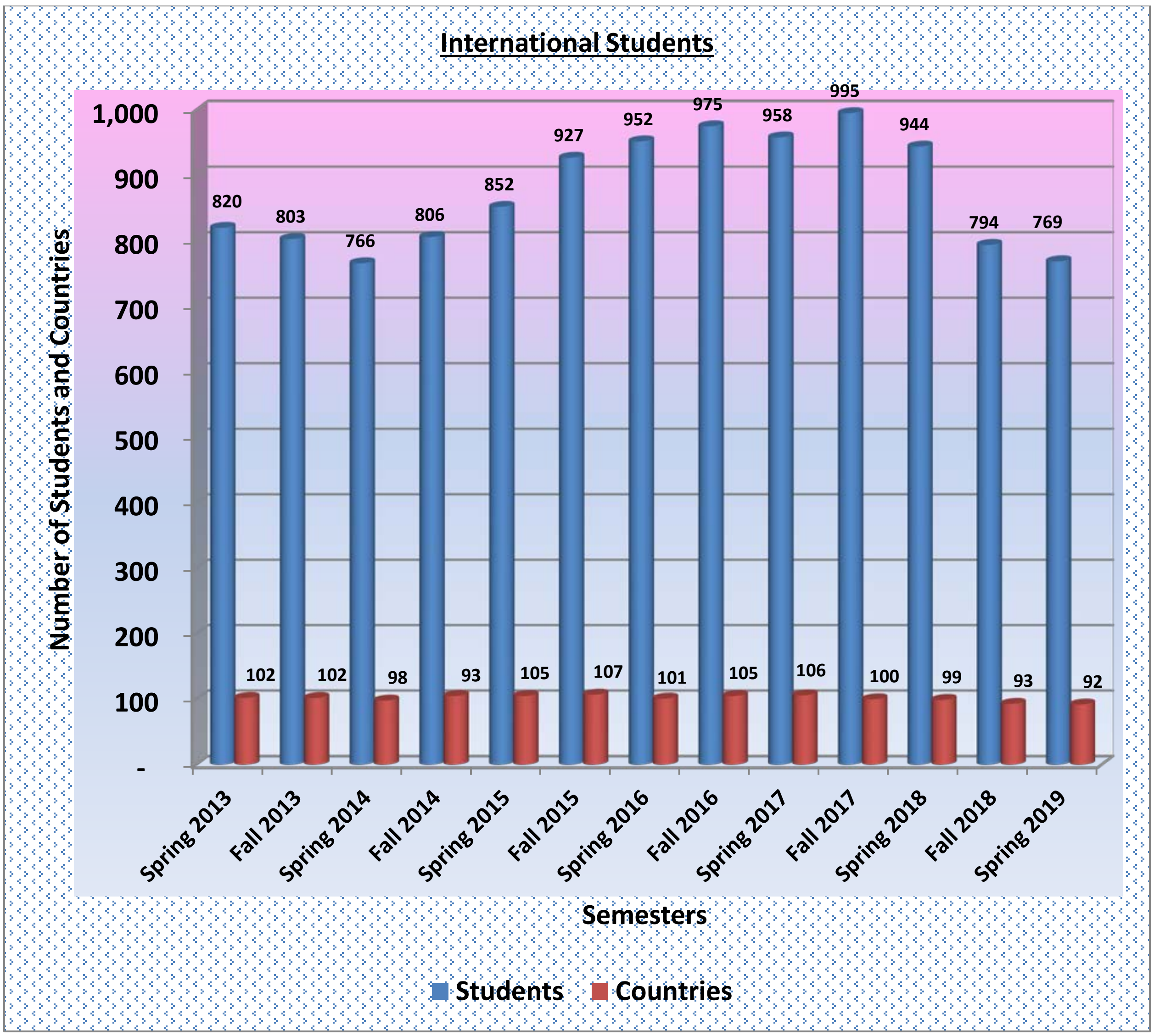
Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

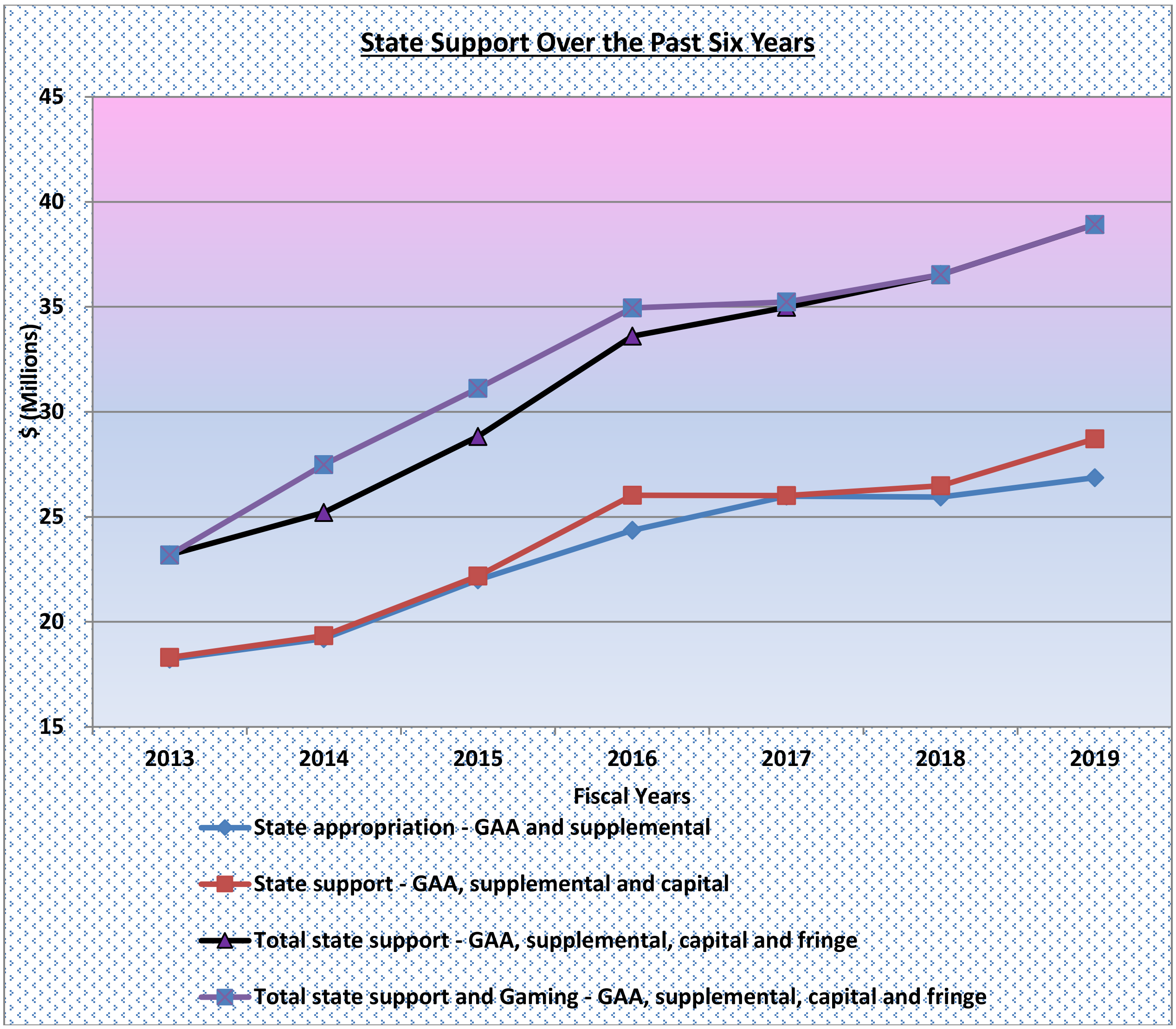
Although the student enrollment has declined in fiscal years 2018 and 2019, the College maintains its position as the largest of the fifteen Community Colleges in the Commonwealth of Massachusetts.

Financial Analysis – Continued



There was a gradual increase in international students' up to fiscal year 2017 to 995 students and thereafter, the enrollments have declined.

Financial Analysis – Continued



BUNKER HILL COMMUNITY COLLEGE

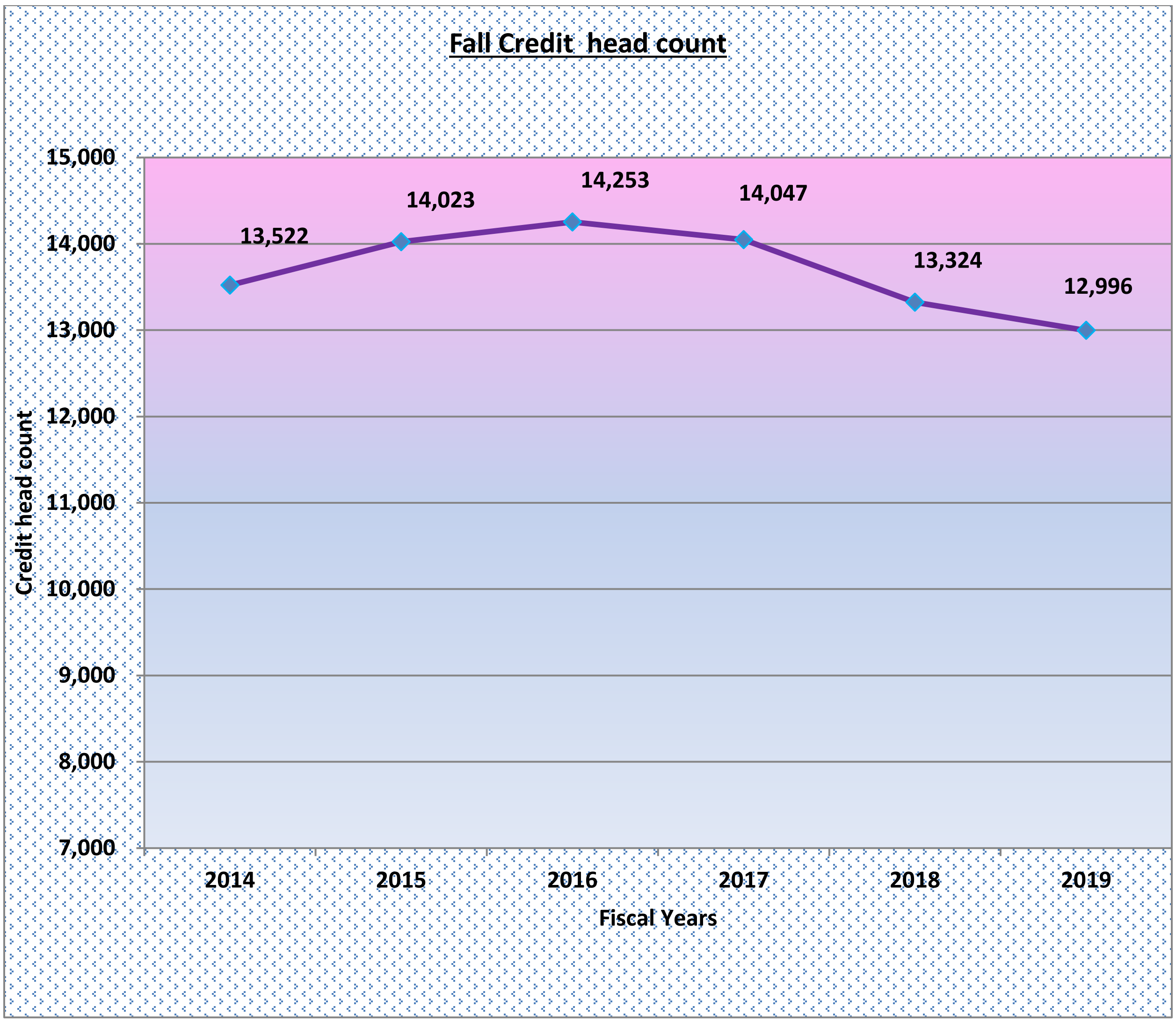
Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

The seven-year trend analysis shows that for the year ended June 30, 2019, there has been a slight increase in general and supplemental state appropriation. The analysis also shows that there has been an increase in capital appropriation.

Financial Analysis - Continued



BUNKER HILL COMMUNITY COLLEGE

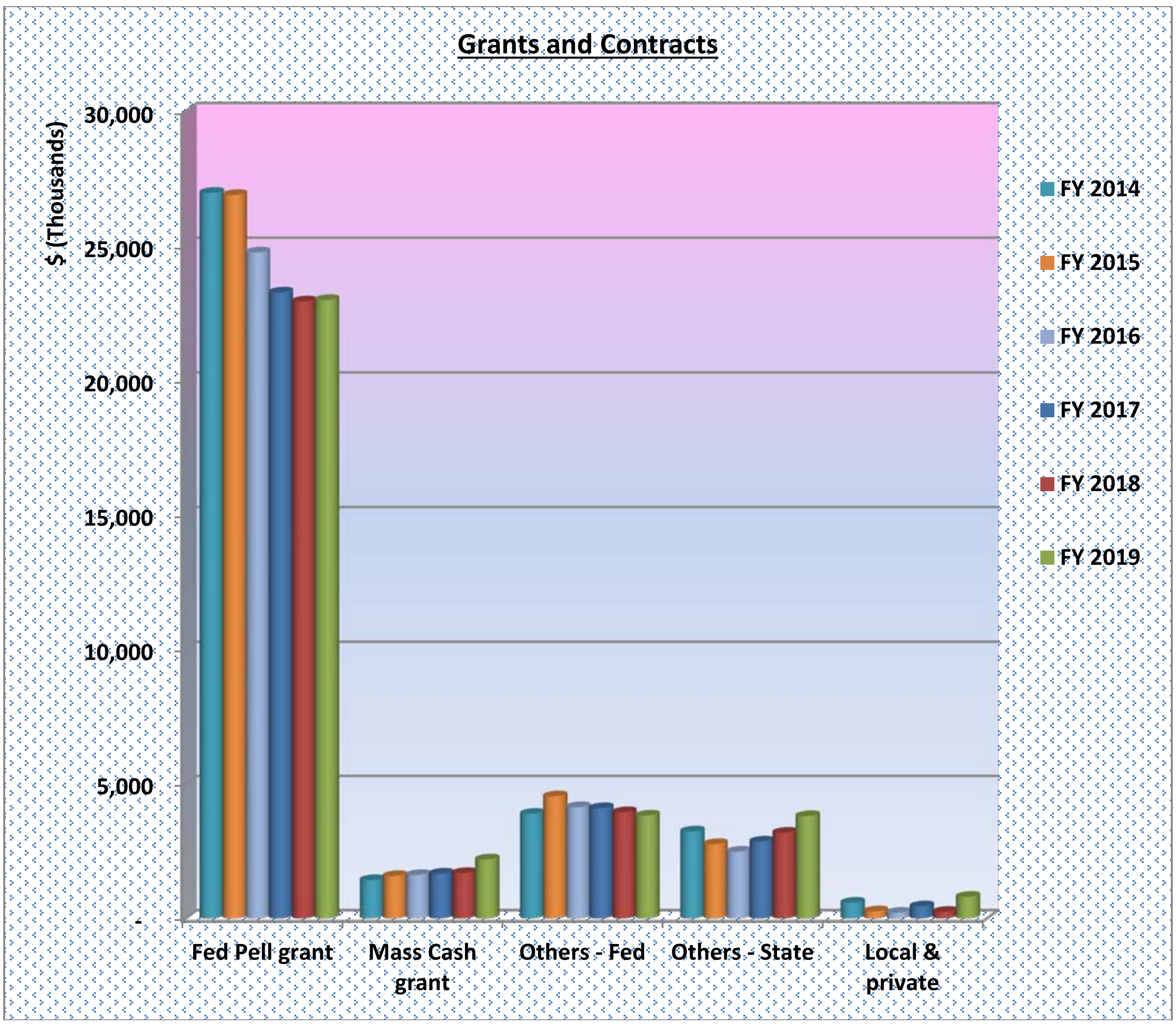
Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

The College's head count has increased consistently over the years to over 14,000 students in Fall 2016 semester and declined to slightly below 13,000 students by Fall 2018.

Financial Analysis – Continued



BUNKER HILL COMMUNITY COLLEGE

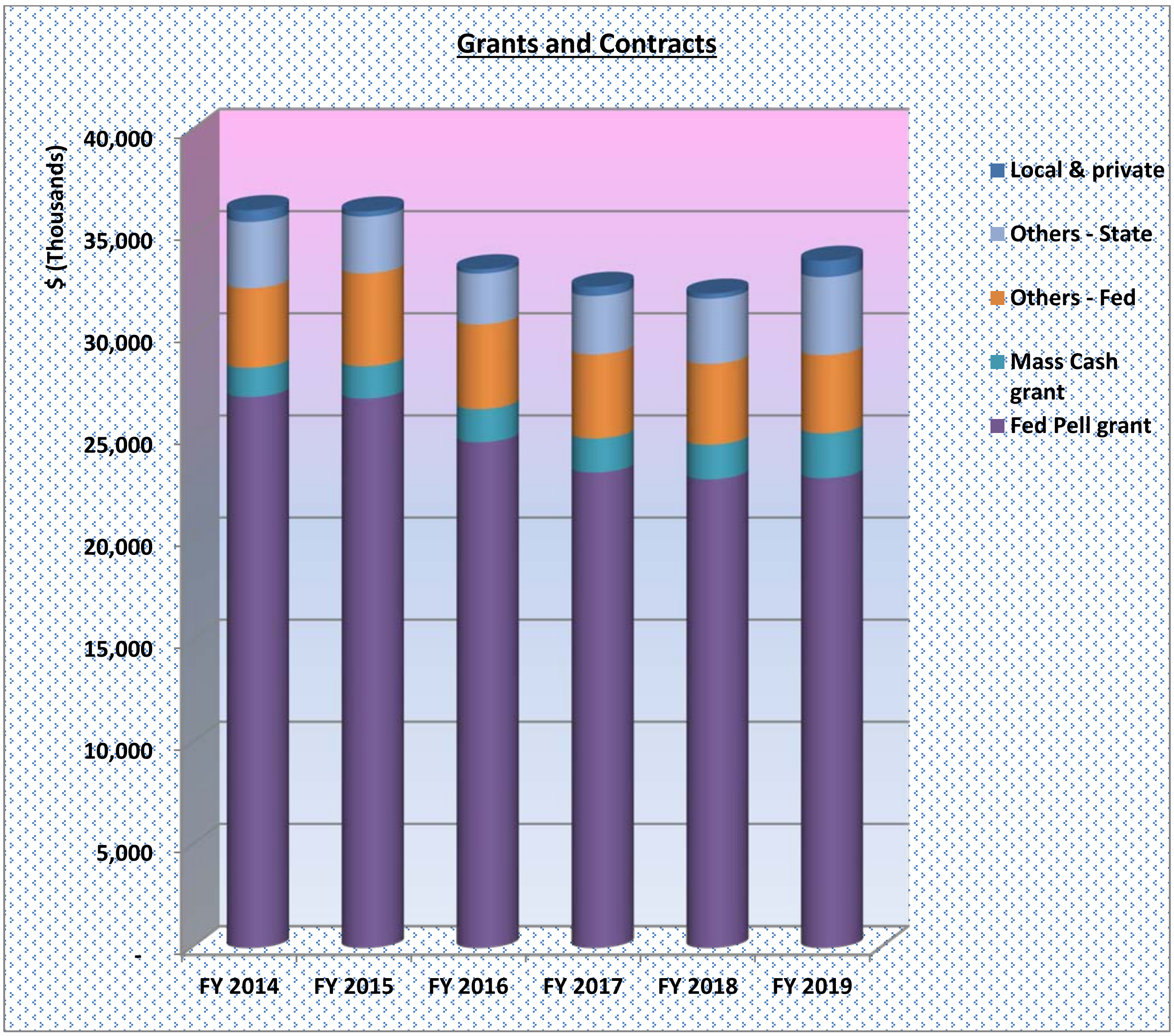
Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Grants and contracts increased by $1,612,695 or by 5% in fiscal year 2019. This is due to an increase on $506,597 or 30% of Mass. cash grant, $619,302 or 19% of other State grants and $560,954 or 230% of local and private grants.

Financial Analysis – Continued



Financial Analysis – Continued

Major grants and contracts received by the College for 2019 included the following:

- PELL grant from US Department of Education in the amount of $23,000,715 for student financial aid. This is an increase of $52,551 (0.2%) from 2018 and a decrease of $279,958 (1.2%) from 2017.

- SEOG grant from US Department of Education in the amount of $653,519 for student financial aid. This is an increase of $73,757 from 2018 and an increase of $109,928 from 2017.

- Nursing grant from US Department of Health and Human Services in the amount of $300,000 for student financial aid. This is an increase of $14,845 from 2018 and same amount as in 2017.

- MASS CASH grant from Massachusetts Board of Higher Education in the amount of $2,199,063 for student financial aid. This is an increase of $506,597 from 2018 and an increase of $530,046 from 2017.

- MASS grant from Massachusetts Board of Higher Education in the amount of $1,256,961 for student financial aid. This is an increase of $154,410 from 2018 and an increase of $131,278 from 2017.

- TRIO grant from U.S. Department of Education of $593,712. This is an increase of $92,376 from 2018 and an increase of $93,242 from 2017.

- Grants and contracts from other sources in the amount of $4,651,240 for specific purposes. This is an increase of $1,914,701 from 2018 and an increase of $787,228 from 2017. Grants were received for following specific purposes:

– State Appropriated grants received for MCAS of $1,803,542.

– Department of Higher Education grants received for Adult Basic Education of $64,074 Perkins Vocational grant of $142,721, Dual Enrollment grant of $239,685, STEM Starter Academy $132,784, NOVA Initiative Program – 35 for $221,648, Local AH grant $30,379 and TITLE III grant of $313,940.

- Auxiliary enterprises (Workforce development contracts) revenue increased by 20% or $113,130 in fiscal year 2019. Mainly due to decrease in contracts with Metro North Regional Employment Board and Merrimack Valley Workforce Investment Board.

Financial Analysis – Continued

Tuition and fees received by the College included the following:

	Year Ended June 30		Between 2019 and 2018	
	2019	**2018**	**Change**	**Change percentage**
Tuition	**$ 11,214,032**	$ **12,044,929**	$ (830,897)	(7)%
Student fees	**39,848,563**	**37,812,031**	2,036,532	5
Waivers	**(1,602,182)**	**(1,570,242)**	(31,940)	2
Tuition and fees, net	**$ 49,460,413**	$ **48,286,718**	$ 1,173,695	2%

	Year Ended June 30		Between 2018 and 2017	
	2018	**2017**	**Change**	**Change percentage**
Tuition	$ **12,044,929**	**$ 12,810,444**	$ (765,515)	(6)%
Student fees	**37,812,031**	**37,075,345**	736,686	2
Waivers	**(1,570,242)**	**(1,327,332)**	(242,910)	18
Tuition and fees, net	$ **48,286,718**	**$ 48,558,457**	$ (271,739)	(1)%

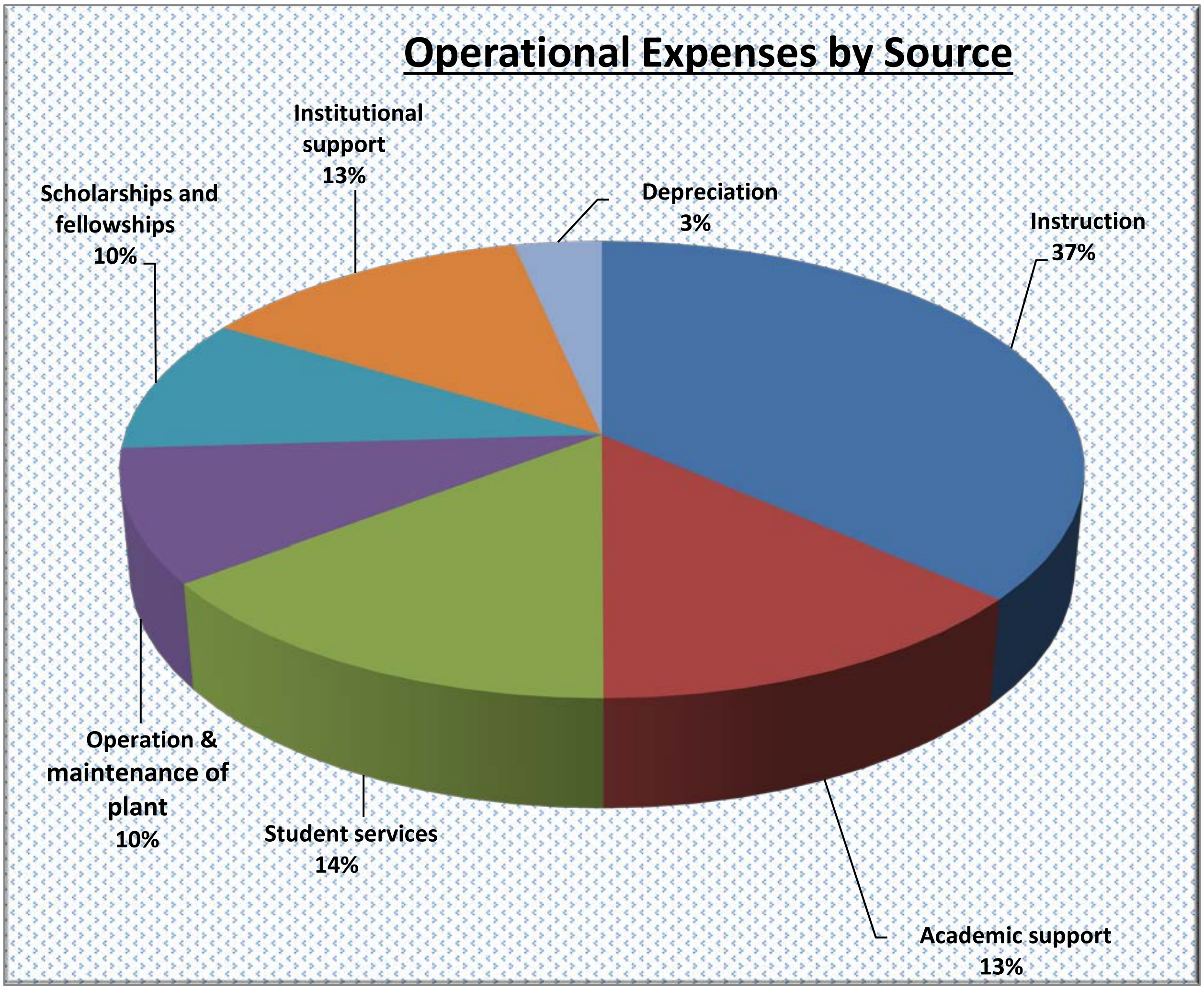
Financial Analysis – Continued

Comparison of Expenses by Function

	Year Ended June 30		Between 2019 and 2018	
	2019	**2018**	**Change**	**Change percentage**
Instruction	**$ 38,631,028**	$ **37,482,302**	$ 1,148,726	3%
Academic support	**14,291,527**	**14,446,670**	(155,143)	(1)
Student services	**15,314,183**	**15,374,037**	(59,854)	—
Scholarships and fellowships	**10,578,904**	**10,363,044**	215,860	2
Operation and maintenance of plant	**10,242,480**	**8,960,094**	1,282,386	14
Institutional support and other	**14,596,885**	**12,774,850**	1,822,035	14
Depreciation and amortization	**3,741,292**	**3,530,034**	211,258	6
	$ 107,396,299	$ **102,931,031**	$ 4,465,268	4%

	Year Ended June 30		Between 2018 and 2017	
	2018	**2017**	**Change**	**Change percentage**
Instruction	**$ 37,482,302**	$ **38,688,617**	$ (1,206,315)	(3)%
Academic support	**14,446,670**	**12,738,332**	1,708,338	13
Student services	**15,374,037**	**11,927,800**	3,446,237	29
Scholarships and fellowships	**10,363,044**	**10,784,082**	(421,038)	(4)
Operation and maintenance of plant	**8,960,094**	**9,398,390**	(438,296)	(5)
Institutional support and other	**12,774,850**	**11,666,138**	1,108,712	10
Depreciation and amortization	**3,530,034**	**3,018,891**	511,143	17
	$ 102,931,031	$ **98,222,250**	$ 4,708,781	5%

Financial Analysis – Continued

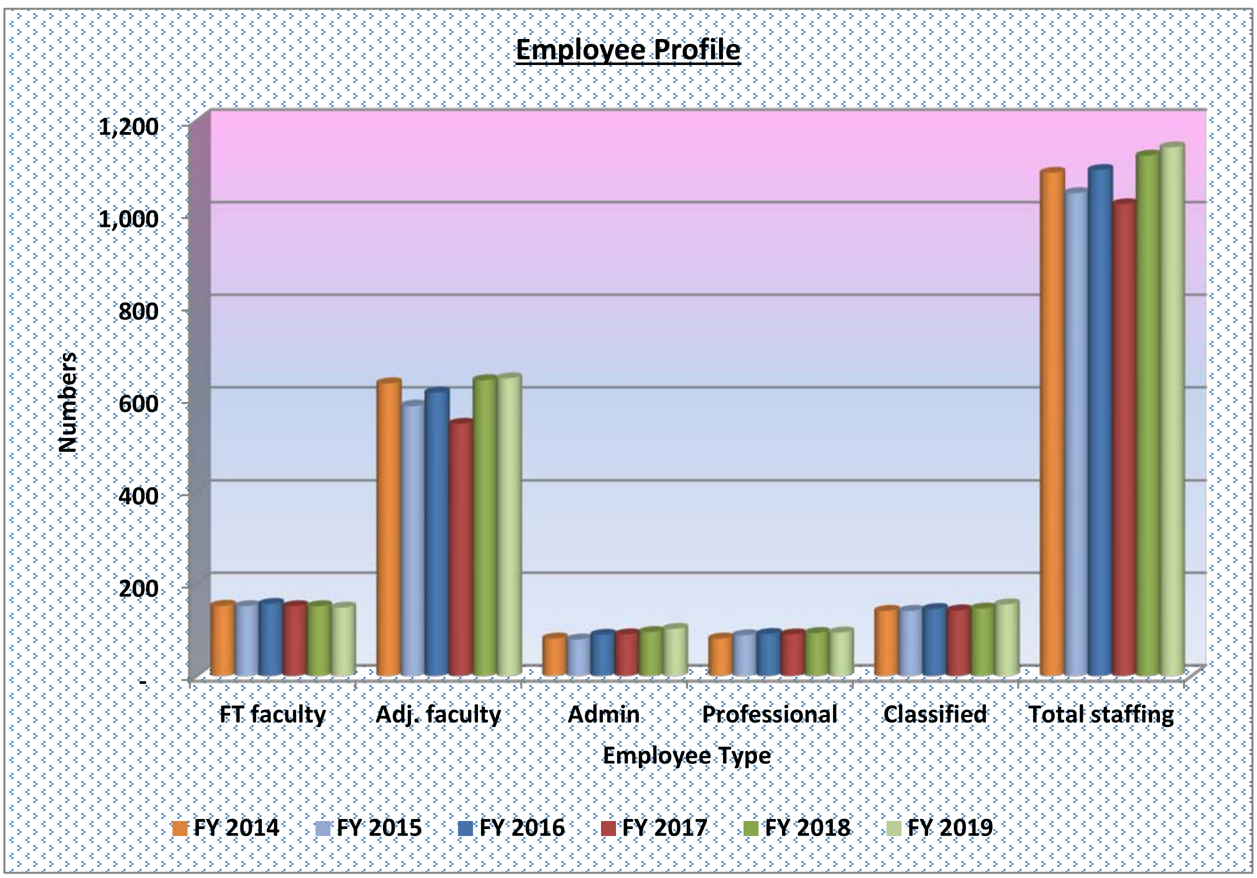


Highlights of operating expense activity:

- Of the total operating expenses in fiscal year 2019 of $107,396,299, 74% relates to instruction, academic support, student services, and scholarship and fellowships. Of the total operating expenses in fiscal year 2018 of $102,931,031, 75% relates to instruction, academic support, student services, and scholarship and fellowships.

Financial Analysis – Continued

The expenditure on scholarships and fellowships increased by 2% or $215,860 in fiscal year 2019 due to an overall increase in grant aid other than those applied to tuition and fees. In fiscal year 2018, the expenditure in scholarships and fellowship decreased by 4% or $421,038.



BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis – Continued

Loss from Operations

The following schedule presents the College's operating loss for the years ended June 30:

	Year Ended June 30		Between 2019 and 2018	
	2019	**2018**	**Change**	**Change percentage**
Tuition and fees	$ **49,460,413**	$ **48,286,718**	$ 1,173,695	2%
Less scholarship allowances	**(18,930,521)**	**(17,796,684)**	(1,133,837)	6
Net tuition and fees	**30,529,892**	**30,490,034**	39,858	0%
Grants and contracts	**32,986,503**	**31,940,929**	1,045,574	3
Other revenue	**2,908,814**	**2,520,179**	388,635	15
Operating expenses	**(107,396,299)**	**(102,931,031)**	(4,465,268)	4
Operating loss	$ **(40,971,090)**	$ **(37,979,889)**	$ (2,991,201)	8

	Year Ended June 30		Between 2018 and 2017	
	2018	**2017**	**Change**	**Change percentage**
Tuition and fees	$ **48,286,718**	$ **48,558,456**	$ (271,738)	(1)%
Less scholarship allowances	**(17,796,684)**	**(17,603,798)**	(192,886)	1
Net tuition and fees	**30,490,034**	**30,954,658**	(464,624)	(2)
Grants and contracts	**31,940,929**	**32,374,544**	(433,615)	(1)
Other revenue	**2,520,179**	**2,561,305**	(41,126)	(2)
Operating expenses	**(102,931,031)**	**(98,222,250)**	(4,708,781)	5
Operating loss	$ **(37,979,889)**	$ **(32,331,743)**	$ (5,648,146)	17%

BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis - Continued

Pursuant to Governmental Accounting Standards Board (GASB) Statements No. 34 and 35, the State appropriation is not classified as operating revenue. Therefore, institutions of public higher education generally incur a loss from operations. The Commonwealth's Department of Higher Education sets tuition while the College's Board of Trustees sets general course fees. Commonwealth appropriations and other state support to the College reduced the loss from operations. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

Nonoperating Revenues and Expenses

	Year Ended June 30		Between 2019 and 2018	
	2019	**2018**	**Change**	**Change percentage**
Operating loss	**$ (40,971,090)**	$ **(37,979,889)**	$ (2,991,201)	8%
Nonoperating:				
Total state support	**38,295,359**	**36,012,273**	2,283,086	6
Net other nonoperating	**2,427,779**	**1,764,626**	663,153	38
Increase (decrease) in net position	**$ (247,952)**	$ **(202,990)**	$ (44,962)	22%

	Year Ended June 30		Between 2018 and 2017	
	2018	**2017**	**Change**	**Change percentage**
Operating loss	**$ (37,979,889)**	$ **(32,331,743)**	$ (5,648,146)	17%
Nonoperating:				
Total state support	**36,012,273**	**35,231,433**	780,840	2
Net other nonoperating	**1,764,626**	**1,314,019**	450,607	34
Increase (decrease) in net position	**$ (202,990)**	$ **4,213,709**	$ (4,416,699)	(105)%

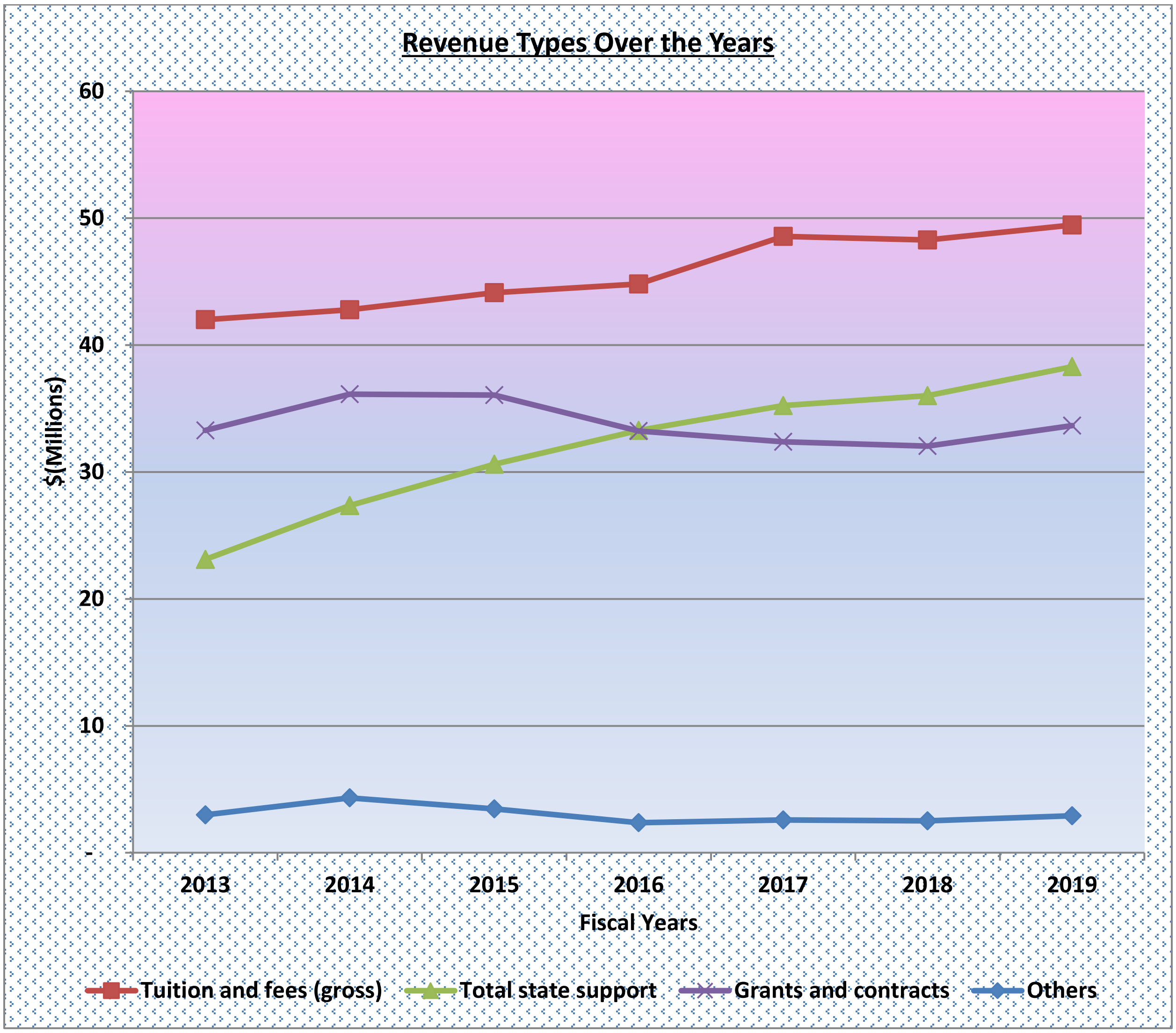
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis – Continued



Gross tuition and fees net of waivers for FY 2019 was the largest single source of revenue at $49,460,413 or 40% followed by State appropriation of $38,295,359 or 31% and Grants and Contracts at $33,652,174 or 27%.

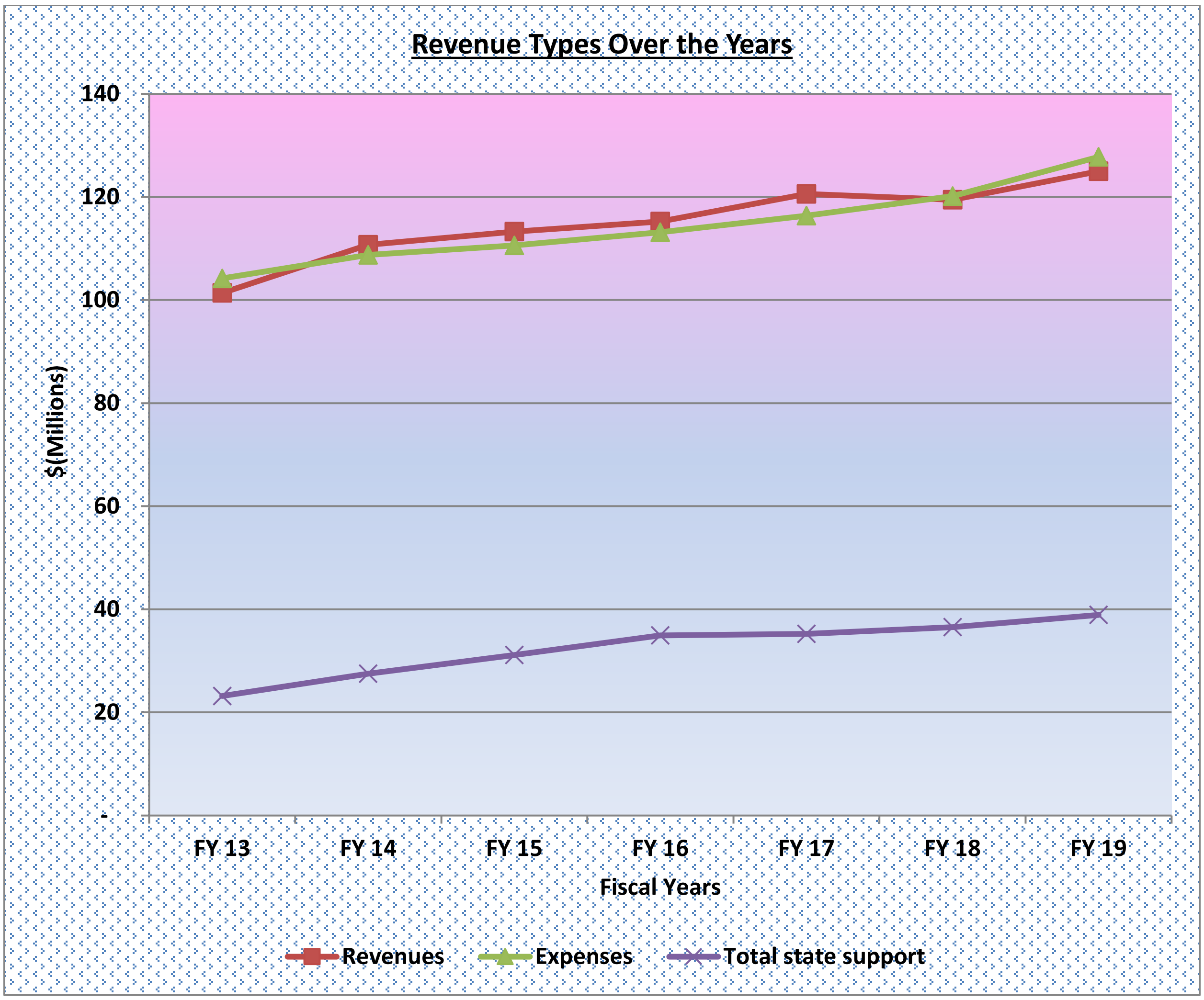
BUNKER HILL COMMUNITY COLLEGE

Management Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Financial Analysis – Continued



- The seven-year trend analysis shows that from FY 2014 to FY 2017 revenue (excluding scholarship allowances) has gradually exceeded and it broke even in FY 2018. However, in FY 2019, the expenses (including scholarship allowances) slightly increased revenue due to effect of implementation of GASB 75 OPEB liabilities.

Capital Assets of the College

The College's capital assets as of June 30, 2019 amounted to $44,065,135, net of accumulated depreciation. The capital assets include land, buildings and improvements, furnishings, and equipment. Capital assets net of depreciation increased from $42.3 million in FY 2018 to $44.1 million in FY 2019. This was mainly due to improvements to buildings at a cost of $6,462,757 including a reclassification of Capital Work in Progress of $6,146,986 and addition to capital software of $1,436,826 including a reclassification of Capital Work in Progress of $1,369,869. The total addition to capital assets during fiscal year 2019 was $5,523,941 while the total depreciation amounted to $3,741,292.

The Board of Trustees approves capital asset purchases. Additional information about the College's capital assets can be found in note 5.

Long-Term Liabilities of the College

During the fiscal year 2007, the College participated in a Pool M3-C Series, tax exempt, variable rate bond issued through Massachusetts Health and Educational Facilities Authority Capital Assets Program (HEFA) to finance the construction of the Health and Wellness Center. Of the Pool M3-C Series, tax exempt bond of $8,000,000, a sum of $58,202 is held as a debt service reserve fund at the Peoples United Bank.

The College also entered into an interest rate swap agreement with Citizens Bank to manage (hedge) cash flows associated with the variable rate bond. The terms of the swap transaction are as follows:

Trade date		February 9, 2007
Effective date		February 11, 2007
Termination date		June 15, 2031
Rate paid by College		4.18%
Rate paid by counterparty		SIFMA Swap Index
Fair value – liability at June 30, 2019	$	1,262,354

Long-Term Liabilities of the College - Continued

In November 2011, the College participated in a clean energy (savings) program which was administered by the Department of Capital Asset Management and Maintenance (DCAM). This project, DCAM project number BHC 1001-EC1 was funded in part by a loan from the Clean Energy Investment program (CEIP) funds and in part by a General Obligation Bond through DCAM. The status of the CEIP funds as June 30, 2019 is as follows:

Date of note	November 29, 2011
Original amount of note	$3,330,488
Unpaid principal balance	$2,447,113
Maturity date	January 01, 2032
Interest rate	4.00%
Date to which interest has been paid	January 01, 2019

During fiscal year 2016, the College leased equipment which was funded through Key Finance Government to upgrade Colleges computer network infrastructure. The capital lease obligations at June 30, 2019 are as follows.

Asset value	$1,160,596
Interest	$ 69,101
Period of the lease	60 months
Annual payment	$ 245,939
Lease obligation at June 30, 2019	$ 239,626

Economic Factors and Decisions Affecting Next Year's Tuition and Student Fee Revenues

The seasonally adjusted unemployment rate for the Commonwealth within which the College primarily draws students, decreased from 3.5% in June 2018 to 3.0% in June 2019, according to the United States Department of Labor, Bureau of Labor Statistics. The seasonally adjusted unemployment rate on a national level decreased from 4.0% in June 2018 to 3.7% in June 2019. The trend is that unemployment will continue to decrease if the performance of the economy improves and vice versa. It is difficult for the College to predict the extent to which enrollment may vary in the current environment.

Requests for Information

This financial report is designed to provide a general overview of the College's financial position 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 Vice President, Administration and Finance, Bunker Hill Community College, 250 New Rutherford Avenue, Boston, Massachusetts 02129-2925.

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Current Assets:				
Cash and equivalents	**$ 2,673,339**	$ 1,149,135	**$ 845,148**	$ 461,852
Deposits held by State Treasurer	**419,711**	2,951,456	**-**	-
Cash held by State Treasurer	**999,659**	281,682	**-**	-
Restricted cash	**1,056,441**	1,059,855	**1,074,380**	790,202
Short-term investments	**16,300,619**	18,850,077	**-**	-
Deposits with bond trustee - restricted	**58,202**	60,702	**-**	-
Accounts receivable, net	**3,413,324**	4,365,703	**85,286**	64,368
Other assets	**464,669**	420,048	**-**	-
Total Current Assets	**25,385,964**	29,138,658	**2,004,814**	1,316,422
Non-Current Assets:				
Long-term investments	**8,450,601**	5,126,416	**6,204,482**	5,722,517
Capital assets, net of accumulated depreciation	**44,065,135**	42,282,486	**-**	-
Total Non-Current Assets	**52,515,736**	47,408,902	**6,204,482**	5,722,517
Total Assets	**77,901,700**	76,547,560	**8,209,296**	7,038,939
Deferred Outflows of Resources				
Interest rate swap	**1,262,354**	954,970	-	-
Pension related, net	**5,573,782**	4,834,718	-	-
OPEB related, net	**11,445,475**	7,360,394	-	-
Total Deferred Outflows of Resources	**18,281,611**	13,150,082	-	-
Total Assets and Deferred Outflows of Resources	**$ 96,183,311**	$ 89,697,642	**$ 8,209,296**	$ 7,038,939

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	**$ 4,735,839**	$ 4,928,275	**$ 127,302**	$ 68,169
Accrued payroll	**1,689,115**	1,844,933	**-**	-
Compensated absences and workers' compensation	**3,416,691**	3,446,640	**-**	-
Unearned revenues	**209,344**	250,460	**-**	-
Students' deposits	**2,042,150**	2,560,097	**-**	-
Funds held for others	**1,402,034**	1,518,504	**-**	-
Current portion of capital lease obligations	**289,122**	280,848	**-**	-
Current portion of bonds payable	**260,000**	250,000	**-**	-
Current portion of liability for energy project	**147,178**	141,518	**-**	-
Total Current Liabilities	**14,191,473**	15,221,275	**127,302**	68,169
Non-Current Liabilities:				
Compensated absences and workers compensation	**1,950,487**	2,044,698	**-**	-
Pension liability, net	**14,246,192**	12,158,456	**-**	-
OPEB liability, net	**25,023,473**	23,648,250		
Capital lease obligations	**105,359**	394,481	**-**	-
Bonds payable	**5,618,202**	5,880,702	**-**	-
Liability for energy project	**2,299,936**	2,447,114	**-**	-
Liability for derivative instrument	**1,262,354**	954,970	**-**	-
Total Non-Current Liabilities	**50,506,003**	47,528,671	**-**	-
Total Liabilities	**64,697,476**	62,749,946	**127,302**	68,169
Deferred Inflows of Resources				
Pension related, net	**1,928,755**	2,170,919		
OPEB, net	**7,804,180**	2,775,925	**-**	-
Total Deferred Inflows of Resources	**9,732,935**	4,946,844	**-**	-
Net Position:				
Net investment in capital assets	**35,403,540**	32,948,525	**-**	-
Restricted:				
Expendable	**-**	-	**5,044,784**	4,152,460
Non-expendable	**-**	-	**1,891,479**	1,775,869
Unrestricted	**(13,650,640)**	(10,947,673)	**1,145,731**	1,042,441
Total Net Position	**21,752,900**	22,000,852	**8,081,994**	6,970,770
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 96,183,311**	$ 89,697,642	**$ 8,209,296**	$ 7,038,939

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Operating Revenues:				
Tuition and fees	**$ 49,460,413**	$ 48,286,718	**$ -**	$ -
Less: scholarship allowance	**(18,930,521)**	(17,796,684)	**-**	-
Net tuition and fees	**30,529,892**	30,490,034	**-**	-
Federal, state, local and private grants and contracts	**32,986,503**	31,940,929	**1,688,754**	1,307,180
Other auxiliary enterprises	**682,038**	568,908	**-**	-
Other sources	**2,226,776**	1,951,271	**291,633**	304,273
Total Operating Revenues	**66,425,209**	64,951,142	**1,980,387**	1,611,453
Operating Expenses:				
Instruction	**38,631,028**	37,482,302	**-**	-
Academic support	**14,291,527**	14,446,670	**-**	-
Student services	**15,314,183**	15,374,037	**-**	-
Scholarships	**10,578,904**	10,363,044	**437,657**	372,409
Operation and maintenance of plant	**10,242,480**	8,960,094	**-**	-
Institutional support	**14,596,885**	12,774,850	**-**	-
Depreciation and amortization	**3,741,292**	3,530,034	**-**	-
Other operating expenses	**-**	-	**142,684**	147,985
Total Operating Expenses	**107,396,299**	102,931,031	**580,341**	520,394
Operating Income (Loss)	**(40,971,090)**	(37,979,889)	**1,400,046**	1,091,059
Non-Operating Revenues (Expenses):				
State appropriations	**38,295,359**	36,012,273	**-**	-
Payments between Foundation and College	**754,258**	139,975	**(754,258)**	(167,735)
Net investment income	**1,547,053**	1,623,311	**465,436**	537,537
Interest expense	**(496,277)**	(527,267)	**-**	-
Net Non-Operating Revenues (Expenses)	**40,100,393**	37,248,292	**(288,822)**	369,802
Change in Net Position Before Capital Appropriations	**(870,697)**	(731,597)	**1,111,224**	1,460,861
Capital appropriations	**622,745**	528,607	**-**	-
Change in Net Position	**(247,952)**	(202,990)	**1,111,224**	1,460,861
Net Position, Beginning of Year	**$ 22,000,852**	$ 22,203,842	**$ 6,970,770**	$ 5,509,909
Net Position, End of Year	**$ 21,752,900**	$ 22,000,852	**$ 8,081,994**	$ 6,970,770

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
	2019 College	2018 College
Cash Flows from Operating Activities:		
Tuition and fees	**$ 30,618,220**	$ 30,203,827
Grants and contracts	**32,771,311**	31,610,877
Payments to suppliers	**(12,395,825)**	(10,961,780)
Payments to students	**(10,578,904)**	(10,363,044)
Payments to employees	**(67,569,742)**	(63,356,293)
Other operating revenues	**3,428,994**	2,029,877
Net Cash Applied to Operating Activities	**(23,725,946)**	(20,836,536)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**28,092,693**	25,947,933
Funds held for others	**(116,470)**	379,659
Contributions from Foundation	**754,258**	139,975
Net Cash Provided by Non-Capital Financing Activities	**28,730,481**	26,467,567
Cash Flows from Capital Financing Activities:		
Capital appropriations	**622,745**	-
Purchases of capital assets	**(5,523,941)**	(4,742,484)
Principal payments on capital debt	**(674,866)**	(661,821)
Interest paid on capital debt	**(496,277)**	(527,267)
Net Cash Applied to Capital Financing Activities	**(6,072,339)**	(5,931,572)
Cash Flows from Investing Activities:		
Proceeds from sale of investments	**11,439,964**	64,801,486
Interest and dividends on investments, net	**5,534**	20,950
Purchases of investments	**(10,673,172)**	(64,314,538)
Net Cash Provided by Investing Activities	**772,326**	507,898
Net Increase (Decrease) in Cash and Equivalents	**(295,478)**	207,357
Cash and Equivalents, Beginning of Year	**5,502,830**	5,295,473
Cash and Equivalents, End of Year	**$ 5,207,352**	$ 5,502,830

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows - Continued

For the Years Ended June 30,

	Primary Government	
	2019 College	2018 College
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	**$ (40,971,090)**	$ (37,979,889)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	**3,741,292**	3,530,034
Bad debts recoveries	**(20,370)**	(30,861)
Net pension activity	**1,106,508**	506,514
Net OPEB activity	**2,318,397**	2,016,951
Fringe benefits paid by state	**10,202,666**	10,064,340
Changes in assets and liabilities:		
Accounts receivable	**972,749**	(402,126)
Other current assets	**(44,621)**	136,892
Accounts payable and accrued expenses	**(192,436)**	1,401,060
Accrued salaries and wages	**(155,818)**	114,995
Accrued compensated absences and workers' compensation	**(124,160)**	479,128
Student deposits	**(517,947)**	(563,901)
Unearned revenues	**(41,116)**	(109,673)
Net Cash Applied to Operating Activities	**$ (23,725,946)**	$ (20,836,536)
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	**$ 2,673,339**	$ 1,149,135
Deposits held by State Treasurer	**419,711**	2,951,456
Cash held by State Treasurer	**999,659**	281,682
Restricted cash	**1,056,441**	1,059,855
Deposits with bond trustee - restricted	**58,202**	60,702
Cash and Equivalents, End of Year	**$ 5,207,352**	$ 5,502,830
Non-Cash Transactions:		
Fringe benefits provided by the state	**$ 10,202,666**	$ 10,064,340
Capital assets acquired through state appropriation	**$ -**	$ 528,607
Capital assets acquired through capital leases	**$ -**	$ 258,092

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2019 and 2018

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

Organization
Bunker Hill Community College (the "College") is the largest community college in Massachusetts and is accredited by the New England Commission of Higher Education. The College is located in Charlestown, Massachusetts with a branch campus in Chelsea, Massachusetts and three satellite campuses throughout Greater Boston providing instruction and training in a variety of liberal arts and sciences, allied health, engineering technologies and business fields of study. Through the Division of Continuing Education, the College offers credit and non-credit courses as well as community service programs.

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 for defining operating activities in the statements of revenues, expenses and changes in net position, are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. 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, net investment income, gifts, and interest expense.

Bunker Hill Community College Foundation, Inc. (the "Foundation") is a legally separate tax-exempt organization established in July 1986. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is located at the College's Charlestown campus. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2019 and 2018 and is therefore discretely presented in the College's financial statements.

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

Basis of Presentation - continued
During the years ended June 30, 2019 and 2018, the Foundation distributed $754,258 and $139,975, respectively, to the College for both restricted and unrestricted purposes.

Complete financial statements for the Foundation can be obtained from Bunker Hill Community College Foundation at 250 New Rutherford Avenue, Suite H150, Charlestown, Massachusetts 02129.

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

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

Restricted – Nonexpendable: Net position subject to externally imposed conditions that the College must maintain in perpetuity.

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

Unrestricted: All other amounts 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.

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

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

Investments
Investments in marketable securities are stated at fair value. Dividends, interest, and net realized and unrealized gains or losses on investments are reported in the statements of revenues and expenses. Gains and losses on the disposition of investments are determined based on specific identification of securities sold. Investment income is recognized when earned. The College has no donor-restricted endowments as of June 30, 2019 and 2018.

Allowance for Doubtful Accounts
Provisions for losses on receivables are determined on the basis of less experience, known and inherent risks and current economic conditions.

Capital Assets
Real estate, including improvements, furnishings, equipment, and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of more than $50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The College does not hold collections of historical treasures, works of art or other items not requiring capitalization or depreciation.

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

Students' Deposits and Unearned Revenues
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 are recorded as related services are provided.

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

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.

Workers' Compensation

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

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2019 and 2018. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2019 and 2018. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Pensions

For purposes of measuring the net pension liability, deferred outflow of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employee's Retirement System ("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.

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.

Student 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.

Derivative Instruments
GASB Statement No. 53¸ *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), requires the fair value of a hedging derivative instrument be reported in the financial statements. Changes in the fair value of an effective hedging derivative instrument are deferred and reported as deferred outflows or deferred inflows on the statement of net position. In compliance with GASB Statement 53, the College has recorded a deferred outflow and corresponding liability on the Statements of Net Position.

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

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

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

New Governmental Accounting Pronouncements

GASB Statement 84 – *Fiduciary Activities* is effective for periods beginning after December 15, 2018. The objective of this Statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of net position and a statement of changes in 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 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 yet evaluated the effects of the implementation of this Statement.

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

New Governmental Accounting Pronouncements - continued
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 Statement. Management is in the process of evaluating this Statement and has not yet determined its impact on the financial statements.

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

Note 2 - **Cash and Investments**

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

Investment type	2019	2018
Cash in bank	$ 2,673,339	$ 1,149,135
Cash in bank - restricted	1,056,441	1,059,855
Proprietary money market funds - restricted	58,202	60,702
Total Deposits	3,787,982	2,269,692
Money market funds	494,474	481,014
Corporate bonds	7,317,133	3,908,439
Mutual funds	41,086	1,122,186
Federal agencies	1,635,953	1,274,651
Equity securities	15,262,574	17,190,203
Total Investments	24,751,220	23,976,493
Total Deposits and Investments	$ 28,539,202	$ 26,246,185

Note 2 - **Cash and Investments - Continued**

Overall Deposits and Investments Descriptions - continued
The proprietary money market funds represent unspent proceeds of a Pool M3-C Series bond issue through Mass HEFA, which was converted to a MHEFA Pool ‘O’ Series bond.

Restricted Cash
The College accepts funds and makes payments on behalf of the Executive Office. The cash balance that belongs to the Executive Office has been classified as restricted on the statements of net position.

Restricted Cash - Foundation
During the year ended June 30, 2018, the Foundation received a three-year $2.4 million grant from the Richard and Susan Smith Family Foundation on behalf of the College to be used to fund the College’s Early College Program. The Foundation is the fiscal agent of the grant funds and as the College incurs costs related to this program funds will be released by the Foundation. At June 30, 2019 and 2018, the Foundation had $1,074,380 and $790,202, respectively, in restricted cash related to this grant.

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank failure, the College’s deposits might not be recovered. The College’s bank balances, including money market funds, as of June 30, 2019 and 2018 were $4,760,682 and $3,003,330, respectively. Of these balances, $3,260,682 and $2,530,233 were exposed to custodial credit risk as uninsured and uncollateralized as of June 30, 2019 and 2018, respectively.

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 principal 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. The Board of Trustees supports the investments of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding in any or all of the above. The Board of Trustees may establish investment fund ceilings and broad asset allocation guidelines, but delegates to the President or her designee, the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

Note 2 - **Cash and Investments - Continued**

Fair Value Hierarchy

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

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

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.

Federal agencies, corporate bonds and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at daily closing prices as reported by the fund. Mutual funds held by the College are open-end mutual funds that are registered with the SEC.

These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the College are deemed to be actively traded.

Money market funds: Valued based on the net asset value per share.

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

Note 2 - Cash and Investments - Continued

Fair Value Hierarchy - continued
The following tables set forth, by level, the College's investments:

	June 30, 2019				
	NAV per share	**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements:					
Federal agencies	$ -	$ 1,635,953	$ -	$ -	$ 1,635,953
Corporate bonds	-	-	7,317,133	-	7,317,133
Money market funds	494,474	-	-	-	494,474
Mutual funds	-	41,086	-	-	41,086
Equity securities	-	15,262,574	-	-	15,262,574
Total marketable securities at fair value	$ 494,474	$ 16,939,613	$ 7,317,133	$ -	$ 24,751,220

	June 30, 2018				
	NAV per share	Level 1	Level 2	Level 3	Total
Recurring fair value measurements:					
Federal agencies	$ -	$ 1,274,651	$ -	$ -	$ 1,274,651
Corporate bonds	-	-	3,908,439	-	3,908,439
Money market funds	481,014	-	-	-	481,014
Mutual funds	-	1,122,186	-	-	1,122,186
Equity securities	-	17,190,203	-	-	17,190,203
Total marketable securities at fair value	$ 481,014	$ 19,587,040	$ 3,908,439	$ -	$ 23,976,493

Note 2 - Cash and Investment - Continued

Interest Rate Risk

Maturities of investments exposed to interest rate risk were as follows at June 30:

2019

		Investment maturities (in years)			
Investment type	**Fair value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Debt securities:					
Federal agencies	**$ 1,635,953**	**$ 393,150**	**$ 1,215,924**	**$ 26,879**	**$ -**
Corporate bonds	**7,317,133**	**150,421**	**2,772,857**	**3,924,029**	**469,826**
	8,953,086	**$ 543,571**	**$ 3,988,781**	**$ 3,950,908**	**$ 469,826**
Cash in bank	**3,729,780**				
Money market funds	**494,474**				
Proprietary money market funds	**58,202**				
Mutual funds	**41,086**				
Equity securities	**15,262,574**				
	$ 28,539,202				

2018

		Investment maturities (in years)			
Investment type	Fair value	Less than 1	1 to 5	6 to 10	More than 10
Debt securities:					
Federal agencies	$ 1,274,651	$ 318,336	$ 956,315	$ -	$ -
Corporate bonds	3,908,439	219,353	1,762,542	1,926,544	-
	5,183,090	$ 537,689	$ 2,718,857	$ 1,926,544	$ -
Cash in bank	2,208,990				
Money market funds	481,014				
Proprietary money market funds	60,702				
Mutual Funds	1,122,186				
Equity securities	17,190,203				
	$ 26,246,185				

Note 2 - **Cash and Investment - Continued**

Interest Rate Risk - continued

Fixed-income investments consist of bond mutual funds with fair market values of $244,810 and $289,873 as of June 30, 2019 and 2018, respectively. The weighted average maturity of underlying securities was as follows as June 30,:

	2019	2018
Pimco 0-5 Year High Yield Corporate Bond EFT	n/a	3.22 Years
Eaton Vance Floating-Rate Fund	5.06 Years	5.38 Years
Eaton Vance Short Duration High Income Fund	2.79 Years	3.12 Years
Eaton Vance Income Fund of Boston	5.55 Years	5.74 Years

Disclosure of Credit Risk of Debt Securities

Credit risk disclosures of debt securities were as follows at June 30:

2019

		Quality ratings			
Rated debt investments	Fair value	Aaa	A1	A2	A3
Federal agencies	$ 1,635,953	$ 1,609,074	$ 26,879	$ -	$ -
Corporate bonds	7,317,133	307,916	610,553	1,406,386	2,529,587
Total	$ 8,953,086	$ 1,916,990	$ 637,432	$ 1,406,386	$ 2,529,587

	Quality ratings			
Rated debt investments	Aa1	Aa2	Aa3	Baa1,2,3
Federal agencies	$ -	$ -	$ -	$ -
Corporate bonds	250,544	414,482	-	1,797,665
Total	$ 250,544	$ 414,482	$ -	$ 1,797,665

Note 2 - **Cash and Investment - Continued**

		2018				
		Quality ratings				
Rated debt investments	Fair value	Aaa	A	A1	A2	A3
Federal agencies	$ 1,274,651	$ 1,274,651	$ -	$ -	$ -	$ -
Corporate bonds	$ 3,908,439	-	-	483,144	380,998	1,263,493
Total	$ 5,183,090	$ 1,274,651	$ -	$ 483,144	$ 380,998	$ 1,263,493

	Quality ratings				
Rated debt investments	Aa1	Aa2	Aa3	Baa1,2,3	Unrated
Federal agencies	$ -	$ -	$ -	$ -	$ -
Corporate bonds	44,282	-	55,027	1,653,386	28,109
Total	$ 44,282	$ -	$ 55,027	$1,653,386	$ 28,109

Investments of the Foundation

The Foundation's long-term investments consist of the following at June 30:

	2019	2018
Corporate equities	$ 2,946,185	$ 2,743,783
Mutual funds	1,241,027	1,822,410
Corporate and other bonds	2,017,270	1,156,324
	$ 6,204,482	$ 5,722,517

Note 3 - **Deposits and Cash Held by State Treasurer**

Accounts payable and accrued salaries to be funded by cash forwarded by the College to, and held by, the State Treasurer for payment of so-called 'non-appropriated' liabilities at June 30, 2019 and 2018 through Massachusetts Management Accounting Reporting System ("MMARS") were recorded in the sum of $419,711 and $2,951,456, respectively.

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $999,659 and $281,682 at June 30, 2019 and 2018, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 4 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	2019	2018
Student accounts receivable	$ **646,491**	$ 674,585
Grants receivable	**937,484**	763,408
Financial aid receivable	**1,230,962**	1,609,654
Other receivables	**693,892**	1,433,931
	3,508,829	4,481,578
Less: allowance for doubtful accounts	**(95,505)**	(115,875)
	$ **3,413,324**	$ 4,365,703

Note 5 - **Capital Assets**

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

2019

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Land		$ 208,827	$ -	$ -	$ -	$ 208,827
Capital work in progress		4,025,067	4,282,981	-	(7,516,855)	791,193
Total not depreciated		4,233,894	4,282,981	-	(7,516,855)	1,000,020
Capital assets depreciated:						
Building, including improvements	20-40	60,854,001	315,770	-	6,146,986	67,316,757
Furnishings and equipment	3-10	8,803,084	858,233	-	-	9,661,317
Software	5	4,144,957	66,957	-	1,369,869	5,581,783
Motor vehicles	3-10	172,176	-	-	-	172,176
Books	5	614,858	-	-	-	614,858
Total depreciated		74,589,076	1,240,960	-	7,516,855	83,346,891
Less accumulated depreciation:						
Building, including improvements		(27,793,946)	(1,913,143)	-	-	(29,707,089)
Furnishings and equipment		(6,531,849)	(983,569)	-	-	(7,515,418)
Software		(1,466,630)	(828,991)	-	-	(2,295,621)
Motor vehicles		(133,201)	(15,589)	-	-	(148,790)
Books		(614,858)	-	-	-	(614,858)
Total accumulated depreciation		(36,540,484)	(3,741,292)	-	-	(40,281,776)
Capital assets, net		$ 42,282,486	$ 1,782,649	$ -	$ -	$ 44,065,135

Note 5 - **Capital Assets - Continued**

2018

	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Land		$ 208,827	$ -	$ -	$ -	$ 208,827
Construction in progress		768,126	3,256,941	-	-	4,025,067
Total not depreciated		976,953	3,256,941	-	-	4,233,894
Capital assets depreciated:						
Building, including improvements	20-40	59,062,511	1,791,490	-	-	60,854,001
Furnishings and equipment	3-10	8,322,332	480,752	-	-	8,803,084
Software	5	4,144,957	-	-	-	4,144,957
Motor vehicles	3-10	172,176	-	-	-	172,176
Books	5	614,858	-	-	-	614,858
Total depreciated		72,316,834	2,272,242	-	-	74,589,076
Less accumulated depreciation:						
Building, including improvements		(26,004,631)	(1,789,315)	-		(27,793,946)
Furnishings and equipment		(5,647,163)	(884,686)	-	-	(6,531,849)
Software		(637,639)	(828,991)	-	-	(1,466,630)
Motor vehicles		(106,159)	(27,042)	-	-	(133,201)
Books		(614,858)	-	-	-	(614,858)
Total accumulated depreciation		(33,010,450)	(3,530,034)	-	-	(36,540,484)
Capital assets, net		$ 40,283,337	$ 1,999,149	$ -	$ -	$ 42,282,486

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 6 - **Long-Term Liabilities**

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

	2019				
	Beginning balance	**Additions**	**Reductions**	**Ending balance**	**Current portion**
Other long-term liabilities:					
Compensated absences	**$ 5,003,125**	**$ -**	**$ (76,749)**	**$ 4,926,376**	**$ 3,236,866**
Workers' compensation	**488,213**	**-**	**(47,411)**	**440,802**	**179,825**
Net OPEB liability	**23,648,250**	**1,375,223**	**-**	**25,023,473**	**-**
Net pension liability	**12,158,456**	**2,087,736**	**-**	**14,246,192**	**-**
Capital lease obligations	**675,329**	**-**	**(280,848)**	**394,481**	**289,122**
Bonds payable	**6,130,702**	**-**	**(252,500)**	**5,878,202**	**260,000**
Energy project liability	**2,588,632**	**-**	**(141,518)**	**2,447,114**	**147,178**
Derivative instrument	**954,970**	**307,384**	**-**	**1,262,354**	**-**
Total long-term liabilities	**$ 51,647,677**	**$ 3,770,343**	**$ (799,026)**	**$ 54,618,994**	**$ 4,112,991**

	2018				
	Beginning balance	Additions	Reductions	Ending balance	Current portion
Other long-term liabilities:					
Compensated absences	$ 4,601,941	$ 401,184	$ -	$ 5,003,125	$ 3,286,424
Workers' compensation	410,269	77,944	-	488,213	160,216
Net OPEB liability	17,642,141	6,006,109	-	23,648,250	-
Net pension liability	9,915,602	2,242,854	-	12,158,456	-
Capital lease obligations	700,583	258,092	(283,346)	675,329	280,848
Bonds payable	6,373,102	-	(242,400)	6,130,702	250,000
Energy project liability	2,724,707	-	(136,075)	2,588,632	141,518
Derivative instrument	1,303,920	-	(348,950)	954,970	-
Total long-term liabilities	$ 43,672,265	$ 8,986,183	$ (1,010,771)	$ 51,647,677	$ 4,119,006

Note 6 - **Long-Term Liabilities - Continued**

Capital leases

The College leased Cisco network server equipment from Presidio Network Solutions at a cost of $1,160,596 during the fiscal year 2016. The five-year lease was financed by Key Government Finance, Inc.

The College leased data storage equipment from EchoStar Technologies at a cost of $258,092 during the fiscal year 2018. The five-year lease was financed by De Lage Landen Public Finance LLC.

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

	2019	2018
Cost	**$ 1,418,688**	$ 1,418,688
Less: Accumulated depreciation	**876,940**	593,203
	$ 541,748	$ 825,485

The following schedule summarizes future annual minimum payments due under non-cancelable capital leases as of June 30, 2019:

Years Ending June 30,	Principal	Interest	Total
2020	$ 289,122	$ 12,682	$ 301,804
2021	51,618	4,246	55,864
2022	53,741	2,123	55,864
	$ 394,481	$ 19,051	$ 413,532

Note 6 - **Long-Term Liabilities - Continued**

Operating Leases

The College has multiple leases for building space to be used for classrooms, workforce training, meeting space and educational administration under agreements expiring through January 2027. Each of these leases have varying payment terms, including graduated payments over the term of the lease. In addition, the College leases computer equipment, software, and copiers for various departments and has a three-year lease agreement for a vehicle expiring in 2019. Rent expense under these operating leases was $2,831,925 and $2,634,052 for the years ended June 30, 2019 and 2018, respectively.

Future minimum annual rental payments due under operating leases as of June 30, 2019 is as follows:

Years Ending June 30,	
2020	$ 2,759,403
2021	2,488,511
2022	2,385,568
2023	2,415,898
2024	2,446,349
2025-2027	2,544,406
	$ 15,040,135

Bonds Payable

During fiscal year 2010, the College issued Pool O-1 Series bonds through the Massachusetts Health and Educational Facilities Authority (“MHEFA”) to refinance the Pool M3-C Series tax-exempt variable rate bond that was previously issued by the College to finance the construction of the Health and Wellness Center and other projects.

Note 6 - **Long-Term Liabilities - Continued**

Bonds Payable - continued
The bonds are payable in annual installments and are due July 2031. The following schedule summarizes future principal and interest payments on bonds payable as of June 30, 2019:

Years Ending June 30,	Principal	Interest	Interest rate swap, net*	Total
2020	$ 260,000	$ 89,975	$ 149,161	$ 499,136
2021	270,000	86,010	141,968	497,978
2022	290,000	81,893	134,242	506,135
2023	300,000	77,470	126,251	503,721
2024	310,000	72,895	117,994	500,889
2025 – 2029	1,750,000	289,598	453,830	2,493,428
2030 – 2031	2,698,202	77,013	59,578	2,834,793
	$ 5,878,202	$ 774,854	$ 1,183,024	$ 7,836,080

* In conjunction with its February 2007 issuance of variable rate bonds, the College entered into an agreement with a financial institution counterparty to synthetically fix the interest rate on the bonds at 4.18% (see note 7). This column represents the projected net amounts the College would have to pay the counterparty under the swap contract if interest rates were to remain unchanged from their value at June 30, 2019 during the remaining life of the swap. The variable rate on the bonds as of June 30, 2019 and 2018 was 1.52% and 1.13%, respectively.

The bank provides credit enhancement in the form of a Direct Pay Letter of Credit on the tax-exempt bonds issued under the MHEFA Pool O bond. The College is a Pool O borrower. The short-term rating of the bank was lowered by S&P in March 2009 to "A-2 status". This downgrade resulted in the weekly interest rate on the pool bonds increasing by 200 – 300 basis points. In order to reduce the weekly interest rate on the pool bonds, the bank arranged to have the Federal Home Loan Bank of Boston provide a confirming Letter of Credit for the Pool O bonds. The Pool O bonds, with the bank's Letter of Credit and the FHLB confirming Letter of Credit are rated AA+/A-1+ by S&P. During the fiscal year 2019, the short-term rating of the bank remained at A-2 status.

Note 6 - Long-Term Liabilities - Continued

Clean Energy Investment Project

In fiscal year 2012, the College entered into an agreement with the Department of Capital Asset Management ("DCAM") to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAM was responsible for construction of specific energy conservation projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. Upon completion of the construction, the College is responsible for reimbursing the Commonwealth for the CEIP funding of $3.3 million plus interest. The interest rate on this obligation is 4% and semi-annual payments began in January 2013 and run through 2032.

Years Ending June 30,	Principal	Interest	Total
2020	$ 147,178	$ 97,885	$ 245,063
2021	153,066	91,997	245,063
2022	159,188	85,875	245,063
2023	165,556	79,507	245,063
2024	172,178	72,885	245,063
2025 – 2029	969,874	255,441	1,225,315
2030 – 2032	680,074	55,117	735,191
	$ 2,447,114	$ 738,707	$ 3,185,821

Note 7 - Interest Rate Swap

Objective and Terms

As a means to manage cash flows and lower its borrowing costs, the College entered into a fixed interest rate swap agreement with Citizens Bank in connection with its Pool M3-C Series tax-exempt variable rate bond in February 2007. This bond was replaced during fiscal year 2010 with a MHEFA Pool 'O' Series bond. The purpose of the swap agreement was to synthetically create a fixed rate on the underlying debt, and not for any speculative purposes.

Note 7 - **Interest Rate Swap - Continued**

Objective and Terms - continued
The swap agreement, as amended in October 2010, is scheduled to mature on June 15, 2031. The swap's notional amount at inception was $7,920,000 and will amortize in line with each payment of principal on the bonds. The notional amount at June 30, 2019 and 2018 was $5,820,000 and $6,070,000, respectively. Under the swap agreement, on the first day of each month, the College pays the counterparty monthly payments based on the fixed rate of 4.18% and the counterparty pays the bond trustee the floating rate, which is the Securities Industry and Financial Markets Association Swap Index ("SIFMA"), on the same day.

Fair Value
The fair value of the swap was estimated using the zero-coupon method. This method calculates the future net settlement payment required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

The fair value of the College's interest rate swap at June 30, 2019 was a liability of $1,262,354 compared to $954,970 at June 30, 2018, which is recorded in the College's statement of net position. The change in the fair value of the interest rate swap was ($307,384) and ($348,950) for the years ended June 30, 2019 and 2018, respectively. The College has determined its interest rate swap to be an effective hedge and has recorded a corresponding deferred outflow in the statements of net position.

Credit Risk
The College is reliant upon the performance of the counterparty to perform according to the terms of the interest rate swap agreement. The College monitors the counterparty's (Citizens Bank N.A.) credit rating, which is currently rated at A- by S&P. The College is not exposed to credit risk at June 30, 2019 or 2018 because the interest rate swap had a negative value. As discussed further in Note 6, the counterparty has guaranteed the debt with a Letter of Credit that expires July 1, 2020.

Basis Risk
The College is exposed to basis risk on the interest rate swap because the floating rate received on the swap ("SIFMA") has a different basis than the variable rate on the associated bonds. Should these rates differ, the College will not achieve the intended synthetic fixed rate.

Note 7 - **Interest Rate Swap - Continued**

Termination Risk
The College or the counterparty may terminate the interest rate swap if the other party fails to perform under the terms of the contract. If, at the time of termination, the interest rate swap is in a liability position, the College would be liable to the counterparty for a payment approximating the liability, subject to netting arrangements.

Note 8 - **Pensions**

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

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

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").

Note 8 - **Pensions - Continued**

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

Contributions
The SERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the SERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets. Member contributions for SERS vary depending on the most recent date of membership:

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employee paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $3,526,631, $3,400,973 and $2,663,382, for the years ended June 30, 2019, 2018 and 2017, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 12.06%, 11.78% and 9.45% of annual covered payroll for the years ended June 30, 2019, 2018 and 2017, respectively. The College contributed $890,327, $984,723, and $741,193 for the years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 68%, 68% and 63%, of total related payroll for the years ended June 30, 2019, 2018 and 2017, respectively.

Note 8 - **Pensions - Continued**

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

At June 30, 2019 and 2018, the College reported a liability of $14,246,192 and $12,158,456, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal year 2019. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2019 relative to total contributions of all participating employers for the fiscal years. At June 30, 2019 and 2018, the College's proportion was 0.108% and 0.095%, respectively.

For the years ended June 30, 2019 and 2018, the College recognized pension expense of $1,997,124 and $1,491,236, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	2019	2018
Deferred Outflows of Resources Related to Pension		
Contributions made subsequent to the measurement date	**$ 890,327**	$ 984,723
Differences between expected and actual experience	**451,778**	470,095
Changes in proportion from Commonwealth	**38,422**	41,643
Changes in plan actuarial assumptions	**1,443,792**	1,265,273
Changes in proportions due to internal allocations	**2,749,463**	2,072,984
Total	**$ 5,573,782**	$ 4,834,718

Note 8 - **Pensions - Continued**

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

	2019	2018
Deferred Inflows of Resources Related to Pension		
Differences between expected and actual experience	**$ 290,344**	$ 330,801
Changes in proportion from Commonwealth	**2,708**	4,334
Changes in proportions due to internal allocations	**1,140,510**	1,690,916
Differences between projected and actual investment earnings on plan investments	**495,193**	144,868
Total	**$ 1,928,755**	$ 2,170,919

The College's contributions of $890,327 and $984,723 and made during the year ended June 30, 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending June 30,	
2020	$ 1,261,584
2021	776,979
2022	161,902
2023	395,361
2024	158,874
	$ 2,754,700

Note 8 - **Pensions - Continued**

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

	2019	2018
Measurement date	**June 30, 2018**	June 30, 2017
Inflation	**3.00%**	3.00%
Salary increases	**4.00% to 9.00%**	4.00% to 9.00%
Investment rate of return	**7.35%**	7.50%
Interest rate credited to annuity savings fund	**3.50%**	3.50%

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

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

The 2019 pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 and rolled forward to June 30, 2018. The 2018 pension liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 2017 and rolled forward to June 30, 2017.

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

Note 8 - **Pensions - Continued**

Actuarial Assumptions - continued

	2019		2018	
Asset Class	**Target Allocation**	**Long-term expected real rate of return**	Target Allocation	Long-term expected real rate of return
Global Equity	**39.0%**	**5.0%**	40.0%	5.0%
Portfolio Completion Strategies	**13.0%**	**3.7%**	13.0%	3.6%
Core Fixed Income	**12.0%**	**0.9%**	12.0%	1.1%
Private Equity	**12.0%**	**6.6%**	11.0%	6.6%
Value Added Fixed Income	**10.0%**	**3.8%**	10.0%	3.8%
Real Estate	**10.0%**	**3.8%**	10.0%	3.6%
Timber/Natural Resources	**4.0%**	**3.4%**	4.0%	3.2%
Hedge Funds	**0.0%**		0.0%	3.6%
	100%		100%	

Discount Rate
The discount rate used to measure the total pension liability was 7.35% and 7.50% at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the 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.

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.

	June 30, 2019	
1.00% Decrease (6.35%)	**Current Discount Rate (7.35%)**	**1.00% Increase (8.35%)**
$ 19,201,876	**$14,246,192**	**$ 10,012,288**

Note 8 - **Pensions - Continued**

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

	June 30, 2018	
1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
$ 16,559,311	$12,158,456	$ 8,613,462

Note 9 - **Other Post-Employment Benefits ("OPEB")**

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

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

Management of the SRBT is vested with the board of trustees, which consists of 7 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), 1 person appointed by the Governor and 1 person appointed by the State Treasurer. These members elect 1 person to serve as chair of the board.

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

Note 9 - **OPEB - Continued**

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

Contributions
Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2019 and 2018, and as of the valuation date (January 1, 2018 and 2017), participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.79% and 8.92% of annual covered payroll for the years ended June 30, 2019 and 2018, respectively. The College contributed $649,222 and $745,553 for the years ended June 30, 2019 and 2018, respectively, equal to 100% of the required contribution for each year.

Note 9 - **OPEB - Continued**

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

At June 30, 2019 and 2018, the College reported a liability of $25,023,473 and $23,648,250, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and 2017, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2018 and 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2018 and 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.168% and 0.135%.

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of $3,131,383 and $2,799,585, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	2019	2018
Deferred Outflows of Resources Related to OPEB		
Contributions subsequent to the measurement date	**$ 649,222**	$ 745,553
Difference between expected and actual experience	**303,932**	-
Changes in proportion from Commonwealth	**80,418**	49,493
Changes in proportion due to internal allocation	**10,411,903**	6,565,348
Total deferred outflows related to OPEB	**$ 11,445,475**	7,360,394

Note 9 - **OPEB - Continued**

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

Deferred Inflows of Resources Related to OPEB	**2019**	2018
Net differences between projected and actual earnings on OPEB plan investments	**$ 62,484**	$ 43,145
Differences between expected and actual experience	**53,411**	54,372
Changes in OPEB plan actuarial assumptions	**7,688,285**	2,678,408
Total deferred inflows related to OPEB	**$ 7,804,180**	$ 2,775,925

The College's contributions of $649,222 and $745,553 made during the years ended June 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the following year.

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

Years Ended June 30,	
2020	$ 720,523
2021	720,523
2022	720,523
2023	882,626
2024	(52,122)
	$ 2,992,073

Note 9 - **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, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.50%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.0%, decreasing by 0.5% each year to 5.5% in 2023, then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative	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

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

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over 65 with POS/PPO coverage switch to HMO.
- All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

Note 9 - **OPEB - Continued**

Actuarial Assumptions - continued

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

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

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

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

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

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

Note 9 - **OPEB - Continued**

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 2.95%	**June 30, 2019 Current Discount Rate 3.95%**	**1.00% Increase 4.95%**
$ 29,548,428	**$ 25,023,473**	**$ 21,405,839**

1.00% Decrease 2.63%	June 30, 2018 Current Discount Rate 3.63%	1.00% Increase 4.63%
$ 28,072,364	$ 23,648,250	$ 20,130,734

Note 9 - **OPEB - Continued**

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

1.00% Decrease (B)	June 30, 2019 Cost Trend Rate (A)	1.00% Increase (C)
$ 20,790,187	**$ 25,023,473**	**$ 30,549,837**

1.00% Decrease (B)	June 30, 2018 Cost Trend Rate (A)	1.00% Increase (C)
$ 19,565,919	$ 23,648,250	$ 29,020,350

(A) - Current healthcare cost trend rate, as disclosed on page 63

(B) - 1 - percentage decrease in current healthcare cost trend rate, as disclosed on page 63

(C) - 1 - percentage increase in current healthcare cost trend rate, as disclosed on page 63

Note 10 - **Contingencies**

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

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

Note 10 - **Contingencies - Continued**

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

The College has evaluated the requirements of GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* ("GASB 49"), and has determined that asbestos containing material was used to fireproof some of its buildings. Currently, there are no obligating events, as defined within GASB 49 that require the College to measure and report this pollution remediation obligation. The College has implemented a program to remediate this pollutant.

Note 11 - **Operating Expenses**

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

	2019	2018
Compensation and benefits	**$ 76,545,614**	$ 73,628,902
Supplies and services	**16,530,489**	15,409,051
Depreciation and amortization	**3,741,292**	3,530,034
Scholarships	**10,578,904**	10,363,044
	$ 107,396,299	$ 102,931,031

Note 12 - **State Appropriations**

The College's total state support is composed of the following for the years ended June 30:

	2019	2018
Direct unrestricted appropriations	**$ 28,092,693**	$25,947,933
Add fringe benefits for benefited employees on the state payroll	**10,202,666**	10,064,340
Total unrestricted state support	**38,295,359**	36,012,273
Capital appropriation	**622,745**	528,607
Total state support	**$ 38,918,104**	$36,540,880

Note 13 - **Other Fringe Benefits**

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance for active employees and retirees are paid through a fringe benefit rate charged to the College by the Commonwealth and currently the liability is borne by the Commonwealth, as are any effects on net position and the results of current year operations, in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions.*

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 fringe benefited employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth.

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

Eligible retirees are required to contribute a specified percentage of health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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 development 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 administers a plan included within the State Retirement Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution rates.

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2019 and 2018, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pretax health care spending account and dependent care assistance program (for active employees only).

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

Other Employee Benefits

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

Note 14 - **Pass-Through Loans**

The College distributed $4,540,177 and $5,526,249 for student loans through the U.S. Department of Education Federal Direct Lending Program for the years ended June 30, 2019 and 2018, respectively. These distributions and related funding sources are not included as expenses and revenues nor as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

BUNKER HILL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.108%	0.095%	0.072%	0.091%	0.104%
Proportionate share of the collective net pension liability	$ 14,246,192	$ 12,158,456	$ 9,915,602	$ 10,411,537	$ 7,723,013
College's covered payroll	$ 8,359,278	$ 7,449,176	$ 5,464,180	$ 5,511,376	$ 7,716,356
College's proportionate share of the net pension liability as a percentage of its covered payroll	170.42%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%

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.

BUNKER HILL 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,

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 890,327	$ 984,723	$ 741,193	$ 516,365	$ 572,632
Contributions in relation to the statutorily required contribution	(890,327)	(984,723)	(741,193)	(516,365)	(572,632)
Contribution (excess)/deficit	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 7,382,479	$ 8,359,278	$ 7,449,176	$ 5,464,180	$ 5,511,376
Contribution as a percentage of covered payroll	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2019

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

Measurement date – June 30, 2018
The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

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

Measurement date – June 30, 2017
The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward 1 year for females

- Disability – did not change

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

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

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

Measurement date – June 30, 2015
The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

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

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)

- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)

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

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.168%	0.135%
Proportionate share of the collective net OPEB liability	$ 25,023,473	$ 23,648,250
College's covered payroll	$ 8,359,278	$ 7,449,173
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.35%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

BUNKER HILL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Year Ended June 30,

	2019	2018
Statutorily required contribution	$ 649,222	$ 745,553
Contributions in relation to the statutorily required contribution	(649,222)	(745,553)
Contribution (excess)/deficit	$ -	$ -
College's covered payroll	$ 7,382,479	$ 8,359,278
Contribution as a percentage of covered payroll	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2019

Assumptions:
Change in Trend on Future Costs
The healthcare trend rate decreased from 8.5% to 8.0%, which impact the high cost excise tax.

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

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

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

Fiscal year June 30, 2018

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

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*

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

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

To the Board of Education of
Bunker Hill Community College
Boston, 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 Bunker Hill Community College (the "College"), which comprise the statements of net position as of June 30, 2019 and 2018, the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and we have issued our report thereon dated October 28, 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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 28, 2019