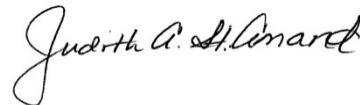


## HUMAN RESOURCES SUBCOMMITTEE

## NOTICE

THE HUMAN RESOURCES COMMITTEE OF THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES WILL MEET AT 3:30 P.M. ON TUESDAY, OCTOBER 20, 2015 IN THE MULTI-PURPOSE ROOM IN SHEEHAN HALL.

1. CALL TO ORDER
2. APPROVAL OF MINUTES – September 8, 2015 (Attachment 3)
3. PRESIDENTIAL SALARIES REVIEW
  - Salaries Survey (Attachment 4)
  - MA General Laws Chapter 15A (Attachment 5)
  - BHE Compensation and Evaluation Guidelines (Attachment 6)
4. OTHER BUSINESS
5. ADJOURNMENT



Judith St. Amand  
October 13, 2015

### **HUMAN RESOURCES COMMITTEE**

Trustee George Albro, Chair

Trustee Kurt Correia

Trustee Isabel Gonzalez Webster

Trustee Maryanne Hammond

Trustee Terence Shanley

Trustee Ronald Valerio, Ex-Officio Voting Member

President Barry Maloney, Ex-Officio Non-Voting Member

All trustees are welcome at committee meetings.

**Human Resources Committee**

Upon a motion made and seconded, it was

**VOTED:**       **to approve the minutes of September 8, 2015 as submitted.**

---

Upon a motion made and seconded, it was

**VOTED:**       **to recommend to the full Board a salary adjustment in the amount of  
\_\_\_\_\_ to address the inequity that presently exists in the salary of  
the president of Worcester State University.**

---

Upon a motion made and seconded, it was

**VOTED:**       **to adjourn the meeting at**

**WORCESTER STATE UNIVERSITY  
BOARD OF TRUSTEES**

**HUMAN RESOURCES COMMITTEE**

**September 8, 2015**

**PRESENT:** Trustee George Albro, Chair  
Trustee Kurt Correia  
Trustee Maryanne Hammond  
Trustee Robert Thomas, Non-Voting  
President Barry Maloney  
Ms. Judith St. Amand, Assistant Secretary  
Ms. Nikki Kapurch, Staff Assistant

The provisions of General Laws, Chapter 30A having been complied with, and a quorum present, a meeting of the Human Resources Committee was held on Tuesday, September 8, 2015 in room A201 of the Helen G. Shaughnessy building. Trustee Albro called the meeting to order at 3:35 p.m.

**APPROVAL OF MINUTES – August 24, 2015**

Upon a motion by Trustee Hammond and seconded by Trustee Correia, it was

**VOTED: to approve the minutes of August 24, 2015 as presented.**

Chairman Albro moved to agenda item #5 and to return to discuss agenda item #3 later in the meeting.

**APPOINTMENT OF ASSOCIATE VICE PRESIDENT FOR CONTINUING EDUCATION AND DEAN OF GRADUATE STUDIES**

Upon a motion made and seconded, it was

**VOTED: to recommend approval of the appointment of Dr. Roberta Kyle to the position of Associate Vice President for Continuing Education and Dean of Graduate Studies upon the terms described in her letter of appointment dated August 25, 2015.**

**PROMOTION OF MARY JO MARION TO ASSISTANT VICE PRESIDENT FOR ACADEMIC AFFAIRS FOR URBAN AFFAIRS AND EXECUTIVE DIRECTOR OF THE LATINO**

Upon a motion made and seconded, it was

**VOTED: to recommend approval of a promotion for Mary Jo Marion to Assistant Vice President for Academic Affairs for Urban Affairs and Executive Director of the Latino Education upon the terms described in her letter of June 26, 2015.**



## **COMPENSATION AND EVALUATION GUIDELINES AND PROCEDURES FOR STATE UNIVERSITY AND COMMUNITY COLLEGE PRESIDENTS**

- Trustee Albro acknowledged receipt of a copy of the most recent Higher Education document for *Compensation and Evaluation Guidelines and Procedures for State University and Community College Presidents* forwarded by Chairman Valerio.
- Chairman Valerio reported at the August 24<sup>th</sup> meeting that he had been reviewing the salary for the position of President at WSU in comparison with sister institutions for some time and discovered that an inequity exists.
- Chairman Valerio's concern addresses the "position" and not the "person" presently serving as president. However, with the very positive annual evaluation that was just recently conducted, it provides more concern to correct such an inequity.
- The document presented by Chairman Valerio provides a path and process for addressing this issue.
- Chairman Valerio requested the HR Committee discuss the possibility of accepting the responsibility for investigating this matter.
- The HR Committee unanimously agreed to accept the charge and will begin to gather comparative information for institutions throughout the northeast and will report back to the full board in October.

### **EARLY RETIREMENT INCENTIVE**

Dr. Luster, Assistant Vice President for \_\_\_\_\_ provided the following information:

- As of today, 22 employees have applied for the incentive.
- 1 or 2 have not provided all information and are on hold.
- Of the 22 applicants, 5 are members of the faculty.
- Faculty must apply by October 3 and retire from the campus by December 31<sup>st</sup>.
- There is a provision in the policy that allows a faculty member to continue in an adjunct position following retirement.
- Vacant faculty positions will be reviewed and where necessary will be filled with adjunct professors or a one-term appointment.
- Advertising will begin as soon as possible to attract qualified candidates for an vacancy.
- Staffing levels will be reviewed for the entire campus and a full scale plan for filling positions and actual savings resulting from the incentive will be presented to the full Board in November.

Upon a motion by Trustee Correia and seconded by Trustee Hammond, it was

**VOTED:        to adjourn the meeting at 4:15 p.m.**

Respectfully submitted,

Judith A. St. Amand  
Assistant Secretary

<b>Institution</b>	<b>Enrollment</b>	<b>Annual Salary</b>	<b>Actual Salary</b>	<b>President</b>	<b>Appointed</b>	<b>Interim</b>
Western CT State University	5,492					
University of Maine at Augusta	4,770					
Keene State College	4,799					
Plymouth State University	4,065					
Quinnipiac University	6,542					
University of Hartford	5,187					
University of New Haven	4,864					
Dartmouth College	4,276					
Anna Maria College	1143					
Assumption College	2240					
Becker College	1902					
Clark University	2380					
College of the Holy Cross	2912					
Nichols College	1280					
WPI	4134					
<b>MA STATE UNIVERSITIES</b>		<b>ANNUAL SALARY</b>	<b>ACTUAL SALARY</b>			
Bridgewater State University	9,615	\$228,000.00		Frederick Clark	2014	
Fitchburg State University	4,245	\$235,000.00		Richard Lapidus	2015	
Framingham State University	4,584	\$250,000.00		F. Javier Cevallos	2014	
MA College of Art & Design	2,120	\$205,000.00	\$248,769.00	Ken Strickland Kurt Steinberg	2015	Interim President and Exec. President
MA College of Liberal Arts	1,538	\$203,000.00	\$250,904.00	James Clemmer		Interim President
MA Maritime Academy	1,376			Rear Admiral Francis McDonald	2015	
Salem State University	7,664	\$264,944.00	\$256,389.00	Patricia Meservey	2007	
Westfield State University	5,692	\$207,000.00	\$202,036.00	Elizabeth Preston	2013	Interim President
Worcester State University	5,556	\$221,776.00	\$221,053.00	Barry Maloney	2011	

## Massachusetts General Laws

### PART I ADMINISTRATION OF THE GOVERNMENT

#### TITLE II EXECUTIVE AND ADMINISTRATIVE OFFICERS OF THE COMMONWEALTH

##### CHAPTER 15A PUBLIC EDUCATION

###### Section 9 Powers and Duties of Council

Section 9. The council shall have the following duties and powers:-- (a) confer upon the boards of trustees the power to offer degree programs after taking into account, among other things, the need, resources and mission of the institution. The council shall confer the authority to award degrees to persons who have satisfactorily completed degree requirements; (b) in addition to the degrees authorized to be awarded under clause (a), the council may approve the awarding of certain other degrees and may define and authorize new functions or new programs, or consolidate, discontinue or transfer existing functions, educational activities and programs. The council shall act in writing on requests for program approval from boards of trustees within six months of said request, or said program shall be considered approved. The council may, after a public hearing and submission of a written report to the clerks of the house of representatives and the senate, by a two-thirds vote of the full membership of the council, recommend to the secretary to consolidate, discontinue, or transfer divisions, schools, stations, branches or institutions as the council deems advisable. If, in the opinion of the council, a college campus should be closed or consolidated, the council shall make that recommendation to the secretary and the secretary, if she approves the closure recommendation, shall submit such proposal to the secretary of administration and finance, the house and senate chairs of the joint committee on higher education, and the chairs of the house and senate ways and means committees. The joint committee on higher education may, within 30 days of the receipt of a proposal, hold a public hearing on its merits. The council shall not close a college without the authorization of the secretary and the general court; (c) analyze the present and future goals, needs and requirements of public higher education in the commonwealth and establish overall goals in order to achieve a well-coordinated quality system of public higher education in the commonwealth. Such analysis shall include, but not be limited to, an analysis of state and local labor market trends and the economic development plans of the commonwealth conducted in cooperation with the secretary of labor and workforce development, the secretary of housing and economic development, and their respective staffs; (d) develop mission statements as defined in section seven; (e) review institutional mission statements, pursuant to section seven; (f) subject to the secretary's approval prepare a five year master plan for public higher education in the commonwealth, which plan shall take into account the analysis mandated in clause (c) and the five year plans submitted by individual boards of trustees. The master plan shall include, but need not be limited to, enrollment projections, utilization of existing facilities, promotion of research, programmatic excellence, and public service activities, recommendations for closing of facilities or the construction or acquisition of new facilities, program distribution and the need for program revision, including the termination of obsolete or unnecessarily duplicative programs. The master plan shall be filed with the clerk of the house of representatives, the clerk of the senate and the

secretary of administration and finance; (g) annually file a detailed progress report on the five year master plan with said clerks and secretaries by the first Wednesday in September; (h) require boards of trustees to submit admission standards and program standards, which shall be subject to the disapproval of the council; provided, however, that said admission standards shall comply with the provisions of section thirty and that the council shall publish all admission and program standards; (i) develop a rational and equitable statewide tuition plan for the state universities and the community colleges in the commonwealth, which plan shall take into account by type of institution, the per student maintenance costs and total mandated costs per student. The total mandated costs per student shall include the state appropriation, retained revenue, fringe benefits and ongoing maintenance. Said tuition plans shall include direct and indirect elements of the per student maintenance costs, including but not limited to, faculty and administrators that support an institution's primary mission of instruction; student admission services, and ongoing maintenance for classrooms, administrative buildings, libraries and laboratories. Said tuition plan shall include revised retention expenditure regulations which take into account the needs of said institutions with regard to personnel and utility costs. Said tuition plan shall further take into account the need to maximize student access to higher education regardless of a student's financial circumstances. The council shall issue regulations governing the implementation of such tuition plans by the state universities and the community colleges. In the case of the university, the council shall review the recommendations of the board of trustees relative to tuition rates at said university and its campuses. Said tuition rates shall be subject to the approval of the council. The council shall establish final tuition rates for the subsequent academic years no later than fifteen days prior to the deadline for submission of state or federal financial aid applications by students attending the institutions of higher education set forth in section five. The council shall establish guidelines to be followed by each public institution of higher education relative to student charges and whether said charges should be classified as tuition or as fees. Said guidelines shall be based upon a study of tuition and fees which shall be conducted by the council, and which shall be authorized by statute; provided, that fees as defined by said guidelines, shall not exceed twenty-five percent of total student charges for the state colleges and the community colleges. (j) receive allotments to the commonwealth under federal programs of aid to public higher education and disburse such funds in accordance with a plan promulgated by the council, not to include grants to individuals or grants received directly by institutions; (k) review enrollment levels for each institution of the system subject to disapproval of the council; (l) require each institution in the system to submit to the council and the secretary a 5-year plan, which plan shall be updated annually and shall be subject to the secretary's approval, in consultation with the council; (m) have overall responsibility for the property, real and personal, occupied or owned by the council, state universities and community colleges; (n) subject to its direction and approval, authorize the commissioner to seek, accept and administer grants, gifts and trusts for system-wide purposes from private foundations, corporations, individuals and federal agencies, which shall be administered under the provisions of section two C of chapter twenty-nine of the General Laws and disbursed at the direction of the council pursuant to its authority; (o) from time to time, employ consultants and experts to study and report on matters necessary to the operation of the system; (p) maintain a uniform accounting system as required by the state comptroller; (q) approve and fix the

compensation of the chief executive officer of each institution within the state university system and community college system; (r) review annually, in accordance with post-audit procedures established by the council, the fiscal operations of constituent institutions. The council shall insure public inspections, through publication, of institutional spending plans; (s) require, collect, analyze, maintain such data from institutions and agencies for public higher education as may be relevant to the careful and responsible discharge of its purposes, functions and duties and such data shall include information available from private institutions of higher education. In the case of public institutions, such data shall include, but not be limited to, analyses of the rates of graduation and the scores received by students on standardized examinations. In order to facilitate the timely use of such data, the board shall, in consultation with the public institutions of higher education, establish a schedule for submission of the data. The council shall publish said analyses, both for the system and for individual institutions. (t) issue regulations defining resident of the commonwealth and proof of the same for the purpose of admission and tuition expenses of public institutions of higher education and prepare uniform proofs of residence to be used by all public institutions; provided, however, that insofar as the Massachusetts Maritime Academy is designated a regional maritime academy by the United States maritime administration, residents of the states comprising the designated region and attending the Massachusetts Maritime Academy shall be considered Massachusetts residents for the purposes of admission and tuition; (u) establish, where appropriate, coordination between and among post-secondary institutions public or private and resolve conflicts of policies or operations arising in public higher education; (v) develop and implement a transfer compact for the purpose of facilitating and fostering the transfer of students without the loss of academic credit or standing from one public institution to another; (w) establish an affirmative action policy and implement a program necessary to assure conformance with such policy throughout the system; (x) in the case of state universities, fix the classification, title, salary range within the general salary schedule and descriptive job specifications for each position shall be determined by the council for each member of the professional staff and copies thereof shall be placed on file with the governor, budget director, personnel administrator and the joint committee on ways and means, except that any such salary may be fixed at any amount not less than the minimum salary nor more than the maximum salary shown in said schedule; provided, however, the council may establish the salary for the chief executive officer and such other officers and members of the professional staff and for the academic deans and members of the professional teaching staff without reference to the general salary schedule and salary range; and, provided further, that no such salary shall be established for any academic dean or any member of the professional teaching staff unless his classification rating is equal to or higher than that of professor, nor shall the number of academic deans and members of the professional teaching staff whose salaries may be so established exceed one percent of the combined total number of academic deans and members of the professional teaching staff. A notification of each personnel action taken shall be filed by the council with the personnel administrator and with the comptroller; (y) in the case of community colleges, fix the classification, title, salary range of each member of the professional staff within the general salary schedule, except that any such salary may be fixed at any amount not less than the minimum salary nor more than the maximum salary shown in said schedule; provided, however, that the council may fix the salary and salary range for the chief executive officer of each

individual community college and other officers and members of the professional staff of the community college system not exceeding in number one percent of the total number of such other officers and members of the professional staff taken together in the community college system, without reference to the general salary schedule; and provided further, that no such salary shall be fixed for any such member classed within the one percent unless he holds a position equivalent to or higher than the rank of professor; (z) recognize the duly elected student government association at each public institution of higher education as the official representative of the student body; (aa) submit a written application of HEFA requesting that said authority undertake a project, as defined in section three of chapter six hundred and fourteen of the acts of nineteen hundred and sixty-eight, on behalf of one or more public institutions for higher education, as so defined; provided, however, that the council shall only make such application for a project on behalf of the public university if such project is approved by the board of trustees of the public university; (bb) transfer or pledge that they will periodically transfer to HEFA any funds available for expenditure by the council, in order to provide for the expenses of HEFA and for the payment of indebtedness incurred by HEFA in connection with any project financed by HEFA on behalf of the council, one or more public institutions of higher education, their affiliated building authorities, or any other organization affiliated therewith, as defined in paragraph (e) of said section three of said chapter six hundred and fourteen; provided, however, that in the case of any funds expected to be available for expenditure by the council or such other entities pursuant to subsequent appropriation or other spending authorization by the legislature, the council may only pledge that they will so transfer such funds subject to such subsequent appropriation or other spending authorization. Any such pledge shall be valid and binding from the time when the pledge is made; the funds so pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the council or any such public institution of higher education, affiliated building authority, or other organization affiliated therewith, irrespective of whether such parties have notice thereof. Neither the resolution nor any trust agreement by which such a pledge is created need be filed or recorded except in the records of HEFA; (cc) administer a program, without further appropriation, to provide no-interest loans to undergraduate students domiciled in the commonwealth, enrolled in and pursuing a program of higher education in the commonwealth in any approved public or independent college, scientific or technical institution, or any other approved institution furnishing a program of higher education. Such assistance shall consist of full or partial loans to students in need of assistance. Repayment shall commence within six months of graduation or termination of studies; provided, that no repayment schedule shall exceed a term of ten years. Monies received in repayment shall be retained by the council to provide the no interest loans and to provide for the administration of the programs without further appropriation; provided, however, that not more than \$775,000 of the monies shall be expended annually for the administration of the program. The Massachusetts state scholarship office shall establish guidelines to govern said program which shall include, but not be limited to, eligibility requirements for students, eligibility requirements for participating institutions, terms of payment, deferment options, provisions for default, and a maximum loan award as determined by an indexing system; (dd) to develop funding formulas for state and

5.

community colleges pursuant to section 15B of this chapter; (ee) to develop a standardized form for reporting institutional expenditures, and for the submission of institutional spending plans pursuant to subparagraph (m) of the first paragraph of section 22 of this chapter; (ff) to approve the expansion of campus missions to embrace specialized missions, expanded regional or national outreach, or a more entrepreneurial model of service delivery pursuant to section 7 and subparagraph (p) of the first paragraph of section 22 of this chapter; (gg) develop a system to track students who transfer out of public institutions of higher education in order to improve data on what degrees, if any, those students earn from other institutions of higher education.

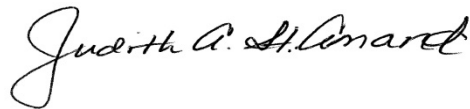
## FINANCE & FACILITIES SUBCOMMITTEE



## NOTICE

A MEETING OF THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES FINANCE & FACILITIES COMMITTEE WILL BE HELD ON TUESDAY, OCTOBER 20, 2015 AT 4:30 P.M. IN THE MULTI-PURPOSE ROOM IN SHEEHAN HALL.

1. CALL TO ORDER
2. VOTES (Attachment F & F 2)
3. APPROVAL OF MINUTES – September 8, 2015 - (Attachment F & F 3)
4. FY 2015 AUDIT REPORT (Attachment F & F #4)
5. FORMULA FUNDING UPDATE MEMO (Attachment F & F 5)  
5A. PowerPoint Presentation
6. FY 2016 BUDGET AMENDMENT #1 MEMO (Attachment F & F 6)  
6A. FORMULA FUNDING DISTRIBUTION (Attachment F & F 6A)
7. FY 2015 BUDGET TO ACTUAL RESULTS OF OPERATIONS – (Attachment #7)
8. OTHER BUSINESS
9. ADJOURNMENT



Judith A. St. Amand  
October 13, 2015

### **MEMBERS OF FINANCE & FACILITIES**

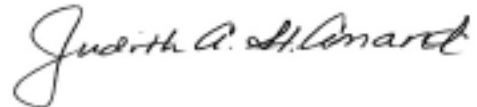
Trustee Craig Blais, Chair  
Trustee George Albro  
Trustee Aleta Fazzone  
Trustee Stephen Madaus  
Trustee Shirley Steele  
Trustee Ronald Valerio, Ex-Officio Voting Member  
President Barry Maloney, Ex-Officio Non-Voting Member



## **AMENDED OCTOBER 16, 2015 NOTICE**

A MEETING OF THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES FINANCE & FACILITIES COMMITTEE WILL BE HELD ON TUESDAY, OCTOBER 20, 2015 AT 4:30 P.M. IN THE MULTI-PURPOSE ROOM IN SHEEHAN HALL.

1. CALL TO ORDER
2. VOTES (Attachment F & F 2)
3. APPROVAL OF MINUTES – September 8, 2015 - (Attachment F & F 3)
4. FY 2015 AUDIT REPORT (Attachment F & F #4)
5. FORMULA FUNDING UPDATE MEMO (Attachment F & F 5)
  - a. 5A. PowerPoint Presentation
6. FY 2016 BUDGET AMENDMENT #1 MEMO (Attachment F & F 6)
  - a. 6A. FORMULA FUNDING DISTRIBUTION (Attachment F & F 6A)
7. FY 2015 BUDGET TO ACTUAL RESULTS OF OPERATIONS – (Attachment #7)
8. FINANCIAL STATEMENT DRAFT 2
9. GASB 68 MEMO
10. AMENDED DRAFT AUDIT REPORT
11. OTHER BUSINESS
12. ADJOURNMENT



Judith A. St. Amand  
October 13, 2015

### **MEMBERS OF FINANCE & FACILITIES**

Trustee Craig Blais, Chair  
Trustee George Albro  
Trustee Aleta Fazzone  
Trustee Stephen Madaus  
Trustee Shirley Steele  
Trustee Ronald Valerio, Ex-Officio Voting Member  
President Barry Maloney, Ex-Officio Non-Voting Member

**Finance & Facilities Committee**

Upon a motion made and seconded, it was

**VOTED:**        **to approve the minutes of September 8, 2015 as submitted.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to recommend approval of the FY 2015 Audit Report as presented.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to recommend approval of the FY 2016 Budget Amendment #1 – Formula  
Funding Distribution as presented.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to adjourn the meeting at**

**WORCESTER STATE UNIVERSITY  
BOARD OF TRUSTEES**

**FINANCE & FACILITIES COMMITTEE**

**September 8, 2015**

**PRESENT:** Trustee George Albro, Acting Chair  
Trustee Kurt Correia, Non-Voting  
Trustee Maryanne Hammond, Non-Voting  
Trustee Stephen Madaus  
Trustee Shirley Steele  
Trustee Robert Thomas, Non-Voting  
President Barry Maloney, Ex-Officio Non-Voting  
Ms. Judith St. Amand, Assistant Secretary

**ABSENT:** Trustee Craig Blais  
Trustee Aleta Fazzone  
Trustee Ronald Valerio, Ex-Officio Voting Member

The provisions of General Laws, Chapter 30A having been complied with, and a quorum present, a meeting of the Finance & Facilities Committee was held at 4:30 p.m. on Tuesday, September 8, 2015 in the President's Conference Room 2<sup>nd</sup> floor of the Helen G. Shaughnessy Building. In the absence of Chairman Blais, Trustee Albro agreed to Chair the meeting and called it to order at 4:35 p.m.

**FY 2015 STATE AUDIT UPDATE**

Trustee Albro invited VP Eichelroth to provide the update:

- In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted a performance audit of certain activities of WSU for the period July 1, 2012 through June 30, 2014.
- After a thorough, six-month examination of our books and practices, the Office of the State Auditor has determined that Worcester State University has controls in place to ensure that expenditures are "reasonable and appropriate."
- The audit included an examination of how we handle travel costs, consultant expenditures, and staff use of University credit cards.
- The auditors determined that we are in compliance with Jeanne Clery Act disclosure and campus security policy rules and regulations.
- These critical areas - appropriate expenditures and Clery act compliance - were two of seven audited for the time period of July 1, 2012 through June 30, 2014. In four of the seven areas, the auditors determined we are fully compliant. In the other areas, the auditor's office identified three practices that need to be addressed.
- The way we inventory our property is an area of concern.

- Vice President for Administration and Finance is working to implement a new process to ensure that all University property is accounted for.
- The auditors also identified a need for improvement in how we report our financial data to the Office of the State Comptroller (OSC).
- While we have been reporting our data and it is accurate, it was noted that we should be filing summary accounts receivable reports with the OSC on a monthly and mid-year basis. We are implementing this change.
- Finally, the auditors also noted that they believe we did not adequately inform the Board of Trustees of a transfer of some strategic planning trust fund dollars - dollars that had been set aside for the last strategic plan, which concluded in FY14.
- While we do not feel that this criticism rises to the level of a finding, we will be sure to provide any re-allocation of funds to the Trustees in the format recommended by the auditors going forward.

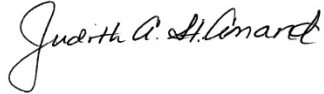
#### **BURSAR'S OFFICE ACTIVITIES**

- VP Eichelroth reported to the group that during the month of June 2015 the Director of Student Accounts became aware of errors in cash deposits in the Bursar Office beginning in July of 2014 through May 2015.
- It was brought to the attention of the Vice President who in turn contacted the audit firm of Bollus Lynch to conduct an investigation.
- During this time, the employee responsible for preparing the deposits in question was on medical leave that commenced in mid-May.
- Bollus Lynch issued a report to management and Trustee Craig Blais, Chair of the Finance & Facilities Committee confirming the discrepancies in deposits.
- Management was scheduled to meet with the employee upon return from medical leave on August 14<sup>th</sup>.
- On August 6, 2015, the Human Resources Department received a letter of resignation from the employee.
- A summary of the intent to discuss the report was placed in the employee's personnel file and a notice of rights with regard to separation benefits along with copies of performance evaluations were sent as requested in the employee's letter of resignation.
- Accounts that were not credited with cash deposits during this period were made whole prior to June 30, 2014 with University funds and written off as miscellaneous expense.
- Procedures moving forward regarding preparation of cash deposits in the Bursar Office have been reviewed by management with formal feedback from audit firm Bollus Lynch.
- A change in procedure now requires the office supervisor to verify the cash portion of the daily deposit to the carbon copies of receipts for that day in the receipt log to verify they match.
- No criminal charges are being pursued since although there may be a preponderance of evidence, management does not believe WSU has irrefutable evidence that a crime occurred.

Upon a motion by Trustee Madaus and seconded by Trustee Steele, it was

**VOTED:**                    **to adjourn the meeting at 5:35 p.m.**

Respectfully submitted,

A handwritten signature in cursive script, reading "Judith A. St. Amand".

Judith A. St. Amand  
Assistant Secretary

**WORCESTER STATE UNIVERSITY**  
**(AN AGENCY OF THE COMMONWEALTH OF**  
**MASSACHUSETTS)**

***FINANCIAL STATEMENTS***  
***AND MANAGEMENT'S DISCUSSION AND ANALYSIS***  
***WITH SUPPLEMENTARY INFORMATION, STATISTICAL***  
***INFORMATION AND OTHER REPORTS***

***YEARS ENDED JUNE 30, 2015 AND 2014***

***AND***

***INDEPENDENT AUDITOR'S REPORT***



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS  
AND MANAGEMENT'S DISCUSSION AND ANALYSIS WITH SUPPLEMENTARY  
INFORMATION, STATISTICAL INFORMATION AND OTHER REPORTS

YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Worcester State University  
Worcester, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of Worcester State University (an agency of the Commonwealth of Massachusetts) (the "University") and the financial statements of Worcester State Foundation, Inc., its discretely presented component unit, as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Worcester State University and Worcester State Foundation, Inc., its discretely presented component unit, as of June 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worcester State University's basic financial statements. The supplemental schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 33 through 36 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical information on pages 37 through 42 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_ \_\_, 2015, on our consideration of Worcester State University'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 Worcester State University's internal control over financial reporting and compliance.

Worcester, Massachusetts  
\_\_\_\_ \_\_, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Worcester State University, we offer readers of Worcester State University's financial statements this narrative overview and analysis of the financial activities of Worcester State University for the fiscal year ended June 30, 2015. This discussion is provided by management and should be read in conjunction with the financial statements and notes thereto.

Worcester State University was founded in 1871, and is one of nine comprehensive public colleges/universities in the Commonwealth of Massachusetts. The University affirms the principles of liberal learning as the foundation for all advanced programs of study and offers programs in the traditional liberal arts and science disciplines, while maintaining its historical focus on teacher education. The University offers 61 undergraduate majors and minors, 31 graduate programs, 76 study abroad programs, 20 honor societies and a student-to-faculty ratio of 16:1. The University currently has 5,563 full and part-time undergraduate students and 787 full and part-time graduate students.

**Financial Highlights**

- Adoption of Accounting Principal. The Commonwealth of Massachusetts adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. The effect on the June 30, 2015 financial statements includes a \$10,567,132 reduction to net assets as of July 1, 2014 to record the Net Pension Liability the Commonwealth has attributed to Worcester State University. Additional changes in presentation include the deferred outflows and inflows of future pension related costs and an overall net reduction in operating expense of \$362,520 to address a timing difference in recording of pension costs assessed on payroll through the Commonwealth's fringe benefit rate.
- The assets of Worcester State University exceeded its liabilities at the close of the most recent fiscal year by \$87,162,957 82,871,582 (net assets). Of this amount, \$24,573,241 27,806,659 is classified as unrestricted net assets. Growth in unrestricted net assets had been strategically planned in accordance with the University's long term Capital Financing Plan. The plan called for growth in reserves as the means of providing financial leverage for the building of the new Wellness Center and other capital improvements. A draw of \$9,500,000 of reserve funds as an equity contribution to the construction of the Wellness Center occurred in September of 2015. Total net assets and unrestricted net assets have been reduced by \$10,567,132 as of July 1, 2014 by the unanticipated adoption of GASB Statement No. 68 requiring the University to record its share of the Commonwealth's net pension liability for its employees.
- The University experienced a loss before other revenues, expenses, gains or losses of (\$673,465). The total change in net position of increasing by \$1,971,897 includes the recognition of \$2,464,535 645,362 of capital appropriation received from the state for infrastructure investment. Operational items of significance that influenced the total change in net position included the opening of Sheehan Hall, a new four hundred bed residence hall. The University experienced high demand for this new hall however overall housing demand was down for the year resulting in a \$1,048,828 operating deficit for auxiliary services. Lower occupancy levels than normal in the residence halls had cross institution effects on other student assessed revenue categories resulting in lower revenue realization than expected. Despite the net operating results, the Capital Improvement Trust Fund continues to accumulate an annual operating surplus as intended with a goal of building the trust fund balance so it will be available to leverage plans for future capital investment.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Worcester State University's basic financial statements. Worcester State University's basic financial statements comprise two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The Financial Statements are designed to provide readers with a broad overview of Worcester State University's finances in a manner similar to a private sector college. The Statement of Net Assets presents information on all of the University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the University is improving or deteriorating.

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

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the University's net assets changed during the most recent fiscal year. All changes in net assets 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 accrual for compensated absences.)

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

The financial statements and related footnotes are presented separately from this Management Discussion and Analysis.

The University reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The University is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the University's operations, its net assets 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 provided in the financial statements and are presented separately.

*Other information:* In addition to the financial statements and accompanying notes, this report also contains certain required supplementary information concerning Worcester State University..

### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indication of Worcester State University's financial position. In the case of Worcester State University, assets exceeded liabilities by \$82,871,582 at the close of fiscal year 2015.

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

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Worcester State University's Net Position as of  
June 30, 2015, with comparative data as of June 30, 2014**

	2015	2014
Current and other assets	\$ 67,059,864	\$ 75,946,624
Capital assets	76,615,474	65,917,045
Total assets	143,675,338	141,863,669
Deferred outflows of resources	1,250,037	111,099
Non-current outstanding liabilities	37,975,821	29,264,138
Other liabilities	15,549,661	14,087,092
Total liabilities	53,525,482	43,351,230
Deferred inflows of resources	8,528,311	7,156,721
Net position		
Invested in capital assets, net of related debt	55,668,135	54,295,189
Restricted	2,630,206	3,120,338
Unrestricted	24,573,241	34,051,290
Total net position	\$ 82,871,582	\$ 91,466,817

A portion of the Worcester State University's net assets (3.2 percent) as of June 30, 2015 represent funds that are subject to external restrictions on how they must be used. Unrestricted net assets of \$24,573,241 may be used to meet the University's ongoing obligations to its stakeholders. This figure was significantly reduced by \$10,567,132 as of July 1, 2014. The reduction was the result of the adoption of GASB No. 68 requiring the University to record its share of the Commonwealth's net pension liability. The University's net assets increased by \$1,971,897 during the year ended June 30, 2015. At the end of the current fiscal year, Worcester State University reports positive balances in all net asset categories.

The University's primary reserve ratio, calculated as expendable net assets divided by total expenses, is 30.20% and 44.97%, respectively, for the years ended June 30, 2015 and June 30, 2014. This ratio provides a snapshot of financial strength and flexibility by indicating the percent of operating expenses that could be funded by expendable reserves without relying on additional net assets generated by operations.

The University has not achieved the DHE benchmark of a primary reserve ratio of 40% of operating expenses for the year ended June 30, 2015. The primary reason for this is the application of GASB No. 68 that resulted in an unanticipated \$10,567,132 reduction in unrestricted net assets as of July 1, 2014. There had been purposeful growth in the reserve balance over the past decade and more specifically since 2006 as an integral part of the long term capital financing plan of the University. Reserves were being accumulated in the Capital Improvement Trust Fund for the specific purpose of financing a wellness center and other capital improvement projects. The growth in reserves had been planned in preparation for the University's equity contribution of \$9.5M to the Department of Capital Asset Management as part of the financing plan for the Wellness Center. The transfer of reserved funds for the project occurred in September 2015. The compound effect of the unanticipated application of GASB 68 and the planned equity contribution to the Wellness Center project has resulted in a current primary reserve ratio of 20%. A strategy will be developed over the coming year to improve this ratio.

WORCESTER STATE UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The University's return on net asset ratio, calculated as the change in total net assets divided by total net assets – beginning of the year, is 2.38% and 4.10%, respectively, for the years ended June 30, 2015 and June 30, 2014. This ratio measures total economic return including capital investment and positive operating results. An improving trend indicates increasing net assets which provide for increased financial flexibility.

In FY 2015 construction of the Wellness Center was funded by the Commonwealth of Massachusetts general obligation bonds in the amount of \$2,081,931 in addition to \$9,971,068 of the \$15M bond proceeds the University borrowed for the project in 2012 through the MSCBA and placed on deposit with the Commonwealth Division of Capital Asset Management. The spending of MSCBA bond proceeds had a neutral effect on net assets as the funds moved from cash held by the State Treasurer to Construction in Progress. In addition, there was an operating surplus of \$1,023,552 in the Capital Improvement Trust Fund which was a planned contribution to reserves in accordance with WSU's Capital Improvement Plan. When looking at operations overall this planned surplus was negated by the effect of a lower than usual occupancy rate in the residence halls that impacted student assessed revenue across the institution. The overall growth in net assets was negated by the adoption of GASB 68 which resulted in the reduction of net assets by \$10,567,132 as of July 1, 2014.

The net operating revenue ratio, calculated as operating income plus non-operating revenue divided by operating revenue plus non-operating revenue, is (.75)% and 1.83%, respectively, for the years ended June 30, 2015, and June 30, 2014. The ratio measures whether an institution is living within its available resources. Worcester State University strives to achieve an annual operating surplus as measured by this ratio as part of its long-term plan to improve its primary reserve and viability ratios and maintain a healthy annual return on net assets.

In FY 2015 the Commonwealth provided increased operating appropriations to the state university system in exchange for the campuses not raising student fees for the year. The University did not appropriate any reserves to fund operations and there were no unexpected emergencies that required budget override. As a result the University was able to end the year with a planned surplus in the Capital Improvement Trust Fund. The surplus is in line with the goals of the University's Capital Financing Plan. The planned surplus in the Capital Improvement Trust Fund was offset by an operating loss in auxiliary services for the year.

The increase in net capital assets in FY 2015, was \$10,698,429, while depreciation expense on capital assets was \$4,224,797. During the year \$12,603,518 was expended on construction of the Wellness Center and building improvements were made to the Student Center and the Learning Resource Center. The University received deferred maintenance funding to assist with the LRC project and to pay for several project planning studies.

The University's viability ratio, calculated as expendable net assets divided by long term debt, is

1 : 1.07 and 1 : 1.42 respectively, as of June 30, 2015 and June 30, 2014. The viability ratio measures the availability of expendable net assets to cover debt as of the balance sheet date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net assets to satisfy its debt obligations as of the balance sheet date.

The University has been working to improve this ratio in accordance with its long term Capital Financing Plan. The intent over the past several years has been to raise the ratio in anticipation of transferring \$9.5M to DCAM in September of 2015 in accordance with the financing plan for the Wellness Center. The goal had been to sustain a 1:1 ratio as the project comes on line keeping the institution fiscally stable and not burdened by excess debt load. The University's plans had not anticipated the adoption of GASB 68 which resulted in a \$10,567,132 reduction to unrestricted net assets as of July 1, 2014. This reduction in unrestricted net assets accelerated the reduction in the University's viability ratio to 1:1.07 as of June 30, 2015, prior to the \$9.5 equity contribution to DCAM which has occurred as of September 2015. The University's current viability ratio is 1: .70. This is not an acceptable viability ratio for the University. A plan will be developed to achieve equilibrium in the ratio as quickly as possible.



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Worcester State University's Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015 with comparative data for the year ended June 30, 2014**

	2015	2014
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 44,591,923	\$ 41,992,749
Operating grants and contributions	11,634,043	10,978,702
Sales and services of auxiliary enterprises and other sources	873,017	754,505
Total operating revenues	57,098,983	53,725,956
Operating Expenses		
Instruction	33,402,333	32,780,505
Public service	1,149,664	520,666
Academic support	6,607,824	7,025,574
Student service	8,625,036	7,469,711
Institutional support	13,432,296	13,443,252
Operations and maintenance of plant	9,342,808	7,409,398
Scholarships	729,898	1,033,633
Depreciation	4,224,797	4,158,890
Debt service	270,821	574,866
Auxiliary enterprises	12,299,488	8,243,709
Total operating expense	90,084,965	82,660,204
Net operating loss	(32,985,982)	(28,934,248)
Non-operating revenues (expenses)		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	31,840,805	30,055,723
Investment income	467,982	417,298
Other and transfers	3,730	3,200
Total non-operating revenues	32,312,517	30,476,221
Income before other revenues, expenses, gains or losses	(673,465)	1,541,973
Capital appropriations	2,645,362	2,058,059
Increase in net assets	1,971,897	3,600,032
Net position – July 1	91,466,817	87,866,785
Adoption of accounting principle	(10,567,132)	-
Net position – June 30	\$ 82,871,582	\$ 91,466,817

State appropriations for operations, including fringe benefits and net of tuition remission, experienced a net increase in FY 2015. In FY 2015 the state university system was able to secure an increase in operating appropriations from the Commonwealth. The additional funds were provided, in addition to collective bargaining funds, in exchange for a commitment from the State University's to not raise student fees. FY 2015 was the second consecutive year that Commonwealth provided an increase in state appropriations in exchange for an agreement not to raise fees.

WORCESTER STATE UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

State appropriations are reported net of the amount of in-state day school tuition collected by the University on behalf of the Commonwealth. The in-state day tuition collected is remitted back to the Commonwealth as dictated by Massachusetts General Law. Included in State appropriations are the fringe benefit costs for University employees paid by the Commonwealth. In FY 2015 the State University system was subjected to a 9C reduction in state funds. A 1.5% reduction was required of the campuses however we were provided the opportunity to fund this "give back" to the Commonwealth by transferring campus based funds to the State Treasurer. This method was beneficial to the campuses as we were able to avoid having to pick up additional fringe benefit costs due to a reduction in state appropriations available for payroll costs. The following schedule details the Commonwealth appropriations received by the University for the years ending June 30, 2015 and June 30, 2014, respectively.

	2015	2014
State Appropriations	\$ 25,638,417	\$ 24,170,299
Appropriations to cover fringe benefits provided to employees of the Commonwealth	7,102,873	6,431,679
Tuition remitted back to the State	(538,563)	(546,255)
Transfer to cover 9C reductions	(361,922)	-
Net appropriations	31,840,805	30,055,723
Additional State capital appropriations	2,645,362	2,058,059
Total Appropriations	<u>\$ 34,486,167</u>	<u>\$ 32,113,782</u>

**Loss from Operations**

State appropriations are the primary source of funding for the University. Under GASB 35, appropriations are considered non-operating revenue. As such, the University incurs a loss from operations. The Commonwealth's Board of Higher Education sets tuition for the day division. The University's Board of Trustees sets all fees and tuition of the Division of Graduate and Continuing Education. The University's Board of Trustees approves the annual budget with the intention of mitigating losses after consideration of Commonwealth appropriations while balancing educational and operational needs. The following schedule presents Worcester State University's incurred losses from operations for the fiscal years ended June 30, 2014 and 2013, respectively.

	2015	2014	Change
Net Tuition and Fee Revenue	\$ 44,591,923	\$ 41,992,749	\$(41,992,749)
Other Revenue, net of Student Financial Aid	12,507,060	11,733,207	(11,733,207)
Operational Expenses	(90,084,965)	(82,660,204)	82,660,204
Operating loss	(32,985,982)	(28,934,248)	28,934,248
Commonwealth direct appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	31,840,805	30,055,723	(30,055,723)
Investment and non-operating income	471,712	420,498	(420,498)
Capital appropriations	2,645,362	2,058,059	(2,058,059)
Change in net position	<u>\$ 1,971,897</u>	<u>\$ 3,600,032</u>	<u>\$ (3,600,032)</u>

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Capital Assets and Debts of the University**

Capital Assets: Capital Assets: Worcester State University's investment in capital assets as of June 30, 2015 amounts to \$76,615,474, net of accumulated depreciation, compared to \$65,917,045 net of accumulated depreciation as of June 30, 2014. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2015 gross capital assets increased by \$14,532,936. The majority of the increase was for Wellness Center construction. The Wellness Center Building will be complete for the fall of 2016. The MSCBA financed bond proceeds on deposit will be combined with the additional \$9.5M equity contribution transferred by the University to the Commonwealth in September. Those funds, when added to the Commonwealth's G.O. Bond commitment, will provide the resources needed to complete the \$52.3M Wellness Center project over the coming year..

Capital assets are defined by the University and the Commonwealth of Massachusetts as assets with an initial, individual cost of \$50,000 or greater. Information about the Worcester State University's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

Compensated Absences: The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the University's payroll and is anticipated to be funded by future state appropriations.

MHEFA Financing: On December 4, 2002, the College entered in to a financing agreement with MHEFA to receive \$14,000,000 for renovations to the Sullivan and Administration Buildings. A call provision became available on this bond issue in December 2012. As a result the issue was refunded on December 18, 2012, with \$10,585,000 MDFA Revenue Bonds, Worcester State University Series 2012. There is no debt service reserve related to this issue. Annual principal payments range from \$255,000 to \$325,000 through November of 2022. Annual principal payments range from \$665,000 to \$875,000 through November of 2032.

Massachusetts Development Financing Agency (MDFA) Clean Renewable Energy Bond: On November 9, 2007, the College entered into a financing agreement with MDFA to receive \$310,000 to facilitate the financing of the installation of a 100 KW Photovoltaic Panel, mounting system and inverter on the roof of the Learning Resource Center. The bond proceeds are non-interest bearing and are to be re-paid in equal annual installments of \$20,666.67 over a fifteen year period beginning December 31, 2007.

Massachusetts State College Building Authority (MSCBA) WSU Student Life Project: MSCBA issued revenue bonds for various projects on December 20, 2012. Included in the issue was a component to provide \$15,000,000 of debt financing to Worcester State University's Wellness Center in accordance with the Memorandum of Agreement between, the Commonwealth, MSCBA and the University. The proceeds from the bond issue, combined with funds earmarked by the University and General Obligation bond funds earmarked by the Commonwealth, provide the resources for construction of a new Wellness Center at WSU. The Wellness Center will be an asset of the Commonwealth and will be recorded as a fixed asset on the University's financial records. The MSCBA holds Debt Service Reserve funds of \$249,214.06 on this component of the issue. Annual principal payments ranging from \$135,000 to \$787,950 are scheduled through May, 2042. Campus trust funds provide the revenue source for the annual debt service.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Economic Factors that will affect the Future**

The FY 2015 budget was prepared in the context of limited availability of state resources. The University was also in the process of developing a new five year strategic plan. Year one of that plan was FY 2015, however the plan was not adopted by the board and rolled out to the community until the fall of 2014. Understanding the importance of aligning the operating budget with the strategic plan, resources were identified early on in the budget process as seed money towards strategic plan initiatives. Once the strategic plan was approved, a grant process was developed with assistance from an ad hoc committee that established grant guidelines and an application process. Forty four proposals were submitted with thirteen projects receiving funding approval. \$372,000 was distributed among the thirteen projects each having a project period of July 1, 2014 through June 30, 2016.

In FY 2015 the Commonwealth provided \$8M in new operating appropriations to the State University System. This was viewed as the legislators actively supporting a plan to stabilize student fees by providing an increase in operating support to the campuses. Though the funding was half the amount the state university system was hoping for, it was the second consecutive year that the University's received increased appropriations in an effort to mitigate rising student costs. Increased state appropriations in FY15 made it possible for the general fee to be assessed at a lower rate than originally proposed for the academic year.

As the FY 2016 budget process began it became clear that the state University system would be looking at a different set of variables with regard to state funds. We had just experienced a mid-year 9C reduction that had reduced our state funding by 1.5% in February 2015. We also had only received two thirds of the FY 2015 obligation for collective bargaining. As we built our base budget for FY2016 we had to resolve funding of these items from campus resources on an ongoing basis. In addition, campus resources needed to be made available for FY 2016 collective bargaining incremental increases as the state was signaling that the cost would be a campus obligation. Other action items being addressed by the DHE and the state legislators focused on the development of a legislatively mandated performance based funding formula for the state university system. Through legislative action funds were provided to the DHE to engage a consultant to work with various constituencies in developing a performance based formula that would be used to allocate new state resources in FY 2016. At the conclusion of three separate planning sessions a performance based funding formula was presented to the campuses. The formula measures the following metrics: college participation; college completion; student learning; workforce alignment; preparing citizens; and closing achievement gaps.

Initiatives that the University rolled out to increase campus based revenue included modest increases to rates in the Division of Graduate and Continuing Education and \$900,000 draw from reserves to fund one-time investment in infrastructure and technology items.

In April 2015 the Board of Trustees approved a \$300 annual increase in student fees. The

increase in student fees along with adjustments to the DGCE rate structure and spending of reserves established an operating budget in excess of \$100M and ensured the funding of all collective bargaining costs for FY 2015 and FY 2016.

In mid-June the campuses were notified of the funding distribution of the new \$5.5million of formula driven performance based funding. The distribution accuracy was verified in August and the campuses are waiting for the funds to be appropriated to accounts by late September. WSU anticipates receiving \$873K in new state dollars, approximately 16% of the pool.

As the month of September draws to a close we also wait on word of supplemental appropriations to address collective bargaining costs that have been assumed by the campuses.

We look towards the FY 2017 budget cycle with an assumption that the University must continue to carry incremental collective bargaining costs, that the formula funds received for FY2016 are rolled into our state funding going forward, and that any new state dollars will again be distributed to campuses using the funding formula as the allocation methodology

WORCESTER STATE UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

During the summer of 2010 the University began a study with the Division of Capital Asset Management (DCAM) for a new wellness center to replace the existing 50 year old gymnasium. The planning study was completed in August of 2012 supporting the demolition of the existing gym building and construction of a new 100,000 square foot Wellness Center. A Memorandum of Understanding was executed amongst the Commonwealth, the University and the MSCBA with regard to financing of the Wellness Center project. The current certified cost of the project is \$53,283,845. The Commonwealth has funds earmarked for the project on the Higher Education Bond Bill in the amount of \$25.5 million. The current financing plan was approved by the Board of Trustees on July 3, 2012. The plan calls for the University to leverage reserves, which have been accumulating in accordance with the capital financing plan, to finance an estimated \$27.78 million for this project. The financing is a combination of University reserve spending and revenue bonds issued by the Mass State College Building Authority. The construction site is active with the building expected to be weather tight this fall. The new wellness center is scheduled to open fall of 2016.

**Requests for Information**

This financial report is designed to provide a general overview of the Worcester State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President of Administration and Finance, 486 Chandler Street, Worcester, MA 01602-2597.

DISCUSSION DRAFT 10/9/15

FINANCIAL STATEMENTS

**WORCESTER STATE UNIVERSITY**  
(An Agency of the Commonwealth of Massachusetts)

**STATEMENTS OF NET POSITION**

JUNE 30, 2015 AND 2014

	Worcester State University		Component Unit Worcester State Foundation	
	2015	2014	2015	2014
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 23,781,381	\$ 23,155,571	\$ 800,282	\$ 740,019
Cash held by State Treasurer	12,924,337	20,866,471	-	-
Cash held by Foundation	145,680	158,524	-	-
Accounts receivable, net	1,161,850	915,870	7,970	464
Current portion of loans receivable	153,424	162,022	-	-
Current portion of contributions receivable	-	-	397,770	324,188
Inventories	41,769	47,387	53,566	49,577
Prepaid expenses and other current assets	225,337	251,273	15,097	13,561
Total current assets	38,433,778	45,557,118	1,274,685	1,127,809
Non-current Assets:				
Investments	19,239,634	22,847,103	19,503,793	20,015,245
Deposits held with trustee	254,295	254,295	-	-
Loans receivable, less current portion	850,269	770,409	-	-
Contributions receivable, less current portion	-	-	442,770	491,769
Other non-current assets	8,281,889	6,517,699	348,571	327,161
Capital assets, net of accumulated depreciation	76,615,474	65,917,045	4,785,499	2,148,236
Total non-current assets	105,241,561	96,306,551	25,080,633	22,982,411
Total assets	143,675,339	141,863,669	26,355,318	24,110,220
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Resources related to pension obligations	1,144,785	-	-	-
Loss on refunding of long-term debt	105,251	111,099	-	-
Total deferred outflows of resources	1,250,036	111,099	-	-
<b>LIABILITIES</b>				
Current Liabilities:				
Current portion of long-term debt	615,667	595,667	38,364	110,775
Current portion of capital lease obligation	197,403	193,497	-	-
Accounts payable	2,641,613	2,046,625	105,449	34,333
Accrued payroll and fringe benefits	6,527,207	5,793,717	-	-
Accrued interest and other liabilities	127,952	131,433	18,606	15,946
Funds held for others	-	-	180,145	200,027
Student deposits and unearned revenue	1,698,266	1,937,023	50,912	33,922
Current portion of split-interest agreements	-	-	40,048	43,136
Current portion of accrued workers' compensation	172,589	161,280	-	-
Current portion of accrued compensated absences	3,568,964	3,227,850	-	-
Total current liabilities	15,549,661	14,087,092	433,524	438,139
Non-current liabilities:				
Long-term debt, less current portion	24,817,219	25,488,652	2,724,450	516,933
Capital lease obligation, less current portion	303,600	501,003	-	-
Split-interest agreements, less current portion	-	-	120,234	157,194
Advance payable to the University	-	-	-	-
Accrued workers' compensation, less current portion	560,660	647,558	-	-
Accrued compensated absences, less current portion	1,893,542	1,582,271	-	-
Accrued pension obligations	9,357,928	-	-	-
Refundable grant - federal financial assistance program	1,042,872	1,044,654	-	-
Total liabilities	53,525,482	43,351,230	3,278,208	1,112,266
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources related to pension obligations	1,991,459	-	-	-
Deferred service concession arrangements	6,536,852	7,156,721	-	-
Total deferred inflows of resources	8,528,311	7,156,721	-	-
<b>NET POSITION</b>				
Invested in capital assets, net	55,668,134	54,295,189	-	-
Restricted - Non-expendable:				
Other	-	-	12,309,121	11,834,998
Restricted - Expendable for:				
Other	2,503,864	2,997,476	7,255,767	7,443,711
Capital projects	126,343	122,862	-	-
Unrestricted	24,573,241	34,051,290	3,512,222	3,719,245
Total net position	\$ 82,871,582	\$ 91,466,817	\$ 23,077,110	\$ 22,997,954

See accompanying independent auditor's report and notes to financial statements.

**WORCESTER STATE UNIVERSITY**  
(An Agency of the Commonwealth of Massachusetts)

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2015 AND 2014

	Worcester State University		Component Unit Worcester State Foundation	
	2015	2014	2015	2014
<b>REVENUES</b>				
Operating Revenues:				
Student tuition and fees	\$ 42,564,442	\$ 40,957,693	\$ 259,043	\$ 246,365
Auxiliary enterprises, student housing	10,377,646	8,593,284	-	-
Less: Scholarship discounts and allowance	8,350,165	7,558,228	-	-
Net student tuition and fees	44,591,923	41,992,749	259,043	246,365
Contributions	-	-	1,865,899	3,055,532
Federal grants and contracts	7,511,031	7,001,491	-	-
State and local grants and contracts	1,366,407	1,296,533	-	-
Nongovernmental grants and contracts	1,697,789	1,105,981	-	-
Auxiliary enterprises, other	873,017	754,505	212,284	227,995
Other operating revenues	1,058,816	1,574,697	255,221	257,052
Total operating revenues	57,098,983	53,725,956	2,592,447	3,786,944
<b>EXPENSES</b>				
Operating expenses:				
Instruction	33,402,333	32,780,505	-	-
Public service	1,149,664	520,666	-	-
Academic support	6,607,824	7,025,574	-	-
Student services	8,625,036	7,469,711	-	-
Institutional support	13,432,296	13,443,252	672,349	665,381
Operation and maintenance of plant	9,342,808	7,409,398	168,699	160,598
Scholarship	729,898	1,033,633	326,575	295,463
Depreciation	4,224,797	4,158,890	150,993	117,444
Debt service	270,821	574,866	-	-
Auxiliary enterprises	12,299,488	8,243,709	-	-
Total operating expenses	90,084,965	82,660,204	1,318,616	1,238,886
Operating loss	(32,985,982)	(28,934,248)	1,273,831	2,548,058
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State appropriations	31,840,805	30,055,723	-	-
Interest and investment income	467,982	417,298	(66,973)	2,729,217
Payments to Worcester State University	-	-	(1,702,748)	(1,002,817)
Other non-operating revenues	3,730	3,200	-	-
Net nonoperating revenues	32,312,517	30,476,221	(1,769,721)	1,726,400
Income (loss) before other revenues, expenses, gains, or losses	(673,465)	1,541,973	(495,890)	4,274,458
Capital appropriations	2,645,362	2,058,059	-	-
Additions to permanent endowments	-	-	575,046	481,607
Change in net position	1,971,897	3,600,032	79,156	4,756,065
<b>NET POSITION</b>				
Beginning of year	91,466,817	87,866,785	22,997,954	18,241,889
Adoption of accounting principle	(10,567,132)	-	-	-
End of year	\$ 82,871,582	\$ 91,466,817	\$ 23,077,110	\$ 22,997,954

See accompanying independent auditor's report and notes to financial statements.



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	Primary Government	
	2015	2014
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 44,556,294	\$ 42,077,492
Federal grants and contracts	7,511,031	7,001,491
State and local grants and contracts	1,366,407	1,296,533
Nongovernmental grants and contracts	1,697,789	1,105,981
Auxiliary enterprise charges	873,017	754,505
Employee compensation and fringe benefit payments	(55,163,191)	(52,463,004)
Payments to suppliers	(30,650,898)	(25,889,545)
Interest paid	(350,401)	(824,815)
Loans issued to students	(71,262)	(40,247)
Other receipts	168,726	5,944,799
Net cash used in operating activities	<u>(30,062,488)</u>	<u>(21,036,810)</u>
Cash flows from noncapital financing activities:		
State appropriations	31,840,805	30,055,723
Net deposits	<u>(178,887)</u>	<u>174,138</u>
Net cash provided by noncapital financing activities	<u>31,661,918</u>	<u>30,229,861</u>
Cash flows from capital and related financing activities:		
Capital appropriations	2,645,362	2,058,059
Purchases of capital assets	(14,847,127)	(3,949,772)
Principal payments of capital related debt	(651,433)	(426,290)
Principal payments of capital lease obligation	(193,497)	(95,308)
Decrease in cash restricted for capital activities	-	1,358
Decrease (increase) in deferred loss on refunding of capital related debt	5,848	5,848
Perkins loan program, net funds received (paid)	(1,782)	(37,552)
Other activities	3,730	3,200
Net cash used in capital and related financing activities	<u>(13,038,899)</u>	<u>(2,440,457)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	9,403,194	5,543,328
Purchases of investments	(5,896,812)	(6,092,701)
Interest and investment income	603,919	623,891
Net cash provided by investing activities	<u>4,110,301</u>	<u>74,518</u>
Net increase (decrease) in cash and cash equivalents	(7,329,168)	6,827,112
Cash and cash equivalents, beginning of year	<u>44,180,566</u>	<u>37,353,454</u>
Cash and cash equivalents, end of year	<u>\$ 36,851,398</u>	<u>\$ 44,180,566</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS  
(Continued)

YEARS ENDED JUNE 30, 2015 AND 2014

	Primary Government	
	2015	2014
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (32,985,982)	\$ (28,934,248)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,224,797	4,158,890
Amortization of other assets	235,810	60,811
Costs for capital related debt	-	-
Loss on disposal of capital assets	-	176,563
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable, net	(245,980)	224,285
Loans receivable	(71,262)	(40,247)
Inventories	5,618	(9,422)
Prepaid expenses and other assets	(2,008,914)	(2,502,531)
Resources related to pension obligations	(362,530)	-
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	594,988	831,323
Accrued payroll and fringe benefits	733,490	469,177
Accrued interest and other liabilities	(79,580)	(249,949)
Accrued workers' compensation	(75,589)	288,458
Student deposits and unearned revenue	(59,870)	7,247
Accrued compensated absences	652,385	259,520
Deferred service concession arrangements	(619,869)	4,223,313
Net cash used in operating activities	<u>\$ (30,062,488)</u>	<u>\$ (21,036,810)</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Worcester State University (the "University") is a public, state-supported University, located in Worcester, Massachusetts. The University is governed by a local Board of Trustees. As one of nine four-year, state-supported colleges and universities, the University is empowered to award baccalaureate and masters' degrees in education and in the arts and sciences, as well as programs of continuing education.

The University is an agency of the Commonwealth of Massachusetts (the "State", the "Commonwealth"). Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated as an independent institution.

Component units

Worcester State Foundation, Inc. (the "Foundation") is a legally separate, tax exempt component unit of the University. The Foundation's primary role is to prudently manage and steward privately contributed resources meant to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2015 and 2014, the Foundation distributed \$1,702,748 and \$1,002,817, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Worcester State University Business Office at 486 Chandler Street, Worcester, MA 01602.

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 U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

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

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

The University's policies for defining operating activities in the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts ("Commonwealth"), and net investment income.

Net Position

GASB establishes accounting and financial reporting standards for public colleges and universities. These standards require that, for accounting and reporting purposes, resources be classified into four net position categories, described as follows:

Invested in capital assets, net of related debt - Includes all capital assets, net of accumulated depreciation and the principal balances of any outstanding debt used to construct, acquire or improve the assets.

Restricted net position - These resources are further differentiated between those that are nonexpendable and expendable.

Nonexpendable resources are those that are subject to externally imposed constraints that they be maintained permanently.

Expendable resources are those whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

Unrestricted - These resources are not subject to any externally imposed constraints. Such net position may be designated for specific purposes by action of the governing Board.

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. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

Accounting 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through \_\_\_\_\_, 2015, the date that the financial statements were available to be issued.

Cash, temporary investments, and investments

The University considers its cash on hand, cash held by the State Treasurer for the benefit of the University and all debt securities with a maturity of three months or less to be cash equivalents.

The University's investments are recorded at fair value. Realized and unrealized gains and losses are included in non-operating revenues. Realized gains and losses are determined based on the specific identification of the securities sold. Investment income is recognized when earned. The method of allocated interest earned on pooled cash and investments among fund types provides that, unless otherwise restricted, all interest is recorded in the unrestricted current fund. All gains and losses arising from the sale, maturity, or other disposition of investments are accounted for in the trust fund which owns the related asset. Ordinary income derived from investments is accounted for in the trust fund owning such assets.

The Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of credit risk assumed by the University at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by a trust department in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by a trust department but not in the University's name.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the portfolio, and current economic conditions.

Inventories

The University's inventories consist primarily of operating supplies which are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Loans receivable and payable

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The federal government provides 90% of the funds to support this program. Loan payments received from students made under the Perkins program may be re-loaned after collection. The 90% portion of the Perkins Loan Program provided by the federal government is refundable back to the federal government upon the termination of the University's participation in the program.

The prescribed practices for the Perkins program do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectibility and have been accepted (assigned) by the Department of Education.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are controlled, but not owned by the University. The University is not able to sell or otherwise encumber these assets since they are owned by the Commonwealth of Massachusetts. All capital assets acquired prior to June 30, 1990 are stated at cost or estimated historical cost. Capital assets acquired subsequent to June 30, 1990 are stated at cost. All additions of individual capital assets greater than or equal to \$50,000 are capitalized, in accordance with the Commonwealth's capitalization policy. Donated capital assets are recorded at the estimated fair value at the date of the donation.

Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful life of the asset, which range from 3 to 40 years.

All library books are capitalized at actual cost for purchased materials and at fair value for donated items. The cost of such books is expensed after five years.

Student deposits and unearned revenue

Deposits and advance payments received for tuition and fees related to the University's Summer Session II program are deferred and are recorded as unrestricted current funds unearned revenue.

Bond premiums

Bond premiums are being amortized on a straight-line basis, which approximates the effective interest method, over the terms of the related debt agreements.

Funds held for others

Funds held for others are agency funds consisting of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to assets and liability accounts.

State appropriations

The University's unrestricted State appropriations amounted to \$31,796,344 and \$30,601,978 for the years ended June 30, 2015 and 2014, respectively. State supported tuition, in the amounts of \$900,485 and \$546,255 for the years ended June 30, 2015 and 2014, respectively, were remitted to the State and have been offset against these appropriations. State supported tuition receipts and transfers have been recorded in an agency fund during the year with a net amount due the Commonwealth of \$16,164 and \$58,254 as of June 30, 2015 and 2014, respectively.

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Liability for vacation leave is the amount earned by all eligible employees through June 30, 2015. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fringe benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, pension and workers' compensation benefits. Health insurance, pension and administrative costs are billed through a fringe benefit rate charged to the University. The University's workers' compensation program is administered by the Commonwealth's Division of Public Employee Retirement Administration. Workers' compensation costs are assessed separately based on the University's actual experience.

Trust funds

The University's operations are accounted for in different trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Tax status

The University is an agency of the Commonwealth of Massachusetts and is therefore exempt from federal and state income taxes under Code Section 115 of the Internal Revenue Code. The Foundation is exempt from income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code.

New Government Accounting Pronouncements

GASB 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27* is required for periods beginning after June 15, 2014. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. Management is in the process of reviewing this Statement and its potential effect upon their financial reporting.

GASB 69, *Government Combinations and Disposals of Government Operations* is required for periods ending after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Management does not believe this Statement has a material effect on the financial statements.

GASB 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, is required for periods beginning after June 15, 2013. This Statement requires a state or local government guarantor that offers a non-exchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. Management does not believe this Statement has a material effect on the financial statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - ADOPTION OF ACCOUNTING PRINCIPLE

In June 2012, the GASB issued GASB Statement No.68, *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 68 is effective for financial statements for periods beginning after June 15, 2014. The adoption of this statement requires the University, as an Agency of the Commonwealth of Massachusetts, to recognize unfunded pension liabilities from which certain University employees receive benefits, along with related deferred inflows and outflows. The adoption of GASB Statement No. 68 resulted in a restatement of opening net position by (\$10,567,132) for the year ended June 30, 2015.

3 - CASH AND TEMPORARY INVESTMENTS

The University's cash and temporary investments are as follows as of June 30, 2015 and 2014:

	2015	2014
Carrying amount	\$ 23,781,381	\$ 23,155,571
Bank balance	\$ 25,218,478	\$ 25,557,195
Less amounts		
Covered by depository insurance	1,509,598	1,572,741
Collateralized repurchase agreements	18,674,905	18,007,041
Remaining bank balance	\$ 5,033,975	\$ 5,977,413

The differences between the carrying amounts and the bank balances are attributable to deposits-in-transit and outstanding checks. While the remaining bank balance is uninsured and uncollateralized, the University has lowered its risk of loss by maintaining these funds in high quality financial institutions. Further, as of June 30, 2015 and 2014, the University held \$596,429 and \$592,276 respectively, of the funds in money market mutual funds invested in federal securities.

As of June 30, 2015 and 2014, the University was party to a repurchase agreement with a bank. The value of this agreement was \$18,674,905 and \$18,007,041 as of June 30, 2015 and 2014, respectively.

The money market mutual funds constitute a Category 2 investment and the repurchase agreements constitute a Category 3 investment, as defined under GASB regulations.

4 - CASH HELD BY STATE TREASURER

The University has recorded cash held for the benefit of the University by the State Treasurer in the amounts of \$5,260,818 and \$14,687,611 as of June 30, 2015 and 2014, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$7,663,519 and \$6,178,860 as of June 30, 2015 and 2014, respectively. None of these cash balances are insured or collateralized.



WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS

The University maintains pooled investments in long-term U.S. Treasury and Agency Securities. The fair value of these investments as of June 30, 2015 and 2014 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2015</u>				
Investment type				
U.S. Treasuries	\$ 11,195,109	\$ 706,078	\$ 6,425,325	\$ 4,063,706
U.S. Agencies	8,044,525	2,354,578	4,601,542	1,088,405
Total	<u>\$ 19,239,634</u>	<u>\$ 3,060,656</u>	<u>\$ 10,486,867</u>	<u>\$ 5,152,111</u>
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2014</u>				
Investment type				
U.S. Treasuries	\$ 12,282,992	\$ -	\$ 6,630,485	\$ 5,652,507
U.S. Agencies	10,564,111	-	9,191,820	1,372,291
Total	<u>\$ 22,847,103</u>	<u>\$ -</u>	<u>\$ 15,822,305</u>	<u>\$ 7,024,798</u>

Interest Rate Risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average life of the maturities is evaluated regularly with the weighted average life of the portfolio being limited to five years or less, whenever possible. The weighted average life of the portfolio at June 30, 2015 was 3.9 years.

Credit Risk

The University manages its exposure to credit risk by investing solely in U.S. Treasury and U.S. Agency securities.

Concentration of Credit Risk

The University places no limit on the amount that may be invested in one issuer, maintaining its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University controls this risk by placing its securities in a trust account with a safekeeping agent other than the counterparty.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS (Continued)

The components of investment income, including investment return on deposits held with trustee, are as follows:

	2015	2014
Interest	\$ 569,068	\$ 616,296
Realized loss on investments	(226,261)	(237,407)
Unrealized gain on investments	125,175	38,409
	<u>\$ 467,982</u>	<u>\$ 417,298</u>

Investments of the component unit are stated at fair value and are composed of the following:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 694,876	\$ 694,876	\$ 825,607	\$ 825,607
Equity securities	8,306,197	9,338,907	7,850,999	9,678,902
Bonds and notes	4,062,240	3,960,058	3,899,666	3,925,071
Security based investment fund	5,270,324	5,165,319	4,928,720	5,201,666
Limited partnership interest	250,000	344,633	317,338	383,999
	<u>\$ 18,583,637</u>	<u>\$ 19,503,793</u>	<u>\$ 17,822,330</u>	<u>\$ 20,015,245</u>

6 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Students	\$ 763,936	\$ 785,529
Other	682,874	416,308
	1,446,810	1,201,837
Less: Allowance for uncollectible accounts	284,960	285,967
	<u>\$ 1,161,850</u>	<u>\$ 915,870</u>

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - CONTRIBUTIONS RECEIVABLE – COMPONENT UNIT

Contributions receivable consist of unconditional promises to give from individuals. Management initially records these contributions at their estimated fair value and has set up an allowance for doubtful accounts. A discount rate has been used to reflect the present value of the non-current portion of the unconditional promises to give.

Payments of contributions receivable as of June 30, 2015 are expected to be received as follows:

2016	\$ 454,346
2017	258,736
2018	75,735
2019	31,610
2020	12,510
Thereafter	84,414
	<hr/> 917,351
Less: Allowance for uncollectible contributions receivable	(56,576)
Discount on contributions receivable	(20,235)
	<hr/> <hr/> \$ 840,540

8 - DEPOSITS HELD WITH TRUSTEE

The University's bond payable indentures require the maintenance of restricted construction and debt service reserve funds on deposit with a bank trustee. Deposits with bank trustee are held in various trust accounts and are available for future debt service of \$254,295 as of June 30, 2015 and 2014.

9 - LOANS RECEIVABLE

Loans receivable consist of the following Perkins Loans as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Enrolled students	\$ 573,076	\$ 457,173
Repayment on schedule	103,775	132,264
In default	<hr/> 326,842	<hr/> 342,994
	<hr/> <hr/> \$ 1,003,693	<hr/> <hr/> \$ 932,431

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

10 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	8,141,599	13,193,004	3,405,330	17,929,273
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	93,922,282	5,135,554	-	99,057,836
Furnishings and equipment	10,473,461	-	-	10,473,461
Books	1,118,878	-	390,292	728,586
Total capital assets	119,118,779	18,328,558	3,795,622	133,651,715
Less accumulated depreciation for				
Land improvements	3,172,516	242,349	-	3,414,865
Buildings, including improvements	41,149,166	3,168,519	-	44,317,685
Furnishings and equipment	8,880,052	423,639	-	9,303,691
Total accumulated depreciation	53,201,734	3,834,507	-	57,036,241
Capital assets, net	<u>\$ 65,917,045</u>	<u>\$ 14,494,051</u>	<u>\$ 3,795,622</u>	<u>\$ 76,615,474</u>

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	4,477,468	3,912,698	248,567	8,141,599
Capital assets, being depreciated				
Land improvements	4,909,548	364,361	-	5,273,909
Buildings, including improvements	96,293,566	789,809	3,161,093	93,922,282
Furnishings and equipment	10,473,461	-	-	10,473,461
Books	1,515,606	-	396,728	1,118,878
Total capital assets	117,858,299	5,066,868	3,806,388	119,118,779
Less accumulated depreciation for				
Land improvements	2,930,167	242,349	-	3,172,516
Buildings, including improvements	41,041,222	3,092,474	2,984,530	41,149,166
Furnishings and equipment	8,452,713	427,339	-	8,880,052
Total accumulated depreciation	52,424,102	3,762,162	2,984,530	53,201,734
Capital assets, net	<u>\$ 65,434,197</u>	<u>\$ 1,304,706</u>	<u>\$ 821,858</u>	<u>\$ 65,917,045</u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

11 - MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

The land on which the dormitory residence halls are located is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the year 2016 and 2022. The leases can be extended at the end of these terms for additional ten year periods.

The University, under the terms of a management and service agreement between MSCBA and the Commonwealth, is charged a semi-annual revenue assessment which is based on the certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations are guaranteed by the Commonwealth. The assessments charged for the years ended June 30, 2015 and 2014, in the amounts of \$8,365,295 and \$5,528,709, respectively, and have been recorded as auxiliary enterprise expenditures.

The Commonwealth of Massachusetts also executed a lease with MSCBA for land on which a parking garage is located. MSCBA owns the parking garage and has entered in to a long-term lease agreement with the University to occupy and operate the facility.

All facilities and obligations of the MSCBA are included in the financial statements of MSCBA. The specific asset cost or liability attributable to the University cannot be reasonably determined. The leases, therefore, have been accounted for under the operating method for financial statement purposes.

12 - DEFERRED SERVICE CONCESSION ARRANGMENTS

Deferred service concession arrangements at June 30, 2015 and 2014 in the amounts of \$6,536,852 and \$7,156,721, respectively, consist of the unamortized balances of multiple food service agreements with an outside party. This outside party contributed multiple payments since 2004 totaling \$8,788,017, to upgrade the food service facilities. The contributions are being amortized over various periods ranging from 12 to 18 years. Amortization of these contributions was \$572,201 and \$375,744 in 2015 and 2014, respectively.

13 - LONG-TERM DEBT

(A) On November 9, 2007, the University signed a financing agreement to receive \$310,000 from a Massachusetts Development Financing Agency (MDFA) clean renewable energy bond. These funds have been received and were used for the installation of a 100 KW photovoltaic panel, mounting system and inverter on the roof of the Learning Resource Center. The bond is non-interest bearing with annual principal installments of \$20,667 due through 2022.

(B) On December 4, 2002, the University signed a financing agreement used for the renovation of the Sullivan and Administration Buildings, which was completed in 2009. A call provision became available on this bond issue in and the issue was refunded on December 18, 2012, with \$10,585,000 of Massachusetts Development Financing Agency (MDFA) Revenue Bonds. The obligation is being repaid solely by the University through revenues. Interest on the MDFA bonds is due in semi-annual installments at varying rates ranging from 2.00% to 4.00%. Annual principal installments ranging from \$255,000 to \$875,000 are due through November 2032. The refunding of the MHEFA bonds resulted in a loss, which is included in deferred outflows of resources and will be amortized over the term of the bond. Amortization of this loss for the year ended June 30, 2015, was 5,848. The remaining loss to be amortized at June 30, 2015 is \$105,251.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

13 - LONG-TERM DEBT (Continued)

(C) On December 20, 2012, the University signed a financing agreement to receive \$15,000,000 from a Massachusetts State College Building Authority (MSCBA) revenue bond. These funds will be used for the construction of a new Wellness Center. Interest on the bonds is due in semi-annual installments at varying rates ranging from 2.00% to 5.00%. Annual principal installments ranging from \$135,000 to \$765,000 are due through May 2042.

The composition of the University's Bonds payable for the year ended June 30, 2015 is as follows:

	Beginning Balance	Issuances	Retirements and Premium Amortization	Ending Balance	Current Portion of Principal
(A) Bond payable, MDFA 2007 Series	\$ 165,334	\$ -	\$ 20,667	\$ 144,667	\$ 20,667
(B) Bonds payable, MDFA 2012 Series	10,626,834	-	275,623	10,351,211	265,000
(C) Bonds payable, MSCBA	15,292,151	-	355,143	14,937,008	330,000
	<u>\$ 26,084,319</u>	<u>\$ -</u>	<u>\$ 651,433</u>	<u>\$ 25,432,886</u>	<u>\$ 615,667</u>

Debt service requirements as of June 30, 2015 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 615,667	\$ 768,663
2017	635,667	750,113
2018	660,667	729,413
2019	680,667	705,948
2020	705,667	679,088
2021 - 2025	4,546,331	2,951,390
2026 - 2030	6,340,000	2,074,182
2031 - 2035	5,495,000	1,122,150
2036 - 2040	3,400,000	538,500
2041 - 2043	1,510,000	68,250
	24,589,666	10,387,697
Unamortized premium	843,220	-
	<u>\$ 25,432,886</u>	<u>\$ 10,387,697</u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

14 - LEASE COMMITMENTS

The University leases property, a motor vehicle, modular building, and furniture and equipment under various lease agreements. These leases are classified as either capital or operating in the financial statements. Lease expenditures were \$17,427 and \$32,178 for 2015 and 2014, respectively.

Property and equipment includes the following modular building acquired under a capital lease agreement:

	2015	2014
Buildings, including improvements	\$ 789,809	\$ 789,809
Less: Accumulated depreciation	312,633	115,180
	<u>\$ 477,176</u>	<u>\$ 674,629</u>

Future minimum lease payments under leases, together with the present value of future minimum lease payments as of June 30, 2015 are as follows:

Year Ending	Capital Lease	Operating Lease
2016	\$ 205,620	\$ 63,573
2017	205,620	26,565
2018	102,810	12,080
2019	-	5,487
Total minimum lease payments	514,050	<u>\$ 107,705</u>
Less: Amount representing interest	13,047	
Present value of minimum lease payments	<u>\$ 501,003</u>	

15 - GOVERNMENT ADVANCES REFUNDABLE

The University participates in the Federal Perkins Loan Program. This program is funded through a combination of Federal and institutional resources. The portion of this program that has been funded with Federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The loans receivable balance of \$1,003,693 and \$932,431 at June 30, 2015 and 2014, respectively, represents student loans issued through this program.

16 - NET POSITION

Unrestricted net position is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2015 and 2014, unrestricted net position of \$\_\_\_\_ and \$11,133,863, respectively, has been internally designated by the University for future capital investments. Undesignated unrestricted net position was \$\_\_\_\_ and \$22,917,427 at June 30, 2015 and 2014, respectively.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

16 - NET POSITION (Continued)

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	2015	2014
Restricted - expendable		
Capital projects	\$ 126,343	\$ 122,862
Scholar ships and other grants	2,503,864	2,997,476
	<u>\$ 2,630,207</u>	<u>\$ 3,120,338</u>

The component units' restricted - expendable net position consists of funds whose income is mainly used for scholarships and grants. The component units' restricted-nonexpendable net position consists of investments to be held in perpetuity and the income is restricted for the purpose of providing scholarships and other activities that benefit the University.

17 - FACULTY COMPENSATION

Contracts for full-time faculty begin on September 1, and end May 31 of any given academic year. The Commonwealth of Massachusetts and the University pay all faculty members over the twelve-month period of September 1 through August 31. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's appropriation. The balance due as of June 30, 2015 and 2014 of \$2,568,440 and \$2,268,068 respectively, has been recorded in the financial statements.

18 - ACCRUED WORKERS' COMPENSATION

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured Workers' Compensation program were conducted as of June 30, 2015 and 2014. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$733,250 and \$808,838 as of June 30, 2015 and 2014, respectively have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$157,487 and \$540,552 in 2015 and 2014, respectively. The actual workers' compensation paid by the University was \$233,075 and \$252,094 in 2015 and 2014, respectively.

19 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$2,621,964 for accrued vacation time and \$2,840,542 for accrued sick time as of June 30, 2015 and \$2,355,204 for accrued vacation time and \$2,454,917 for accrued sick time as of June 30, 2014. Of these balances, \$219,048 and \$165,970 for June 30, 2015 and 2014, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,243,457 and \$4,644,151 as of June 30, 2015 and 2014, respectively, represent obligations to employees funded through State appropriations. The University anticipates that the obligations due to employees funded by State appropriations will be discharged through future State appropriations.



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

20 - FRINGE BENEFIT CHARGES

Certain fringe benefit costs associated with University staff, compensated through State appropriations, are paid out of non-University State budget line items. The University is required to reimburse the State for such costs for employees funded from other than State appropriations, based on a percentage of payroll. For 2015, the University reimbursed the State a total of \$4,008,433 (\$1,662,297 for pensions and \$2,346,136 for health care premiums). For 2013, the University reimbursed the State a total of \$3,592,182 (\$1,489,678 for pensions and \$2,102,504 for health care premiums).

21 - RETIREMENT PLAN

FOOTNOTE TO BE UPDATED FOR ADOPTION OF GASB 68.

22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The University provides postretirement health care and life insurance benefits through the State, in accordance with State statutes. All full-time employees and their dependents who retire from the University on or after attaining age 55 with 10 years of credited service or at any age with 20 years of credited service are eligible. Costs for such benefits are appropriated in non-University line items of the State budget. The costs of these benefits are not material to the University's financial statements.

23 - STATE CONTROLLED ACCOUNTS

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled and reported by the State through non-University line items in the State's budget. Under accounting principles generally accepted in the United States of America such transactions must be recorded in the financial statements of the University. These transactions include payments by the State for the employer's share of funding the Massachusetts State Employee's Retirement System and for the employer's share of health care premiums. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2015 were \$2,923,020 and \$4,125,497, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2014 were \$2,668,535 and \$3,766,322, respectively.

24 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

Section 15C of Chapter 15A of the Massachusetts General Law requires Commonwealth colleges and universities report activity of campus based funds to the Comptroller of the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS) using 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. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

24 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM – (UNAUDITED) (Continued)

The University's State appropriations are composed of the following for the years ended June 30:

	2015	2014
Direct unrestricted appropriations	\$ 25,638,417	\$ 24,170,299
Fringe benefits for benefitted employees on state payroll	7,102,873	6,431,679
Tuition remitted	(538,563)	(546,255)
Transfer from trust funds	(361,922)	-
Total appropriations	<u>\$ 31,840,805</u>	<u>\$ 30,055,723</u>

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2015 is as follows:

Revenue per MMARS	\$ 67,352,003
Revenue per University	<u>57,098,983</u>
	10,253,020
Reporting classification differences	(7,921,146)
Other timing differences	<u>(2331,874)</u>
	<u>\$ -</u>

25 - RELATED PARTY TRANSACTIONS

The University provided, at no cost, office space and certain personnel services to the Worcester State Foundation, Inc. (the "Foundation").

Worcester State Foundation, Inc. acts as an agent for the University by periodically accepting grants on its behalf. The proceeds of the grants are recorded as an asset of the Foundation until remitted to the University.

The University and the Foundation have entered into an affiliation agreement with the Worcester Center for Crafts, Inc. to collaboratively offer venues for teaching and learning in the arts, new exhibition space, safe, well-equipped studios for community-based programs as well as undergraduate visual and performing art classes. As part of the agreement, the University provides various forms of support to the Crafts Center including annual fees of \$250,000 for allowing the University to use the facilities. Service agreement fees were \$250,000 for the years ended June 30, 2015 and 2014. In addition, the University provided support including personnel, equipment, repairs and maintenance and other operating expenses. The value of this support is estimated to be \$294,652 and \$622,160 for the years ended June 30, 2015 and 2014 respectively.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

26 - AUXILIARY ENTERPRISES

The University's auxiliary enterprises consist of residence life and housing and health services. The related revenues and expenses for the years ended June 30, 2015 and 2014 are as follows:

	2015		2014	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 10,807,574	\$ 461,041	\$ 9,008,455	\$ 412,011
Total expenses	11,835,337	461,041	7,831,530	412,011
Increase (decrease) in net position before transfers	<u>\$ (1,027,763)</u>	<u>\$ -</u>	<u>\$ 1,176,925</u>	<u>\$ -</u>

27 - COMMITMENTS AND CONTINGENCIES

Litigation

Pending or threatened lawsuits against governmental agencies arise in the ordinary course of operations. In the opinion of the University's administration, the ultimate resolution of any pending legal actions involving the University will not have a material adverse effect on the financial position of the University.

Grants and entitlements

The University receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of the University's administration, the outcome of any findings with respect to disallowed expenditures will not have a material adverse effect on the financial position of the University.

DISCUSSION DRAFT 10/9/15

SUPPLEMENTARY INFORMATION

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship	Totals	
								2015	2014
Regular employee compensation	\$ 19,176,787	\$ 270,618	\$ 3,557,156	\$ 4,123,833	\$ 6,760,409	\$ 3,047,819	\$ -	\$ 36,936,622	\$ 34,556,326
Special employee contracted services	7,091,890	397,349	350,092	708,257	610,720	29,955	-	9,188,263	9,143,153
Pension and insurance	4,588,932	161,625	908,403	1,187,169	1,857,362	1,282,571	-	9,986,062	9,780,679
Total payroll and employee benefits	30,857,609	829,592	4,815,651	6,019,259	9,228,491	4,360,345	-	56,110,947	53,480,158
Regular employee related expenses	193,487	10,909	162,486	108,152	210,083	49,715	-	734,832	732,750
Administrative	784,159	42,010	1,059,523	370,674	1,575,251	274,802	-	4,106,419	4,698,555
Facility operations support and related expenses	360,912	104,083	262,749	558,670	450,401	20,740	-	1,757,555	1,506,655
Energy and space rental	14,208	489	2,811	523,699	699,673	1,289,752	-	2,530,632	2,629,584
Professional services	241,539	69,404	111,620	123,529	560,053	264,348	-	1,370,493	1,111,436
Operational services	243,632	69,704	59,242	220,866	236,347	64,405	-	894,196	810,011
Equipment purchases	570,725	6,608	93,984	89,397	199,661	727,593	-	1,687,968	894,167
Equipment lease and maintenance	136,062	16,865	39,758	610,790	272,336	126,581	-	1,202,392	1,103,998
Construction and building improvements	-	-	-	-	-	2,164,527	-	2,164,527	1,681,792
Benefits programs	-	-	-	-	-	-	729,898	729,898	1,033,633
Total operating expenses	2,544,724	320,072	1,792,173	2,605,777	4,203,805	4,982,463	729,898	17,178,912	16,202,581
Total educational and general expenses	\$ 33,402,333	\$ 1,149,664	\$ 6,607,824	\$ 8,625,036	\$ 13,432,296	\$ 9,342,808	\$ 729,898	\$ 73,289,859	\$ 69,682,739

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

RESIDENCE LIFE AND HOUSING

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	2015	2014
<b>ASSETS</b>		
Cash	\$ 4,130,519	\$ 5,065,123
Accounts receivable, net	97,186	126,879
Total assets	4,227,705	5,192,002
<b>LIABILITIES</b>		
Unearned rental income	245,117	224,025
Accrued and other liabilities	234,854	192,481
Total liabilities	479,971	416,506
<b>NET POSITION</b>		
Unrestricted	\$ 3,747,734	\$ 4,775,496

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

RESIDENCE LIFE AND HOUSING

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Fees	\$ 10,445,446	\$ 8,741,904
Other income	362,128	266,551
Total revenues	10,807,574	9,008,455
<b>EXPENSES</b>		
Regular employee compensation	1,133,410	844,204
Special employee contracted services	97,428	82,924
Pension and insurance	314,654	224,366
Regular employee related expenses	42,627	36,059
Administrative	203,169	115,725
Debt payment	7,725,217	4,866,554
Facility operations support and related expenses	216,041	155,104
Energy and space rental	908,642	473,212
Professional services	8,090	13,565
Operational services	141,559	31,843
Equipment purchases	38,817	41,625
Equipment lease and maintenance	94,624	105,050
Building improvements	475,599	431,829
Benefits programs	435,460	409,470
Total expenses	11,835,337	7,831,530
Change in net position	(1,027,762)	1,176,925
<b>NET POSITION</b>		
Beginning of year	4,775,496	3,598,571
End of year	\$ 3,747,734	\$ 4,775,496

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Fees	\$ 441,915	\$ 335,520
Other income	1,173	3,814
Transfer from reserves	17,952	72,677
	<hr/>	<hr/>
Total revenues	461,040	412,011
	<hr/>	<hr/>
<b>EXPENSES</b>		
Regular employee compensation	113,095	108,493
Special employee contracted services	5,448	7,361
Pension and insurance	34,820	31,238
Regular employee related expenses	1,159	1,270
Administrative	1,736	5,952
Facility operations support and related expenses	19,113	14,236
Professional services	284,876	242,358
Operational services	30	32
Equipment maintenance	325	593
Benefits programs	438	478
	<hr/>	<hr/>
Total expenses	461,040	412,011
	<hr/>	<hr/>
Change in net position	\$ -	\$ -
	<hr/>	<hr/>

See accompanying independent auditor's report.



STATISTICAL INFORMATION  
(UNAUDITED)

**Worcester State University**  
**Schedule of Net Position by Component**  
**June 30, 2010 through 2015**

**Exhibit E-1**

	<b>2010</b>		<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>	
Invested in capital assets, net of related debt	\$	56,818,614	\$	56,195,538	\$	54,324,836	\$	53,993,527	\$	54,295,189	\$	55,668,134
Restricted-expendable		3,260,704		3,160,760		3,561,378		3,150,370		3,120,338		2,630,207
Restricted-nonexpendable		-		-		-		-		-		-
Unrestricted		22,438,104		27,806,659		30,428,591		30,722,888		34,051,290		24,573,241
<b>Total primary government net position</b>	<b>\$</b>	<b>82,517,422</b>	<b>\$</b>	<b>87,162,957</b>	<b>\$</b>	<b>88,314,805</b>	<b>\$</b>	<b>87,866,785</b>	<b>\$</b>	<b>91,466,817</b>	<b>\$</b>	<b>82,871,582</b>

**Worcester State University  
Tuition & Mandatory Fees**

**Exhibit E-2**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><i>Resident Undergraduate</i></b>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	4,109	4,569	4,894	5,200	5,636	6,186	6,683	7,187	7,587	7,587
<b><i>Total Annual</i></b>	<b>\$ 5,079</b>	<b>\$ 5,539</b>	<b>\$ 5,864</b>	<b>\$ 6,170</b>	<b>\$ 6,606</b>	<b>\$ 7,156</b>	<b>\$ 7,653</b>	<b>\$ 8,157</b>	<b>\$ 8,557</b>	<b>\$ 8,557</b>
<b><i>Non Resident Undergraduate</i></b>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	4,109	4,569	4,894	5,200	5,636	6,186	6,683	7,187	7,587	7,587
<b><i>Total Annual</i></b>	<b>\$ 11,159</b>	<b>\$ 11,619</b>	<b>\$ 11,944</b>	<b>\$ 12,250</b>	<b>\$ 12,686</b>	<b>\$ 13,236</b>	<b>\$ 13,733</b>	<b>\$ 14,237</b>	<b>\$ 14,637</b>	<b>\$ 14,637</b>
<b><i>Resident Graduate</i></b>										
Tuition	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
Mandatory Fees	95	95	95	95	95	112	115	115	117	117
<b><i>Total per Credit Hours</i></b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 262</b>	<b>\$ 265</b>	<b>\$ 265</b>	<b>\$ 267</b>	<b>\$ 267</b>

Worcester State University  
Schedule of Employment  
2010-2014

Exhibit E-3

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Faculty - Primary Instruction <sup>/1</sup></b>	<b>412</b>	<b>420</b>	<b>420</b>	<b>405</b>	<b>512</b>
Part-time	231	233	225	204	306
Full-time	181	187	195	201	206
<b>Staff and Administrators</b>	<b>308</b>	<b>325</b>	<b>335</b>	<b>339</b>	<b>363</b>
Part-time	14	15	13	15	12
Full-time	294	310	322	324	351
<b>Total Faculty &amp; Staff Employees</b>	<b>720</b>	<b>745</b>	<b>755</b>	<b>744</b>	<b>875</b>
Part-time	245	248	238	219	318
Full-time	475	497	517	525	557
<b>Non-Benefitted Employees <sup>/2</sup></b>	<b>587</b>	<b>612</b>	<b>657</b>	<b>609</b>	<b>651</b>
Contract Workers	60	70	77	63	134
Coaches	39	41	38	38	
Student Workers	321	325	355	325	517
Work Study Students	167	176	187	183	
<b>Total All Employees</b>	<b>1,307</b>	<b>1,357</b>	<b>1,412</b>	<b>1,353</b>	<b>1,526</b>

*/1 Includes Instruction, Research & Public Service*

*Notes: 1) This schedule reflects personnel as of November 1 and includes employees paid from both state appropriation and local trust funds.*

*2) Beginning 2009 all benefitted and non-benefitted personnel are reflected regardless of funding source.*

**Worcester State University**  
**Admissions, Enrollment, and Degree Statistics**  
**Last Five Years**

**Exhibit E-4**

	<b>Fall Term</b>				
<b>Admissions-Freshman /1</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Applications	4,896	4,706	4,425	5,632	5,662
Applications accepted	3,346	3,257	3,189	3,467	3,479
Accepted as a percentage of applications	68.34%	69.21%	72.07%	61.56%	61.44%
Students enrolled /2	1,340	1,365	1,345	1,415	1,409
Enrolled as a percentage of accepted	40.05%	41.91%	42.18%	40.81%	40.50%

/1 Includes all undergraduate admissions including transfer students.

/2 Includes only students who were accepted and enrolled. Enrolled alone would include students who were not accepted but enrolled as non-degree seeking students.

	<b>Annual</b>				
<b>Enrollment</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Full-time equivalent	5,062.0	5,228.5	5,337.7	5,437.3	5,373.0
Unduplicated credit headcount	9,251	9,939	10,063	10,078	9,797
Percent undergraduate /3	84.62%	85.06%	85.31%	86.18%	87.61%
Percent graduate	15.38%	14.94%	14.69%	13.82%	12.39%

/3 Percent undergraduate/graduate based on Fall semester registration, unduplicated headcount.

	<b>Fall Term</b>				
<b>Student Population Demographics /4</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Percentage of men	37.84%	38.54%	37.69%	38.03%	38.27%
Percentage of women	62.16%	61.46%	62.31%	61.97%	61.73%
Percentage of African-American	4.78%	5.30%	5.19%	5.43%	6.13%
Percentage of White	76.09%	76.13%	75.21%	72.79%	71.09%
Percentage of Latino	5.87%	6.30%	6.56%	6.95%	7.94%
Percentage of Other /5	4.31%	4.82%	5.51%	6.08%	6.72%
< 20	25.91%	25.16%	24.44%	23.26%	23.60%
20 to 30	57.17%	57.09%	57.63%	58.98%	59.10%
31 to 40	7.75%	8.05%	8.64%	7.67%	7.40%
41 & Over	9.17%	9.70%	9.93%	10.08%	9.60%

/4 Percents within category are based on population of students who reported this information (gender, race/ethnicity, and age).

/5 Other includes American Indian/Alaskan Native, Asian, Native Hawaiian or Other Pacific Islander, Cape Verdean and Two or more races.

<b>Degrees Granted</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Bachelor's	809	861	924	986	1008
Master's	179	195	191	262	192

**Worcester State University**  
**Schedule of Capital Asset Information**

**Exhibit E-5**

	<b>Academic Year</b>	
	<b><u>2014</u></b>	<b><u>2015</u></b>
Land (acreage)	57	57
Buildings (square feet)		
100 Instruction/classroom	52,185	56,585
200 Labs	53,993	54,633
300 Administrative	106,929	111,142
400 Study facilities	27,870	27,870
52x Athletic	3,745	1,845
5xx Other Special Use	6,470	6,470
600 General Use	57,896	79,444
700 Support facilities	172,937	172,937
000 Unclassified	-	0
Unassigned/unassignable	302,720	295,700
<b>Total Sq Ft</b>	<b>784,745</b>	<b>806,626</b>
Residence Halls	459,583	459,583
Rental space	-	-
Dormitories - # of residents	1,577	1,577

*Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide.*

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Source of Revenue</b>					
Student charges (net of scholarships)	\$ 36,667,144	\$ 38,583,870	\$ 41,388,967	\$ 41,992,749	\$ 44,591,923
Grants & contracts	12,722,573	8,333,005	8,463,834	9,404,005	10,575,227
Auxiliary enterprises	585,484	700,495	695,533	754,505	873,017
Other operating revenue	1,127,693	1,197,025	1,281,025	1,574,697	1,058,816
<b>Total operating revenue</b>	<b>51,102,894</b>	<b>48,814,395</b>	<b>51,829,359</b>	<b>53,725,956</b>	<b>57,098,983</b>
State support	25,931,430	25,412,179	26,483,839	30,055,723	31,840,805
Other non-operating revenue	311,017	1,057,625	(126,317)	420,498	471,712
<b>Total non-operating revenue</b>	<b>26,242,447</b>	<b>26,469,804</b>	<b>26,357,522</b>	<b>30,476,221</b>	<b>32,312,517</b>
<b>Total revenue</b>	<b>\$ 77,345,341</b>	<b>\$ 75,284,199</b>	<b>\$ 78,186,881</b>	<b>\$ 84,202,177</b>	<b>\$ 89,411,500</b>
<b>Functional Expense</b>					
Instruction	\$ 28,317,953	\$ 29,123,787	\$ 31,349,284	\$ 32,780,505	\$ 33,402,333
Academic support	5,864,229	6,214,371	6,782,540	7,025,574	6,607,824
Student services	6,115,465	6,578,675	7,220,968	7,469,711	8,625,036
Institutional support	9,339,162	10,016,600	11,443,858	13,443,252	13,432,296
Plant operations & maintenance	8,414,670	7,784,839	7,622,055	7,409,398	9,342,808
Research	-	-	-	-	-
Public service	466,426	609,273	675,857	520,666	1,149,664
Scholarships	1,267,657	596,114	1,207,642	1,033,633	729,898
<b>Sub-total</b>	<b>59,785,562</b>	<b>60,923,659</b>	<b>66,302,204</b>	<b>69,682,739</b>	<b>73,289,859</b>
Auxiliary enterprises	8,127,535	8,082,112	7,423,424	8,243,709	12,299,488
Independent operations	-	-	-	-	-
All other	592,101	572,724	734,283	574,866	270,821
<b>Total operating expense</b>	<b>\$ 68,505,198</b>	<b>\$ 69,578,495</b>	<b>\$ 74,459,911</b>	<b>\$ 78,501,314</b>	<b>\$ 85,860,168</b>
Memo: Depreciation	\$ 4,296,608	\$ 4,402,075	\$ 4,174,992	\$ 4,158,890	\$ 4,224,797

*Note: This schedule does not include component units, such as foundations. Total operating expense does not include depreciation.*

DISCUSSION DRAFT 10/9/15

#### OTHER REPORTS



INDEPENDENT AUDITOR'S 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  
Worcester State University  
Worcester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Worcester State University, an agency of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Worcester State University's basic financial statements, and have issued our report thereon dated \_\_\_\_\_, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Worcester State University'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 Worcester State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Worcester State University's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Worcester State University'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*.

INDEPENDENT AUDITOR'S 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*

(Continued)

**Purpose of this Report**

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

Worcester, Massachusetts

\_\_\_\_\_, 2015

## **Memorandum**

**DATE:** October 1, 2015

**TO:** Barry M. Maloney, President

**FROM:** Kathleen Eichelroth, Vice President for Administration and Finance

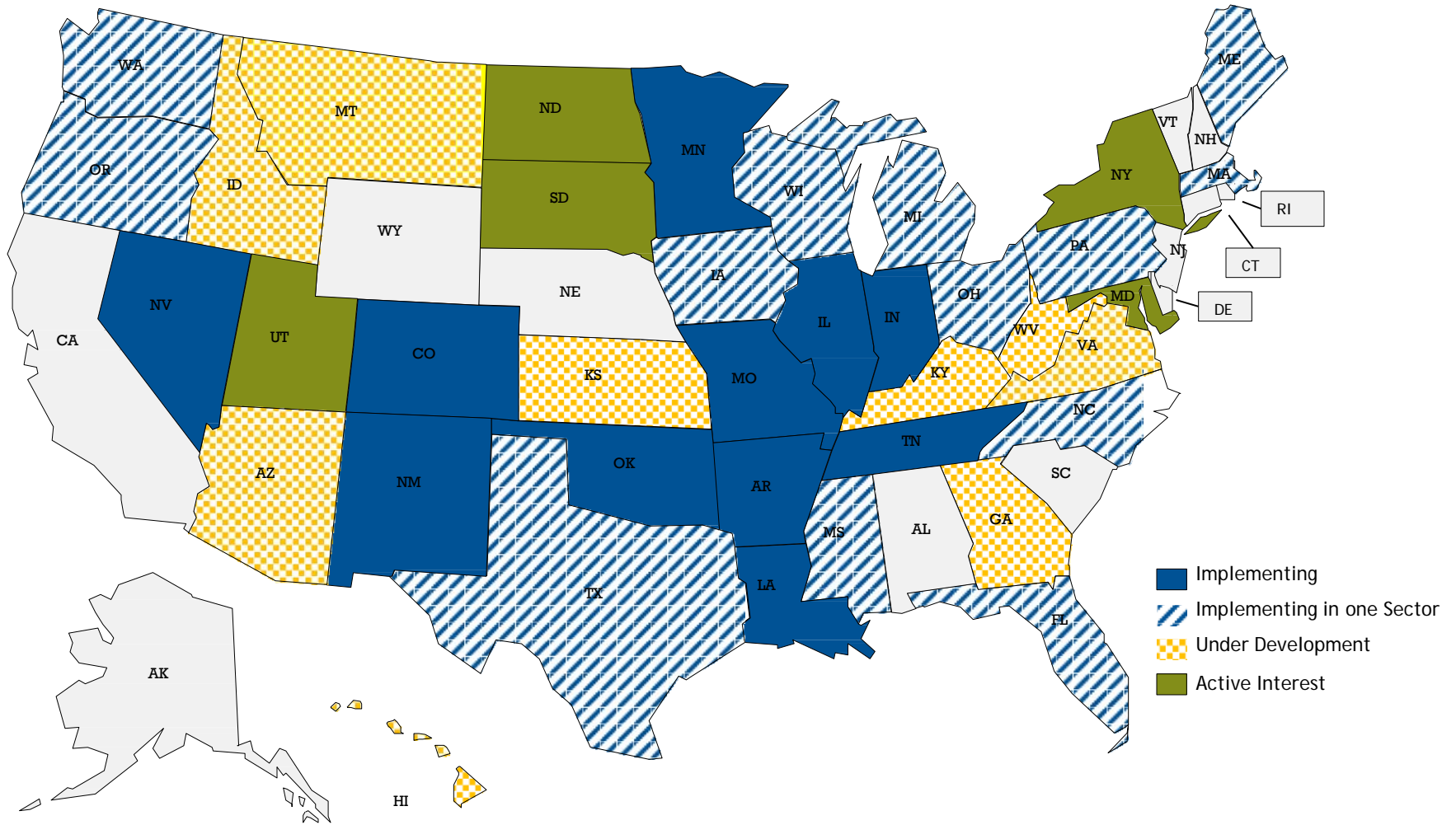
**RE: FORMULA FUNDING UPDATE**

In 2015 the state legislators provided funds to the DHE to engage a consultant to work with various constituencies in developing a performance based formula that would be used to allocate new state resources to the State University's in FY 2016.

I have attached a presentation describing how the formula was derived and the outcome of applying the formula to the \$5.5M of new state resources made available to the state university system in the 2016 state budget cycle.

I would be happy to walk the trustees through the presentation at the October Finance and Facilities sub-committee meeting.

# A wave of outcomes-based funding



# State University Funding Formula Development

## The Legislative Charge

Massachusetts General Law, Chapter 15A, Section 15B stipulates:

- ***“The board of higher education shall develop the formulas for the institutions within the state university and community college segments...”***

FY2015 General Appropriations Act (GAA) states:

- ***“For additional operational funding for state universities for efforts which advance the goals of the commonwealth vision project; provided, that the state universities shall work in conjunction with the house and senate committees on ways and means to develop a performance-based funding formula for fiscal year 2016; provided further, that funds shall be expended for costs related to the development of said formula”***

# State University Funding Formula Development

## The Planning Process

- **RFP:** Following passage of FY15 budget, DHE issued an RFP for consultant to aid in the development of funding formula, in collaboration with state university stakeholders
- **Working Group:** DHE convened working group with representatives from all nine state universities, legislative committees on ways and means, Executive Office of Administration and Finance (A&F), and DHE
- **Planning Sessions:** Funding formula working group held ***three planning sessions between February and May of 2015*** to deliberate and agree upon the various metrics for inclusion

# State University Funding Formula Development

## The System-level Outcomes



### College Participation

- Raising the percentage of high school graduates going to college—and the readiness of these students for college-level work



### College Completion

- Increasing the percentage of students who complete degree & certificate programs



### Student Learning

- Achieving higher levels of student learning through better assessment and more extensive use of assessment results



### Workforce Alignment

- Aligning occupationally oriented degree and certificate programs with the needs of statewide, regional & local employers



### Preparing Citizens

- Providing students with the knowledge, skills & dispositions to be engaged, informed citizens



### Closing Achievement Gaps

- Closing achievement gaps among students from different ethnic, racial, gender and income groups in all areas of educational progress

# State University Funding Formula Development

## The Metrics

Funding formula working group recommended a set of metrics and sub-metrics to be used in assessing outcomes for the state universities.



### College Participation

- Closing the underrepresented minority (URM) gap
- Students retained with 30 credit hours (SCH)
- Students retained with 60 credit hours



### College Completion

- Graduation rate improvement
- Degrees per 100 undergraduate full-time equivalent (FTE) students
- Degrees per 100 graduate full-time equivalent (FTE) students
- Year-over-year increases in the total number of degrees



### Workforce Alignment

- Increases in the numbers of priority-defined degrees

### Degree Productivity




- Degrees per \$100,000 of total revenue



# State University Funding Formula Development

## The Methodology

The five metrics are weighted:

	<b>College Participation</b>	<b>20%</b>
	<b>College Completion</b>	<b>30%</b>
	<b>Workforce Alignment</b>	<b>17.5%</b>
■	<b>Degree Productivity</b>	<b>17.5%</b>
■	<b>Special Mission Institutions</b>	<b>15%</b>

*For example: If the available funding allocated totals \$10 million, performance on "College Completion" would net a total \$3 million in available funding.*

# State University Funding Formula Development

## The Funding Outcomes

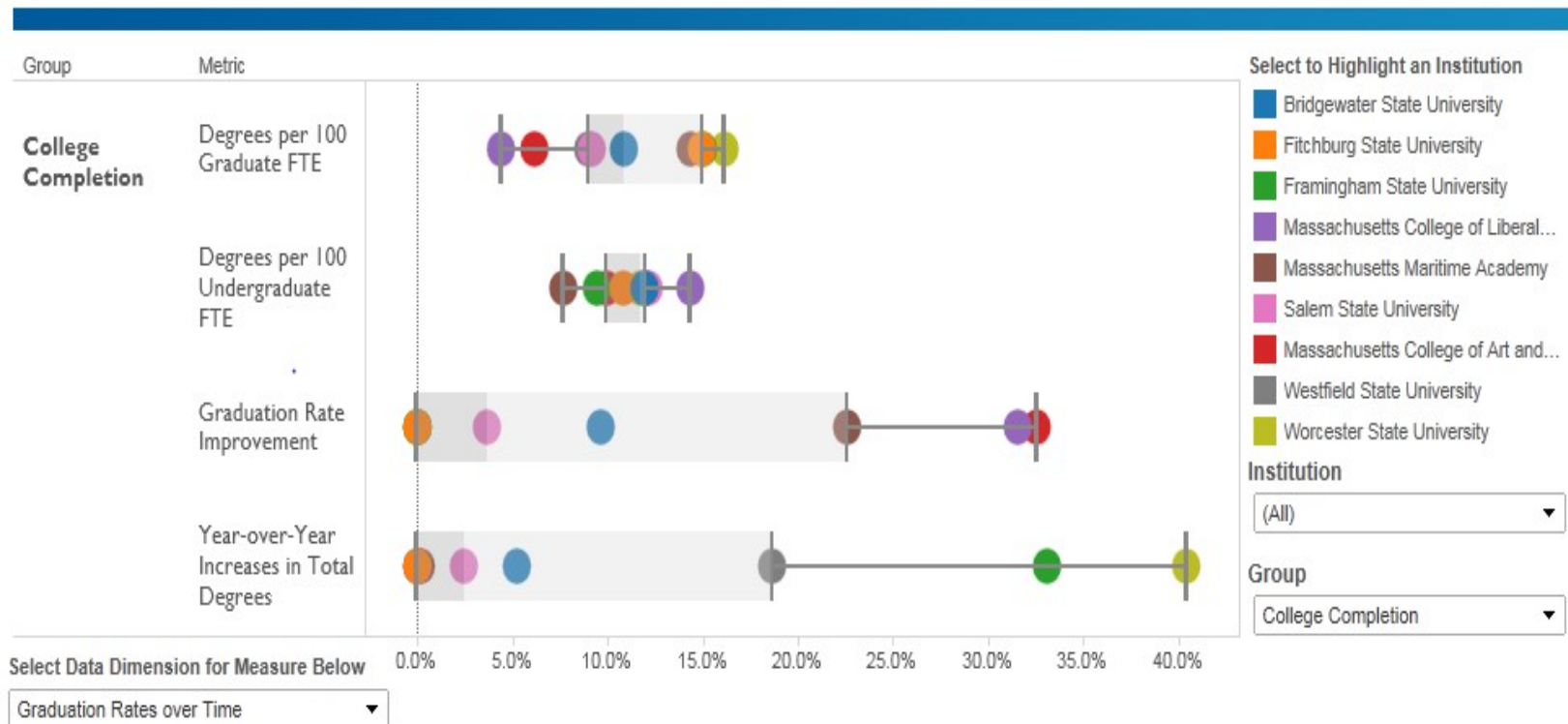
### Massachusetts Department of Higher Education: State University Funding Model

Funding Allocations to State Universities			Funding Outcomes: FY 2016						
14-15 Appropriations	\$			Total from College Participation	Total from College Completion	Total from Workforce Alignment	Total from Productivity	Special Mission Subsidy	Total Allocation
Estimated 15-16 Appropriations	\$								
Funding for Outcome Based Formula	\$5,560,108								
Allocation Split		New Money to Performance Only?							
Proportion to Base Funding									
Proportion to Outcome Funding		Yes	Bridgewater State University	\$ 215,836	\$ 157,902	\$ 231,446	\$ 150,432	\$ -	\$ 755,616
Cost of Operations Subsidy		(type "Yes" or "No")							
Outcome Based Metrics and Weights			Fitchburg State University	\$ 158,785	\$ 104,047	\$ -	\$ 150,432	\$ -	\$ 413,264
College Participation		20%							
Closing the URM Enrollment Gap		33%	Framingham State University	\$ 139,480	\$ 235,308	\$ 361,340	\$ 181,420	\$ -	\$ 917,547
Number of Students who Cross 30 SCH Threshold		33%							
Number of Students who Cross 60 SCH Threshold		33%	Massachusetts College of Art	\$ 57,012	\$ 206,016	\$ -	\$ -	\$ 278,005	\$ 541,034
Participation Group Total		100%							
College Completion		30%	Massachusetts College of Liberal Arts	\$ 82,405	\$ 218,050	\$ -	\$ -	\$ 278,005	\$ 578,460
Five-Year Graduation Rate Improvement		25%							
Undergraduate Degrees per 100 FTE		25%	Massachusetts Maritime Academy	\$ 26,046	\$ 181,214	\$ -	\$ -	\$ 278,005	\$ 485,266
Graduate Degrees per 100 FTE		25%							
Year-over-Year Increases in Total Degrees Produced		25%	Salem State University	\$ 164,698	\$ 116,825	\$ -	\$ 184,939	\$ -	\$ 466,462
Completion Group Total		100%							
Workforce Alignment		25%	Westfield State University	\$ 116,128	\$ 167,650	\$ 101,553	\$ 153,545	\$ -	\$ 538,875
Year-over-Year Increases in Priority Degrees Produced		100%							
Workforce Group Total		100%	Worcester State University	\$ 151,631	\$ 281,021	\$ 278,680	\$ 161,881	\$ -	\$ 873,213
Productivity		25%							
Degrees per \$100,000 of Revenue		100%	Total - State Universities	\$ 1,112,022	\$ 1,668,032	\$ 973,019	\$ 973,019	\$ 834,016	\$ 5,560,108
Productivity Group Total		100%							
At-Risk Student Bonus		1.0							

# State University Funding Formula Development

## The Dashboard Tool

**A dashboard tool** will allow for a user-friendly and dynamic visualization of changes in basic data and weights—will be demonstrated during webinar



# State University Funding Formula Development

## Next Steps

- **Funding allocations** based on the metrics and weights as detailed will be sent to the campuses after July 1<sup>st</sup> (FY16)
- **Additional review and further refinement** of the funding formula will be necessary going forward, including:
  - Review per-student funding levels amongst campuses
  - Explore a finer metric on “Workforce Alignment”
  - Incorporate metrics for “Student Learning” and “Civic Engagement”
- **Involvement** of state universities, legislature, FAAP committee, and BHE on developing a successor iteration

## **Memorandum**

**DATE:** September 29, 2015

**TO:** Barry M. Maloney, President

**FROM:** Kathleen Eichelroth, Vice President for Administration and Finance

**RE:      FY 2016 BUDGET AMENDMENT #1 – FORMULA FUNDING  
            DISTRIBUTION**

During the FY 2016 state budget process \$5,560,108 was made available to the State University system. The state legislators required that the funds be distributed to the campuses using a performance based funding formula. In FY 2015 the DHE was provided funds through the state budget process to hire a consultant to work with stakeholders to develop such a formula. The application of the newly developed formula in FY 2106 has resulted in Worcester State University being the recipient of \$873,943 of new state appropriations. As we evaluated the most appropriate use of the new dollars we sought guidance from the DHE regarding the disposition of these funds during the FY 2017 budget cycle. DHE takes the position that the funds each campus receives from the formula allocation in FY 2016 will be added to the campuses base state appropriation at the beginning of the FY 2017 budget cycle.

As there is a high probability that the funds will roll over in our base from year to year we programmed some of the funds to cover ongoing expenses, while a majority of the new money is going towards one time investments. The attached worksheet provides a detail list of the items that will be funded by the allocation of formula funds encompassing this budget amendment. Each cost item references one of the five strategic plan goals for 2015-2020. The cost items are then categorized by expenditure type and are reflected as a net budget amendment on the second attachment.

The third batch of materials represent the amended/updated FY 2016 official budget document reflecting the increase in state appropriation and expenditure categories.

# FY 2016 Supplemental Budget

		Expend.	
	Goal	Amount	Class
Increase capital adaptation and renewal budget to fund planning studies	5	100,000	H one time
Supplemental funding for projects on FY16 capital list and replacement furnishings	5	135,000	N one time
May St building transitional costs	5	200,000	L one time
Human resource mediation contract	4	10,200	H one time
Chairs in Computer lab	5	16,380	K one time
Parking for academic achievement awards	4	800	E carry over
Supplement family weekend budget to avoid charging a fee	4	5,000	F carry over
WSU share of dedicated college bus route	3&4	11,500	L carry over
New faculty lines to address 15% adjunct cap	1	80,000	A carry over
Fund a budget in HR for workplace accomodations	4&5	9,000	K carry over
Create separate budget for Audiology clinic	1&2	28,000	F carry over
Energy consultant services	5	4,500	H carry over
Establish rolling whiteboard inventory	5	5,000	K carry over
Washer/dryer lease for Athletics	5	9,576	L carry over
WSU branded clothing for staff that work out and about campus (65 ee's)	4	50,921	F carry over
increase to desktop replacement cycle	1&5	20,500	U carry over
increase to MAC replacement cycle	1&5	16,624	U carry over
online admission deposit functionality	3&5	17,209	U carry over
online admission application software	3&5	2,500	U carry over
Catalog and governance software spread over 3 years	1&3	62,233	U carry over
Website hosting	5	38,000	U carry over
collaborative software for university wide use	5	6,000	U carry over
Admissions customer relations management	3	40,000	U carry over
Touchnet payment portal for Elevate software implementation	3&5	5,000	U carry over
		<u>873,943</u>	
carry over yearly	412,363		
one-time	461,580		
Total	<u>873,943</u>		

## Strategic Plan 2015-2020 Goals

### **1. Academic Program and Excellence**

Enhance the undergraduate academic program and expand graduate programs in a community of learning that promotes academic excellence and innovation

### **2. Differentiation and Impact in the Wider World**

Leverage WSU's distinctive strenths, both to enhance the University's reputation and to prepare students to lead, serve, and make a difference in the world.

### **3. Enrollment, Retention, and Student Success**

Attract and enroll a diverse pool of highly motivated students and attach institution-wide priority to promoting their retention and success.

### **4. Community and Campus Life**

Cultivate a vibrant campus life and a collaborative work and learning environment in which all members of the WSU community feel welcomed, included, respected, empowered, and valued.

### **5. Resources, Revenues, and Organizational Sustainability**

Promote financial strength and organizational sustainability while continuing to secure and invest the resources required to maintain WSU's reputation for excellence and value.

**Worcester State University**  
General Operating Budget (111 & 400)  
FY 2016 Budget Amendment #1

		FY2016 Budget Amendment #1 Change in Dollars
<b><u>Sources of Funds:</u></b>		
Revenues		\$ 873,943
State Funded Fringe Benefits		
Transfer In - from Reserves		
Transfer In -		\$ -
Total Sources		<u>\$ 873,943</u>
<b><u>Uses of Funds:</u></b>		
AA Regular Employees		\$ 80,000
BB Employee Related Expenses		-
CC Temporary Part-Time Employees		-
DD Staff Benefit Expenses		-
EE Administrative Expenses		800
FF Facility Operation Supplies		83,921
GG Energy/Space Rental		-
HH Professional Services		114,700
JJ Operational Services		-
KK Equipment Purchase		30,380
LL Equipment Lease, Maintenance, Repair		221,076
NN Infrastructure & Building Improvements		135,000
RR Educational Assistance		-
SS Debt Service		-
UU Technology Expenses		208,066
Transfer Out -		-
Total Uses		<u>\$ 873,943</u>
Net Sources / (Uses)		<u>\$ -</u>

# Worcester State University

## Summary of Sources and Uses of Funds

FY 2016 - All Sources and Trust Funds Amendment #1

		FY2016 Budget Amendment #1	FY2016 Approved Budget
<b><u>Sources of Funds:</u></b>			
	State Appropriation	\$ 26,150,438	\$ 25,276,495
	State Supported Fringe Benefits	\$ 7,375,681	\$ 7,375,681
	Other State Revenues	1,079,660	1,079,660
	Federal Student Aid	7,224,493	7,224,493
	Institutional Sources	61,631,324	61,631,324
Total Sources		<u>\$ 103,461,596</u>	<u>\$ 102,587,653</u>
<b><u>Uses of Funds:</u></b>			
AA	Regular Employees	\$ 39,302,624	\$ 39,222,624
BB	Employee Related Expenses	841,715	841,715
CC	Temporary Part-Time Employees	8,151,755	8,151,755
DD	Staff Benefit Expenses	11,711,017	11,711,017
EE	Administrative Expenses	2,702,610	2,701,810
FF	Facility Operation Supplies	2,071,843	1,987,922
GG	Energy/Space Rental	11,479,640	11,479,640
HH	Professional Services	1,691,196	1,576,496
JJ	Operational Services	928,488	928,488
KK	Equipment Purchase	175,931	145,551
LL	Equipment Lease, Maintenance, Repair	1,543,862	1,322,786
NN	Infrastructure & Building Improvements	5,529,244	5,394,244
RR	Educational Assistance	10,929,633	10,929,633
SS	Debt Service	1,364,813	1,364,813
UU	Information Technology	2,535,514	2,327,448
	Transfer Out	1,161,908	1,161,908
	Transfer to Reserves	1,339,803	1,339,803
Total Uses		<u>\$ 103,461,596</u>	<u>\$ 102,587,653</u>



**Worcester State University**  
Summary of Sources  
FY 2016 - All Sources and Trust Funds Amendment #1

		FY2016 Budget Amendment #1
<b><u>State Sources</u></b>		
Annual State Maintenance Appropriation		\$ 26,150,438
State Supported Fringe Benefits		7,375,681
Student Aid Program (Cash Grant & PT Student)	1,079,660	
Total Other State Sources		1,079,660
Total State Sources		34,605,779
<b><u>Federal Sources</u></b>		
SEOG Program	227,002	
College Work Study Program	136,456	
Pell Grants	6,861,035	
Total Federal Sources		7,224,493
<b><u>Institutional Sources</u></b>		
Revenue		
General Fund	43,144,774	
Parking Fines Scholarship Fund	73,000	
Health Services Fund	449,800	
Residence Halls Fund	12,212,904	
Student Activities Fund	319,968	
Residence Hall Technology and Equip. Fund	347,600	
Capital Improvement Fund	2,868,444	
Transfers In		
*Transfer In from Federal funds	9,010	
*Transfer from Federal Grant Fund Reserve	37,691	
*Transfer from Parking Fines Scholarship Fund Reserve	7,000	
*Transfer from Health Services Fund Reserve	102,549	
*Transfer from Student Activities Trust Fund Reserve	46,032	
*Transfer from Residence Hall Technology and Equip. Fund	262,552	
*Transfer from Capital Improvement Trust Fund Reserve	850,000	
*Transfer from General Trust Fund Reserve	900,000	
Total Institutional Sources		61,631,324
Total Sources		\$ 103,461,596

**Worcester State University**  
General Operating Budget (111 & 400)  
FY 2016 Budget Amendment #1

	FY2016 Budget Amendment #1	FY2016 Approved Budget	FY2015 Budget
<b><u>Sources of Funds:</u></b>			
Revenues	\$ 69,295,212	\$ 68,421,269	\$ 65,541,327
State Funded Fringe Benefits	\$ 7,375,681	\$ 7,375,681	\$ 5,583,779
Transfer In - from Reserves	\$ 900,000	\$ 900,000	\$ -
Transfer In -	\$ -	\$ -	\$ -
Total Sources	\$ 77,570,893	\$ 76,696,950	\$ 71,125,106
<b><u>Uses of Funds:</u></b>			
AA Regular Employees	\$ 37,954,898	\$ 37,874,898	\$ 36,391,349
BB Employee Related Expenses	801,315	801,315	1,147,145
CC Temporary Part-Time Employees	7,879,195	7,879,195	7,435,621
DD Staff Benefit Expenses	11,320,556	11,320,556	8,770,585
EE Administrative Expenses	2,458,860	2,458,060	1,979,670
FF Facility Operation Supplies	1,667,593	1,583,672	1,975,358
GG Energy/Space Rental	2,173,350	2,173,350	1,503,350
HH Professional Services	1,214,896	1,100,196	824,370
JJ Operational Services	731,488	731,488	691,005
KK Equipment Purchase	118,219	87,839	301,291
LL Equipment Lease, Maintenance, Repair	1,341,337	1,120,261	965,536
NN Infrastructure & Building Improvements	4,729,244	4,594,244	4,503,669
RR Educational Assistance	2,131,509	2,131,509	2,190,664
SS Debt Service	577,013	577,013	577,013
UU Technology Expenses	2,422,064	2,213,998	1,868,480
Transfer Out -	49,356	49,356	-
Total Uses	\$ 77,570,893	\$ 76,696,950	\$ 71,125,106
Net Sources / (Uses)	\$ -	\$ -	\$ -

**Worcester State University**  
State Maintenance Appropriation (111)  
FY2016 Budget Amendment #1

		FY2016 Budget Amendment #1	FY2016 Approved Budget	Original FY2015 Budget
<b><u>Sources of Funds:</u></b>				
	State Appropriation	\$ 26,150,438	\$ 25,276,495	\$ 25,073,099
	State Funded Fringe Benefits	7,375,681	7,375,681	5,583,779
	Transfer In-	-	-	-
	Total Sources	\$ 33,526,119	\$ 32,652,176	\$ 30,656,878
<b><u>Uses of Funds:</u></b>				
AA	Regular Employees	\$ 26,150,438	\$ 25,276,495	\$ 25,073,099
BB	Employee Related Expenses	-	-	-
CC	Temporary Part-Time Employees	-	-	-
DD	Staff Benefit Expenses	7,375,681	7,375,681	5,583,779
EE	Administrative Expenses	-	-	-
FF	Facility Operation Supplies	-	-	-
GG	Energy/Space Rental	-	-	-
HH	Professional Services	-	-	-
JJ	Operational Services	-	-	-
KK	Equipment Purchase	-	-	-
NN	Infrastructure & Building Improvements	-	-	-
	Transfer Out -	-	-	-
	Total Uses	\$ 33,526,119	\$ 32,652,176	\$ 30,656,878
	Net Sources / (Uses)	\$ -	\$ -	\$ -

**Worcester State University**  
General Trust Fund (400)  
FY2016 Budget Amendment #1

		FY2016 Budget Amendment #1	FY2016 Approved Budget	Original FY2015 Budget
<b><u>Sources of Funds:</u></b>				
	Revenues	\$ 43,144,774	\$ 43,144,774	\$ 40,468,228
	Transfer In - Reserves	900,000	900,000	-
	Transfer In - Worcester State Foundation	\$ -	\$ -	\$ -
	Total Sources	<u>\$ 44,044,774</u>	<u>\$ 44,044,774</u>	<u>\$ 40,468,228</u>
<b><u>Uses of Funds:</u></b>				
AA	Regular Employees	\$ 11,804,460	\$ 12,598,403	\$ 11,318,250
BB	Employee Related Expenses	801,315	801,315	1,147,145
CC	Temporary Part-Time Employees	7,879,195	7,879,195	7,435,621
DD	Staff Benefit Expenses	3,944,875	3,944,875	3,186,806
EE	Administrative Expenses	2,458,860	2,458,060	1,979,670
FF	Facility Operation Supplies	1,667,593	1,583,672	1,975,358
GG	Energy/Space Rental	2,173,350	2,173,350	1,503,350
HH	Professional Services	1,214,896	1,100,196	824,370
JJ	Operational Services	731,488	731,488	691,005
KK	Equipment Purchase	118,219	87,839	301,291
LL	Equipment Lease, Maintenance, Repair	1,341,337	1,120,261	965,536
NN	Infrastructure & Building Improvements	4,729,244	4,594,244	4,503,669
RR	Educational Assistance	2,131,509	2,131,509	2,190,664
SS	Debt Service	577,013	577,013	577,013
UU	Technology Expenses	2,422,064	2,213,998	1,868,480
	Transfer Out -	49,356	49,356	-
	Total Uses	<u>\$ 44,044,774</u>	<u>\$ 44,044,774</u>	<u>\$ 40,468,228</u>
	Net Sources / (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# WORCESTER STATE UNIVERSITY

Fiscal Year 2015

Budget to Actual Results of Operations

## **State Appropriation (source 111) and General Purpose Trust Fund (source 400)**

*Expenditure* Budget compared to actual results

*Revenue* Budget compared to actual results

## **Special Purpose Trust Funds**

*Expenditure* Budgets compared to actual results

*Revenue* Budgets compared to actual results

### **Code references for Expenditures:**

AA	Regular Employees
BB	Employee Related Expenses
CC	Temporary Part-Time Employees
DD	Staff Benefit Expense
EE	Administrative Expense
FF	Facility Operation Supplies
GG	Energy/Space Rental
HH	Professional Services
JJ	Operational Services
KK	Equipment Purchase
LL	Equipment Lease, Maintenance, Repair
NN	Infrastructure & Building Improvements
RR	Educational Assistance
SS	Debt Service
UU	Technology Related Expense

**Worcester State University**  
**Budget vs Actual - Sources 400 and 111**  
**7/1/14 - 6/30/15**

**Expenditure Budget**

Object	Original Budget - BOT	End Budget	Actual	Adjustments		Difference
AAA	36,391,349.00	36,391,349.00	35,791,766.31	185,000.00	1	414,582.69
BBB	1,147,145.00	741,075.58	710,199.13	-		30,876.45
CCC	7,435,621.00	7,435,621.00	8,590,481.27	(185,000.00)	1	(969,860.27) A
DDD	3,444,496.00	3,444,496.00	10,314,102.66	(7,102,874.00)	2	233,267.34
EEE	1,979,670.00	2,291,332.36	2,790,894.82	(443,789.00)	3	(55,773.46) B
FFF	1,975,358.00	1,388,398.71	1,310,192.17	-		78,206.54
GGG	1,503,350.00	1,920,437.05	1,846,976.83	-		73,460.22
HHH	824,370.00	1,095,953.60	1,074,855.71	-		21,097.89
JJJ	691,005.00	680,604.11	646,638.39	-		33,965.72
KKK	301,291.00	892,318.29	900,204.42	-		(7,886.13)
LLL	965,536.00	1,055,309.71	1,043,096.74	-		12,212.97
NNN	4,503,669.00	4,014,582.87	2,028,303.68	-		1,986,279.19 C
RRR	2,190,664.00	2,182,399.00	2,017,074.22	-		165,324.78
SSS	577,013.00	577,013.00	-	-		577,013.00 D
UUU	1,868,480.00	1,995,754.72	1,765,803.18	-		229,951.54
	<b>65,799,017.00</b>	<b>66,106,645.00</b>	<b>70,830,589.53</b>	<b>(7,546,663.00)</b>		<b>2,822,718.47</b>

**Adjustment descriptions**

1. Cost of part-time employees who were hired to cover vacancies or leave of absence for full time employees
2. This is the manual inkind entry at year end to record the fringe benefits backcharge that the Commonwealth funds from the Commonwealth's Group Insurance Commission. The Commonwealth funds the fringe related cost for all labor dollars paid from state appropriations.
3. Historically the University does not budget for bank, investment or credit fees or the offsetting interest and investment earned from funds on deposit.

**Difference explanations**

- A. Adjunct Faculty for day and evening classes . We are analyzing the history of these accounts and assessing the budget needs and planning process for adjuncts going forward.
- B. Amount represents un-budgeted costs that WSU funds on behalf of WSF and is presented as in-kind donation
- C. At year end expenditures that meet capitalization thresholds are moved to the balance sheet as increases in fixed assets. In FY15 there was an additional \$1.9M in building improvements that was capitalized.
- D. The interest and principal payments on the debt related to the Wellness Center are reclassified as balance sheet activity at fiscal year end



**Worcester State University**  
**Budget vs Actual - Source 400 and 111**  
**7/1/12 - 6/30/15**

**Revenue Budget**

<b>Category</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Adjustments</b>		<b>Difference</b>
State Maintenance	(25,638,417.00)	(32,741,291.00)	7,102,874.00	<b>1</b>	-
Tuition	(7,925,000.00)	(8,097,622.90)	-		172,622.90
Tuition Waivers	455,000.00	389,758.70	-		65,241.30
Fees	(31,162,545.00)	(31,540,735.30)	-		378,190.30
Fee Waivers	700,000.00	849,556.85	-		(149,556.85)
Miscellaneous	(2,535,683.00)	(3,210,953.74)	467,982.00	<b>2</b>	207,288.74
	<b>(66,106,645.00)</b>	<b>(74,351,287.39)</b>	<b>7,570,856.00</b>		<b>673,786.39</b>

**Adjustment descriptions**

1. This is the manual inkind entry at year end to record the fringe benefits backcharge that the Commonwealth funds from the Commonwealth's Group Insurance Commission. The Commonwealth funds the fringe related cost for all labor dollars paid from state appropriations.
2. Historically the University does not budget for bank, investment or credit fees or the offsetting interest and investment earned from funds on deposit



**Worcester State University**  
**Budget vs Actuals**  
**7/1/14 - 6/30/15**  
**Trust Fund Expenditures/Transfers**

Source	Description	Budget	Actual Expenditures	Adjustments		Difference	
405	Capital Impr T.F.	2,868,444.00	1,584,891.54	260,000.00	1	1,023,552.46	A
408	Parking Garage T.F.	1,076,242.00	838,412.45	-		237,829.55	B
410	Strategic Plan T.F.	423,455.00	32,756.00	-		390,699.00	C
433	Federal OH T.F.	40,514.00	47,072.11	-		(6,558.11)	
439	Parking Fine T.F.	75,000.00	28,823.51	-		46,176.49	D
442	Student Hlth Serv. T.F.	537,769.00	464,150.86	-		73,618.14	E
445	Resident Hall T.F.	8,717,074.00	8,431,833.82	-		285,240.18	F
446	Student Activities T.F.	429,000.00	256,023.55	-		172,976.45	G
448	Res. Hall Tech/Equ T.F.	428,590.00	399,182.53	-		29,407.47	H
450	Sheehan Hall T.F.	3,898,877.00	3,703,392.93	-		195,484.07	I
		<b>18,494,965.00</b>	<b>15,786,539.30</b>	<b>260,000.00</b>		<b>2,448,425.70</b>	

**Adjustment descriptions**

1. The budget includes the annual debt service on the bonds that funded the Sullivan Building renovations. At year end the principal payment is moved to reduce the outstanding debt on the balance sheet.

**Difference explanations**

- A. Plan deposit to reserves to build fund stability for future capital project investment
- B. Anticipated maintenance costs were less than budget
- C. Projects had a late start and continue through June 30, 2016.
- D. Funds set aside for scholarships were not awarded
- E. Medical services provided by UMASS memorial were less than budget
- F. Spending below budget in various categories including part time employees, building improvements and scholarship.
- G. Budget generally underspent in all categories
- H. Underspensing on technology costs
- I. Spending below budget in various categories including recreational supplies, travel, food and building repairs.

**Worcester State University**  
**Budget vs Actuals**  
**7/1/14 - 6/30/15**  
**Trust Funds - Revenues/Transfers**

<b>Source</b>	<b>Description</b>	<b>Budget</b>	<b>Actual</b>	<b>Adjustments</b>	<b>Difference</b>	
405	Capital Impr T.F.	(2,868,444.00)	(2,755,918.42)	-	(112,525.58)	A
408	Parking Garage T.F.	(1,076,242.00)	(1,076,242.00)	-	-	
410	Strategic Plan T.F.	(423,455.00)	(423,455.00)	-	-	
433	Federal OH T.F.	(40,514.00)	(43,204.00)	-	2,690.00	
439	Parking Fine T.F.	(75,000.00)	(88,675.00)	-	13,675.00	
442	Student Hlth Serv. T.F.	(537,769.00)	(443,088.85)	-	(94,680.15)	A
445	Resident Hall T.F.	(8,717,074.00)	(7,978,231.85)	-	(738,842.15)	B
446	Student Activities T.F.	(429,000.00)	(338,472.64)	-	(90,527.36)	A
448	Res. Hall Tech/Equ T.F.	(428,590.00)	(298,184.96)	-	(130,405.04)	B
450	Sheehan Hall T.F.	(3,898,877.00)	(3,082,138.20)	-	(816,738.80)	B
		<b>(18,494,965.00)</b>	<b>(16,527,610.92)</b>	-	<b>(1,967,354.08)</b>	

**Difference explanations**

A. Revenue did not meet budget do to credit hours assessed was lower than anticipated

B. Revenue did not meet budget due to lower than anticipated occupancy in the residence halls.

## **Memorandum**

**DATE:** October 16, 2015

**TO:** Barry M. Maloney, President

**FROM:** Kathleen Eichelroth, Vice President for Administration and Finance

**RE: FINANCIAL STATEMENT – DRAFT #2 AND GASB 68 MEMO**

Attached is a second draft of the audited financial statements for the year ended June 30, 2015. The draft now reflects the appropriate footnote disclosures and related schedules pertaining to the application of accounting changes required by the Commonwealth of Massachusetts in response to GASB Statement #68 Accounting and Financial Reporting for Pensions.

Also attached is the position paper the State University Counsel of Presidents sent to the State Comptroller describing the reasons the Universities and their audit firms did not support the recording of net pension liability on the individual financial statements of each university.

There will be another revised draft made available the day of the board meeting. We are still awaiting the final confirmed figures regarding the net pension liability for each campus from the State Comptroller's Office. In addition, we received notice on 10/15/15 from the Department of Capital Asset Management that they needed to re-state the dollars spent on the Wellness Center Project during FY 2015. The adjustment they have requested will reduce the amount of funds held by the State Treasurer and increase Capital Assets.



State Universities  
of Massachusetts

Thomas G. Shack III  
Comptroller  
Office of the State Comptroller  
One Ashburton Place, 901  
Boston, MA 02108

May 29, 2015

Dear Mr. Shack,

I write as Chair of the Council of Presidents (COP) of the State Universities, after consulting with our campus audit firms, in response to your request for feedback on the proposed accounting standards being considered as a result of GASB 68. The Massachusetts State Employee Retirement System ("MSERS") is a cost-sharing, multi-employer, defined benefit plan. Under the provisions of GASB 68, the net pension liability of MSERS must be allocated to each participating employer on a proportionate basis. The issue discussed here is the proposed further allocation of the Commonwealth's proportionate share of that liability to subordinate agencies, as it relates specifically to the State Universities that are under the superintendence of the Board of Higher Education.

This proposed standard is a dramatic shift from the position your office took as recently as our joint CFO meeting in June, when a representative of the State Comptroller's office stated that this was not an agency level issue. There has been no rationale provided to us for this new interpretation of the GASB 68 statement requirements from either KPMG or your office. Our concerns over this proposed change and the lack of a detailed rationale from you compel us to object to the proposal requiring Massachusetts public colleges and universities to record employee pension liability on our annual financial statements.

The State Universities are in agreement with the GASB 68 implementation position put forth by the University of Massachusetts. The State Universities' position is that the net pension liability of MSERS that has been allocated to the Commonwealth should not be further allocated and included on the stand-alone financial statements of the State Universities. The State University Council of Presidents joins with UMass and the Community Colleges in our objection to the plan to allocate the MSERS pension liability so they are included within our annual audited financial reports.

In support of our position and to establish a record for our rationale, we submit to you the following analysis of GASB 68, KPMG's interpretations of GASB 68, and outline our objections to reporting the pension liability on our financial statements to the self-reporting departments of the Commonwealth:

***Intent of GASB 68***

The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. The Guide to Implementation of GASB 68, Appendix 2 states that the principal objective of the statement is "to improve the usefulness of information for decisions made by various users of the general purpose external financial report.... Another aspect of that objective is to provide users with the information about the government's pension obligations and the resources available to satisfy those obligations."

Neither of these objectives will be satisfied by virtue of allocating the net pension liability to the State Universities, which are financial self-reporting agencies of the Commonwealth. The State University financial statements are primarily used by the agency management, governing boards, credit providers and potential students. We are not aware of how pension information allocated to these financial statements will benefit any of these user groups and we have not been provided with any explanation from the State Comptroller as to how this allocation will benefit our primary users groups. In fact, the State Universities believe that inclusion of an allocated net pension liability will be misleading to the users of our financial statements by improperly implying that the Commonwealth's statutory liability is an actual liability of a state university. Furthermore, reporting this liability on the balance sheet of a state university erroneously represents that assets under the control of any of the nine independent Boards of Trustees of the State Universities would be available to satisfy the pension obligations of the Commonwealth.

### ***The State Universities are not Employers***

Each State University is governed by a local Board of Trustees. See. G.L. c. 15A, section 22. The State Universities are created by and subject to Massachusetts General Law, in particular, Chapter 73 and Chapter 15A. Section 16 of Chapter 73 makes clear that the Commonwealth, and not the Boards of Trustees that oversee the State Universities are the "Employer."

*"All officers and employees, professional and non-professional, of the universities shall continue to be employees of the Commonwealth irrespective of the source of funds from which their salaries and wages are paid. They shall have the same privileges and benefits of other employees of the commonwealth such as retirement benefits, group insurance, industrial accident coverage, and other coverage enjoyed by all employees of the Commonwealth."*

Furthermore, the legislature has determined that the Board of Higher Education, not the Boards of Trustees of the individual state universities, is the employer of state employees of the state universities for purposes of collective bargaining. See. General Laws c. 150E, section 1.

All individuals working at the State Universities are Commonwealth employees. The Boards of Trustees are empowered to make day-to-day administrative decisions on our campuses but the Commonwealth, acting through the Board of Higher Education, controls other decisions for our campuses such as salary, benefit plans, as well as governance and investment of the retirement plan. GASB 68 requires that a liability be recognized for the employer's proportionate share of the collective net pension liability. The allocation of the MSERS net pension liability should stop at the Commonwealth level as the employer, especially because all authority to influence determinations regarding the extent of liability reside with the Commonwealth and not the State Universities and their local governing bodies.

### ***The State Universities are not "Non-Employer Contributing" Entities***

Again, we agree with the University of Massachusetts response in that non-employer contributing entities (NECEs) make contributions to a pension plan that is used to provide pensions to the employees of other entities. The State Universities do not make direct contributions to the Commonwealth's Pension Plan; therefore the University is not a non-employer contributing entity. Moreover, the State Universities do not believe that the application of a fringe rate by the Commonwealth represents a direct contribution to the plan as considered by GASB 68. This rate is a funding mechanism and bears no relation to the actual contributions made to MSERS by the Commonwealth for its employees affiliated with a particular University.



***A Special Funding Situation does not Exist***

As outlined in the University of Massachusetts response, the State Universities do not believe that any of the special funding criteria listed in paragraph 15 of GASB 68 are applicable. The State Universities make no direct contributions to MSERS. The Commonwealth makes all employer contributions to the plan.

***State University Resources Reported in its Statements of Net Position are not Available to meet Pension Liabilities***

Question #36 of GASB's implementation guide to Statement 68 deals with recognizing a portion of the net pension liability in fund financial statements and provides the following information:

Q - What guidance does Statement 68 provide regarding recognizing a portion of the net pension liability in fund financial statements if a portion of the net pension liability of a single or agent employer will be paid from an enterprise, internal service, or fiduciary fund?

A - Except for blended component units, which are discussed in Q 34 and 35, Statement 68 does not establish specific requirements for allocation of the net pension liability or other pension-related measures to individual funds. However, for proprietary and fiduciary funds, consideration should be given to NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, paragraph 42, as amended, which requires that long-term liabilities that are "directly related to and expected to be paid from" those funds be reported in the statement of net position or statement of fiduciary position, respectively.

First, the State Universities do not believe that this question is applicable to our institutions or this situation. The question falls under the heading of "Single and Agent Employers" and the Commonwealth considers MSERS to be subject to the cost-sharing provisions of the GASB 68. However, we do realize that Question #122, which is identical to Question #36, addresses the same issue. The answer to Question #122 is the same, GASB 68 does not provide any guidance regarding the allocation of the net pension liability to fund statements. As such, we believe that under GASB 68, the net pension liability of MSERS has been properly allocated to the Commonwealth and there is no rationale for a further allocation.

That aside, in considering the answer, the State Universities do not believe that the net pension liability is expected to be paid from funds reported in their statement of net position. These assets are either held in trust subject to specific limitations which cannot be ignored, see G.L. c. 73, section 14; are subject to the discretion of the president of the university, see c. 73, section 1B; or are maintained by the local Board of Trustees and may be expended only as the local Board shall direct, see, G.L. c. 15A, section 22. For these insurmountable reasons, when considering an answer to question #36, the State Universities strongly argue that the net pension liability may not possibly be paid from funds reported in their statements of net position. Because all funds presented in their statements of net position are governed by G. L. Chapter 15A and are statutorily unavailable to satisfy the allocated net pension liability, the only resources available to pay a present pension liability are future state appropriations. Future assets, of course, are not identified or considered on an institution's balance sheet and statement of net position. Considering that it is a goal of GASB 68 to provide users of the financial information about the resources available to satisfy pension obligations, it is misleading and confounding to include those obligations on the balance sheets that also carry state university assets that are not available to meet the obligations.

***State Universities Have No Control Over MSERS and No Liability to its Participants***

The Commonwealth is statutorily responsible for the pension benefit of participants in MSERS. The State Universities are not able to amend the provisions of the plan, do not have any input regarding significant actuarial assumptions that may be particular to the Commonwealth employees working on their campuses, and have no control over the investment of plan assets to be used to make benefit payments and satisfy the net pension liability. If a State University were to cease operations, there would be no obligation on the individual campus for it to pay pension benefits to any employee affiliated with the University.

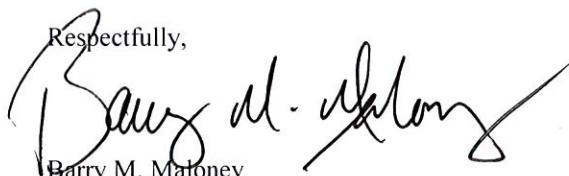
***State Universities on Allocating Pension Liability and KPMG Interpretation GASB 68***

There are practical considerations regarding the proposal to allocate the state pension liability to the agency level. We question if this proposal makes the accounting standards more transparent, benefits the taxpayers of Massachusetts, benefits the students we serve, or makes our public colleges and universities more financially sound. We believe that the actuarial computations and audit requirements at both the state level and campus level will be costly with no benefit to the users of the financial statements.

For the reasons outlined above and for the concerns raised by the State Universities, our audit firms, the University of Massachusetts and the Massachusetts Community Colleges, we request that you reconsider the plan to allocate employee pension liability to the State University campuses. We expect and respectfully request a detailed rationale from KPMG and your office regarding the GASB statement requirements, with detailed references in order to understand, assess and/or defend the need to record such liability. If it is determined by your office that this allocation is unavoidable, the State Comptroller should consider a qualification of the state level audit opinion regarding this allocation, rather than the costly administrative process that will be passed onto our campuses.

Thank you for your attention to this matter and for your consideration of our request to continue the current methodology for recording the pension liability of the Commonwealth.

Respectfully,



Barry M. Maloney  
President  
Worcester State University  
Chairman, Council of Presidents

Cc: Howard Merkowitz, Deputy Comptroller  
Kristen Lapore, Secretary, Administration and Finance  
Jim Peyser, Secretary of Education  
Richard Freeland, Commissioner Department of Higher Education  
Carlos Santiago, CAO DHE

**WORCESTER STATE UNIVERSITY**  
**(AN AGENCY OF THE COMMONWEALTH OF**  
**MASSACHUSETTS)**

***FINANCIAL STATEMENTS***  
***AND MANAGEMENT'S DISCUSSION AND ANALYSIS***  
***WITH SUPPLEMENTARY INFORMATION, STATISTICAL***  
***INFORMATION AND OTHER REPORTS***

***YEARS ENDED JUNE 30, 2015 AND 2014***

***AND***

***INDEPENDENT AUDITOR'S REPORT***



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS  
AND MANAGEMENT'S DISCUSSION AND ANALYSIS WITH SUPPLEMENTARY  
INFORMATION, STATISTICAL INFORMATION AND OTHER REPORTS

YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Worcester State University  
Worcester, Massachusetts

**Report on the Financial Statements**

We have audited the accompanying financial statements of Worcester State University (an agency of the Commonwealth of Massachusetts) (the "University") and the financial statements of Worcester State Foundation, Inc., its discretely presented component unit, as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Worcester State University and Worcester State Foundation, Inc., its discretely presented component unit, as of June 30, 2015 and 2014, and the changes in its financial position, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, in 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Worcester State University's basic financial statements. The supplemental schedules and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules on pages 36 through 41 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical information on pages 42 through 47 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated \_\_\_\_ \_\_, 2015, on our consideration of Worcester State University'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 Worcester State University's internal control over financial reporting and compliance.

Worcester, Massachusetts  
\_\_\_\_ \_\_, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Worcester State University, we offer readers of Worcester State University's financial statements this narrative overview and analysis of the financial activities of Worcester State University for the fiscal year ended June 30, 2015. This discussion is provided by management and should be read in conjunction with the financial statements and notes thereto.

Worcester State University was founded in 1871, and is one of nine comprehensive public colleges/universities in the Commonwealth of Massachusetts. The University affirms the principles of liberal learning as the foundation for all advanced programs of study and offers programs in the traditional liberal arts and science disciplines, while maintaining its historical focus on teacher education. The University offers 61 undergraduate majors and minors, 31 graduate programs, 76 study abroad programs, 20 honor societies and a student-to-faculty ratio of 16:1. The University currently has 5,563 full and part-time undergraduate students and 787 full and part-time graduate students.

### Financial Highlights

- Adoption of Accounting Principal. The Commonwealth of Massachusetts adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The effect on the June 30, 2015 financial statements includes a \$10,567,132 reduction to net assets as of July 1, 2014 to record the Net Pension Liability the Commonwealth has attributed to Worcester State University. Additional changes in presentation include the deferred outflows and inflows of future pension related costs and an overall net reduction in operating expense of \$362,530 to address a timing difference in recording of pension costs assessed on payroll through the Commonwealth's fringe benefit rate.
- The assets of Worcester State University exceeded its liabilities at the close of the most recent fiscal year by \$82,871,582 (net assets). Of this amount, \$24,573,241 is classified as unrestricted net assets. Growth in unrestricted net assets had been strategically planned in accordance with the University's long term Capital Financing Plan. The plan called for growth in reserves as the means of providing financial leverage for the building of the new Wellness Center and other capital improvements. A draw of \$9,500,000 of reserve funds as an equity contribution to the construction of the Wellness Center occurred in September of 2015. Total net assets and unrestricted net assets have been reduced by \$10,567,132 as of July 1, 2014 by the unanticipated adoption of GASB Statement No. 68, requiring the University to record its share of the Commonwealth's net pension liability for its employees.
- The University experienced a loss before other revenues, expenses, gains or losses of (\$673,465). The total change in net position of \$1,971,897 includes the recognition of \$2,645,362 of capital appropriation received from the state for infrastructure investment. Operational items of significance that influenced the total change in net position included the opening of Sheehan Hall, a new four hundred bed residence hall. The University experienced high demand for this new hall, however overall housing demand was down for the year resulting in a \$1,048,825 operating deficit for auxiliary services. Lower occupancy levels than normal in the residence halls had cross institution effects on other student assessed revenue categories resulting in lower revenue realization than expected. Despite the net operating results, the Capital Improvement Trust Fund continues to accumulate an annual operating surplus as intended with a goal of building the trust fund balance so it will be available to leverage plans for future capital investment.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Worcester State University's basic financial statements. Worcester State University's basic financial statements comprise two components: 1) the financial statements and 2) the notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The Financial Statements are designed to provide readers with a broad overview of Worcester State University's finances in a manner similar to a private sector college. The Statement of Net Assets presents information on all of the University's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the University is improving or deteriorating.

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

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the University's net assets changed during the most recent fiscal year. All changes in net assets 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 accrual for compensated absences.)

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

The financial statements and related footnotes are presented separately from this Management Discussion and Analysis.

The University reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The University is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the University's operations, its net assets 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 provided in the financial statements and are presented separately.

*Other information:* In addition to the financial statements and accompanying notes, this report also contains certain required supplementary information concerning Worcester State University.

### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indication of Worcester State University's financial position. In the case of Worcester State University, assets exceeded liabilities by \$82,871,582 at the close of fiscal year 2015.

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

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Worcester State University's Net Position as of  
June 30, 2015, with comparative data as of June 30, 2014**

	2015	2014
Current and other assets	\$ 67,059,865	\$ 75,946,624
Capital assets	76,615,474	65,917,045
Total assets	143,675,339	141,863,669
Deferred outflows of resources	1,250,036	111,099
Non-current outstanding liabilities	37,975,821	29,264,138
Other liabilities	15,549,661	14,087,092
Total liabilities	53,525,482	43,351,230
Deferred inflows of resources	8,528,311	7,156,721
Net position		
Invested in capital assets, net of related debt	55,668,134	54,295,189
Restricted	2,630,207	3,120,338
Unrestricted	24,573,241	34,051,290
Total net position	\$ 82,871,582	\$ 91,466,817

A portion of the Worcester State University's net assets (3.2 percent) as of June 30, 2015 represent funds that are subject to external restrictions on how they must be used. Unrestricted net assets of \$24,573,241 may be used to meet the University's ongoing obligations to its stakeholders. This figure was significantly reduced by \$10,567,132 as of July 1, 2014. The reduction was the result of the adoption of GASB No. 68 requiring the University to record its share of the Commonwealth's net pension liability. The University's net assets increased by \$1,971,897 during the year ended June 30, 2015. At the end of the current fiscal year, Worcester State University reports positive balances in all net asset categories.

The University's primary reserve ratio, calculated as expendable net assets divided by total expenses, is 30.20% and 44.97%, respectively, for the years ended June 30, 2015 and June 30, 2014. This ratio provides a snapshot of financial strength and flexibility by indicating the percent of operating expenses that could be funded by expendable reserves without relying on additional net assets generated by operations.

The University has not achieved the Department of Higher Education benchmark of a primary reserve ratio of 40% of operating expenses for the year ended June 30, 2015. The primary reason for this is the application of GASB No. 68 that resulted in an unanticipated \$10,567,132 reduction in unrestricted net assets as of July 1, 2014. There had been purposeful growth in the reserve balance over the past decade and more specifically since 2006 as an integral part of the long term capital financing plan of the University. Reserves were being accumulated in the Capital Improvement Trust Fund for the specific purpose of financing a wellness center and other capital improvement projects. The growth in reserves had been planned in preparation for the University's equity contribution of \$9.5M to the Department of Capital Asset Management as part of the financing plan for the Wellness Center. The transfer of reserved funds for the project occurred in September 2015. The compound effect of the unanticipated application of GASB 68 and the planned equity contribution to the Wellness Center project has resulted in a current primary reserve ratio of 20% . A strategy will be developed over the coming year to improve this ratio.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The University's return on net asset ratio, calculated as the change in total net assets divided by total net assets – beginning of the year, is 2.38% and 4.10%, respectively, for the years ended June 30, 2015 and June 30, 2014. This ratio measures total economic return including capital investment and positive operating results. An improving trend indicates increasing net assets which provide for increased financial flexibility.

In FY 2015 construction of the Wellness Center was funded by the Commonwealth of Massachusetts general obligation bonds in the amount of \$2,081,931 in addition to \$9,971,068 of the \$15M bond proceeds the University borrowed for the project in 2012 through the MSCBA and placed on deposit with the Commonwealth Division of Capital Asset Management. The spending of MSCBA bond proceeds had a neutral effect on net assets as the funds moved from cash held by the State Treasurer to Construction in Progress. In addition, there was an operating surplus of \$1,023,552 in the Capital Improvement Trust Fund which was a planned contribution to reserves in accordance with WSU's Capital Improvement Plan. When looking at operations overall this planned surplus was negated by the effect of a lower than usual occupancy rate in the residence halls that impacted student assessed revenue across the institution. The overall growth in net assets was negated by the adoption of GASB 68 which resulted in the reduction of net assets by \$10,567,132 as of July 1, 2014.

The net operating revenue ratio, calculated as operating income plus non-operating revenue divided by operating revenue plus non-operating revenue, is (.75)% and 1.83%, respectively, for the years ended June 30, 2015, and June 30, 2014. The ratio measures whether an institution is living within its available resources. Worcester State University strives to achieve an annual operating surplus as measured by this ratio as part of its long-term plan to improve its primary reserve and viability ratios and maintain a healthy annual return on net assets.

In FY 2015 the Commonwealth provided increased operating appropriations to the state university system in exchange for the campuses not raising student fees for the year. The University did not appropriate any reserves to fund operations and there were no unexpected emergencies that required budget override. As a result the University was able to end the year with a planned surplus in the Capital Improvement Trust Fund. The surplus is in line with the goals of the University's Capital Financing Plan. The planned surplus in the Capital Improvement Trust Fund was offset by an operating loss in auxiliary services for the year.

The increase in net capital assets in FY 2015, was \$10,698,429, while depreciation expense on capital assets was \$4,224,797. During the year \$12,603,518 was expended on construction of the Wellness Center and building improvements were made to the Student Center and the Learning Resource Center. The University received deferred maintenance funding to assist with the LRC project and to pay for several project planning studies.

The University's viability ratio, calculated as expendable net assets divided by long term debt, is 1 : 1.07 and 1 : 1.42 respectively, as of June 30, 2015 and June 30, 2014. The viability ratio measures the availability of expendable net assets to cover debt as of the balance sheet date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net assets to satisfy its debt obligations as of the balance sheet date.

The University has been working to improve this ratio in accordance with its long term capital financing plan. The intent over the past several years has been to raise the ratio in anticipation of transferring \$9.5M to DCAM in September of 2015 in accordance with the financing plan for the Wellness Center. The goal had been to sustain a 1:1 ratio as the project comes on line keeping the institution fiscally stable and not burdened by excess debt load. The University's plans had not anticipated the adoption of GASB 68 which resulted in a \$10,567,132 reduction to unrestricted net assets as of July 1, 2014. This reduction in unrestricted net assets accelerated the reduction in the University's viability ratio to 1:1.07 as of June 30, 2015, prior to the \$9.5 equity contribution to DCAM which has occurred as of September 2015. The University's current viability ratio is 1: .70. This is not an acceptable ratio for the University. A plan will be developed to achieve equilibrium in the ratio as quickly as possible.



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Worcester State University's Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2015 with comparative data for the year ended June 30, 2014**

	2015	2014
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 44,591,923	\$ 41,992,749
Operating grants and contributions	11,634,043	10,978,702
Sales and services of auxiliary enterprises and other sources	873,017	754,505
Total operating revenues	57,098,983	53,725,956
Operating Expenses		
Instruction	33,402,333	32,780,505
Public service	1,149,664	520,666
Academic support	6,607,824	7,025,574
Student service	8,625,036	7,469,711
Institutional support	13,432,296	13,443,252
Operations and maintenance of plant	9,342,808	7,409,398
Scholarships	729,898	1,033,633
Depreciation	4,224,797	4,158,890
Debt service	270,821	574,866
Auxiliary enterprises	12,299,488	8,243,709
Total operating expense	90,084,965	82,660,204
Net operating loss	(32,985,982)	(28,934,248)
Non-operating revenues (expenses)		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	31,840,805	30,055,723
Investment income	467,982	417,298
Other and transfers	3,730	3,200
Total non-operating revenues	32,312,517	30,476,221
Income before other revenues, expenses, gains or losses	(673,465)	1,541,973
Capital appropriations	2,645,362	2,058,059
Increase in net assets	1,971,897	3,600,032
Net position - July 1	91,466,817	87,866,785
Adoption of accounting principle	(10,567,132)	-
Net position - June 30	\$ 82,871,582	\$ 91,466,817

State appropriations for operations, including fringe benefits and net of tuition remission, experienced a net increase in FY 2015. In FY 2015 the state university system was able to secure an increase in operating appropriations from the Commonwealth. The additional funds were provided, in addition to collective bargaining funds, in exchange for a commitment from the State Universities to not raise student fees. FY 2015 was the second consecutive year that the Commonwealth provided an increase in state appropriations in exchange for an agreement not to raise student fees.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

State appropriations are reported net of the amount of in-state day school tuition collected by the University on behalf of the Commonwealth. The in-state day tuition collected is remitted back to the Commonwealth as dictated by Massachusetts General Law. Included in State appropriations are the fringe benefit costs for University employees paid by the Commonwealth. In FY 2015 the State University system was subjected to a 9C reduction in state funds. A 1.5% reduction was required of the campuses however we were provided the opportunity to fund this "give back" to the Commonwealth by transferring campus based funds to the State Treasurer. This method was beneficial to the campuses as we were able to avoid having to pick up additional fringe benefit costs due to a reduction in state appropriations available for payroll costs. The following schedule details the Commonwealth appropriations received by the University for the years ending June 30, 2015 and June 30, 2014, respectively.

	2015	2014
State Appropriations	\$ 25,638,417	\$ 24,170,299
Appropriations to cover fringe benefits provided to employees of the Commonwealth	7,102,873	6,431,679
Tuition remitted back to the State	(538,563)	(546,255)
Transfer to cover 9C reductions	(361,922)	-
Net appropriations	31,840,805	30,055,723
Additional State capital appropriations	2,645,362	2,058,059
Total Appropriations	<u>\$ 34,486,167</u>	<u>\$ 32,113,782</u>

**Loss from Operations**

State appropriations are the primary source of funding for the University. Under GASB 35, appropriations are considered non-operating revenue. As such, the University incurs a loss from operations. The Commonwealth's Board of Higher Education sets tuition for the day division. The University's Board of Trustees sets all fees and tuition of the Division of Graduate and Continuing Education. The University's Board of Trustees approves the annual budget with the intention of mitigating losses after consideration of Commonwealth appropriations while balancing educational and operational needs. The following schedule presents Worcester State University's incurred losses from operations for the fiscal years ended June 30, 2014 and 2013, respectively.

	2015	2014	Change
Net Tuition and Fee Revenue	\$ 44,591,923	\$ 41,992,749	\$ 2,599,174
Other Revenue, net of Student Financial Aid	12,507,060	11,733,207	773,853
Operational Expenses	(90,084,965)	(82,660,204)	(7,424,761)
Operating loss	(32,985,982)	(28,934,248)	(4,051,734)
Commonwealth direct appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	31,840,805	30,055,723	1,785,082
Investment and non-operating income	471,712	420,498	51,214
Capital appropriations	2,645,362	2,058,059	587,303
Change in net position	<u>\$ 1,971,897</u>	<u>\$ 3,600,032</u>	<u>\$ (1,628,135)</u>

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)  
  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Capital Assets and Debts of the University**

Capital Assets: Capital Assets: Worcester State University's investment in capital assets as of June 30, 2015 amounts to \$76,615,474, net of accumulated depreciation, compared to \$65,917,045 net of accumulated depreciation as of June 30, 2014. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2015 gross capital assets increased by \$14,532,936. The majority of the increase was for Wellness Center construction. The Wellness Center will be complete for the fall of 2016. The MSCBA financed bond proceeds on deposit will be combined with the additional \$9.5M equity contribution transferred by the University to the Commonwealth in September. Those funds, when added to the Commonwealth's G.O. Bond commitment, will provide the resources needed to complete the \$52.3M Wellness Center project over the coming year.

Capital assets are defined by the University and the Commonwealth of Massachusetts as assets with an initial, individual cost of \$50,000 or greater. Information about the Worcester State University's capital assets can be found in the notes to the financial statements.

**Long-Term Debt**

Compensated Absences: The accrual for compensated absences consists of the long-term portion of sick and vacation pay relating to employees on the University's payroll and is anticipated to be funded by future state appropriations.

MHEFA Financing: On December 4, 2002, the College entered in to a financing agreement with MHEFA to receive \$14,000,000 for renovations to the Sullivan and Administration Buildings. A call provision became available on this bond issue in December 2012. As a result the issue was refunded on December 18, 2012, with \$10,585,000 MDFA Revenue Bonds, Worcester State University Series 2012. There is no debt service reserve related to this issue. Annual principal payments range from \$255,000 to \$325,000 through November of 2022. Annual principal payments range from \$665,000 to \$875,000 through November of 2032.

Massachusetts Development Financing Agency (MDFA) Clean Renewable Energy Bond: On November 9, 2007, the College entered into a financing agreement with MDFA to receive \$310,000 to facilitate the financing of the installation of a 100 KW Photovoltaic Panel, mounting system and inverter on the roof of the Learning Resource Center. The bond proceeds are non-interest bearing and are to be re-paid in equal annual installments of \$20,666.67 over a fifteen year period beginning December 31, 2007.

Massachusetts State College Building Authority (MSCBA) WSU Student Life Project: MSCBA issued revenue bonds for various projects on December 20, 2012. Included in the issue was a component to provide \$15,000,000 of debt financing to Worcester State University's Wellness Center in accordance with the Memorandum of Agreement between, the Commonwealth, MSCBA and the University. The proceeds from the bond issue, combined with funds earmarked by the University and General Obligation bond funds earmarked by the Commonwealth, provide the resources for construction of a new Wellness Center at WSU. The Wellness Center will be an asset of the Commonwealth and will be recorded as a fixed asset on the University's financial records. The MSCBA holds Debt Service Reserve funds of \$249,214 on this component of the issue. Annual principal payments ranging from \$135,000 to \$765,000 are scheduled through May, 2042. Campus trust funds provide the revenue source for the annual debt service.

WORCESTER STATE UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Economic Factors that will affect the Future**

The FY 2015 budget was prepared in the context of limited availability of state resources. The University was also in the process of developing a new five year strategic plan. Year one of that plan was FY 2015, however the plan was not adopted by the board and rolled out to the community until the fall of 2014. Understanding the importance of aligning the operating budget with the strategic plan, resources were identified early on in the budget process as seed money towards strategic plan initiatives. Once the strategic plan was approved, a grant process was developed with assistance from an ad hoc committee that established grant guidelines and an application process. Forty four proposals were submitted with thirteen projects receiving funding approval. \$372,000 was distributed among the thirteen projects each having a project period of July 1, 2014 through June 30, 2016.

In FY 2015 the Commonwealth provided \$8M in new operating appropriations to the State University System. This was viewed as the legislators actively supporting a plan to stabilize student fees by providing an increase in operating support to the campuses. Though the funding was half the amount the state university system was hoping for, it was the second consecutive year that the University's received increased appropriations in an effort to mitigate rising student costs. Increased state appropriations in FY15 made it possible for the general fee to be assessed at a lower rate than originally proposed for the academic year.

As the FY 2016 budget process began it became clear that the state University system would be looking at a different set of variables with regard to state funds. We had just experienced a mid-year 9C reduction that had reduced our state funding by 1.5% in February 2015. We also had only received two thirds of the FY 2015 obligation for collective bargaining. As we built our base budget for FY2016 we had to resolve funding of these items from campus resources on an ongoing basis. In addition, campus resources needed to be made available for FY 2016 collective bargaining incremental increases as the state was signaling that the cost would be a campus obligation. Other action items being addressed by the Department of Higher Education and the state legislators focused on the development of a legislatively mandated performance based funding formula for the state university system. Through legislative action funds were provided to the DHE to engage a consultant to work with various constituencies in developing a performance based formula that would be used to allocate new state resources in FY 2016. At the conclusion of three separate planning sessions a performance based funding formula was presented to the campuses. The formula measures the following metrics: college participation; college completion; student learning; workforce alignment; preparing citizens; and closing achievement gaps.

Initiatives that the University rolled out to increase campus based revenue included modest increases to rates in the Division of Graduate and Continuing Education and \$900,000 draw from reserves to fund one-time investment in infrastructure and technology items.

In April 2015 the Board of Trustees approved a \$300 annual increase in student fees. The increase in student fees along with adjustments to the DGCE rate structure and spending of reserves established an operating budget in excess of \$100M and ensured the funding of all collective bargaining costs for FY 2015 and FY 2016.

In mid-June the campuses were notified of the funding distribution of the new \$5.5million of formula driven performance based funding. The distribution accuracy was verified in August and the campuses are waiting for the funds to be appropriated to accounts by late September. WSU anticipates receiving \$873K in new state dollars, approximately 16% of the pool.

As the month of September draws to a close we also wait on word of supplemental appropriations to address collective bargaining costs that have been assumed by the campuses.

We look towards the FY 2017 budget cycle with an assumption that the University must continue to carry incremental collective bargaining costs, that the formula funds received for FY2016 are rolled into our state funding going forward, and that any new state dollars will again be distributed to campuses using the funding formula as the allocation methodology

WORCESTER STATE UNIVERSITY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

During the summer of 2010 the University began a study with the Division of Capital Asset Management (DCAM) for a new wellness center to replace the existing 50 year old gymnasium. The planning study was completed in August of 2012 supporting the demolition of the existing gym building and construction of a new 100,000 square foot Wellness Center. A Memorandum of Understanding was executed amongst the Commonwealth, the University and the MSCBA with regard to financing of the Wellness Center project. The current certified cost of the project is \$53,283,845. The Commonwealth has funds earmarked for the project on the Higher Education Bond Bill in the amount of \$25.5 million. The current financing plan was approved by the Board of Trustees on July 3, 2012. The plan calls for the University to leverage reserves, which have been accumulating in accordance with the capital financing plan, to finance an estimated \$27.78 million for this project. The financing is a combination of University reserve spending and revenue bonds issued by the Mass State College Building Authority. The construction site is active with the building expected to be weather tight this fall. The new wellness center is scheduled to open fall of 2016.

**Requests for Information**

This financial report is designed to provide a general overview of the Worcester State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Vice President of Administration and Finance, 486 Chandler Street, Worcester, MA 01602-2597.

DISCUSSION DRAFT 10/15/2015

FINANCIAL STATEMENTS

**WORCESTER STATE UNIVERSITY**  
(An Agency of the Commonwealth of Massachusetts)

**STATEMENTS OF NET POSITION**

JUNE 30, 2015 AND 2014

	Worcester State University		Component Unit Worcester State Foundation	
	2015	2014	2015	2014
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 23,781,381	\$ 23,155,571	\$ 800,282	\$ 740,019
Cash held by State Treasurer	12,924,337	20,866,471	-	-
Cash held by Foundation	145,680	158,524	-	-
Accounts receivable, net	1,161,850	915,870	7,970	464
Current portion of loans receivable	153,424	162,022	-	-
Current portion of contributions receivable	-	-	397,770	324,188
Inventories	41,769	47,387	53,566	49,577
Prepaid expenses and other current assets	225,337	251,273	15,097	13,561
Total current assets	38,433,778	45,557,118	1,274,685	1,127,809
Non-current Assets:				
Investments	19,239,634	22,847,103	19,503,793	20,015,245
Deposits held with trustee	254,295	254,295	-	-
Loans receivable, less current portion	850,269	770,409	-	-
Contributions receivable, less current portion	-	-	442,770	491,769
Other non-current assets	8,281,889	6,517,699	348,571	327,161
Capital assets, net of accumulated depreciation	76,615,474	65,917,045	4,785,499	2,148,236
Total non-current assets	105,241,561	96,306,551	25,080,633	22,982,411
Total assets	143,675,339	141,863,669	26,355,318	24,110,220
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Resources related to pension obligations	1,144,785	-	-	-
Loss on refunding of long-term debt	105,251	111,099	-	-
Total deferred outflows of resources	1,250,036	111,099	-	-
<b>LIABILITIES</b>				
Current Liabilities:				
Current portion of long-term debt	615,667	595,667	38,364	110,775
Current portion of capital lease obligation	197,403	193,497	-	-
Accounts payable	2,641,613	2,046,625	105,449	34,333
Accrued payroll and fringe benefits	6,527,207	5,793,717	-	-
Accrued interest and other liabilities	127,952	131,433	18,606	15,946
Funds held for others	-	-	180,145	200,027
Student deposits and unearned revenue	1,698,266	1,937,023	50,912	33,922
Current portion of split-interest agreements	-	-	40,048	43,136
Current portion of accrued workers' compensation	172,589	161,280	-	-
Current portion of accrued compensated absences	3,568,964	3,227,850	-	-
Total current liabilities	15,549,661	14,087,092	433,524	438,139
Non-current liabilities:				
Long-term debt, less current portion	24,817,219	25,488,652	2,724,450	516,933
Capital lease obligation, less current portion	303,600	501,003	-	-
Split-interest agreements, less current portion	-	-	120,234	157,194
Advance payable to the University	-	-	-	-
Accrued workers' compensation, less current portion	560,660	647,558	-	-
Accrued compensated absences, less current portion	1,893,542	1,582,271	-	-
Accrued pension obligations	9,357,928	-	-	-
Refundable grant - federal financial assistance program	1,042,872	1,044,654	-	-
Total liabilities	53,525,482	43,351,230	3,278,208	1,112,266
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources related to pension obligations	1,991,459	-	-	-
Deferred service concession arrangements	6,536,852	7,156,721	-	-
Total deferred inflows of resources	8,528,311	7,156,721	-	-
<b>NET POSITION</b>				
Invested in capital assets, net	55,668,134	54,295,189	-	-
Restricted - Non-expendable:				
Other	-	-	12,309,121	11,834,998
Restricted - Expendable for:				
Other	2,503,864	2,997,476	7,255,767	7,443,711
Capital projects	126,343	122,862	-	-
Unrestricted	24,573,241	34,051,290	3,512,222	3,719,245
Total net position	\$ 82,871,582	\$ 91,466,817	\$ 23,077,110	\$ 22,997,954

See accompanying independent auditor's report and notes to financial statements.

**WORCESTER STATE UNIVERSITY**  
(An Agency of the Commonwealth of Massachusetts)

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

YEARS ENDED JUNE 30, 2015 AND 2014

	Worcester State University		Component Unit Worcester State Foundation	
	2015	2014	2015	2014
<b>REVENUES</b>				
Operating Revenues:				
Student tuition and fees	\$ 42,564,442	\$ 40,957,693	\$ 259,043	\$ 246,365
Auxiliary enterprises, student housing	10,377,646	8,593,284	-	-
Less: Scholarship discounts and allowance	8,350,165	7,558,228	-	-
Net student tuition and fees	44,591,923	41,992,749	259,043	246,365
Contributions	-	-	1,865,899	3,055,532
Federal grants and contracts	7,511,031	7,001,491	-	-
State and local grants and contracts	1,366,407	1,296,533	-	-
Nongovernmental grants and contracts	1,697,789	1,105,981	-	-
Auxiliary enterprises, other	873,017	754,505	212,284	227,995
Other operating revenues	1,058,816	1,574,697	255,221	257,052
Total operating revenues	57,098,983	53,725,956	2,592,447	3,786,944
<b>EXPENSES</b>				
Operating expenses:				
Instruction	33,402,333	32,780,505	-	-
Public service	1,149,664	520,666	-	-
Academic support	6,607,824	7,025,574	-	-
Student services	8,625,036	7,469,711	-	-
Institutional support	13,432,296	13,443,252	672,349	665,381
Operation and maintenance of plant	9,342,808	7,409,398	168,699	160,598
Scholarship	729,898	1,033,633	326,575	295,463
Depreciation	4,224,797	4,158,890	150,993	117,444
Debt service	270,821	574,866	-	-
Auxiliary enterprises	12,299,488	8,243,709	-	-
Total operating expenses	90,084,965	82,660,204	1,318,616	1,238,886
Operating loss	(32,985,982)	(28,934,248)	1,273,831	2,548,058
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State appropriations	31,840,805	30,055,723	-	-
Interest and investment income	467,982	417,298	(66,973)	2,729,217
Payments to Worcester State University	-	-	(1,702,748)	(1,002,817)
Other non-operating revenues	3,730	3,200	-	-
Net nonoperating revenues	32,312,517	30,476,221	(1,769,721)	1,726,400
Income (loss) before other revenues, expenses, gains, or losses	(673,465)	1,541,973	(495,890)	4,274,458
Capital appropriations	2,645,362	2,058,059	-	-
Additions to permanent endowments	-	-	575,046	481,607
Change in net position	1,971,897	3,600,032	79,156	4,756,065
<b>NET POSITION</b>				
Beginning of year	91,466,817	87,866,785	22,997,954	18,241,889
Adoption of accounting principle	(10,567,132)	-	-	-
End of year	\$ 82,871,582	\$ 91,466,817	\$ 23,077,110	\$ 22,997,954

See accompanying independent auditor's report and notes to financial statements.



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	Primary Government	
	2015	2014
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 44,531,324	\$ 42,077,492
Federal grants and contracts	7,511,031	7,001,491
State and local grants and contracts	1,366,407	1,296,533
Nongovernmental grants and contracts	1,697,789	1,105,981
Auxiliary enterprise charges	873,017	754,505
Employee compensation and fringe benefit payments	(55,163,191)	(52,463,004)
Payments to suppliers	(30,650,898)	(25,889,545)
Interest paid	(350,401)	(824,815)
Loans issued to students	(71,262)	(40,247)
Other receipts	193,696	5,944,799
Net cash used in operating activities	<u>(30,062,488)</u>	<u>(21,036,810)</u>
Cash flows from noncapital financing activities:		
State appropriations	31,840,805	30,055,723
Net deposits	<u>(178,887)</u>	<u>174,138</u>
Net cash provided by noncapital financing activities	<u>31,661,918</u>	<u>30,229,861</u>
Cash flows from capital and related financing activities:		
Capital appropriations	2,645,362	2,058,059
Purchases of capital assets	(14,847,127)	(3,949,772)
Principal payments of capital related debt	(651,433)	(426,290)
Principal payments of capital lease obligation	(193,497)	(95,308)
Decrease in cash restricted for capital activities	-	1,358
Decrease (increase) in deferred loss on refunding of capital related debt	5,848	5,848
Perkins loan program, net funds received (paid)	(1,782)	(37,552)
Other activities	<u>3,730</u>	<u>3,200</u>
Net cash used in capital and related financing activities	<u>(13,038,899)</u>	<u>(2,440,457)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	9,403,194	5,543,328
Purchases of investments	(5,896,812)	(6,092,701)
Interest and investment income	<u>603,919</u>	<u>623,891</u>
Net cash provided by investing activities	<u>4,110,301</u>	<u>74,518</u>
Net increase (decrease) in cash and cash equivalents	(7,329,168)	6,827,112
Cash and cash equivalents, beginning of year	<u>44,180,566</u>	<u>37,353,454</u>
Cash and cash equivalents, end of year	<u>\$ 36,851,398</u>	<u>\$ 44,180,566</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS  
(Continued)

YEARS ENDED JUNE 30, 2015 AND 2014

	Primary Government	
	2015	2014
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (32,985,982)	\$ (28,934,248)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	4,224,797	4,158,890
Amortization of other assets	235,810	60,811
Costs for capital related debt	-	-
Loss on disposal of capital assets	-	176,563
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable, net	(245,980)	224,285
Loans receivable	(71,262)	(40,247)
Inventories	5,618	(9,422)
Prepaid expenses and other assets	(2,008,914)	(2,502,531)
Resources related to pension obligations	(362,530)	-
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	594,988	831,323
Accrued payroll and fringe benefits	733,490	469,177
Accrued interest and other liabilities	(79,580)	(249,949)
Accrued workers' compensation	(75,589)	288,458
Student deposits and unearned revenue	(59,870)	7,247
Accrued compensated absences	652,385	259,520
Deferred service concession arrangements	(619,869)	4,223,313
Net cash used in operating activities	<u>\$ (30,062,488)</u>	<u>\$ (21,036,810)</u>

See accompanying independent auditor's report and notes to financial statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Worcester State University (the "University") is a public, state-supported University, located in Worcester, Massachusetts. The University is governed by a local Board of Trustees. As one of nine four-year, state-supported colleges and universities, the University is empowered to award baccalaureate and masters' degrees in education and in the arts and sciences, as well as programs of continuing education.

The University is an agency of the Commonwealth of Massachusetts (the "State", the "Commonwealth"). Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated as an independent institution.

Component units

Worcester State Foundation, Inc. (the "Foundation") is a legally separate, tax exempt component unit of the University. The Foundation's primary role is to prudently manage and steward privately contributed resources meant to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

During the year ended June 30, 2015 and 2014, the Foundation distributed \$1,702,748 and \$1,002,817, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Worcester State University Business Office at 486 Chandler Street, Worcester, MA 01602.

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 U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

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

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

The University's policies for defining operating activities in the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts ("Commonwealth"), and net investment income.

Net Position

GASB establishes accounting and financial reporting standards for public colleges and universities. These standards require that, for accounting and reporting purposes, resources be classified into four net position categories, described as follows:

Invested in capital assets, net of related debt - Includes all capital assets, net of accumulated depreciation and the principal balances of any outstanding debt used to construct, acquire or improve the assets.

Restricted net position - These resources are further differentiated between those that are nonexpendable and expendable.

Nonexpendable resources are those that are subject to externally imposed constraints that they be maintained permanently.

Expendable resources are those whose use is subject to externally imposed constraints that can be satisfied by specific actions or by the passage of time.

Unrestricted - These resources are not subject to any externally imposed constraints. Such net position may be designated for specific purposes by action of the governing Board.

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. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

Accounting 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through \_\_\_\_\_, 2015, the date that the financial statements were available to be issued.

Cash, temporary investments, and investments

The University considers its cash on hand, cash held by the State Treasurer for the benefit of the University and all debt securities with a maturity of three months or less to be cash equivalents.

The University's investments are recorded at fair value. Realized and unrealized gains and losses are included in non-operating revenues. Realized gains and losses are determined based on the specific identification of the securities sold. Investment income is recognized when earned. The method of allocated interest earned on pooled cash and investments among fund types provides that, unless otherwise restricted, all interest is recorded in the unrestricted current fund. All gains and losses arising from the sale, maturity, or other disposition of investments are accounted for in the trust fund which owns the related asset. Ordinary income derived from investments is accounted for in the trust fund owning such assets.

The Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of credit risk assumed by the University at year end. Category 1 includes investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by a trust department in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by a trust department but not in the University's name.

Allowance for Doubtful Accounts

Accounts receivable are periodically evaluated for collectability. Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks in the portfolio, and current economic conditions.

Inventories

The University's inventories consist primarily of operating supplies which are valued at the lower of cost or market. Cost is determined by the first-in, first-out (FIFO) method.

Loans receivable and payable

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The federal government provides 90% of the funds to support this program. Loan payments received from students made under the Perkins program may be re-loaned after collection. The 90% portion of the Perkins Loan Program provided by the federal government is refundable back to the federal government upon the termination of the University's participation in the program.

The prescribed practices for the Perkins program do not provide for accrual of interest on student loans receivable or for the provision of an allowance for doubtful loans. Accordingly, interest on loans is recorded as received and loan balances are reduced subsequent to the determination of their uncollectibility and have been accepted (assigned) by the Department of Education.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

Capital assets are controlled, but not owned by the University. The University is not able to sell or otherwise encumber these assets since they are owned by the Commonwealth of Massachusetts. All capital assets acquired prior to June 30, 1990 are stated at cost or estimated historical cost. Capital assets acquired subsequent to June 30, 1990 are stated at cost. All additions of individual capital assets greater than or equal to \$50,000 are capitalized, in accordance with the Commonwealth's capitalization policy. Donated capital assets are recorded at the estimated fair value at the date of the donation.

Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful life of the asset, which range from 3 to 40 years.

All library books are capitalized at actual cost for purchased materials and at fair value for donated items. The cost of such books is expensed after five years.

Student deposits and unearned revenue

Deposits and advance payments received for tuition and fees related to the University's Summer Session II program are deferred and are recorded as unrestricted current funds unearned revenue.

Bond premiums

Bond premiums are being amortized on a straight-line basis, which approximates the effective interest method, over the terms of the related debt agreements.

Funds held for others

Funds held for others are agency funds consisting of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to assets and liability accounts.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relate to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State Employee's Retirement System (MSERS) and additions to/deductions from MSERS's fiduciary net position have been determined on the same basis as they are reported by MSERS. 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.

State appropriations

The University's unrestricted State appropriations amounted to \$31,796,344 and \$30,601,978 for the years ended June 30, 2015 and 2014, respectively. State supported tuition, in the amounts of \$538,563 and \$546,255 for the years ended June 30, 2015 and 2014, respectively, were remitted to the State and have been offset against these appropriations. State supported tuition receipts and transfers have been recorded in an agency fund during the year with a net amount due the Commonwealth of \$16,164 and \$58,254 as of June 30, 2015 and 2014, respectively.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Liability for vacation leave is the amount earned by all eligible employees through June 30, 2015. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Fringe benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, pension and workers' compensation benefits. Health insurance, pension and administrative costs are billed through a fringe benefit rate charged to the University. The University's workers' compensation program is administered by the Commonwealth's Division of Public Employee Retirement Administration. Workers' compensation costs are assessed separately based on the University's actual experience.

Trust funds

The University's operations are accounted for in different trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Tax status

The University is an agency of the Commonwealth of Massachusetts and is therefore exempt from federal and state income taxes under Code Section 115 of the Internal Revenue Code. The Foundation is exempt from income taxes under the provisions of section 501(c)(3) of the Internal Revenue Code.

New Government Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application*, is required for periods beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements and provides guidance for determining a fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Management is in the process of reviewing this statement and potential effects on their financial reporting.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, is required for periods beginning after June 15, 2015. This Statement establishes requirements for defined benefit pensions outside the scope of GASB Statement No. 68, as well as the accumulated assets used to provide those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of GASB Statement No. 68. It also amends certain provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* for pension plans and pensions that are within that respective scope. Management is in the process of reviewing this statement and potential effects on their financial reporting.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Government Accounting Pronouncements (continued)

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, is required for periods beginning after June 15, 2017. This Statement addresses accounting and financial reporting for other post-employment benefits provided to employees of state and local governmental employers, as well as establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Management is in the process of reviewing this statement and potential effects on their financial reporting.

2 - ADOPTION OF ACCOUNTING PRINCIPLE

In June 2012, the GASB issued GASB Statement No.68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 68 is effective for financial statements for periods beginning after June 15, 2014. The adoption of this statement requires the University, as an Agency of the Commonwealth of Massachusetts, to recognize a proportionate share of the Commonwealth's unfunded pension liabilities from which certain University employees receive benefits, along with related deferred inflows and outflows. The adoption of GASB Statement No. 68 resulted in a restatement of opening net position by (\$10,567,132) for the year ended June 30, 2015. As allowed by GASB 68, management has reviewed the available pension information and determined a full restatement of the 2014 financial statements to be impractical.

3 - CASH AND TEMPORARY INVESTMENTS

The University's cash and temporary investments are as follows as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Carrying amount	<u>\$ 23,781,381</u>	<u>\$ 23,155,571</u>
Bank balance	\$ 25,218,478	\$ 25,557,195
Less amounts		
Covered by depository insurance	1,509,598	1,572,741
Collateralized repurchase agreements	<u>18,674,905</u>	<u>18,007,041</u>
Remaining bank balance	<u>\$ 5,033,975</u>	<u>\$ 5,977,413</u>

The differences between the carrying amounts and the bank balances are attributable to deposits-in-transit and outstanding checks. While the remaining bank balance is uninsured and uncollateralized, the University has lowered its risk of loss by maintaining these funds in high quality financial institutions. Further, as of June 30, 2015 and 2014, the University held \$596,429 and \$592,276 respectively, of the funds in money market mutual funds invested in federal securities.



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - CASH AND TEMPORARY INVESTMENTS (Continued)

As of June 30, 2015 and 2014, the University was party to a repurchase agreement with a bank. The value of this agreement was \$18,674,905 and \$18,007,041 as of June 30, 2015 and 2014, respectively.

The money market mutual funds constitute a Category 2 investment and the repurchase agreements constitute a Category 3 investment, as defined under GASB regulations.

4 - CASH HELD BY STATE TREASURER

The University has recorded cash held for the benefit of the University by the State Treasurer in the amounts of \$5,260,818 and \$14,687,611 as of June 30, 2015 and 2014, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$7,663,519 and \$6,178,860 as of June 30, 2015 and 2014, respectively. None of these cash balances are insured or collateralized.

5 - INVESTMENTS

The University maintains pooled investments in long-term U.S. Treasury and Agency Securities. The fair value of these investments as of June 30, 2015 and 2014 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2015</u>				
Investment type				
U.S. Treasuries	\$ 11,195,109	\$ 706,078	\$ 6,425,325	\$ 4,063,706
U.S. Agencies	8,044,525	2,354,578	4,601,542	1,088,405
Total	<u>\$ 19,239,634</u>	<u>\$ 3,060,656</u>	<u>\$ 11,026,867</u>	<u>\$ 5,152,111</u>
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2014</u>				
Investment type				
U.S. Treasuries	\$ 12,282,992	\$ -	\$ 6,630,485	\$ 5,652,507
U.S. Agencies	10,564,111	-	9,191,820	1,372,291
Total	<u>\$ 22,847,103</u>	<u>\$ -</u>	<u>\$ 15,822,305</u>	<u>\$ 7,024,798</u>

Interest Rate Risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average life of the maturities is evaluated regularly with the weighted average life of the portfolio being limited to five years or less, whenever possible. The weighted average life of the portfolio at June 30, 2015 was 3.9 years.

Credit Risk

The University manages its exposure to credit risk by investing solely in U.S. Treasury and U.S. Agency securities.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS (Continued)

Concentration of Credit Risk

The University places no limit on the amount that may be invested in one issuer, maintaining its cash in bank deposit accounts which, at times, may exceed federally insured limits.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University controls this risk by placing its securities in a trust account with a safekeeping agent other than the counterparty.

The components of investment income, including investment return on deposits held with trustee, are as follows:

	2015	2014
Interest	\$ 569,068	\$ 616,296
Realized loss on investments	(226,261)	(237,407)
Unrealized gain on investments	125,175	38,409
	<u>\$ 467,982</u>	<u>\$ 417,298</u>

Investments of the component unit are stated at fair value and are composed of the following:

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 694,876	\$ 694,876	\$ 825,607	\$ 825,607
Equity securities	8,306,197	9,338,907	7,850,999	9,678,902
Bonds and notes	4,062,240	3,960,058	3,899,666	3,925,071
Security based investment fund	5,270,324	5,165,319	4,928,720	5,201,666
Limited partnership interest	250,000	344,633	317,338	383,999
	<u>\$ 18,583,637</u>	<u>\$ 19,503,793</u>	<u>\$ 17,822,330</u>	<u>\$ 20,015,245</u>

6 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2015 and 2014:

	2015	2014
Students	\$ 788,906	\$ 785,529
Other	657,904	416,308
	1,446,810	1,201,837
Less: Allowance for uncollectible accounts	284,960	285,967
	<u>\$ 1,161,850</u>	<u>\$ 915,870</u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

7 - CONTRIBUTIONS RECEIVABLE – COMPONENT UNIT

Contributions receivable consist of unconditional promises to give from individuals. Management initially records these contributions at their estimated fair value and has set up an allowance for doubtful accounts. A discount rate has been used to reflect the present value of the non-current portion of the unconditional promises to give.

Payments of contributions receivable as of June 30, 2015 are expected to be received as follows:

2016	\$ 454,346
2017	258,736
2018	75,735
2019	31,610
2020	12,510
Thereafter	<u>84,414</u>
	917,351
Less: Allowance for uncollectible contributions receivable	(56,576)
Discount on contributions receivable	<u>(20,235)</u>
	<u><u>\$ 840,540</u></u>

8 - DEPOSITS HELD WITH TRUSTEE

The University's bond payable indentures require the maintenance of restricted construction and debt service reserve funds on deposit with a bank trustee. Deposits with bank trustee are held in various trust accounts and are available for future debt service of \$254,295 as of June 30, 2015 and 2014.

9 - LOANS RECEIVABLE

Loans receivable consist of the following Perkins Loans as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Enrolled students	\$ 573,076	\$ 457,173
Repayment on schedule	103,775	132,264
In default	<u>326,842</u>	<u>342,994</u>
	<u><u>\$ 1,003,693</u></u>	<u><u>\$ 932,431</u></u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

10 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	8,141,599	13,193,004	3,405,330	17,929,273
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	93,922,282	5,135,554	-	99,057,836
Furnishings and equipment	10,473,461	-	-	10,473,461
Books	1,118,878	-	390,292	728,586
Total capital assets	119,118,779	18,328,558	3,795,622	133,651,715
Less accumulated depreciation for				
Land improvements	3,172,516	242,349	-	3,414,865
Buildings, including improvements	41,149,166	3,168,519	-	44,317,685
Furnishings and equipment	8,880,052	423,639	-	9,303,691
Total accumulated depreciation	53,201,734	3,834,507	-	57,036,241
Capital assets, net	<u>\$ 65,917,045</u>	<u>\$ 14,494,051</u>	<u>\$ 3,795,622</u>	<u>\$ 76,615,474</u>

Capital assets activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	4,477,468	3,912,698	248,567	8,141,599
Capital assets, being depreciated				
Land improvements	4,909,548	364,361	-	5,273,909
Buildings, including improvements	96,293,566	789,809	3,161,093	93,922,282
Furnishings and equipment	10,473,461	-	-	10,473,461
Books	1,515,606	-	396,728	1,118,878
Total capital assets	117,858,299	5,066,868	3,806,388	119,118,779
Less accumulated depreciation for				
Land improvements	2,930,167	242,349	-	3,172,516
Buildings, including improvements	41,041,222	3,092,474	2,984,530	41,149,166
Furnishings and equipment	8,452,713	427,339	-	8,880,052
Total accumulated depreciation	52,424,102	3,762,162	2,984,530	53,201,734
Capital assets, net	<u>\$ 65,434,197</u>	<u>\$ 1,304,706</u>	<u>\$ 821,858</u>	<u>\$ 65,917,045</u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

11 - MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

The land on which the dormitory residence halls are located is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the year 2016 and 2022. The leases can be extended at the end of these terms for additional ten year periods.

The University, under the terms of a management and service agreement between MSCBA and the Commonwealth, is charged a semi-annual revenue assessment which is based on the certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations are guaranteed by the Commonwealth. The assessments charged for the years ended June 30, 2015 and 2014, in the amounts of \$8,365,295 and \$5,528,709, respectively, and have been recorded as auxiliary enterprise expenditures.

The Commonwealth of Massachusetts also executed a lease with MSCBA for land on which a parking garage is located. MSCBA owns the parking garage and has entered in to a long-term lease agreement with the University to occupy and operate the facility.

All facilities and obligations of the MSCBA are included in the financial statements of MSCBA. The specific asset cost or liability attributable to the University cannot be reasonably determined. The leases, therefore, have been accounted for under the operating method for financial statement purposes.

12 - DEFERRED SERVICE CONCESSION ARRANGMENTS

Deferred service concession arrangements at June 30, 2015 and 2014 in the amounts of \$6,536,852 and \$7,156,721, respectively, consist of the unamortized balances of multiple food service agreements with an outside party. This outside party contributed multiple payments since 2004 totaling \$8,788,017, to upgrade the food service facilities. The contributions are being amortized over various periods ranging from 12 to 18 years. Amortization of these contributions was \$572,201 and \$375,744 in 2015 and 2014, respectively.

13 - LONG-TERM DEBT

(A) On November 9, 2007, the University signed a financing agreement to receive \$310,000 from a Massachusetts Development Financing Agency (MDFA) clean renewable energy bond. These funds have been received and were used for the installation of a 100 KW photovoltaic panel, mounting system and inverter on the roof of the Learning Resource Center. The bond is non-interest bearing with annual principal installments of \$20,667 due through 2022.

(B) On December 4, 2002, the University signed a financing agreement used for the renovation of the Sullivan and Administration Buildings, which was completed in 2009. A call provision became available on this bond issue in and the issue was refunded on December 18, 2012, with \$10,585,000 of Massachusetts Development Financing Agency (MDFA) Revenue Bonds. The obligation is being repaid solely by the University through revenues. Interest on the MDFA bonds is due in semi-annual installments at varying rates ranging from 2.00% to 4.00%. Annual principal installments ranging from \$255,000 to \$875,000 are due through November 2032. The refunding of the MHEFA bonds resulted in a loss, which is included in deferred outflows of resources and will be amortized over the term of the bond. Amortization of this loss for the year ended June 30, 2015, was 5,848. The remaining loss to be amortized at June 30, 2015 is \$105,251.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

13 - LONG-TERM DEBT (Continued)

(C) On December 20, 2012, the University signed a financing agreement to receive \$15,000,000 from a Massachusetts State College Building Authority (MSCBA) revenue bond. These funds will be used for the construction of a new Wellness Center. Interest on the bonds is due in semi-annual installments at varying rates ranging from 2.00% to 5.00%. Annual principal installments ranging from \$135,000 to \$765,000 are due through May 2042.

The composition of the University's Bonds payable for the year ended June 30, 2015 is as follows:

	<u>Beginning Balance</u>	<u>Issuances</u>	<u>Retirements and Premium Amortization</u>	<u>Ending Balance</u>	<u>Current Portion of Principal</u>
(A) Bond payable, MDFA 2007 Series	\$ 165,334	\$ -	\$ 20,667	\$ 144,667	\$ 20,667
(B) Bonds payable, MDFA 2012 Series	10,626,834	-	275,623	10,351,211	265,000
(C) Bonds payable, MSCBA	<u>15,292,151</u>	<u>-</u>	<u>355,143</u>	<u>14,937,008</u>	<u>330,000</u>
	<u>\$ 26,084,319</u>	<u>\$ -</u>	<u>\$ 651,433</u>	<u>\$ 25,432,886</u>	<u>\$ 615,667</u>

Debt service requirements as of June 30, 2015 are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 615,667	\$ 768,663
2017	635,667	750,113
2018	660,667	729,413
2019	680,667	705,948
2020	705,667	679,088
2021 - 2025	4,546,331	2,951,390
2026 - 2030	6,340,000	2,074,182
2031 - 2035	5,495,000	1,122,150
2036 - 2040	3,400,000	538,500
2041 - 2043	<u>1,510,000</u>	<u>68,250</u>
	24,589,666	10,387,697
Unamortized premium	<u>843,220</u>	<u>-</u>
	<u>\$ 25,432,886</u>	<u>\$ 10,387,697</u>

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

14 - LEASE COMMITMENTS

The University leases property, a motor vehicle, modular building, and furniture and equipment under various lease agreements. These leases are classified as either capital or operating in the financial statements. Lease expenditures were \$17,427 and \$32,178 for 2015 and 2014, respectively.

Property and equipment includes the following modular building acquired under a capital lease agreement:

	2015	2014
Buildings, including improvements	\$ 789,809	\$ 789,809
Less: Accumulated depreciation	312,633	115,180
	<u>\$ 477,176</u>	<u>\$ 674,629</u>

Future minimum lease payments under leases, together with the present value of future minimum lease payments as of June 30, 2015 are as follows:

Year Ending	Capital Lease	Operating Lease
2016	\$ 205,620	\$ 63,573
2017	205,620	26,565
2018	102,810	12,080
2019	-	5,487
Total minimum lease payments	514,050	<u>\$ 107,705</u>
Less: Amount representing interest	13,047	
Present value of minimum lease payments	<u>\$ 501,003</u>	

15 - GOVERNMENT ADVANCES REFUNDABLE

The University participates in the Federal Perkins Loan Program. This program is funded through a combination of Federal and institutional resources. The portion of this program that has been funded with Federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The loans receivable balance of \$1,003,693 and \$932,431 at June 30, 2015 and 2014, respectively, represents student loans issued through this program.

16 - NET POSITION

Unrestricted net position is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2015 and 2014, unrestricted net position of \$12,157,415 and \$11,133,863, respectively, has been internally designated by the University for future capital investments. Undesignated unrestricted net position was \$12,415,826 and \$22,917,427 at June 30, 2015 and 2014, respectively.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

16 - NET POSITION (Continued)

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30:

	2015	2014
Restricted - expendable		
Capital projects	\$ 126,343	\$ 122,862
Scholar ships and other grants	2,503,864	2,997,476
	<u>\$ 2,630,207</u>	<u>\$ 3,120,338</u>

The component units' restricted - expendable net position consists of funds whose income is mainly used for scholarships and grants. The component units' restricted-nonexpendable net position consists of investments to be held in perpetuity and the income is restricted for the purpose of providing scholarships and other activities that benefit the University.

17 - FACULTY COMPENSATION

Contracts for full-time faculty begin on September 1, and end May 31 of any given academic year. The Commonwealth of Massachusetts and the University pay all faculty members over the twelve-month period of September 1 through August 31. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's appropriation. The balance due as of June 30, 2015 and 2014 of \$2,568,440 and \$2,268,068 respectively, has been recorded in the financial statements.

18 - ACCRUED WORKERS' COMPENSATION

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured Workers' Compensation program were conducted as of June 30, 2015 and 2014. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$733,249 and \$808,838 as of June 30, 2015 and 2014, respectively have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$157,487 and \$540,552 in 2015 and 2014, respectively. The actual workers' compensation paid by the University was \$233,075 and \$252,094 in 2015 and 2014, respectively.

19 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$2,621,964 for accrued vacation time and \$2,840,542 for accrued sick time as of June 30, 2015 and \$2,355,204 for accrued vacation time and \$2,454,917 for accrued sick time as of June 30, 2014. Of these balances, \$219,048 and \$165,970 for June 30, 2015 and 2014, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,243,457 and \$4,644,151 as of June 30, 2015 and 2014, respectively, represent obligations to employees funded through State appropriations. The University anticipates that the obligations due to employees funded by State appropriations will be discharged through future State appropriations.



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

20 - FRINGE BENEFIT CHARGES

Certain fringe benefit costs associated with University staff, compensated through State appropriations, are paid out of non-University State budget line items. The University is required to reimburse the State for such costs for employees funded from other than State appropriations, based on a percentage of payroll. For 2015, the University reimbursed the State a total of \$4,008,433 (\$1,662,297 for pensions and \$2,346,136 for health care premiums). For 2013, the University reimbursed the State a total of \$3,592,182 (\$1,489,678 for pensions and \$2,102,504 for health care premiums).

21 - RETIREMENT PLAN

The University reports a liability, deferred outflows of resources and deferred inflows of resources, and expense as a result of its statutory requirement to contribute to the Massachusetts State Employee's Retirement System (MSERS). The following information is about MERS:

Plan Description

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), covering substantially all of the University's non-student full-time employees. It is a cost-sharing multiple-employer defined benefit pension plan administered by the Massachusetts State Retirement Board. Under the cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers' payment of its pension obligations to the plan. The plan provides retirement, disability and death benefits to plan members and beneficiaries.

Benefit Provisions

MSERS provides retirement, disability, survivor and death benefits to plan 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 on the basis of 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 establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts.

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

Contributions

The MSERS's 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 MSERS 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.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

21 - RETIREMENT PLAN (Continued)

Contributions (continued)

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

<u>Hire Date</u>	<u>Percentage of Compensation</u>
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
July 1, 1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate determined by the State. The rate was 10.39% and 7.93% of annual covered payroll for the fiscal years ended June 30, 2015 and June 30, 2014, respectively. The University contributed \$1,039,592 and \$741,444 for the fiscal years ended June 30, 2015 and June 30, 2014, equal to 100% of the required contributions for the year. Annual covered payroll was approximately     % and     % of total related payroll for fiscal years ended 2015 and 2014, respectively.

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

At June 30, 2015, the University reported a net pension liability of \$9,357,928 for its proportionate share of the net pension liability related to its participation in MSERS. At July 1, 2014 the University had a net pension liability of \$10,567,132 for its proportionate share of the net pension liability related to its participation in MSERS, see footnote 24. The net pension liability was measured as of June 30, 2014, 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, 2014 rolled forward to June 30, 2014. The University'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 the University for the fiscal year 2014. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal year 2014 relative to total contributions of all participating employers for that fiscal year. At June 30, 2014 and 2013, the University's proportion was 0.138% and 0.139% respectively. For the year end June 30, 2015, the University recognized pension expense of \$677,062.

At June 30, 2015, the University reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

Deferred outflows of resources	
Change in plan actuarial assumptions	\$ 105,193
Contributions subsequent to the measurement date	<u>1,039,592</u>
Total	<u>\$ 1,144,785</u>
Deferred inflows of resources	
Differences between projected and actual earnings on plan investments	\$ 1,920,704
Change in proportion	<u>70,755</u>
	<u>\$ 1,991,459</u>

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

21 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources  
(continued)

Contributions of \$1,039,592 are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal year 2015 subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in pension expense as follows:

2016	\$ (365,015)
2017	(365,015)
2018	(365,015)
2019	9,563
	<u>\$ (1,085,482)</u>

Actuarial Assumptions

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

• Cost of living increases	3.0%
• Salary increases	3.5% to 9.0%
• Investment rate of return	8.0%
• Interest rate credit to the annuity savings fund	3.5%

Pre-retirement mortality rates reflect the RP-2000 Employees table, projected 20 years with Scale AA (gender distinct). Post-retirement mortality rates reflect the Healthy Annuitant table projected 15 years with Scale AA (gender distinct). Mortality rates for disability were assumed to be in accordance with the RP-2000 table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target assets allocation as of June 30, 2014 and 2013 are summarized in the following table:

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

21 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

Asset Class	Target allocation	Long-term expected real Rate of return	
		2014	2013
Global equity	43%	7.20%	7.70%
Core fixed income	13%	2.50%	2.00%
Hedge funds	10%	5.50%	4.75%
Private equity	10%	8.80%	9.00%
Real estate	10%	6.30%	6.00%
Value added fixed income	10%	6.30%	6.30%
Timber/natural resources	4%	5.00%	5.00%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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 contribution 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 rate of 8.0%, 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.

Fiscal year ended	1 % decrease to 7%	Current Discount rate 8%	1% increase to 9%
June 30, 2013			
June 30, 2014			

22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

The University provides postretirement health care and life insurance benefits through the State, in accordance with State statutes. All full-time employees and their dependents who retire from the University on or after attaining age 55 with 10 years of credited service or at any age with 20 years of credited service are eligible. Costs for such benefits are appropriated in non-University line items of the State budget. The costs of these benefits are not material to the University's financial statements.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - STATE CONTROLLED ACCOUNTS

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled and reported by the State through non-University line items in the State's budget. Under accounting principles generally accepted in the United States of America such transactions must be recorded in the financial statements of the University. These transactions include payments by the State for the employer's share of funding the Massachusetts State Employee's Retirement System and for the employer's share of health care premiums. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2015 were \$2,923,020 and \$4,125,497, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2014 were \$2,668,535 and \$3,766,322, respectively.

24 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

Section 15C of Chapter 15A of the Massachusetts General Law requires Commonwealth colleges and universities report activity of campus based funds to the Comptroller of the Commonwealth's Statewide Accounting System, Massachusetts Management Accounting and Reporting System (MMARS) using 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. The amounts reported on MMARS meet the guidelines of the Comptroller's Guide for Higher Education Audited Financial Statements.

The University's State appropriations are composed of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Direct unrestricted appropriations	\$ 25,638,417	\$ 24,170,299
Fringe benefits for benefitted employees on state payroll	7,102,873	6,431,679
Tuition remitted	(538,563)	(546,255)
Transfer from trust funds	<u>(361,922)</u>	<u>-</u>
Total appropriations	<u>\$ 31,840,805</u>	<u>\$ 30,055,723</u>

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2015 is as follows:

Revenue per MMARS	\$ 67,352,003
Revenue per University	<u>65,020,129</u>
	2,331,874
Reporting classification differences	(3,455,064)
Other timing differences	<u>1,123,190</u>
	<u>\$ -</u>

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

25 - RELATED PARTY TRANSACTIONS

The University provided, at no cost, office space and certain personnel services to the Worcester State Foundation, Inc. (the "Foundation").

Worcester State Foundation, Inc. acts as an agent for the University by periodically accepting grants on its behalf. The proceeds of the grants are recorded as an asset of the Foundation until remitted to the University.

The University and the Foundation have entered into an affiliation agreement with the Worcester Center for Crafts, Inc. to collaboratively offer venues for teaching and learning in the arts, new exhibition space, safe, well-equipped studios for community-based programs as well as undergraduate visual and performing art classes. As part of the agreement, the University provides various forms of support to the Crafts Center including annual fees of \$250,000 for allowing the University to use the facilities. Service agreement fees were \$250,000 for the years ended June 30, 2015 and 2014. In addition, the University provided support including personnel, equipment, repairs and maintenance and other operating expenses. The value of this support is estimated to be \$294,652 and \$622,160 for the years ended June 30, 2015 and 2014 respectively.

26 - AUXILIARY ENTERPRISES

The University's auxiliary enterprises consist of residence life and housing and health services. The related revenues and expenses for the years ended June 30, 2015 and 2014 are as follows:

	2015		2014	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 10,807,574	\$ 461,041	\$ 9,008,455	\$ 412,011
Total expenses	11,835,337	461,041	7,831,530	412,011
Increase (decrease) in net position before transfers	<u>\$ (1,027,763)</u>	<u>\$ -</u>	<u>\$ 1,176,925</u>	<u>\$ -</u>

27 - COMMITMENTS AND CONTINGENCIES

Litigation

Pending or threatened lawsuits against governmental agencies arise in the ordinary course of operations. In the opinion of the University's administration, the ultimate resolution of any pending legal actions involving the University will not have a material adverse effect on the financial position of the University.

Grants and entitlements

The University receives financial assistance from federal and state agencies in the form of grants and entitlements. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit by the granting agency. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of the University's administration, the outcome of any findings with respect to disallowed expenditures will not have a material adverse effect on the financial position of the University.

DISCUSSION DRAFT 10/15/2015

SUPPLEMENTARY INFORMATION

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Scholarship	Totals	
								2015	2014
Regular employee compensation	\$ 19,176,787	\$ 270,618	\$ 3,557,156	\$ 4,123,833	\$ 6,760,409	\$ 3,047,819	\$ -	\$ 36,936,622	\$ 34,556,326
Special employee contracted services	7,091,890	397,349	350,092	708,257	610,720	29,955	-	9,188,263	9,143,153
Pension and insurance	4,588,932	161,625	908,403	1,187,169	1,857,362	1,282,571	-	9,986,062	9,780,679
Total payroll and employee benefits	30,857,609	829,592	4,815,651	6,019,259	9,228,491	4,360,345	-	56,110,947	53,480,158
Regular employee related expenses	193,487	10,909	162,486	108,152	210,083	49,715	-	734,832	732,750
Administrative	784,159	42,010	1,059,523	370,674	1,575,251	274,802	-	4,106,419	4,698,555
Facility operations support and related expenses	360,912	104,083	262,749	558,670	450,401	20,740	-	1,757,555	1,506,655
Energy and space rental	14,208	489	2,811	523,699	699,673	1,289,752	-	2,530,632	2,629,584
Professional services	241,539	69,404	111,620	123,529	560,053	264,348	-	1,370,493	1,111,436
Operational services	243,632	69,704	59,242	220,866	236,347	64,405	-	894,196	810,011
Equipment purchases	570,725	6,608	93,984	89,397	199,661	727,593	-	1,687,968	894,167
Equipment lease and maintenance	136,062	16,865	39,758	610,790	272,336	126,581	-	1,202,392	1,103,998
Construction and building improvements	-	-	-	-	-	2,164,527	-	2,164,527	1,681,792
Benefits programs	-	-	-	-	-	-	729,898	729,898	1,033,633
Total operating expenses	2,544,724	320,072	1,792,173	2,605,777	4,203,805	4,982,463	729,898	17,178,912	16,202,581
Total educational and general expenses	\$ 33,402,333	\$ 1,149,664	\$ 6,607,824	\$ 8,625,036	\$ 13,432,296	\$ 9,342,808	\$ 729,898	\$ 73,289,859	\$ 69,682,739

See accompanying independent auditor's report.



WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

SCHEUDLE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

	2015	2014
University's proportion of the net pension liability	0.14%	0.14%
University's proportion of the net pension liability	\$ 9,357,928	\$ 11,308,576
Plan fiduciary net position as a percentage of the total pension liability	76.32%	70.31%

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

SCHEDULE OF UNIVERSITY CONTRIBUTIONS  
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2015  
(With Comparative Totals for 2014)

	2015	2014
Statutorily required contribution	\$ 741,444	\$ 700,426
Contributions in relation to the statutorily required contribution	741,444	700,426
Annual contribution deficiency (excess)	\$ -	\$ -

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

RESIDENCE LIFE AND HOUSING

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Cash	\$ 4,130,519	\$ 5,065,123
Accounts receivable, net	<u>97,186</u>	<u>126,879</u>
Total assets	<u>4,227,705</u>	<u>5,192,002</u>
<b>LIABILITIES</b>		
Unearned rental income	245,117	224,025
Accrued and other liabilities	<u>234,854</u>	<u>192,481</u>
Total liabilities	<u>479,971</u>	<u>416,506</u>
<b>NET POSITION</b>		
Unrestricted	<u><u>\$ 3,747,734</u></u>	<u><u>\$ 4,775,496</u></u>

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

RESIDENCE LIFE AND HOUSING

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Fees	\$ 10,445,446	\$ 8,741,904
Other income	362,128	266,551
Total revenues	10,807,574	9,008,455
<b>EXPENSES</b>		
Regular employee compensation	1,133,410	844,204
Special employee contracted services	97,428	82,924
Pension and insurance	314,654	224,366
Regular employee related expenses	42,627	36,059
Administrative	203,169	115,725
Debt payment	7,725,217	4,866,554
Facility operations support and related expenses	216,041	155,104
Energy and space rental	908,642	473,212
Professional services	8,090	13,565
Operational services	141,559	31,843
Equipment purchases	38,817	41,625
Equipment lease and maintenance	94,624	105,050
Building improvements	475,599	431,829
Benefits programs	435,460	409,470
Total expenses	11,835,337	7,831,530
Change in net position	(1,027,762)	1,176,925
<b>NET POSITION</b>		
Beginning of year	4,775,496	3,598,571
End of year	\$ 3,747,734	\$ 4,775,496

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY  
(An Agency of the Commonwealth of Massachusetts)

HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
<b>REVENUES</b>		
Fees	\$ 441,915	\$ 335,520
Other income	1,173	3,814
Transfer from reserves	17,952	72,677
	<hr/>	<hr/>
Total revenues	461,040	412,011
	<hr/>	<hr/>
<b>EXPENSES</b>		
Regular employee compensation	113,095	108,493
Special employee contracted services	5,448	7,361
Pension and insurance	34,820	31,238
Regular employee related expenses	1,159	1,270
Administrative	1,736	5,952
Facility operations support and related expenses	19,113	14,236
Professional services	284,876	242,358
Operational services	30	32
Equipment maintenance	325	593
Benefits programs	438	478
	<hr/>	<hr/>
Total expenses	461,040	412,011
	<hr/>	<hr/>
Change in net position	\$ -	\$ -
	<hr/>	<hr/>

See accompanying independent auditor's report.

STATISTICAL INFORMATION  
(UNAUDITED)

**Worcester State University**  
**Schedule of Net Position by Component**  
**June 30, 2010 through 2015**

**Exhibit E-1**

	<b>2010</b>		<b>2011</b>		<b>2012</b>		<b>2013</b>		<b>2014</b>		<b>2015</b>	
Invested in capital assets, net of related debt	\$	56,818,614	\$	56,195,538	\$	54,324,836	\$	53,993,527	\$	54,295,189	\$	55,668,134
Restricted-expendable		3,260,704		3,160,760		3,561,378		3,150,370		3,120,338		2,630,207
Restricted-nonexpendable		-		-		-		-		-		-
Unrestricted		22,438,104		27,806,659		30,428,591		30,722,888		34,051,290		24,573,241
<b>Total primary government net position</b>	<b>\$</b>	<b>82,517,422</b>	<b>\$</b>	<b>87,162,957</b>	<b>\$</b>	<b>88,314,805</b>	<b>\$</b>	<b>87,866,785</b>	<b>\$</b>	<b>91,466,817</b>	<b>\$</b>	<b>82,871,582</b>

**Worcester State University  
Tuition & Mandatory Fees**

**Exhibit E-2**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b><i>Resident Undergraduate</i></b>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	4,109	4,569	4,894	5,200	5,636	6,186	6,683	7,187	7,587	7,587
<b><i>Total Annual</i></b>	<b>\$ 5,079</b>	<b>\$ 5,539</b>	<b>\$ 5,864</b>	<b>\$ 6,170</b>	<b>\$ 6,606</b>	<b>\$ 7,156</b>	<b>\$ 7,653</b>	<b>\$ 8,157</b>	<b>\$ 8,557</b>	<b>\$ 8,557</b>
<b><i>Non Resident Undergraduate</i></b>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	4,109	4,569	4,894	5,200	5,636	6,186	6,683	7,187	7,587	7,587
<b><i>Total Annual</i></b>	<b>\$ 11,159</b>	<b>\$ 11,619</b>	<b>\$ 11,944</b>	<b>\$ 12,250</b>	<b>\$ 12,686</b>	<b>\$ 13,236</b>	<b>\$ 13,733</b>	<b>\$ 14,237</b>	<b>\$ 14,637</b>	<b>\$ 14,637</b>
<b><i>Resident Graduate</i></b>										
Tuition	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150
Mandatory Fees	95	95	95	95	95	112	115	115	117	117
<b><i>Total per Credit Hours</i></b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 245</b>	<b>\$ 262</b>	<b>\$ 265</b>	<b>\$ 265</b>	<b>\$ 267</b>	<b>\$ 267</b>



Worcester State University  
Schedule of Employment  
2010-2014

Exhibit E-3

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<b>Faculty - Primary Instruction <sup>/1</sup></b>	<b>412</b>	<b>420</b>	<b>420</b>	<b>405</b>	<b>512</b>
Part-time	231	233	225	204	306
Full-time	181	187	195	201	206
<b>Staff and Administrators</b>	<b>308</b>	<b>325</b>	<b>335</b>	<b>339</b>	<b>363</b>
Part-time	14	15	13	15	12
Full-time	294	310	322	324	351
<b>Total Faculty &amp; Staff Employees</b>	<b>720</b>	<b>745</b>	<b>755</b>	<b>744</b>	<b>875</b>
Part-time	245	248	238	219	318
Full-time	475	497	517	525	557
<b>Non-Benefitted Employees <sup>/2</sup></b>	<b>587</b>	<b>612</b>	<b>657</b>	<b>609</b>	<b>651</b>
Contract Workers	60	70	77	63	103
Coaches	39	41	38	38	31
Student Workers	321	325	355	325	347
Work Study Students	167	176	187	183	170
<b>Total All Employees</b>	<b>1,307</b>	<b>1,357</b>	<b>1,412</b>	<b>1,353</b>	<b>1,526</b>

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*/1 Includes Instruction, Research & Public Service*

*Notes: 1) This schedule reflects personnel as of November 1 and includes employees paid from both state appropriation and local trust funds.*

*2) Beginning 2009 all benefitted and non-benefitted personnel are reflected regardless of funding source.*

**Worcester State University**  
**Admissions, Enrollment, and Degree Statistics**  
**Last Five Years**

**Exhibit E-4**

	<b>Fall Term</b>				
<b>Admissions-Freshman /1</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Applications	4,896	4,706	4,425	5,632	5,662
Applications accepted	3,346	3,257	3,189	3,467	3,479
Accepted as a percentage of applications	68.34%	69.21%	72.07%	61.56%	61.44%
Students enrolled /2	1,340	1,365	1,345	1,415	1,409
Enrolled as a percentage of accepted	40.05%	41.91%	42.18%	40.81%	40.50%

/1 Includes all undergraduate admissions including transfer students.

/2 Includes only students who were accepted and enrolled. Enrolled alone would include students who were not accepted but enrolled as non-degree seeking students.

	<b>Annual</b>				
<b>Enrollment</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Full-time equivalent	5,062.0	5,228.5	5,337.7	5,437.3	5,373.0
Unduplicated credit headcount	9,251	9,939	10,063	10,078	9,797
Percent undergraduate /3	84.62%	85.06%	85.31%	86.18%	87.61%
Percent graduate	15.38%	14.94%	14.69%	13.82%	12.39%

/3 Percent undergraduate/graduate based on Fall semester registration, unduplicated headcount.

	<b>Fall Term</b>				
<b>Student Population Demographics /4</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Percentage of men	37.84%	38.54%	37.69%	38.03%	38.27%
Percentage of women	62.16%	61.46%	62.31%	61.97%	61.73%
Percentage of African-American	4.78%	5.30%	5.19%	5.43%	6.13%
Percentage of White	76.09%	76.13%	75.21%	72.79%	71.09%
Percentage of Latino	5.87%	6.30%	6.56%	6.95%	7.94%
Percentage of Other /5	4.31%	4.82%	5.51%	6.08%	6.72%
< 20	25.91%	25.16%	24.44%	23.26%	23.60%
20 to 30	57.17%	57.09%	57.63%	58.98%	59.10%
31 to 40	7.75%	8.05%	8.64%	7.67%	7.40%
41 & Over	9.17%	9.70%	9.93%	10.08%	9.60%

/4 Percents within category are based on population of students who reported this information (gender, race/ethnicity, and age).

/5 Other includes American Indian/Alaskan Native, Asian, Native Hawaiian or Other Pacific Islander, Cape Verdean and Two or more races.

<b>Degrees Granted</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>
Bachelor's	809	861	924	986	1008
Master's	179	195	191	262	192

**Worcester State University**  
**Schedule of Capital Asset Information**

**Exhibit E-5**

	<b>Academic Year</b>	
	<b><u>2014</u></b>	<b><u>2015</u></b>
Land (acreage)	57	57
Buildings (square feet)		
100 Instruction/classroom	52,185	56,585
200 Labs	53,993	54,633
300 Administrative	106,929	111,142
400 Study facilities	27,870	27,870
52x Athletic	3,745	1,845
5xx Other Special Use	6,470	6,470
600 General Use	57,896	79,444
700 Support facilities	172,937	172,937
000 Unclassified	-	0
Unassigned/unassignable	302,720	295,700
<b>Total Sq Ft</b>	<b>784,745</b>	<b>806,626</b>
Residence Halls	459,583	459,583
Rental space	-	-
Dormitories - # of residents	1,577	1,577

*Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide.*

	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Source of Revenue</b>					
Student charges (net of scholarships)	\$ 36,667,144	\$ 38,583,870	\$ 41,388,967	\$ 41,992,749	\$ 44,591,923
Grants & contracts	12,722,573	8,333,005	8,463,834	9,404,005	10,575,227
Auxiliary enterprises	585,484	700,495	695,533	754,505	873,017
Other operating revenue	1,127,693	1,197,025	1,281,025	1,574,697	1,058,816
<b>Total operating revenue</b>	<b>51,102,894</b>	<b>48,814,395</b>	<b>51,829,359</b>	<b>53,725,956</b>	<b>57,098,983</b>
State support	25,931,430	25,412,179	26,483,839	30,055,723	31,840,805
Other non-operating revenue	311,017	1,057,625	(126,317)	420,498	471,712
<b>Total non-operating revenue</b>	<b>26,242,447</b>	<b>26,469,804</b>	<b>26,357,522</b>	<b>30,476,221</b>	<b>32,312,517</b>
<b>Total revenue</b>	<b>\$ 77,345,341</b>	<b>\$ 75,284,199</b>	<b>\$ 78,186,881</b>	<b>\$ 84,202,177</b>	<b>\$ 89,411,500</b>
<b>Functional Expense</b>					
Instruction	\$ 28,317,953	\$ 29,123,787	\$ 31,349,284	\$ 32,780,505	\$ 33,402,333
Academic support	5,864,229	6,214,371	6,782,540	7,025,574	6,607,824
Student services	6,115,465	6,578,675	7,220,968	7,469,711	8,625,036
Institutional support	9,339,162	10,016,600	11,443,858	13,443,252	13,432,296
Plant operations & maintenance	8,414,670	7,784,839	7,622,055	7,409,398	9,342,808
Research	-	-	-	-	-
Public service	466,426	609,273	675,857	520,666	1,149,664
Scholarships	1,267,657	596,114	1,207,642	1,033,633	729,898
<b>Sub-total</b>	<b>59,785,562</b>	<b>60,923,659</b>	<b>66,302,204</b>	<b>69,682,739</b>	<b>73,289,859</b>
Auxiliary enterprises	8,127,535	8,082,112	7,423,424	8,243,709	12,299,488
Independent operations	-	-	-	-	-
All other	592,101	572,724	734,283	574,866	270,821
<b>Total operating expense</b>	<b>\$ 68,505,198</b>	<b>\$ 69,578,495</b>	<b>\$ 74,459,911</b>	<b>\$ 78,501,314</b>	<b>\$ 85,860,168</b>
Memo: Depreciation	\$ 4,296,608	\$ 4,402,075	\$ 4,174,992	\$ 4,158,890	\$ 4,224,797

*Note: This schedule does not include component units, such as foundations. Total operating expense does not include depreciation.*

DISCUSSION DRAFT 10/15/2015

#### OTHER REPORTS

INDEPENDENT AUDITOR'S 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  
Worcester State University  
Worcester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Worcester State University, an agency of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Worcester State University's basic financial statements, and have issued our report thereon dated \_\_\_\_, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Worcester State University'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 Worcester State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Worcester State University's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Worcester State University'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*.

INDEPENDENT AUDITOR'S 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

(Continued)

**Purpose of this Report**

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

Worcester, Massachusetts

\_\_\_\_\_, 2015

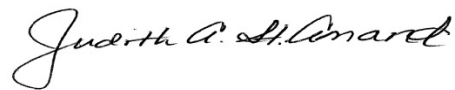
Full Board Meeting



## NOTICE

THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES WILL MEET AT 6:30 P.M. ON TUESDAY, OCTOBER 20, 2015 IN THE MULTI-PURPOSE ROOM OF SHEEHAN HALL.

1. CALL TO ORDER
2. VOTES (Attachment 2)
3. APPROVAL OF MINUTES – September 8, 2015 (Attachment 3)
4. PRESIDENT’S UPDATE (Attachment 4)
  - College Scorecard Update - Ryan Forsythe  
<https://collegescorecard.ed.gov>
5. FINANCE & FACILITIES COMMITTEE REPORT
6. HUMAN RESOURCES COMMITTEE REPORT
7. OTHER BUSINESS
8. ADJOURNMENT



Judith A. St. Amand  
October 13, 2015

Upon a motion made and seconded, it was

**VOTED:**        **to approve the minutes of September 8, 2015 as presented.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to accept the report of the Finance & Facilities Committee and approve the FY 2015 Audit Report.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to approve the FY 2016 Budget Amendment – Formula Funding Distribution as recommended.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to accept the recommendation of the Finance & Facilities Committee and approve a salary adjustment in the amount of \_\_\_\_\_ to address the inequity that presently exists in the salary of the position of President at Worcester State University.**

---

Upon a motion made and seconded, it was

**VOTED:**        **to adjourn the meeting at**

**WORCESTER STATE UNIVERSITY  
BOARD OF TRUSTEES**

**September 8, 2015**

**PRESENT:** Trustee Ronald Valerio, Chair  
Trustee George Albro, Vice Chair  
Trustee Craig Blais  
Trustee Kurt Correia  
Trustee Aleta Fazzone  
Trustee Isabel Gonzalez Webster  
Trustee Maryanne Hammond  
Trustee Stephen Madaus  
Trustee Terence Shanley  
Trustee Shirley Steele  
Trustee Robert Thomas  
President Barry Maloney  
Ms. Judith St. Amand, Assistant Secretary

The provisions of General Laws, Chapter 30A having been complied with, and a quorum present, a meeting of the Worcester State University Board of Trustees was held on Tuesday, September 8, 2015 in the Multi-Purpose Room in Sheehan Hall. Trustee Valerio called the meeting to order at 7:15 p.m.

**APPROVAL OF MINUTES**

Upon a motion by Trustee Blais and seconded by Trustee Shanley, it was unanimously

**VOTED: to approve the minutes of June 9, 2015 as submitted.**

Upon a motion by Trustee Albro and seconded by Trustee Madaus, it was unanimously

**VOTED: to approve the minutes of the July 15, 2015 Executive Committee as submitted.**

**TITLE IX TRAINING**

- Rosemary Naughton, Associate Dean of Student Affairs/Title IX Coordinator, provided an overview of the law and outlined process steps the members of the Board need to take in the event they were to receive a report of any violation of Title IX.
- Training is mandatory for all employees, students and Board members
- May not keep any report confidential – obligated by law to report information to the Title IX Coordinator. In her absence should contact University Police.

- Only areas that are considered confidential for reporting are: Health Services, Counseling Center and Campus Ministry.
- All incoming students have received training and another forum will be provided during the month of October.
- Training is also available on line.
- The Sexual Violence Policies include Rape, Sexual Assault, Sexual Harassment, Stalking, Dating violence, Domestic Violence and Retaliation.
- Examples of Policy Violations include Gender Based Misconduct, Sexual Assault, Sexual Gestures, Incest, Statutory Rape, Aiding in the Commission of Sexual Misconduct, Retaliation, Sexual Harassment, Touching of a Sexual Nature, Posing or Distributing Sexually Suggestive/Explicit Drawings, Pictures or Text, Pressure for Sexual Favors, Telling Dirty Jokes or Stories, Self Touching in Front of Others and Sexually Suggestive Remarks.

#### **CHAIR OF THE BOARD UPDATE**

- Very positive year achieving a great deal of accomplishments.
- Thank you to all who have given of their time to serve as a trustee.
- Outstanding presentation of the Wellness Center provided this afternoon during the annual Tri-Board Dinner.
- Look forward to new academic year.

#### **CHANGE IN MEETING DATE**

Upon a motion by Trustee Shanley and seconded by Trustee Steele, it was unanimously

**VOTED:           to approve the requested change in the March 2016 meeting date  
from Tuesday, March 15, 2016 to *March 8, 2016.***

#### **PRESIDENT'S REPORT**

- In addition to the written report provided as part of the meeting packet, President Maloney shared additional comments.
- New *Viewbook* was shared with the Board that is sent out to prospective students.
- Move in was very smooth with the largest resident class of just under 1700 students.
- President thanked all volunteers, student affairs staff and all others who provided service to our new students and families.
- November meeting will include a tour of the Wellness Center – be sure to wear closed in shoes.

### ***Early Retirement Incentive***

- Stacey Luster, Assistant Vice President for Human Resources, Payroll, and Affirmative Action/Equal Opportunity, provided an update on the Early Retirement Incentive.
- As of today, 22 employees have applied for the incentive.
- 1 or 2 have not provided all information and are on hold.
- Of the 22 applicants, 5 are members of the faculty.
- Faculty must apply by October 3 and retire from the campus by December 31st.
- There is a provision in the policy that allows a faculty member to continue in an adjunct position following retirement.
- Vacant faculty positions will be reviewed and where necessary will be filled with adjunct professors or a one-term appointment.
- Advertising will begin as soon as possible to attract qualified candidates for a vacancy.
- Staffing levels will be reviewed for the entire campus and a full scale plan for filling positions and actual savings resulting from the incentive will be presented to the full Board in November.

### **FINANCE & FACILITIES COMMITTEE REPORT**

In the absence of Chairman Blais, Trustee Albro chaired the meeting and called it to order at 4:35 p.m. He provided the following summary of actions of the committee:

#### ***State Auditor Report***

- After a thorough, six-month examination of our books and practices, the Office of the State Auditor has determined that Worcester State University has controls in place to ensure that expenditures are "reasonable and appropriate."
- The audit included an examination of how we handle travel costs, consultant expenditures, and staff use of University credit cards.
- The auditors also determined that we are in compliance with Jeanne Clery Act disclosure and campus security policy rules and regulations.
- These critical areas - appropriate expenditures and Clery act compliance - were two of seven audited for the time period of July 1, 2012 through June 30, 2014.
- In four of the seven areas, the auditors determined we are fully compliant.
- In the other areas, the auditor's office identified three practices that need to be addressed.
- The way we inventory our property is an area of concern.
- Vice President for Administration and Finance Kathy Eichelroth is working to implement a new process to ensure that all University property is accounted for.
- The auditors also identified a need for improvement in how we report our financial data to the Office of the State Comptroller (OSC). While we have been reporting our data and it is accurate, it was noted that we should be filing summary accounts receivable reports with the OSC on a monthly and mid-year basis. We are implementing this change.

4.

- Finally, the auditors also noted that they believe we did not adequately inform the Board of Trustees of a transfer of some strategic planning trust fund dollars - dollars that had been set aside for the last strategic plan, which concluded in FY14.
- While we do not feel that this criticism rises to the level of a finding, we will be sure to provide any re-allocation of funds to the Trustees in the format recommended by the auditors, going forward.

### ***Bursar's Office Activities***

- VP Eichelroth reported to the group that during the month of June 2015 the Director of Student Accounts became aware of errors in cash deposits in the Bursar Office beginning in July of 2014 through May 2015.
- It was brought to the attention of the Vice President who in turn contacted the audit firm of Bollus Lynch to conduct an investigation. They issued a report to management and Trustee Craig Blais, Chair of the F&F Committee confirming the discrepancies.
- During this time, the employee responsible for preparing the deposits in question was on medical leave that commenced in mid-May and management was going to meet with the employee upon return from leave in August.
- On August 6, 2015, the Human Resources Department received a letter of resignation from the employee.
- A summary of the intent to discuss the report was placed in the employee's personnel file and a notice of rights with regard to separation benefits along with copies of performance evaluations were sent as requested in the employee's letter of resignation.
- Accounts that were not credited with cash deposits during this period were made whole prior to June 30, 2014 with University funds and written off as miscellaneous expense.
- Procedures moving forward regarding preparation of cash deposits in the Bursar Office have been reviewed by management with formal feedback from audit firm Bollus Lynch.
- A change in procedure now requires the office supervisor to verify the cash portion of the daily deposit to the carbon copies of receipts for that day in the receipt log to verify they match.
- No criminal charges are being pursued since although there may be a preponderance of evidence, management does not believe WSU has irrefutable evidence that a crime occurred.

### **HUMAN RESOURCES COMMITTEE REPORT**

Trustee George Albro, Chair of the HR Committee reported on the August 24, 2015 annual evaluation of President Maloney.

- The HR Committee convened in open session for the sole purpose of conducting the annual evaluation of President Barry Maloney.
- Chairman Albro reminded the group that the Board approved President Maloney's Goals for 2014 – 2016 at the November 2014. Usually, the goals are presented at the first meeting in the fall. However, due to the timing of the approval of the Strategic Plan they were brought forward in November.
- Chairman Albro also reminded the members of the HR Committee that a very thorough and comprehensive presidential evaluation was conducted during the 2013-2014

academic year and this year the charge to the Committee is to conduct an annual evaluation as called for in President Maloney's appointment contract and also in accordance with the Massachusetts Board of Higher Education Compensation and Evaluation Guidelines for University and Community College Presidents.

- The evaluation to be completed and reported out at the September 8th Board of Trustees meeting. Once approved by the full Board, an Executive Summary will be prepared and forwarded to the Commissioner.
- The following documents were provided to all trustees and were used by the HR Committee to conduct the evaluation:
  - Presidential Goals/ 2014 – 2016
  - Self-Evaluation
  - Strategic Plan Divisional metrics
  - President's Update (June)
  - Memo from Commissioner Freeland relative to Vision Project Dashboard
- The evaluation followed criteria required by the BHE as well as the WSU Board of Trustees that included:
  - Retention
  - Academic Management and Leadership
  - Assessment
  - Infrastructure
  - Fiscal Management and Budgeting
  - Communication
  - Administrative Management and Leadership
  - Decision Making and Problem Solving
  - Fundraising
  - Internal Relationships/Campus Climate
  - External Relationships/Leadership in the Community
- An assessment form was used to rate and provide comments on each area listed above. A numeric rating (whole number only) was used as follows: 5=A 4=B 3=C 2=D 1=F
- A summary of all comments as well as the average rating for each category.
- An overall average rating was 4.7%
- Overall, the members of the HR Committee felt that President Maloney continues to serve Worcester State University in a very positive manner.
- The very positive evaluation supports the finding that despite challenges that President Maloney and his team faced during the past year, it was a very successful year for WSU. The financial health of the University is strong and capital projects continue to move ahead.
- Since there were no guidelines for presidential compensation at this time, the HR Committee did not make a recommendation for any monetary adjustment. However, they want to be on record that they feel strongly that President Maloney is deserving of the maximum of any merit/salary increased that may be proposed.
- A report of the HR Committee (Executive Summary) will be forwarded to the full Board for review prior to sending to the Commissioner.

**Salary Inequity – President’s Position**

- Chairman Valerio brought to the attention of the HR Committee that he was in receipt of the 2013 Massachusetts Board of Higher Education Compensation and Evaluation Guidelines and Procedures for State University and Community College Presidents.
- He also provided the group with a list of salaries for state university presidents. He also had a copy of the MA General Laws governing Boards of Trustees at MA public institutions.
- The guidelines clearly state the process for requesting the review of a salary inequity that exists.
- It was quite evident by the information provided that President Maloney is on the lower end of the salary scale.
- Chairman Valerio stated that this was not just for President Maloney’s outstanding performance over the last four years, but also for the position of President of Worcester State University.
- Chairman Valerio charged the HR Committee with reviewing all documents and to provide some direction and guidance to the full Board to include a recommended salary increase.
- Trustee Albro requested information on local institutions, both private and public, to include salary of president, size of institution, etc. It was also requested for institutions in New England.
- Trustee Albro reported that this would not be the first request to the Commissioner to address a salary inequity for an existing president.

Upon a motion by Trustee Blais and seconded by Trustee Shanley, it was unanimously

**VOTED:**        **to refer the matter of the salary inequity that exists for the position of President at Worcester State University and to report their findings to the full Board at the October meeting to include a recommendation for salary adjustment.**

**Appointment of Associate Vice President for Continuing Education and Dean of Graduate Studies**

Upon a motion made and seconded, it was unanimously

**VOTED:**        **to accept the recommendation of the HR Committee and approve the appointment of Dr. Roberta Kyle to the position of Associate Vice President for Continuing Education and Dean of Graduate Studies upon the terms described in her letter of appointment dated August 25, 2015.**



**Promotion of Mary Jo Marion to Assistant Vice President for Urban Affairs and Executive Director of Latino Education**

**VOTED:** to accept the recommendation of the HR Committee and approve the promotion of Mary Jo Marion to Assistant Vice President for Urban Affairs and Executive Director of Latino Education upon the terms described in her letter of appointment dated June 26, 2015.

**OTHER BUSINESS**

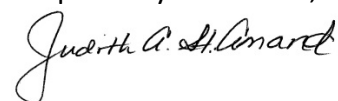
- President Maloney informed the Board that VP Tom McNamara was contacted by Bob O'Brien, husband of Barbara Hickey O'Brien who passed away in March of 2012 relative to the naming of the Education Department in her honor.
- Barbara Hickey O'Brien was a passionate and effective educator and an outstanding ambassador and benefactor to Worcester State University.
- She had an outstanding thirty-four year career in the Worcester Public Schools as an elementary school teacher and then teacher of special education.
- At the time of her passing, Bob and Barbara had gifted two hundred fifty thousand dollars (\$250,000) to endow six student scholarships in Education, and to fund the Next Big Idea – promoting and encouraging entrepreneurialism amongst students.
- Now to memorialize and celebrate Barbara's legacy, a gift of three hundred thousand dollars (\$300,000) is gifted to WSU to name the Department of Education in her honor.
- The Barbara (Hickey) O'Brien Department of Education shall be the beneficiary of all interest generated from the investment.
- Monies will be unrestricted solely for the purpose and discretion of the Education Department.
- Gift was shared with the Board for information and for support and blessing of the naming of the Education Department.
- A copy of the *WSU Naming Opportunities* will be shared with the Board for information.

President Maloney thanked the Board for their continued support and reiterated that his success is the effort of many and his strong leadership team is an ongoing asset to his presidency.

Upon a motion by Trustee Albro and seconded by Trustee Madaus, it was unanimously

**VOTED:** to adjourn the meeting at 8:35 p.m.

Respectfully submitted,



Judith A. St. Amand  
Assistant Secretary



# President's Update

October 2015

From the President's Office



## President's Message



On September 1st, we greeted new students with our inaugural Academic Convocation. More than 500 of them participated, and about 150 faculty and staff lined the inside of the Tiffany Alumni Gates, cheering them on as they processed through them and then into the Sullivan

Auditorium. (Read more [here](#).) This event establishes a new tradition, underscoring our commitment to retain our students. From their very first day on campus, we will try to instill in our first-year students that they are the Class of 2019. Our expectation is that they will "*succeed in four*."

Learn more about our largest ever incoming class, which has a higher average SAT and grade point average than last year's, by reviewing the data presented at the end of this Update.

Please note that we are moving toward a more strategic presentation of Update material. Rather than divisional reports, we offer updates on topic areas. I hope you find value in this change.

## Newsworthy

Worcester State University was mentioned or written about 100 times in traditional media outlets from August 30 to September 30, including [President Maloney's opinion piece](#) about the College Scorecard and the value of public higher education, which ran in the Telegram and Gazette. A visit to campus by Marathon bombings survivor and author Jeff Bauman was covered by three local media outlets and resulted in significant social media buzz.

To see the many other stories covering our events and faculty, staff, and students, visit <http://www.worcester.edu/enews> and click on "In the News."

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## PRESIDENT'S OFFICE

Worcester State University  
486 Chandler Street  
Worcester, MA 01602  
508-929-8000  
[www.worcester.edu](http://www.worcester.edu)

### Community and Government Relations

Worcester State convened its first Neighborhood Forum meeting of the new academic year as part of a revamped approach to communicating about campus activities. The University will hold approximately four neighborhood gatherings a year and will utilize a working group structure to address topic-specific neighborhood issues. The September 15th meeting included updates on the Wellness Center construction project, the University's annual sustainability fair scheduled for Oct. 21st & 22nd (and related new developments on ZipCar services, bike share, and an electric car charging station), introductions to a new approach to managing campus grounds, and information on upcoming campus and community events. Traffic safety along Chandler Street also remains an ongoing topic, with the University reporting on an expected city traffic assessment to be released late this year.

### Promoting a Diverse and Collaborative Community

- The Diversity Lecture Series brought Paul Jones on mental health, and garnered media attention for a talk by Marathon Bombing survivor Jeffrey Bauman.
- WSU is celebrating Latin Heritage Month (October) with seven events and speakers.
- The Latino Education Institute and the Education Department prepared a list of programs we offer to pre-K through 12 schools aimed at closing the achievement gap, per request of the Massachusetts Department of Education.



## Academic Excellence: Our Faculty

- Douglas Kowalewski, Ph.D. (Earth, Environment, and Physics) had a research paper accepted by the journal *Nature*. The paper is about his work on Antarctica ice sheets and future sea level rise. *Nature* is a premier journal in his field.
- Alison Dunn, Ph.D. (Earth, Environment, and Physics) coauthored or authored three publications:
  - “Carbon sequestration dioxide in regenerating New England forests: quantifying pools, constraining fluxes, and characterizing response to disturbance,” 26th annual Harvard Forest Ecological Symposium, Harvard Forest, Petersham, MA, March 17, 2015.
  - “Tree productivity enhanced with conversion from forest to urban land covers,” PloS One 10 (8), 2015.
  - “Ecosystem fluxes of hydrogen: a comparison of flux-gradient methods,” Atmospheric Measurement Techniques, 2014.
- Keith Darrow, Ph.D. (Communication Sciences and Disorders) has three recent publications on his work with colleagues from Massachusetts Eye and Ear:
  - “Superior temporal resolution of Chronos versus channelrhodopsin-2 in an optogenetic model of the auditory brainstem implant.” Hear Res. 2015
  - “Optogenetic Stimulation of the cochlear nucleus using channelrhodopsin-2 evokes activity in the central auditory pathway.” Brain Res. 2015
  - “Direct Visualization of the Murine Dorsal Cochlear Nucleus for Optogenetic Stimulation of the Auditory Pathway.” J Vis Exp. 2015
- Julie Frechette, Ph.D. (Communication) presented her scholarship “The Internet and Social Media at a Crossroads: Capitalism or Commonism?” at the Vienna University of Technology, Vienna, Austria. She also was invited to serve as an outside scholarly reviewer for MIT Press to review a manuscript on Internet safety related to her scholarship area.
- Antonio Guijarro-Donadiós, Ph.D. (World Languages) presented a paper at the “12th Biennial Conference Society for Renaissance and Baroque Hispanic Poetry” at the University of Massachusetts, Amherst entitled “Garcilaso y el oficio de Marte.”
- Dan Hunt, Ph.D. (Communication) co-authored a journal article titled “Diffusion Theory in the New Media Environment: Toward an Integrated Technology Adoption Model in Mass Communication & Society.” This article examines the role of the diffusion of innovations model in regard to the changing media environment.

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## President's Update

- Catherine Wilcox-Titus (Visual & Performing Arts) has work showing in the Aurora Gallery in Worcester, which opened Friday, Sept. 11, 2015. Wilcox-Titus' series is 10 photographs from her Audubon's Work Bench Series through which she examines the working methods of the 19th century ornithologist, John James Audubon as he made his prints of the Birds of America. Six photographs from her Signs series will also be exhibited at "Theater of the Observed" at the Sprinkler Factory, 38 Harlow Street, Worcester, which opens Oct. 10, 2015.



## Vibrant Campus Life, Civic Engagement, Promoting Success: Our Students

- The certified residence hall occupancy report reflects 97% occupancy rate for fall of 2015. This is a 7% increase from fall F014 and is more consistent with historical occupancy levels.
- The Binienda Center for Civic Engagement (BCCE) continues to develop strategic partnerships that expand civic and community engaged programming. The Jumpstart program has recruited over 30 students to work with local schools starting in November. Jumpstart, which is part of the National Corporation for Community Service, has as its mission to work towards the day that every child enters kindergarten prepared to succeed.
- In collaboration with the Center for Teaching and Learning, the Binienda Center for Civic Engagement also will provide \$1,000 to faculty (one from the School of Humanities and Social Sciences and one from the School of Education, Health, and Natural Sciences) to develop modules within established classes that involve community based service projects.
- A cross-divisional committee planned another successful Family Weekend that showcased a vibrant campus life. This year, 262 families came to campus during the weekend of September 25-26<sup>th</sup>, up from 196 families from 2014. The total number of family members and students who attended: 1,059.
- Career Services has partnered with the Center for Social Innovation under a Strategic Planning Implementation Fund grant to offer a new series titled "Filling the Gap in Undergraduate Career and Life Planning Services and Support." Employers from various industries are partnering with Career Services and the Chamber of Commerce to bring business owners, recruiters, and human resource staff from local companies to campus to speak with students about industry trends, skills needed, and hiring processes.
- Worcester State is piloting Student Success Coaches, which includes faculty and staff volunteers across the divisions. Student Success Coaches will assist new students in building connections with the university and provide non-academic mentoring

## Helping Ensure Financial Stability: Our Contributors and Alumni

- In FY15, the Foundation transferred \$2.2 million of donor support to the University, a 100% increase over the prior year. For the period of July 1 to Sept. 29, 2015, the Foundation has already transferred more than \$250,000 of donor support to the University for the following priorities:
  - \$106,275 – Student Scholarships, Awards, Internship Stipends
  - \$26,945 – Student Research
  - \$11,383 – Faculty Research/Support
  - \$56,916 – Plant, Property, and Real Estate (including Temple and Worcester Center for Crafts)
- Worcester State has achieved 75% of its fundraising goal for the Change Lives capital campaign, included the following:
  - \$4 million in Scholarship - *\$5 million goal*
  - \$4 million in Academic Development - *\$5 million goal*
  - \$1.3 million in Capital - *\$3 million goal*
  - \$1.6 million in Unrestricted (Worcester State Fund) - *\$2 million goal*
- There are three intensive fundraising initiatives underway this fall as part of the capital campaign: the DeFeudis Challenge, which supports the Wellness Center project; the Wasylean Challenge, which supports the engagement and giving of young alumni from the classes of 2000-2015; and the Hall of Fame Gallery initiative, which includes an incentive gift of \$25,000 from Board of Trustees member George Albro.
- Additionally, Worcester State has received several major gifts. With lifetime giving of more than a half million dollars, Robert K. O'Brien had made a gift of \$300,000 to name the Department of Education for his late wife, Barbara O'Brien. An alumna from the Class of 1960 is establishing a new endowed scholarship, a planned gift, and a CGA, totaling \$100,000 in contributions.
- For this semester, the Advancement Office has plans for numerous opportunities for community members (including alumni, donors, faculty, staff, and students), to celebrate Worcester State. These include:
  - 12 alumni affinity group gatherings
  - Student Scholarship Recipient and Donor Brunch
  - Homecoming
  - The student-driven Thank A Donor Day
  - Two stewardship events (Distinguished Donors and Tiffany Gates Society) for alumni, faculty, staff, and friends who are donors
- The alumni magazine will launch in mid-October with a new name and a refreshed design, developed through focus groups and feedback, to be more engaging, supportive, and interactive with alumni, particularly young alumni.



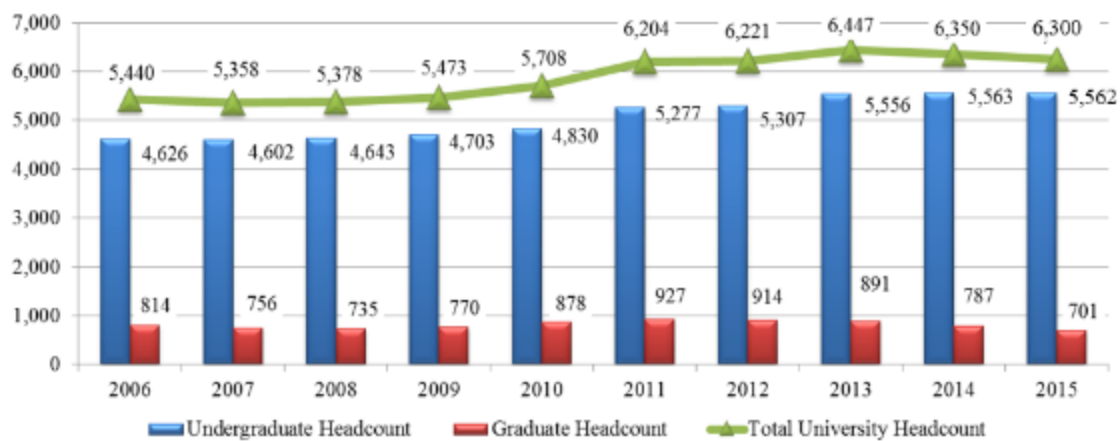


## Facts and Figures on Strategic Priorities

# Past and Present Enrollment











- Fall 2015 Student Profile (as of 9/15/15)

Undergraduate Full-time	4,147	↑
Undergraduate Part-time	1,415	↓
Graduate Full-time	162	↑
Graduate Part-time	580	↓
Total Headcount	6,300	↓



## Overall Fall 2015 Enrollment

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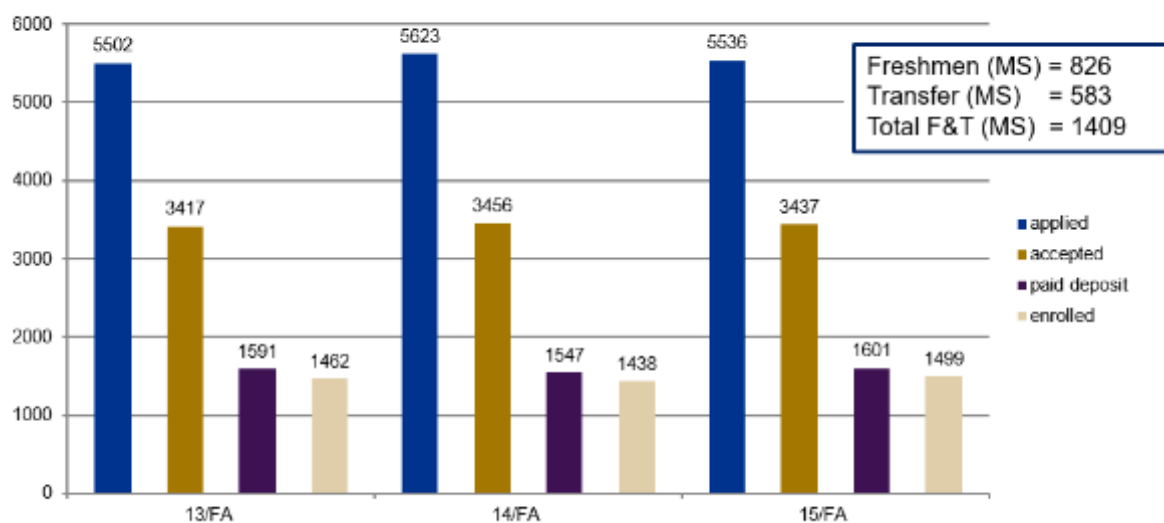
• Women	59.0%	
• Men	41.0%	
• Out-of-state	3.6%	
• International	0.7%	
• Minority *	25.2%	
• Residential	36.0%	
• Average Age – All Students	22.5	
• Average Age – First-time, Degree	18.2	
• First-time Freshmen Retention	78.1%	
• First-time Freshmen Graduation	50.9%	

\* Minority includes Black/African American, American Indian/Alaskan Native, Hispanic/Latino, Asian, Native Hawaiian or other Pacific Islander, and Two or More Races.

## Past Retention and Graduation Rates

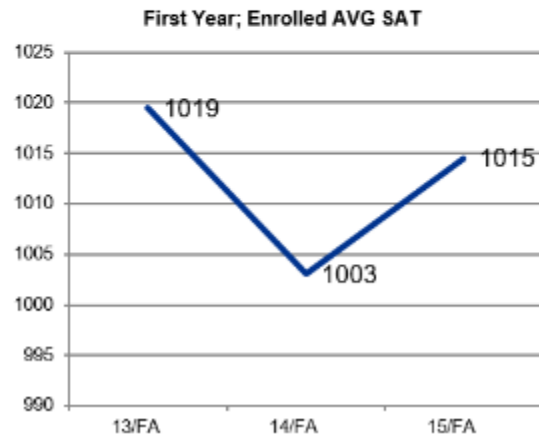
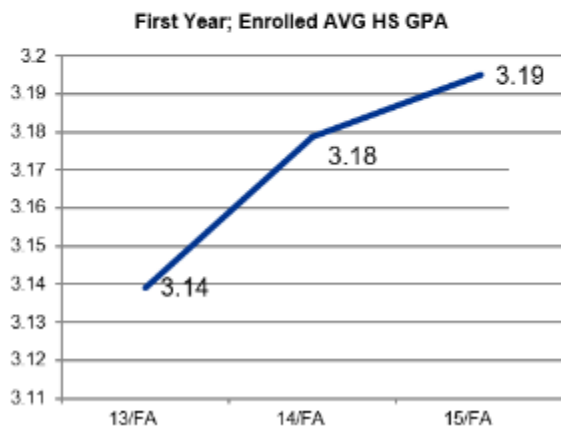
Entering Class	Initial Cohort	% Retained			% Graduated				
		After 1st Year	After 2nd Year	After 3rd Year	4 Years	5 Years	6 Years	7 Years	8 Years
2006	668	76.0	64.4	58.1	32.5	46.5	51.0	52.8	53.8
2007	678	75.7	65.0	58.4	34.2	44.7	48.8	51.8	
2008	654	76.6	65.0	59.6	31.2	46.6	53.1		
2009	693	75.2	66.1	59.2	32.5	47.8			
2010	809	79.8	67.3	63.2	35.9				
2011	790	78.1	67.0	61.9					
2012	781	80.3	68.6						
2013	775	81.7							

## Fall 2015 Enrolled New Student Profile



## Fall 2015 Enrolled New Student Profile

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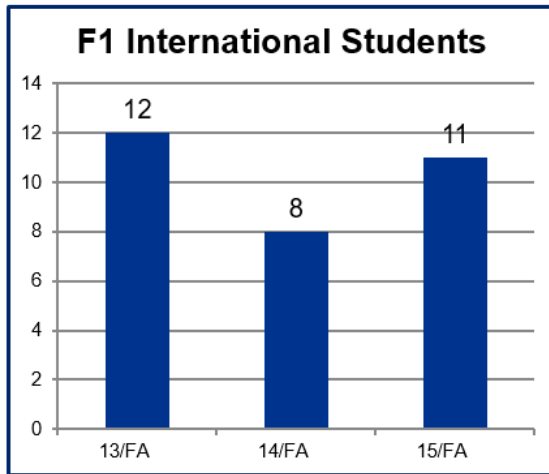


## Fall 2015 Enrolled New Student Profile

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Housing	Residency	Gender
Total = 1499	Total = 1499	Total = 1499
Resident = 689 (46%)	Out of State = 101 (7%)	Male = 626 (42%)
Commuter = 810 (54%)	In state = 1398 (93%)	Female = 870 (58%)
		Blank = 3 (<1%)
First Year (848)		
Resident = 544 (64%)		
Commuter = 304 (36%)		

## Fall 2015 Enrolled New Student Profile



Race	
<b>Total</b>	<b>1499</b>
Unknown	142
AN - American/Alaskan Native	20
AS - Asian	79
BL - Black/African American	147
CV - Cape Verdean	4
HP - Hawaiian/Pacific Islander	1
WH - White	1106

## 2014/2015 Financial Aid Recap

Type of Financial Aid	Amount
Federal Student Loan	\$20,306,897
Federal Grant	7,153,761
Private Student Loan	5,113,392
Tuition/Fee Waiver	2,833,409
State Grant	2,329,068
Federal Parent Loan	2,308,982
WSU Grant	1,341,254
Merit Based Scholarship	768,750
Outside Scholarship	490,651
Donor Funded Scholarship	264,125
Federal Work Study	260,336
Study Away Scholarship	20,550
<b>Total Aid for 2014/2015</b>	<b>\$43,191,175</b>



## University Advancement's Reports

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