

**SPRINGFIELD TECHNICAL
COMMUNITY COLLEGE**
(an agency of the Commonwealth of Massachusetts)

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

JUNE 30, 2021

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Financial Statements

June 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Springfield Technical Community College
Springfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Springfield Technical Community College (an agency of the Commonwealth of Massachusetts) (the "College"), and Springfield Technical Community College Foundation (the "Foundation"), a component unit, as of and for the years ending June 30, 2021 and 2020, 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 opinions on these financial statements based on our audits. We did not audit the financial statements of one of the component units, the Springfield Technical Community College Assistance Corporation ("STCCAC"), as of June 30, 2021 and 2020 as discussed in Note 1 to the financial statements. 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 STCCAC, is 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 our 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 opinions.

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the net position of Springfield Technical Community College as of June 30, 2021 and 2020, and the respective changes in net position, its cash flows, and combining statements of net position of major component units and combining statements of revenues, expenses and changes in net position of major component units for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, on our consideration of Springfield Technical Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Springfield Technical Community College's internal control over financial reporting and compliance.



**Certified Public Accountants
Braintree, Massachusetts**

October 14, 2021

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The following discussion and analysis provides an overview of the financial position of Springfield Technical Community College (an agency of the Commonwealth of Massachusetts) (the "College") as of June 30, 2021, 2020 and 2019, and the results of its 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 report. This analysis was prepared by the College's management.

The College is a public institution of higher education serving over 5,700 students annually, with approximately 300 full-time and adjunct faculty and 500 full and part-time staff members. The campus is located in Springfield, Massachusetts and offers 58 associate degree programs and additional options for majors, and 30 credit certificate programs.

In support of the College are two discrete component units: Springfield Technical Community College Assistance Corporation ("STCCAC"), and Springfield Technical Community College Foundation, Inc. (the "Foundation"). STCCAC is a not-for-profit Massachusetts corporation that was created in 1996 under the Commonwealth of Massachusetts general laws, Chapter 273, Section 125, Acts of 1994, to provide the physical and financial resources necessary for the acquisition and development of a technology park that is housed directly across the street from the College and to further fulfill the educational mission of the College. The Foundation is a not-for-profit organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation was formed to help the College meet its goals and commitment to provide superior educational opportunities in the community. The Foundation accomplishes its mission through fundraising and promoting the College as a community resource and by securing and managing private resources, planned gifts, and donations to support special projects.

In accordance with Governmental Accounting Standards Board ("GASB"), we have prepared financial statements for the College that shows STCCAC and the Foundation as discrete component units.

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Highlights

- At June 30, 2021, the College's assets of \$119,069,219 and deferred outflows of \$2,038,444 exceeded liabilities of \$23,050,262 and deferred inflows of \$1,672,813. Net position, which represents the equity of the College, increased \$9,767,973 from \$86,616,615 to \$96,384,588. The resulting net position is summarized into the following categories:

	2021	2020	2019
Net investment in capital assets	\$ 72,308,306	\$ 76,124,874	\$ 73,308,767
Restricted, expendable	238,372	241,932	278,664
Unrestricted	23,837,910	10,249,809	6,317,062
Total net position	\$ 96,384,588	\$ 86,616,615	\$ 79,904,493

- The College's Board of Trustees may use the unrestricted net position to meet ongoing obligations to their stakeholders. Additionally, the restricted, expendable net position may also be expended, but only for the purposes for which the donor or grantor intended.
- The College's Board of Trustees have designated certain unrestricted net position for a number of purposes, including capital repair funds, new program funds, and long-term investment funds.
- The \$9,767,973 increase in net position from fiscal 2020 to fiscal 2021 is the result of Division of Capital Asset Management and Maintenance ("DCAMM") capital initiatives, timing on the spending of previously approved facilities projects, and Federal Grants (Higher Education Emergency Relief Fund ("HEERF") and Governor's Emergency Education Relief Fund ("GEER")), which was partially reduced by a decrease in enrollment.

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.

The Financial Statements

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Overview of the Financial Statements -Continued

The *Statements of Net Position* present information on all of the College's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the College is improving or deteriorating.

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

The *Statements of Cash Flows* is reported on the direct method. The direct method of cash 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 Statements Nos. 34 and 35 require this method to be used. In accordance with GASB 39, STCCAC and the Foundation are not required to present the statement of cash flows.

The financial statements can be found on pages 21 through 25 of this report.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes provide information regarding the accounting policies and procedures the College, STCCAC, and the Foundation have 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 26 through 63 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the College's financial position.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

In the case of the College, assets and deferred outflows exceeded liabilities and deferred inflows by \$96,384,588, \$86,616,615, and \$79,904,493 as of June 30, 2021, 2020 and 2019, respectively.

Condensed Net Position Information

	June 30		
	2021	2020	2019
Current assets	\$ 26,950,605	\$ 11,983,919	\$ 8,658,425
Non-current assets	92,118,614	92,819,852	90,127,420
Total assets	119,069,219	104,803,771	98,785,845
Deferred outflows of resources	2,038,444	1,683,365	2,003,423
Total assets and deferred outflows of resources	121,107,663	106,487,136	100,789,268
Current liabilities	13,045,173	9,429,067	9,930,628
Non-current liabilities	10,005,089	8,719,910	10,249,221
Total liabilities	23,050,262	18,148,977	20,179,849
Deferred inflows of resources	1,672,813	1,721,544	704,926
Total liabilities and deferred inflows of resources	24,723,075	19,870,521	20,884,775
Net position:			
Net investment in capital assets	72,308,306	76,124,874	73,308,767
Restricted, expendable	238,372	241,932	278,664
Unrestricted	23,837,910	10,249,809	6,317,062
Total net position	96,384,588	86,616,615	79,904,493
Total liabilities, deferred inflows of resources and net position	\$ 121,107,663	\$ 106,487,136	\$ 100,789,268

The largest portion of the College's net position (75%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt, including capital lease obligations, used to acquire those assets that is still outstanding. From fiscal 2020 to fiscal 2021, net investment in capital assets decreased by \$3,816,568 or 5%.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

This was largely due to the depreciation of assets exceeding new spending on capital projects. From fiscal 2019 to fiscal 2020, net investment in capital assets increased by \$2,816,107 or 4%. This was largely due to DCAMM funded initiatives to renovate Building 19 and improve the College's main switchgear and electrical infrastructure.

The College starts to depreciate capital renovations upon completion of an entire project. 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.

An additional portion of the College's net position (less than 1% at June 30, 2021, 2020 and 2019) represents resources that are subject to external restrictions on how they must be used. These are comprised primarily of scholarships. The remaining balance of unrestricted net position (25% at June 30, 2021, 12% at June 30, 2020 and 8% at June 30, 2019) may be used to meet the College's ongoing obligations to its stakeholders. The fiscal 2021 balance reflected a 133% increase from fiscal 2020 which can be attributed to increases in non-operating revenue (primarily Federal grants due to COVID-19 combined with investment income). The fiscal 2020 balance reflected a 62% increase from fiscal 2019 which can be attributed to increases in both operating and non-operating revenue as well as decreased operating expenses.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

Condensed Statements of Revenues and Expenses Information

	Years Ended June 30,		
	2021	2020	2019
Operating revenues:			
Tuition and fees, net of scholarships	\$ 10,570,821	\$ 10,465,312	\$ 10,592,911
Other operating sources	17,057,987	22,104,070	20,197,305
Total operating revenues	27,628,808	32,569,382	30,790,216
Operating expenses	72,301,244	70,160,924	72,433,899
Net operating loss	(44,672,436)	(37,591,542)	(41,643,683)
Non-operating revenues:			
State appropriations	36,963,598	36,322,359	35,063,522
Other non-operating revenues/expenses	13,604,550	1,098,472	439,629
Total non-operating revenues	50,568,148	37,420,831	35,503,151
Net increase (decrease) in net position before capital appropriations	5,895,712	(170,711)	(6,140,532)
Capital appropriations	3,872,261	6,882,833	12,370,228
Net increase in net position	\$ 9,767,973	\$ 6,712,122	\$ 6,229,696

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

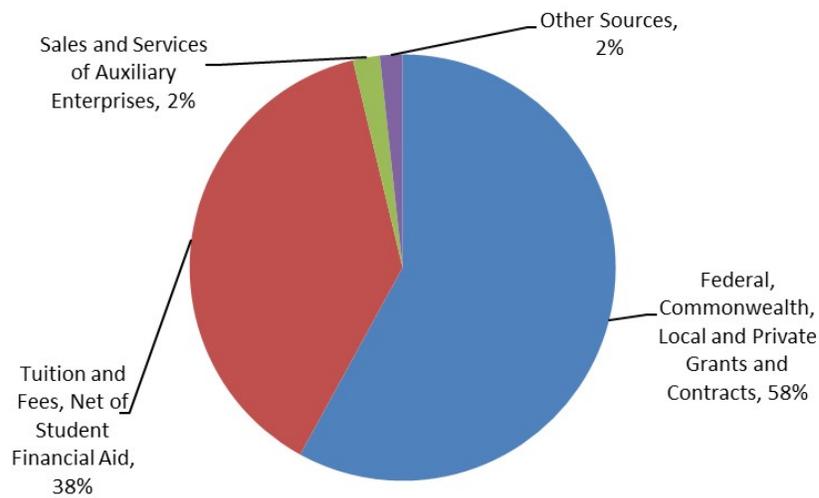
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Management's Discussion and Analysis (Unaudited) - Continued

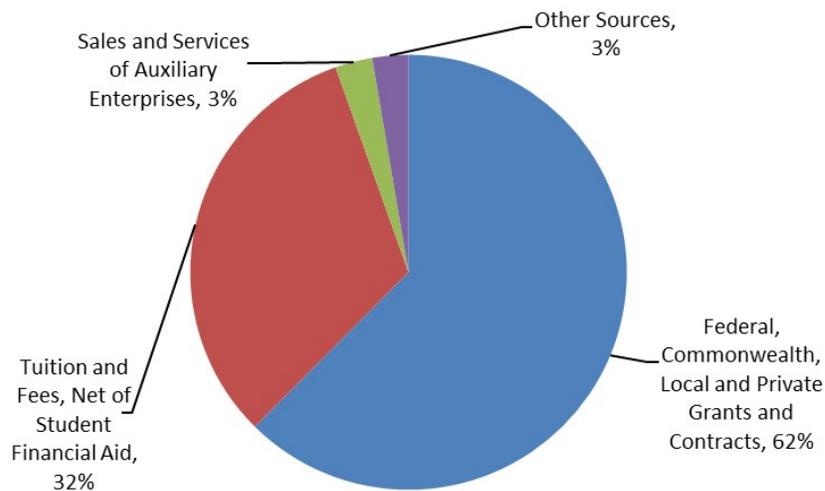
June 30, 2021 and 2020

Financial Analysis - Continued

Operating Revenues by Source
2021



Operating Revenues by Source
2020



SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

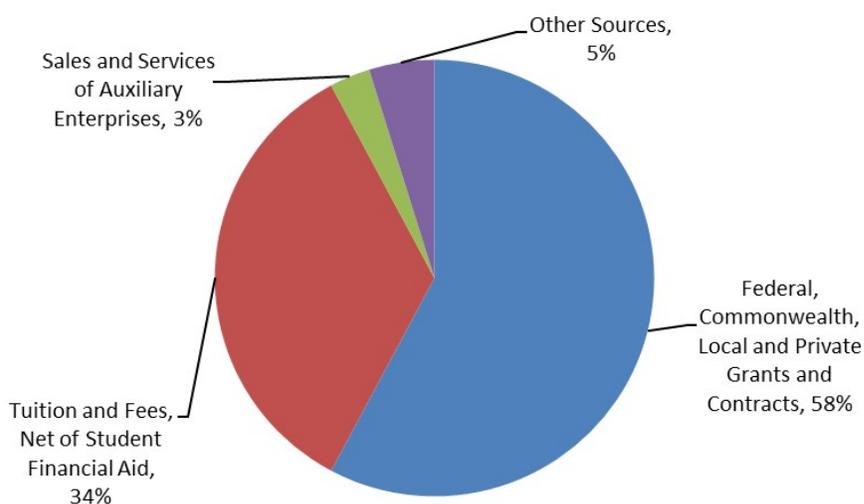
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

**Operating Revenues by Source
2019**



Tuition and fees billed by the College include the following (includes state and non-state supported tuition and fees):

	Years Ended June 30,		
	2021	2020	2019
Tuition - state supported	\$ 878,619	\$ 929,881	\$ 943,829
Tuition - non state supported	1,371,663	1,718,545	1,616,112
Tuition - out-of-state retained	252,382	239,614	199,758
General education fees	17,848,958	20,444,667	19,038,073
Student service fees	313,038	367,983	368,511
Subtotal	20,664,660	23,700,690	22,166,283
Less: tuition remitted to the Commonwealth	(351,879)	(355,825)	(358,583)
Tuition and fees net of tuition remitted	<u>\$ 20,312,781</u>	<u>\$ 23,344,865</u>	<u>\$ 21,807,700</u>

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

Tuition and fee revenues decreased from fiscal 2020 to 2021 by \$3,036,030 or 13% due to a decrease in enrollment. Tuition and fee revenues increased from fiscal 2019 to 2020 by \$1,534,407 or 7% due to an increase in the general education and health programs fees.

Major grants and contracts administered at the College during fiscals 2021 and 2020 included the following:

- The Community Adult Learning Center Grant, funded by the Massachusetts Department of Elementary and Secondary Education, will provide funding over four years concluding in FY 2022. The grant funds help support Adult Basic Education as well as ESOL instruction and has enabled the College to maintain ABE services including stand-alone sessions of math/writing and supplemental computer literacy classes. Grant partners include Holyoke Community College and the Springfield Housing Authority. The College recognized revenue on this grant in the amount of \$935,935 in fiscal 2021 and \$805,884 in fiscal 2020.
- The Coronavirus Aid, Relief, and Economic Security ("CARES") Act, funded by the U.S Department of Education, was awarded to assist with the costs and needs that have arisen due to the coronavirus. Funding is categorized as Student Aid, Institutional Aid, and Minority Serving Institution ("MSI") Aid. Student Aid provides funding to address the pressing financial need of students. Institutional funding will defray institutional expenses such as costs associated with significant change to the delivery of instruction due to the disruption of campus operations from the coronavirus. MSI funding was awarded due to the College's status as a Hispanic Serving Institution and is used to address student financial need as well as institutional need. The College recognized revenue on this grant in the amount of \$912,822 for student funding, \$1,774,949 for institutional funding and \$229,928 for MSI funding, totaling \$2,917,699 in fiscal 2021 and totaling \$991,093 for student funding in fiscal 2020.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

- The Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), funded by the U.S Department of Education, was awarded to address the pressing financial need of students, defray expenses related to the coronavirus and carry out student support associated with the coronavirus emergency. Funding is categorized as Student Aid, Institutional Aid, and Minority Serving Institution ("MSI") Aid. Student Aid provides funding to address the pressing financial need of students. Institutional funding will defray expenses associated with coronavirus (including lost revenue, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll); carry out student support activities, and make additional financial grants to students. MSI funding was awarded due to the College's status as a Hispanic Serving Institution and is used to address institutional needs. The College recognized revenue on this grant in the amount of \$1,785,818 for student funding, \$5,709,100 for institutional funding and \$1,519 for MSI funding, totaling \$7,496,437 in fiscal 2021.
- The American Rescue Plan Act ("ARPA"), funded by the U.S Department of Education, will provide funding to address the pressing financial need of students and for Recipient's Institutional Costs to defray expenses associated with coronavirus. Funding awarded in fiscal 2021 is categorized as Student Aid and Institutional Aid. Student Aid provides funding to address the pressing financial need of students. Institutional funding will defray expenses associated with coronavirus (including lost revenue, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll); carry out student support activities, and make additional financial grants to students. The College was awarded \$7,182,183 for student aid and \$7,041,622 in institutional aid, totaling \$14,223,805 in fiscal 2021 and recognized revenue on this grant in the amount of \$7,435 for student funding and \$7,290 for institutional funding, totaling \$14,725 in fiscal 2021. The College was also awarded MSI funds in the amount of \$731,952 in fiscal 2022.

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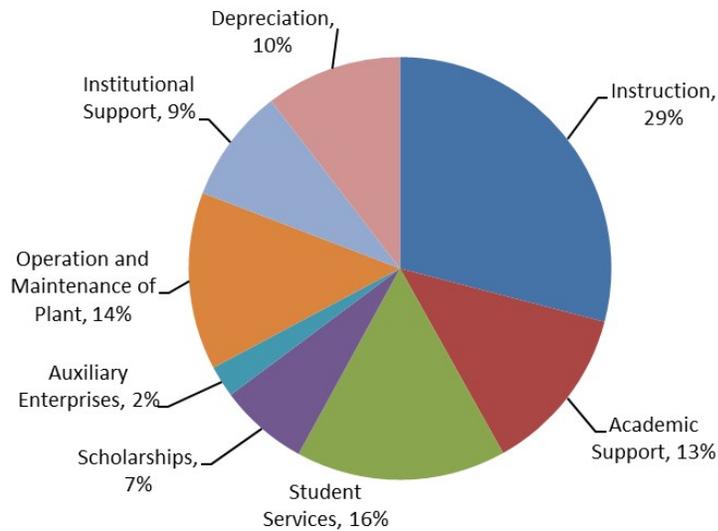
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

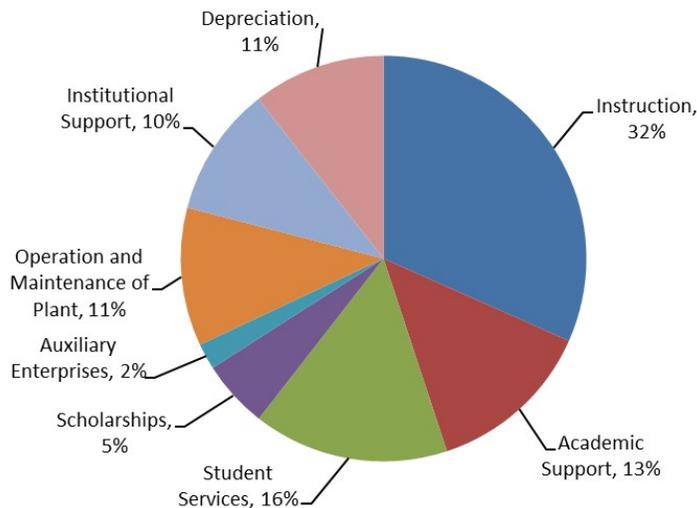
Operating Expenses by Functional Category

2021



Operating Expenses by Functional Category

2020



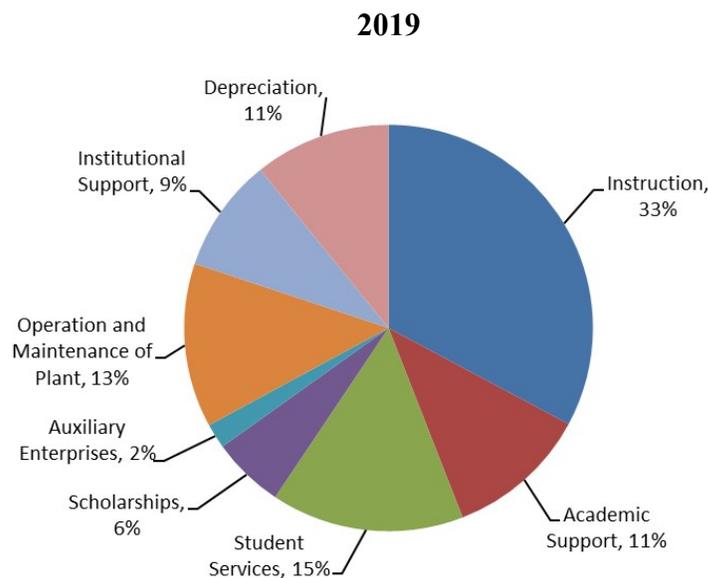
SPRINGFIELD TECHNICAL COMMUNITY COLLEGE (an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Financial Analysis - Continued

Operating Expenses by Functional Category



Operating expenses for fiscal 2021 are shown by functional category with instruction totaling the largest at 29% followed by student services at 16%, operation and maintenance of plant at 14%, academic support at 13%, depreciation at 10%, and institutional support at 9%. Operating expenses increased from fiscal 2020 to fiscal 2021 by \$2,140,320 and can be attributed primarily to environmental remediation expenses. Operating expenses decreased from fiscal 2019 to fiscal 2020 by \$2,272,975 and can be attributed primarily to a decrease in spending in operation and maintenance of plant.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses for fiscal 2021 were comprised of net state appropriations of \$40,835,859 which included \$3,872,261 in capital appropriations from the state; \$10,428,861 in Federal Grants ("HEERF"); \$3,270,149 in investment income and offset by \$94,460 of interest expense. Non-operating revenues and expenses for fiscal 2020 were comprised of net state appropriations of \$43,205,192 which included \$6,882,833 in capital appropriations from the state; \$991,093 of HEERF funding related to the CARES Act; \$207,263 in investment income; offset by \$99,884 of interest expense.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Loss from Operations and Changes in Net Position

The following schedule presents summarized information about the losses incurred from operations reconciled to changes in net position by the College for the fiscal years ended June 30, 2021, 2020 and 2019:

	Years Ended June 30,		
	2021	2020	2019
Tuition and fees revenue	\$ 10,570,821	\$ 10,465,312	\$ 10,592,911
Other revenues	17,057,987	22,104,070	20,197,305
Operating expenses	(72,301,244)	(70,160,924)	(72,433,899)
Operating loss	(44,672,436)	(37,591,542)	(41,643,683)
State direct appropriations	28,403,461	27,729,994	26,876,988
Fringe benefits for benefited employees on the Commonwealth's payroll	8,912,016	8,948,190	8,545,117
Tuition remitted to the Commonwealth	(351,879)	(355,825)	(358,583)
Capital appropriations	3,872,261	6,882,833	12,370,228
Net State appropriations	40,835,859	43,205,192	47,433,750
Other revenues (expenses), net	13,604,550	1,098,472	439,629
Net increase in net position	\$ 9,767,973	\$ 6,712,122	\$ 6,229,696

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Board of Higher Education presets tuition. The College sets fees and other charges. State appropriations to the College made up the loss from operations that were not made up by tuition and fees. The College, with the purpose of balancing educational and operational needs with tuition and fees revenue, approves budgets to mitigate losses after state appropriations.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Capital Assets and Long-Term Liabilities

Capital Assets

The College's net investment in capital assets as of June 30, 2021 amounts to \$72,308,306. This investment in capital assets includes land, buildings (including improvements), furnishings and equipment, and books. Capital additions for the year were \$3,587,037 and depreciation expense amounted to \$7,541,301. Year over year the College's investment in capital assets decreased by 5% or \$3,816,568. This was due to the fact that depreciation of assets exceeded spending on capital projects.

Building improvements and equipment were purchased in fiscal 2021. Major purchases were as follows:

- DCAMM funding in the amount of \$2,658,722 benefited the College: \$1,254,235 towards improving the main switchgear and electrical infrastructure; \$360,343 towards patient simulation equipment; \$240,980 towards a Dell data domain; \$119,180 towards roof replacement for Building 32; \$108,063 for air handlers/HVAC for Building 2; \$102,552 for fire dampers for Building 17; \$95,200 towards masonry for Building 2; \$89,288 for elevator upgrades for Building 27; \$61,810 for ADA improvements for Building 2 and 17 labs; \$61,601 for Robotics/Engineering renovations; \$59,741 for Workforce Development classroom renovations in Building 27; \$41,712 towards the arc flash; \$36,614 for an air conditioning upgrade for the WTCC radio station in Building 16; and \$27,403 for solar shades and miscellaneous work in Building 19.
- Trust fund and general state appropriation purchases in the amount of \$664,797 was distributed over the following projects: \$159,140 towards dental equipment; \$109,141 towards the Robotics/Engineering renovations; \$90,800 towards Campus Police video surveillance equipment; \$87,330 towards Workforce Development/ABE renovations in Building 27; \$55,876 towards fire dampers for Building 17; \$52,306 towards a Campus Police vehicle; \$44,503 towards WTCC radio station renovations; \$21,715 towards parking lot cameras/automation; \$14,156 towards an ionization/iWave air clean project; \$11,591 towards Workforce Development classroom renovations in Building 27; \$9,968 towards the main switchgear and electrical infrastructure; and \$8,271 towards renovations for Building 8.
- Grant funding in the amount of \$263,517 benefited the college in the following projects: \$151,004 towards an ionization/iWave air clean project and \$112,513 towards patient simulation equipment.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Capital Assets and Long-Term Liabilities - Continued

Capital Assets - Continued

The College's net investment in capital assets as of June 30, 2020 amounted to \$76,124,874. This investment in capital assets includes land, buildings (including improvements), furnishings and equipment, and books. Capital additions for the year were \$10,116,414 and depreciation expense amounted to \$7,432,580. Year over year the College's investment in capital assets increased by 4% or \$2,816,107. This was largely due to a DCAMM funded initiative to renovate Building 19, the Ira Rubenzahl Learning Commons, and to improve the College's main switchgear and electrical infrastructure.

Building improvements and equipment were purchased in fiscal 2020. Major purchases were as follows:

- DCAMM funding in the amount of \$7,244,619 benefited the College: \$3,528,301 towards improving main switchgear and electrical infrastructure; \$1,653,024 towards Building 19 renovations; \$602,284 towards masonry for Building 13; \$539,783 for masonry for Building 17; \$347,713 towards a roof replacement for Building 2; \$270,233 towards masonry and roof for Building 27; \$195,840 for snow guards for Building 19; \$56,700 towards the arc flash; and \$50,741 towards Building 28 accessibility.
- Trust fund and general state appropriation purchases in the amount of \$2,040,816 was distributed over the following projects: \$419,935 towards parking lot cameras and automation; \$348,675 for Building 7 renovations; \$317,496 for Building 8 renovations; \$283,385 for a switch upgrade; \$221,473 for Building 28 accessibility; \$134,970 for the SIMS server; \$111,645 for health/SIMS relocation; \$64,110 for the UBS rebuild; \$57,530 for greenhouse glazing; \$27,349 for the radio station; \$25,000 for SIMS simulator equipment; \$17,459 for robotics renovations; and \$11,789 for Building 27 renovations.
- Grant funding in the amount of \$830,981 benefited the college in the following projects: \$469,830 towards MET equipment; \$201,999 towards SIMS simulator equipment; \$153,109 towards the STEM center and \$6,043 towards the switch upgrade.

The College's net investment in capital assets as of June 30, 2019 amounts to \$73,308,767. This investment in capital assets includes land, buildings (including improvements), furnishings and equipment, and books. Capital additions for the year were \$18,314,912 and depreciation expense amounted to \$7,767,601. Year over year the College's investment in capital assets increased by 17% or \$10,460,464. This was largely due to a DCAMM funded initiative to renovate Building 19, the Ira Rubenzahl Learning Commons.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Capital Assets and Long-Term Liabilities - Continued

Capital Assets - Continued

Building improvements and equipment were purchased in fiscal 2019. Major purchases were as follows:

- DCAMM funding in the amount of \$15,375,582 benefited the College: \$12,065,274 towards Building 19 renovations; \$813,164 towards a roof replacement for Building 2; \$738,817 towards exterior structural masonry repairs for Building 17; \$526,033 towards the main switchgear and electrical infrastructure; \$409,670 toward campus servers; \$205,425 towards Building 28 accessibility; \$189,410 towards Building 19 cameras and access control; \$181,166 towards the Building 20 HVAC unit ventilators; \$150,032 towards switches and phones associated with the lightning strike; and \$96,591 towards masonry and roof for Building 27.
- Trust fund purchases in the amount of \$2,866,167 was distributed toward the following projects: \$1,685,031 towards K-lot parking renovations; \$357,701 towards Building 19 switches and controllers; \$149,028 towards patient simulators; \$134,970 towards a Flex Essential server; \$130,640 towards HVAC upgrades; \$122,395 towards student buses; \$104,184 towards Health/SIMS relocation; \$99,999 towards a MedStation; \$72,216 towards the roof replacement for Building 2, and \$10,003 towards a firewall.
- Grant funding in the amount of \$73,163 benefited the College towards the STEM center in Building 17.

Long-Term Liabilities

The College's long-term debt consists of accruals for compensated absences, workers' compensation, the long-term portion of the note payable, the net pension liability, and the other post-retirement benefits ("OPEB") liability. The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the College payroll.

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

The seasonally adjusted unemployment rate for the Commonwealth within which the College primarily draws students decreased from 17.7% in June of 2020 to 4.9% in June of 2021 according to the United States Department of Labor, Bureau of Labor Statistics. This compares to the national level, also according to the United States Department of Labor, Bureau of Statistics, which decreased from 11.1% in June of 2020 to 5.9% in June of 2021.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

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

It is difficult for the College to predict the extent to which enrollment may vary in the current environment; however, historical trends indicate that as unemployment rates decrease, there is a correlating decrease in enrollment.

The College continues to recognize a trend of declining enrollment in fiscal 2021 and in the fall 2021 semester (fiscal 2022), both of which were exacerbated by the impact of COVID-19. The College experienced approximately a 10% decrease in enrollment for the fall 2021 semester (fiscal 2022) as compared to the fall 2020 semester (fiscal 2021). The following chart illustrates the College's recent enrollment figures:

	Billed Headcount	Billed Credits
Fiscal 2012	15,480	140,645
Fiscal 2013	15,489	141,815
Fiscal 2014	15,313	139,839
Fiscal 2015	14,574	133,010
Fiscal 2016	14,068	124,226
Fiscal 2017	12,525	111,819
Fiscal 2018	12,321	107,830
Fiscal 2019	11,167	99,257
Fiscal 2020	11,151	101,677
Fiscal 2021	9,486	83,502
Fiscal 2022 (projected)	8,719	76,665

College management continues to implement new and innovative marketing strategies to attract new students as well as retain its current student population. The College's Board of Trustees has previously approved a \$6 per credit general education fee increase for the fall 2019 semester (fiscal 2020) and an \$8 per credit general education fee increase for the fall 2020 semester (fiscal 2021). The College's Board of Trustees also previously approved a \$4 per credit capital improvement fee increase for the fall 2019 semester (fiscal 2020). The capital improvement fee is to assist with the maintenance of the physical plant and the ability to address important and necessary life, health, and safety issues. The Board of Trustees froze College fees for FY 2022 at the same level as FY 2021 in recognition of the economic hardship faced by our students due to the COVID-19 pandemic.

The Massachusetts Department of Higher Education and the General Court of Massachusetts adopted a formula based budget model in the allocation of the State appropriation to Institutions of Higher Learning in fiscal year 2006.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2021 and 2020

Requests for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in such. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President of Administration/CFO, Springfield Technical Community College, One Armory Square, STE 1, P.O. Box 9000, Springfield, Massachusetts, 01102-9000.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2021 and 2020

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Net Position

June 30, 2021 and 2020

Assets and Deferred Outflows of Resources

	Primary Government		Component Units	
	2021 <u>College</u>	2020 College	2021 <u>Combined</u>	2020 Combined
Current Assets:				
Cash and equivalents	\$ 16,545,640	\$ 5,158,603	\$ 533,691	\$ 1,686,199
Cash held by the State Treasurer	5,420,490	2,839,741	-	-
Construction escrow	-	-	97,885	97,836
Commercial escrow	-	-	488,732	94,943
Accounts receivable, net	4,464,382	3,505,241	227,500	270,867
Other current assets	<u>520,093</u>	<u>480,334</u>	<u>59,537</u>	<u>45,982</u>
Total Current Assets	<u>26,950,605</u>	<u>11,983,919</u>	<u>1,407,345</u>	<u>2,195,827</u>
Non-Current Assets:				
Investments	17,644,089	14,391,063	4,574,151	3,856,469
Capital assets, net	74,474,525	78,428,789	10,892,451	11,400,272
Beneficial interest in charitable trust	<u>-</u>	<u>-</u>	<u>634,442</u>	<u>566,723</u>
Total Non-Current Assets	<u>92,118,614</u>	<u>92,819,852</u>	<u>16,101,044</u>	<u>15,823,464</u>
Total Assets	<u>119,069,219</u>	<u>104,803,771</u>	<u>17,508,389</u>	<u>18,019,291</u>
Deferred Outflows of Resources:				
Deferred outflows of resources related to pension	954,499	558,371	-	-
Deferred outflows of resources related to OPEB	<u>1,083,945</u>	<u>1,124,994</u>	<u>-</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>2,038,444</u>	<u>1,683,365</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 121,107,663</u>	 <u>\$ 106,487,136</u>	 <u>\$ 17,508,389</u>	 <u>\$ 18,019,291</u>

See accompanying notes to the financial statements.

Liabilities, Deferred Inflows of Resources, and Net Position

	Primary Government		Component Units	
	2021 <u>College</u>	2020 College	2021 <u>Combined</u>	2020 Combined
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 6,028,434	\$ 3,210,357	\$ 786,133	\$ 1,816,279
Accrued payroll	2,464,297	2,460,065	-	-
Accrued compensated absences	2,592,905	2,540,713	-	-
Accrued workers' compensation	130,843	71,168	-	-
Student deposits and unearned revenues	1,685,352	1,009,068	-	-
Current portion of note payable	<u>143,342</u>	<u>137,696</u>	<u>474,647</u>	<u>281,709</u>
Total Current Liabilities	<u>13,045,173</u>	<u>9,429,067</u>	<u>1,260,780</u>	<u>2,097,988</u>
Non-Current Liabilities:				
Accrued compensated absences	1,168,444	1,098,594	-	-
Accrued workers' compensation	954,747	319,863	-	-
Note payable	2,022,877	2,166,219	5,260,575	5,741,270
Net pension liability	2,562,142	1,779,868	-	-
Net OPEB liability	<u>3,296,879</u>	<u>3,355,366</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>10,005,089</u>	<u>8,719,910</u>	<u>5,260,575</u>	<u>5,741,270</u>
Total Liabilities	<u>23,050,262</u>	<u>18,148,977</u>	<u>6,521,355</u>	<u>7,839,258</u>
Deferred Inflows of Resources:				
Service concession arrangement	5,000	7,500	-	2,976
Deferred inflows of resources related to pension	253,746	429,432	-	-
Deferred inflows of resources related to OPEB	<u>1,414,067</u>	<u>1,284,612</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>1,672,813</u>	<u>1,721,544</u>	<u>-</u>	<u>2,976</u>
Net Position:				
Net investment in capital assets	72,308,306	76,124,874	5,157,229	5,377,293
Restricted:				
Nonexpendable	-	-	677,896	674,175
Expendable	238,372	241,932	5,230,017	4,490,741
Unrestricted	<u>23,837,910</u>	<u>10,249,809</u>	<u>(78,108)</u>	<u>(365,152)</u>
Total Net Position	<u>96,384,588</u>	<u>86,616,615</u>	<u>10,987,034</u>	<u>10,177,057</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 121,107,663</u>	<u>\$ 106,487,136</u>	<u>\$ 17,508,389</u>	<u>\$ 18,019,291</u>

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2021 and 2020

	Primary <u>Government</u>		Component <u>Units</u>	
	2021 <u>College</u>	2020 <u>College</u>	2021 <u>Combined</u>	2020 <u>Combined</u>
Operating Revenues:				
Tuition and fees	\$ 20,664,660	\$ 23,700,690	\$ -	\$ -
Less: scholarships and fellowships	<u>(10,093,839)</u>	<u>(13,235,378)</u>	<u>-</u>	<u>-</u>
Net tuition and fees	10,570,821	10,465,312	-	-
Federal, state, local, and private grants and contracts	16,021,559	20,336,066	-	-
Auxiliary enterprises	563,138	899,272	4,374,575	5,215,815
Other sources	473,290	868,732	31,362	31,362
Contributions	<u>-</u>	<u>-</u>	<u>403,245</u>	<u>285,851</u>
Total Operating Revenues	<u>27,628,808</u>	<u>32,569,382</u>	<u>4,809,182</u>	<u>5,533,028</u>
Operating Expenses:				
Instruction	21,014,464	22,201,880	-	-
Academic support	9,271,591	9,326,739	-	-
Student services	11,635,036	10,944,293	-	-
Scholarships and fellowships	4,927,652	3,796,061	-	-
Auxiliary enterprises	1,758,830	1,449,331	3,577,247	4,246,849
Operation and maintenance of plant	9,823,966	7,740,970	-	-
Institutional support	6,328,404	7,269,070	630,586	880,458
Depreciation	<u>7,541,301</u>	<u>7,432,580</u>	<u>663,422</u>	<u>626,915</u>
Total Operating Expenses	<u>72,301,244</u>	<u>70,160,924</u>	<u>4,871,255</u>	<u>5,754,222</u>
Net Operating Loss	<u>(44,672,436)</u>	<u>(37,591,542)</u>	<u>(62,073)</u>	<u>(221,194)</u>
Non-Operating Revenues (Expenses):				
State appropriations - unrestricted	36,963,598	36,322,359	221,470	1,499,053
Federal grants	10,428,861	991,093	-	-
Investment income	3,270,149	207,263	898,663	67,511
Interest expense	(94,460)	(99,884)	(248,083)	(277,305)
Grant revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total Non-Operating Revenues (Expenses)	<u>50,568,148</u>	<u>37,420,831</u>	<u>872,050</u>	<u>1,319,259</u>
Net Increase (Decrease) in Net Position Before Capital Appropriations	5,895,712	(170,711)	809,977	1,098,065
Capital Appropriations	<u>3,872,261</u>	<u>6,882,833</u>	<u>-</u>	<u>-</u>
Net Increase in Net Position	9,767,973	6,712,122	809,977	1,098,065
Net Position, Beginning of Year	<u>86,616,615</u>	<u>79,904,493</u>	<u>10,177,057</u>	<u>9,078,992</u>
Net Position, End of Year	<u>\$ 96,384,588</u>	<u>\$ 86,616,615</u>	<u>\$ 10,987,034</u>	<u>\$ 10,177,057</u>

See accompanying notes to the financial statements.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	Primary Government	
	2021 College	2020 College
Cash Flows from Operating Activities:		
Tuition and fees	\$ 10,574,982	\$ 10,446,774
Grants and contracts	15,548,041	19,611,795
Payments to suppliers and vendors	(12,482,531)	(14,140,009)
Payments to employees	(34,518,616)	(36,780,339)
Payments to students	(4,927,652)	(3,781,425)
Other cash receipts	<u>1,050,658</u>	<u>1,835,164</u>
Net Cash Applied to Operating Activities	<u>(24,755,118)</u>	<u>(22,808,040)</u>
Cash Flows from Non-Capital Financing Activities:		
Direct unrestricted State appropriations	28,403,461	27,729,994
Day school tuition remitted to the Commonwealth	(351,879)	(355,825)
Federal grants	<u>10,601,131</u>	<u>991,093</u>
Net Cash Provided by Non-Capital Financing Activities	<u>38,652,713</u>	<u>28,365,262</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations	2,143,261	2,471,420
Purchases of capital assets	(1,858,037)	(5,705,001)
Principal paid on note payable	(137,696)	(132,273)
Interest paid on note payable	<u>(94,460)</u>	<u>(99,884)</u>
Net Cash Provided by (Applied to) Capital Financing Activities	<u>53,068</u>	<u>(3,465,738)</u>
Cash Flows from Investing Activities:		
Proceeds from investments	17,099	198,638
Interest and dividends	<u>24</u>	<u>27</u>
Net Cash Provided by Investing Activities	<u>17,123</u>	<u>198,665</u>
Net Increase in Cash and Equivalents	13,967,786	2,290,149
Cash and Equivalents, Beginning of Year	<u>7,998,344</u>	<u>5,708,195</u>
Cash and Equivalents, End of Year	\$ 21,966,130	\$ 7,998,344
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	\$ (44,672,436)	\$ (37,591,542)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	7,541,301	7,432,580
Amortization of service concession arrangement	(2,500)	(2,500)
Fringe benefits provided by the Commonwealth	8,912,016	8,948,190
Recovery of bad debts	(6,181)	(102,372)
Net pension activity	210,460	72,157
Net OPEB activity	112,017	169,692
Changes in assets and liabilities:		
Accounts receivable	(715,207)	(686,393)
Other current assets	(39,759)	(246,580)
Accounts payable and accrued liabilities	2,818,077	(945,075)
Accrued payroll, compensated absences, and workers' compensation	820,833	30,687
Student deposits and unearned revenues	<u>266,261</u>	<u>113,116</u>
Net Cash Applied to Operating Activities	<u>\$ (24,755,118)</u>	<u>\$ (22,808,040)</u>
Non-Cash Transactions:		
Fringe benefits provided by the Commonwealth	<u>\$ 8,912,016</u>	<u>\$ 8,948,190</u>
Capital appropriations paid by DCAMM	<u>\$ 1,729,000</u>	<u>\$ 4,411,413</u>
Unrealized gain on investments	<u>\$ 3,270,125</u>	<u>\$ 207,236</u>

See accompanying notes to the financial statements.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Combining Statements of Revenues, Expenses and Changes in Net Position of Major Component Units

For the Years Ended June 30, 2021 and 2020

	<u>2021</u> <u>Foundation</u>	<u>2021</u> <u>STCCAC</u>	<u>2021</u> <u>Combined</u>	<u>2020</u> <u>Foundation</u>	<u>2020</u> <u>STCCAC</u>	<u>2020</u> <u>Combined</u>
Operating Revenues:						
Auxiliary enterprises	\$ -	\$ 4,374,575	\$ 4,374,575	\$ -	\$ 5,215,815	\$ 5,215,815
Other sources	31,362	-	31,362	31,362	-	31,362
Contributions	<u>403,245</u>	<u>-</u>	<u>403,245</u>	<u>285,851</u>	<u>-</u>	<u>285,851</u>
Total Operating Revenues	<u>434,607</u>	<u>4,374,575</u>	<u>4,809,182</u>	<u>317,213</u>	<u>5,215,815</u>	<u>5,533,028</u>
Operating Expenses:						
Auxiliary enterprises	-	3,577,247	3,577,247	-	4,246,849	4,246,849
Institutional support	630,586	-	630,586	880,458	-	880,458
Depreciation	<u>-</u>	<u>663,422</u>	<u>663,422</u>	<u>-</u>	<u>626,915</u>	<u>626,915</u>
Total Operating Expenses	<u>630,586</u>	<u>4,240,669</u>	<u>4,871,255</u>	<u>880,458</u>	<u>4,873,764</u>	<u>5,754,222</u>
Net Operating Income (Loss)	<u>(195,979)</u>	<u>133,906</u>	<u>(62,073)</u>	<u>(563,245)</u>	<u>342,051</u>	<u>(221,194)</u>
Non-Operating Revenues (Expenses):						
State appropriations - unrestricted	-	221,470	221,470	-	1,499,053	1,499,053
Investment income	895,759	2,904	898,663	56,412	11,099	67,511
Interest expense	-	(248,083)	(248,083)	-	(277,305)	(277,305)
Grant revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>
Total Non-Operating Revenues (Expenses)	<u>895,759</u>	<u>(23,709)</u>	<u>872,050</u>	<u>56,412</u>	<u>1,262,847</u>	<u>1,319,259</u>
Net Increase (Decrease) in Net Position	699,780	110,197	809,977	(506,833)	1,604,898	1,098,065
Net Position, Beginning of Year	<u>5,601,116</u>	<u>4,575,941</u>	<u>10,177,057</u>	<u>6,107,949</u>	<u>2,971,043</u>	<u>9,078,992</u>
Net Position, End of Year	<u>\$ 6,300,896</u>	<u>\$ 4,686,138</u>	<u>\$ 10,987,034</u>	<u>\$ 5,601,116</u>	<u>\$ 4,575,941</u>	<u>\$ 10,177,057</u>

See accompanying notes to the financial statements.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2021 and 2020

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

Organization

Springfield Technical Community College (the "College") is a state-supported comprehensive two-year community college that offers a quality education leading to associate degrees in the arts and sciences, as well as one-year certificate programs. With its primary campus located in Springfield, 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 credit and noncredit courses, as well as community service programs. The College is accredited by the New England Commission of Higher Education.

COVID-19

On March 11, 2020, the World Health Organization declared the global outbreak of the novel coronavirus ("COVID-19") as a pandemic. During the year ended June 30, 2021, COVID-19 had a significant effect on the College's operations in response to government requirements and observing safety measures.

In response to the pandemic, the Federal government provided to the College the Higher Education Emergency Relief Funds ("HEERF") and funds for the Minority Serving Institutions ("MSI") under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"), and American Rescue Plan Act ("ARPA"). The HEERF consisted of the student aid award and the institutional award. Each Act requires a minimum amount to be spent on student aid.

The student aid award is required to be distributed to students as emergency grants for their expenses related to the disruption of campus operations due to coronavirus. The institutional award and the MSI can be used to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. Unless an extension is approved by the Department of Education, the student aid award and the institutional award must be spent by May 2022, while the MSI funding must be spent by August 2022.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The College has been awarded the following HEERF and MSI funds as of June 30, 2021:

	Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 1,922,527	\$ 1,922,527	\$ 241,501	\$ 4,086,555
CRRSAA	1,922,527	6,146,149	429,188	8,497,864
ARPA	<u>7,182,183</u>	<u>7,041,622</u>	<u>-</u>	<u>14,223,805</u>
Total	<u>\$ 11,027,237</u>	<u>\$ 15,110,298</u>	<u>\$ 670,689</u>	<u>\$ 26,808,224</u>

The College has recognized the following as non-operating Federal grants for the years ended June 30, 2021 and 2020.

For the Year Ended June 30, 2021					For the Year Ended June 30, 2020				
	Student Aid Award	Institutional Award	Minority Serving Institutions	Total		Student Aid Award	Institutional Award	Minority Serving Institutions	Total
CARES	\$ 912,822	\$ 1,774,949	\$ 229,928	\$ 2,917,699	CARES	\$ 991,093	\$ -	\$ -	\$ 991,093
CRRSAA	1,785,818	5,709,100	1,519	7,496,437	CRRSAA	-	-	-	-
ARPA	<u>7,435</u>	<u>7,290</u>	<u>-</u>	<u>14,725</u>	ARPA	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,706,075</u>	<u>\$ 7,491,339</u>	<u>\$ 231,447</u>	<u>\$ 10,428,861</u>	Total	<u>\$ 991,093</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,093</u>

Basis of Presentation and Accounting

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

Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met. The accompanying statements of revenues and expenses demonstrates the degree to which 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.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

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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 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 pension disclosures. The College presents the statements of net position, revenues and expenses, changes in net position, and cash flows on a combined College-wide basis.

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. Certain other transactions are reported as non-operating activities. These non-operating activities include the College's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, and interest expense.

Springfield Technical Community College Assistance Corporation ("STCCAC"), a discrete component unit of the College, is a legally separate, tax-exempt, not-for-profit Massachusetts corporation that was created in 1996 under the Commonwealth General Law, Chapter 273, Section 125, Act of 1994. STCCAC was created to provide the physical and financial resources necessary for the acquisition and development of the site located east of the College and to further fulfill the educational mission of the College. STCCAC acquired the site and began full operations during fiscal 1997. STCCAC has been included in the financial statements of the College because of the nature and significance of its relationship with the College. Complete financial statements of the STCCAC can be obtained from the STCCAC's administrative offices in Holyoke, Massachusetts.

Springfield Technical Community College Foundation, Inc. (the "Foundation"), a discrete component unit of the College, is a legally separate, tax-exempt, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs.

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The Board of Directors 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 the receipts from the Foundation, the majority of resources, received or held by the Foundation, are restricted to the activities of the College by the respective donors. The Foundation has been included in the financial statements of the College because of the nature and significance of its relationship with the College. Complete financial statements of the Foundation can be obtained from the Foundation's administrative offices in Springfield, Massachusetts.

The College's discrete component units have been aggregated into a single combined column within the College's statements of net position and statements of revenues and expenses.

Net Position

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

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

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

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

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

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

Trust Funds

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

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June 30, 2021 and 2020

Cash and Equivalents

The College considers cash held by state agencies on behalf of the College (e.g. State Treasurer) and all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

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

Investments

Investments in marketable securities are stated at fair market value. Dividends, interest, and net gains or losses on investments of endowments and similar funds are reported in the statements of revenues and expenses. 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;
- (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 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.

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 market 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 priority 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 on the lowest priority input that is significant to the entire measurement.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings and equipment are stated at cost at date of acquisition or, in the case of gifts, at fair market value at the date of donation.

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June 30, 2021 and 2020

In accordance with the Commonwealth's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period, if material. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 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.

Pensions

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

Post-employment 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.

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 June 30, 2021 and 2020.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of Commonwealth service at June 30, 2021 and 2020. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Student Deposits and Unearned Revenues

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are recorded as the related services are provided. Certain funds advanced from various federal, state, local, and private grants and contracts are recorded as revenues when earned.

Tuition and Fees

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

Tax Status

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

Use of Estimates

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

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June 30, 2021 and 2020

New Governmental Accounting Pronouncements

GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. Implementation of this Statement will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows/outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this Statement.

GASB Statement 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period* is effective for reporting periods beginning after December 15, 2020. The objectives of this Statement are: (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

GASB Statement 90 – *Majority Equity Interests, an amendment of GASB Statements 14 and 61* is effective for reporting periods beginning after December 15, 2019. 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.

GASB Statement 91 – *Conduit Debt Obligations* is effective for reporting periods beginning after December 15, 2021. 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.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

GASB Statement 93 – *Replacement of Interbank Offered Rates* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to provide government entities relief with replacing or amending financial instruments for the purpose of replacing LIBOR, which is expected to cease to exist in December 2021. Before the implementation of this Statement, hedge accounting terminates if material terms are amended.

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GASB Statement 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)* is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-to-use asset and a corresponding liability would be recognized for SBITAs.

GASB Statement 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457, Deferred Compensation Plans* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that a governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated as the same as the primary government appointing a majority of the potential component unit's governing board.

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

Note 2 - **Cash and Equivalents and Investments**

Custodial Credit Risk

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the depositor would not be able to recover its balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC"). The College's deposit policy for custodial credit risk requires the depository institution to purchase additional insurance to cover deposits in excess of the FDIC insured amount. As of June 30, 2021 and 2020, approximately \$15.3 million and \$3.6 million, respectively, of the College's bank balance of approximately \$15.6 million and \$4.0 million, respectively, was uninsured but collateralized.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Deposits and Investments

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

	<u>2021</u>	<u>2020</u>
Cash on deposit	\$ 15,063,213	\$ 3,694,026
Massachusetts Municipal Depository Trust	<u>1,482,427</u>	<u>1,464,577</u>
 Total cash and equivalents	 <u>16,545,640</u>	 <u>5,158,603</u>
 Bond mutual funds	 6,872,357	 6,362,850
Equity mutual funds	<u>10,771,732</u>	<u>8,028,213</u>
 Total investments	 <u>17,644,089</u>	 <u>14,391,063</u>
	<u>\$ 34,189,729</u>	<u>\$ 19,549,666</u>

The Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust (“MMDT”), an external investment pool for cities, towns, and other state and local agencies within the Commonwealth. MMDT operates as a qualifying external investment pool and is valued by MMDT’s management on amortized cost where the net asset value is \$1 per share.

Investment Policy

In general, the primary purpose of the investment policy is to provide a source of liquidity, income, and capital appreciation for the College. The College currently retains one investment advisor (separate and independent from the College) that is responsible for the day-to-day oversight for the College’s investment program. The investment advisor’s responsibilities include maintaining appropriate allocations within the investment policy, its objectives, and its return evaluation framework. The College also retains one investment custodian, which is responsible for the safekeeping and custody of the assets.

Investment and Maturities Inferring Risk

All investments of the College are stated at fair market value at June 30, 2021 and 2020.

Investment Fair Value Hierarchy

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to measure fair value.

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Bond and Equity Mutual Funds: Valued at the net asset value (“NAV”) of the shares held at fiscal year-end requiring 90-day notice with redemption periods up to 90 days.

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

The following tables set forth, by level, the College’s investments at June 30,:

	<u>NAV</u>	<u>2021</u>			
	<u>per share</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Recurring fair value measurements:					
Bond mutual funds	\$ 6,872,357	\$ -	\$ -	\$ -	\$ 6,872,357
Equity mutual funds	<u>10,771,732</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,771,732</u>
Total investments at fair value	<u>\$ 17,644,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,644,089</u>

	<u>NAV</u>	<u>2020</u>			
	<u>per share</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Recurring fair value measurements:					
Bond mutual funds	\$ 6,362,850	\$ -	\$ -	\$ -	\$ 6,362,850
Equity mutual funds	<u>8,028,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,028,213</u>
Total investments at fair value	<u>\$ 14,391,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,391,063</u>

Foundation Investments

	<u>2021</u>	<u>2020</u>
Money market	\$ 306,069	\$ 287,766
Common stocks	13,042	1,173
Certificate of deposit	210,070	262,899
Mutual funds and ETF's	<u>4,044,970</u>	<u>3,304,631</u>
	<u>\$ 4,574,151</u>	<u>\$ 3,856,469</u>

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June 30, 2021 and 2020

Promulgations of the Financial Accounting Standards Board have established a framework for measuring fair value of the investments, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Please refer to the financial statements of the Foundation for more information.

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

Accounts payable and accrued payroll to be funded from state-appropriated funds totaled \$5,420,490 and \$2,839,741 at June 30, 2021 and 2020, respectively. The College has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently utilized to pay for such liabilities.

Note 4 - **Accounts Receivable**

Accounts receivable of the College are comprised of the following at June 30,:

	<u>2021</u>	<u>2020</u>
Student accounts receivable	\$ 4,080,247	\$ 3,414,305
Grants receivable	1,623,483	1,322,235
Other receivables	<u>232,922</u>	<u>247,152</u>
	5,936,652	4,983,692
Less: allowance for doubtful accounts	<u>(1,472,270)</u>	<u>(1,478,451)</u>
	<u>\$ 4,464,382</u>	<u>\$ 3,505,241</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 5 - **Capital Assets**

College

Capital assets of the College consist of the following at June 30, 2021:

	Estimated Lives (In Years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Non-depreciable:						
Construction in progress		\$ 4,905,062	\$ 798,275	\$ -	\$ (4,383,619)	\$ 1,319,718
Land		<u>1,890,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,128</u>
Total non-depreciable		<u>6,795,190</u>	<u>798,275</u>	<u>-</u>	<u>(4,383,619)</u>	<u>3,209,846</u>
Depreciable:						
Buildings and improvements	20-40	154,393,023	1,772,680	-	4,383,619	160,549,322
Furnishings and equipment (including costs of capital leases)	5-10	37,022,310	1,016,082	-	-	38,038,392
Books	5	<u>1,364,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,637</u>
Total depreciable		<u>192,779,970</u>	<u>2,788,762</u>	<u>-</u>	<u>4,383,619</u>	<u>199,952,351</u>
Less: accumulated depreciation:						
Buildings and improvements		86,871,671	5,756,410	-	-	92,628,081
Furnishings and equipment		32,910,063	1,784,891	-	-	34,694,954
Books		<u>1,364,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,637</u>
Total accumulated depreciation		<u>121,146,371</u>	<u>7,541,301</u>	<u>-</u>	<u>-</u>	<u>128,687,672</u>
Capital assets, net		<u>\$ 78,428,789</u>	<u>\$ (3,954,264)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 74,474,525</u>

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June 30, 2021 and 2020

Capital assets of the College consist of the following at June 30, 2020:

	Estimated Lives (In Years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Non-depreciable:						
Construction in progress		\$ 2,629,594	\$ 4,379,029	\$ -	\$ (2,103,561)	\$ 4,905,062
Land		<u>1,890,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,890,128</u>
Total non-depreciable		<u>4,519,722</u>	<u>4,379,029</u>	<u>-</u>	<u>(2,103,561)</u>	<u>6,795,190</u>
Depreciable:						
Buildings and improvements	20-40	147,737,412	4,552,050	-	2,103,561	154,393,023
Furnishings and equipment (including costs of capital leases)	5-10	35,836,975	1,185,335	-	-	37,022,310
Books	5	<u>1,364,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,637</u>
Total depreciable		<u>184,939,024</u>	<u>5,737,385</u>	<u>-</u>	<u>2,103,561</u>	<u>192,779,970</u>
Less: accumulated depreciation:						
Buildings and improvements		81,291,898	5,579,773	-	-	86,871,671
Furnishings and equipment		31,057,256	1,852,807	-	-	32,910,063
Books		<u>1,364,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,364,637</u>
Total accumulated depreciation		<u>113,713,791</u>	<u>7,432,580</u>	<u>-</u>	<u>-</u>	<u>121,146,371</u>
Capital assets, net		<u>\$ 75,744,955</u>	<u>\$ 2,683,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 78,428,789</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Component Units

A summary of the combined capital assets of the component units at June 30,:

	<u>2021</u>	<u>2020</u>
Land	\$ 2,332,671	\$ 2,332,671
Construction in progress	<u>993,213</u>	<u>1,627,918</u>
	<u>3,325,884</u>	<u>3,960,589</u>
Land improvements	2,962,327	2,962,327
Buildings and improvements	17,365,475	16,575,169
Furnishings and equipment	<u>215,393</u>	<u>215,393</u>
	<u>20,543,195</u>	<u>19,752,889</u>
Less: accumulated depreciation	<u>(12,976,628)</u>	<u>(12,313,206)</u>
	<u>\$ 10,892,451</u>	<u>\$ 11,400,272</u>

STCCAC is a lessor of commercial space under long-term operating leases expiring in various years through 2035. At June 30, 2021, minimum future rentals to be received on these noncancelable leases for the next five years and thereafter, excluding renewal options and expense reimbursements, are as follows:

Fiscal Years <u>Ending June 30,</u>	
2022	\$ 2,837,412
2023	2,889,074
2024	2,585,062
2025	2,371,015
2026	2,151,592
Thereafter	<u>4,958,471</u>
	<u>\$ 17,792,626</u>

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Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 6 - **Long-Term Liabilities**

College

Long-term liabilities of the College at June 30, 2021 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Note payable	\$ 2,303,915	\$ -	\$ (137,696)	\$ 2,166,219	\$ 143,342	\$ 2,022,877
Other long-term liabilities:						
Compensated absences	3,639,307	122,042	-	3,761,349	2,592,905	1,168,444
Workers' compensation	391,031	694,559	-	1,085,590	130,843	954,747
Net pension liability	1,779,868	782,274	-	2,562,142	-	2,562,142
Net OPEB liability	<u>3,355,366</u>	<u>-</u>	<u>(58,487)</u>	<u>3,296,879</u>	<u>-</u>	<u>3,296,879</u>
	<u>\$ 11,469,487</u>	<u>\$ 1,598,875</u>	<u>\$ (196,183)</u>	<u>\$ 12,872,179</u>	<u>\$ 2,867,090</u>	<u>\$ 10,005,089</u>

Long-term liabilities of the College at June 30, 2020 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Non-Current Portion</u>
Note payable	\$ 2,436,188	\$ -	\$ (132,273)	\$ 2,303,915	\$ 137,696	\$ 2,166,219
Other long-term liabilities:						
Compensated absences	3,765,866	-	(126,559)	3,639,307	2,540,713	1,098,594
Workers' compensation	561,230	-	(170,199)	391,031	71,168	319,863
Net pension liability	1,954,892	-	(175,024)	1,779,868	-	1,779,868
Net OPEB liability	<u>4,277,669</u>	<u>-</u>	<u>(922,303)</u>	<u>3,355,366</u>	<u>-</u>	<u>3,355,366</u>
	<u>\$ 12,995,845</u>	<u>\$ -</u>	<u>\$ (1,526,358)</u>	<u>\$ 11,469,487</u>	<u>\$ 2,749,577</u>	<u>\$ 8,719,910</u>

Note Payable

The College entered into an agreement for \$3,127,328 with the Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM") to help finance energy efficient building improvements. DCAMM managed the project and handled payments to vendors directly. The agreement requires annual payments of principal and interest of \$232,157 with interest charged at 4.1%.

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Maturities of principal and interest subsequent to June 30, 2021 are as follows:

<u>Fiscal Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 143,342	\$ 88,815
2023	149,219	82,938
2024	155,337	76,820
2025	161,705	70,452
2026	168,335	63,822
2027 - 2031	951,038	209,744
2032 - 2033	<u>437,243</u>	<u>27,070</u>
	<u>\$2,166,219</u>	<u>\$ 619,661</u>

STCCAC

Note Payable

On August 21, 2014, STCCAC refinanced its outstanding TD Bank term loan with Peoples Bank. The refinanced amount on the primary term loan totaled \$2,700,000. The note amortizes over a 20-year period at an interest rate of 4.78% fixed for seven years with principal and interest payments commencing on September 21, 2014 through August 21, 2034. At the end of the initial seven-year period, the interest rate will be adjusted to a rate that is 2.25% above the then prevailing Federal Home Loan Bank of Boston rate for five, seven, or ten years at the selection of STCCAC. Net cash proceeds in the amount of \$631,437 were used to fund various capital and tenant improvements. On May 12, 2020, STCCAC entered into a Note Forbearance and Modification Agreement to suspend principal payments for a period of six-months ending October 2020. During this Forbearance Period, interest-only payments are due and monthly deposits were required to the commercial escrow. The outstanding balance of this loan at June 30, 2021 and 2020 was \$2,103,141 and \$2,178,202, respectively.

In addition, the refinancing included a term loan in the amount of \$3,100,000 where Peoples Bank serves as the trustee under a tax-exempt bond issue through the Massachusetts Development Finance Agency.

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The note required interest-only payments through February 21, 2015, then amortized over a 20-year period at an interest rate of 3.54% fixed for 10 years with principal and interest payments commencing on March 21, 2015 through August 21, 2034. At the end of the initial 10-year period, the interest rate will be adjusted to a rate that is .67 times the sum of the then prevailing Federal Home Loan Bank of Boston rate for 10 years plus 2.25%. The proceeds were used to complete renovations to a building under a 20-year lease to a charter school. The outstanding balance of this loan at June 30, 2021 and 2020 was \$2,346,009 and \$2,476,722, respectively.

The refinancing also included a capital asset line in the amount of \$975,000 with a draw-down period through December 31, 2015, for other capital and tenant improvement requirements. Advances under this capital asset line required interest-only payments at 50 basis points above the Prime Rate with a minimum rate of 3.75% through December 31, 2015, at which time the loan amortized over a 19-year period at an interest rate of 4.44% for five years with principal and interest payments commencing on February 1, 2016 through August 21, 2034. At the end of the initial five-year period, the interest rate will be adjusted to a rate that is 2.25% above the then prevailing Federal Home Loan Bank of Boston rate for five, seven, or ten years at the selection of STCCAC. A total of \$300,000 was advanced under this capital asset line through December 31, 2015. On May 12, 2020, STCCAC entered into a Note Forbearance and Modification Agreement to suspend principal payments for a period of six-months ending October 2020. During this Forbearance Period, interest-only payments are due and monthly deposits are required to the commercial escrow. On June 17, 2020 the remaining balance of \$252,169 was repaid.

The capital asset line draw period was extended through July 1, 2017 and on June 30, 2017 STCCAC entered into a separate term loan agreement in the amount of \$125,000 with Peoples Bank. The note amortizes over a 10-year period at an interest rate of 4.82% with principal and interest payments commencing on July 30, 2017 through June 30, 2027. The proceeds were used to complete tenant improvements for the expansion of a major tenant. On May 12, 2020, STCCAC entered into a Note Forbearance and Modification Agreement to suspend principal payments for a period of six-months ending October 2020. During this Forbearance Period, interest-only payments are due and monthly deposits are required to the commercial escrow. On June 17, 2020 the remaining balance of \$95,153 was repaid.

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The capital asset line draw period was extended through December 31, 2019 and on June 18, 2019 STCCAC entered into a separate term loan agreement in the amount of \$200,000 with Peoples Bank. The note amortizes over a five-year period at an interest rate of 4.41% with principal and interest payments commencing on July 18, 2019 through June 18, 2024. The proceeds were used to complete tenant improvements for two major tenants. On May 12, 2020, STCCAC entered into a Note Forbearance and Modification Agreement to suspend principal payments for a period of six-months ending October 2020. During this Forbearance Period, interest-only payments are due and monthly deposits are required to the commercial escrow. The outstanding balance of this loan at June 30, 2021 and 2020 was \$140,815 and \$169,636, respectively.

The loans are secured by a first mortgage and security interest on the property and an assignment of leases and rents. The total outstanding balance of these loans at June 30, 2021 and 2020 was \$4,589,965 and \$4,824,560 at a weighted average interest rate 4.13% for both years. Interest incurred on these loans for the years ended June 30, 2021 and 2020 totaled \$198,268 and \$223,371, respectively. In accordance with the notes, STCCAC is required to meet a debt service coverage ratio of 1.25 annually.

On October 9, 2015, STCCAC entered into a term loan agreement with the Massachusetts Development Finance Agency (the "Agency") for a real estate improvement loan in the amount of \$1,000,000. The loan is secured by a mortgage interest and lien on the property. The note requires interest-only payments until the earlier of October 9, 2017 or a lease commences on vacant space for which a portion of the loan will be used to complete improvements. Principal and interest payments will commence at the end of the interest-only period through October 9, 2025 based on a 20-year amortization period with the balance due at maturity. The interest rate on the note is fixed at 4.0% for five years through October 9, 2020, at which time the rate will be adjusted to the greater of 4.0% or the lowest five-year fixed rate then available from the Agency. The interest rate effective October 9, 2020 is 4.0%. A portion of the proceeds from this note were used to fund cost overruns for the charter school building improvements and the balance of the funds are being used to improve vacant space. The remaining funds were deposited to an escrow account held by Peoples Bank and are being advanced based on improvements made to the vacant space. The balance in this escrow at June 30, 2021 and 2020 was \$97,885 and \$97,836, respectively. The outstanding balance of this loan at June 30, 2021 and 2020 was \$866,160 and \$902,935, respectively, and interest incurred for the years ended June 30, 2021 and 2020 totaled \$35,859 and \$37,578, respectively. In accordance with the note, STCCAC is required to meet a debt service coverage ratio of 1.25 annually.

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On August 16, 2016, STCCAC entered into a term loan agreement with Appleton Corporation, the management company, for \$186,000 in exchange for extraordinary project management services provided under the management agreement through June 30, 2016 for oversight and monitoring of the capital projects and assistance in securing funding. The interest rate on the note is fixed at 3.0% and the note matures on December 16, 2019. On October 3, 2019, STCCAC entered into a Loan Extension Agreement to extend the maturity date to December 15, 2021. Periodic principal and interest payments can be made on the note prior to maturity at the discretion of STCCAC. The loan is subordinate to the Peoples Bank loans and any payments made on the note require the prior approval of the Bank. The outstanding balance of this loan at June 30, 2021 and 2020 was \$121,000 for both years, and interest incurred for the years ended June 30, 2021 and 2020 totaled \$3,630 and \$4,150, respectively.

On May 30, 2018, STCCAC entered into a separate term loan agreement with Siemens Financial Services, Inc., in the amount of \$200,000. The note amortizes over a ten-year period at an interest rate of 6.11% with principal and interest payments commencing on October 9, 2018 through September 9, 2028. The proceeds were used to replace major equipment. The loan is secured by a security interest in the equipment. The outstanding balance of this loan at June 30, 2021 and 2020 was \$158,097 and \$174,484, respectively, and interest incurred for the years ended June 30, 2021 and 2020 totaled \$10,326 and \$12,206, respectively.

Principal and interest payments on the notes payable for the next five years and thereafter are as follows as of June 30, 2021:

Fiscal Years <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 474,647	\$ 229,952
2023	369,175	214,450
2024	384,914	199,447
2025	350,961	182,426
2026	1,022,029	144,776
Thereafter	<u>3,133,496</u>	<u>585,403</u>
	<u>\$ 5,735,222</u>	<u>\$ 1,556,454</u>

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June 30, 2021 and 2020

Note 7 - **Pensions**

Defined Benefit Plan Description

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

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

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Contributions

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

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

The Commonwealth does not require the College to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to \$3,591,000, \$3,551,000 and \$2,954,000 for the years ended June 30, 2021, 2020 and 2019, 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 14.66%, 14.08% and 12.06% of annual covered payroll for the fiscal years ended June 30, 2021, 2020 and 2019, respectively. The College contributed \$150,017, \$161,373 and \$121,115 for the fiscal years ended June 30, 2021, 2020 and 2019, respectively, equal to 100% of the required contributions for the years.

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

At June 30, 2021 and 2020, the College reported a liability of \$2,562,142 and \$1,779,868, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2021, the reporting date, was measured as of June 30, 2020, 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, 2019 rolled forward to June 30, 2020. The net pension liability as of June 30, 2020, the reporting date, was measured as of June 30, 2019, 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, 2019 rolled forward to June 30, 2019.

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The College's proportion of the net pension liability was based on its share of the Commonwealth's collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2021 and 2020, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2021 and 2020 relative to total contributions of all participating employers for the fiscal years. At June 30, 2021 and 2020, the College's proportion was 0.015% and 0.012%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized pension expense of \$360,477 and \$233,533, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources at June 30,:

<u>Deferred Outflows of Resources Related to Pension</u>	<u>2021</u>	<u>2020</u>
Contributions subsequent to the measurement date	\$ 150,017	\$ 161,373
Differences between expected and actual experience	81,524	59,110
Net differences between projected and actual investment earnings on pension plan investments	140,842	
Changes in pension plan actuarial assumptions	145,270	131,932
Changes in proportion from Commonwealth	1,935	3,142
Changes in proportion due to internal allocation	<u>434,911</u>	<u>202,814</u>
Deferred Outflows of Resources Related to Pension	<u>\$ 954,499</u>	<u>\$ 558,371</u>
 <u>Deferred Inflows of Resources Related to Pension</u>		
Differences between expected and actual experience	\$ 16,579	\$ 23,148
Net differences between projected and actual investment earnings on pension plan investments	-	26,549
Changes in proportion from Commonwealth	6,245	90
Changes in proportion due to internal allocation	<u>230,922</u>	<u>379,645</u>
Deferred Inflows of Resources Related to Pension	<u>\$ 253,746</u>	<u>\$ 429,432</u>

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June 30, 2021 and 2020

The College's contributions of \$150,017 and \$161,373 made during the fiscal years ending 2021 and 2020, respectively, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2022	\$ 115,688
2023	148,063
2024	152,396
2025	116,189
2026	<u>18,400</u>
	<u>\$ 550,736</u>

Actuarial Assumptions

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

	<u>2021</u>	<u>2020</u>
Measurement date	June 30, 2020	June 30, 2019
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	7.15%	7.25%
Interest rate credited to annuity savings func	3.50%	3.50%

For measurement dates June 30, 2020 and 2019, 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.

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June 30, 2021 and 2020

- Disability - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year.

The 2021 pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of January 1, 2019 and rolled forward to June 30, 2020. The 2020 pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of January 1, 2019, and rolled forward to June 30, 2019.

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:

Asset Class	<u>2021</u>		<u>2020</u>	
	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
Global Equity	39%	4.80%	39%	4.90%
Core Fixed Income	15%	0.70%	15%	1.30%
Private Equity	13%	8.20%	13%	8.20%
Portfolio Completion Strategies	11%	3.20%	11%	3.90%
Real Estate	10%	3.50%	10%	3.60%
Value Added Fixed Income	8%	4.20%	8%	4.70%
Timber/Natural Resources	4%	4.10%	4%	4.10%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.25% at June 30, 2021 and 2020, 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.

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Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

<u>June 30, 2021</u>		
<u>1.00% Decrease</u>	<u>Current</u>	<u>1.00% Increase</u>
<u>(6.15%)</u>	<u>Discount Rate</u>	<u>(8.15%)</u>
<u>(7.15%)</u>		
\$ 3,375,783	\$ 2,562,142	\$ 1,893,396
 <u>June 30, 2020</u>		
<u>1.00% Decrease</u>	<u>Current</u>	<u>1.00% Increase</u>
<u>(6.25%)</u>	<u>Discount Rate</u>	<u>(8.25%)</u>
<u>(7.25%)</u>		
\$ 2,369,065	\$ 1,779,868	\$ 1,276,431

Note 8 - **Other Post-Employment Benefits ("OPEB")**

Plan Description

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

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

Management of the SRBT is vested with the Trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor, and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board. 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, 2021 and 2020, and as of the valuation date (January 1, 2020 and 2019), participants contributed 10% 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. The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The College is required to contribute based on Massachusetts General Laws; the rate was 7.70% and 7.29% of annual covered payroll for the fiscal years ended June 30, 2021 and 2020, respectively.

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The College contributed \$78,776 and \$83,595 for the fiscal years ended June 30, 2021 and 2020, respectively, equal to 100% of the required contribution for each year.

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

At June 30, 2021 and 2020, the College reported a liability of \$3,296,879 and \$3,355,366, 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, 2020 and 2019, respectively, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020 and 2019, 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 2020 and 2019. The College's proportionate share was based on the actual employer contributions to the SRBT for fiscal years 2020 and 2019 relative to total contributions of all participating employers for the fiscal year. At June 30, 2021 and 2020, the College's proportion was 0.0159% and 0.0183%, respectively.

For the years ended June 30, 2021 and 2020, the College recognized OPEB expense of \$194,643 and \$275,077, respectively. The College reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30,:

	<u>2021</u>	<u>2020</u>
<u>Deferred Outflows of Resources Related to OPEB</u>		
Contributions subsequent to the measurement date	\$ 78,776	\$ 83,595
Differences between expected and actual experience	90,987	134,566
Changes in proportion from Commonwealth	4,996	8,181
Changes in OPEB plan actuarial assumptions	271,504	2,582
Net differences between projected and actual earnings on OPEB plan investments	9,533	-
Changes in proportion due to internal allocation	<u>628,149</u>	<u>896,070</u>
Total Deferred Outflows of Resources Related to OPEB	<u>\$ 1,083,945</u>	<u>\$ 1,124,994</u>

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	<u>2021</u>	<u>2020</u>
<u>Deferred Inflows of Resources Related to OPEB</u>		
Differences between expected and actual experience	\$ 81,378	\$ 4,297
Changes in OPEB plan actuarial assumptions	318,632	504,561
Changes in proportion due to internal allocation	1,002,860	774,211
Changes in proportion from Commonwealth	11,197	-
Net differences between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>1,543</u>
Total Deferred Inflows of Resources Related to OPEB	<u>\$ 1,414,067</u>	<u>\$ 1,284,612</u>

The College's contributions of \$78,776 and \$83,595 made during the fiscal years 2021 and 2020, 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 increases (decreases) in OPEB expense as follows:

Years Ending <u>June 30,</u>	
2022	\$ (141,584)
2023	(126,194)
2024	(73,959)
2025	(70,723)
2026	<u>3,562</u>
	<u>\$ (408,898)</u>

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Actuarial Assumptions

The total OPEB liability for 2021 and 2020 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2020	June 30, 2019
Inflation	2.50%	2.50%
Salary increases	Rates vary by years of service and group classification, consistent with SERS	4.0% per year
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation	7.25%, net of OPEB plan investment expense, including inflation
Health care cost trend rates	Developed based on the most recent published GAO-Getzen trend rate model, version 2020_b. Medicare and non-medicare benefits range from 4.04% to 6.70%	7.5%, decreasing by 0.5% each year to an ultimate rate of 5.5% in 2023 and 2024, then decreasing 0.5% each year to an ultimate rate of 4.5% in 2026 for medical; 5.0% for EGWP through 2025, then 4.5% in 2026; 4.5% 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 for both measurement dates June 30, 2020 and 2019.

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.

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- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage for measurement date June 30, 2020.
- 80% of current and future contingent eligible participants will elect health care benefits at age 55, or current age if later for measurement date June 30, 2019.
- Actives, upon retirement, take coverage, and are assumed to have the following coverage:

	Retirement Age		Retirement Age	
	2021		2020	
	Under 65	Age 65+	Under 65	Age 65+
Indemnity	28.0%	96.0%	25.0%	85.0%
POS/PPO	60.0%	0.0%	60.0%	0.0%
HMO	12.0%	4.0%	15.0%	15.0%

The actuarial assumptions used in the January 1, 2020 and 2019 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2018 and 2017 through December 31, 2019 and 2018, depending upon the criteria being evaluated. As a result of this actuarial experience study, the mortality assumption was adjusted in the January 1, 2019 and 2018 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, 2021 and 2020 are the same as discussed in the pension footnote.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Discount Rate

The discount rate used to measure the total OPEB liability for 2021 and 2020 was 2.28% and 3.63%, respectively. These rates were based on a blend of the Bond Buyer Index rate (2.21% and 3.51%) 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 2028 and 2029 for the fiscal years 2021 and 2020, respectively. Therefore, the long-term expected rate of return on OPEB plan investments of 7.15% and 7.25% per annum, respectively, was not applied to all periods of projected benefit payments to determine the total OPEB liability.

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

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

<u>2021</u>		
1.00% Decrease	Current Discount Rate	1.00% Increase
1.28%	2.28%	3.28%
\$ 3,961,927	\$ 3,296,879	\$ 2,771,410
<u>2020</u>		
1.00% Decrease	Current Discount Rate	1.00% Increase
2.63%	3.63%	4.63%
\$ 4,005,223	\$ 3,355,366	\$ 2,841,556

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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

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

<u>2021</u>		
Current Health Care		
1.00% Decrease (B)	Cost Trend Rate (A)	1.00% Increase (C)

\$ 2,677,829	\$ 3,296,879	\$ 4,119,341

<u>2020</u>		
Current Health Care		
1.00% Decrease (B)	Cost Trend Rate (A)	1.00% Increase (C)

\$ 2,765,246	\$ 3,355,366	\$ 4,133,967

(A) - Current health care cost trend rate, as disclosed in the actuarial assumptions

(B) - 1-percentage decrease in current health care cost trend rate, as disclosed in the actuarial assumptions

(C) - 1-percentage increase in current health care cost trend rate, as disclosed in the actuarial assumptions

Note 9 - **Service Concession Arrangements**

The College and Foundation have entered into agreements, categorized as service concession arrangements, per GASB 60, *Accounting and Reporting for Service Concession Arrangements*, expiring through June 2023 with certain vendors for the provision of beverages and management of the College's bookstore. As part of these arrangements, the vendors provided the Foundation with \$250,000, and the College with \$25,000 for the purpose of improvements and maintenance of the College's related facilities. In accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*, the College has accounted for these monies as deferred inflows of resources and will amortize the amounts into revenue over the life of the agreement.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

If either arrangement is terminated prior to the scheduled contract date, the unamortized amounts are repayable to the respective vendor. In addition, the agreements provide for additional payments to the College to defray certain costs and as revenue sharing. During the fiscal years ended June 30, 2021 and 2020, such additional payments received by the College approximated \$161,000 and \$265,000, respectively.

Note 10 - **Restricted Net Position**

College

The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These restricted funds are comprised of restricted – expendable scholarships in the amount of \$238,372 and \$241,932 at June 30, 2021 and 2020, respectively.

Foundation

The Foundation's restricted - nonexpendable and restricted - expendable net position is comprised of both nonexpendable and expendable funds to be used for scholarships and various departmental uses.

Note 11 - **Operating Leases**

The College leases various equipment under operating lease agreements. Rental expense associated with these operating leases amounted to approximately \$780,000 and \$764,000 for the years ended June 30, 2021 and 2020, respectively.

Minimum future lease payments subsequent to June 30, 2021 are as follows:

Fiscal Years <u>Ending June 30,</u>	
2022	\$ 791,543
2023	360,336
2024	132,052
2025	13,020
2026	<u>14,105</u>
	<u>\$ 1,311,056</u>

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 12 - Commitments and Contingencies

Government Grants

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.

Prepaid Tuition Program

The College participates in the Massachusetts College Savings Prepaid Tuition Program (the "Program"). The Program allows individuals to pay in advance for the future tuition at the cost of tuition at the time of election to participate, increased by changes in the Consumer Price Index plus 2.00%. The College is obligated to accept as payment of tuition the amount determined by the Program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the College. The effect of the Program cannot be determined as it is contingent on future tuition increases and the number of Program participants who attend the College.

Accounting and Financial Reporting for Pollution Remediation Obligations

The grounds of the College house the former Springfield Armory building, a gun and ammunition manufacturer for the United States Department of Defense. Based on past building use, there is a potential for lead contamination. During 2019, the College hired engineers to perform a study to identify if there was lead contamination on the central quad, which concluded that there is lead contamination in certain areas within the central quad. During 2021 and 2020, the College evaluated the results of the study and worked on obtaining proposals regarding remediating the issue and evaluating possible costs, as well as any federal or state aid available to offset the cost of the project. During 2021, management has estimated this project to cost approximately \$1,805,000, included in accounts payable and accrued liabilities on the Statements of Net Position, with approximately \$1,729,000 being funded by DCAMM, included in cash held by the state treasurer on the Statements of Net Position.

Claims

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

Note 13 - **Operating Expenses**

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

	<u>2021</u>	<u>2020</u>
Compensation and benefits	\$ 44,573,942	\$ 46,001,065
Supplies and services	15,258,349	12,945,854
Depreciation	7,541,301	7,432,580
Scholarships and fellowships	<u>4,927,652</u>	<u>3,781,425</u>
	<u>\$ 72,301,244</u>	<u>\$ 70,160,924</u>

Note 14 - **Other Fringe Benefits**

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

Group Insurance Commission ("GIC")

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

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

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 is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the years ended June 30, 2021 and 2020, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 15 - Unrestricted Net Position

The College’s Board of Trustees has designated unrestricted net position at June 30, as follows:

	<u>2021</u>	<u>2020</u>
Academic programs, equipment, materials	\$ 11,743,955	\$ 4,949,905
Technology improvements/upgrades	7,046,373	2,969,943
Student support services	4,697,582	1,979,961
Institutional financial aid	<u>350,000</u>	<u>350,000</u>
Total unrestricted net position	<u>\$ 23,837,910</u>	<u>\$ 10,249,809</u>

Note 16 - Massachusetts Management Accounting and Reporting System

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2021 and 2020

The College's state appropriations are composed of the following for the years ended June 30,:

	<u>2021</u>	<u>2020</u>
Direct unrestricted appropriations	\$ 28,403,461	\$ 27,729,994
Add: Fringe benefits for benefited employees on the state payroll	8,912,016	8,948,190
Less: Day school tuition remitted to the state and included in tuition revenue	<u>(351,879)</u>	<u>(355,825)</u>
Total unrestricted appropriations	36,963,598	36,322,359
Capital appropriations	<u>3,872,261</u>	<u>6,882,833</u>
Total Appropriations	<u>\$ 40,835,859</u>	<u>\$ 43,205,192</u>

A reconciliation of revenue between the College and MMARS for the years ended June 30, is as follows (unaudited):

	<u>2021</u>	<u>2020</u>
Revenue per MMARS	\$ 51,421,657	\$ 47,003,116
Revenue per College	<u>51,421,657</u>	<u>47,003,116</u>
Difference	<u>\$ -</u>	<u>\$ -</u>

Note 17 - **Pass-Through Loans**

The College distributed approximately \$2,890,000 and \$3,622,000 during the years ended June 30, 2021 and 2020, respectively, for student loans through the United States Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

**REQUIRED SUPPLEMENTARY
INFORMATION**

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net Pension Liability

Massachusetts State Employees' Retirement System

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Valuation date	January 1, 2019	January 1, 2019	January 1, 2018	January 1, 2017	January 1, 2016	January 1, 2015	January 1, 2014
Proportion of the collective net pension liability	0.015%	0.012%	0.015%	0.013%	0.012%	0.016%	0.015%
Proportionate share of the collective net pension liability	\$ 2,562,142	\$ 1,779,868	\$ 1,954,892	\$ 1,670,737	\$ 1,587,065	\$ 1,869,738	\$ 1,147,357
College's covered payroll	\$ 1,146,115	\$ 1,004,270	\$ 1,147,054	\$ 1,023,618	\$ 874,582	\$ 989,751	\$ 1,146,368
College's proportionate share of the net pension liability as a percentage of its covered payroll	223.55%	177.23%	170.43%	163.22%	181.47%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	62.48%	66.28%	67.91%	67.21%	63.48%	67.87%	76.32%

Notes:

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

See accompanying notes to the required supplementary information.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - Pension

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 150,017	\$ 161,373	\$ 121,115	\$ 135,123	\$ 101,850	\$ 82,648	\$ 102,835
Contributions in relation to the statutorily required contribution	<u>(150,017)</u>	<u>(161,373)</u>	<u>(121,115)</u>	<u>(135,123)</u>	<u>(101,850)</u>	<u>(82,648)</u>	<u>(102,835)</u>
Contribution excess	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -
Covered payroll	\$ 1,023,308	\$ 1,146,115	\$ 1,004,270	\$ 1,147,054	\$ 1,023,618	\$ 874,582	\$ 989,751
Contribution as a percentage of covered payroll	14.66%	14.08%	12.06%	11.78%	9.95%	9.45%	10.39%

Notes:

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

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

See accompanying notes to the required supplementary information.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension

June 30, 2021

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

Measurement date – June 30, 2020

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

Measurement date – June 30, 2019

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

Measurement date – June 30, 2018

The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

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

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information - Pension - Continued

June 30, 2021

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0%, depending on group and length of service, to a range of 4.0% to 9.0%, depending on group and length of service. Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately 400 million as of June 30, 2016.

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%.

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

The mortality rates were changed as follows:

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Proportionate Share of Net OPEB Liability

State Retirees' Benefit Trust

Year ended	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Valuation date	January 1, 2020	January 1, 2019	January 1, 2018	January 1, 2017
Proportion of the collective net OPEB liability	0.0159%	0.0183%	0.0230%	0.0186%
Proportionate share of the collective net OPEB liability	\$ 3,296,879	\$ 3,355,366	\$ 4,277,669	\$ 3,249,591
College's covered payroll	\$ 1,146,115	\$ 1,004,270	\$ 1,147,054	\$ 1,023,618
College's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.66%	334.11%	372.93%	317.46%
Plan fiduciary net position as a percentage of the total OPEB liability	6.40%	6.96%	6.01%	5.39%

Notes:

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

See accompanying notes to the required supplementary information.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Schedules of Contributions - OPEB

State Retirees' Benefit Trust

For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 78,776	\$ 83,595	\$ 88,317	\$ 102,304
Contributions in relation to the statutorily required contribution	<u>(78,776)</u>	<u>(83,595)</u>	<u>(88,317)</u>	<u>(102,304)</u>
Contribution (excess)/deficit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
College's covered payroll	\$ 1,023,308	\$ 1,146,115	\$ 1,004,270	\$ 1,147,054
Contribution as a percentage of covered payroll	7.70%	7.29%	8.79%	8.92%

Notes:

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

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

See accompanying notes to the required supplementary information.

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB

June 30, 2021

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

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

Change in medical trend rates

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

Change in Investment Rate

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

Change in Salary Scale

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

Change in Discount Rate

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

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

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

Change in Trend on Future Costs

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

SPRINGFIELD TECHNICAL COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information – OPEB - Continued

June 30, 2021

Change in Discount Rate

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

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

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

Change in Mortality Rates

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

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

Change in Discount Rate

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

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

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

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



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*

The Board of Trustees of
Springfield Technical Community College
Springfield, 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 the business-type activities of Springfield Technical Community College (the "College"), and one of its discretely presented major component units, the Springfield Technical Community College Foundation, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 14, 2021. Our report includes a reference to other auditors who audited the financial statements of Springfield Technical Community College Assistance Corporation, as described in our report on the College's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing 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.

Compliance and Other Matters

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

Purpose of this Report

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



**Certified Public Accountants
Braintree, Massachusetts**

October 14, 2021