

**MIDDLESEX COMMUNITY
COLLEGE**

(an agency of the Commonwealth of Massachusetts)

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

JUNE 30, 2023

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

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

June 30, 2023 and 2022

C O N T E N T S

Independent Auditor’s Report	1-3
Management’s Discussion and Analysis (Unaudited)	4-16
Financial Statements:	
Statements of Net Position	17-18
Statements of Revenues and Expenses	19
Statements of Changes in Net Position	20
Statements of Cash Flows	21-22
Statements of Financial Position (Component Unit)	23
Statements of Activities and Changes in Net Assets (Component Unit)	24
Notes to the Financial Statements	25-61
Required Supplementary Information:	
Schedules of the Proportionate Share of the Net Pension Liability (Unaudited)	62
Schedules of Contributions – Pension (Unaudited)	63
Notes to the Required Supplementary Information – Pension (Unaudited)	64-66
Schedules of the Proportionate Share of the Net OPEB Liability (Unaudited)	67
Schedules of Contributions - OPEB (Unaudited)	68
Notes to the Required Supplementary Information – OPEB (Unaudited)	69-71
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	72-73

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Middlesex Community College:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Middlesex Community College (the "College"), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements of the College and its discretely presented component unit present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Middlesex Community College Foundation, which represent 100 percent of the component unit activity for the year ended June 30, 2023. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the College adopted new accounting guidance, GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Other Matter

The financial statements of the College as of and for the year ended June 30, 2022, were audited by O'Connor & Drew, P.C., who joined with WithumSmith+Brown, PC on January 1, 2023 and expressed an unmodified opinion on those statements dated October 27, 2022.

As more fully described in Note 2 to the financial statements, the College has adjusted its 2022 financial statements to retrospectively apply the change in accounting principle to adopt GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. O'Connor & Drew, P.C. reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2023 financial statements, we also audited the adjustments to the 2022 financial statements to retrospectively adopt the change in accounting principle as described in Note 2. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the College's 2022 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2024 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

January 15, 2024

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

Introduction

The following discussion and analysis provide management's view of the financial position of Middlesex Community College (the "College" or "MCC") as of June 30, 2023, 2022 and 2021, and the changes in its financial position for the years then ended. This analysis should be read in conjunction with the College's financial statements and notes thereon, which are also presented in this document.

The College is an entrepreneurial learning community committed to providing educational programs and services that support personal growth and economic opportunity for MCC's diverse student populations. A public institution of higher education in the Commonwealth of Massachusetts, MCC maintains campuses in Bedford and Lowell. The College offers 89 programs leading to degrees or certificates, as well as 16 noncredit career and professional development certificates serving approximately 11,082 credit-bearing students and 1,353 noncredit students. In addition, the College has more than 40 partnerships with schools and colleges throughout the Merrimack Valley.

The Middlesex Community College Foundation (the "Foundation") is a legally separate tax-exempt component unit of Middlesex 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. Although the College does not control the timing or the number of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. Because these resources held by the Foundation can only be used 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 focuses on the College, not its component unit.

Financial Highlights

- As of the close of the fiscal year, June 30, 2023, the College's financial position is good. The College's final state maintenance appropriation for FY2023, FY2022 and FY2021 was \$29.47 million, \$28.46 million and \$26.60 million, respectively.
- For FY2023, the mandatory per credit cost of education was \$252 per credit. This is stable from FY2022. The Student Success Fund was funded at \$1.50 million in FY2023 as it was in FY2022.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Highlights - Continued

- The College's total operating expenses from restricted and unrestricted funds totaled \$70.53 million, \$73.43 million, and \$62.77 million in FY2023, FY2022 and FY2021, respectively. This overall decrease in expenses from FY2023 to FY2022 is directly attributable to the student debt forgiveness in FY2022 in the amount of \$4.20 million.
- There were no material deviations from the approved budget and final expenditures and all records were in order and maintained in accordance with trust fund guidelines.
- Total credits generated in FY2023 were 109,213 which is a slight increase from the FY2022 total of 108,865. The FY2022 total decreased 6% from the FY2021 total of 116,582.
- Consistent with the College's strategic plan, investment continued in technology and physical plant. Technology investment projects totaled \$2.63 million including life cycle management, equipment upgrades, and continued software updates and maintenance.
- Physical plant renovations not being capitalized, including improvements and adaptation, and renewal projects totaled \$1.19 million. This includes life safety improvements and various deferred maintenance projects, including the continued refreshing of some classrooms.
- The effect of the Government Accounting Standards Board ("GASB") pension and Other Postemployment Benefits ("OPEB") credits on the operating statement for FY2023 and FY2022 was a reduction in expenses of \$6.87 million and \$6.38 million respectively. These expenses flow through the operating expenses due to actuarial changes to reduce the liability.
- The College received additional Higher Education Emergency Relief Funds ("HEERF") in FY2020 and FY2021. There were two buckets of funds awarded; funds for students to help them in the transition to remote learning and expenses associated with moving to a remote environment, and institutional support utilized for online course development and technology equipment.

Amounts awarded in FY2020 and FY2021 are below:

	<u>Student</u>	<u>Institutional</u>
HEERF I	\$ 1,852,172	\$ 1,852,171
HEERF II	1,852,172	5,995,700
HEERF III	<u>6,917,007</u>	<u>6,732,520</u>
Total awarded	<u>\$ 10,621,351</u>	<u>\$ 14,580,391</u>

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Highlights - Continued

- In FY21, the College recouped \$6.51 million out of the institutional funds for the revenue the College lost as a result of COVID-19.
- The College was also awarded funds through the Governor's Emergency Education Relief ("GEER") Fund for both student and institutional support. For FY2021 the amount awarded was \$0.21 million.
- Due to COVID-19, in July 2021 the College used \$4.20 million for the student account forgiveness using HEERF institutional funds.
- In FY2023 the College used the remainder of these funds for PPE supplies, technology upgrades, and student support.

Overview of the Financial Statements

The College's financial statements are comprised of 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.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of the College's finances and are comprised of three basic statements.

The *statements of net position* present 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., the payment for accrued for compensated absences, or the receipt of amounts due from students and other for services rendered).

The *statement of cash flows* is reported on the direct method. The direct method of cash flow reporting presents net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services). The Government Accounting Standards Board ("GASB") Statements 34 and 35 require this method to be used.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Overview of the Financial Statements - Continued

The Financial Statements - continued

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 part of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position and cash flows are included in the Commonwealth's Comprehensive Annual Financial Report.

In FY2022, GASB Statement Number 87, *Accounting and Financial Reporting for Leases* was implemented. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset representation. The lease liability and intangible right of use asset are now showing on the financial statements of the College.

In FY2023, GASB Statement Number 96, *Accounting and Financial Reporting for Subscription Based Information Technology Arrangements (SBITA)* was implemented. It establishes a single model for SBITA accounting based on the foundational principle that SBITA's are financings of the right to use an intangible subscription asset and a corresponding subscription liability. Both the SBITA asset and corresponding liability are now showing on the financial statements of the College.

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.

Financial Analysis

Net position may serve over time as a useful indicator of the College's financial position. For FY2023, FY2022 and FY2021, MCC's assets exceeded liabilities by \$93.84 million, \$79.33 million and \$66.62 million, respectively. This decrease in liabilities was mainly due to the reduction of the OPEB liability and deferred inflows, plus the increase in short-term and long-term investments.

By far, the largest portion of the College's net position reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt financing used to acquire those assets that is still outstanding. The College uses these capital assets to provide services to students, faculty and administration; consequently, these assets are not available for future spending.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis – Continued

Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts 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.

Following is a condensed summary of net position:

		(Restated)	
	2023	2022	2021
Current Assets	\$ 59,077,173	\$ 50,868,644	\$ 45,729,632
Capital Assets	59,844,876	60,547,174	54,279,035
Noncurrent Assets	12,037,914	10,864,500	12,991,619
Total Assets	<u>130,959,963</u>	<u>122,280,318</u>	<u>113,000,286</u>
Deferred Outflows	2,852,757	4,132,784	2,489,782
Total Assets and Deferred Outflows	<u>133,812,720</u>	<u>126,413,102</u>	<u>115,490,068</u>
Current Liabilities	15,394,427	12,897,486	13,676,713
Noncurrent Liabilities	11,748,242	17,660,439	15,772,396
Total Liabilities	<u>27,142,669</u>	<u>30,557,925</u>	<u>29,449,109</u>
Deferred Inflows	12,833,468	16,520,666	19,418,564
Total Liabilities and Deferred Inflows	<u>39,976,137</u>	<u>47,078,591</u>	<u>48,867,673</u>
Net Position:			
Net Investment in Capital Assets	56,014,423	55,103,600	53,615,999
Restricted, Expendable	1,140,248	1,266,203	1,298,522
Unrestricted, Expendable	16,065,360	12,067,447	14,068,010
GASB Pension, OPEB, and Comp. Absences	(37,215,665)	(29,423,603)	(35,878,361)
Designations - Capital Projects	23,996,871	20,298,649	17,993,056
Undesignated	33,835,346	20,022,215	15,525,169
Total Unrestricted	<u>36,681,912</u>	<u>22,964,708</u>	<u>11,707,874</u>
Total Net Position	<u>\$ 93,836,583</u>	<u>\$ 79,334,511</u>	<u>\$ 66,622,395</u>

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis - Continued

Capital Assets

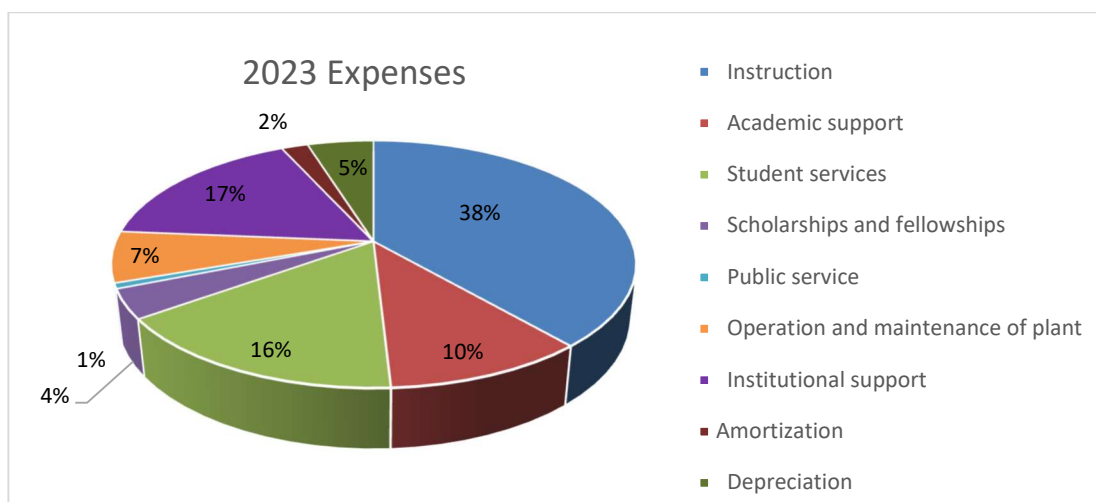
The College's investment in capital assets as of June 30, 2023, 2022 and 2021 amounts to \$56.01 million, \$55.10 million and \$53.62 million, respectively, net of accumulated depreciation and amortization. This investment in capital assets includes land, building (including improvements), capital leases and furnishings and equipment. Capital assets decreased during the year by 1% or approximately \$0.70 million due to an investment in capital assets of \$4.38 million, which was offset by depreciation and amortization expense of \$4.82 million and retirements of certain assets of \$0.30 million. The VA Parking Lot project was completed for an approximate cost of \$1.33 million and the Derby Building elevator project was completed for an approximate cost of \$0.60 million in FY2023.

Liabilities and Debt

In addition to accruals for compensated absences and workers compensation, the College carries long-term debt for revenue bonds issued. The accrual for compensated absences consists of sick and vacation pay relating to employees on the College's payroll. As of June 30, 2023, the College paid off all remaining debt obligations. As of June 30, 2022, and 2021 the College had bonds payable amounting to \$0.17 million and \$0.66 million, respectively.

Revenues, Expenses, and Changes in Net Position

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



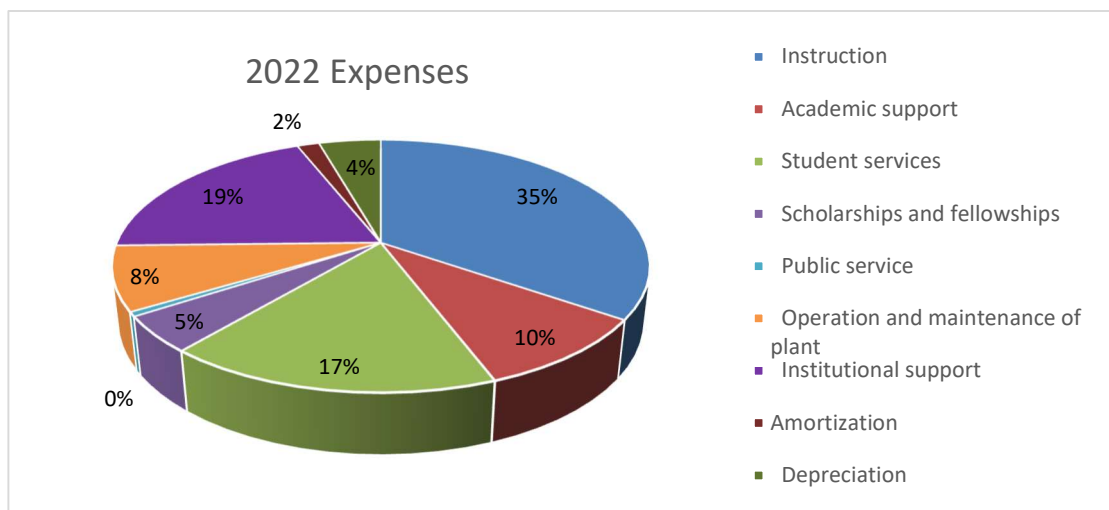
MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis (Unaudited) - Continued

Financial Analysis - Continued

Revenues, Expenses, and Changes in Net Position – Continued



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

	2023	(Restated) 2022	2021
Compensation and benefits	\$ 43,643,818	\$ 42,764,670	\$ 43,245,414
Supplies and services	19,353,571	22,483,607	13,817,213
Depreciation and amortization	4,819,429	4,776,145	3,402,039
Scholarships and fellowships	2,710,528	3,404,520	2,303,514
	<u>\$ 70,527,346</u>	<u>\$ 73,428,942</u>	<u>\$ 62,768,180</u>

The expenditures in FY2021 were directly attributable to COVID, in that the College spent less and was able to cover many of its costs with HEERF funding. In FY2022 expenditures increased as the College returned to a normal course of business, and it also provided \$4.20 million of student debt forgiveness. The debt forgiveness similarly explains the decrease in expenses from FY2022 to FY2023. Additionally, \$1.33 million of expense was capitalized in FY2023 for the VA parking lot, and the College gave out approximately \$0.70 million less in scholarships.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis - Continued

Revenues, Expenses, and Changes in Net Position - Continued

Highlights of revenue activity for FY2023 include:

- Total operating revenue increased from \$36.40 million to \$37.11 million, primarily due to the increase in other revenues, namely \$0.80 million of collections written off in prior years.
- Grants and contracts, exclusive of state and federal financial aid awards (e.g., Pell, SEOG, Mass Grants) received by the College for FY2023, FY2022 and FY2021 totaled approximately \$7.50 million, \$6.80 million and \$6.40 million, respectively.

Major grants and contracts for the year include the following:

- The College was awarded a Title III grant in FY2017. This grant was written in order to improve overall student persistence, retention, and completion outcomes. This will occur through two primary components to improve the student experience and academic performance by harnessing the College's technology infrastructure and how information is used in service to student success overall. In FY2019, a Financial Literacy component was added to the grant for the purpose of providing students with instruction in personal financial literacy, knowledge of higher education financing and repayments, and other skills aimed at building personal financial understanding and responsibility. In FY2022 and FY2021 \$0.42 million and \$0.48 million respectively, was spent in total on Title III. The grant expired on September 30, 2023.
- In 2016, Middlesex Community College was awarded a five-year Asian American and Native American Pacific Islander-Serving Institution ("AANAPISI") grant by the U.S. Department of Education. The mission of the Asian American Student Advancement Program is to offer a holistic support system with a dedicated staff that advises, mentors and provides leadership development opportunities for Asian American students. The grant ended on September 30, 2022. Total funds spent in FY2023, FY2022 and FY2021 were \$0.05 million, \$0.42 million and \$0.36 million, respectively. A new 5-year grant in the amount of \$1.70 million dollars was awarded in FY2023 covering the period of 10/1/2022 – 09/30/2027. In FY2023 the expenses amounted to \$0.14 million.
- The Talent Search Program exposes students to higher education opportunities and provides information and assistance with the college application process, emphasizing academic advising, college visits, life skills, test taking skills and college prep workshops. The total funds spent on this grant in FY2023, FY2022 and FY2021 were \$0.34 million, \$0.36 million and \$0.39 million, respectively.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis – Continued

Revenues, Expenses, and Changes in Net Position - Continued

Major grants and contracts for the year include the following:

- The TRIO Student Success Program serves approximately 200 low income and first-generation college students and individuals with disabilities. This program assists students with course selection, academic planning, and career decision-making. The total funds spent on this program in FY2023, FY2022 and FY2021 were \$0.36 million, \$0.34 million and \$0.29 million, respectively.
- The Gear Up Program is a program designed to give low-income students the skills, encouragement and preparation needed to pursue post-secondary education. It also strengthens academic programs and student services at participating schools. Gear Up has strong objectives that align to the public schools' adequate yearly progress ("AYP"), as required by the federal No Child Left Behind Act. Total expenses for FY2023, FY2022 and FY2021 were \$0.34 million, \$0.33 million and \$0.32 million, respectively.

Highlights of expense activity include:

- The fringe benefit rate for College employees changed from 39.43% to 41.35%. The net increase of \$0.33 million in the fringe expense across all spending categories is a result of an increase in the state fringe rate.
- Overall operating expenses decreased by \$2.90 million in FY2023 from FY2022. The main driver behind this is the \$4.20 million student debt forgiveness in FY2022, offset by \$2.61 million of bad debt expense in FY2023, as well as normal cost of living increases in compensation.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis – Continued

Revenues, Expenses, and Changes in Net Position - Continued

Following is a condensed summary of changes in net position:

	2023	(Restated) 2022	2021
Operating Revenues:			
Net student fees	19,552,822	19,194,630	19,843,246
Federal, state, local and private grants and contracts	16,122,545	16,011,766	16,111,120
Other auxiliary enterprises	78,546	128,778	116,821
Other sources	<u>1,360,118</u>	<u>1,060,495</u>	<u>1,252,191</u>
Total Operating Revenues	<u>37,114,031</u>	<u>36,395,669</u>	<u>37,323,378</u>
Operating Expenses:			
Instruction	27,326,006	25,468,253	24,526,298
Academic support	7,441,884	7,057,065	6,425,767
Student services	11,320,742	12,506,023	11,856,003
Scholarships and fellowships	2,710,528	3,404,520	2,303,514
Public service	504,778	415,375	164,487
Operation and maintenance of plant	4,723,927	5,575,946	3,910,173
Institutional support	11,680,052	14,225,615	10,179,899
Right of use asset amortization expense	1,377,256	1,503,869	2,372,290
Depreciation and amortization	<u>3,442,173</u>	<u>3,272,276</u>	<u>1,029,749</u>
Total Operating Expenses	<u>70,527,346</u>	<u>73,428,942</u>	<u>62,768,180</u>
Operating Loss	<u>(33,413,315)</u>	<u>(37,033,273)</u>	<u>(25,444,802)</u>
Non-Operating Revenues (Expenses):			
State appropriations - unrestricted	39,172,186	37,650,188	35,777,812
Federal grants (HEERF funding)	3,449,586	10,953,015	9,109,970
Net investment income (expense)	2,000,134	(2,071,247)	1,887,797
Interest expense	(189,253)	(234,193)	(122,219)
Payments between the College and the Foundation	<u>108,185</u>	<u>114,156</u>	<u>77,732</u>
Net Non-Operating Revenues (Expenses)	<u>44,540,838</u>	<u>46,411,919</u>	<u>46,731,092</u>
Change in Net Position before Capital Appropriations	11,127,523	9,378,646	21,286,290
Capital appropriations	<u>3,374,549</u>	<u>3,298,306</u>	<u>1,582,910</u>
Change in Net Position	14,502,072	12,676,952	22,869,200
Net Position, Beginning of Year	<u>79,334,511</u>	<u>66,657,559</u>	<u>43,788,359</u>
Net Position, End of Year	<u>\$ 93,836,583</u>	<u>\$ 79,334,511</u>	<u>\$ 66,657,559</u>

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis – Continued

Revenues, Expenses, and Changes in Net Position - Continued

Non-operating revenues from the Commonwealth, exclusive of fringe benefits, totaled \$29.48 million in unrestricted appropriations in FY2023, \$28.46 million in unrestricted appropriations in FY2022 and \$27.25 million in unrestricted appropriations in FY2021. The \$28.46 million in FY2022 includes \$0.19 million in retained, out-of-state tuition in addition to the state maintenance appropriation.

The fringe benefit rate increased from 39.43% in FY2022 to 41.35% in FY2023. The Commonwealth's fringe benefit amount for full time employees on the state payroll was \$9.70 million in FY2023, \$9.37 million in FY2022 and \$8.77 million in FY2021. These funds are appropriated to the State Treasurer's office for the benefit of the College for employees funded by the state maintenance appropriation. The College must budget and expense the cost of fringe benefits for all College employees funded from local trust funds. The expense of these funds is allocated among the functional expense classifications.

Net investment income (expense) was \$2.0 million, (\$2.07) million and \$1.89 million in FY2023, FY2022 and FY2021, respectively. This increase was due to the market rebounding after a tough FY2022. The market value of the College's equity mutual funds was \$7.72 million in FY2023, \$6.54 million in FY2022, and \$7.89 million in FY2021.

Additional Information

The College contributes some of its personnel's time and its resources through the fiscal year to support the Foundation and the Lowell Middlesex Academy Charter School. These contributed services are shown below for FY2023, FY2022 and FY2021:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
• Foundation	\$ 302,192	\$ 309,346	\$ 254,783
• Charter School	\$ 157,979	\$ 151,254	\$ 166,255

The cost of education for FY2023 was flat at \$252 per credit and enrollments were up by 1%.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Additional Information – Continued

The Massachusetts Community College Council/Massachusetts Teachers Association representing the Adjunct Faculty have a Division of Continuing Education ("DCE") agreement in place for the period of June 1, 2018 through August 31, 2020. This contract was settled and paid out in FY2022.

The Massachusetts Community College Council ("MCCC") representing the Full-Time and Part-Time Day Faculty and Professional Staff at the community colleges have an agreement in place for the period June 1, 2018 through June 30, 2021. In FY2023, these negotiations were still in progress.

The American Federation of State and County and Municipal Employees ("AFSCME") representing the Support Staff of the state and community colleges have an agreement in place for the period of July 1, 2017 through June 30, 2020. This contract was settled and paid out in FY2022.

As a result of COVID, the College had to pivot and move more courses online. Since then, Middlesex Community College's course offerings are roughly 50% online/hybrid and 50% on campus.

Designations

Middlesex Community College has \$24 million dollars designated for major capital projects and other areas of need. Two designations are for academic programs for use in FY2024; \$3.50 million to support the expansion of the biotech program in Henderson Hall and \$3.00 million for renovations in the Derby building for the new LPN program. There is also another \$2.00 million designated for a STEM Lab refresh.

The College has designated \$2.00 million of the unrestricted net position for an Emergency Campus Facility Fund (\$1.00 million for each campus), \$2.50 million for accessibility, and another \$2.50 million for technology. All of the spending related to these items is budgeted in the operating budget, but the designations are placeholders to ensure the College can pivot in a time of need.

Finally, the College has designations in place to support its students and strategic plan. As of the close of FY2023, there was \$5.50 million for Strategic Student Support, \$1.50 million for MCC Student Success Funds, and an additional \$1.50 million for the College's Strategic Plan initiatives.

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

Management's Discussion and Analysis (Unaudited) - Continued

Requests for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President of Finance/CFO, Middlesex Community College, 591 Springs Road, Bedford, Massachusetts, 01730.

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

Statements of Net Position

June 30, 2023

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

Statements of Net Position

June 30, 2023 and 2022

Assets and Deferred Outflows of Resources

	2023	(Restated) 2022
	Middlesex Community College	Middlesex Community College
Current Assets:		
Cash and equivalents	\$ 51,369,154	\$ 45,166,453
Cash held by State Treasurer	2,324,326	1,882,606
Short-term investments	3,197,435	1,129,614
Accounts and other receivables, net	1,934,904	2,658,082
Prepaid expenses	-	4,108
Due from related party	<u>251,354</u>	<u>27,781</u>
Total Current Assets	<u>59,077,173</u>	<u>50,868,644</u>
Non-Current Assets:		
Long-term investments	12,037,914	10,864,500
Capital assets, net	<u>59,844,876</u>	<u>60,547,174</u>
Total Non-Current Assets	<u>71,882,790</u>	<u>71,411,674</u>
Total Assets	<u>130,959,963</u>	<u>122,280,318</u>
Deferred Outflows of Resources:		
Deferred outflows related to pension plan	1,036,231	1,507,308
Deferred outflows related to OPEB	<u>1,816,526</u>	<u>2,625,476</u>
Total Deferred Outflows of Resources	<u>2,852,757</u>	<u>4,132,784</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 133,812,720</u>	 <u>\$ 126,413,102</u>

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

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

Statements of Net Position

June 30, 2023 and 2022

Liabilities, Deferred Inflows of Resources and Net Position

	2023	(Restated) 2022
	Middlesex Community College	Middlesex Community College
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 4,526,099	\$ 4,266,370
Accrued payroll	2,649,176	1,996,301
Accrued compensated absences and workers' compensation	3,038,423	3,218,360
Students' deposits and unearned revenues	3,836,963	1,815,958
Current portion of SBITA liability	479,581	442,303
Current portion of lease liability	864,185	990,145
Current portion of bonds payable	<u>-</u>	<u>168,049</u>
Total Current Liabilities	<u>15,394,427</u>	<u>12,897,486</u>
Non-Current Liabilities:		
Accrued compensated absences and workers' compensation	2,171,733	2,268,239
SBITA liability	1,754,486	2,111,834
Lease liability	732,201	1,731,243
Net pension liability	3,139,186	4,190,892
Net OPEB liability	<u>3,950,636</u>	<u>7,358,231</u>
Total Non-Current Liabilities	<u>11,748,242</u>	<u>17,660,439</u>
Total Liabilities	<u>27,142,669</u>	<u>30,557,925</u>
Deferred Inflows of Resources:		
Deferred inflows related to pension plan	2,999,624	4,508,377
Deferred inflows related to OPEB	<u>9,833,844</u>	<u>12,012,289</u>
Total Deferred Inflows of Resources	<u>12,833,468</u>	<u>16,520,666</u>
Total Liabilities and Deferred Inflows of Resources	<u>39,976,137</u>	<u>47,078,591</u>
Net Position:		
Net investment in capital assets	56,014,423	55,103,600
Restricted:		
Expendable	1,140,248	1,266,203
Unrestricted	<u>36,681,912</u>	<u>22,964,708</u>
Total Net Position	<u>93,836,583</u>	<u>79,334,511</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 133,812,720</u>	<u>\$ 126,413,102</u>

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

Statements of Revenues and Expenses

For the Years Ended June 30, 2023 and 2022

	2023 Middlesex Community College	(Restated) 2022 Middlesex Community College
Operating Revenues:		
Tuition and fees	\$ 27,844,014	\$ 27,186,022
Less: scholarship allowances	<u>(8,291,192)</u>	<u>(7,991,392)</u>
Net student fees	19,552,822	19,194,630
Federal, state, local and private grants and contracts	16,122,545	16,011,766
Other auxiliary enterprises	78,546	128,778
Other sources	<u>1,360,118</u>	<u>1,060,495</u>
Total Operating Revenues	<u>37,114,031</u>	<u>36,395,669</u>
Operating Expenses:		
Instruction	27,326,006	25,468,253
Academic support	7,441,884	7,057,065
Student services	11,320,742	12,506,023
Scholarships and fellowships	2,710,528	3,404,520
Public service	504,778	415,375
Operation and maintenance of plant	4,723,927	5,575,946
Institutional support	11,680,052	14,225,615
Depreciation and amortization	<u>4,819,429</u>	<u>4,776,145</u>
Total Operating Expenses	<u>70,527,346</u>	<u>73,428,942</u>
Operating Loss	<u>(33,413,315)</u>	<u>(37,033,273)</u>
Non-Operating Revenues (Expenses):		
State appropriations - unrestricted	39,172,186	37,650,188
Federal grants (HEERF funding)	3,449,586	10,953,015
Net investment income (expense)	2,000,134	(2,071,247)
Interest expense	(189,253)	(234,193)
Payments between the College and the Foundation	<u>108,185</u>	<u>114,156</u>
Net Non-Operating Revenues	<u>44,540,838</u>	<u>46,411,919</u>
Change in Net Position before Capital Appropriations	11,127,523	9,378,646
Capital appropriations	<u>3,374,549</u>	<u>3,298,306</u>
Change in Net Position	<u>\$ 14,502,072</u>	<u>\$ 12,676,952</u>

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

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

Statements of Changes in Net Position

For the Years Ended June 30, 2023 and 2022

	<u>Net Investment in Capital Assets</u>	<u>Restricted Expendable</u>	<u>Unrestricted Net Position</u>	<u>Total</u>
Balance at June 30, 2021	\$ 53,651,163	\$ 1,298,522	\$ 11,707,874	\$ 66,657,559
Changes in net position, as restated	<u>1,452,437</u>	<u>(32,319)</u>	<u>11,256,834</u>	<u>12,676,952</u>
Balance at June 30, 2022, as restated	55,103,600	1,266,203	22,964,708	79,334,511
Changes in net position	<u>910,823</u>	<u>(125,955)</u>	<u>13,717,204</u>	<u>14,502,072</u>
Balance at June 30, 2023	<u>\$ 56,014,423</u>	<u>\$ 1,140,248</u>	<u>\$ 36,681,912</u>	<u>\$ 93,836,583</u>

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

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

Statements of Cash Flows

For the Years Ended June 30,

	<u>2023</u>	(Restated) <u>2022</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 23,191,966	\$ 20,688,617
Grants and contracts	16,353,793	13,995,663
Payments to suppliers	(18,945,052)	(11,881,321)
Payments to employees	(41,701,837)	(49,498,684)
Payments to students	(2,710,528)	(3,404,520)
Income from contract services	78,546	128,778
Other cash receipts	<u>1,131,544</u>	<u>719,967</u>
Net Cash Applied to Operating Activities	<u>(22,601,568)</u>	<u>(29,251,500)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriations	29,474,275	28,463,066
Payments from (to) Foundation	108,185	114,156
Tuition remitted to state	-	(185,929)
Federal grants (HEERF funding)	<u>3,449,586</u>	<u>10,953,015</u>
Net Cash Provided by Non-Capital Financing Activities	<u>33,032,046</u>	<u>39,344,308</u>
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	(886,538)	(1,104,711)
Principal paid on SBITAs	(442,304)	(342,201)
Principal paid on leases	(858,812)	(988,377)
Principal paid on bond payable	(168,049)	(494,987)
Interest paid on bond payable, leases, and SBITAs	<u>(189,253)</u>	<u>(234,193)</u>
Net Cash Applied to Capital Financing Activities	<u>(2,544,956)</u>	<u>(3,164,469)</u>
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments	4,627,962	1,125,955
Purchases of investments	(6,938,987)	(1,141,525)
Interest on investments	<u>1,069,924</u>	<u>65,119</u>
Net Cash (Applied to) Provided by Investing Activities	<u>(1,241,101)</u>	<u>49,549</u>
Net Increase in Cash and Equivalents	6,644,421	6,977,888
Cash and Equivalents, Beginning of Year	<u>47,049,059</u>	<u>40,071,171</u>
Cash and Equivalents, End of Year	<u>\$ 53,693,480</u>	<u>\$ 47,049,059</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	<u>2023</u>	(Restated) <u>2022</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (33,413,315)	\$ (37,033,273)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation and amortization	4,819,429	4,776,145
Net pension activity	(2,089,382)	(2,299,154)
Net OPEB activity	(4,777,090)	(4,083,185)
Bad debt expense	2,130,183	205,961
Fringe benefits provided by the state	9,697,911	9,373,051
Changes in assets and liabilities:		
Accounts receivable, net	(1,407,005)	1,670,202
Prepaid expenses	4,108	(3,183)
Due from related party	(223,573)	(27,781)
Accounts payable and accrued liabilities	259,729	752,512
Accrued payroll and compensated absences	376,432	(351,675)
Students' deposits and unearned revenues	2,021,005	(2,224,426)
Due to related party	<u>-</u>	<u>(6,694)</u>
Net Cash Applied to Operating Activities	<u>\$ (22,601,568)</u>	<u>\$ (29,251,500)</u>
Non-Cash Transactions:		
Fringe benefits provided by the state	<u>\$ 9,697,911</u>	<u>\$ 9,373,051</u>
Capital assets acquired through capital appropriations	<u>\$ 3,374,549</u>	<u>\$ 3,298,306</u>
Capital assets acquired through leases	<u>\$ -</u>	<u>\$ 730,903</u>
Capital assets acquired through SBITAs	<u>\$ 122,234</u>	<u>\$ -</u>
Unrealized gains (losses) on investments	<u>\$ 930,210</u>	<u>\$ (2,136,366)</u>
Capital assets retired through leases	<u>\$ 266,190</u>	<u>\$ -</u>
Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 51,369,154	\$ 45,166,453
Cash held by State Treasurer	<u>2,324,326</u>	<u>1,882,606</u>
Total	<u>\$ 53,693,480</u>	<u>\$ 47,049,059</u>

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

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

Statements of Financial Position (Component Unit)

June 30, 2023 and 2022

Assets

	2023	2022
	Middlesex Community College Foundation	Middlesex Community College Foundation
Current Assets:		
Cash and equivalents	\$ 1,815,350	\$ 1,955,912
Short-term investments	6,463,211	5,440,248
Accounts and other receivables, net	342,228	38,240
Other current assets	<u>29,804</u>	<u>29,804</u>
Total Current Assets	<u>8,650,593</u>	<u>7,464,204</u>
Other Assets:		
Accounts receivable, non-current	7,438	6,425
Long-term investments	200,000	200,000
Operating lease assets	1,160,735	1,368,628
Capital assets, net of accumulated depreciation	<u>51,879</u>	<u>35,015</u>
Total Other Assets	<u>1,420,052</u>	<u>1,610,068</u>
Total Assets	<u>\$ 10,070,645</u>	<u>\$ 9,074,272</u>

Liabilities and Net Assets

Current Liabilities:		
Accounts payable	\$ 25,880	\$ 11,218
Due to related party	251,354	27,781
Operating lease liabilities, current portion	196,936	186,776
Unearned revenues	<u>5,030</u>	<u>4,883</u>
Total Current Liabilities	<u>479,200</u>	<u>230,658</u>
Other Liability:		
Operating lease liabilities, non-current	<u>1,046,578</u>	<u>1,243,514</u>
Total Liabilities	<u>1,525,778</u>	<u>1,474,172</u>
Net Assets:		
Without Donor Restrictions:		
Undesignated	2,264,984	1,402,969
Board designated	<u>532,002</u>	<u>603,570</u>
Total Without Donor Restrictions	<u>2,796,986</u>	<u>2,006,539</u>
With Donor Restrictions:		
Purpose and time restrictions	5,547,881	5,393,561
Perpetual in nature	<u>200,000</u>	<u>200,000</u>
Total Without Donor Restrictions	<u>5,747,881</u>	<u>5,593,561</u>
Total Net Assets	<u>8,544,867</u>	<u>7,600,100</u>
Total Liabilities and Net Assets	<u>\$ 10,070,645</u>	<u>\$ 9,074,272</u>

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

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

Statements of Activities and Changes in Net Assets (Component Unit)

For the Years Ended June 30, 2023 and 2022

	2023 Middlesex Community College Foundation	2022 Middlesex Community College Foundation
Revenues:		
Contributions of cash and other financial assets	\$ 1,392,109	\$ 599,078
Contributions of nonfinancial assets	328,084	331,271
Fundraising income - special events	184,885	114,850
Investment income (loss)	438,432	(901,927)
License and usage income	278,108	232,086
Other revenue	<u>-</u>	<u>296,585</u>
Total Revenues	<u>2,621,618</u>	<u>671,943</u>
Expenses:		
Program Services:		
Scholarships	255,240	205,204
Services and support:		
Grants	334,591	142,993
Middlesex/student emergency fund	34,548	39,329
Contributed services	302,192	309,346
Operating	<u>35,486</u>	<u>18,749</u>
Total Program Services	<u>962,057</u>	<u>715,621</u>
General and Administrative:		
Depreciation	1,031	15,845
Lease expense	243,538	248,657
Other administrative costs	<u>153,388</u>	<u>98,078</u>
Total General and Administrative	<u>397,957</u>	<u>362,580</u>
Fundraising:		
Cost of special events	253,068	173,210
Other fundraising expenses	<u>63,769</u>	<u>92,093</u>
Total Fundraising	<u>316,837</u>	<u>265,303</u>
Change in Net Assets	944,767	(671,561)
Net Assets, Beginning of Year	<u>7,600,100</u>	<u>8,271,661</u>
Net Assets, End of Year	<u>\$ 8,544,867</u>	<u>\$ 7,600,100</u>

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

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2023 and 2022

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

Organization

Middlesex Community College (the “College”) is one of the largest community colleges in the Commonwealth of Massachusetts (the “Commonwealth”) and serves the largest county in the Commonwealth with campuses in urban Lowell and suburban Bedford. The College’s mission is to provide educational, occupational, and cultural opportunities for an academically, economically and culturally diverse population. The College offers 105 associate degree and certificate programs to 11,082 credit and 1,353 noncredit students. The College is involved in numerous community partnership programs and more than 40 different partnerships with schools and colleges throughout the Merrimack Valley. The College also provides comprehensive, customized training, consulting, and technical assistance programs to area businesses. The College is accredited by the New England Commission of Higher Education.

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus (“COVID-19”) as a pandemic. In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds (“HEERF”) and funds for the Strengthening Institution Program (“SIP”) under the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, Coronavirus Response and Relief Supplemental Appropriations Act (“CRRSAA”), and American Rescue Plan Act (“ARPA”). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the SIP can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

The College has been awarded the following HEERF and SIP funds as of June 30, 2023:

	Student Aid Award	Institutional Award	Strengthening Institution Program	Total
CARES	\$ 1,852,172	\$ 1,852,171	\$ 15,058	\$ 3,719,401
CRRSAA	1,852,172	5,995,700	28,972	7,876,844
ARPA	<u>6,917,007</u>	<u>6,732,520</u>	<u>49,994</u>	<u>13,699,521</u>
Total	<u>\$ 10,621,351</u>	<u>\$ 14,580,391</u>	<u>\$ 94,024</u>	<u>\$ 25,295,766</u>

The College has recognized the following as non-operating Federal grants for the years ended June 30, 2023 and 2022.

	For the Year Ended June 30, 2023				For the Year Ended June 30, 2022			
	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total	Student Aid Award	Institutional Award	Strengthening Institutions Program	Total
CARES	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
CRRSAA	-	45,000	-	45,000	162,922	692,896	28,972	884,790
ARPA	<u>2,868,945</u>	<u>535,641</u>	<u>-</u>	<u>3,404,586</u>	<u>4,048,062</u>	<u>5,970,169</u>	<u>49,994</u>	<u>10,068,225</u>
Total	<u>\$ 2,868,945</u>	<u>\$ 580,641</u>	<u>\$ -</u>	<u>\$ 3,449,586</u>	<u>\$ 4,210,984</u>	<u>\$ 6,663,065</u>	<u>\$ 78,966</u>	<u>\$ 10,953,015</u>

In April 2023, the Department of Education extended all HEERF funds deadlines to be spent by June 2023. In June 2023, the College applied for and received an extension to spend all HEERF institutional funds by June 30, 2024. As of June 30, 2023, the College has approximately \$181,000 left to expend.

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”).

Middlesex Community College Foundation’s (the “Foundation”) financial statements are prepared in accordance with accounting and reporting requirements prescribed by the Financial Accounting Standards Board (“FASB”). As such, certain revenue recognition and lease criteria and presentation features are different from GASB revenue and lease recognition criteria and presentation features. No modifications have been made to the Foundation’s financial information in the College’s financial reporting entity for these differences.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses demonstrate the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function.

Items not meeting the definition of program revenues are instead reported as general revenue. The College has determined that it functions as a business-type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general-purpose governments consist of management's discussion and analysis; basic financial statements, including the College's discretely presented component unit, the Foundation; and required supplementary information. The College presents statements of net position, revenues and expenses, changes in net position and cash flows on a combined College-wide basis.

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

The Middlesex Community College Foundation, Inc. (the "Foundation"), a component unit of the College, was formed in 1987 to render financial assistance and to support the educational programs and development of the College. The Foundation is legally separate from the College, and the College is not financially accountable for the Foundation. The Foundation has been included within these financial statements because of the nature and significance of its relationship with the College. The Foundation is located at the College's Bedford Campus. Complete financial statements for the Foundation can be obtained from Middlesex Community College Foundation, Inc., P.O. Box 8681, Lowell, MA 01853.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

During the years ended June 30, 2023 and 2022, the Foundation distributed \$108,185 and \$114,156, respectively to the College for both restricted and unrestricted purposes.

Net Position

Resources are classified for accounting purposes into the following three 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, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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

Unrestricted: Net position that is not subject to externally imposed stipulations or categorized as net investment in capital assets. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

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, and cash and deposits held by state agencies on behalf of the College to be cash equivalents.

Allowance for Doubtful Accounts

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

Investments

Investments in marketable securities are stated at fair value. The College has no donor-restricted endowments at June 30, 2023 and 2022.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Capital Assets

Real estate assets, including improvements, are generally stated at cost at date of acquisition. 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 Commonwealth'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 were capitalized during the construction period for projects before July 1, 2021. Beginning on July 1, 2021, interest on debt costs on debt related to capital assets were expensed 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 2 to 40 years. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/subscription term or useful life of the underlying asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are expensed. The College does not hold collections of historical treasures, works of art or other items not requiring capitalization or depreciation.

Pensions

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

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.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023 and 2022. The accrued sick leave balance represents 20% of amounts earned by those employees with, or expected to have, ten or more years of Commonwealth service at June 30, 2023 and 2022. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Students' Deposits and Unearned Revenue

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

Student Fees

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

Tax Status

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of estimating an allowance for doubtful accounts, depreciation, net position classification, determining the net pension and OPEB liabilities, and the lease and SBITA liabilities.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

New Governmental Accounting Pronouncements

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

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

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

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

As of July 1, 2021, the College implemented GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right to use asset and liability for SBITAs.

There was no change to net position as of July 1, 2021, upon the implementation of GASB 96, since the adjustment for the right to use assets - SBITAs of \$2,896,338 was completely offset by the adjustment for the SBITA liability. The balance of the right to use asset - SBITA and SBITA liability was \$0 at July 1, 2021.

The prior period adjustment and the restatement of the June 30, 2022 financial statements are due to the implementation of GASB 96 as of and for the year ended June 30, 2022. The adjustment is as follows:

	<u>Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
As of June 30, 2022:			
Capital assets, net	\$ 58,112,367	2,434,807	60,547,174
SBITA liability	\$ -	2,554,137	2,554,137
Net position	\$ 79,453,841	(119,330)	79,334,511
Year Ended June 30, 2022:			
Depreciation and amortization expense	\$ 4,314,614	461,531	4,776,145
Interest expense	\$ 85,340	148,853	234,193
Operation and maintenance of plant	\$ 6,067,000	(491,054)	5,575,946

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 3 - **Cash and Investments**

Investment Policy

In accordance with Chapter 15A of the Massachusetts General Laws, the College's Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the Commonwealth legislature or derived from Federal allocations.

The principal objectives of the investment policy are: (1) safety of principal, (2) liquidity for operating needs, (3) return on investment, and (4) diversification of risk. The Board of Trustees supports the investments of trust funds in a variety of investment vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality and mutual funds holding any or all of the above. The Board of Trustees will, from time to time, establish investment fund ceilings and broad asset allocation guidelines, and authorizes the chief financial officer to invest, or instruct the comptroller to invest, the College's funds within the guidelines established by the investment policy.

Summary of Deposits and Investments

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

	<u>2023</u>	<u>2022</u>
<u>Cash and equivalents:</u>		
Cash deposits	\$ 49,894,034	\$ 43,708,887
Money market funds	<u>1,475,120</u>	<u>1,457,566</u>
Cash and equivalents	51,369,154	45,166,453
 <u>Short-term investments:</u>		
Certificates of deposit	1,152,199	1,129,614
Treasury bills	<u>2,045,236</u>	<u>-</u>
Short-term investments:	3,197,435	1,129,614
 <u>Long-term investments:</u>		
Bond mutual funds	4,318,594	4,322,388
Equity mutual funds	<u>7,719,320</u>	<u>6,542,112</u>
Long-term investments	<u>12,037,914</u>	<u>10,864,500</u>
Total Deposits and Investments	<u>\$ 66,604,503</u>	<u>\$ 57,160,567</u>

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Custodial Credit Risk

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the depositor would not be able to recover its balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). Any loss incurred or a lack of access to such funds could have a significant adverse impact on the College's financial condition, results of operations, and cash flows. The standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each ownership category.

The College's bank balances, including certificates of deposit, as of June 30, 2023 and 2022, totaled \$49,810,130 and \$45,288,633, respectively. Of these balances, \$48,154,055 and \$43,906,503, respectively, were exposed to custodial credit risk as uninsured and uncollateralized. To mitigate custodial credit risk for deposits, the College obtains ratings for all banks and credit unions which hold the College's investments. A star rating of 3+ stars from Bauer Financial is required before investing any College funds in an institution.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Maturities of investments exposed to interest rate risk at June 30, 2023 and 2022 consist of:

2023					
<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Certificates of deposit	\$ 1,152,199	\$ 1,152,199	\$ -	\$ -	\$ -
Money market funds	1,475,120	1,475,120	-	-	-
Treasury bills	<u>2,045,236</u>	<u>2,045,236</u>	-	-	-
	<u>\$ 4,672,555</u>	<u>\$ 4,672,555</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
2022					
<u>Investment type</u>	<u>Fair value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>
Certificates of deposit	\$ 1,129,614	\$ 1,129,614	\$ -	\$ -	\$ -
Money market funds	<u>1,457,566</u>	<u>1,457,566</u>	-	-	-
	<u>\$ 2,587,180</u>	<u>\$ 2,587,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

To mitigate interest rate risk, it is the policy of the College to generally not exceed one (1) year in its maturities of Operating Fund investments.

Credit Risk of Debt Securities

Credit risk for investments is the risk that an issuer or other counterparty to a debt security will not fulfill its obligations. The following is a listing of credit quality ratings, using Moody's and Standard & Poor's, of the College's investments at June 30,:

		2023						
		Quality Ratings						
<u>Rated debt investments</u>	<u>Fair value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Unrated</u>
Certificates of deposit	\$ 1,152,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,152,199
Money market funds	1,475,120	1,475,120	-	-	-	-	-	-
Treasury bills	<u>2,045,236</u>	<u>2,045,236</u>	-	-	-	-	-	-
Total	<u>\$ 4,672,555</u>	<u>\$ 3,520,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,152,199</u>

		2022						
		Quality Ratings						
<u>Rated debt investments</u>	<u>Fair value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Unrated</u>
Certificates of deposit	\$ 1,129,614	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,129,614
Money market funds	<u>1,457,566</u>	<u>1,457,566</u>	-	-	-	-	-	-
Total	<u>\$ 2,587,180</u>	<u>\$ 1,457,566</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,614</u>

The College manages credit risk by purchasing investment-grade securities with a high concentration in securities rated AAA and above.

Concentration of Credit Risk

The College had no single investment that exceeded 5% of its total investments at June 30, 2023 and 2022.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Investments of the Foundation

The Foundation's investments consist of the following at June 30, 2023 and 2022, and are summarized as follows:

	<u>2023</u>	<u>2022</u>
Fixed income securities	\$ 3,590,636	\$ 2,993,851
Equity securities	<u>3,072,575</u>	<u>2,646,397</u>
	<u>\$ 6,663,211</u>	<u>\$ 5,640,248</u>

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled \$2,324,326 and \$1,882,606 at June 30, 2023 and 2022, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 5 - **Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability; and
 - Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

Treasury bills: Valued at initial investment cost plus accrued interest.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the College are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price.

At June 30, 2023 and 2022, all assets of the College are considered Level 1 investments.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 6 - **Accounts and Other Receivables**

Accounts receivable include the following at June 30,:

	<u>2023</u>	<u>2022</u>
Student accounts receivable	\$ 7,166,192	\$ 5,301,685
Other receivables	<u>94,548</u>	<u>325,795</u>
	7,260,740	5,627,480
Less: allowance for doubtful accounts	<u>(5,325,836)</u>	<u>(2,969,398)</u>
	<u>\$ 1,934,904</u>	<u>\$ 2,658,082</u>

Note 7 - **Due to/from Related Party**

Due to/from related party represents amounts due to/from the Middlesex Community College Foundation in relation to normal operations of the College.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 8 - Capital Assets

Capital assets of the College consist of the following at June 30, 2023:

	Estimated lives <u>(in years)</u>	(Restated) Beginning <u>balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	Ending <u>balance</u>
Capital assets not depreciated:						
Construction in progress	-	\$ 3,216,386	\$ 3,921,763	\$ -	\$ (1,963,239)	\$ 5,174,910
Land	-	<u>1,986,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,986,303</u>
Total Not Depreciated		<u>5,202,689</u>	<u>3,921,763</u>	<u>-</u>	<u>(1,963,239)</u>	<u>7,161,213</u>
Capital assets depreciated:						
Building, including improvements	20-40	128,761,477	146,200	-	1,963,239	130,870,916
Furnishings and equipment	5-10	5,332,014	193,124	-	-	5,525,138
Software arrangements	5	2,896,338	122,234	-	-	3,018,572
Leased buildings	1-3	4,260,821	-	(266,190)	-	3,994,631
Leased equipment	2-5	<u>193,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>193,268</u>
Total depreciated		<u>141,443,918</u>	<u>461,558</u>	<u>(266,190)</u>	<u>1,963,239</u>	<u>143,602,525</u>
Less accumulated depreciation:						
Building, including improvements		(80,173,230)	(3,042,154)	-	-	(83,215,384)
Furnishings and equipment		(3,713,174)	(400,019)	-	-	(4,113,193)
Software arrangements		(461,531)	(498,881)	-	-	(960,412)
Leased buildings		(1,673,237)	(831,466)	-	-	(2,504,703)
Leased equipment		<u>(78,261)</u>	<u>(46,909)</u>	<u>-</u>	<u>-</u>	<u>(125,170)</u>
Total accumulated depreciation		<u>(86,099,433)</u>	<u>(4,819,429)</u>	<u>-</u>	<u>-</u>	<u>(90,918,862)</u>
Capital assets, net		<u>\$ 60,547,174</u>	<u>\$ (436,108)</u>	<u>\$ (266,190)</u>	<u>\$ -</u>	<u>\$ 59,844,876</u>

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Capital assets of the College consist of the following at June 30, 2022 (Restated):

	Estimated lives (in years)	Beginning balance	Additions	Retirements	Reclassifications	Ending balance
Capital assets not depreciated:						
Construction in progress	-	\$ 3,108,298	\$ 2,949,581	\$ -	\$ (2,841,493)	\$ 3,216,386
Land	-	<u>1,986,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,986,303</u>
Total Not Depreciated		<u>5,094,601</u>	<u>2,949,581</u>	<u>-</u>	<u>(2,841,493)</u>	<u>5,202,689</u>
Capital assets depreciated:						
Building, including improvements	20-40	124,916,516	1,273,868	-	2,571,093	128,761,477
Furnishings and equipment	5-10	4,882,046	179,568	-	270,400	5,332,014
Software arrangements	5	2,896,338	-	-	-	2,896,338
Leased buildings	1-3	3,890,609	661,448	(291,236)	-	4,260,821
Leased equipment	2-5	<u>153,166</u>	<u>69,455</u>	<u>(29,353)</u>	<u>-</u>	<u>193,268</u>
Total depreciated		<u>136,738,675</u>	<u>2,184,339</u>	<u>(320,589)</u>	<u>2,841,493</u>	<u>141,443,918</u>
Less accumulated depreciation:						
Building, including improvements		(77,286,828)	(2,886,402)	-	-	(80,173,230)
Furnishings and equipment		(3,327,300)	(385,874)	-	-	(3,713,174)
Software arrangements		-	(461,531)	-	-	(461,531)
Leased buildings and parking		(979,994)	(984,479)	291,236	-	(1,673,237)
Leased equipment		<u>(49,755)</u>	<u>(57,859)</u>	<u>29,353</u>	<u>-</u>	<u>(78,261)</u>
Total accumulated depreciation		<u>(81,643,877)</u>	<u>(4,776,145)</u>	<u>320,589</u>	<u>-</u>	<u>(86,099,433)</u>
Capital assets, net		<u>\$ 60,189,399</u>	<u>\$ 819,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,547,174</u>

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 9 - **Long-Term Liabilities**

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

	2023					
	(Restated) Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
SBITA liability	\$ 2,554,137	\$ 122,234	\$ (442,304)	\$ 2,234,067	\$ 479,581	\$ 1,754,486
Lease liability	2,721,388	-	(1,125,002)	1,596,386	864,185	732,201
Bonds payable	<u>168,049</u>	<u>-</u>	<u>(168,049)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,443,574</u>	<u>122,234</u>	<u>(1,735,355)</u>	<u>3,830,453</u>	<u>1,343,766</u>	<u>2,486,687</u>
Other long-term liabilities:						
Accrued compensated absences	4,913,165	-	(352,157)	4,561,008	2,936,331	1,624,677
Net pension liability	4,190,892	-	(1,051,706)	3,139,186	-	3,139,186
Net OPEB liability	7,358,231	-	(3,407,595)	3,950,636	-	3,950,636
Workers' compensation	<u>573,434</u>	<u>75,714</u>	<u>-</u>	<u>649,148</u>	<u>102,092</u>	<u>547,056</u>
	<u>17,035,722</u>	<u>75,714</u>	<u>(4,811,458)</u>	<u>12,299,978</u>	<u>3,038,423</u>	<u>9,261,555</u>
Total	<u>\$ 22,479,296</u>	<u>\$ 197,948</u>	<u>\$ (6,546,813)</u>	<u>\$ 16,130,431</u>	<u>\$ 4,382,189</u>	<u>\$ 11,748,242</u>
	2022 (Restated)					
	Beginning balance	Additions	Reductions	Ending balance	Current portion	Long-term portion
SBITA liability	\$ 2,896,338	\$ -	\$ (342,201)	\$ 2,554,137	\$ 442,303	\$ 2,111,834
Lease liability	2,978,862	730,903	(988,377)	2,721,388	990,145	1,731,243
Bonds payable	<u>663,036</u>	<u>-</u>	<u>(494,987)</u>	<u>168,049</u>	<u>168,049</u>	<u>-</u>
	<u>6,538,236</u>	<u>730,903</u>	<u>(1,825,565)</u>	<u>5,443,574</u>	<u>1,600,497</u>	<u>3,843,077</u>
Other long-term liabilities:						
Accrued compensated absences	5,036,155	-	(122,990)	4,913,165	3,125,594	1,787,571
Net pension liability	5,855,678	-	(1,664,786)	4,190,892	-	4,190,892
Net OPEB liability	7,534,884	-	(176,653)	7,358,231	-	7,358,231
Workers' compensation	<u>522,861</u>	<u>50,573</u>	<u>-</u>	<u>573,434</u>	<u>92,766</u>	<u>480,668</u>
	<u>18,949,578</u>	<u>50,573</u>	<u>(1,964,429)</u>	<u>17,035,722</u>	<u>3,218,360</u>	<u>13,817,362</u>
Total	<u>\$ 25,487,814</u>	<u>\$ 781,476</u>	<u>\$ (3,789,994)</u>	<u>\$ 22,479,296</u>	<u>\$ 4,818,857</u>	<u>\$ 17,660,439</u>

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Bonds Payable

In December 2013, the College issued \$3,900,598 of Series D Bonds with a fixed rate of 2.95%. The bonds were issued through the Massachusetts Development Finance Agency for the purpose of refunding, together with other funds available for such purpose, the outstanding principal amount of the Series B Bonds. Principal and interest are payable monthly through October 1, 2022. The College completed the refunding to reduce its total debt service payments by \$574,591 and to obtain an economic gain of \$287,973. The bonds are collateralized by certain property. The bond was fully paid down during the year ended June 30, 2023.

Total interest expense related to bonds payable for 2023 and 2022 was \$1,051 and \$12,314, respectively.

Leases Payable

College

A summary of the College's leases at June 30, 2023 and 2022, is as follows:

<u>Description</u>	<u>Date</u>	<u>Terms in Months</u>	<u>Payment Amount</u>	<u>Interest Rate</u>	2023 <u>Lease Liability</u>	2022 <u>Lease Liability</u>
Office equipment	varies	60 months	\$ 12,221	2.65%	\$ 62,847	\$ 111,404
Lowell parking	7/1/2021	36 months	40,650	2.65%	480,870	1,215,367
Pollard Building	7/1/2021	60 months	17,069	2.65%	590,067	776,570
Howe Street building	2/5/2022	48 months	10,018	2.65%	317,269	426,778
Nesmith House	7/1/2022	48 months	49,842	2.65%	145,333	191,269
					<u>\$ 1,596,386</u>	<u>\$ 2,721,388</u>

Leases for office equipment terminate on various dates through November 2026. The College has options at the end of the leases to purchase the equipment at fair market value or renew the leases. Management does not believe the College will exercise the purchase option. The College did not make payments for these leases other than the monthly payments for the years ended June 30, 2023 and 2022. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

The lease for Lowell parking terminates in June 2024. No renewal options are included in the lease agreement. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2023 and 2022. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities.

Related Party Leases

The lease for the Pollard Building space is with a related party, Lowell Middlesex Academy Charter School, that terminates in June 2023. No renewal options are included in the lease agreement. Based on the substance of this related party transaction and on history with the Charter School, the monthly payments have been extended out through June 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2023 and 2022 which amounted to \$186,503 and \$181,631, respectively.

The lease for the Howe Street building space is with a related party, the Middlesex Community College Foundation, that terminated in February 2022. During the year ended June 30, 2022, a new agreement was signed that terminates in February 2024. An extension option with no specified term is included in the lease agreement. Based on the substance of this related party transaction, and on history with the Foundation, the monthly payments have been extended out through February 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities. The College did not make payments for this lease other than the monthly payments for the years ended June 30, 2023 and 2022 which amounted to \$109,509 and \$163,119, respectively.

The lease for the Nesmith House is with a related party, the Middlesex Community College Foundation, that terminates in June 2024. An extension option with no specified term is included in the lease agreement. Based on the substance of this related party transaction, and on history with the Foundation, the monthly payments have been extended out through June 2026 in the calculation of the lease liability and right to use asset. The College's incremental borrowing rate for a transaction with similar attributes was used to discount the lease payments to recognize the right to use assets and the associated lease liabilities.

The College did not make payments for this lease other than the monthly payments for the year ended June 30, 2023 which amounted to \$45,936. For the year ended June 30, 2022, the Foundation waived payments.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2023 are as follows:

Years Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 864,185	\$ 31,229
2025	380,030	14,235
2026	<u>352,171</u>	<u>4,204</u>
Total	<u>\$ 1,596,386</u>	<u>\$ 49,668</u>

Foundation

On February 5, 2019 the Foundation entered into a ten-year triple-net lease agreement for the Howe Street property in Lowell, Massachusetts. The Foundation has the option to extend the lease for an additional five years. A rental deposit under the lease agreement was made for \$29,804. Monthly payments are approximately \$18,500. As of June 30, 2022 and June 30, 2021 the Foundation had remaining lease obligations in the amount of \$1,243,514 and \$1,430,290, respectively, based on the present value of the remaining lease payments for the lease terms at the entity's incremental borrowing rate of 2.65%.

Note 10 - Subscription-Based Information Technology Arrangements

The College has entered into subscription-based information technology arrangements (SBITAs) involving data warehousing software, document management software, classroom resource software, scheduling software, and recruitment software.

The data warehousing software arrangement is a five-year agreement initiated in fiscal year 2018 and renewed during fiscal year 2023 for an additional five years. Monthly payments range from \$24,479 to \$26,851. The College has used a 5.5% discount rate for this arrangement based on the rate for a transaction with similar attributes to determine the present value of the intangible right-to-use asset and SBITA liability. There is no option to purchase the software. The College did not make payments for this SBITA other than the monthly payments for the years ended June 30, 2023 and 2022. The document management software arrangement is a five-year agreement initiated in fiscal year 2018 and renewed during fiscal year 2023 for an additional five years. Monthly payments range from \$13,952 to \$15,625. The College has used a 5.5% discount rate for this arrangement based on the rate for a transaction with similar attributes to determine the present value of the intangible right-to-use asset and SBITA

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

liability. There is no option to purchase the software. The College did not make payments for this SBITA other than the monthly payments for the years ended June 30, 2023 and 2022.

The classroom resource software arrangement is a three-year agreement initiated in fiscal year 2023 with a monthly payment of \$3,674. The College has used a 5.5% discount rate for this arrangement based on the rate for a transaction with similar attributes to determine the present value of the intangible right-to-use asset and SBITA liability. There is no option to purchase the software. The College did not make payments for this SBITA other than the monthly payments for the years ended June 30, 2023 and 2022.

The scheduling software arrangement is a three-year agreement initiated in fiscal year 2020 and renewed during fiscal year 2023 for an additional three years. Monthly payments range from \$1,866 to \$3,346. The College has used a 5.5% discount rate for this arrangement based on the rate for a transaction with similar attributes to determine the present value of the intangible right-to-use asset and SBITA liability. There is no option to purchase the software. The College did not make payments for this SBITA other than the monthly payments for the years ended June 30, 2023 and 2022.

The recruitment software arrangement is a five-year agreement initiated in fiscal year 2020 with a monthly payment of \$3,333. The College has used a 5.5% discount rate for this arrangement based on the rate for a transaction with similar attributes to determine the present value of the intangible right-to-use asset and SBITA liability. There is no option to purchase the software. The College did not make payments for this SBITA other than the monthly payments for the years ended June 30, 2023 and 2022.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$3,018,572 and \$960,412, respectively. At June 30, 2022, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$2,896,338 and \$461,531, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2023 are as follows:

Years Ending	<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$	479,581	\$ 108,750
2025		491,480	81,778
2026		435,115	56,565
2027		468,630	31,739
2028		<u>359,261</u>	<u>8,177</u>
Total	\$	<u>2,234,067</u>	<u>\$ 287,009</u>

Note 11 - **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 are 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.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Benefit payments are based upon a member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (the "Legislature"). Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 are not eligible for retirement until they have reached age 60.

Contributions

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

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$4,100,129, \$4,030,965, and \$3,533,335 for the years ended June 30, 2023, 2022 and 2021, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 16.70%, 16.11% and 14.66% of annual covered payroll for the fiscal years ended June 30, 2023, 2022, and 2021, respectively. The College contributed \$305,864, \$317,642 and \$477,696 for the fiscal years ended June 30, 2023, 2022 and 2021, respectively, equal to 100% of the required contributions for each year.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

At June 30, 2023 and 2022, the College reported a liability of \$3,139,186 and \$4,190,892, respectively, for its proportionate share of the net pension liability related to its participation in SERS.

The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, 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, 2022 rolled forward to June 30, 2022. The net pension liability as of June 30, 2022, the reporting date, was measured as of June 30, 2021, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2021 rolled forward to June 30, 2021.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2023 and 2022, respectively. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2023 and 2022 relative to total contributions of all participating employers for the fiscal years. At June 30, 2023 and 2022, the College's proportion was 0.023% and 0.040%, respectively.

For the years ended June 30, 2023 and 2022, the College recognized pension income of \$1,783,516 and \$1,981,512, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Deferred Outflows of Resources</u>		
Contributions subsequent to the measurement date	\$ 305,864	\$ 317,642
Change in plan actuarial assumptions	86,427	285,710
Differences between expected and actual experience	78,089	144,611
Changes in proportion from Commonwealth	215	1,675
Changes in proportion due to internal allocation	<u>565,636</u>	<u>757,670</u>
Total	<u>\$ 1,036,231</u>	<u>\$ 1,507,308</u>
<u>Deferred Inflows of Resources</u>		
Difference between projected and actual earnings on pension plan investments	\$ 16,735	\$ 1,643,072
Differences between expected and actual experience	122,523	303,417
Changes in proportion from Commonwealth	8,491	13,241
Changes in proportion due to internal allocation	<u>2,851,875</u>	<u>2,548,647</u>
Total	<u>\$ 2,999,624</u>	<u>\$ 4,508,377</u>

The College's contributions of \$305,864 and \$317,642 made during the fiscal years ending 2023 and 2022, 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 pension will be recognized as decreases in pension expense as follows:

Years Ending	
<u>June 30,</u>	<u>Amount</u>
2024	\$ (514,924)
2025	(569,644)
2026	(668,305)
2027	(356,302)
2028	<u>(160,082)</u>
	<u>\$ (2,269,257)</u>

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Actuarial Assumptions

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

	<u>2023</u>	<u>2022</u>
Measurement date	June 30, 2022	June 30, 2021
Inflation on the first \$13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.00%	7.00%
Interest rate credited to annuity savings fund	3.50%	3.50%

For measurement date June 30, 2022 and 2021, mortality rates were based on:

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

Experience studies were performed as follows:

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

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.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Asset Class	2023		2022	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	38%	4.20%	39%	4.80%
Core Fixed Income	15%	0.50%	15%	0.30%
Private Equity	15%	7.30%	13%	7.80%
Portfolio Completion Strategies	10%	2.70%	11%	2.90%
Real Estate	10%	3.30%	10%	3.70%
Value Added Fixed Income	8%	3.70%	8%	3.90%
Timber/Natural Resources	4%	3.90%	4%	4.30%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2023 and 2022. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables illustrate the sensitivity of the net pension liability calculated using the discount rate as well as what the net pension liability would be if it were calculated using a discount rate, that is 1-percentage-point lower or 1-percentage-point higher than the current rate at June 30,:

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

2023		
Current		
1.00% Decrease (6.00%)	Discount Rate (7.00%)	1.00% Increase (8.00%)
\$ 4,329,652	\$ 3,139,186	\$ 2,131,879
2022		
Current		
1.00% Decrease (6.00%)	Discount Rate (7.00%)	1.00% Increase (8.00%)
\$ 6,414,778	\$ 4,190,892	\$ 2,363,030

Note 12 - **Other Postemployment Benefits ("OPEB")**

Plan Description

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

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions. Management of the SRBT is vested with the Trustees, which consists of seven members, including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor, and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board of the plan. The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023 and 2022, and as of the valuation date (January 1, 2022 and 2021), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participant's status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.28% and 7.65% of annual covered payroll for the fiscal years ended June 30, 2023 and 2022, respectively. The College contributed \$133,293 and \$150,852 for the fiscal years ended June 30, 2023 and 2022, respectively, equal to 100% of the required contribution for each year.

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

At June 30, 2023 and 2022, the College reported a liability of \$3,950,636 and \$7,358,231, 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, 2022 and 2021, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022 and 2021, 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 2022 and 2021.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2022 and 2021 relative to total contributions of all participating employers for the fiscal years. At June 30, 2023 and 2022, the College's proportion was 0.030% and 0.046%, respectively.

For the years ended June 30, 2023 and 2022, the College recognized OPEB income of \$4,596,736 and \$3,920,437, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2023</u>	<u>2022</u>
<u>Deferred Outflows of Resources</u>		
Contributions subsequent to the measurement date	\$ 133,293	\$ 150,852
Change in plan actuarial assumptions	290,977	617,972
Difference between projected and actual earnings on OPEB plan investments	6,005	-
Differences between expected and actual experience	72,726	187,833
Changes in proportion from Commonwealth	1,815	8,250
Changes in proportion due to internal allocation	<u>1,311,710</u>	<u>1,660,569</u>
Total	<u>\$ 1,816,526</u>	<u>\$ 2,625,476</u>
<u>Deferred Inflows of Resources</u>		
Difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 89,419
Differences between expected and actual experience	654,071	1,295,283
Changes in OPEB plan actuarial assumptions	1,429,819	1,447,475
Changes in proportion from Commonwealth	19,510	31,959
Changes in proportion due to internal allocation	<u>7,730,444</u>	<u>9,148,153</u>
Total	<u>\$ 9,833,844</u>	<u>\$ 12,012,289</u>

The College's contributions of \$133,293 and \$150,852 made during the fiscal years 2023 and 2022, respectively, subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

Years Ending <u>June 30,</u>	<u>Amount</u>
2024	\$ (1,916,060)
2025	(1,910,051)
2026	(1,887,255)
2027	(1,860,627)
2028	<u>(576,618)</u>
	<u>\$ (8,150,611)</u>

Actuarial Assumptions

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

Measurement date	June 30, 2022	June 30, 2021
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	Rates vary by years of service and group classification, consistent with SERS
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation	7.00%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published SOA-Getzen trend rate model, version 2022_f4. Medicare and non-medicare benefits range from 3.94% to 9.11%.	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 7.30%.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

The mortality rate was in accordance with RP-2014 Blue Collar Mortality Table projected with scale MP-2020 from the central year, with females set forward one year for measurement dates June 30, 2022 and 2021.

The participation rates are actuarially assumed as below:

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

	Retirement Age		Retirement Age	
	2023		2022	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	28.0%	96.0%
POS/PPO	60.0%	0.0%	60.0%	0.0%
HMO	10.0%	4.0%	12.0%	4.0%

The actuarial assumptions used in the January 1, 2022 valuations were based on the results of an actuarial valuation as of January 1, 2022 rolled forward to June 30, 2022. The actuarial assumptions used in the January 1, 2021 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2019 through December 31, 2020, depending upon the criteria being evaluated.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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, 2023 and 2022 are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2023 and 2022 was 4.30% and 2.77%, respectively. These rates were based on a blend of the Bond Buyer Index rate (3.54% and 2.16%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date", when projected benefits are not covered by projected assets, is 2042 and 2041 for the fiscal years 2023 and 2022, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the College's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

2023		
1.00% Decrease (3.30%)	Current Discount Rate (4.30%)	1.00% Increase (5.30%)
\$ 4,608,843	\$ 3,950,636	\$ 3,409,967
2022		
1.00% Decrease (1.77%)	Current Discount Rate (2.77%)	1.00% Increase (3.77%)
\$ 8,741,521	\$ 7,358,231	\$ 6,244,019

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

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

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

2023		
Current Health Care		
1.00% Decrease (B)	Cost Trend Rate (A)	1.00% Increase (C)
\$ 3,311,764	\$ 3,950,636	\$ 4,759,371
2022		
Current Health Care		
1.00% Decrease (B)	Cost Trend Rate (A)	1.00% Increase (C)
\$ 6,024,878	\$ 7,358,231	\$ 9,096,037

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

Note 13 - **Fringe Benefit Programs**

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

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.

MIDDLESEX COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns, and a small number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the College.

The GIC is a quasi-independent state agency governed by a seventeen-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and it is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2023 and 2022, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Other Employee Benefits

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 payouts.

Note 14 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. As of June 30, 2023 and 2022, these funds are composed of restricted-expendable funds held for the use of academic purposes in the amounts of \$1,140,248 and \$1,266,203, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 15 - Net Position Classification

The following presents the breakout of each classification of net position as of June 30,:

	<u>2023</u>	(Restated) <u>2022</u>
Net investment in capital assets	<u>\$ 56,014,423</u>	<u>\$ 55,103,600</u>
Restricted:		
Federal and state grants	819,587	930,237
Parking fines scholarship	<u>320,661</u>	<u>335,966</u>
	<u>1,140,248</u>	<u>1,266,203</u>
Unrestricted:		
Investments	7,395,292	4,154,056
Facilities development fee	8,670,068	7,913,391
Reserve for compensated absences and workers' compensation	(6,412,191)	(5,486,599)
Effect of pension adjustments	(9,281,341)	(7,191,960)
Effect of OPEB adjustments	(21,522,133)	(16,745,044)
Board designation for LPN Program -Derby	3,000,000	-
Board designation for biotech lab	3,486,871	3,486,871
Board designation for emergency campus facility fund	2,000,000	2,000,000
Board designation for accessibility	2,500,000	2,000,000
Board designation for STEM lab refresh	2,000,000	2,000,000
Board designation for Strategic Student Support	5,510,000	5,510,000
Board designation for strategic plan initiatives	1,500,000	1,000,000
Board designation for MCC Student Success Grants-unmet need	1,500,000	1,801,778
Board designation for technology	2,500,000	2,000,000
Board designation for capital projects to be completed in FY23	-	500,000
Undesignated	<u>33,835,346</u>	<u>20,022,215</u>
	<u>36,681,912</u>	<u>22,964,708</u>
Total Net Position	<u>\$ 93,836,583</u>	<u>\$ 79,334,511</u>

Note 16 - Contingencies

The College receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed 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.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the “Program”). Individuals pay into the Program 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 from the Program 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.

Claims

The College is involved in various claims and lawsuits, mostly against the College, arising in the normal course of business. Management vigorously defends its cases and believes that any financial responsibility that may be incurred in settlements of such claims and lawsuits would not be material to the College's financial position.

Note 17 - **Operating Expenses**

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

	<u>2023</u>	(Restated) <u>2022</u>
Compensation and benefits	\$ 43,643,818	\$ 42,764,670
Supplies and services	19,353,571	22,483,607
Depreciation and amortization	4,819,429	4,776,145
Scholarships and fellowships	<u>2,710,528</u>	<u>3,404,520</u>
	<u>\$ 70,527,346</u>	<u>\$ 73,428,942</u>

Note 18 - **Related Party Transactions**

The College provides management, oversight, supervision, and administration of the Lowell Middlesex Academy Charter School’s regular business activities under a formal agreement. Income related to this arrangement recognized by the College totaled approximately \$176,000 and \$168,000 for the years ending June 30, 2023 and 2022, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2023 and 2022

Note 19 - **Massachusetts Management Accounting and Reporting System**

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

The College’s state appropriations are composed of the following at June 30,:

	<u>2023</u>	<u>2022</u>
Direct unrestricted appropriations	\$ 29,474,275	\$ 28,463,066
Add: fringe benefits for benefited employees on the state payroll	9,697,911	9,373,051
Less: day school tuition remitted to the state and included in tuition and fee revenue	-	(185,929)
Total Unrestricted Appropriations	<u>\$ 39,172,186</u>	<u>\$ 37,650,188</u>
State capital contribution (restricted appropriations)	<u>\$ 3,374,549</u>	<u>\$ 3,298,306</u>

No timing differences occurred where the College had additional revenue that was reported to MMARS after June 30, 2023 and 2022 (unaudited).

Note 20 - **Pass-through Grants**

The College distributed \$2,797,873 and \$2,760,012, respectively, during 2023 and 2022 for student loans through the U.S. Department of Education Federal Direct Student Loans program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Massachusetts State Employees' Retirement System

Year ended	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the collective net pension liability	0.023%	0.040%	0.034%	0.034%	0.053%	0.101%	0.126%	0.186%	0.160%
Proportionate share of the collective net pension liability	\$ 3,139,186	\$ 4,190,892	\$ 5,855,678	\$ 4,939,614	\$ 7,075,158	\$ 12,940,922	\$ 17,369,418	\$ 21,147,785	\$ 10,845,528
Covered payroll	\$ 1,971,707	\$ 3,258,499	\$ 2,619,396	\$ 2,787,131	\$ 4,151,426	\$ 7,928,573	\$ 9,571,746	\$ 11,194,880	\$ 10,836,179
Proportionate share of the net pension liability as a percentage of its covered payroll	159.21%	128.61%	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	71.05%	77.54%	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 305,864	\$ 317,642	\$ 477,696	\$ 368,811	\$ 336,128	\$ 489,038	\$ 788,893	\$ 904,530	\$ 1,163,148
Contributions in relation to the contractually required contribution	<u>305,864</u>	<u>317,642</u>	<u>477,696</u>	<u>368,811</u>	<u>336,128</u>	<u>489,038</u>	<u>788,893</u>	<u>904,530</u>	<u>1,163,148</u>
Contribution excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,831,521	\$ 1,971,707	\$ 3,258,499	\$ 2,619,396	\$ 2,787,131	\$ 4,151,426	\$ 7,928,573	\$ 9,571,746	\$ 11,194,880
Contribution as a percentage of covered payroll	16.70%	16.11%	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

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

Notes to the Required Supplementary Information – Pension (Unaudited)

June 30, 2023

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

Measurement Date – June 30, 2022

The inflation rate of 2.5% was used for the calculation. No inflation rate was used in prior measurement dates.

Measurement date – June 30, 2021

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

The mortality rates were changed as follows:

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

Measurement date – June 30, 2020

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

Measurement date – June 30, 2019

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

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

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

Notes to the Required Supplementary Information - Pension - Continued

June 30, 2020

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.

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)

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

Notes to the Required Supplementary Information - Pension - Continued

June 30, 2020

- 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)

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

Schedules of the Proportionate Share of the Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.030%	0.046%	0.036%	0.053%	0.083%	0.144%
Proportionate share of the collective net OPEB liability	\$ 3,950,636	\$ 7,358,231	\$ 7,534,884	\$ 9,312,026	\$ 15,481,795	\$ 25,170,143
College's covered payroll	\$ 1,971,707	\$ 3,258,499	\$ 2,619,396	\$ 2,787,131	\$ 4,151,426	\$ 7,928,573
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	200.37%	225.82%	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	13.00%	10.70%	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

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

Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 133,293	\$ 150,852	\$ 250,844	\$ 191,053	\$ 245,103	\$ 370,260
Contributions in relation to the statutorily required contribution	<u>(133,293)</u>	<u>(150,852)</u>	<u>(250,844)</u>	<u>(191,053)</u>	<u>(245,103)</u>	<u>(370,260)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,831,521	\$ 1,971,707	\$ 3,258,499	\$ 2,619,396	\$ 2,787,131	\$ 4,151,426
Contribution as a percentage of covered payroll	7.28%	7.65%	7.70%	7.29%	8.79%	8.92%

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.

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

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2023

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2023

The discount rate was increased to 4.30% (based upon the Bond Buyer Index Rate) from 2.77% in prior measurement date.

Fiscal year June 30, 2022

Change in per Capita Claims Costs

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

Change in Medical Trend Rates

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

Change in Investment Rate

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

Change in Mortality Rates

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

Change in Discount Rate

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

Fiscal year June 30, 2021

Change in per Capita Claims Costs

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

Change in Medical Trend Rates

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

Change in Investment Rate

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

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

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

June 30, 2023

Change in Salary Scale

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

Change in Discount Rate

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

Fiscal year June 30, 2020

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

Change in Discount Rate

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

Fiscal year June 30, 2019

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

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

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

June 30, 2023

Change in Discount Rate

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

Fiscal year June 30, 2018

Change in Discount Rate

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

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Middlesex Community College:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Middlesex Community College (the "College") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 15, 2024.

Our report includes a reference to other auditors who audited the financial statements of the Middlesex Community College Foundation, the discretely presented component unit of the College, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

January 15, 2024