BERKSHIRE COMMUNITY COLLEGE

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

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

Financial Statements

June 30, 2017 and 2016

C O N T E N T S

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

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Berkshire Community College
Pittsfield, Massachusetts

Report on the Financial Statements
We have audited the accompanying financial statements of Berkshire Community College (an agency of the Commonwealth of Massachusetts) (the "College") which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. We also audited the financial statements of the Berkshire Community College Foundation, Inc. (the "Foundation") as of June 30, 2017.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Berkshire Community College Foundation, Inc. as of June 30, 2016 as discussed in Note 1. Those statements were audited by other auditors whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely upon 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the net position of Berkshire Community College as of June 30, 2017 and 2016, and the changes in net position and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-16, the schedule of proportionate share of the net pension liability on page 50, the schedule of contributions on page 51, and the notes to the required supplementary information on page 52 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 3, 2017, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Berkshire Community College's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 3, 2017

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

Management's Discussion and Analysis (Unaudited)

June 30, 2017 and 2016

The following discussion and analysis provides management's view of the financial position of the College as of June 30, 2017 and 2016 as well as 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 document.

Introduction

Berkshire Community College (the "College") is a public institution of higher education serving 1,127 FTE students with 51 full-time faculty, 115 part-time faculty, and 121 full-time staff members. The College is located in Pittsfield, Massachusetts. In addition, the College offers credit and non-credit programs at the South County Center in Great Barrington, the Conte Educational Center in downtown Pittsfield, and McCann Technical School in North Adams. The College offers 55 degree and certificate programs plus a wide range of non-credit workforce development training options.

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

Financial Highlights

The College's financial performance from FY16 to FY17 is indicated by the following:

- Total net position in FY17 increased $13,305,505 or 46.0% as compared to an increase of $13,889,402 or 92.4% in FY16.
- Unrestricted net position in FY17 increased $352,487 or 37.6% as compared to an increase of $345,282 or 58.3% in FY16.
- Total operating revenues in FY17 decreased $1,548,525 or 11.7% as compared to an increase of $381,372 or 3.0% in FY16.
- Net student fees in FY17 decreased $133,383 or 2.7% as compared to an increase of $41,628 or 0.9% in FY16.
- Operating grants and contributions in FY17 decreased $1,415,815 or 19.1% as compared to an increase of $191,963 or 2.7% in FY16.
- FTE enrollments decreased 8.4% in FY17 as compared to a decrease of 4.6% in FY16.
- Operating expenses in FY17 decreased $942 or 0.0% as compared to an increase of $615,960 or 2.3% in FY16.

Financial Highlights - Continued

The Berkshire Community College Foundation is a legally separate tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to activities of the College by the donors. Because resources held by the Foundation can only be used by, or are for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

The *Statements of Revenues, Expenses and Changes in Net Position* present information that shows 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* are reported using 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). The Governmental Accounting Standards Board (GASB) Statement Nos. 34 and 35 require this method to be used.

The financial statements can be found on pages 17 to 20 of this report.

The College reports its activity as a business-type activity, using the accrual basis of accounting. The College is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the College's operations, its net position, and cash flows are also summarized 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 shown in the financial statements. The notes provide information regarding both the accounting policies and procedures that the College has adopted as well as additional detail about certain amounts contained in the financial statements. The notes to the financial statements can be found on pages 21 to 49 of this report.

Financial Analysis

Net Position

The following table presents a summary of the College's net position. Detailed statements of net position may be found in the financial statements on page 17 of this report.

	June 30,		
	2017	**2016**	**2015**
Current assets	**$ 9,096,327**	$ 8,041,708	$ 6,787,805
Non-current assets	**41,838,631**	29,099,275	14,945,074
Total assets	**50,934,958**	37,140,983	21,732,879
Deferred outflows of resources	**443,723**	307,872	78,006
Current liabilities	**5,421,145**	4,556,298	3,358,355
Non-current liabilities	**3,080,191**	2,953,923	2,508,193
Total liabilities	**8,501,336**	7,510,221	5,866,548
Deferred inflows of resources	**654,811**	1,021,605	916,710
Investment in capital assets	**40,824,173**	27,865,851	14,359,255
Restricted - expendable	**108,423**	113,727	76,203
Unrestricted	**1,289,938**	937,451	592,169
Total net position	**$ 42,222,534**	$ 28,917,029	$ 15,027,627

The measurement of net position can serve over time as a useful indicator of the College's financial position. Net position increased $13,305,505 for the year ended June 30, 2017 and increased $13,889,402 for the year ended June 30, 2016.

Financial Analysis – Continued

Net Position - Continued

By far, the largest portion of the College's net position is its investment in capital assets, including land, buildings, machinery and equipment, less any related debt, including capital leases, used to acquire those assets. Net position investment in capital assets was $40,824,172 at June 30, 2017, representing 96.7% of total net position. Net position investment in capital assets increased by $12,958,321 in FY17. The College received capital appropriations from the Commonwealth totaling $13,752,785. The College uses capital assets to provide services to students, faculty, and staff; consequently, these assets are not available for future spending. Although the College's investment in its capital assets is reported net of related debt, note that the resources needed to repay this debt must be provided from non-capital sources, since the capital assets themselves cannot be used to liquidate these liabilities. Also, in addition to the capital asset activity noted above, which is reflected in the College's financial statements, the Commonwealth of Massachusetts regularly provides financing for certain capital projects through the issuance of general obligation bonds. These borrowings by the Commonwealth are not reflected in these financial statements. Additional information about the College's capital assets can be found in Note 6 on page 32 of the Notes to the Financial Statements.

The College's long-term debt consists of Clean Renewable Energy Bonds (CREB) of $394,804, capital lease obligations of $337,364, and accruals for compensated absences and workers compensation. The accrual for compensated absences consists of the long-term portion of vacation and sick pay relating to employees on the College's payroll. See Note 7 on page 33 of the Notes to the Financial Statements for more information on long-term liabilities.

A portion of the College's net position, $108,423 in FY17 ($113,727 in FY16), represents resources that are subject to external restrictions on how they must be used. The unrestricted net position of $1,289,938 in FY17 ($937,451 in FY16) may be used to meet the College's ongoing obligations to its stakeholders.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Financial Analysis – Continued

Net Position - Continued

The table and narrative below present the College's changes in net position, including a review of operating revenues and expenses as well as non-operating and other revenues and expenses.

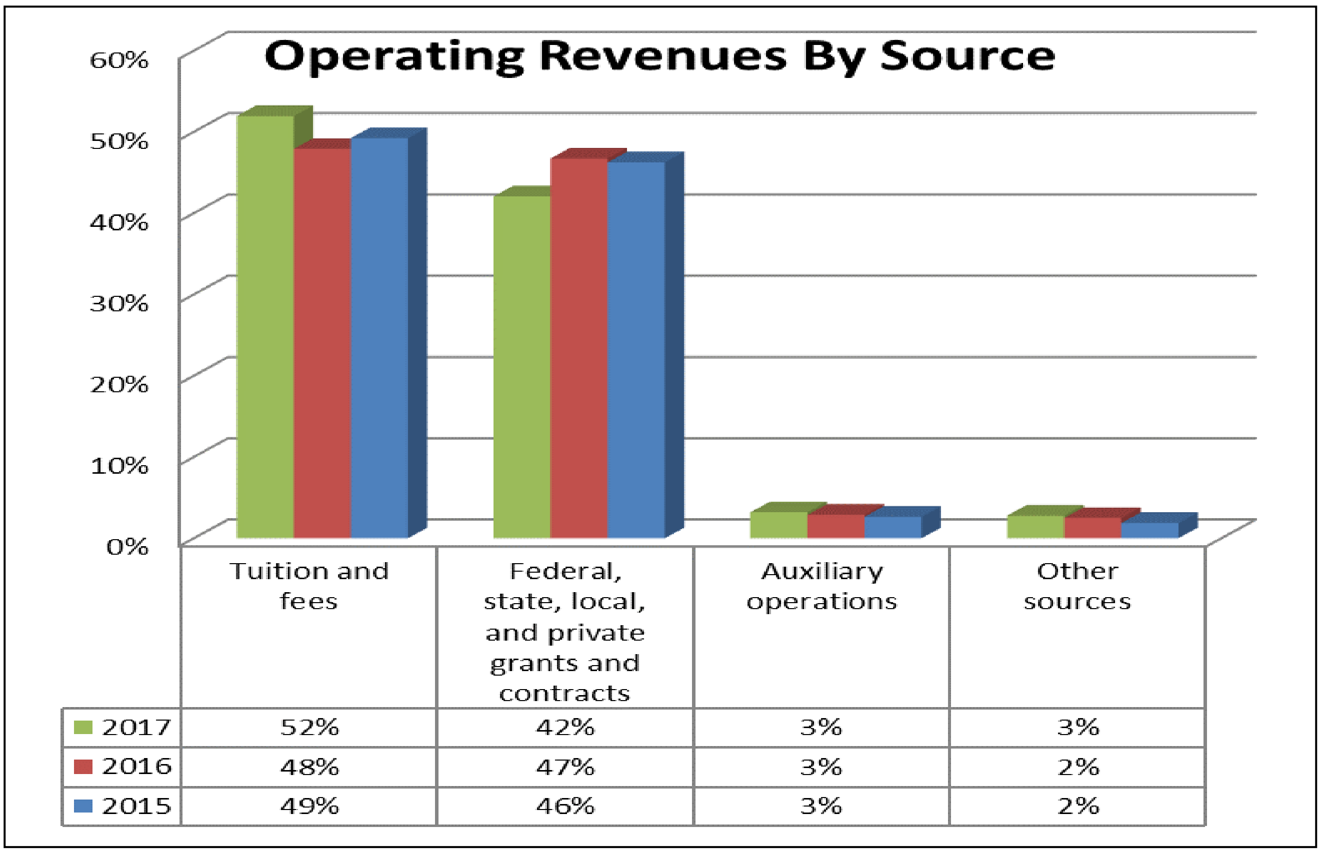
Condensed Changes In Net Position

	For Fiscal Years Ended		
	2017	**2016**	**2015**
Operating revenues:			
Tuition and fees, net of tuition waivers and remissions	$ **4,803,876**	$ 4,937,260	$ 4,895,632
Operating grants and contributions	**6,001,323**	7,417,138	7,225,175
Other sources	**853,948**	853,275	705,494
Total operating revenues	**11,659,147**	13,207,673	12,826,301
Total operating expenses	**26,898,522**	26,899,464	26,283,504
Net operating loss	**(15,239,375)**	(13,691,791)	(13,457,203)
Non-operating and other revenues (expenses):			
State appropriations	**28,547,865**	27,561,752	14,784,246
Net investment income	**14,137**	38,172	24,201
Interest expense	**(17,123)**	(18,731)	(20,237)
Total non-operating and other revenues	**28,544,879**	27,581,193	14,788,210
Increase in net position	**13,305,504**	13,889,402	1,331,007
Net position - beginning of year	**28,917,029**	15,027,627	13,696,620
Net position - end of year	$ **42,222,533**	$ 28,917,029	$ 15,027,627

Financial Analysis – Continued

Operating Revenue Highlights

The following is a graphic illustration of operating revenues by source, which were used to fund the College's activities for the years ended June 30, 2017, 2016, and 2015.



- **Total operating revenues** in FY17 decreased $1,548,525 or 11.7% as compared to an increase of $381,372 or 3.0% in FY16.

- **Tuition and fees** received by the College include tuition, college service fee, technology fee, and other credit and non-credit fees less scholarship allowances. Net student tuition and fees in FY17 decreased $133,383 or 2.7% as compared to an increase of $41,628 or 0.9% in FY16.

Financial Analysis – Continued

Operating Revenue Highlights – Continued

- **Operating grants and contributions** in FY17 decreased $1,415,815 or 19.1% as compared to an increase of $191,963 or 2.7% in FY16. See the table below for further discussion regarding grants received in FY17.
- **Other sources** of revenue include auxiliary operations, parking and other fines, facilities use fees, special function charges, user fees, and direct contributions to the College. Total other sources of revenue in FY17 increased $673 or 0.08% as compared to an increase of $147,781 or 20.9 % in FY16.
- FY17 operating grants and contracts included the following:

Grant Name	Funding Source	Amount	Purpose
Federal SEOG	US DOE	$69,853	Need-based funds awarded at school discretion according to packaging policies.
Pell	US DOE	$2,909,620	Entitlement fund based upon demonstrated financial need.
Federal Work Study	US DOE	$83,340	Federal allocation providing on- and off-campus work opportunities.
Title III Strengthening Institutions Grant	US DOE	$424,252	Help institutions expand their capacity to serve low-income students by providing funds to improve and strengthen academic quality, institutional management, and fiscal stability of eligible institutions. Second year of five-year award.

Financial Analysis – Continued

Operating Revenue Highlights – Continued

Grant Name	Funding Source	Amount	Purpose
Workforce Incentive Funding	Mass. Office of Workforce Development	$50,000	Support Director of Corporate Training in Office of Workforce Development.
TAA Workforce Grant	US DOL	$319,074	Final year of three-year award to support Guided Pathways To Success in STEM project.
TAA Workforce Grant Navigator	US DOL	$126,680	Support College and Career Navigator position to build partnerships between College and Career Center. Final year of three-year award.
Berkshire Enterprises	USDA	$48,000	Continuation of Rural Business Enterprise grant to fund technical assistance for small businesses.
AMP IT UP Program	Mass. Manufacturing Partnership	$10,000	Support education of students, families, and advisors regarding opportunities in advanced manufacturing.
ABE Adult Community Learning Center	Mass. DESE	$216,914	Support Adult Community Learning Center at South County Center.
ABE Project Link	Mass. DESE	$34,426	Provide foundation of services within Massachusetts community colleges, which enable adult learners to transition and ultimately complete postsecondary education.
STEM Starter Academy	Mass. BOHE	$225,000	Provide support services and transition programming to STEM students.

Financial Analysis – Continued

Operating Revenue Highlights – Continued

Grant Name	Funding Source	Amount	Purpose
Perkins	Mass. DOE	$116,344	Support CVTE linkage activities and career technical program.
TRIO	US DOE	$255,012	Student support services. Second year of five-year award.
Dual Enrollment	Mass. DHE	$45,000	Support dual enrollment program, which allows qualified high school students to take college courses.
Early Childhood Professional Development	Springfield Preschool Enrichment Team	$17,200	Help early childhood educators serve early education and related needs of out-of-force workforce in three core areas: educator and provider planning, coaching and mentoring, and competency development.
Performance Incentive Fund	Mass. DHE	$125,000	Scale up co-requisite course models to provide developmental students with confidence and academic skills for college level courses.

Financial Analysis - Continued

Operating Expense Highlights

Total operating expenses decreased $942 from FY16 to FY17. Of this amount, salary costs increased $317,505 or 2.15% and fringe benefit costs increased $500,086 or 13.5%. Functional expense classifications and dollar amounts are shown below. Expense percentage shares are shown in the accompanying chart.

	For Fiscal Years Ended		
	2017	**2016**	**2015**
Operating expenses:			
Instruction	$ **9,596,543**	$ 9,810,474	$ 9,774,539
Academic support	**3,159,406**	3,290,501	2,887,484
Student services	**4,011,675**	3,424,412	3,140,401
Scholarships and fellowships	**1,658,352**	2,121,292	2,705,745
Operation and maintenance of plant	**2,624,274**	2,496,905	2,639,910
Institutional support	**4,232,281**	4,059,182	3,874,982
Depreciation and amortization	**1,128,368**	1,210,640	832,582
Auxiliary operations	**487,623**	486,058	427,861
Total operating expenses	$ **26,898,522**	$ 26,899,464	$ 26,283,504

- **Instruction** – Costs directly related to the classroom (i.e., faculty salaries, instructional supplies, and equipment) decreased $213,931 or 2.2% in FY17 and increased $35,935 or 0.4% in FY16.

- **Academic Support** – Expenses that provide administrative and management support for academic programs decreased $131,095 or 4.0% in FY17 and increased $403,017 or 14.0% in FY16.

- **Student Services** – Admissions, Registrar, and Financial Aid offices as well as counseling, tutoring, interpreters, and all other student support services increased $587,263 or 17.1% in FY17 and increased $284,011 or 9.0% in FY16.

- **Scholarships and Fellowships** – Student aid, including federal, state, and private grants (i.e., Pell, SEOG, Massachusetts State Cash Grants, and Massachusetts State Scholarships) decreased $462,940 or 21.8% in FY17 and decreased $584,453 or 21.6% in FY16.

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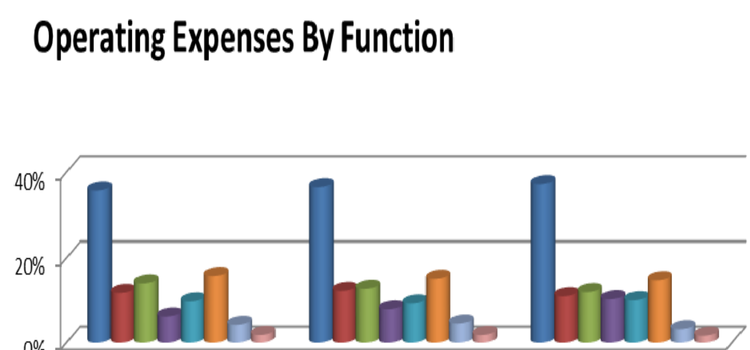
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017 and 2016

Financial Analysis - Continued

Operating Expense Highlights – Continued

- **Operation and Maintenance of Plant** – Spending on the operation and direct maintenance of the physical plant and grounds increased $127,369 or 5.1% in FY17 and decreased $143,005 or 5.4% in FY16.
- **Institutional Support** – Collectively, spending by all administrative functions increased $173,099 or 4.3% in FY17 and increased $184,200 or 4.8% in FY16.
- **Depreciation and Amortization** – This non-cash expense decreased $82,272 or 6.8% in FY17 and increased $378,058 or 45.4% in FY16.
- **Auxiliary Operations** – Food services increased $1,565 or 0.3% in FY17 and increased $58,197 or 13.6% in FY16.



	2017	2016	2015
Instruction	36%	36%	37%
Academic support	12%	12%	11%
Student services	14%	13%	12%
Scholarships and fellowships	6%	8%	10%
Operation/maintenance of plant	10%	9%	10%
Institutional support	16%	15%	15%
Depreciation and amortization	4%	5%	3%
Auxiliary operations	2%	2%	2%

Financial Analysis – Continued

Non-Operating Revenues and Expenses

The Commonwealth's net operating appropriations, which are composed of operating appropriations and fringe benefits less tuition remitted, increased $849,503 or 6.1% in FY17 and increased $699,288 or 5.3% in FY16. Investment income decreased $24,035 or 63.0% in FY17 and increased $13,971 or 57.7% in FY16.

Loss from Operations and State Appropriations

Due to the economics of public higher education and accounting requirements, institutions actually incur a loss from operations, because results from operations are reported before state budget appropriations are taken into consideration. The Commonwealth's Board of Higher Education establishes the tuition. The College sets student fees and other fees. Commonwealth appropriations to the College defray the loss from operations covered by tuition and fee revenue. The College, in order to balance educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

Unless otherwise permitted by the Massachusetts Legislature, the College is required to remit tuition to the Commonwealth. Therefore, the College collects student tuition on behalf of the Commonwealth and remits it to the Commonwealth's General Fund. There is no direct connection between the amount of tuition revenues collected by the College and the amount of state funds appropriated in any given year. The following table provides a summary of the unrestricted appropriations and capital appropriations received by the College from the Commonwealth for the fiscal years ended June 30, 2017, 2016, and 2015, respectively.

	For Fiscal Years Ended		
	2017	2016	2015
Gross Commonwealth operating appropriations	$ **11,262,702**	$ 11,026,230	$ 10,610,254
Plus fringe benefits*	**3,664,547**	3,092,833	2,830,391
	14,927,249	14,119,063	13,440,645
Less tuition remitted	**(132,169)**	(173,486)	(194,356)
Net Commonwealth operating appropriations	**14,795,080**	13,945,577	13,246,289
Gross Commonwealth capital appropriations	**13,752,785**	13,616,175	1,537,957
Net Commonwealth appropriations	$ **28,547,865**	$ 27,561,752	$ 14,784,246

Financial Analysis - Continued

Loss from Operations and State Appropriations - Continued

* The Commonwealth pays the fringe benefit cost for College employees paid from Commonwealth appropriations. Therefore, such fringe benefit support is added to the "state appropriations" line item presented in the above table. The College pays the Commonwealth for the fringe benefit cost of College employees paid from funding sources other than Commonwealth appropriations.

Economic Factors, Outlook, and Tuition and Student Fee Rates

The College's net state appropriations increased $986,113 in FY17 and increased $12,777,506 in FY16. The increase in FY17 was the result of a general appropriations increase of $849,503 and capital appropriations increase of $136,610.

For FY18, state appropriations are expected to remain level as compared to FY17. An increase in the college service fee of $4 per credit and an increase in the technology fee of $4 per credit were implemented for FY18. These fees are used to support the mission and operations of the College. The College remains concerned about the local economy, a declining population in Berkshire County, and future budget appropriations from the Commonwealth.

Requests for Information

This financial report is designed to provide a general overview of the College's finances for any interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Berkshire Community College, Vice President for Administration & Finance, 1350 West Street, Pittsfield, MA 01201.

BERKSHIRE COMMUNITY COLLEGE
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Statements of Net Position

June 30, 2017 and 2016

Assets and Deferred Outflows of Resources

	Primary Government		Component Unit	
	2017 College	2016 College	**2017 Foundation**	2016 Foundation
Current Assets:				
Cash and equivalents	**$ 5,055,663**	$ 3,900,135	**$ 1,216,104**	$ 1,374,164
Cash held by State Treasurer	**2,667,691**	1,695,057	**-**	-
Restricted cash and equivalents	**265,840**	102,116	**-**	-
Short-term investments	**-**	659,163	**-**	-
Accounts receivable, net	**793,614**	1,433,948	**200,000**	100,000
Inventory and other current assets	**313,519**	251,289	**5,977**	1,038
Total Current Assets	**9,096,327**	8,041,708	**1,422,081**	1,475,202
Noncurrent Assets:				
Long-term investments	**69,745**	76,162	**8,468,846**	7,400,230
Capital assets, net of accumulated depreciation	**41,768,887**	29,023,113	**363,927**	391,577
Total Noncurrent Assets	**41,838,632**	29,099,275	**8,832,773**	7,791,807
Total Assets	**50,934,959**	37,140,983	**10,254,854**	9,267,009
Deferred Outflows of Resources:				
Pension related, net	**443,723**	307,872	**-**	-
Total Assets and Deferred Outflows of Resources	**$ 51,378,682**	$ 37,448,855	**$ 10,254,854**	$ 9,267,009

Liabilities, Deferred Inflows of Resources and Net Position

	Primary Government		Component Unit	
	2017 College	2016 College	**2017 Foundation**	2016 Foundation
Current Liabilities:				
Accounts payable and accrued liabilities	**$ 614,090**	$ 417,131	**$ 23,457**	$ 56,960
Accrued payroll	**876,686**	857,296	**-**	-
Compensated absences	**1,250,316**	1,202,057	**-**	-
Workers' compensation	**29,167**	40,362	**-**	-
Student deposits	**161,385**	227,919	**-**	-
Unearned revenues	**2,276,954**	1,598,986	**-**	-
Current portion of bond payable	**43,867**	43,867	**-**	-
Current portion of capital lease obligations	**168,680**	168,680	**-**	-
Current portion of debt	**-**	-	**-**	36,990
Total Current Liabilities	**5,421,145**	4,556,298	**23,457**	93,950
Noncurrent Liabilities:				
Compensated absences	**649,374**	685,485	**-**	-
Workers' compensation	**131,979**	150,928	**-**	-
Bond payable	**394,804**	438,671	**-**	-
Capital lease obligations	**337,364**	506,044	**-**	-
Net pension liability	**1,566,671**	1,172,795	**-**	-
Total Noncurrent Liabilities	**3,080,192**	2,953,923	**-**	-
Total Liabilities	**8,501,337**	7,510,221	**23,457**	93,950
Deferred Inflows of Resources:				
Pension related, net	**624,240**	980,843	**-**	-
Service concession arrangement	**30,571**	40,762	**-**	-
Total Deferred Inflows of Resources	**654,811**	1,021,605	**-**	-
Net Position:				
Net investment in capital assets	**40,824,172**	27,865,851	**363,927**	354,587
Restricted:				
Nonexpendable	**-**	-	**6,147,436**	6,113,884
Expendable	**108,423**	113,727	**3,285,493**	2,169,127
Unrestricted	**1,289,939**	937,451	**434,541**	535,461
Total Net Position	**42,222,534**	28,917,029	**10,231,397**	9,173,059
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 51,378,682**	$ 37,448,855	**$ 10,254,854**	$ 9,267,009

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

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2017 and 2016

	Primary Government		Component Unit	
	2017 College	2016 College	**2017 Foundation**	2016 Foundation
Operating Revenues:				
Tuition and fees	**$ 7,410,531**	$ 7,605,841	**$ -**	$ -
Less: scholarship allowances	**(2,606,654)**	(2,668,581)	**-**	-
Net student fees	**4,803,877**	4,937,260	**-**	-
Gifts and contributions	**-**	-	**511,520**	532,841
Federal, state, local and private grants and contracts	**6,001,323**	7,417,138	**-**	-
Other auxiliary operations	**456,230**	456,932	**-**	-
Other sources	**397,718**	396,343	**305,540**	303,473
Total Operating Revenues	**11,659,148**	13,207,673	**817,060**	836,314
Operating Expenses:				
Instruction	**9,596,543**	9,810,474	**-**	-
Academic support	**3,159,406**	3,290,501	**-**	-
Student services	**4,011,675**	3,424,412	**-**	-
Scholarships and fellowships	**1,658,352**	2,121,292	**366,510**	449,702
Operation and maintenance of plant	**2,624,274**	2,496,905	**189,718**	175,320
Institutional support	**4,232,281**	4,059,182	**38,234**	33,630
Depreciation and amortization	**1,128,368**	1,210,640	**39,590**	39,921
Auxiliary operations	**487,623**	486,058	**-**	-
Total Operating Expenses	**26,898,522**	26,899,464	**634,052**	698,573
Operating Income (Loss)	**(15,239,374)**	(13,691,791)	**183,008**	137,741
Non-Operating Revenues (Expenses):				
State appropriations - unrestricted	**14,795,080**	13,945,577	**-**	-
Net investment income (loss)	**14,137**	38,172	**876,003**	(342,795)
Interest expense	**(17,123)**	(18,731)	**(673)**	(3,012)
Net Non-Operating Revenues (Expenses)	**14,792,094**	13,965,018	**875,330**	(345,807)
Change in Net Position Before Capital Appropriation	**(447,280)**	273,227	**1,058,338**	(208,066)
Capital appropriation	**13,752,785**	13,616,175	**-**	-
Change in Net Position	**13,305,505**	13,889,402	**1,058,338**	(208,066)
Net Position, Beginning of Year	**28,917,029**	15,027,627	**9,173,059**	9,381,125
Net Position, End of Year	**$ 42,222,534**	$ 28,917,029	**$ 10,231,397**	$ 9,173,059

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

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

Statements of Cash Flows

For the Years Ended June 30,

	2017 College	2016 College
Cash Flows from Operating Activities:		
Tuition and fees	**$ 4,737,167**	$ 4,994,889
Grants and contracts	**6,663,505**	6,800,788
Payments to suppliers	**(5,213,319)**	(6,083,009)
Payments to employees	**(14,504,835)**	(14,827,157)
Payments to students	**(1,658,352)**	(2,121,292)
Other auxiliary operations	**447,858**	450,437
Other sources	**1,021,599**	1,630,226
Net Cash Applied to Operating Activities	**(8,506,377)**	(9,155,118)
Cash Flows from Non-Capital Financing Activities:		
State appropriations	**11,262,702**	11,026,230
Tuition remitted to State	**(132,169)**	(173,486)
Net Cash Provided by Non-Capital Financing Activities	**11,130,533**	10,852,744
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	**(123,153)**	(888,518)
Principal paid on capital lease obligations	**(168,680)**	(168,680)
Principal paid on bond payable	**(43,867)**	(43,867)
Interest paid on bond payable	**(17,123)**	(18,731)
Net Cash Applied to Capital and Related Financing Activities	**(352,823)**	(1,119,796)
Cash Flow from Investing Activity:		
Interest income	**20,553**	18,795
Net Increase in Cash and Equivalents	**2,291,886**	596,625
Cash and Equivalents, Beginning of Year	**5,697,308**	5,100,683
Cash and Equivalents, End of Year	**$ 7,989,194**	$ 5,697,308

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

Statements of Cash Flows - Continued

For the Years Ended June 30,

	2017 College	2016 College
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Net operating loss	**$ (15,239,374)**	$ (13,691,791)
Adjustments to reconcile net operating loss to net cash applied to operating activities:		
Depreciation	**1,128,368**	1,210,640
Service concession arrangement	**(10,191)**	40,762
Net pension activity	**(98,578)**	(194,125)
Bad debts	**122,141**	31,134
Fringe benefits provided by State	**3,664,547**	3,092,833
Changes in assets and liabilities:		
Accounts receivable	**518,193**	(745,648)
Short-term investments	**659,163**	-
Inventory and other current assets	**(62,230)**	59,869
Accounts payable and accrued liabilities	**196,959**	(359,827)
Accrued employee compensation and benefits	**1,395**	58,611
Student deposits and unearned revenues	**(66,534)**	126,864
Other deferred revenues	**679,764**	1,215,560
Net Cash Applied to Operating Activities	**$ (8,506,377)**	$ (9,155,118)
Reconciliation of Cash and Equivalents to Statements of Net Position, End of Year:		
Cash and equivalents	**$ 5,055,663**	$ 3,900,135
Cash held by State Treasurer	**2,667,691**	1,695,057
Restricted cash and equivalents	**265,840**	102,116
	$ 7,989,194	$ 5,697,308
Non-Cash Transactions:		
Fringe benefits provided by State appropriations	**$ 3,664,547**	$ 3,092,833
Capital improvements provided by capital appropriations	**$ 13,752,785**	$ 13,616,175
Capital assets provided by capital lease obligations	**$ -**	$ 843,404
Dividends reinvested	**$ 3,453**	$ 5,849

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

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

Notes to the Financial Statements

June 30, 2017 and 2016

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

Organization
Berkshire Community College (the "College") is a state-supported comprehensive two-year college that offers a quality education leading to associate degrees and various certificate programs. From its primary campus located in Pittsfield, Massachusetts, along with other satellite campuses, 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, through the Division of Continuing Education, credit and non-credit courses as well as community education programs. The College is accredited by the New England Association of Schools and Colleges.

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

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

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

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

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

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

Berkshire Community College Foundation (the "Foundation") is a legally separate tax-exempt organization. The Foundation was established to promote and support the furtherance of the educational and cultural mission of the College. The Board of the Foundation is self-perpetuating and primarily consists of graduates and friends of the College. Although the College does not control the timing or the amount of receipts from the Foundation, the majority of resources received or held by the Foundation are restricted to the activities of the College by the donors. The Foundation is considered a component unit of the College because of the nature and significance of its relationship with the College as of June 30, 2017 and 2016 and is therefore discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from Berkshire Community College Foundation, Inc. at 1350 West Street, Pittsfield, Massachusetts, 01201.

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

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

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

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

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by 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 within several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Cash and Equivalents
The College has defined cash and equivalents to include cash on hand, demand deposits, and cash and deposits held by the State Treasurer on behalf of the College.

Restricted Cash and Equivalents
Restricted cash and equivalents consists of grant and capital funds designated for specific projects.

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

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, expenses and changes in net position.

Allowance for Doubtful Accounts
Accounts receivable are periodically evaluated for collectability based on past history with students. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks, and current economic conditions.

Inventory and Other Current Assets
Inventory consists of food service materials, and other current assets consist of prepaid expenses. Inventory is stated at the lower of cost or market, and cost is determined using the first-in, first-out method.

Capital Assets
Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair market value at date of donation. In accordance with the state's capitalization policy, only those items with a unit cost of $50,000 or more are capitalized. Interest costs on debt related to capital assets are capitalized during the construction period. College capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 5 to 40 years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

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

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

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

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

Fringe Benefits

The College participates in the Commonwealth's Fringe Benefit programs, including health insurance, unemployment, pension, workers' compensation and certain post-retirement benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the College.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave, along with compensatory time. Accrued vacation is the amount earned by all eligible employees through year-end. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2017 and 2016. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Workers' Compensation

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

Pensions

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

Student Fees

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

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

Tax Status

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

Use of Estimates

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

New Governmental Accounting Pronouncements

GASB Statement 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined-benefit OPEB. As discussed in Note 12, management anticipates that implementation of this standard will require the restatement of balances as of July 1, 2017.

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

New Governmental Accounting Pronouncements - Continued
GASB Statement 83 – *Certain Asset Retirement Obligations* ("AROs") is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this standard and its applicability.

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

GASB Statement 85 – *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits). Management has not completed its review of the requirements of this standard and its applicability.

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

New Governmental Accounting Pronouncements - Continued
GASB Statement 86 – *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and disclosures in the financial statements for debt that is defeased in substance. Management has not completed its review of the requirements of this standard.

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

Note 2 - **Cash and Equivalents**

The College periodically maintains cash balances in excess of Federal Deposit Insurance Corporation ("FDIC") insurable limits. The maximum deposit insurance amount is $250,000, which is applied per depositor, per insured depository institution. The College's deposit policy for custodial credit risk requires the depository institution to purchase additional insurance to cover deposits in excess of FDIC insured amounts. Management monitors the financial condition of banking institutions, along with its cash balances, to keep this potential risk to a minimum. As of June 30, 2017 and 2016, none of the College's bank balances, net of deposits and disbursements in transit, of approximately $5,449,000 and $5,082,000, respectively, were exposed to custodial credit risk as uninsured and uncollateralized.

Note 3 - Cash Held by State Treasurer

Accounts payable and accrued salaries to be funded from state-appropriated funds totaled approximately $2,668,000 and $1,695,000 at June 30, 2017 and 2016, respectively. The College has recorded an equivalent dollar amount of cash held by the State Treasurer for the benefit of the College, which was subsequently used for these liabilities.

Note 4 - Investments

Fair Value Measurements

The framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the College has the ability to access. Level 2 inputs include quoted prices for similar assets or liabilities in active or inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from, or corroborated by, observable market data by correlation or other means. Level 3 inputs are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017.

Corporate Equity Securities: Valued at quoted market value of the shares held at fiscal year-end.

Corporate and Government Bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual Funds: Valued at the net asset value ("NAV") of the shares held at fiscal year-end. Mutual funds consist of open-ended mutual funds that "strike a NAV" at the close of each day the financial markets are open and are available to purchase by the general public through brokerage houses.

Certificates of Deposit and Money Market Funds: Valued based upon redemption value.

Note 4 - **Investments - Continued**

Fair Value Measurements - Continued
At June 30, 2017 and 2016, all investments of the College and the Foundation are categorized in Level 1 of the fair value hierarchy.

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

	2017	2016
Money market funds	**$ -**	$ 659,163
Corporate equity securities	**69,745**	76,162
Total	**$ 69,745**	$ 735,325

The College categorizes investments according to the level of risk assumed. At June 30, 2017 and 2016, all investments are insured, registered, or held by the College's agent in the College's name. The entire investment balance is stated at fair market value and is unrated in terms of credit risk quality ratings. The College currently follows investment policies largely defined by the Commonwealth of Massachusetts, as well as internal College investment policies.

The following schedule summarizes the College's net investment income for the fiscal years ended June 30:

	2017	2016
Interest	**$ 20,553**	$ 18,795
Dividends	**3,453**	5,849
Net unrealized gains (losses)	**(9,869)**	13,528
Net investment income	**$ 14,137**	$ 38,172

Note 4 - **Investments - Continued**

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

	2017	2016
Corporate equity securities	**$ 4,900,171**	$ 4,896,955
Corporate bonds	**1,000,085**	927,698
Government bonds	**1,086,549**	1,165,092
Mutual funds	**758,060**	-
Certificates of deposit	**300,000**	-
Money market funds	**423,981**	410,485
Total	**$ 8,468,846**	$ 7,400,230

The following schedule summarizes the Foundation's net investment income (loss) for the fiscal years ended June 30:

	2017	2016
Interest and dividends	**$ 155,792**	$ 159,628
Investment fees	**(57,841)**	(56,571)
Net unrealized gains (losses)	**84,039**	(410,637)
Net realized gains (losses)	**694,013**	(35,215)
Net investment income (loss)	**$ 876,003**	$ (342,795)

Note 5 - **Accounts Receivable**

Accounts receivable is expected to be collected within one-year and is comprised of the following at June 30:

	2017	2016
Student accounts receivable	**$ 1,277,379**	$ 1,309,123
Grants receivable	**100,779**	711,237
Other receivables	**69,110**	99,162
	1,447,268	2,119,522
Less: allowance for doubtful accounts	**653,654**	685,574
Accounts receivable, net	**$ 793,614**	$ 1,433,948

Note 6 - **Capital Assets**

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

2017

	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress		$ 15,217,854	$ 13,750,989	$ -	$ -	$ 28,968,843
Land		474,888	-	-	-	474,888
Total not depreciated		15,692,742	13,750,989	-	-	29,443,731
Capital assets depreciated:						
Buldings and improvements	20 - 40	33,822,711	123,153	-	-	33,945,864
Furnishings and equipment (including cost of capital leases)	5 - 10	3,150,223	-	(17,951)	-	3,132,272
Total depreciated		36,972,934	123,153	(17,951)	-	37,078,136
Less: accumulated depreciation:						
Buldings and improvements		(22,067,895)	(672,961)	-	-	(22,740,856)
Furnishings and equipment		(1,574,668)	(455,407)	17,951	-	(2,012,124)
Total accumulated depreciation		(23,642,563)	(1,128,368)	17,951	-	(24,752,980)
Capital assets, net		$ 29,023,113	$ 12,745,774	$ -	$ -	$ 41,768,887

2016

	Estimated Lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not depreciated:						
Construction in progress		$ 1,873,777	$ 13,611,730	$ -	$ (267,653)	$ 15,217,854
Land		474,888	-	-	-	474,888
Total not depreciated		2,348,665	13,611,730	-	(267,653)	15,692,742
Capital assets depreciated:						
Buldings and improvements	20 - 40	33,555,058	-	-	267,653	33,822,711
Furnishings and equipment (including cost of capital leases)	5 - 10	1,452,167	1,736,363	(38,307)	-	3,150,223
Total depreciated		35,007,225	1,736,363	(38,307)	267,653	36,972,934
Less: accumulated depreciation:						
Buldings and improvements		(21,312,663)	(755,232)	-	-	(22,067,895)
Furnishings and equipment		(1,157,567)	(455,408)	38,307	-	(1,574,668)
Total accumulated depreciation		(22,470,230)	(1,210,640)	38,307	-	(23,642,563)
Capital assets, net		$ 14,885,660	$ 14,137,453	$ -	$ -	$ 29,023,113

BERKSHIRE COMMUNITY COLLEGE
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **Long-Term Liabilities**

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

	2017					
	Beginning Balance	**Additions**	**Reductions**	**Ending Balance**	**Current Portion**	**Noncurrent Portion**
Bond and leases payable:						
Bond payable	**$ 482,538**	**$ -**	**$ (43,867)**	**$ 438,671**	**$ 43,867**	**$ 394,804**
Capital lease obligations	**674,724**	**-**	**(168,680)**	**506,044**	**168,680**	**337,364**
Other long-term liabilities:						
Compensated absences	**1,887,542**	**12,148**	**-**	**1,899,690**	**1,250,316**	**649,374**
Workers' compensation	**191,290**	**-**	**(30,144)**	**161,146**	**29,167**	**131,979**
Net pension liability	**1,172,795**	**393,876**	**-**	**1,566,671**	**-**	**1,566,671**
	$ 4,408,889	**$ 406,024**	**$ (242,691)**	**$ 4,572,222**	**$ 1,492,030**	**$ 3,080,192**

	2016					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Bond and leases payable:						
Bond payable	$ 526,405	$ -	$ (43,867)	$ 482,538	$ 43,867	$ 438,671
Capital lease obligations	-	843,404	(168,680)	674,724	168,680	506,044
Other long-term liabilities:						
Compensated absences	1,917,352	-	(29,810)	1,887,542	1,202,057	685,485
Workers' compensation	186,178	5,112	-	191,290	40,362	150,928
Net pension liability	1,201,187	-	(28,392)	1,172,795	-	1,172,795
	$ 3,831,122	$ 848,516	$ (270,749)	$ 4,408,889	$ 1,454,966	$ 2,953,923

Note 7 - **Long-Term Liabilities - Continued**

Bond Payable

The College has a New Clean Renewable Energy Bond outstanding with Century Bank and Trust Company. Principal is payable annually, and interest is payable semi-annually at a rate of 3.5%. Maturities of the bond payable subsequent to June 30, 2017 are as follows:

Years Ending June 30,	Principal	Interest	Total
2018	$ 43,867	$ 15,566	$ 59,433
2019	43,867	14,010	57,877
2020	43,867	12,488	56,355
2021	43,867	10,897	54,764
2022	43,867	9,340	53,207
2023 - 2027	219,336	23,368	242,704
	$ 438,671	$ 85,669	$ 524,340

Capital Lease Obligations

During fiscal 2016, the College entered into two capital lease agreements under which the related networking and telephone system equipment will become property of the College when all terms of the lease agreements are satisfied. Both capital lease arrangements are for five-year terms and are interest-free obligations. Interest has not been imputed due to a lack of materiality. The following presents future minimum lease payments subsequent to June 30, 2017:

Years Ending June 30,	Lease Payments
2018	$ 168,680
2019	168,680
2020	168,683
	$ 506,043

Note 7 - **Long-Term Liabilities - Continued**

Capital Lease Obligations - Continued

The following reports the cost and accumulated depreciation for equipment under capital leases at June 30:

	2017	2016
Equipment	**$ 843,404**	$ 843,404
Less: accumulated depreciation	**337,361**	168,680
Total	**$ 506,043**	$ 674,724

Foundation Debt

Note Payable

The Foundation had a mortgage note payable with a financial institution requiring monthly payments of approximately $5,000 plus interest at 4.50% through March 2017. Substantially all land, building and building improvements were pledged as collateral. At June 30, 2016, the outstanding balance was approximately $37,000, which was repaid in full during fiscal 2017 in accordance with the terms of the note.

Line of Credit

The Foundation has available a $175,000 revolving line of credit expiring in December 2049. The line of credit is collateralized by real estate owned by the Foundation. There were no draws on the line of credit during the fiscal years ended June 30, 2017 and 2016.

Note 8 - **Net Position**

Restricted Net Position
The College is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. Restricted expendable funds are available for academic programs.

The Foundation's restricted nonexpendable net position consists of endowment funds to be held in perpetuity, whose income is primarily utilized for scholarships and grants and academic technology.

Note 9 - **Operating Leases**

The College leases classrooms and office space for its Great Barrington and Conte Federal Building locations. It also leases copiers and a vehicle under operating leases. Rental expense for operating leases was approximately $319,000 and $315,000 for the years ended June 30, 2017 and 2016, respectively. The following schedule summarizes future minimum payments due under non-cancelable operating leases as of June 30, 2017:

Year Ending June 30,	Lease Payments
2018	**$ 127,849**
2019	**41,479**
2020	**7,141**
	$ 176,469

Note 10 - **Operating Expenses**

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

	2017	2016
Compensation and benefits	**$ 18,763,755**	$ 17,784,480
Supplies and services	**5,348,047**	5,783,052
Scholarships and fellowships	**1,658,352**	2,121,292
Depreciation and amortization	**1,128,368**	1,210,640
Total	**$ 26,898,522**	$ 26,899,464

Note 11 - **Pension**

Defined-Benefit Plan Description

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

The Massachusetts State Employees' Retirement System does not issue stand-alone financial statements.

The College makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to approximately $1,088,000 and $1,002,000 for the years ended June 30, 2017 and 2016, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the retirement system. Annual covered payroll was approximately 81% of total related payroll for fiscal years ended June 30, 2017 and 2016.

Note 11 - **Pensions - Continued**

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 cannot retire until they have reached age 60.

Contributions

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

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

Hire Date	Percentage of Compensation
Prior to 1975	5% of regular compensation
1975 to 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

Note 11 - **Pensions - Continued**

Contributions - Continued
The College is required to contribute at an actuarially determined rate; the rate was 9.95% and 9.45% of annual covered payroll for the fiscal years ended June 30, 2017 and 2016, respectively. The College contributed approximately $88,000 and $82,000 for the fiscal years ended June 30, 2017 and 2016, respectively, equal to 100% of the required contributions for each year.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
At June 30, 2017 and 2016, the College reported a liability of approximately $1,567,000 and $1,173,000, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2017 was measured as of June 30, 2016, 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, 2016 rolled forward to June 30, 2016. The net pension liability as of June 30, 2016 was measured as of June 30, 2015, 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, 2015 rolled forward to June 30, 2015.

The College's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the College for the fiscal years 2016 and 2015, respectively. The College's proportionate share was based on actual employer contributions to the SERS for fiscal years 2016 and 2015 relative to total contributions of all participating employers for the fiscal years. At June 30, 2016 and 2015, the College's proportion was 0.011% and 0.010%, respectively.

For the years ended June 30, 2017 and 2016, the College recognized a pension benefit of approximately $10,000 and $111,000, respectively.

Note 11 - **Pensions - Continued**

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

The College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30:

		2017		2016
Deferred Outflows of Resources				
Differences between projected and actual investment earnings on pension plan investments	**$**	**105,168**	$	-
Changes in proportion from the Commonwealth		**2,735**		-
Changes in plan actuarial assumptions		**173,733**		203,104
Contributions subsequent to the measurement date		**87,674**		81,586
Differences between expected and actual experience		**74,413**		23,182
Total	**$**	**443,723**	$	307,872
Deferred Inflows of Resources				
Differences between projected and actual investment earnings on pension plan investments	**$**	**-**	$	33,701
Changes in proportion from the Commonwealth		**-**		900
Changes in proportion due to internal allocation		**624,240**		946,242
Total	**$**	**624,240**	$	980,843

Note 11 - **Pensions - Continued**

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

The College's contributions of approximately $88,000 and $82,000 made during the fiscal years ending 2017 and 2016, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Year Ending June 30,	
2018	**$ (77,302)**
2019	**(77,302)**
2020	**(35,073)**
2021	**(86,205)**
2022	**7,691**
	$ (268,191)

Actuarial Assumptions

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

Measurement date	June 30, 2016	June 30, 2015
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	3.50% to 9.00%
Investment rate of return	7.50%	7.50%
Investment rate credited to annuity savings fund	3.50%	3.50%

Note 11 - **Pensions - Continued**

Actuarial Assumptions - Continued

For measurement dates June 30, 2016 and 2015, mortality rates were based on:

- Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability - the mortality rate is assumed to be in accordance with the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

The actuarial assumptions used in the January 1, 2016 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of an actuarial experience study performed as of January 1, 2016.

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 weighing 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:

`

	2016		2015	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	**40.0%**	**6.9%**	40.0%	6.9%
Core Fixed Income	**13.0%**	**1.6%**	13.0%	2.4%
Hedge Funds	**9.0%**	**4.0%**	9.0%	5.8%
Private Equity	**10.0%**	**8.7%**	10.0%	8.5%
Real Estate	**10.0%**	**4.6%**	10.0%	6.5%
Portfolio Completion Strategies	**4.0%**	**3.6%**	4.0%	5.5%
Value Added Fixed Income	**10.0%**	**4.8%**	10.0%	5.8%
Timber / Natural Resources	**4.0%**	**5.4%**	4.0%	6.6%
Total	**100.0%**		100.0%	

Note 11 - **Pensions - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.50%, respectively, at June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rates. Based on those assumptions, the 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 as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

June 30, 2016

1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
$ 2,041,615	**$ 1,566,671**	**$ 1,164,138**

June 30, 2015

1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
$ 1,594,202	$ 1,172,795	$ 809,310

Note 12 - **Fringe Benefit Programs**

The College participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension and workers' compensation benefits. Health insurance for active employees and retirees is paid through a fringe benefit rate charged to the College by the Commonwealth and currently the liability is borne by the Commonwealth, as are any effects on net position and the results of current year operations, due to the adoption of GASB 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*. As discussed previously, GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* replaces GASB 45 and will require a restatement of balances at July 1, 2017.

Under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities and certain other governmental agencies. Substantially all of the Commonwealth's fringe benefited employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs, which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

Group Insurance Commission

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

Note 12 - **Fringe Benefit Programs - Continued**

Group Insurance Commission - Continued

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

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended June 30, 2017 and 2016, 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 pretax health care spending account and dependent case assistance program (for active employees only).

Insurance

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

Note 12 - **Fringe Benefit Programs - Continued**

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

New Accounting Guidance Effective for Fiscal 2018
As discussed in Note 1, GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions* is effective for fiscal 2018 and is applicable for employees participating in a cost-sharing multiple employer plan such as the State Retirement Benefits Trust Fund. The College will be required to restate beginning net position as of July 1, 2017 to recognize the employer's proportionate share of the plan's net other post-employment benefit ("OPEB") obligation. OPEB expense reported in the College's financial statements will reflect the change in the net OPEB liability for the fiscal year.

Note 13 - **Service Concession Arrangement**

Deferred inflows of resources include a one-time payment of approximately $51,000 received by the College during fiscal year 2016 that is subject to amortization over the life of the agreement. The College's bookstore operations are managed under an agreement by an outside party. The arrangement was effective July 1, 2015 and expires on June 30, 2020. At June 30, 2017 and 2016, the unamortized portion of the payment was approximately $31,000 and $41,000, respectively.

Note 14 - **Contingencies**

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

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

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

The College is continuing the process of replacing exterior caulking in many of its buildings due to the presence of polychlorinated biphenyls ("PCBs"). The cost of the remediation project is the responsibility of the Commonwealth, and all liabilities required in accordance with GASB 40, *Accounting and Financial Reporting for Pollution Remediation Obligations*, will be reported by the Commonwealth.

Note 15 - **Massachusetts Management Accounting and Reporting System**

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

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

	2017	2016
Directed unrestricted appropriations	**$ 11,262,702**	$ 11,026,230
Fringe benefits for benefited employees on the state payroll	**3,664,547**	3,092,833
Less:		
9C reduction	**-**	-
Day school tuition remitted to the state and included in tuition and fee revenues	**(132,169)**	(173,486)
Total unrestricted appropriations	**14,795,080**	13,945,577
Capital appropriations	**13,752,785**	13,616,175
Total appropriations	**$ 28,547,865**	$ 27,561,752

Note 15 - **Massachusetts Management Accounting and Reporting System - Continued**

A reconciliation of revenues between the College and MMARS as of June 30, is as follows (unaudited):

	2017	2016
Revenue per MMARS	**$ 13,685,371**	$ 18,090,369
Revenue per College	**$ 13,685,371**	$ 18,090,369

Note 16 - **Pass-Through Loans**

The College distributed approximately $2,606,000 and $3,022,000 for the fiscal years ended June 30, 2017 and 2016, respectively, for student loans through the U.S. Department of Education's Direct Loan 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

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

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

Employees' Retirement System

Year ended	June 30, 2017	June 30, 2016	June 30, 2015
Valuation date	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
College's proportion of the net pension liability	0.012%	0.010%	0.018%
College's proportionate share of the net pension liability	$ 1,566,671	$ 1,172,795	$ 1,201,187
College's covered-employee payroll	$ 863,037	$ 620,818	$ 1,200,107
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the total pension liability	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.

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

Schedule of Contributions (Unaudited)

For the Years Ended June 30,

Year ended	2017	2016	2015
Contractually required contribution	$ 87,674	$ 81,586	$ 64,503
Contributions in relation to the contractually required contribution	(87,674)	(81,586)	(64,503)
Contribution excess	$ -	$ -	$ -
College's covered-employee payroll	$ 881,145	$ 863,051	$ 620,818
Contribution as a percentage of covered-employee payroll	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.

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

Notes to the Required Supplementary Information (Unaudited)

June 30, 2017, 2016 and 2015

Note 1 - **Changes in Assumptions**

Changes in assumptions about the discount rate from 8.00% to 7.50%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of $2.33 billion to be charged to income over an amortization period of 5.5 years beginning in the fiscal year ended June 30, 2016. Previously, changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of $102 million to be charged to income over an amortization period of 5.5 years beginning in the fiscal year ended June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The College's proportionate share of the net pension liability and the results of changes in assumptions is 0.012%, 0.010% and 0.018% in fiscal years 2017, 2016 and 2015, respectively, as shown on the Schedule of Proportionate Share of Net Pension Liability, and represent the relationship of contributions made by the College to total contributions by all participating State Agencies.

The College's portion of these amounts is as follows:

	2017	2016	2015
Changes in assumption	**$ 256,567**	$ 256,567	$ 16,503
Accumulated amortization	**82,834**	53,463	3,000
Changes in assumptions, net	**$ 173,733**	$ 203,104	$ 13,503

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

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

To the Board of Trustees of
Berkshire Community College
Pittsfield, 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 Berkshire Community College (the "College"), which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Berkshire Community College's basic financial statements and have issued our report thereon dated October 3, 2017. Our report includes a reference to other auditors who audited the financial statements of Berkshire Community College Foundation, Inc. (the "Foundation") for the fiscal year ended June 30, 2016, as described in our report on Berkshire Community 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 audits of the financial statements, we considered Berkshire Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits 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 Berkshire Community College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

O'Connor and Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

October 3, 2017