NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2019

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2019 and 2018

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
North Shore Community College
Danvers, Massachusetts

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

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the North Shore Community College Foundation, Inc. (the "Foundation") as of and for the year ended June 30, 2018. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, are based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

As discussed in Note 1 of the financial statements, the Foundation had a prior period adjustment to correct an error. Our opinion is not modified with respect to that matter.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 22, 2019

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis

June 30, 2019 and 2018

(Unaudited)

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

North Shore Community College is a public institution of higher education serving 10,326 credit and noncredit students annually with 121 full-time faculty, 386 part-time faculty, 274 full-time staff and 184 part time staff members. Campuses are located in Danvers, and Lynn, and Middleton Massachusetts. In addition, the College offers programs and courses in offsite locations throughout the greater North Shore area. Courses are offered in many modalities including online, hybrid and traditional classes on our campuses. The College offered 70 credit programs leading to Associate of Arts, Associate of Science, and Associate of Applied Science degrees and one-year certificates. In addition, North Shore offers approximately 413 noncredit workforce development and recreational courses.

Financial Highlights

- At June 30, 2019 and 2018, the College's assets of $106,641,830 and $105,494,994, respectively, exceeded its liabilities of $40,430,088 and $42,907,217 by $66,211,742 and $62,587,777, respectively. The resulting net position is summarized into the following categories: net investment in capital assets, restricted (expendable and nonexpendable), and unrestricted.
- The College's total net position increased by $1,490,622 in 2019 compared to an increase of $1,057,876 in 2018.
- The unrestricted net position for FY2019 decreased by $2,379,934 to ($13,916,079) compared to the decrease in the unrestricted net position of $838,318 to ($16,295,913) for FY2018.

The decrease in the unrestricted net position in FY18 was due to mandatory implementation of GASB 75, the recording of our OPEB liability. Without GASB 75, the College would have shown an increase in its unrestricted net position for both years resulting from careful oversight of spending as well as benefiting from the refinancing of the Series E and Series F bonds in FY14.

Overview of the Financial Statements

The College’s financial statements comprise two primary components: (1) the financial statements and (2) the notes to the financial statements. Additionally, the financial statements focus on the College as a whole, rather than upon individual funds or activities. The College follows principles established by the Governmental Accounting Standards Board (GASB).

North Shore Community College Foundation (the Foundation) is a legally separate tax-exempt affiliated unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

Because these resources held by the Foundation can only be used by or are for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College’s financial statements.

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

The Financial Statements

The financial statements are designed to provide readers with a broad overview of North Shore Community College’s finances and are comprised of three basic statements.

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

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

The Statements of Cash Flows are reported on the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of operating receipts (e.g., tuition and fees) and disbursements (e.g., cash paid to employees for services). GASB requires this method to be used. The Foundation is not required to present the statements of cash flows.

The financial statements can be found on pages 15 to 18 of this report.

The College reports its activity as a business-type activity using the economic resources measurement focus and full accrual basis of accounting. The College is also part of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position, and its cash flows are also included in the Commonwealth's Comprehensive Annual Financial Report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding both the accounting policies and procedures the College has adopted as well as additional detail of certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 19 to 58 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position. In the case of the North Shore Community College, assets exceeded liabilities and deferred inflows/outflows by $64,341,908 and $62,851,286 at the close of FY 2019 and FY 2018, respectively.

Net investment in capital assets represents capital assets net of related debt and is by far the largest portion of the College's net position in fiscal year 2019 and 2018, representing, 121% and 125% or $77,646,099 and $78,758,708, respectively. The College uses these capital assets to provide services to students, faculty, and administration; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Also, in addition to the debt noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings, which are obligations of the Commonwealth, are not reflected in these financial statements.

NORTH SHORE COMMUNITY COLLEGE

Required Supplementary Information

Management's Discussion and Analysis - Continued

June 30, 2019 and 2018

(Unaudited)

Condensed Financial Information

	2019	2018	2017
Current assets	$ 24,551,325	$ 21,317,883	$ 19,257,405
Noncurrent assets	82,090,505	84,177,111	85,157,418
Deferred outflows	5,482,291	4,740,805	2,934,305
Total assets and deferred outflows	$ 112,124,121	$ 110,235,799	$ 107,349,128
Current liabilities	$ 8,181,733	$ 8,451,974	$ 8,479,289
Noncurrent liabilities	32,248,355	34,455,243	35,760,321
Deferred inflows	7,352,125	4,477,296	1,788,886
Total liabilities and deferred inflows	$ 47,782,213	$ 47,384,513	$ 46,028,496
Net Position:			
Invested in capital assets	$ 77,646,099	$ 78,758,708	$ 78,775,415
Restricted, expendable	611,888	388,491	152,226
Unrestricted	(13,916,079)	(16,295,913)	(17,134,231)
Total net position	$ 64,341,908	$ 62,851,286	$ 61,793,410
Total operating revenues	$ 33,569,486	$ 35,023,151	$ 35,953,877
Total operating expenses	63,960,134	64,771,340	64,533,597
Net operating loss	(30,390,648)	(29,748,189)	(28,579,720)
Net nonoperating revenues	31,506,597	29,369,656	29,217,997
Change in net position before capital appropriations	1,115,949	(378,533)	638,277
Capital appropriation	374,674	1,436,409	12,111,925
Increase in net position	1,490,622	1,057,876	12,750,202
Net position – beginning	62,851,286	61,793,410	49,043,208
Net position – ending	$ 64,341,908	$ 62,851,286	$ 61,793,410

Major sources of revenue for the College are Tuition and Fees and the State Appropriation. Tuition is set by the Board of Higher Education at $25.00 per credit for both FY2019 and 2018. Fees are set by the College's board of trustees at $190.00 for FY2019 and $181.00 for FY2018, per credit for the Fall and Spring semesters.

NORTH SHORE COMMUNITY COLLEGE

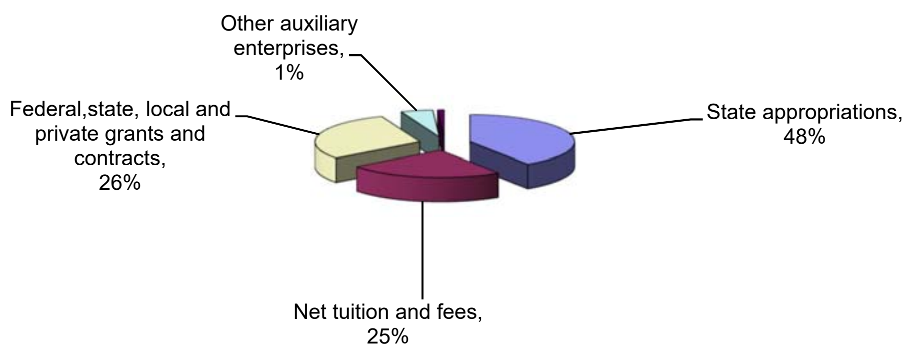
Required Supplementary Information

Management's Discussion and Analysis - Continued

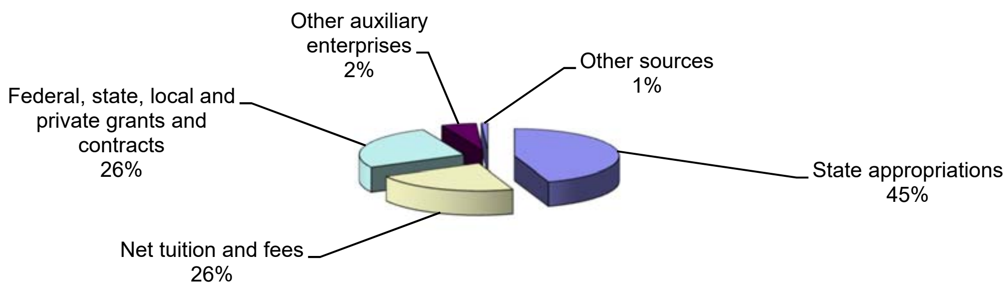
June 30, 2019 and 2018

(Unaudited)

Source of Operating and Nonoperating Revenues
2019



Source of Operating and Nonoperating Revenues
2018



Highlights of operating revenue activity include:

- A decrease of 3% or $796,812 in FY2019 in tuition and fees before scholarship allowances. This is primarily due to slightly higher fees to offset the decline in enrollment and credit hours for the Fall 2018 and Spring 2019 semesters. This compares to a very slight decrease of .0178% or $46,209 in FY2018 in tuition and fees before scholarship allowances. This was primarily due to a decline in enrollment and credit hours for the Fall 2017 and Spring 2016 semesters.

	June 30		
	2019	**2018**	**2017**
Tuition and fees	$ 25,055,927	$ 25,852,739	$ 25,898,948

- An increase of 0.5% or $85,563 in federal, state, local, and private grants and contracts, compared to an increase of 6.8% or $1,057,029 in FY2018. This change is primarily due to higher Pell allocations for students and more private grants.

Major grants and contracts received by North Shore Community College for the year included the following:

NSCC Foundation

- ALC Saltonstall, $35,123
- Bertolon Foundation, $454,360
- DDS Direct, $37,490
- NE Regional PLA, $85,000

Massachusetts Department of Early Education and Care

- Career Pathways, $478,161
- Educator and Provider Support, $872,350

Massachusetts Department of Elementary and Secondary Education

- Adult Learning Center, $295,000
- ALC Integrated, $50,000
- Vocational Education, $308,242
- Workplace Planning, $99,274

Massachusetts Department of Higher Education

- Allied Health, $35,000
- CDEP/Dual Enrollment, $39,795
- College Workforce, $96,667
- PIF Prior Learning Assessment, $200,000
- STEM Starter Academy, $289,993
- TRAIN, $158,583
- Workforce Training (WLSP), $50,000

Massachusetts Executive Office of Education

- Mass Skills Capital, $226,130

Massachusetts Executive Office of Public Safety

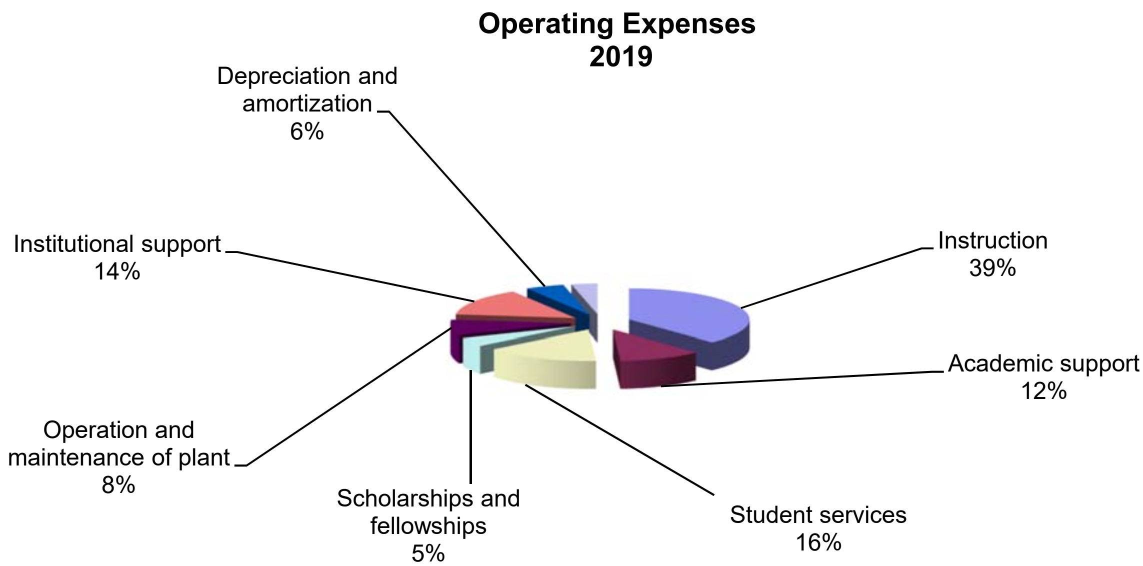
- Local Action Research Partnership, $23,573

U. S. Department of Education

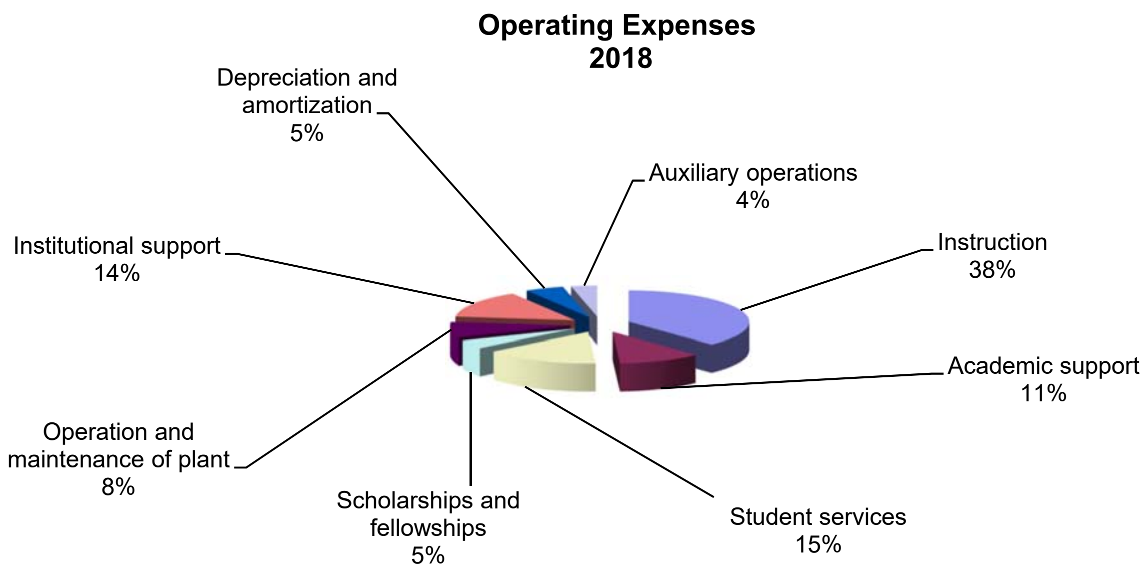
- Mass Ed Co, $165,509
- Student Support, $558,956
- Talent Search, $348,181
- Upward Bound, $458,543

U. S. Department of Labor

- Tech Hire, $187,306



Operating Expenses
2019
Depreciation and amortization
6%
Instruction
39%
Institutional support
14%
Academic support
12%
Operation and maintenance of plant
8%
Scholarships and fellowships
5%
Student services
16%



Operating Expenses
2018
Depreciation and amortization
5%
Auxiliary operations
4%
Instruction
38%
Institutional support
14%
Academic support
11%
Operation and maintenance of plant
8%
Scholarships and fellowships
5%
Student services
15%

Highlights of operating expense activity include:

- A slight increase of 2.0% or $490,664 in instruction expenditures due to higher fringe rate in FY2019. This compares to a slight increase of 2.4% or $584,114 in instruction expenditures also higher fringe rate in FY2018.
- An increase of 9.1% or $656,583 in academic support expenditures due to an increase in retention initiatives. This compares to a decrease of 8.3% or $647,800 in academic support expenditures due to a decrease in full time payroll and associated fringe in FY2018.
- An increase of 3.9% or $383,413 in student services expenditures in FY2019 due to continued efforts for student retention and recruitment as well as an increase in the fringe rate. This compares to a slight increase of 3.4% or $321,823 in student services expenditures in FY2018 due to efforts for student retention and recruitment as well as an increase in the fringe rate.
- An increase of 9.7% or $287,392 in scholarships and fellowships in FY2019 is due to more scholarships and grants being awarded to our students. This compares to an increase of 15.8% or $551,317 in scholarships and fellowships in FY2018 due to managing the prior year's push to have students pay their bills prior to financial aid being disbursed while recognizing the financial challenges of our students.
- A slight increase of 2.7% or $141,794 in expenditures for operation and maintenance of plant in FY2019 due to expenditures to complete the new Lynn bookstore space and greenhouse projects and a higher fringe rate. This compares to a slight increase of 4.8% or $242,541 in expenditures for operation and maintenance of plant in FY2018 due to a harsher winter and the start of the new Lynn bookstore space and greenhouse projects.
- There was a decrease of 8.1% or $762,171 in expenditures for institutional support in FY2019 due continuing the trend of not backfilling some vacant positions to offset the decrease in enrollment. This compares to a slight increase of 2.7% or $247,496 in expenditures for institutional support in FY2018 due to not backfilling some vacant positions to offset a 3% increase in the fringe rate.
- Auxiliary operations decreased significantly in fiscal year 2019 due to the closure of the bookstore.

For non-operating revenues and expenses, the Commonwealth's total appropriations increased by 3% or $980,961 compared to decrease of less than 1% or $257,274 in FY2019 and 2018, respectively. The College received a capital appropriation of $374,674 and $1,436,409 as of June 30, 2019 and 2018, respectively.

The Commonwealth's fringe benefits provided for employees on the Commonwealth's payroll increased in FY2019 by 4.5% or $329,830 to $7,538,640 compared to a decrease of 1% or $42,713 to $7,208,810 in FY2018.

The fringe benefit rate increased by 0.35 points to 36.62% from 36.27% for FY2019 and FY2018, respectively compared to an increase by 1.11 points to 36.27% from 35.16% for FY2018 and FY2017, respectively.

Investment income increased in FY2019 by 100.07% or $46,982 compared to an increase in FY2018 by 60% or $16,524.

Loss from Operations

Because generally accepted accounting principles requires state appropriations to be presented as non-operating revenues, the College incurred a loss from operations in FY2019 and FY2018. The Massachusetts Board of Higher Education presets tuition rates, and the College's board of trustees sets fees and other charges. Commonwealth appropriations to the College made up the loss from operations not made up by tuition and fees.

The College, with the purpose of balancing educational and operational needs with tuition and fee revenues, approves budgets to mitigate losses after Commonwealth Appropriations.

Capital Assets and Debts of the College

Capital Assets

The College's investment in capital assets as of June 30, 2019 and 2018 amounts to $82,090,503 and $84,177,109, respectively, net of accumulated depreciation.

The College recognized $374,674 in capital appropriations in FY2019 and $1,436,409 in FY 2018 primarily for completion of the expansion of the Lynn Campus McGee Building and the Lynn electrical infrastructure upgrade. This investment in capital assets includes land, building (including improvements), furnishings, and equipment.

Debt

The College carries long-term debt, other than pensions, accruals for compensated absences, workers compensation, and other long-term settlement obligations. Included in debt are $7,675,000 Series B bonds issued in March of 1998, which are payable semiannually through FY2022 in principal repayment amounts between $170,000 and $555,000. Interest is payable semiannually (April 2 and October 2) at fixed rates between 3.5% and 5.0%.

In December, 2013, a refinancing of the Massachusetts Health and Educational Facilities Series B and Series C bonds was completed through Massachusetts Development Finance Agency. After the RFP process, Century Bank proved to offer the best new financing for the debt obligations. Series B bonds were rolled into the new Series E bonds and Series C bonds were rolled into the new Series F bonds. The Series B and Series C bonds were liquidated, and the escrows were used to pay down the new debt. Century Bank offered the best fixed interest rates at 3.08% for the Series E obligations and 3.79% for the Series F obligations. Interest is payable monthly, and principle is payable semiannually. The terms on the debt did not change and will end in October, 2022 for the Series E bonds and in October, 2026 for the Series F bonds. Refinancing at the lower rates will save North Shore Community College $1.7 million over the life of the debt.

In 2012, the College added $1,966,772 to its debt obligations for a 10-year note for the Clean Energy Investment Program ("CEIP"). The first payment for the note, in February of 2012, was in the amount of $97,532 for interest only. The note represents 53% of the anticipated total obligation of $3,686,772 for equipment, design, and installation of mechanical, electrical, controls and plumbing conservation measures at the Lynn and Danvers Campuses. The remaining 47% or $1,600,000 will be paid for by the Department of Capital Asset Management ("DCAM").

In 2011, the College issued $148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027. The Bond is designated a "clean renewable energy bond" pursuant to Section 54C of the Internal revenue Code of 1986 and shall bear interest at a rate of 3.5%.

The debt was to fund a project for a 77-kilowatt photovoltaic system for the Danvers campus Berry building. The total project cost is estimated to be $559,000, which will be funded from two sources: (1) grants from DCAM in the amount of $410,950 and (2) a financing agreement with Century Bank and Trust Company, CREB financing secured by the College in the amount of $148,050.

In 2008, the College issued $190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually commencing on December 31, 2007 through December 31, 2021 and does not bear interest.

The bond proceeds plus a grant in the amount of $358,100 from the Massachusetts Technology Collaborative was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium.

The noncurrent accrual for pensions and compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the College's payroll.

Requests for Information

This financial report is designed to provide a general overview of the College's financial position for all those with an interest in the College's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, North Shore Community College, One Ferncroft Road, Danvers, Massachusetts 01923.

NORTH SHORE COMMUNITY COLLEGE

Statements of Net Position

June 30, 2019 and 2018

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30,

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	(Restated) 2018 Foundation
Current Assets:				
Cash and equivalents	**$ 21,620,236**	$ 19,121,910	**$ 1,006,315**	$ 540,398
Cash held by State Treasurer	**912,211**	480,927	**-**	-
Investments	**372,652**	369,139	**-**	-
Accounts receivable, net	**1,378,159**	934,104	**-**	-
Pledges receivable, current	**-**	-	**311,150**	69,100
Other current assets	**268,067**	411,803	**11,950**	42,854
Total Current Assets	**24,551,325**	21,317,883	**1,329,415**	652,352
Noncurrent Assets:				
Funds held by bond trustee - restricted	**2**	2	**-**	-
Investments	**-**	-	**8,639,533**	8,028,519
Pledges receivable, net of current	**-**	-	**7,174**	32,014
Capital assets, net	**82,090,503**	84,177,109	**-**	-
Total Noncurrent Assets	**82,090,505**	84,177,111	**8,646,707**	8,060,533
Total Assets	**106,641,830**	105,494,994	**9,976,122**	8,712,885
Deferred Outflows of Resources:				
Pension related, net	**2,119,436**	2,571,054	**-**	-
OPEB related, net	**3,362,855**	2,169,751	**-**	-
Total Deferred Outflows of Resources	**5,482,291**	4,740,805	**-**	-
Total Assets and Deferred Outflows of Resources	**$ 112,124,121**	$ 110,235,799	**$ 9,976,122**	$ 8,712,885

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

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
				(Restated)
	2019 College	2018 College	**2019 Foundation**	2018 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	**$ 939,949**	$ 1,073,176	**$ 20,593**	$ 194
Accrued payroll	**2,051,020**	2,644,342	**-**	-
Compensated absences and workers' compensation	**2,362,976**	2,371,106	**-**	-
Students' deposits and unearned revenues	**1,233,258**	998,422	**-**	-
Funds held for others	**609,668**	390,931	**113,306**	102,424
Current portion of bonds payable	**732,550**	732,550	**-**	-
Current portion of note payable	**252,312**	241,447	**-**	-
Total Current Liabilities	**8,181,733**	8,451,974	**133,899**	102,618
Noncurrent Liabilities:				
Compensated absences and workers' compensation	**1,518,164**	1,574,235	**-**	-
Bonds payable	**3,231,885**	3,964,435	**-**	-
Notes payable	**227,659**	479,971	**-**	-
Net pension liability	**9,893,341**	9,655,877	**-**	-
Net OPEB liability	**17,377,306**	18,780,725	**-**	-
Total Noncurrent Liabilities	**32,248,355**	34,455,243	**-**	-
Total Liabilities	**40,430,088**	42,907,217	**133,899**	102,618
Deferred Inflows of Resources:				
Pension related, net	**1,932,587**	2,272,740	-	-
OPEB related, net	**5,419,538**	2,204,556	**-**	-
Total Deferred Inflows of Resources	**7,352,125**	4,477,296	**-**	-
Total Liabilities and Deferred Inflows of Resources	**47,782,213**	47,384,513	**133,899**	102,618
Net Position:				
Net investment in capital assets	**77,646,099**	78,758,708	**-**	-
Restricted:				
Expendable	**611,888**	388,491	**6,608,243**	5,357,417
Nonexpendable	**-**	-	**2,354,881**	2,341,465
Unrestricted	**(13,916,079)**	(16,295,913)	**879,099**	911,385
Total Net Position	**64,341,908**	62,851,286	**9,842,223**	8,610,267
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 112,124,121**	$ 110,235,799	**$ 9,976,122**	$ 8,712,885

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30,

	Primary Government		Component Unit	
	2019 College	2018 College	**2019 Foundation**	(Restated) 2018 Foundation
Operating Revenues:				
Tuition and fees	**$ 25,055,927**	$ 25,852,739	**$ -**	$ -
Less: scholarship allowances	**(8,574,280)**	(9,399,806)	**-**	-
Net tuition and fees	**16,481,647**	16,452,933	**-**	-
Grants and contracts	**16,670,940**	16,585,377	**-**	-
Other	**398,880**	146,456	**-**	-
Auxiliary operations	**18,019**	1,838,385	**-**	-
Total Operating Revenues	**33,569,486**	35,023,151	**-**	-
Operating Expenses:				
Instruction	**25,035,355**	24,544,691	**-**	-
Academic support	**7,813,863**	7,157,280	**-**	-
Student services	**10,271,950**	9,888,537	**-**	-
Scholarships and fellowships	**3,216,783**	2,929,391	**246,583**	212,790
Operation and maintenance of plant	**5,436,379**	5,294,585	**-**	-
Institutional support	**8,575,072**	9,337,243	**69,500**	190,439
Depreciation	**3,610,732**	3,351,605	**-**	-
Auxiliary operations	**-**	2,268,008	**-**	-
Total Operating Expenses	**63,960,134**	64,771,340	**316,083**	403,229
Operating Loss	**(30,390,648)**	(29,748,189)	**(316,083)**	(403,229)
Nonoperating Revenues (Expenses):				
State appropriations - unrestricted	**30,826,255**	28,807,123	**-**	-
State appropriations - restricted	**382,893**	359,329	**-**	-
Gifts, grants and contributions	**-**	-	**1,340,530**	489,941
Net investment income	**90,881**	43,899	**602,770**	622,246
Interest expense	**(188,693)**	(222,066)	**-**	-
Payments between the College and the Foundation	**395,261**	381,371	**(395,261)**	(381,371)
Net Nonoperating Revenues	**31,506,597**	29,369,656	**1,548,039**	730,816
Change in Net Position Before Capital Appropriations	**1,115,949**	(378,533)	**1,231,956**	327,587
Capital Appropriations	**374,674**	1,436,409	**-**	-
Change in Net Position	**1,490,622**	1,057,876	**1,231,956**	327,587
Net Position, Beginning of Year (as previously reported)	**62,851,286**	61,793,410	**8,610,267**	8,074,930
Prior period adjustment - (Note 1)	**-**	-	**-**	207,750
Net Position, Beginning of Year (as restated)	**62,851,286**	61,793,410	**8,610,267**	8,282,680
Net Position, End of Year	**$ 64,341,908**	$ 62,851,286	**$ 9,842,223**	$ 8,610,267

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
	2019 College	2018 College
Cash Flows from Operating Activities:		
Tuition and fees	**$ 16,501,624**	$ 16,428,797
Grants and contracts	**16,413,955**	16,639,968
Payments to suppliers	**(9,748,792)**	(9,890,228)
Payments to employees	**(39,524,813)**	(40,000,922)
Payments to students	**(3,216,783)**	(2,929,391)
Other cash receipts	**444,665**	2,574,100
Net Cash Used by Operating Activities	**(19,130,144)**	(17,177,676)
Cash Flows from Noncapital Financing Activities:		
State appropriations	**23,670,508**	21,957,642
Funds held for others	**218,737**	47,755
Contributions from Foundation	**395,261**	381,371
Net Cash Provided by Noncapital Financing Activities	**24,284,506**	22,386,768
Cash Flows from Capital Financing Activities:		
Purchases of capital assets	**(1,149,452)**	(934,889)
Principal paid on capital debt	**(977,488)**	(963,598)
Interest paid on capital debt	**(188,693)**	(222,066)
Net Cash Used by Capital Financing Activities	**(2,315,633)**	(2,120,553)
Cash Flows from Investing Activities:		
Interest on investments	**90,881**	43,899
Proceeds from maturity of investments	**-**	211,435
Net Cash Provided by Investing Activities	**90,881**	255,334
Net Change in Cash and Equivalents	**2,929,610**	3,343,873
Cash and Equivalents, Beginning of Year	**19,602,837**	16,258,964
Cash and Equivalents, End of Year	**$ 22,532,447**	$ 19,602,837

NORTH SHORE COMMUNITY COLLEGE
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Statements of Cash Flows - Continued

For the Years Ended June 30,

	Primary Government	
	2019 College	2018 College
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	**$ (30,390,648)**	$ (29,748,189)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	**3,610,732**	3,351,605
Bad debt	**173,967**	(223,642)
Fringe benefits provided by the State	**7,538,640**	7,208,810
Pension obligations	**348,929**	181,656
OPEB obligations	**618,459**	924,331
Changes in assets and liabilities:		
Accounts receivable	**(618,045)**	569,372
Other current assets	**143,736**	726,230
Accounts payable and accrued liabilities	**(133,227)**	(104,573)
Accrued payroll	**(593,322)**	542,706
Compensated absences and workers' compensation	**(64,201)**	(244,469)
Students' deposits and unearned revenues	**234,836**	(361,513)
Net Cash Used by Operating Activities	**$ (19,130,144)**	$ (17,177,676)
Reconciliation of Cash and Equivalents Balance to the Statements of Net Position:		
Cash and equivalents	**$ 21,620,236**	$ 19,121,910
Cash held by State Treasurer	**912,211**	480,927
Cash and Equivalents, End of Year	**$ 22,532,447**	$ 19,602,837
Noncash Transactions:		
Fringe benefits provided by the State	**$ 7,538,640**	$ 7,208,810
Capital appropriations used to acquire captal assets	**$ 374,674**	$ 1,436,409

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

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

Organization
North Shore Community College (the "College") is a state-supported comprehensive college that offers a quality education leading to associate degrees in the arts and sciences as well as one-year certificate programs. With campuses located in Danvers and Lynn, Massachusetts, as well as an instructional location in Middleton, Massachusetts, the College provides instruction and training in a variety of liberal arts, allied health, engineering technologies, and business fields of study. The College also offers day and evening credit and noncredit courses as well as community service programs. The College is accredited by the New England Commission of Higher Education.

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

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

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

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

Basis of Presentation - continued

The College's policy for defining operating activities in the statements of revenues and expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services and certain grants and contracts. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts and interest expense.

The College's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). GASB is responsible for establishing GAAP for state and local governments through its pronouncements.

North Shore Community College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors.

Because these resources held by the Foundation can only be used by, or are for, the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

During the years ended June 30, 2019 and 2018, the Foundation provided $395,261 and $381,371, respectively, to the College for both restricted and unrestricted purposes.

During fiscal year 2019, the Foundation corrected previous misstatements for accrued scholarships. The effect of this error was to overstate accrued scholarships and understate net position by $207,750 at July 1, 2017.

Complete financial statements for the Foundation can be obtained from the College at: One Ferncroft Road, Danvers, MA 01923.

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

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

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

Restricted - nonexpendable: Net position subject to externally imposed conditions that the College must maintain them in perpetuity.

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

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

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

Cash and Equivalents
The College considers cash held by the State Treasurer and all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash and equivalents.

Investments
Investments in marketable securities, including funds held by bond trustee, are stated at fair value.

Dividends, interest and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues, expenses and changes in net position. Any net earnings not expended are included in net position categories as follows:

(i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;

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

Investments - continued

(ii) as increases in restricted - expendable net position if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College has relied upon the Massachusetts Attorney General's interpretation of state law that unappropriated endowment gains should generally be classified as restricted - expendable; and

(iii) as increases in unrestricted net position in all other cases.

Allowance for Doubtful Accounts

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

Capital Assets

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

The College does not hold collections of historical treasures, works of art, or other items that are inexhaustible by their nature and are of immeasurable intrinsic value, thus not requiring capitalization or depreciation in accordance with GASB guidelines.

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

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

Students' Deposits and Unearned Revenue
Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred and are recorded as related services are provided.

Fringe Benefits
The College participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension, workers' compensation and certain post-employment benefits. Health insurance, unemployment, and pension costs are billed through a fringe benefit rate charged to the College. The Commonwealth provides workers' compensation coverage to its participating employers on a self-insured basis. The Commonwealth requires the College to record its portion of the workers' compensation in its records. Workers' compensation costs are actuarially determined based on the College's actual experience.

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

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

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

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

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

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

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

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

New Governmental Account Pronouncements

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

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

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

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

New Governmental Account Pronouncements - continued
GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2018. The objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization. A majority equity interest should be recognized using the equity method if the government's holding of the equity interest represents an investment. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to improve the consistency of reporting conduit debt. This Statement requires government entities that issue conduit debt, but are not the obligors, not to recognize the liability unless it is more likely than not that the government issuer will service the debt. Management has not completed its review of the requirements of this standard and its applicability.

Note 2 - **Cash and Investments**

In accordance with Chapter 15A of the Massachusetts General Laws, the Board of Trustees has adopted an investment policy that applies to locally held funds that are not appropriated by the state legislature or derived from federal allocations. The principal objectives of the investment policy are: (1) preservation of capital and safety of principal, (2) minimizing price volatility, (3) liquidity, (4) return on investment and (5) diversification. The Board of Trustees supports the investments of trust funds in a variety of vehicles, including bank instruments, equities, bonds, government and commercial paper of high quality, and mutual funds holding any or all the above. The Board of Trustees has established investment fund ceilings and broad asset allocation guidelines, but delegates to the President of the College or her designee, the authority to determine exact dollar amounts to be invested within those established limits and guidelines.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an investment pool for political subdivisions in the Commonwealth that was designed as a legal means to invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified of high-quality money market instruments. The MMDT is not a bank, savings institution or financial institution, and is not subject to FDIC insurance. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on an amortized cost where the net asset value is $1 per share.

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

	2019	2018
Cash on deposit	**$ 20,201,831**	$ 17,738,087
MMDT		
Trust Fund	**1,418,405**	1,383,823
Total Cash and Equivalents	**21,620,236**	19,121,910
Certificates of Deposit	**372,652**	369,139
Funds Held by Bond Trustee	**2**	2
Total Deposits and Investments	**$ 21,992,890**	$ 19,491,051

Concentration of Credit Risk
Concentration of credit risk is assumed to arise when the amount of investments that the College has with one issuer exceeds 5% or more of the total value of the College's investments. The College does not have a formal policy for concentration of credit risk and has no investments exceeding the 5% threshold.

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

Custodial Credit Risk
Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits and investments might not be recovered. Deposits and investments are made in domestic banks that are federally insured including some Massachusetts banks that are insured with supplemental insurance for those accounts exceeding the federally insured limits. The bank balance of the deposits and investments at June 30, 2019 and 2019 amounted to $21,003,574 and $18,350,945 respectively, of which $124,783 and $3,851,026, respectively, was exposed to custodial credit risk. The College does not have a written policy to mitigate custodial credit risk.

Interest Rate Risk
Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All investments at June 30, 2019 and 2018 have an original maturity of one year or less. The College does not have a written policy to mitigate interest rate risk.

Disclosure of Credit Risk of Debt Securities
Credit risk of debt securities is the risk of default on a debt security that may arise from an issuer or other counter party to a debt security not fulfilling its payment obligations. The College does not have a written policy to mitigate credit risk of debt securities. The following is a listing of credit quality ratings of the College's investments in debt securities as of June 30,:

		2019	
		Quality Ratings	
Rated Debt Investments	**Fair Value**	**AAA**	**Unrated**
Certificates of deposit	$ 372,652	$ -	$ 372,652

		2018	
		Quality Ratings	
Rated Debt Investments	**Fair Value**	**AAA**	**Unrated**
Certificates of deposit	$ 369,139	$ -	$ 369,139

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

Disclosure of Credit Risk of Debt Securities - continued
Certificates of deposit have an original maturity of one year. Historically, they have been automatically renewed annually for an additional year.

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

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

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

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

At June 30, 2019 and 2018, all investments are categorized in Level 2 of the fair value hierarchy and mature in less than one year.

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

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

	2019	2018
Equity securities	**$ 5,501,374**	$ 5,230,185
Fixed income securities	**3,138,159**	2,798,334
	$ 8,639,533	$ 8,028,519

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

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled $912,211 and $480,927 at June 30, 2019 and 2018, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 4 - **Accounts Receivable**

Accounts receivable include the following at June 30,:

	2019	2018
Student accounts receivable	**$ 3,159,402**	$ 2,476,191
Grants receivable	**325,285**	392,882
Other receivables	**1,651**	27,836
	3,486,338	2,896,909
Less: allowance for doubtful accounts	**(2,108,179)**	(1,962,805)
	$ 1,378,159	$ 934,104

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 5 - **Capital Assets**

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

	2019					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land		$ 13,842,077	$ -	$ -	$ -	$ 13,842,077
Construction in progress	-	843,021	425,007	-	(826,520)	441,508
Total non-depreciable assets		14,685,098	425,007	-	(826,520)	14,283,585
Capital assets, depreciated:						
Buildings and improvements	20-40	117,904,160	593,454	-	581,332	119,078,946
Furnishings and equipment	3-10	10,856,768	505,665	-	245,188	11,607,621
Educational resource materials	5	505,463	-	-	-	505,463
Total depreciable assets		129,266,391	1,099,119	-	826,520	131,192,030
Total capital assets		143,951,489	1,524,126	-	-	145,475,615
Less: accumulated depreciation:						
Buildings and improvements		(49,155,723)	(3,215,667)	-	-	(52,371,390)
Furnishings and equipment		(10,113,194)	(395,065)	-	-	(10,508,259)
Educational resource materials		(505,463)	-	-	-	(505,463)
Total accumulated depreciation		(59,774,380)	(3,610,732)	-	-	(63,385,112)
Capital assets, net		$ 84,177,109	$ (2,086,606)	$ -	$ -	$ 82,090,503

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 5 - **Capital Assets - Continued**

	2018					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciated:						
Land		$ 13,842,077	-	-	-	13,842,077
Construction in progress	-	22,167,537	764,900	-	(22,089,416)	843,021
Total non-depreciable assets		36,009,614	764,900	-	(22,089,416)	14,685,098
Capital assets, depreciated:						
Buildings and improvements	20-40	94,409,433	1,526,007	-	21,968,720	117,904,160
Furnishings and equipment	3-10	10,655,681	80,391	-	120,696	10,856,768
Educational resource materials	5	505,463	-	-	-	505,463
Total depreciable assets		105,570,577	1,606,398	-	22,089,416	129,266,391
Total capital assets		141,580,191	2,371,298	-	-	143,951,489
Less: accumulated depreciation:						
Buildings and improvements		(46,230,723)	(2,925,000)	-	-	(49,155,723)
Furnishings and equipment		(9,686,589)	(426,605)	-	-	(10,113,194)
Educational resource materials		(505,463)	-	-	-	(505,463)
Total accumulated depreciation		(56,422,775)	(3,351,605)	-	-	(59,774,380)
Capital assets, net		$ 85,157,416	$ (980,307)	$ -	$ -	$ 84,177,109

NORTH SHORE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 6 - **Long-Term Liabilities**

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

	2019				
	(Restated) Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable:					
Bonds payable	$ 4,696,985	$ -	$ 732,550	$ 3,964,435	$ 732,550
Notes payable	721,418	-	241,447	479,971	252,312
Total bonds and notes payable	5,418,403	-	973,997	4,444,406	984,862
Other long-term liabilities:					
Compensated absences	3,579,880	-	65,917	3,513,963	2,302,998
Workers' compensation	365,461	1,716	-	367,177	59,978
Net pension liability	9,655,877	237,464	-	9,893,341	-
Net OPEB liability	18,780,725	-	1,403,419	17,377,306	-
Total other long-term liabilties	32,381,943	239,180	1,469,336	31,151,787	2,362,976
Total long-term liabilities	$ 37,800,346	$ 239,180	$ 2,443,333	$ 35,596,193	$ 3,347,838

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable:					
Bonds payable	$ 5,429,533	$ -	$ 732,548	$ 4,696,985	$ 732,550
Notes payable	952,468	-	231,050	721,418	241,447
Total bonds and notes payable	6,382,001	-	963,598	5,418,403	973,997
Other long-term liabilities:					
Compensated absences	3,804,435	-	224,555	3,579,880	2,303,155
Workers' compensation	385,375	-	19,914	365,461	67,951
Net pension liability	10,321,326	-	665,449	9,655,877	-
Net OPEB liability	18,363,990	416,735	-	18,780,725	-
Total other long-term liabilties	32,875,126	416,735	909,918	32,381,943	2,371,106
Total long-term liabilities	$ 39,257,127	$ 416,735	$ 1,873,516	$ 37,800,346	$ 3,345,103

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

Bonds Payable

On December 30, 2013, the College issued \$3,288,490 of Series E and \$4,494,695 of Series F bonds with fixed rates of 3.08% and 3.79%, respectively (at a true cost of 3.685%). The bonds were issued through the Massachusetts Development Finance Agency for the purpose of refunding, together with other funds available for such purpose, the outstanding principal amount of the 2010 Series B and Series C bonds. Principal is payable semi-annually through October 1, 2026 for the Series E bonds and October 1, 2022 for the Series F bonds. Interest is payable monthly. The refunding did not result in a material difference between the reacquisition price and the net carrying amount of the previous debt. The College completed the refunding to reduce its total debt service payments over the next 14 years by \$1,391,155 and to obtain an economic gain of \$697,971. The balance of the Series E and F bonds at June 30, 2019 and 2018 was \$3,871,950 and \$4,583,084, respectively.

In 2011, the College issued \$148,050 of Series 2010A-9 bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually and interest is payable semi-annually commencing on November 1, 2010 through May 1, 2027 and bears interest at a rate of 3.5%. The debt proceeds plus a grant of \$410,950 from the Commonwealth's Division of Capital Asset Management and Maintenance ("DCAMM") was used to fund a project for a 77-kilowatt photovoltaic system for the Danvers Campus Berry Building. The balance of the Series 2010A-9 bonds at June 30, 2019 and 2018 was \$54,365 and \$63,074, respectively.

In 2008, the College issued \$190,600 of Series 2007A bonds through the Massachusetts Development Finance Agency for a Clean Renewal Energy Bond. Principal is payable annually through December 31, 2021 and does not bear interest. The bond proceeds plus a grant in the amount of \$358,100 from the Massachusetts Technology Collaborative was used to fund a project for a 62.2-kilowatt solar photovoltaic grid-tied panel on the roof of the Lynn Campus gymnasium. The balance of the Series 2007A bonds at June 30, 2019 and 2018 was \$38,120 and \$50,827, respectively. Interest has not been imputed due to lack of materiality.

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

Notes Payable
In fiscal 2011, the College entered into an agreement with DCAMM to participate in the Massachusetts Clean Energy Investment Program ("CEIP"). Under the program, DCAMM was responsible for construction of specific energy conservation projects at the College funded by CEIP funds and proceeds of bonds issued by the Commonwealth. In 2012, the College added $1,966,772 to its debt obligations for a 10-year note for the CEIP. The note represents 55% of the total obligation of $3,566,772 for equipment, design and installation of mechanical, electrical, controls and plumbing conservation measures at the Lynn and Danvers Campuses. Under the terms of the agreement, the remaining 45% or approximately $1,600,000 of the obligation is the responsibility of DCAMM. The balance of this note at June 30, 2019 and 2018 was $479,971 and $721,418, respectively.

Principal and Interest
As of June 30, 2019, principal and interest due on bonds and notes payable for the next five years and in subsequent five-year periods are as follows:

Fiscal Years Ending June 30,	Principal	Interest
2020	$ 984,862	$ 153,177
2021	960,209	116,464
2022	732,549	81,214
2023	537,148	57,162
2024	354,455	41,662
2025 - 2027	875,183	44,757
	$ 4,444,406	$ 494,436

Total interest expense was $188,693 and $220,066 for the years ending June 30, 2019 and 2018, respectively.

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

Operating Leases
The College has entered into lease agreements for academic space for the Middleton and Lynn campuses, and equipment for various departments. Future minimum lease payments as of June 30, 2019 are as follows:

Fiscal Years Ending June 30,	Operating Leases
2020	$ 235,185
2021	58,540
2022	23,211
	$ 316,936

Rental expense for operating leases was $230,713 and $216,858 for the years ending June 30, 2019 and 2018, respectively.

Note 7 - **Restricted Net Position**

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. At June 30, 2019 and 2018, the restricted net position was for instructional and departmental uses.

Note 8 - **Pension**

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

Note 8 - **Pension - Continued**

Defined Benefit Plan Description - continued

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

Benefit Provisions

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

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

Contributions

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

Note 8 - **Pension - Continued**

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to $2,605,790, $2,436,024 and $2,152,811, for the years ended June 30, 2019, 2018 and 2017, respectively.

For employees covered by SERS but not paid from state appropriations, the College is required to contribute at an actuarially determined rate. The rate was 12.06%, 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2019, 2018, and 2017, respectively. The College contributed $511,444, $683,826, and $588,633 for the fiscal years ended June 30, 2019, 2018 and 2017, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 76%, 77% and 77% of total related payroll for fiscal years end 2019, 2018 and 2017, respectively.

Note 8 - **Pension - Continued**

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

At June 30, 2019 and 2018, the College reported a liability of $9,893,341 and $9,655,877, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2019, the reporting date, was measured as of June 30, 2018, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. The net pension liability as of June 30, 2018, the reporting date, was measured as of June 30, 2017, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2019 and 2018. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal years 2019 and 2018 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.07% and 0.08%, respectively.

Note 8 - **Pension - Continued**

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

For the years ended June 30, 2019 and 2018, the College recognized pension expense of $860,377 and $865,492, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	2019	2018
Deferred Outflows of Resources Related to Pension		
Contributions made after the measurement date	**$ 511,444**	$ 683,826
Differences between expected and actual experience	**313,733**	373,336
Changes in proportion from Commonwealth	**26,682**	33,072
Changes in plan actuarial assumptions	**1,002,629**	1,004,841
Changes in proportion due to internal allocation	**264,948**	475,979
Total deferred outflows of resources related to pension	**$ 2,119,436**	$ 2,571,054

	2019	2018
Deferred Inflows of Resources Related to Pension		
Net differences between projected and actual investment earnings on pension plan investments	**$ 343,882**	$ 115,050
Differences between expected and actual experience	**201,627**	262,712
Changes in proportion from Commonwealth	**1,881**	3,442
Changes in proportion due to internal allocation	**1,385,197**	1,891,536
Total deferred inflows of resources related to pension	**$ 1,932,587**	$ 2,272,740

Note 8 - **Pension - Continued**

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

The College's contributions of $511,444 and $683,826 made during the fiscal years ending 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years.

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

Years Ending June 30,	
2020	$ 355,730
2021	19,200
2022	(407,934)
2023	(245,811)
2024	(45,780)
	$ (324,595)

Note 8 - **Pension - Continued**

Actuarial Assumptions

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

	2019	**2018**
Measurement date	June 30, 2018	June 30, 2017
Inflation on the first $13,000 of allowance	3.00%	3.00%
Salary increases	4.00% to 9.00%	4.00% to 9.00%
Investment rate of return	7.35%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

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

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

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

Note 8 - **Pension - Continued**

Actuarial Assumptions - continued

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

2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	39.0%	5.0%
Portfolio Completion Strategies	13.0%	3.7%
Core Fixed Income	12.0%	0.9%
Private Equity	12.0%	6.6%
Real Estate	10.0%	3.8%
Value Added Fixed Income	10.0%	3.8%
Timberland/Natural Resources	4.0%	3.4%
	100.0%	

Note 8 - **Pension - Continued**

Actuarial Assumptions - continued

2018

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	5.0%
Portfolio Completion Strategies	13.0%	3.6%
Core Fixed Income	12.0%	1.1%
Private Equity	11.0%	6.6%
Real Estate	10.0%	3.6%
Value Added Fixed Income	10.0%	3.8%
Timberland/Natural Resources	4.0%	3.2%
Hedge Funds	0.0%	3.6%
	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.35% and 7.50% at June 30, 2019 and 2018, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 8 - **Pension - Continued**

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

2019		
1.00% Decrease (6.35%)	**Current Discount Rate (7.35%)**	**1.00% Increase (8.35%)**
$ 13,334,570	**$ 9,893,341**	**$ 6,952,943**

2018		
1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
$ 13,150,902	$ 9,655,877	$ 6,840,550

Note 9 - **Other Post-Employment Benefits (“OPEB”)**

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

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

Defined Benefit Plan Description - continued

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

Management of the SRBT is vested with the board of trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board.

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

Benefits Provided

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

Contributions

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

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

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

The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 8.79% and 8.92% of annual covered payroll for the fiscal years ended June 30, 2019 and 2018, respectively. The College contributed $372,942 and $517,742 for the fiscal years ended June 30, 2019 and 2018, respectively, equal to 100% of the required contribution for the year.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
At June 30, 2019 and 2018, the College reported a liability of $17,377,306 and $18,780,725, respectively, for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability was measured as of June 30, 2018 and 2017, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2018 and 2017, respectively. The College's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the College's share of total covered payroll for the fiscal years 2018 and 2017. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2018 and 2017 relative to total contributions of all participating employers for the fiscal year. At June 30, 2019 and 2018, the College's proportion was 0.117% and 0.107%, respectively.

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

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

For the years ended June 30, 2019 and 2018, the College recognized OPEB expense of $1,105,126 and $1,471,509, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

Deferred Outflows of Resources Related to OPEB	2019	2018
Contributions made subsequent the measurement date	**$ 372,942**	$ 517,742
Differences between expected and actual experience	**211,063**	-
Changes in proportion from Commonwealth	**55,846**	39,306
Changes in proportion due to internal allocation	**2,723,004**	1,612,703
Total deferred outflows of resources related to OPEB	**$ 3,362,855**	$ 2,169,751

Deferred Inflows of Resources Related to OPEB	2019	2018
Net differences between projected and actual investment earnings on OPEB plan investments	**$ 43,392**	$ 34,265
Differences between expected and actual experience	**37,091**	43,180
Changes in OPEB plan actuarial assumptions	**5,339,055**	2,127,111
Total deferred inflows of resources related to OPEB	**$ 5,419,538**	$ 2,204,556

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

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

The College's contributions of $372,942 and $517,742 made during the fiscal year 2019 and 2018, respectively, subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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

Years Ending June 30,	
2020	$ (547,882)
2021	(547,882)
2022	(547,882)
2023	(435,312)
2024	(350,667)
	$ (2,429,625)

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

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

Measurement date	June 30, 2018	June 30, 2017
Inflation	3.00%	3.00%
Salary increases	4.0% per year	4.5% per year
Investment rate of return	7.35%, net of OPEB plan investment expense, including inflation	7.5%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	8.0%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for Medical; 5.0% for EGWP; 5.0% for administrative costs	8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for Medical; 5.0% for EGWP; 5.0% for administrative costs

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

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

Actuarial Assumptions - continued
The participation rates are actuarially assumed as below:

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

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

- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later.

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

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

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

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

Actuarial Assumptions - continued

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

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

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

Discount Rate

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

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Notes to the Financial Statements - Continued

June 30, 2019 and 2018

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

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

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

2019		
1.00% Decrease (2.95%)	**Current Discount Rate (3.95%)**	**1.00% Increase (4.95%)**
$ 20,519,617	**$ 17,377,306**	**$ 14,865,075**

2018		
1.00% Decrease (2.63%)	Current Discount Rate (3.63%)	1.00% Increase (4.63%)
$ 22,294,223	$ 18,780,725	$ 15,987,220

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

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

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

	2019	
1.00% Decrease (B)	**Current Healthcare Cost Trend Rate (A)**	**1.00% Increase (C)**
$ 14,437,542	**$ 17,377,306**	**$ 21,215,035**

	2018	
1.00% Decrease (B)	Current Healthcare Cost Trend Rate (A)	1.00% Increase (C)
$ 15,538,661	$ 18,780,725	$ 23,047,084

(A) - Current healthcare cost trend rate, as disclosed on page 50
(B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed on page 50
(C) - 1-percentage increase in current healthcare cost trend rate, as disclosed on page 50

Note 10 - **Contingencies**

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

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

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

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

Note 10 - **Contingencies - Continued**

The College has received two penalty notices in the amount of $1,751,880 and $360,050 from the Internal Revenue Service ("IRS") stating that the College did not properly file its Forms 1098-T for tax years 2016 and 2015, respectively. Since 2013, the College has contracted with a third party to file on its behalf Forms 1098-T with the IRS. The third party has acknowledged that it was responsible for the improper Form 1098-T filings. During fiscal year 2019, the College received notice from the IRS that the $360,050 penalty was abated. The College has not received communication regarding the status of the other notice after the receipt of the initial notice. The College is vigorously pursuing abatement of the remaining penalty and is in discussions with the third-party regarding the penalty. Management believes that it is probable that the penalty will either be waived or reduced by the IRS. In the event that does not occur, the College will seek reimbursement from the third party. Accordingly, the College has not accrued a liability for this matter as of June 30, 2019 and 2018.

Note 11 - **Operating Expenses**

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

	2019	2018
Compensation and benefits	**$ 46,405,930**	$ 47,430,213
Supplies and services	**10,726,689**	11,060,131
Depreciation	**3,610,732**	3,351,605
Scholarships and fellowships	**3,216,783**	2,929,391
	$ 63,960,134	$ 64,771,340

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2019 and 2018

Note 12 - **State Appropriation**

The College's state appropriation is composed of the following for the years ending June 30,:

	2019	2018
Direct unrestricted appropriations	**$ 23,320,769**	$ 21,618,575
Add: Fringe benefits for benefited employees on the state payroll	**7,505,486**	7,188,548
Total unrestricted appropriations	**30,826,255**	28,807,123
Restricted appropriations	**349,739**	339,067
Add: Fringe benefits for benefited employees on the state payroll	**33,154**	20,262
Total restricted appropriations	**382,893**	359,329
Capital appropriations	**374,674**	1,436,409
Total Appropriations	**$ 31,583,822**	$ 30,602,861

Note 13 - **Other Fringe Benefits**

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

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

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

Group Insurance Commission - continued

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

Other Retirement Plans

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

Note 14 - **Pass-Through Loans**

The College distributed $5,716,294 and $6,104,694 during fiscal years 2019 and 2018, respectively, for student loans through the U.S. Department of Education direct loan program for student loans. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH SHORE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

Year ended	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.075%	0.075%	0.075%	0.106%	0.970%
Proportionate share of the collective net pension liability	$ 9,893,341	$ 9,655,877	$ 10,321,326	$ 12,077,736	$ 7,222,922
College's covered payroll	$ 5,805,025	$ 5,915,910	$ 5,687,757	$ 6,393,378	$ 7,216,427
College's proportionate share of the net pension liability as a percentage of its covered payroll	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	2019	2018	2017	2016	2015
Statutorily required contribution	$ 511,444	$ 683,826	$ 588,633	$ 537,493	$ 664,272
Contributions in relation to the statutorily required contribution	(511,444)	(683,826)	(588,633)	(537,493)	(664,272)
Contribution (excess)/deficit	$ -	$ -	$ -	$ -	$ -
College's covered payroll	$ 4,240,829	$ 5,805,025	$ 5,915,910	$ 5,687,757	$ 6,393,378
Contribution as a percentage of covered payroll	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension (Unaudited)

For the Year Ended June 30, 2019

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

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

The mortality rate assumptions were changed as follows:

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

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

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

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

- Disability – did not change

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

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

See Independent Auditors’ Report.

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

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

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

The mortality rates were changed as follows:

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

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

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

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

Year ended	June 30, 2019	June 30, 2018
Measurement date	June 30, 2018	June 30, 2017
Valuation date	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.117%	0.107%
Proportionate share of the collective net OPEB liability	$ 17,377,306	$ 18,780,725
College's covered payroll	$ 5,805,025	$ 5,915,910
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	299.35%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

	2019	2018
Statutorily required contribution	$ 372,942	$ 517,472
Contributions in relation to the statutorily required contribution	(372,942)	(517,472)
Contribution (excess)/deficit	$ -	$ -
College's covered payroll	$ 4,240,829	$ 5,805,025
Contribution as a percentage of covered payroll	8.79%	8.91%

Notes:

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

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

See accompanying notes to the required supplementary information.

NORTH SHORE COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB (Unaudited)

June 30, 2019

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2019

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

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

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

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

Fiscal year June 30, 2018

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

See Independent Auditors' Report.

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

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

To the Board of Trustees of
North Shore Community College
Danvers, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Shore Community College (the "College") which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 22, 2019.

Internal Control Over Financial Reporting

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

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

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

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

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 22, 2019