

QUINCY COLLEGE

(an Enterprise Department of the City of Quincy)

**REPORT ON EXAMINATION OF
BASIC FINANCIAL STATEMENTS**

YEARS ENDED JUNE 30, 2020 and 2019

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JUNE 30, 2020 and 2019

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Independent Auditors' Report

To the Honorable Board of Governors
Quincy College
Quincy, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business activities and the aggregate remaining fund information of Quincy College (the College), an enterprise fund of the City of Quincy, Massachusetts, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business activities and the aggregate remaining fund information of Quincy College, an enterprise fund of the City of Quincy, Massachusetts, as of June 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the City of Quincy, Massachusetts as of and for the years ended June 30, 2020 and 2019, and our report thereon, dated July 20, 2021, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

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

Additional Information

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise Quincy College's basic financial statements. The additional information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The additional information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2021, on our consideration of Quincy College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quincy College's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Powers & Sullivan, LLC". The signature is written in black ink and is positioned above the date.

July 20, 2021

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of Quincy College (the College), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the years ended June 30, 2020 and 2019. The College complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB). Management's discussion and analysis are part of these requirements. All amounts, unless otherwise indicated, are expressed in whole dollars.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Quincy College's basic financial statements. The basic financial statements include: 1) the statement of net position, 2) the statement of revenues, expenses and changes in net position, 3) the statement of cash flows, and 4) notes to the financial statements.

The *statement of net position* presents information on all assets and liabilities, and deferred inflows and deferred outflows of resources, 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 is improving or deteriorating.

The *statement of revenues, expenses, and changes in net position* summarizes our operating results and reveals how net position changed during the 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 periods (i.e. the payment for accrued compensated absences, or the receipt of amounts due from students and others for services rendered).

The *statement of cash flows* provides information about the cash receipts and cash payments during the accounting period. It also provides information about the operating activities, non-capital and capital related financing activities, and investing activities for the same period.

The College's financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. The College is also part of the City of Quincy, Massachusetts. Therefore, the results of the College's operations, its net position, and its cash flows are also summarized in the City's financial statements.

COVID-19

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. As of June 30, 2020, the College incurred COVID-19 related costs totaling \$1.4 million. The College has been reimbursed for these costs through the Higher Education Emergency Relief Fund, a component of the Education Stabilization Fund, which was authorized under the CARES Act.

Financial Highlights

The College's liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$19.0 million at the close of the most recent year. Key components of the College's net position are presented on the following page.

	2020	2019
Assets:		
Current assets.....	\$ 13,745,973	\$ 13,700,857
Noncurrent assets (excluding capital).....	1,133,000	1,133,000
Capital assets, net of accumulated depreciation.....	2,486,754	4,136,031
Total assets.....	17,365,727	18,969,888
Deferred outflows of resources.....	3,609,455	4,077,821
Liabilities:		
Current liabilities (excluding debt).....	4,007,541	4,180,714
Noncurrent liabilities (excluding debt).....	33,180,161	35,846,116
Total liabilities.....	37,187,702	40,026,830
Deferred inflows of resources.....	2,754,351	2,453,686
Net position:		
Net investment in capital assets.....	2,486,754	4,136,031
Restricted.....	1,333,000	1,333,000
Unrestricted:		
Balance related to the workers compensation liability.....	(1,867,000)	(1,734,000)
Balance related to the net pension liability.....	(22,874,885)	(23,149,597)
Balance related to the net OPEB liability.....	(7,682,102)	(9,371,998)
Unrestricted.....	9,637,362	9,353,757
Total net position.....	\$ (18,966,871)	\$ (19,432,807)

Net position of \$2.5 million represents the College's net investment in capital assets (e.g. furnishings, leasehold improvements, building improvements, etc.). These assets are used to provide services to students and faculty; consequently, these assets are *not* available for future spending.

Restricted net position of \$1.3 million represents a prior acquisition of Saville Hall. Saville Hall was acquired by the City of Quincy, Massachusetts, for specific use by the College. The current organizational structure of the City and the College requires the City to hold title to the actual building. The College is recognizing a capitalized deposit because the actual cash outlay involved cash reserves held by the City for the College.

The remaining balance of net position is unrestricted which is represented by four amounts. The first amount is a negative balance of \$1.9 million which is equal to the College's workers compensation liability. The second amount is a negative balance of \$22.9 million which is equal to the College's share of the net pension liability of the Quincy Contributory Retirement System. The third amount is a negative balance of \$7.7 million which is equal to the College's share of the net other postemployment benefits liability. These amounts are an offset to the GASB required reporting liabilities which are currently not required to be funded in accordance with Massachusetts finance laws. The other unrestricted positive balance of \$9.6 million may be used to meet the College's ongoing obligations to students, employees and other stakeholders.

	2020	2019
Operating revenue.....	\$ 28,056,049	\$ 26,205,502
Operating expenses.....	(29,337,442)	(31,883,063)
Pension non-cash operating expense.....	274,712	(476,406)
OPEB non-cash operating expense.....	1,332,583	(1,090,729)
Workers compensation non-cash operating expense.....	<u>(133,000)</u>	<u>(1,534,000)</u>
Operating income (loss).....	192,902	(8,778,696)
Non-operating revenues (expenses), net.....	<u>205,975</u>	<u>161,407</u>
Excess before capital contributions.....	398,877	(8,617,289)
Capital contribution.....	<u>67,059</u>	<u>42,750</u>
Change in net position.....	465,936	(8,574,539)
Net position, beginning of year.....	<u>(19,432,807)</u>	<u>(10,858,268)</u>
Net position, end of year.....	<u>\$ (18,966,871)</u>	<u>\$ (19,432,807)</u>

Beginning net position has been restated to reflect a change in the measurement date associated with net other postemployment benefit liability. The change in measurement date is allowed per GASB Statement #75. Accordingly, previously reported net position of (\$17.8 million) has been restated to (\$19.4 million).

Operating revenues increased over the previous year by \$1.9 million, or 7.1%. The increase in operating revenues is related to an increase of \$227,000 in operation grant revenue received from the Commonwealth to fund pension contribution made on behalf of the instructional staff of the College. Also, impacting the change in operating revenue is a net increase of \$1.6 million in registration fees and other operating grant revenue. Registration fee revenue decreased \$668,000 as a result of course cancellations resulting from the COVID-19 pandemic. The decreased registration fees were offset by grants received under the CARES Act, and other grants meant to supplement existing revenues of the College.

Operating expenses decreased by \$2.5 million or 8%. The reason for the decrease in operating expense is as mainly due to the College having suspended its contribution to the OPEB Trust for 2020. A decrease in health insurance costs also occurred as a result of the College being able to have a large portion of health insurance costs get absorbed by the City of Quincy.

The College has established an OPEB Trust fund to begin the process of fully funding the actuarially determined and accrued liability. The activity of the trust is presented as a fiduciary fund and the net position can only be spent on retiree health insurance benefits. At year end, the balance in the OPEB Trust fund was approximately \$2.5 million which is essentially unchanged from the prior year.

Capital Administration

During the year, the College's capital asset cost base decreased \$1.6 million. The decrease was driven by depreciation exceeding current year capital additions. Please refer to note 4 of the financial statements for further analysis of the major capital activity.

Requests for Information

This financial report is designed to provide a general overview of Quincy College's finances for all those with an interest in the College's financial operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 1250 Hancock Street, Quincy, Massachusetts, 02169.

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Basic Financial Statements

STATEMENT OF NET POSITION

JUNE 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT:		
Cash and cash equivalents.....	\$ 7,158,200	\$ 9,143,404
Receivables, net of allowance for uncollectibles:		
Student accounts and other.....	6,587,773	4,557,453
Total current assets.....	13,745,973	13,700,857
NONCURRENT:		
Deposit on purchase of property.....	1,133,000	1,133,000
Capital assets, net of accumulated depreciation.....	2,486,754	4,136,031
Total noncurrent assets.....	3,619,754	5,269,031
TOTAL ASSETS.....	17,365,727	18,969,888
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions.....	1,656,105	3,569,502
Deferred outflows related to other postemployment benefits.....	1,953,350	508,319
TOTAL DEFERRED OUTFLOWS OF RESOURCES.....	3,609,455	4,077,821
LIABILITIES		
CURRENT:		
Warrants payable.....	1,360,353	1,804,337
Accrued payroll.....	442,604	609,746
Other liabilities.....	1,657,470	699,750
Fees collected in advance.....	38,402	666,007
Compensated absences.....	391,712	345,874
Workers' compensation.....	117,000	55,000
Total current liabilities.....	4,007,541	4,180,714
NONCURRENT:		
Compensated absences.....	18,070	21,386
Workers' compensation.....	1,750,000	1,679,000
Net pension liability.....	21,776,639	24,374,173
Net other postemployment benefits liability.....	9,635,452	9,771,557
Total noncurrent liabilities.....	33,180,161	35,846,116
TOTAL LIABILITIES.....	37,187,702	40,026,830
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions.....	2,754,351	2,344,926
Deferred inflows related to other postemployment benefits.....	-	108,760
TOTAL DEFERRED INFLOWS OF RESOURCES.....	2,754,351	2,453,686
NET POSITION		
Net investment in capital assets.....	2,486,754	4,136,031
Restricted for:		
Capital purposes.....	1,133,000	1,133,000
Workers Compensation.....	200,000	200,000
Unrestricted:		
Balance related to workers compensation liability.....	(1,867,000)	(1,734,000)
Balance related to the pension liability.....	(22,874,885)	(23,149,597)
Balance related to the net other postemployment liability.....	(7,682,102)	(9,371,998)
Unrestricted.....	9,637,362	9,353,757
TOTAL NET POSITION.....	\$ (18,966,871)	\$ (19,432,807)

See notes to basic financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
OPERATING REVENUES:		
Tuition, net of discounts of \$373,631 and \$617,142.....	\$ 19,030,236	\$ 19,001,603
Registration and other non-tuition fees.....	4,586,759	5,254,942
Grant income.....	1,140,739	262,802
Intergovernmental - COVID-19 relief.....	1,385,068	-
Commonwealth pension grant for retired teachers.....	1,913,247	1,686,155
TOTAL OPERATING REVENUES	28,056,049	26,205,502
OPERATING EXPENSES:		
Payroll.....	16,175,514	16,242,541
Grant expenses.....	616,232	330,665
Employee benefits.....	628,790	2,550,462
Contribution to the OPEB Trust.....	-	357,313
Pension benefits - Quincy Retirement System assessment.....	1,760,826	1,714,546
Pension benefits - Teachers Retirement System paid by the Commonwealth.....	1,913,247	1,686,155
Other operating expenses.....	6,492,006	7,159,601
Depreciation.....	1,750,827	1,841,780
TOTAL OPERATING EXPENSES	29,337,442	31,883,063
OPERATING INCOME (LOSS) BEFORE NON-CASH PENSION AND OPEB OPERATING EXPENSES	(1,281,393)	(5,677,561)
Non-cash pension liability.....	(274,712)	476,406
Non-cash OPEB liability.....	(1,332,583)	1,090,729
Non-cash workers compensation liability.....	133,000	1,534,000
TOTAL NON-CASH OPERATING EXPENSES	(1,474,295)	3,101,135
OPERATING INCOME (LOSS)	192,902	(8,778,696)
NONOPERATING REVENUES (EXPENSES):		
Investment income.....	85,984	92,978
Credit card fees.....	(183,370)	(191,160)
Indirect cost allocation to the City of Quincy.....	(57,589)	(67,071)
Vending commission and other revenue.....	360,950	326,660
TOTAL NONOPERATING REVENUES (EXPENSES), NET	205,975	161,407
CAPITAL CONTRIBUTIONS	67,059	42,750
CHANGE IN NET POSITION	465,936	(8,574,539)
NET POSITION AT BEGINNING OF YEAR, (as restated)	(19,432,807)	(10,858,268)
NET POSITION AT END OF YEAR	\$ (18,966,871)	\$ (19,432,807)

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020 AND 2019

	2020	2019
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers, grants and users.....	\$ 23,845,827	\$ 21,330,911
Payments to vendors.....	(6,644,872)	(4,869,192)
Payments to employees.....	(16,300,134)	(16,513,448)
Pension and employee related expenses.....	(2,879,929)	(6,156,321)
NET CASH FROM OPERATING ACTIVITIES.....	(1,979,108)	(6,208,050)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Indirect cost allocation to the City of Quincy.....	(57,589)	(67,071)
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Capital contributions.....	67,059	42,750
Acquisition and construction of capital assets.....	(101,550)	(94,807)
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(34,491)	(52,057)
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investment income.....	85,984	92,978
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,985,204)	(6,234,200)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	9,143,404	15,377,604
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 7,158,200	\$ 9,143,404
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:</u>		
Operating income (loss).....	\$ 192,902	\$ (8,778,696)
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation.....	1,750,827	1,841,780
Deferred (outflows)/inflows related to pensions.....	2,322,822	(2,690,865)
Deferred (outflows)/inflows related to other postemployment benefits.....	(1,553,791)	70,345
Credit card fees.....	(183,370)	(191,160)
Vending commissions and other revenue.....	360,950	326,660
Changes in assets and liabilities:		
Accounts receivable.....	(2,030,320)	(4,181,103)
Accounts payable.....	(443,984)	1,347,631
Accrued payroll.....	(167,142)	(257,183)
Fees collected in advance.....	(627,605)	666,007
Other liabilities.....	957,720	(69,397)
Compensated absences.....	42,522	(13,724)
Workers compensation.....	133,000	1,534,000
Net pension liability.....	(2,597,534)	3,167,271
Net other postemployment benefits liability.....	(136,105)	1,020,384
Total adjustments.....	(2,172,010)	2,570,646
NET CASH FROM OPERATING ACTIVITIES.....	\$ (1,979,108)	\$ (6,208,050)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020 AND 2019

	2020 Other Postemployment Benefit Trust Fund	2019 Other Postemployment Benefit Trust Fund	2020 Scholarship Trust Fund	2019 Scholarship Trust Fund
ASSETS				
Cash and cash equivalents.....	\$ -	\$ -	\$ 412,104	\$ 416,381
Investments:				
Plymouth County OPEB Trust Investment Pool.....	<u>2,558,281</u>	<u>2,498,660</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS.....	<u>2,558,281</u>	<u>2,498,660</u>	<u>412,104</u>	<u>416,381</u>
NET POSITION				
Restricted for other postemployment benefits.....	2,558,281	2,498,660	-	-
Held in trust.....	<u>-</u>	<u>-</u>	<u>412,104</u>	<u>416,381</u>
TOTAL NET POSITION.....	<u>\$ 2,558,281</u>	<u>\$ 2,498,660</u>	<u>\$ 412,104</u>	<u>\$ 416,381</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED JUNE 30, 2020 AND 2019

	2020 Other Postemployment Benefit Trust Fund	2019 Other Postemployment Benefit Trust Fund	2020 Scholarship Trust Fund	2019 Scholarship Trust Fund
ADDITIONS:				
Contributions:				
Employer contributions for other postemployment benefit payments.....	\$ 202,217	\$ 201,606	\$ -	\$ -
Private donations.....	-	-	-	-
Total contributions.....	<u>202,217</u>	<u>201,606</u>	<u>-</u>	<u>-</u>
Net investment income:				
Investment income.....	64,620	131,286	-	3,403
Less: investment expense.....	<u>(4,999)</u>	<u>(4,659)</u>	<u>-</u>	<u>-</u>
Net investment income (loss).....	<u>59,621</u>	<u>126,627</u>	<u>-</u>	<u>3,403</u>
TOTAL ADDITIONS.....	<u>261,838</u>	<u>328,233</u>	<u>-</u>	<u>3,403</u>
DEDUCTIONS:				
Scholarships.....	-	-	4,277	-
Other postemployment benefit payments.....	<u>202,217</u>	<u>201,606</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN NET POSITION.....	59,621	126,627	(4,277)	3,403
NET POSITION AT BEGINNING OF YEAR.....	<u>2,498,660</u>	<u>2,372,033</u>	<u>416,381</u>	<u>412,978</u>
NET POSITION AT END OF YEAR.....	<u>\$ 2,558,281</u>	<u>\$ 2,498,660</u>	<u>\$ 412,104</u>	<u>\$ 416,381</u>

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of Quincy College have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

Quincy College is a two-year, municipally affiliated college, operating as an enterprise department of the City of Quincy, Massachusetts and serving approximately 5,000 students at campuses in Quincy and Plymouth, Massachusetts. The College is accredited by the New England Associations of Schools and Colleges and is licensed by the Massachusetts Department of Higher Education to grant the degrees of Associate in Arts and Associate in Science. The College offers 34 associate degree courses and programs and 24 certificate programs in a variety of disciplines, including those within liberal arts, business, allied health, and science. For 60 years Quincy College has been providing access to higher education for people of all backgrounds, cultures and economic levels.

These financial statements present only the financial activity and position of Quincy College, an enterprise fund department of the City of Quincy.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value.

D. Fair Value Measurement

The College reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value.

Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date.

Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

E. Accounts Receivable

The recognition of revenue related to accounts receivable reported in the financial statements are reported under the accrual basis of accounting.

F. Capital Assets

Capital assets, which include construction in progress, leasehold improvements, and machinery, equipment, and furnishings, are reported in the financial statements. Capital assets are recorded at historical cost or at estimated historical cost when actual historical cost cannot be determined. Donated capital assets are recorded at the estimated fair market value at the date of donation. Construction period interest is capitalized on constructed capital assets.

All purchases and construction costs in excess of \$15,000 are capitalized at the date of acquisition or construction, respectively, with expected useful lives of greater than one year.

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Leasehold improvements.....	5
Machinery, equipment and furnishings.....	5 - 10

G. Fees Collected in Advance

Unearned revenue represents tuition charges for courses that have not occurred as of the balance sheet date. College policies dictate that 100% refunds are given to students who drop a course within the 1st week of classes. Courses dropped after the 1st week of classes but before the 14th class will receive a 50% refund. No refunds are given after the 14th day of classes.

H. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies. Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The College has reported deferred outflows of resources related to pensions and other postemployment benefits in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The College has reported deferred inflows of resources related to pensions and other postemployment benefits in this category.

J. Net Position

Net position reported as “Net investment in capital assets” includes the cost to acquire the capital assets less related accumulated depreciation.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific future use.

Net position has been restricted for the following purposes:

- 1) Capital Purposes – This represents amounts restricted relative to the deposit made on the purchase of a property.
- 2) Workers Compensation – This represents amounts established by the College to fund potential workers compensation claims.

K. Pension Participation

All full time administrative staff of the College are members of the Quincy Contributory Retirement System (the System), a multi-employer defined benefit pension plan. All full-time faculty staff are members of the Massachusetts Teachers Retirement System (MTRS). These Systems provide retirement, disability and death benefits to plan members and beneficiaries. Plan members are required to contribute between 5% and 11% of their annual covered compensation, in accordance with Commonwealth of Massachusetts regulations, are withheld by the College and forwarded to the Systems regularly.

The College is assessed a yearly amount (employer share) according to the overall funding schedule of the System as determined by a biennial actuarial study. Please refer to the separately audited financial statements of the City of Quincy, Massachusetts and the System for specific information concerning the funding status of the System. These statements may be obtained by contacting: for the City: City of Quincy, Director of Municipal Finance, 1305 Hancock Street, Quincy, MA 02169 and for the Retirement System: Executive Director, 1254 Hancock Street, Suite 39, Quincy, MA 02169.

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 both the Quincy Contributory Retirement System (QCRS) and the Massachusetts Teachers Retirement System (MTRS) and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 – CASH AND INVESTMENTS

Cash of the College is under the control of the Treasurer of the City of Quincy, Massachusetts, as required by state law. Statutes authorize the investment in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the College's deposits may not be returned to it. The College is legally a department of the City of Quincy and is bound to the City; however, legislation has provided the College with an enhanced level of autonomy. The College has control of decision making concerning its cash. As of June 30, 2020, the College did not have any policies in place concerning the custodial credit risk of deposits. At year-end, the carrying amount of deposits totaled \$7,570,304 and the bank balance totaled \$10,249,476. Of the bank balance, \$316,821 was covered by FDIC insurance and \$9,932,655 was uninsured and uncollateralized.

Other Postemployment Benefits Investments

The College is part of the Plymouth County OPEB Trust Program (PCOT) which maintains a pooled investment trust for various Massachusetts governmental organizations. The value at June 30, 2020 was \$2,558,281. The trust administrator is the Public Agency Retirement Services (PARS) which is an IRS approved multiple-employer Section 115 OPEB Trust. U.S. Bank is the trustee for the funds invested. Since this is an irrevocable Section 115 trust the investments are not subjected to custodial credit risk. The College's position in this Trust is measured at net asset value.

NOTE 3 – RECEIVABLES

At June 30, 2020 and 2019, receivables, including the applicable allowance for uncollectible accounts, are as follows:

	<u>2020</u>	<u>2019</u>
<u>Receivables:</u>		
Student accounts.....	\$ 7,614,071	\$ 5,345,731
Less: Allowance for doubtful accounts.....	<u>(1,026,298)</u>	<u>(788,278)</u>
Total.....	<u>\$ 6,587,773</u>	<u>\$ 4,557,453</u>

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the College for the years ended June 30, 2020 and 2019 was as follows:

	<u>2020</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	\$ 9,532,244	\$ -	\$ -	\$ 9,532,244
Machinery, equipment and furnishings.....	<u>7,187,031</u>	<u>101,550</u>	<u>-</u>	<u>7,288,581</u>
Total capital assets being depreciated.....	<u>16,719,275</u>	<u>101,550</u>	<u>-</u>	<u>16,820,825</u>
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(7,074,031)	(1,005,383)	-	(8,079,414)
Machinery, equipment and furnishings.....	<u>(5,509,213)</u>	<u>(745,444)</u>	<u>-</u>	<u>(6,254,657)</u>
Total accumulated depreciation.....	<u>(12,583,244)</u>	<u>(1,750,827)</u>	<u>-</u>	<u>(14,334,071)</u>
Total capital assets, net.....	<u>\$ 4,136,031</u>	<u>\$ (1,649,277)</u>	<u>\$ -</u>	<u>\$ 2,486,754</u>
	<u>2019</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Capital assets being depreciated:</u>				
Leasehold improvements.....	\$ 9,532,244	\$ -	\$ -	\$ 9,532,244
Machinery, equipment and furnishings.....	<u>7,092,224</u>	<u>94,807</u>	<u>-</u>	<u>7,187,031</u>
Total capital assets being depreciated.....	<u>16,624,468</u>	<u>94,807</u>	<u>-</u>	<u>16,719,275</u>
<u>Less accumulated depreciation for:</u>				
Leasehold improvements.....	(6,044,061)	(1,029,970)	-	(7,074,031)
Machinery, equipment and furnishings.....	<u>(4,697,403)</u>	<u>(811,810)</u>	<u>-</u>	<u>(5,509,213)</u>
Total accumulated depreciation.....	<u>(10,741,464)</u>	<u>(1,841,780)</u>	<u>-</u>	<u>(12,583,244)</u>
Total capital assets, net.....	<u>\$ 5,883,004</u>	<u>\$ (1,746,973)</u>	<u>\$ -</u>	<u>\$ 4,136,031</u>

Depreciation expense charged during the years 2020 and 2019 was \$1,750,827 and \$1,841,780, respectively.

NOTE 5 – OPERATING LEASES

The College leases certain premises under operating leases with various expiration dates that extend through 2021. The leases generally provide that the College pay certain maintenance costs and include various renewal provisions. Rent expense in year 2020 amounted to \$3,212,892. The College's minimum future obligations under non-cancelable leases are as follows:

<u>Years ending June 30:</u>	<u>Amount</u>
2021.....	\$ 2,885,804
2022.....	3,105,007
2023.....	886,608
2024.....	587,844
2025.....	<u>463,212</u>
Total	\$ <u>7,928,475</u>

NOTE 6 – CHANGES IN LONG-TERM LIABILITIES

During the years ended June 30, 2020 and 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Year 2020:					
Compensated absences.....	\$ 367,260	\$ 388,396	\$ (345,874)	\$ 409,782	\$ 391,712
Workers' compensation.....	1,734,000	238,000	(105,000)	1,867,000	117,000
Net pension liability.....	24,374,173	1,486,114	(4,083,648)	21,776,639	-
Net OPEB liability.....	9,771,557	1,318,946	(1,455,051)	9,635,452	-
Total Year 2020.....	<u>\$ 36,246,990</u>	<u>\$ 3,431,456</u>	<u>\$ (5,989,573)</u>	<u>\$ 33,688,873</u>	<u>\$ 508,712</u>
Year 2019:					
Compensated absences.....	\$ 380,984	\$ 346,270	\$ (359,994)	\$ 367,260	\$ 345,874
Workers' compensation.....	200,000	1,585,000	(51,000)	1,734,000	55,000
Net pension liability.....	21,206,902	4,881,817	(1,714,546)	24,374,173	-
Net OPEB liability.....	8,751,173	1,047,595	(27,211)	9,771,557	-
Total Year 2019.....	<u>\$ 30,539,059</u>	<u>\$ 7,860,682</u>	<u>\$ (2,152,751)</u>	<u>\$ 36,246,990</u>	<u>\$ 400,874</u>

NOTE 7 – OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The City of Quincy administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The College, an enterprise department of the City, is a participant in the plan administered by the City. The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers. Chapter 32b of the MGL assigns authority to establish and amend benefit provisions of the plan. Benefit provisions are negotiated between the City and the unions representing City employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy - The contribution requirements of plan members and the College are established and may be amended through collective bargaining. The required contribution is based on projected pay-as-you-go financing requirements. The College contributes 90% of the cost of current-year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute the remaining 10% of their premium costs. In June 2020, the College made a contribution of \$202,217 to the OPEB trust. As of June 30, 2020, the balance of this fund totaled \$2,558,281.

Investment policy – The OPEB plan’s assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the OPEB plan. The long-term real rate of return on OPEB investments was determined using the investment policy of the College.

Summary of Significant Accounting Policies – For purposes of measuring the 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 Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan 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 (repurchase agreements) that have a maturity at the time of purchase of one year or less, which are reported at cost.

Measurement Date – GASB Statement #75 requires the net OPEB liability to be measured as of a date no earlier than the end of the employer’s prior fiscal year and no later than the end of the employer’s current fiscal year, consistently applied from period to period. Accordingly, the net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019.

Employees Covered by Benefit Terms – The following table represents the Plan’s membership at June 30, 2020:

Active members.....	126
Retired members or beneficiaries currently receiving benefits.....	<u>29</u>
Total.....	<u><u>155</u></u>

Components of OPEB Liability – The following table represents the components of the Plan’s OPEB liability as of June 30, 2020:

Total OPEB liability.....	\$ 12,193,733
Less: OPEB plan's fiduciary net position.....	<u>(2,558,281)</u>
Net OPEB liability.....	<u><u>\$ 9,635,452</u></u>
The OPEB plan's fiduciary net position	
as a percentage of the total OPEB liability.....	20.98%

Significant Actuarial Methods and Assumptions – The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified, that was updated to June 30, 2020, to be in accordance with GASB Statement #74:

Valuation date.....	December 31, 2019.
Actuarial cost method.....	Entry age normal - level percentage of payroll.
Amortization method.....	Level percentage of payroll, payments of increase 3.0% per year.
Remaining amortization period....	25 years as of July 1, 2020.
Asset valuation method.....	Fair value
Investment rate of return.....	6.50%.
Discount rate.....	6.50%.
Wage inflation.....	3.00%.

Health care trend rates:

Non-medicare and medicare medical/rx.....	7.00% graded by 0.25% down to an ultimate level of 4.50% over 10 years.
Dental.....	3.00%.
Part B reimbursement.....	4.50%.
Medicare contributions.....	Retiree contributions are expected to increase with medical trend.
Non-medicare contributions.....	Retiree contributions are expected to increase by 9.50%, then 6.75% graded by 0.25% down to an ultimate level of 4.50% over 9 years.

Mortality rates:

Pre-retirement.....	RP-2000 Employee Mortality Table projected generationally with Scale BB 2009.
Healthy.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB 2009.
Disabled.....	RP-2000 Healthy Annuitant Mortality Table set forward 2 years projected generationally with Scale BB 2009.

Rate of return – For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 2.39%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 real of returns (expected returns, net of investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The College’s OPEB Trust Fund is fully invested in the Plymouth County OPEB Trust (PCOT). The Long-Term expected real rate of return of the underlying investments of PCOT as of June 30, 2020 is summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity.....	6.15%
International developed markets equity.....	6.78%
International emerging markets equity.....	8.65%
Core fixed income.....	1.11%
High-yield fixed income.....	3.51%
Real estate.....	4.33%
Commodities.....	4.13%
Hedge fund, GTAA, risk parity.....	3.19%
Private equity.....	9.99%

Changes in the Net OPEB Liability

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balances at June 30, 2019.....	\$ 12,270,217	\$ 2,498,660	\$ 9,771,557
Changes for the year:			
Service cost.....	834,659	-	834,659
Interest.....	910,383	-	910,383
Changes of benefit terms.....	(3,223,536)	-	(3,223,536)
Differences between expected and actual experience.....	1,451,299	-	1,451,299
Contributions.....	-	202,217	(202,217)
Changes in assumptions and other inputs.....	152,928	-	152,928
Benefit payments.....	(202,217)	(202,217)	-
Net investment income.....	-	59,621	(59,621)
Net change.....	<u>(76,484)</u>	<u>59,621</u>	<u>(136,105)</u>
Balances at June 30, 2020.....	<u>\$ 12,193,733</u>	<u>\$ 2,558,281</u>	<u>\$ 9,635,452</u>

Discount rate – The discount rate used to measure the total liability was 6.50% as of June 30, 2020 and 7.00% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed that contributions from the College will be made in accordance with the plan’s funding policy. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the net OPEB liability to changes in the discount rate – The following table presents the Plan’s net OPEB liability, calculated using the discount rate of 6.50%, as well as what the net OPEB liability would be if it

were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate.

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability.....	\$ 11,557,691	\$ 9,635,452	\$ 8,069,577

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend – The following table presents the net OPEB liability, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage-point lower or 1-percentage-point higher.

	1% Decrease	Current Trend	1% Increase
Net OPEB liability.....	\$ 7,804,514	\$ 9,635,452	\$ 11,959,175

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the College recognized negative OPEB expense of (\$1,318,946). At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Category</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience.....	\$ 1,269,884
Difference between projected and actual earnings, net.....	77,009
Changes in assumptions.....	606,457
Total deferred outflows/(inflows) of resources.....	\$ <u>1,953,350</u>

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

<u>Year ended June 30:</u>	
2021.....	\$ 334,450
2022.....	354,840
2023.....	366,735
2024.....	295,741
2025.....	200,528
Thereafter.....	<u>401,056</u>
 Total deferred outflows/(inflows) of resources.....	 \$ <u><u>1,953,350</u></u>

Change in Assumptions

- The percentage of active employees assumed to elect coverage at retirement was updated. This resulted in the count of active plan members to decrease.
- The impact of the excise tax on high cost health plans (part of the Patient Protection and Affordable Care Act) was removed, as the tax was repealed effective December 20, 2019.
- Medicare Part B premiums were updated with this valuation.
- The salary increase assumption was lowered.
- The mortality assumption was updated to match the Quincy Retirement System Actuarial Valuation as of January 1, 2018 dated February 13, 2019.
- Trend rates were updated with this valuation.
- The discount rate was lowered from 7.00% to 6.50%.

Changes in Plan Provisions

- Healthcare is now provided through Blue Cross Blue Shield of Massachusetts instead of the Group Insurance Commission (GIC). Per capita costs were updated to reflect the FY2020 self-funded premium equivalent rates for these plans.

NOTE 8 – PENSION PLAN

Plan Descriptions

The Town is a member of the Quincy Contributory Retirement System (QCRS), a cost-sharing multiple-employer defined benefit pension plan covering eligible employees of the member units. The System is administered by five board members (Board) on behalf of all current employees and retirees except for current teachers and retired teachers. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. The audited financial report may be obtained by contacting the QCRS at 1245 Hancock Street, Suite 39, Quincy, MA 02169.

The College is a member of the Massachusetts Teachers’ Retirement System (MTRS), a cost-sharing multi-employer defined benefit plan. MTRS is managed by the Commonwealth of Massachusetts (Commonwealth) on behalf of municipal teachers and municipal teacher retirees. The Commonwealth is a nonemployer contributor and is responsible for 100% of the contributions and future benefit requirements of the MTRS. The MTRS covers certified teachers in cities (except Boston), towns, regional school districts, charter schools, educational

collaboratives and Quincy College. The MTRS is part of the Commonwealth's reporting entity and the audited financial report may be obtained by visiting <http://www.mass.gov/osc/publications-and-reports/financial-reports/>.

Special Funding Situation

The Commonwealth is a nonemployer contributor and is required by statute to make 100% of all actuarially determined employer contributions on behalf of the College to the MTRS. Therefore, the College is considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the Commonwealth is a nonemployer contributor in MTRS. Since the College does not contribute directly to MTRS, there is no net pension liability to recognize. The total of the Commonwealth provided contributions have been allocated based on each employer's covered payroll to the total covered payroll of employers in MTRS as of the measurement date of June 30, 2019. The College's portion of the collective pension expense, contributed by the Commonwealth, of \$1,913,247 is reported in the statement of revenues, expenses and changes in net position as grant income revenue and pension benefits expense in the current fiscal year. The portion of the Commonwealth's collective net pension liability associated with the College is \$15,777,095 as of the measurement date.

Benefits Provided

Both Systems provide retirement, disability, survivor and death benefits to plan members and beneficiaries. Massachusetts Contributory Retirement System benefits are, with certain minor exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification. Members become vested after ten years of creditable service.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and are borne by the System.

Contributions

Chapter 32 of the MGL governs the contributions of plan members and member units. Active plan members are required to contribute to the System at rates ranging from 5% to 9% of gross regular compensation with an additional 2% contribution required for compensation exceeding \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. The member units are required to pay into the QCRS a legislatively mandated actuarial determined contribution that is apportioned amongst the employers based on the actuarial data. The College's proportionate share of the actuarial required contribution was \$1,760,826. This amount when combined with plan member contributions is expected to finance the cost of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. The total member contribution is equal to 25.83% of covered payroll. The College's proportionate share of the actuarial required contribution equaled its actual contribution.

Pension Liabilities

At June 30, 2020, the College reported a liability of \$21,776,639 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018. The College's proportion of the net pension liability was based on a projection of the College's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At December 31, 2019, the College's proportion was 5.32%, which decreased from its 5.60% proportion measured at December 31, 2018.

Pension Expense

For the year ended June 30, 2020, the College recognized pension expense of \$1,486,115. At June 30, 2020, the College reported deferred outflows of resources related to pensions of \$1,656,105 and deferred inflows of resources related to pension of \$2,754,351. The balances of deferred outflows and inflows at June 30, 2020 consist of the following:

Deferred Category	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Differences between expected and actual experience.....	\$ -	\$ (298,326)	\$ (298,326)
Difference between projected and actual earnings, net.....	-	(732,430)	(732,430)
Changes in assumptions.....	1,000,401	-	1,000,401
Changes in proportion and proportionate share of contributions.....	<u>655,704</u>	<u>(1,723,595)</u>	<u>(1,067,891)</u>
Total deferred outflows/(inflows) of resources.....	<u>\$ 1,656,105</u>	<u>\$ (2,754,351)</u>	<u>\$ (1,098,246)</u>

The deferred (inflows)/outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2021.....	\$ (492,338)
2022.....	(87,548)
2023.....	(79,030)
2024.....	<u>(439,330)</u>
Total.....	<u>\$ (1,098,246)</u>

Actuarial Assumptions

The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2018:

Valuation date.....	January 1, 2018
Actuarial cost method.....	Entry age normal cost method.
Amortization method.....	Varying contribution rates.
Remaining amortization period.....	As of January 1, 2018, 19 years for the fresh start base.
Asset valuation method.....	Fair value.
Inflation rate.....	3.00%
Projected salary increases.....	3.75%
Cost of living adjustments.....	3.00% of the first \$13,000 of retirement income.
Mortality rates.....	Determined using the RP-2014 mortality table adjusted to 2006, projected generationally using MP-2016.
Investment rate of return/Discount rate.....	7.50%

Investment policy

The pension plan’s policy in regard to the allocation of invested assets is established by PRIT. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

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 real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of December 31, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Long-Term Expected Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity.....	24.00%	4.87%
Developed foreign equity.....	13.00%	5.48%
Emerging market equity.....	12.00%	6.47%
Real estate.....	10.00%	4.68%
Private equity.....	10.00%	6.75%
LT government bonds.....	7.00%	0.19%
High yield bonds.....	6.00%	2.69%
Investment grade bonds.....	5.00%	-0.10%
TIPS.....	4.00%	-0.11%
Natural resources.....	3.00%	5.42%
Bank loans.....	2.00%	2.22%
Emerging market debt.....	2.00%	2.05%
Infrastructure.....	2.00%	4.11%
Total.....	<u>100.00%</u>	

Rate of return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -3.09%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount (7.50%)</u>	<u>1% Increase (8.50%)</u>
The College's proportionate share of the net pension liability.....	\$ <u>18,169,556</u>	\$ <u>21,776,639</u>	\$ <u>26,023,522</u>
QCRS total net pension liability.....	\$ <u>340,978,241</u>	\$ <u>435,231,123</u>	\$ <u>489,478,692</u>

Changes in Assumptions – None.

Changes in Plan Provisions – None.

NOTE 10 – RISK FINANCING

The College participates in a self-insured workers compensation claims plan. The Plan is administered by the City of Quincy. Current year claim expenditures are reported as a component of employee benefits expense in the statement of revenues, expenditures and changes in net position where revenues are recorded when earned and expenses are recorded when the liability is incurred.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many factors. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claims settlement trends, and other economic and social factors. The amount of claims settlements has not exceeded insurance coverage in any of the previous three years.

The College recorded a liability of \$1.9 million as of June 30, 2020 which represents an estimate of all outstanding claims as of that date. Changes in the reported liability since July 1, 2019 are as follows:

	Balance at Beginning of Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Year-End	Current Portion
2019.....	\$ 200,000	1,585,000	(51,000)	1,734,000	55,000
2020.....	1,734,000	238,000	(105,000)	1,867,000	117,000

NOTE 11 – CONTINGENCIES

As an enterprise department of the City of Quincy, the College participates in a federal award program which has been audited in accordance with the provisions of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The City issues one single audit report for all federal award programs, which includes the College’s federal award programs. This report can be obtained by contacting the Director of Municipal Finance of the City of Quincy, 1305 Hancock Street, Quincy, Massachusetts 02169. The programs are still subject to financial and compliance audits as determined by grantor oversight agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various other legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2020.

NOTE 12 – COVID-19

On March 10, 2020, the Massachusetts Governor declared a state of emergency in response to the coronavirus outbreak. The World Health Organization officially declared the novel Coronavirus (COVID-19) a pandemic the following day. In an attempt to slow the spread of COVID-19, governments issued various stay at home orders that caused global economic shutdowns and substantial financial market impact. Starting in March 2020, the Governor continued to issue orders allowing governments to operate and carry out essential functions safely. These included modifying the state's Open Meeting Law, issuing a stay-at-home order, and introducing a phased approach to reopening State businesses. The College is considered an essential business and although it was closed to the public for a period of time, departments remained operational and most employees continued to perform their daily duties.

A number of businesses have been forced to stop or significantly reduce operations decreasing, the College's portion of certain revenue. The College has also incurred unanticipated costs specifically related to the pandemic.

On March 27, 2020 the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect COVID-19; were not accounted for in the budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021. Financial assistance was made available to the College under Higher Education Emergency Relief Fund which was authorized under the CARES Act.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 20, 2021 which is the date the financial statements were available to be issued.

NOTE 14 – RESTATEMENT OF NET POSITION PREVIOUSLY REPORTED

Beginning net position of the governmental and business type activities has been restated to reflect the change in the GASB Statement #75 measurement date. To reflect this change, the College has restated the beginning net position from a deficit balance of (\$17.8 million) to a deficit balance of (\$19.4 million).

NOTE 15 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2020, the following GASB pronouncement was implemented:

- GASB Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This pronouncement postponed the effective dates of certain provisions in GASB Statements and Implementation Guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018 or later.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2021.

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2022.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2022.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2021.
- The GASB issued Statement #91, *Conduit Debt Obligations*, which is required to be implemented in 2023.
- The GASB issued Statement #92, *Omnibus 2020*, which is required to be implemented in 2022.
- The GASB issued Statement #93, *Replacement of Interbank Offered Rates*, which is required to be implemented in 2022.
- The GASB issued Statement #94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #96, *Subscription-Based Information Technology Arrangements*, which is required to be implemented in 2023.
- The GASB issued Statement #97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, in which certain paragraphs are required to be implemented in 2021 and 2022.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

Required Supplementary Information

Pension Plan Schedules

The Schedule of the College's Proportionate Share of the Net Pension Liability presents multi-year trend information on the College's net pension liability and related ratios.

The Schedule of the College's Contributions presents multi-year trend information on the College's required and actual contributions to the pension plan and related ratios.

The Schedule of the Special Funding Amounts of the Net Pension Liability for the Massachusetts Teachers Contributory Retirement System presents multi-year trend information on the liability and expense assumed by the Commonwealth of Massachusetts on behalf of the College along with related ratios.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF THE COLLEGE'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
QUINCY CONTRIBUTORY RETIREMENT SYSTEM**

Year	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered payroll	Net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
December 31, 2019.....	5.32%	\$ 21,776,639	\$ 6,748,452	322.69%	47.80%
December 31, 2018.....	5.60%	24,374,173	6,689,330	364.37%	42.70%
December 31, 2017.....	5.70%	21,206,902	6,872,290	308.59%	48.00%
December 31, 2016.....	5.21%	20,938,259	5,911,157	354.22%	42.30%
December 31, 2015.....	6.49%	24,754,863	5,843,207	423.65%	43.64%
December 31, 2014.....	6.20%	21,362,172	5,417,029	394.35%	47.02%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
QUINCY CONTRIBUTORY RETIREMENT SYSTEM

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
June 30, 2020.....	\$ 1,760,826	\$ (1,760,826)	\$ -	\$ 6,815,937	25.83%
June 30, 2019.....	1,714,546	(1,714,546)	-	6,756,223	25.38%
June 30, 2018.....	1,639,328	(1,639,328)	-	6,941,013	23.62%
June 30, 2017.....	1,339,704	(1,339,704)	-	5,970,269	22.44%
June 30, 2016.....	1,668,819	(1,668,819)	-	5,901,639	28.28%
June 30, 2015.....	1,216,740	(1,216,740)	-	5,471,199	22.24%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE SPECIAL FUNDING AMOUNTS
OF THE NET PENSION LIABILITY
MASSACHUSETTS TEACHERS' RETIREMENT SYSTEM**

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Therefore, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the associated collective net pension liability; the portion of the collective pension expense as both a revenue and pension expense recognized; and the Plan's fiduciary net position as a percentage of the total liability.

Year	Commonwealth's 100% Share of the Associated Net Pension Liability	Expense and Revenue Recognized for the Commonwealth's Support	Plan Fiduciary Net Position as a Percentage of the Total Liability
2020.....	\$ 15,777,095	\$ 1,913,247	53.95%
2019.....	16,639,325	1,686,155	54.84%
2018.....	16,637,117	1,736,464	54.25%
2017.....	15,892,880	1,621,178	52.73%
2016.....	13,109,803	1,063,322	55.38%
2015.....	10,221,459	602,741	61.64%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

Other Postemployment Benefits Plan Schedules

The Schedule of Changes in the College's Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position, and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of the total liability and the Plan's net other postemployment benefit liability as a percentage of covered employee payroll.

The Schedule of the College's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Return presents multi-year trend information on the money-weighted investment return on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

**SCHEDULE OF CHANGES IN THE
COLLEGE'S NET OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020
Total OPEB Liability				
Service Cost.....	\$ 674,800	\$ 699,466	\$ 747,474	\$ 834,659
Interest.....	627,199	712,688	807,004	910,383
Changes of benefit terms.....	-	-	-	(3,223,536)
Differences between expected and actual experience....	-	-	-	1,451,299
Changes of assumptions.....	-	368,056	432,926	152,928
Benefit payments.....	(179,759)	(194,140)	(201,606)	(202,217)
Net change in total OPEB liability.....	1,122,240	1,586,070	1,785,798	(76,484)
Total OPEB liability - beginning.....	7,776,109	8,898,349	10,484,419	12,270,217
Total OPEB liability - ending (a).....	<u>\$ 8,898,349</u>	<u>\$ 10,484,419</u>	<u>\$ 12,270,217</u>	<u>\$ 12,193,733</u>
Plan fiduciary net position				
Employer contributions.....	\$ 327,405	\$ 357,313	-	-
Employer contributions for OPEB payments.....	179,759	194,140	201,606	202,217
Net investment income.....	209,428	208,373	126,627	59,621
Benefit payments.....	(179,759)	(194,140)	(201,606)	(202,217)
Net change in plan fiduciary net position.....	536,833	565,686	126,627	59,621
Plan fiduciary net position - beginning of year.....	1,269,514	1,806,347	2,372,033	2,498,660
Plan fiduciary net position - end of year (b).....	<u>\$ 1,806,347</u>	<u>\$ 2,372,033</u>	<u>\$ 2,498,660</u>	<u>\$ 2,558,281</u>
Net OPEB liability - ending (a)-(b).....	<u>\$ 7,092,002</u>	<u>\$ 8,112,386</u>	<u>\$ 9,771,557</u>	<u>\$ 9,635,452</u>
Plan fiduciary net position as a percentage of the total OPEB liability.....	20.30%	22.62%	20.36%	20.98%
Covered-employee payroll.....	\$ 18,980,282	\$ 20,133,908	\$ 16,242,541	\$ 16,175,514
Net OPEB liability as a percentage of covered-employee payroll.....	37.37%	40.29%	60.16%	59.57%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

See notes to required supplementary information.

**SCHEDULE OF THE COLLEGE'S CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFIT PLAN**

<u>Year</u>	<u>Actuarially determined contribution</u>	<u>Contributions in relation to the actuarially determined contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
June 30, 2020.....	\$ 1,278,203	\$ (202,217)	\$ 1,075,986	\$ 16,175,514	1.25%
June 30, 2019.....	1,232,260	(201,606)	1,030,654	16,242,541	1.24%
June 30, 2018.....	1,152,210	(551,453)	600,757	20,133,908	2.74%
June 30, 2017.....	1,083,386	(327,405)	755,981	18,980,282	1.72%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS
OTHER POSTEMPLOYMENT BENEFIT PLAN

<u>Year</u>	<u>Annual money-weighted rate of return, net of investment expense</u>
June 30, 2020.....	2.39%
June 30, 2019.....	5.41%
June 30, 2018.....	11.54%
June 30, 2017.....	16.50%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

NOTE A – OTHER POSTEMPLOYMENT BENEFITS

The City of Quincy administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The College, as a department of the City, is a participant in the plan administered by the City. The plan provides lifetime healthcare, dental and life insurance for eligible retirees and their spouses through the City’s health insurance plan, which covers both active and retired members, including teachers.

The Other Postemployment Benefit Plan

The Schedule of Changes in the College’s Net Other Postemployment Benefit Liability and Related Ratios

The Schedule of Changes in the College’s Net Other Postemployment Benefit Liability and Related Ratios presents multi-year trend information on changes in the Plan’s total OPEB liability, changes in the Plan’s net position, and ending net OPEB liability. It also demonstrates the Plan’s net position as a percentage of the total liability and the Plan’s net other postemployment benefit liability as a percentage of covered employee payroll.

Schedule of the College’s Contributions

The Schedule of the College’s Contributions includes the College’s annual required contribution to the Plan, along with the contribution made in relation to the actuarially determined contribution and the covered employee payroll. The College is not required to fully fund this contribution. The schedule also demonstrates the contributions as a percentage of covered payroll. Methods and assumptions used to determine contribution rates are as follows:

Valuation date.....	December 31, 2019.
Actuarial cost method.....	Entry age normal - level percentage of payroll.
Amortization method.....	Level percentage of payroll, payments of increase 3.0% per year.
Remaining amortization period....	25 years as of July 1, 2020.
Asset valuation method.....	Fair value
Investment rate of return.....	6.50%.
Discount rate.....	6.50%.
Wage inflation.....	3.00%.

Health care trend rates:

Non-medicare and medicare medical/rx.....	7.00% graded by 0.25% down to an ultimate level of 4.50% over 10 years.
Dental.....	3.00%.
Part B reimbursement.....	4.50%.
Medicare contributions.....	Retiree contributions are expected to increase with medical trend.
Non-medicare contributions.....	Retiree contributions are expected to increase by 9.50%, then 6.75% graded by 0.25% down to an ultimate level of 4.50% over 9 years.

Mortality rates:

Pre-retirement.....	RP-2000 Employee Mortality Table projected generationally with Scale BB 2009.
Healthy.....	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB 2009.
Disabled.....	RP-2000 Healthy Annuitant Mortality Table set forward 2 years projected generationally with Scale BB 2009.

Schedule of Investment Return

The Schedule of Investment Return includes the money-weighted investment return on the Plan’s other postemployment assets, net of investment expense.

Changes in Assumptions

- The percentage of active employees assumed to elect coverage at retirement was updated with this valuation.
- The impact of the excise tax on high cost health plans (part of the Patient Protection and Affordable Care Act) was removed, as the tax was repealed effective December 20, 2019.
- Medicare Part B premiums were updated with this valuation.
- The salary increase assumption was lowered.
- The mortality assumption was updated to match the Quincy Retirement System Actuarial Valuation as of January 1, 2018 dated February 13, 2019.
- Trend rates were updated with this valuation.
- The discount rate was lowered from 7.00% to 6.50%.
- Healthcare is now provided through Blue Cross Blue Shield of Massachusetts instead of the Group Insurance Commission (GIC). Per capita costs were updated to reflect the FY2020 self-funded premium equivalent rates for these plans.

Changes in Provisions – None.

NOTE B – PENSION PLAN***Pension Plan Schedules***Schedule of the College's Proportionate Share of the Net Pension Liability

The Schedule of the College's Proportionate Share of the Net Pension Liability details the allocated percentage of the net pension liability (asset), the proportionate share of the net pension liability, and the covered employee payroll. It also demonstrates the net position as a percentage of the pension liability and the net pension liability as a percentage of covered payroll.

Schedule of the College's Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriation is allocated to the College based on covered payroll.

Schedule of the Special Funding Amounts of the Net Pension Liabilities

The Commonwealth of Massachusetts is a nonemployer contributor and is required by statute to make all actuarially determined employer contributions on behalf of the member employers which creates a special funding situation. Since the College does not contribute directly to MTRS, there is no net pension liability to recognize. This schedule discloses the Commonwealth's 100% share of the collective net pension liability that is associated with the College; the portion of the collective pension expense reported as both revenue and pension expense; and the Plan's fiduciary net position as a percentage of the total liability.

Changes in Assumptions – None.

Changes in Plan Provisions – None.

***Report on Internal Control Over Financial
Reporting and on Compliance***



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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 Governors
Quincy College
Quincy, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business activities and the aggregate remaining fund information of Quincy College (the College); an enterprise fund of the City of Quincy, Massachusetts, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated July 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Powers & Sullivan, LLC". The signature is written in black ink and is positioned above the date.

July 20, 2021

Additional Information

Report on Financial Responsibility Composite Score



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To the Honorable Board of Governors
Quincy College
Quincy, Massachusetts

Quincy College has been requested to calculate the Federal Financial Responsibility Composite Score (FRCS) in accordance with the requirements of Title 34 – Chapter VI – Section 668.172 Financial Ratios. These standards apply to for-profit and nonprofit institutions of higher education but do not normally apply to public institutions. Quincy College is in an unique situation as they are the only public College in Massachusetts that was established by a City and not the Commonwealth. The College is not a private for-profit institution and was not established as a private nonprofit institution. The Massachusetts Department of Higher Education only has limited statutory authority over Quincy College and has informed the College that they will be treating the College as a “private” institution for the purposes of filing the FRCS and participation in the State Authorization Reciprocity Agreement (SARA).

The Federal guidance on how to calculate the FRCS provides two examples on how to complete the composite score using the audited financial statements of a private for-profit and a private nonprofit institution. These financial statements are prepared in accordance with generally accepted accounting principles established by the Financial Accounting Standards Board (FASB). The City of Quincy and Quincy College’s financial statements are prepared in accordance with generally accepted accounting principles established by the Governmental Accounting Standard Board (GASB). These are the same standards used by the Commonwealth and their 29 public higher education institutions.

Although these standards have many things in common, there are some areas that are in direct conflict between the GASB and FASB. The FASB accounting treatment was the basis of accounting used to develop the composite score calculation methodology and the GASB treatment has not been considered in the Federal examples. Therefore, certain modifications of the methodology were required to eliminate the effect of the conflicting accounting treatment. This type of modification is allowed as the guidance allows for exclusion of certain accounting activity. One main difference between the GASB and FASB is the accounting and funding requirements for pension benefits, other postemployment benefits and workers compensation liabilities of the institution. The accompanying calculations removed these liabilities and related noncash expenses. The calculation of the FRCS with these modifications should demonstrate that the College is financially responsible and has sufficient cash reserves and the ability to meet all of its current and long-term obligations.

We have audited Quincy College’s accompanying financial statements as of and for the year ended June 30, 2020. The amounts reported on the accompanying schedules came directly from these financial statements and all modifications have been detailed on these schedules.

The College requested that we assist them in preparing the FCRS. We did not audit or review these schedules and do not express an opinion or provide any assurance on the information because the limited procedures used to complete these schedules do not provide us with sufficient evidence to express an opinion or provide any assurance.

Powers & Sullivan, LLC

July 20, 2021

Quincy College
Schedule of Composite Score Calculation

For the Year Ended June 30, 2020

Calculation in Accordance with Title 34, Chapter VI, Part 668, Subpart L - Financial Responsibility

Appendix B - Ratio Methodology for Private Non-Profit Institutions - as Modified

Calculation of Ratio Terms

Expendable Net Assets:

ADD:	
Total Net Position	\$ (18,966,871)
Workers Compensation Liabilities	1,867,000
Post-employment Liabilities	7,682,102
Retirement Liabilities	22,874,885
LESS:	
Restricted for Capital Purposes	(1,133,000)
Net Property, Plant and Equipment	<u>(2,486,754)</u>
Total Expendable Net Assets	<u>\$ 9,837,362</u>

Total Expenses

ADD:	
Operating Expenses	\$ 29,337,442
Non-cash Workers Compensation, Pension and OPEB Expenses	(1,474,295)
Nonoperating Expenses	240,959
LESS:	
On-behalf Pension Benefits Paid by the State	(1,913,247)
Non-cash Workers Compensation, Pension and OPEB Expenses	<u>1,474,295</u>
Total Expenses	<u>\$ 27,665,154</u>

Modified Net Assets

ADD:	
Unrestricted Net Position	<u>\$ 9,637,362</u>

Modified Assets

ADD:	
Total Assets	<u>\$ 17,365,727</u>

Modified Change in Unrestricted Net Position

ADD:	
Change in Net Position	\$ 465,936
Non-cash Workers Compensation, Pension and OPEB Expenses	<u>(1,474,295)</u>
Adjusted Total Change in Net Position	<u>\$ (1,008,359)</u>

Total Unrestricted Revenue

ADD:	
Operating Revenues	\$ 28,056,049
Nonoperating Revenues	446,934
Capital Contributions	67,059
LESS:	
On-behalf Pension Benefits Paid by the State	<u>(1,913,247)</u>
Total Unrestricted Revenues	<u>\$ 26,656,795</u>

Quincy College
Schedule of Composite Score Calculation

For the Year Ended June 30, 2020

Calculation in Accordance with Title 34, Chapter VI, Part 668, Subpart L - Financial Responsibility

Appendix B - Ratio Methodology for Private Non-Profit Institutions - as Modified

Calculation of Ratios

Primary Reserve Ratio

Expendable Net Assets.....	\$	9,837,362
Total Expenses.....		27,665,154
Primary Reserve Ratio.....		0.3556

Equity Ratio

Modified Net Assets.....	\$	9,637,362
Modified Assets.....		17,365,727
Equity Ratio.....		0.5550

Net Income Ratio

Modified Change in Unrestricted Net Position.....	\$	(1,008,359)
Total Unrestricted Revenues.....		26,656,795
Net Income Ratio.....		(0.0378)

Calculation of the Strength Factor

Primary Reserve Ratio

Primary Reserve Ratio.....		0.3556
Multiply by the Strength Factor of 10.....		10.0000
Calculated Primary Reserve Score.....		3.5560
Maximum Allowable Score.....		3.0000

Equity Ratio

Equity Ratio.....		0.5550
Multiply by the Strength Factor of 6.....		6.0000
Calculated Primary Reserve Score.....		3.3300
Maximum Allowable Score.....		3.0000

Net Income Ratio

Net Income Ratio.....		(0.0378)
Multiply by a Strength Factor of:		
1 + (25 x Ratio) if Negative.....		0.0550
1 + (50 x Ratio) if Positive.....		-
Maximum Allowable Score - If Negative.....		0.0550
Maximum Allowable Score - If Positive.....		-

Quincy College
Schedule of Composite Score Calculation

For the Year Ended June 30, 2020

Calculation in Accordance with Title 34, Chapter VI, Part 668, Subpart L - Financial Responsibility

Appendix B - Ratio Methodology for Private Non-Profit Institutions - as Modified

Calculation of Composite Score

Primary Reserve

Primary Reserve Score.....	3.0000
Multiply by the Weighted Percent.....	40%
Primary Reserve Weighted Score.....	1.2000

Equity

Equity Score.....	3.0000
Multiply by the Weighted Percent.....	40%
Equity Weighted Score.....	1.2000

Net Income

Net Income Score.....	0.0550
Multiply by the Weighted Percent.....	20%
Primary Reserve Weighted Score.....	0.0110

Composite Score Calculation

Sum of All Weighted Scores.....	2.4110
Round the Composite Score to 1 Digit.....	2.4