WORCESTER STATE UNIVERSITY

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NOTICE

A MEETING OF THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES WILL BE HELD ON TUESDAY, MARCH 8, 2016 AT 6:30 P.M. IN THE MULTI-PURPOSE ROOM IN SHEEHAN HALL.

1. CALL TO ORDER

2. REVIEW OF DRAFT ANNUAL AUDIT REPORT – Bollus Lynch

3. APPROVAL OF MINUTES
   - January 12, 2016
   - February 11, 2016, Finance & Facilities Committee

4. CHAIR OF THE BOARD REPORT
   - Appointment of Nominating Committee

5. PRESIDENT'S REPORT

6. SUSTAINABILITY PRESENTATION

7. RESERVE STABILIZATION ANALYSIS

8. WELLNESS CENTER OPERATING BUDGET
   - Narrative
   - Draft Budget
   - FF&E List – Division of Capital Asset and Maintenance
   - Timeline and Summarization of the Wellness Center Budget and Sources of Funds

9. OTHER BUSINESS

10. ADJOURNMENT

Judith A. St. Amand

Judith St. Amand
Assistant Secretary

March 1, 2016

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES

March 8, 2016

PRESENT: Trustee Ronald Valerio, Chair
Trustee Craig Blais, Vice Chair
Trustee Kurt Correia
Trustee Maryanne Hammond
Trustee Karen LaFond
Trustee Stephen Madaus
Trustee Dina Nichols
Trustee Shirley Steele
Trustee Marina Taylor
President Barry Maloney, President
Ms. Judith St. Amand, Assistant Secretary
Ms. Nikki Kapurch, Special Assistant to the President

ABSENT: Trustee George Albro, Vice Chair
Trustee Aleta Fazzone

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, March 8, 2016, in the Multi-Purpose Room, Sheehan Hall. Trustee Valerio called the meeting to order at 6:35 p.m.

APPROVAL OF MINUTES

Chairman Valerio asked to take item #3 Approval of Minutes out of order. Upon a motion By Trustee Taylor and seconded by Trustee Hammond, it was unanimously

VOTED: **to approve the minutes of January 12, 2016 as submitted.**

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

VOTED: **to approve the minutes of the February 11, 2016 Finance & Facilities meeting as presented.**

CHAIR OF THE BOARD REPORT

Appointment of Nominating Committee

- Trustee Ronald Valerio, Chair of the Board of Trustees, appointed the Nominating Committee as Follows:

  Chair, Trustee George Albro and Trustees Hammond and Madaus
- The charge to the Committee is to bring forward a slate of officers for 2016-2017 for

Appointments to Sub-Committees

- With the appointment of new trustees, Chairman Valerio appointed the following:
  - Trustee Shirley Steele — Chair, Academic Affairs/Student Development
  - Trustee Karen LaFond — Member, Academic Affairs/Student Development
  - Trustee Marina Taylor — Member, Finance and Facilities
  - Trustee Dina Nichols — Member, Human Resources Committee

Alumni Florida Events

- Chairman Valerio thanked Trustee Steele for attending the very successful Chapter Event recently held on the West Coast.
- Events extremely successful and he thanked President Maloney, VP McNamara and the University Advancement team.
- Vice Chairman Albro will represent the Board at upcoming Florida events during the next two weeks, including the St. Patrick's Day parade.

Training

- The Office of the Inspector General is offering a training session for Board members to address: *Boards & Commissions: Responsibilities, Good Governance and What You as Member Need to Know*. A document for registration was shared with all trustees.

FEDERAL FINANCIAL AUDIT REPORT

- Jim Johnson from Bollus Lynch joined VP Kathy Eichleroth to review the draft copy of the Federal Financial Audit Report.
- This audit was conducted as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- The financial statements and management decisions (pages 1-35) remained the same as reported in the final Audit Report for the years ended June 30, 2015 and 2014.
- All clean opinions – no findings.
- Trustee Craig Blais, Chair of the Finance and Facilities Committee, reported that the draft document has been scrubbed in detail along with the federal piece that is required in addition to the original audit and noted that it is a credit to VP Eichelroth and the members of the financial team to have repeated clean audit reports with no findings.

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

VOTED: **to approve the draft report of the *Financial Statements and Management's discussion and Analysis with Supplementary information and Other Reports for Years ended June 30, 2015 and 2014 and the Independent Auditor's Report* as presented.**

PRESIDENT'S REPORT

- President Maloney highlighted following areas of report in additional to his regular published document for the Board.
- Budget cycle is off and running with a constant goals of trying to improve the process.

- Commissioner Santiago will attend our April 12th meeting as well as spend the day in the Worcester community noting the interaction of WSU with various city agencies.
- The Board viewed the short introductory video of the wellness construction project.
- Project is moving towards completion and on time and hopefully under budget.

SUSTAINABILITY PRESENTATION

- Presentation provided by Robert Daniels, Associate Director of Facilities and Environmental Health and Safety Officer, and Steven Bandarra, Sustainability Coordinator at WSU.
- Trustees very pleased with most informative presentation and impressed with results.
    - ➢ Single Stream Recycling in 2006
    - ➢ Trayless dining in 2007
    - ➢ American College & University Presidents' Climate Commitment signed in 2007
    - ➢ Combined heat and power unit in Dowden Hall in 2010 and in Sheehan Hall in 2014
    - ➢ Energy conservation – lighting and equipment
    - ➢ LR PV Array -2009
    - ➢ Wasylean OPV Array 2012
    - ➢ Parking Garage Lighting Retrofit – LED Lighting 2012
    - ➢ 10% Green electricity
    - ➢ 2 Net-metering agreements which enable 6.5 Megawatts of solar power generation to exist in Massachusetts and saves WSU approximately $500,000 per year
    - ➢ Many initiatives supported by outside funding opportunities
        - Dowden Hall LED lighting conversion
        - Sheehan Hall co-generation unit $100,000 grant from LBE
        - Wellness Canter solar thermal system $85,000 incentive from Clean Energy Center
    - ➢ LED's Save Money and Energy
        - Bulb swaps – 3,300 bulbs
        - Stairwell lighting -375 fixtures
        - Exterior lighting – 50 more this year
        - Residence hall lighting – 969 bulbs
        - Worcester Center for Crafts – 178 bulbs
        - LRC third floor conversion to LED – 539 fixtures

Yearly anticipated savings	$50,000+
Carbon Reduction	100+ tons per years

    - ➢ New Green Transportation Initiatives
        - Zipcar
        - EV Charging Station
        - Bike Share with Awnings
        - New Bus Route
        - Carpool Parking Spots
    - ➢ Student Involvement
        - Sustainability Fair
        - Recycle Mania
        - Ditch the Dumpster
        - Interns – Office of Sustainability
        - EcoHouse Living Learning Community

- ➢ Green Buildings
  LEED Gold Buildings include Shaughnessy Administration Building and Dowden Hall
  Expected LEED Silver or Gold Buildings – Sheehan Hall and Wellness Center
- ➢ Trash and Recycling
  - Last year recycled 143 tons
  - 34% of total waste stream
- ➢ Freight Farms (LGM)
  - Chartwells initiative to grow lettuce
  - Will produced 550-600 heads of fresh lettuce per week
  - Reduces carbon footprint
- ➢ Wellness Center
  - Energy efficient HVAC Equipment
  - Solar thermal panels for preheating domestic hot water
  - Rain water harvesting for irrigation
  - Hydration stations
  - Lighting control systems
- ➢ Carbon Mitigation Structure
  - AVOIDANCE – increase space utilization instead of building or acquiring new space
  - ACTIVITY – Consume fewer BTUs of energy or travel fewer miles
  - INTENSITY – Fuel switching (coal to natural gas; introducing renewables)
  - OFFSETS – RECs; sequestration; retail offsets
- ➢ Next Strategic Plan could have a more defined environmental or sustainability component.

RESERVE STABALIZATION ANALYSIS

- Trustee Blais, Chair of the Finance and Facilities Committee reported that the items being proposed tonight have come before the Committee and have been studied and reviewed in depth.
- No formal action is being sought this evening – informational only.
- VP Eichelroth summarized the Reserve Stabilization Analysis and the three Options being proposed:
  - At the close of FY 2015 the unrestricted operating reserves were significantly depleted by the implementation of GASB 68 requiring the University to record the net pension liability for Commonwealth employees that work at Worcester State University. The University transferred $9M of unrestricted reserves to the Division of Capital Asset Management in accordance with the Memorandum of Agreement identifying the sources of funds for construction of the Wellness Center.
  - As a result, unrestricted reserves are expected to drop to $15.9M by June 30, 2016, a decrease of $18.1M since June 30, 2014.
  - The reduction impairs the University's ability to leverage funds for future campus improvements. The University's ratios have experienced unfavorable declines as a result of the decrease in unrestricted reserve balance over the short term.

OPTION A

- Proposes an annual operating transfer to the Capital Improvement Trust Fund of $750,000 beginning in FY 2017
- This option builds up unrestricted reserves to cover all outstanding debt dollar for dollar by June 30, 2019
- The ability to leverage reserves occurs in FY 2020 when we have unrestricted reserves in excess of outstanding debt
- The capital improvement fee remains flat throughout this scenario with no increases
- Unrestricted fund balance is projected to be $26,186,738 by June 30, 2020 with a viability ratio of 1:18
- At June 30, 2020, unrestricted reserves are expected to exceed outstanding debt by $4,052,187.

OPTION B

- Proposes an annual operating transfer to the Capital Improvement Trust Fund of $1,000,000 beginning in FY 2017
- This option builds up unrestricted reserves to cover all outstanding debt dollar for dollar by December 31, 2018
- The ability to leverage reserves occurs in FY 2019 when we have unrestricted reserves in excess of outstanding debt
- The capital improvement fee is increased by $5 a credit hour or $120 a year in FY 2018 and then remains flat at an annual rate of $636 through June 30, 2020
- Unrestricted fund balance is projected to be $29,128,068 by June 30, 2020 with a viability ratio of 1.32
- At June 30, 2020, unrestricted reserves are expected to exceed outstanding debt by $6,993,517.

OPTION C

- Proposes an annual operating transfer to the Capital Improvement Trust Fund of $1,000,000 beginning in FY 2017
- This option builds up unrestricted reserves to cover all outstanding debt dollar for dollar by December 31, 2018
- The ability to leverage reserves occurs in FY 2019 when we have unrestricted reserves in excess of outstanding debt
- The capital improvement fee is increased by $5 a credit hour or $120 a year in FY 2018, and then again in FY 2019 by an additional $5 a credit hour or $120 a year. The annual rate then remains flat at $756 a year through June 30, 2020
- Unrestricted fund balance is projected to be $30,422,088 by June 30r, 2020 with a viability ratio of 1.37
- At June 30, 2020, unrestricted reserves are expected to exceed outstanding debt by $8,287,537.

DEFERRED MAINTENANCE AND CAPITAL PROJECTS

- The University provides funds for deferred maintenance and capital adaptation and renewal in its annual operating budget – approximately $3.3M on an annual basis
- The University does not receive funds on a regular basis from Commonwealth resources to maintain the campus
- Annual resources provided in the operating budget no longer provide us the ability to maintain the facilities at the same rate that systems require replacement and we have started to fall behind
- Operating resources do not exist to fund replacement cycles for furnishings and renovation of academic spaces to remain competitive when vying for students.
- Unlikely that WSU will receive any funds from the Commonwealth to address space planning and academic programming needs or to renovate facilities such as the May Street Building.
- Following is a sample of projects that will require funding outside of the operating budget in coming years:

Science and Technology Building air handlers/ventilation/cooling systems	$4,000,000
Student Center Envelope Refurbishment	$1,500,000
Upgrades to electrical loop feeds	$1,550,000
Athletic field refurbishment and upgrades	$2,750,000
Sullivan Auditorium ADA compliance	$1,000,000
Sullivan Building air handlers/ventilation/cooling system	$2,000,000
Sullivan Building flooring replacement/painting	$2,700,000
LRC new boiler plant, duct distribution and sprinklers	$3,500,000
Furnishing replacements for areas not renovated in the past 8-10 years	$2,500,000
May Street Building fire protection and safety	$1,800,000
May Street Building accessibility, structural upgrades	$3,200,000
May Street Building life cycle replacements (roof/mechanical/electrical)	$4,500,000
May Street Building adaptation to address programming needs	TBD
Adaptation of space for academic programing	$1,750,000

- Stabilizing and building unrestricted reserves will provide the university with leverage to borrow funds through MSCBA or MassDevelopment (with legislative approval) to accomplish some of these projects.
- Board asked that the Finance & Facilities Committee taken under consideration again all information relative to the three options being proposed to provide direction to the full Board.
- All members were encouraged to review materials and to submit their comments and recommendations to Trustee Blais, Chair of the Finance & Facilities Committee.

WELLNESS CENTER OPERATING BUDGET

- The Board reviewed the following documents: Budget Narrative, Draft Budget, FF&E List and Timeline and Summarization of the Wellness Center Budget and Sources of Funds.
- The athletic department operating budget has been funded at a level scenario over many years with a slight increase in FY 2014 to provide resources related to the relocation of athletic programs when the old gym building was demolished.
- Starting point for the operating budget for the Wellness Center during its first year of operations in FY17 is the reconciled Athletic Department budget.

- Categories listed below are additional costs related to operation, maintenance and upkeep of a facility that is 40,000 square feet larger than the old facility with many more amenities and associated costs.
- **Annual Facilities Costs**
  - Annual review and certification is required of the roof anchor system, suspended walking track, backflow preventers, grease traps and elevators that never existed in the old building
  - Expanded services are needed for service and preventative maintenance of the boilers, hot water tanks, lighting system, exhaust ducts, life safety systems, HVAC, roofs and curtain and wall window cleaning.

- **Annual Athletic Cost**
  - Opening of the new Wellness Center brings expanded programming for the student body and larger WSU community
  - The two story fitness center will be outfitted with state of the art cardio and strength equipment that will be leased allowing for a three year replacement cycle
  - Systems will be established to allow for card access
  - Music will be provided throughout the building and additional resources are needed for programming supplies and promotional supplies in addition to the unveiling of a new WSU mascot
  - Annual operating budget provides for replacement of equipment used for recreational, intramural and varsity sports as the useful lives of the items deteriorate
  - Coach salaries will be evaluated and aligned with the MASCAC athletic conference averages and team food allowances will be increased to match standard per diem rates offered to university employees.

- **Part-time Employees**
  - Wellness Center will offer expanded programming in areas of fitness and recreation
  - Facility will have expanded hours and the two story layout requires the presence of two fitness center monitors
  - Additional staff will be needed to manage the facility during operating hours and staff to support the information desk, laundry services and the new intramural programs
  - Fitness instructors will be hired to offer programs as well.

- **Full-time Employees**
  - To support the new recreational programming including fitness classes training on the use of equipment and intramural offerings a Fitness Center Manager will be hired
  - An Intramural Coordinator/Night & Weekend Manager will be hired
  - The size and complexity of the building, which includes 3 sets of locker rooms, a competition gym, 2 recreational gyms, juice bar, concession stand and two story fitness center, exercise and function rooms, necessitates the hiring of maintenance staff to cover 3 shifts daily in addition to an HV Technician specifically trained to support the systems of the new building.

- **Utilities**
  - There will be increased cost to heat and cool the larger facility
  - Multiple sets of locker rooms will place additional demand on water and heating of the water
  - Curtain wall surrounding the fitness center was designed to provide efficiencies with regard to heating and cooling however there will be an increased cost to heat and cool this space in comparison to old facility.

PROPOSED INCREASE TO GENERAL FEE

- The Wellness Center FY 2017 Operating Budget requires an investment of $1,236,426 to expand programming and support the operations of the new facility
- Majority of resources to fund this expansion will come from the re-allocation of existing resources
- Seeking to increase the general fee for undergraduate students and the administrative fee for courses offered through DGCE to fund these costs
- The increased cost of $4.80 a credit hour or $115 a year will underwrite this expanded programming moving forward.

No action was taken on the items visited this evening. Board members were encouraged to review the documents and provide their comments to Trustee Blais, Chair of the Finance & Facilities Committee. A formal recommendation will be forwarded to the Board for a vote at the April 12th meeting.

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

<u>**VOTED:**</u> **to adjourn the meeting at 9:05 p.m.**

Respectfully submitted,

Judith A. St. Amand

Judith A. St. Amand
Assistant Secretary

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES

January 12, 2016

PRESENT: Trustee Ronald Valerio, Chair
Trustee George Albro, Vice Chair
Trustee Craig Blais, Vice Chair
Trustee Kurt Correia
Trustee Aleta Fazzone
Trustee Maryanne Hammond
Trustee Karen LaFond
Trustee Stephen Madaus
Trustee Dina Nichols
Trustee Shirley Steele – participated via telephone
Trustee Marina Taylor
President Barry Maloney, President
Ms. Judith St. Amand, Assistant Secretary
Ms. Nikki Kapurch, Special Assistant to the President

REMOTE ACCESS PARTICIPATION

Chairman Valerio reported that he received a request from Trustee Shirley Steele to participate by remote access in the January 12th meeting. Chairman Valerio approved her request and cited geographical location for her participation by remote access. He reminded everyone that all votes during this meeting will be by recorded roll call as required by the regulations governing remote participation of the Commonwealth, 940 CMR29.10.

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, January 12, 2016 in the President's Conference Room located on the second floor of the Helen G. Shaughnessy building. Chairman Valerio called the meeting to order at 6:45 p.m.

APPROVAL OF MINUTES – November 17, 2015

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

VOTED: **by recorded roll call to approve the minutes of November 17, 2015 as submitted.**

VOTING IN FAVOR (11)		OPPOSED (0)
Trustee Albro	Trustee Madaus	
Trustee Blais	Trustee Nichols	
Trustee Correia	Trustee Steele	
Trustee Fazzone	Trustee Taylor	
Trustee Hammond	Trustee Valerio	
Trustee LaFond		

RECOGNITION OF NEW DIRECTOR OF TRUSTEE RELATIONS FOR THE DHE

- Chairman Valerio introduced Mr. Michael Mizzoni, Director of Trustee Relations for the DHE.
- Mike is replacing Jennifer Perkins and he will be working closely with all the Boards.
- A warm welcome was extended to him.

NEW TRUSTEE APPOINTMENT

- Chairman Valerio introduced and welcomed Dina Nichols, newly appointed member of the Board. Ms. Nichols is replacing Trustee Shanley whose term expired.

Dina Nichols, a graduate of Lesley University, is a licensed MA Real Estate Salesperson with Coldwell Banker Residential Brokerage. She was a Massachusetts Department of Public Welfare Social Worker for over six years and she has broad experience serving on many Boards. To name just a few, she serves on the Worcester Academy Board of Visitors, Family Services of Central MA Mediation Program, Shrewsbury Development Corporation, and was elected a Town Meeting Member in her home town of Shrewsbury.

PRESIDENT'S REPORT

- The Board watched two new recruitment videos. They acknowledged Dr. Ryan Forsythe, Assistant Vice President for Enrollment Management, and the members of the *Marketing Team* for a great job in producing the documents.
- $30,000 Degree Agreements have been developed between WSU and Greenfield Community College, Springfield Technical Community College, Mount Wachusett Community College, and Quinsigamond Community College.
- The Massachusetts Department of Higher Education is encouraging statewide adoption of the $30,000 Degree model and Governor Baker has shown interest in these agreements and may seek to promote statewide efforts in the near future.
- Wellness Center project is on track and hope to have keys to the building in June and will work throughout the summer for the opening of the fall semester.
- The athletic department will be transferred to the new building and facilities will take over the modulars that the University has purchased.
- A meeting will be held with the Finance Committee to look at a proposed budget for the building.
- The proposed draft document will be brought to the full Board for approval.
- 34 employees have opted into WSU's early retirement incentive program, with cumulative gross salaries of $2,852,620.
- Positions currently are being evaluated with consideration for restructuring, reallocation of resources, and savings upon retirement of current employees
- Commissioner Santiago will attend the April 12th meeting of the Board.
- He will meet prior to the Board meeting with members of the president's leadership team.
- He is planning on spending the day in Worcester visiting several agencies to look at how WSU connects with the City of Worcester.

Advancement/Enrollment Management Report

- The Board had requested information on how scholarship money is awarded and Tom McNamara, VP for University Advancement, and Ryan Forsythe, Assistant VP for Enrollment Management, provided a very informative power point presentation highlighting a snapshot of both Spring 2016 and Fall 2016 Admissions data, the $30,000 Degree Agreements, the New Pre-Registration Process, new marketing strategies as well as numbers and dollar amounts for scholarships.
- Merit-Based Financial Assistance offers a competitive program for incoming first-year and transfer students that recognizes superior academic achievement. They can provide up to full tuition and fees and are awarded for a full academic year. They are renewable for full-time students who maintain a specified grade point average.
- The Federal Work Study Program provides federally subsidized employment opportunities. The award and maximum earnings limit vary depending on availability of funds and individual need.
- Donor funded scholarship awards range from $100 to $5000. Financial need is a consideration for some, but not for all.

HONORARY DEGREE FOR UNDERGRADUATE COMMENCEMENT SPEAKER

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

VOTED: **by recorded roll call to approve the awarding of a Doctor Public of Administration, *Honoris Causa*, to Lt. Governor Karyn Polito, the 2016 undergraduate commencement speaker at exercises scheduled for Saturday, May 14, 2016.**

VOTING IN FAVOR (11)		OPPOSED (0)
Trustee Albro	Trustee Madaus	
Trustee Blais	Trustee Nichols	
Trustee Correia	Trustee Steele	
Trustee Fazzone	Trustee Taylor	
Trustee Hammond	Trustee Valerio	
Trustee LaFond		

COMMUNITY SERVICE AWARD

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

VOTED: **by recorded roll call to approve the awarding of the 2016 Community Service Award to John J. Conte at undergraduate commencement exercises scheduled for Saturday, May 14, 2016.**

VOTING IN FAVOR (11)		OPPOSED (0)
Trustee Albro	Trustee Madaus	
Trustee Blais	Trustee Nichols	
Trustee Correia	Trustee Steele	
Trustee Fazzone	Trustee Taylor	

VOTING IN FAVOR cont.		OPPOSED
Trustee Hammond	Trustee Valerio	
Trustee LaFond		

FINANCE & FACILITIES COMMITTEE REPORT

Trustee Blais, Chair of the Finance & Facilities Committee, reported that most trustees were present for the meeting and the following items were discussed:

- Debt Management Policy – FY 2015 Financial Statement Review
- Financial Ratio Trend Analysis for Fiscal Years 2011 through 2015
- FY 2017 Residence Hall Trust Fund Budget
- Installation of a new Water Heater at President's Residence

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

VOTED: **by recorded roll call to approve the items recommended by the Finance & Facilities Committee as presented and noted above.**

VOTING IN FAVOR (11)		OPPOSED (0)
Trustee Albro	Trustee Madaus	
Trustee Blais	Trustee Nichols	
Trustee Correia	Trustee Steele	
Trustee Fazzone	Trustee Taylor	
Trustee Hammond	Trustee Valerio	
Trustee LaFond		

EXECUTIVE SESSION

The administration announced that there was no need to have an Executive Session meeting.

Upon a motion by Trustee Blais seconded by Trustee Madaus, it was unanimously

VOTED: **by recorded roll call to adjourn the meeting at 7:45 p.m.**

VOTING IN FAVOR (11)		OPPOSED (0)
Trustee Albro	Trustee Madaus	
Trustee Blais	Trustee Nichols	
Trustee Correia	Trustee Steele	
Trustee Fazzone	Trustee Taylor	
Trustee Hammond	Trustee Valerio	
Trustee LaFond		

Respectfully submitted,

Judith A. St. Amand

Judith A. St. Amand
Assistant Secretary

WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES

FINANCE & FACILITIES COMMITTEE

February 11, 2016

PRESENT: Trustee Craig Blais, Chair
Trustee George Albro, participated via telephone
Trustee Stephen Madaus
Trustee Shirley Steele – participated via telephone
Trustee Ronald Valerio, Ex-Officio Voting Member
Trustee Maryanne Hammond, Non-Voting Member
President Barry Maloney, Ex-Officio Non-Voting Member
Ms. Judith St. Amand, Assistant Secretary
Ms. Nikki Kapurch, Special Assistant to the President

ABSENT: Trustee Aleta Fazzone

The provisions of General Laws, Chapter 30A having been complied with, and a quorum present, a meeting of the Finance & Facilities Committee was held on Thursday, February 11, 2016 in the President's Conference Room of the Helen G. Shaughnessy Administration Building.
Trustee Blais called the meeting to order at 2:05 p.m.

REMOTE PARTICIPATION
Trustee Blais reported that Chairman Valerio had received a request from both Trustee Albro and Trustee Steele to participate in the meeting via conference call due to geographic location. According to the vote taken at the June 10, 2014 meeting, the Chair of the Board has the authority to grant such participation. As stated in the remote participation guidelines developed by the Attorney General, all votes must be taken by recorded roll call.

APPROVAL OF MINUTES – October 20, 2015
Upon a motion by Trustee Madaus and approved by Trustee Steele, it was

VOTED: **by recorded roll call to approve the minutes of October 20, 2015 as submitted.**

Voting in Favor (5)	Opposed (0)
Trustee Albro	
Trustee Madaus	
Trustee Steele	
Trustee Valerio	
Trustee Blais	

APPROVAL OF MINUTES – January 12, 2016

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

VOTED: **by recorded roll call to approve the minutes of January 12, 2016 as submitted.**

Voting in Favor (5)	**Opposed (0)**
Trustee Albro	
Trustee Madaus	
Trustee Steele	
Trustee Valerio	
Trustee Blais	

DRAFT FY 2017 BUDGET FOR WELLNESS CENTER

- Trustee Blais reported to the group that he had met with VP Eichelroth to review and discuss the proposed draft budget and how it will affect the overall university budget.
- A great deal of information is being presented and he wanted the Committee to be able to review the document prior to the full budget being proposed.
- President Maloney reminded everyone that this building has been in the works for some time, even prior to his arrival on campus.
- It was long overdue and will make a significant difference in the campus life for our students, faculty and staff.
- President Maloney introduced Mr. Michael Mudd, Director of Athletics, and Mr. John Meaney, Deputy Director of Athletics, who both worked with VP Eichelroth and her staff to draft the proposed budget.
- John Meaney worked with several sister institutions studying their funding, their policies for use, etc.
- Savings from the Early Retirement Incentive will be used to help address the funding of the budget as well as all available funds.
- Per diem payments for staff and student athletes needs to be addressed.
- Transportation for athletic teams not acceptable. University will provide funding if teams advance to finals.
- Salaries paid to coaches need to be addressed to bring them in line with other institutions.
- Delay in the construction of the building caused an increase in costs.
- VP Eichelroth will share with the trustees a detailed list of all equipment being purchased through the furnishings and equipment budget for the building.
- Draft Budget was reviewed looking at the following:
    - Identifying new funds subtotal - $1,266,426
    - The annual facilities maintenance costs - $116,640
    - Additional annual costs - $226.209
    - Recreational sports equipment - $31,135.50 (request to fund through Building Initial Furniture, Fixture and Equipment budget line), and $10,378.60 (one third of the estimated cost will be placed in operating funds to cycle out old items on an annual basis including existing inventory,
    - Part-time staffing and building hours – classes to be offered and projected revenue

- ➢ Full-time staff needs annual salary and fringe benefits - $407,343
- ➢ Utility costs - $295,000

- A proposed increase to the General Fee was identified to fund expanded program costs:

Fitness Staff (salary plus fringe)	83,967	
Intramural Staff (salary plus fringe)	58,131	
Annual new program costs	161,609	
Part-time staffing for fitness and recreation	191,234	
	$494,941	
Annual fee per FT undergrad (billed hrs)	$115.10	4.80 per credit hr

ANALYSIS OF POTENTIAL RESOURCES AND USES

Resources			Uses				
Base Budget Funds Released		528,500	FY 17 Collective Bargaining	757,962	170.56		
Amendment 1 Funds Released		461,580	Fringe related to CB	221,173	49.77		
Fringe Savings from Amendment 1		238,237			220.33	115.10	335.43
Amendment 2 Funds Released		84,000					4.3%
		1,312,317	New Wellness Center	1,266,426			
			Capital Improvement Trust Fund Contribution	750,000 ?			
Early Retirement Savings		1,011,378					
Temporary Athletic Program Relocation Funds 103,000		103,000					
General Fee for Expanded Programs 115.10	UD	506,451					
Per Credit admin fee increase 4.80	USE	121,639					
Per Credit admin fee increase 4.80	GR	45,326					
		3,100,112					
				2,016,426			

1,083,686 balance of available resources

- Trustee Blais thanked VP Eichelroth and all who worked on the very detailed proposal.
- Trustee Albro inquired whether the maintenance staffing would be adequate when special events are held. VP Eichelroth reported that there is always a floater assigned on campus and could assist if needed. Proposal was based on Sightlines criteria.
- Trustee Steele asked that the format for presenting budgets going forward have a very simplified top sheet bulleted identifying accounts and dollar amounts, and all detailed analysis sheets be attached. This would provide more concise and clear information.

OTHER BUSINESS

Chairman Blais informed the Committee that a detailed presentation on Foundation investments and how they are doing will take place at a future meeting.

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

VOTED: by recorded roll call to adjourn the meeting at 4:15 p.m.

Voting in Favor (5)	Opposed (0)
Trustee Albro	
Trustee Madaus	
Trustee Steele	
Trustee Valerio	
Trustee Blais	

Respectfully submitted,

Judith A. St. Amand

Judith A. St. Amand
Assistant Secretary

MCPPO
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BOARDS & COMMISSIONS:

Responsibilities, Good Governance and What You as a Member Need to Know

PREREQUISITE: NONE **COURSE LEVEL: BASIC**

INSTRUCTIONAL METHOD: GROUP-LIVE **ADVANCED PREP: NONE**

NEW!

Boards & Commissions: Responsibilities, Good Governance and What You as a Member Need to Know is a 1-day course designed to reach board and commission members who are seeking clarification and training related to their roles and responsibilities. This course will provide an overview of the general duties required of individuals who serve on public boards and commissions, including municipal and state entities. Board and commission members have a fiduciary duty to actively oversee the officials who report to them and to ensure that the public monies they administer are spent appropriately. Attend this class and walk away armed with the knowledge and ability to be a highly effective board or commission member for your municipality or agency.

Topics covered in this seminar include:

- Fiduciary duties and responsibilities
- Ethics for special public employees
- Public Records Law for special public employees
- Open Meeting Law
- Preventing and detecting fraud

COURSE DATE:

March 24, 2016

Boston, MA (group-live)

12 Littleville Road, Huntington, MA (videoconference)

8:30 A.M. – 3:30 P.M.

One Ashburton Place, Room 1306

Boston, Massachusetts

The Massachusetts Office of the Inspector General is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State boards of accountancy have final authority on the acceptance of individual courses for CPE credit. Complaints regarding registered sponsors may be addressed to the National Registry of CPE Sponsors through its website: www.learningmarket.org.

This course qualifies for 6 continuing professional education (CPE) credits, 6 professional development points (PDP) and 6 MCPPO credits towards recertification.

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

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

YEARS ENDED JUNE 30, 2015 AND 2014

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BOLLUS LYNCH
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 accompanying schedule of expenditures of federal awards, as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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
October 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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, $24,104,278 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.

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's Net Position as of June 30, 2015, with comparative data as of June 30, 2014

	2015	2014
Current and other assets	$ 66,590,902	$ 75,946,624
Capital assets	77,084,437	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	56,137,097	54,295,189
Restricted	2,630,207	3,120,338
Unrestricted	24,104,278	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 $24,104,278 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 29.68% 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 19%. A strategy will be developed over the coming year to improve this ratio.

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 $10,440,031 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 $11,167,392 while depreciation expense on capital assets was $4,224,797. During the year $13,072,481 was expended on construction of the Wellness Center and building improvements 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 : 1.05 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 1:1.05 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: .68. 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'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.

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	$ 34,486,167	$ 32,113,782

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, 2015 and 2014, 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	$ 1,971,897	$ 3,600,032	$ (1,628,135)

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 $77,084,437, 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 $15,001,899. 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

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 thereafter 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.

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 where 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

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 $25.2 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.

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
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 23,781,381	$ 23,155,571	$ 800,282	$ 740,019
Cash held by State Treasurer	12,455,374	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	37,964,815	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	77,084,437	65,917,045	4,785,499	2,148,236
Total non-current assets	105,710,524	96,306,551	25,080,633	22,982,411
Total assets	143,675,339	141,863,669	26,355,318	24,110,220
DEFERRED OUTFLOWS OF RESOURCES				
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	-	-
LIABILITIES				
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
DEFERRED INFLOWS OF RESOURCES				
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	-	-
NET POSITION				
Invested in capital assets, net	56,137,097	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	24,104,278	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
REVENUES				
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
EXPENSES				
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
NON-OPERATING REVENUES (EXPENSES)				
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
NET POSITION				
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	Primary Government 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	(30,062,488)	(21,036,810)
Cash flows from noncapital financing activities:		
State appropriations	31,840,805	30,055,723
Net deposits	(178,887)	174,138
Net cash provided by noncapital financing activities	31,661,918	30,229,861
Cash flows from capital and related financing activities:		
Capital appropriations	2,645,362	2,058,059
Purchases of capital assets	(15,316,090)	(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	(13,507,862)	(2,440,457)
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	4,110,301	74,518
Net increase (decrease) in cash and cash equivalents	(7,798,131)	6,827,112
Cash and cash equivalents, beginning of year	44,180,566	37,353,454
Cash and cash equivalents, end of year	$ 36,382,435	$ 44,180,566

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, 2014 AND 2013

	Primary Government 2015	Primary Government 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	$ (30,062,488)	$ (21,036,810)

See accompanying independent auditor's report and 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.

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.

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through October 20, 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 uncollectiblity and have been accepted (assigned) by the Department of Education.

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 $32,379,368 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.

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.

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:

	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.

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 $4,791,855 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
June 30, 2015				
Investment type				
U.S. Treasuries	$ 11,195,109	$ 706,078	$ 6,425,325	$ 4,063,706
U.S. Agencies	8,044,525	2,390,576	4,565,544	1,088,405
Total	$ 19,239,634	$ 3,096,654	$ 10,990,869	$ 5,152,111

		Investment Maturities (in years)		
	Fair Value	Less Than 1	1 to 5	Greater than 5
June 30, 2014				
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	$ 22,847,103	$ -	$ 15,822,305	$ 7,024,798

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.

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
	$ 467,982	$ 417,298

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
	$ 18,583,637	$ 19,503,793	$ 17,822,330	$ 20,015,245

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
	$ 1,161,850	$ 915,870

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
	917,351
Less: Allowance for uncollectible contributions receivable	(56,576)
Discount on contributions receivable	(20,235)
	$ 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:

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

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	13,661,967	3,405,330	18,398,236
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	18,797,521	3,795,622	134,120,678
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	$ 65,917,045	$ 14,963,014	$ 3,795,622	$ 77,084,437

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	$ 65,434,197	$ 1,304,706	$ 821,858	$ 65,917,045

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 ARRANGEMENTS

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 $260,318 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.

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
	$ 26,084,319	$ -	$ 651,433	$ 25,432,886	$ 615,667

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

Year Ended June 30	Principal	Interest
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	-
	$ 25,432,886	$ 10,387,697

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
	$ 477,176	$ 674,629

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

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

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 $11,688,452 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.

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
	$ 2,630,207	$ 3,120,338

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.

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 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 credible 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.

21 - RETIREMENT PLAN (Continued)

Contributions (continued)

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

Hire Date	Percentage of Compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to 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.

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. 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 $677,063.

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	1,039,592
Total	$ 1,144,785
Deferred inflows of resources	
Differences between projected and actual earnings on plan investments	$ 1,920,704
Change in proportion	70,755
	$ 1,991,459

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
	$ (1,085,482)

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:

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.

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.

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	$ 31,840,805	$ 30,055,723

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	65,020,129
	2,331,874
Reporting classification differences	(3,455,064)
Other timing differences	1,123,190
	$ -

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	$ (1,027,763)	$ -	$ 1,176,925	$ -

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.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass Through Entity's Identification Number	Federal Expenditures
U. S. Department of Education			
Student Financial Assistance			
Federal Direct Student Loans	84.268	N/A	$ 22,036,030
Federal Pell Grant Program	84.063	N/A	6,861,566
Federal Work Study Program	84.033	N/A	258,333
Federal Supplemental Educational Opportunity Grant	84.007	N/A	267,537
Federal Perkins Loans	84.038	N/A	4,816,578
Total Student Financial Assistance			34,240,044
Passed through Worcester Public Schools			
Twenty-First Century Community Learning Centers	84.287	50S37714 / 50S12914	21,995
Higher Education - Institutional Aid	84.031	50S35615	75,053
Total Passed through Worcester Public Schools			97,048
Passed through the Massachusetts Department of Higher Education			
Improving Teacher Quality State Grants	84.367	ISARGT70661574WOR15A	219,528
Total U. S. Department of Education			34,556,620
National Science Foundation			
Geosciences	47.050	N/A	14,242
Social, Behavioral, and Economic Sciences	47.075	N/A	20,583
Total National Science Foundation			34,825
National Aeronautics and Space Administration			
Passed through Boston University			
Interdisciplinary Research in Earth Science	43.001	4500001069	34,550
U.S. Department of the Treasury			
Passed through Worcester Community Action Council, Inc.			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	5500	1,362
			$ 34,627,357

See accompanying independent auditor's report and notes to schedule.

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

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Worcester State University (the "University") under programs of the federal government for the year ended June 30, 2015.

For purposes of the Schedule, federal awards include all federal funds received directly or indirectly through grants, contracts and similar agreements executed with departments of the federal government.

Basis of accounting

Expenditures of federal awards are recorded on the accrual basis of accounting.

Major program determination

The University considers programs with expenditures that exceed $1,038,821 to be Type A programs. Type A programs with expenditures that, in the aggregate, encompass at least twenty-five percent of total federal awards are designated as major programs. Smaller programs are designated as Type B programs. Type A programs assessed as "low risk" that have been audited as a major program within the last two years with no audit findings are not designated as major programs provided the School has Type B programs that have Federal expenditures exceeding twenty-five percent of total expenditures. Accordingly, certain Type B programs may be identified as major programs.

2 - FEDERAL STUDENT LOAN PROGRAMS

Loans made by the University to eligible students under federal student loan programs during the year ended June 30, 2015 are summarized as follows:

	Outstanding Balance as of June 30, 2015	Disbursements for the year ended June 30, 2015
CFDA Number 84.038 Perkins Loan Program	$ 5,820,271	$ 158,027

The Perkins Loan Program is administered directly by the University. Outstanding loans relating to this program are included in the University's basic financial statements.

Federally guaranteed loans issued to students of the University during the year ended June 30, 2015 are summarized as follows:

	Disbursements for the year ended June 30, 2015
CFDA Number 84.268 Federal Direct Student Loans	$ 22,036,030

The University is only responsible for the performance of certain administrative duties with respect to federally-guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the University's general purpose financial statements. It is not practical to determine the balance of loans outstanding to students and former students of the University as of June 30, 2015.

3 - ADMINISTRATIVE COST ALLOWANCES

The Student Financial Aid Administrative Cost Allowances for the year ended June 30, 2015 are as follows:

Pell	$ 9,010

OTHER REPORTS

BOLLUS LYNCH
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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 and the financial statements of Worcester State Foundation, Inc., its discretely presented component unit (the "University), which collectively comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

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

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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
October 20, 2015

BOLLUS LYNCH
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees
Worcester State University
Worcester, Massachusetts

Report on Compliance for each Major Federal Program

We have audited Worcester State University's (the "University") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Worcester, Massachusetts
October 20, 2015

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	Yes	X No
• Significant deficiency(ies) identified?	Yes	X No
Noncompliance material to financial statements noted?	Yes	X No

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	Yes	X No
• Significant deficiency(ies) identified?	Yes	X No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes	X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Student Financial Assistance	
84.007	Federal Supplemental Educational Opportunity Grant
84.033	Federal Work Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to distinguish between type A and type B programs	$1,038,821	
Auditee qualified as low-risk auditee?	X Yes	No

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015
(Continued)

II. FINANCIAL STATEMENT FINDINGS

A. Internal Control Findings

As disclosed in Section I, the audit of the basic financial statements of Worcester State University as of and for the year ended June 30, 2015, disclosed no matters involving the internal control over financial reporting and its operations that are considered to be significant deficiencies or material weaknesses.

B. Compliance Findings

As disclosed in Section I, the audit disclosed no instances of noncompliance which are material to the basic financial statements of Worcester State University as of and for the year ended June 30, 2015.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

A. Internal Control Over Compliance

No findings noted.

B. Compliance Findings

No findings noted.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs, and no uncorrected or unresolved findings exist from the prior audit's Summary of Prior Audit Findings.

President's Update

March 2016

From the President's Office

President's Message

As February closes, the University enters the home stretch of student recruitment season, for those who are considering attending Worcester State in the fall.

Although numbers are always subject to change, we are on track for another year of stable enrollment, with a slight increase in new first-year applications, and year-to-date paid deposits virtually identical to last year's at this time. New recruitment initiatives – like early admissions, the $30K Commitment, and improved marketing to prospective students – have played a role in keeping us competitive despite a downturn in the 18-to-22-year old demographic, which is impacting Massachusetts public universities.

Partnerships with the Worcester's K-12 schools, like the "Call to Teachers" and the ALANA Preview Day, aim to establish a pipeline of local students whose first choice for college is Worcester State. All of this activity culminates with our Congratulations Day in April – our premier event for sealing the deal with accepted students.

Our admissions process can be considered the engine that keeps our entire campus running, and I wanted to take a moment to recognize the behind-the-scenes work that is necessary to ensure we have a full class every fall.

Newsworthy

The Assistant to the President for Campus Communications and Marketing Department staff collaborated to develop and launch a new University news site, WSU News, which replaces the former eNews site. With a fresh design that visually complements the WSU Web site, the news site reflects best practices in the higher education industry. WSU News is the primary vehicle for communicating to faculty and staff, and it will be marketed to new audiences, as well. Please consider bookmarking the page: news.worcester.edu. Content is refreshed on a regular basis during the academic year.

WORCESTER STATE UNIVERSITY

Contents

PRESIDENT'S OFFICE
Worcester State University
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- Hot topics on campus that were picked up by regional media outlets since late December include:
    - the annual tax preparation assistance provided by our Volunteer Income Tax Assistance program;
    - WSU's Martin Luther King Jr. Day youth breakfast;
    - our FAFSA filing assistance day, which was offered at the end of January and
    - two engaging speakers (Kevin Powell during ALANA Preview Day and Jennifer Finney Boylan in late February).

To see more media coverage, click on "View All" beneath "In the News" at WSU News. You can scroll to the bottom to view our recent Twitter and Facebook posts.

Community, Government, and International Relations

- President Maloney offered remarks at a commemoration of the recently launched StartUp Worcester business incubator in January, and then joined the relaunching of the innovation facility at 20 Franklin Street, now known as the IdeaLab. WSU is one of two area universities supporting the IdeaLab.

- President Maloney attended the Martin Luther King Jr. Day breakfast hosted by Quinsigamond Community College on MLK Day.

- In February, President Maloney and two Worcester State biology/biotech students joined the presidents of the Higher Education Consortium of Central MA (HECCMA) at a State House event in Boston hosted by the Worcester area legislative delegation. Meetings included one with House Speaker Robert DeLeo and another with a senior staff member of Senate President Stanley Rosenberg's office.

- President Maloney recently refreshed a previous international exchange agreement with Universidad San Francisco de Quito in Ecuador – an ideal site for Spanish language majors and a principal partner for science programming in the Galapagos Islands – and signed new Memorandums of Understanding with Ulster University and with the Kitchwa People of Sarayaku in Ecuador. The President's Office also recently hosted an official representative of Yamaguchi University in Japan.

Promoting Diverse and Inclusion

- President Maloney announced Five Points of Action for the university at an all-campus meeting, as a way to take steps toward realizing the core value expressed in the strategic plan, of becoming an "inclusive community in which our diversity enhances learning for all and in which people from all cultures and backgrounds have the opportunity to participate fully and succeed." Read about the action points here. Isaac Tesfay, Director of Affirmative Action, Equal Opportunity, and Diversity and Inclusion, is coordinating these initiatives and helping the campus to explore additional efforts.

Organizational Updates

- The final three candidates for the Dean of Humanities and Social Sciences were at Worcester State for interviews in late February. Input was solicited from the campus community and the committee is expected to make a final recommendation soon.

- Searches are underway for numerous faculty and staff positions in Academic Affairs. A number of candidates have been interviewed on campus and several already have been secured for Fall of 2016.

- A search for the Assistant Vice President of Assessment and Planning is underway.

- The Assistant Vice President for Human Resources, Payroll, Affirmative Action, and Equal Opportunity Stacey Luster has begun working with the staff in her area to develop campus-wide programming and to revise and update current practices.

Collaborating With Our Partners

- Worcester State recently signed a new data sharing agreement with the Worcester Public Schools to help facilitate numerous K-16 projects, including an initiative designed to encourage enrollment in the WSU education programs and to diversify the WPS teacher preparation pipeline; a research partnership with the Latino Education Institute designed to examine influences on Latino male students and their success in high school and college; support services to WPS graduates who indicated an intent to attend postsecondary education but who did not subsequently enroll; and placement of students into alternative educational settings in the WPS, with a focus on working with the WPS administration to identify avenues for improvement.

- Last month, representatives from Enrollment Management attended a joint meeting with representatives from other state institutions, the Department of Higher Education (DHE), the Department of Elementary and Secondary Education (DESE), and the College Board to discuss the changes to and implications of the new Common Core and revised SAT assessment.

- Worcester State University was one of only five campuses in the Commonwealth to partner with GEAR UP and the Massachusetts Office of Student Financial Assistance (OSFA) to begin a mentoring and fellowship program for previous GEAR UP students currently enrolled on our campus. This program will be expanded in April 2016 to include incoming students from the Worcester Public Schools who currently are in GEAR UP and who are considering enrolling at WSU in the future.

- In January, WSU hosted its second annual FAFSA Day to assist students and families with completion of the Free Application for Federal Student Aid form. This day, which was offered to all families in the Worcester area community, drew over 100 attendees

- The Student Government Association's Have a Heart Auction to benefit three local charities is planned for April 8, 2016. See more at: http://www.worcester.edu/sga-auction

Celebrating Academic Excellence

- Nominations are being accepted for the 29 Who Shine until March 11th. Any member of the WSU community is welcome to nominate a student for this honor. The 29 Who Shine initiative is part of a state-wide effort to call attention to the pivotal role that higher education plays in producing a well-educated citizenry and workforce for the Commonwealth. The award recognizes current year graduates who demonstrate exceptional promise as future leaders in civic affairs or in business or professional activities in Massachusetts and demonstrate an ability to contribute to the civic and economic well-being of the Commonwealth. Application packets, including selection criteria, award timeline, award ceremony information, and more are available in the Enrollment Management Office.

- The following gifts in support of academic excellence have been secured during January and in February in a trip to visit Florida alumni: the James & Sharon Ricciardi Family Endowed Scholarship for STEM ($25,000) from WSU supporters Jim and Sharon Ricciardi; The Schwartz Charitable Foundation Endowed Academic Achievement Awards from alumna Janet L. Lombardi '73; and a $100,000 CGA to establish a scholarship in memory of alumna Joanne Kerr '61 and a $50,000 gift in honor of alumna Ann Sheehan '39, both from Joanne's husband, William Kerr.

- An interdisciplinary concentration in Ethnic Studies has been approved through faculty governance and offerings will begin in the Fall of 2016

- The Spring 2016 Theme Semester of "Seeing/Believing: Evidence, Perception and Interpretation" presents students across disciplines with common readings and lectures from experts, which this semester included Jennifer Finney Boylan and John Elder Robison, both of whom addressed the campus.

- Alternative Spring Break opportunities with faculty and students will take place in March. Students with faculty leadership and course connections serve communities in Central America.

Ensuring Financial Stability

- Phil Wasylean's Young Alumni Challenge is the focus of this year's Phonathon. Worcester State currently has a 90% fulfillment rate for existing pledges for 2016. When combined with direct mail efforts, the Advancement Office has reached approximately 40% of the goal for the Wasylean Challenge -- to gain 100 young alumni donors at the $100 level.

- Nearly100 alumni and friends enjoyed a benefit concert by soprano Christina Luna and guest tenor Aaron Caruso on Saturday, Feb. 6, in the Fuller Theater. A well-attended reception preceded the concert. "To Italy, With Love: An Evening of Opera, Broadway and Italian Songs" raised over $4,500 for the Change Lives capital campaign, the largest amount ever raised for the campaign in a single event. To learn more about the campaign, visit http://www.worcester.edu/ChangeLives.

- The Day of Giving Challenge campaign is underway. To date, Worcester State has twelve social media ambassadors and more than six student groups who will hold activities to promote giving back to alma mater on April 6. New initiatives are being rolled out to enable donations through a variety of means, including a text-to-donate option.

- The Assistant Vice President for Urban Affairs in partnership with faculty from the Education Department and the Dean's office, facilitated and prepared a proposal to the Federal Department of Education to expand professional development for teachers at Worcester State University. This is a five year, $1.7 million grant that will greatly increase the number of instructors in the Worcester Public Schools with specialized credentials to teach English Language Learners.

- Dr. Stephanie Chalupka (Associate Dean of Nursing) and Dr. Linda Larrivee (Dean of Education, Health, and Natural Sciences) are primary investigators on a $53,000 grant from the Commonwealth of Massachusetts. This Allied Health Grant is a partnership with UMass Memorial Medical Center. It focuses on direct care workers in allied health fields (such as certified nurse assistants, and x-ray technicians) and helps develop a pathway to further their education. Courses are being taught on the UMMMC campus for two cohorts of students over the next 12 months. The allied health workers who take advantage of the program will receive between 9 and 18 college credits, along with an individualized plan that highlights further courses they need to take to meet their career goals.

- Dr. Linda Larrivee (Dean of Education, Health, and Natural Sciences) is the primary investigator on a $75,000 grant from the Fairlawn Foundation at Greater Worcester Community Foundation. This grant continues the WSU Community Health Improvement Plan (CHIP) project, which partners with the Worcester Department of Public Health's Community Health Improvement Plan. The grant supports faculty and students from across the WSU community in their work related to the five domains of the CHIP: healthy eating and active living; behavioral health; violence and injury prevention; health access; and health disparities.

- The Latino Education Institute and Worcester Public Schools co-developed the only winning application from New England to the Bill and Melinda Gates Foundation's family engagement competition. The $75,000 award will bring the Parent Institute for Quality Education program to Worcester. This parent engagement model is a nationally recognized, evidenced based approach that connects families with schools and increases academic outcomes.

- As of late February 2016, the Worcester State Foundation has provided to the University:
  - $175,859 – Student Scholarships, Awards, Internship Stipends
  - $98,078 – Programs and Community Involvement
  - $78,827 - Real Estate (including the May Street Building, Chandler Street properties, and Worcester Center for Crafts)
  - $18,348 – Faculty Research/Support
  - $23,740 – Plant, Property & Equipment

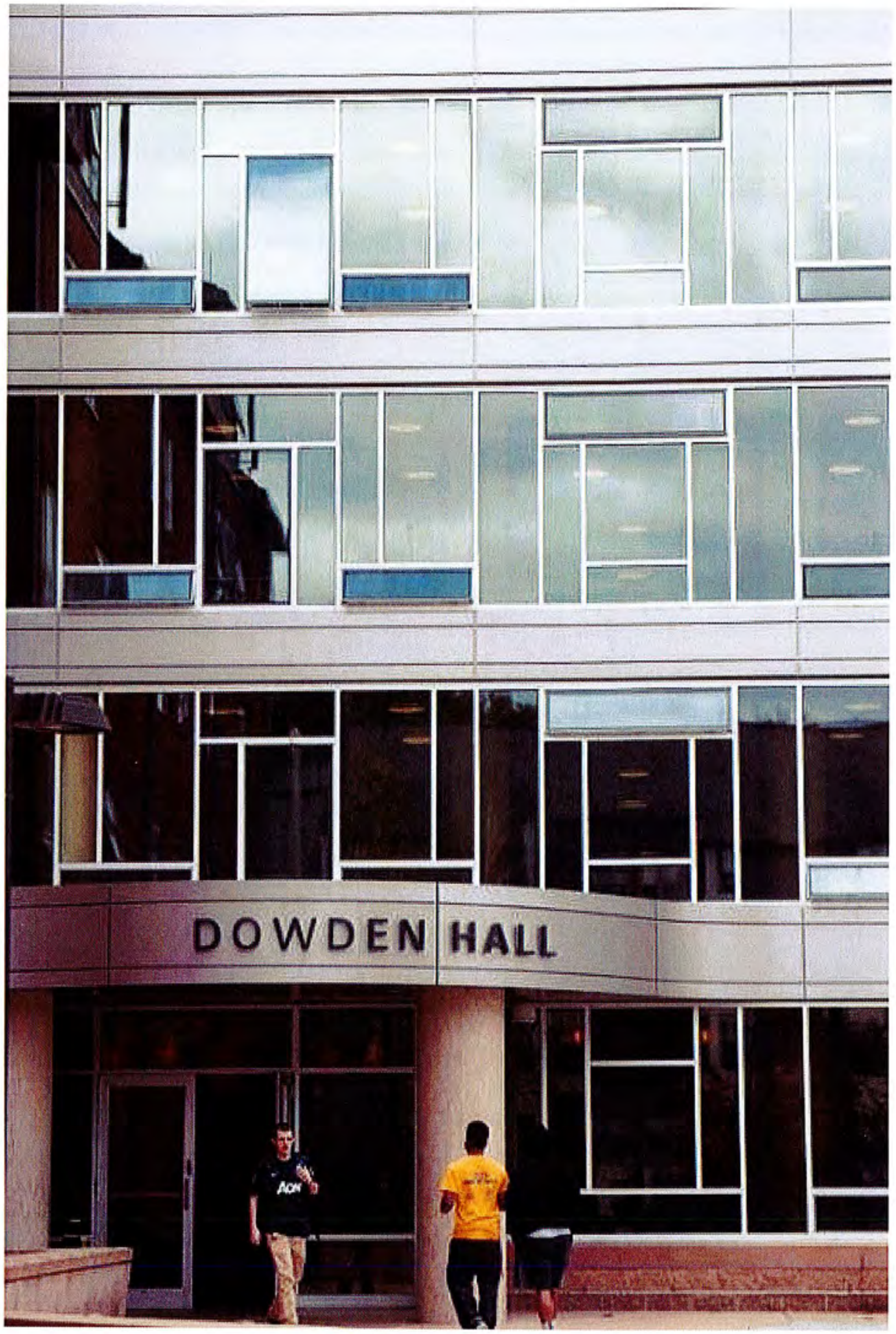
- The draft budget for the new Wellness Center has been prepared in cooperation with the Athletics and Facilities Departments. Preliminary discussions regarding its approval have begun with the Finance and Facilities sub-committee of the Board of Trustees.

- The Early Retirement Incentive program has been a great success. Currently, 36 employees have notified the administration of their intent to participate in the incentive program. The university is projecting over $1M in net savings in the operating budget beginning in FY 2017.

- The university's most important annual student yield event will be held on Saturday, April 9. Congratulations Day for Accepted Students is often the last time prospective students experience the WSU campus prior to making their final decisions on where to enroll. All members of the campus community are welcome to participate in this day. The event, including academic program presentations, tours, resource fairs, brunch, and more will run from 9a.m.to 1 p.m. in various locations around campus.

- Access Worcester State Foundation's and University Advancement's dashboard:

View Download


DOWDEN HALL

Promoting Success

- In April, the Alumni Office will introduce a new networking series, Alumni Connections, with the Criminal Justice Alumni Connections and the Business Alumni Connections events. These events are, in a sense, academic reunions, and will feature an Ask the Alumni panel that is geared toward students and young alumni, followed by networking with alumni, students, and faculty.

- The Worcester State Alumni Association has launched a new service that helps students obtain career advice from alumni through the Worcester State University Alumni Advisor Network, a powerful online platform that facilitates one-to-one career consultations. Alumni can register on the platform in minutes by importing their LinkedIn profile. They can share their expertise with students in three ways: career conversations, resume critiques, and mock interviews.

- The Phonathon continues to strengthen the process of collecting, sharing and using data in order to improve the student experience by calling over 4,000 young alumni to update their professional and demographic information. This information is shared with career services and helps to aid them in the process of job networking and mentoring of students.

- The Military Services and Veterans Affairs Office co-sponsored the first ever Red, White and Blue event to assist female veterans and female service members with career-related services, expanding their professional networking opportunities, and connecting them with the Department of Veterans Affairs services within the community.

- In an ongoing effort to increase communication between divisions and support for students, the Counseling Center has developed a series of programs for faculty on the topic of managing student mental health issues in the classroom.

WORCESTER STATE UNIVERSITY

WELLNESS CENTER

Operating Budget Narrative
FY 2017

Operating Budget Narrative FY 2017

- The Athletic department operating budget has been funded at a level scenario over many years with a slight increase in FY 2014 to provide resources related to the relocation of athletic program when the old gym building was demolished.
- The starting point for the operating budget for the Wellness Center during its first year of operations in FY17 is the reconciled Athletic Department budget.
- The operating baseline represents the funding of the Athletic program as it has historically existed.

Operating Budget Narrative FY 2017

- The following categories represent additional costs related to the operation, maintenance and upkeep of a facility that is 40,000 square feet larger than the old facility with many more amenities and the cost associated with expanded programming.

    - Annual Facilities Cost
    - Annual Athletic Cost
    - Part-time Employees
    - Full-time Employees
    - Utilities

Operating Budget Narrative FY 2017

Annual Facilities Cost

- The old gym was built in the 1960s and did not contain the amenities or level of sophistication of its operating systems that will exist in the new 100,000 square foot building.
- Annual review and certification is required of the roof anchor system, suspended walking track, backflow preventers, grease traps and elevators that never existed in the old building.
- In addition expanded services are needed for service and preventative maintenance of the boilers, hot water tanks, lighting systems, exhaust ducts, life safety systems, HVAC, roofs and curtain wall window cleaning.

Operating Budget Narrative FY 2017

Annual Athletic Cost

- The opening of the new Wellness Center brings expanded programming for the student body and the larger WSU community.
- The two story fitness center will be outfitted with state of the art cardio and strength equipment. The cardio equipment will be leased allowing for a three year replacement cycle.
- Systems will be established to allow for card access to the fitness center and an online reservation process for signing up for recreational classes.
- Music is provided throughout the building and additional resources are being provided for programming supplies and promotional supplies in addition to the unveiling of a new WSU mascot.
- The opening of the new facility is also a time to evaluate past practice and assess what additional resources would ensure WSU's athletic and recreational programs reflect quality and value.
  - The annual operating budget provides for replacement of equipment used for recreational, intramural and varsity sports as the useful lives of the items deteriorate.
    - In addition, coach salaries will be evaluated and aligned with the MASCAC athletic conference averages and team food allowances will be increased to match standard per diem rates offered to university employees.

Operating Budget Narrative FY 2017

Part-time Employees

- The new Wellness Center offers expanded programming in the areas of fitness and recreation.
  - The facility will have expanded hours in comparison to the old gym building.
  - The two story layout of the fitness center requires the presence of two fitness center monitors when it is open, in addition there needs to be staff to manage the facility during operating hours and staff to support the information desk, support laundry services and support the new intramural programs.
  - Fitness instructors will also be hired to offer recreation programs.

Operating Budget Narrative FY 2017

Full-time Employees

- In support of new recreational programming including fitness classes, training on the use of fitness equipment and intramural offerings a Fitness Center Manager will be hired as soon as possible and an Intramurals Coordinator/Night & Weekend manager will be hired for the start of the fall semester.
- The size and complexity of the building, which includes 3 sets of locker rooms, a competition gym, 2 recreational gyms, juice bar, concession stand and two story fitness center in addition to exercise and function rooms, necessitates the hiring of maintenance staff to cover 3 shifts daily in addition to an HVAC Technician specifically trained to support the systems of the new building.

Operating Budget Narrative FY 2017

Utilities

- The new Wellness Center is 100,000 square feet, approximately 40,000 square feet larger than the old gym building.
  - There will be increased cost to heat and cool this additional space.
  - Multiple sets of locker rooms to serve students, staff and the public will place additional demand on water and heating of that water.
  - The curtain wall that surrounds the fitness center was designed to provide efficiencies with regard to heating and cooling however there will still be an increased cost to heat and cool this space in comparison to the old facility.

Operating Budget Narrative FY 2017

Proposed Increase in the General Fee

- The Wellness Center FY 2017 operating budget requires an investment of $1,236,426 to expand programming and support the operations of a larger facility.
- The majority of the resources to fund this expansion will come from the re-allocation of existing resources.
- We are seeking an increase to the general fee for undergraduate students and the administrative fee for courses offered through DGCE to fund the costs associated with the fitness and recreational programming that will now be provided to the entire student body.
- The increased cost of $4.80 a credit hour or $115 a year will underwrite this expanded programming going forward.

WORCESTER STATE UNIVERSITY

TIMELINE and SUMMARIZATION of the WELLNESS CENTER BUDGET and SOURCES of FUNDS

January 24, 2011 Board Meeting

- Board of Trustees approved the proposed spending plan for construction of a $45.5M Athletic Center through a combination of borrowing and reserve spending as follows:

  - State funding $25,000,000
  - Revenue Bonds/MSCBA $15,000,000
  - Reserves $ 5,000,000

January 23, 2012 Board Meeting

- Board of Trustees approved the undertaking of the Wellness Center project with the same budget as voted on 1/24/2011
- Vote provided for the delegation of authority to do all things necessary or desirable in connection with carrying out the project.

July 3, 2012 Board Meeting

- Board of Trustees voted to appropriate an additional $2M from the Capital Improvement Trust Fund Reserve to the Athletic Center Project bringing WSU's equity contribution to the project to $7M from unrestricted reserves with bond financing through the MSCBA remaining at the $15M previously approved. In addition the Board acknowledges that the University will be responsible for the FF&E (furniture, fixtures and equipment) for the facility. An early estimate of $2.5M has been identified to procure the necessary items to be funded from the Capital Adaptation and Renewal budget lines in year 2015 and 2016

- Revised funding as follows:

State funding	$25,000,000
Revenue Bonds/MSCBA	$15,000,000
Reserves	$7,000,000
Operating Budget	$2,500,000

November 27, 2012 Executive Committee Mtg.

- Executive Committee approved a resolution authorizing the President to do all things and take all actions necessary for the MSCBA to issue bonds to fund the Wellness Center project.

August 28, 2013 Special Meeting

- Purpose of the meeting was to discuss a request to the board to authorize up to an additional $7M of reserve spending for the project.
- The project was entering design development and was still 9 months away from going out to bid
- There were concerns that the integrity of the project and core elements would be in jeopardy if the budget needed to be squeezed in the next 9 months
- The Board voted to approve the authorization to commit up to $7M of additional unrestricted reserves of the University during the final design of the Wellness Center project. President Maloney is authorized to work through the Finance and Facilities Committee to inform the Trustees of the need to draw on the authorization, the amount to be committed, and the program elements that will be retained by committing the additional funds to the project.

November 14, 2013 Finance & Facility subcommittee /Board Meeting

- The Board approved the recommendation of the Finance and Facilities Committee to go forward with the plans to include three specific areas – re-establish height of roof in competition gym, re-establish prominence of the quad side entry and develop a full landscape design around the building, not to exceed $3M from the second authorized $7M

- Revised funding as follows:
  - State funding $25,000,000
  - Revenue Bonds/MSCBA $15,000,000
  - Reserves $10,000,000
  - Operating Budget $2,500,000

June 23, 2015 Final Memorandum of Agreement with DCAM & MSCBA was executed

- Below is the final budget of resources available to fund the Wellness Center Project
  - State Funding $25,607,000
  - Revenue Bonds/MSCBA $15,000,000
  - University Reserves $ 9,568,342
  - University Operating Budget/ FF&E $ 2,500,000
  - University Operating Budget/Study* $ 608,502

  Total **$53,283,844**
- Below is the final budget of uses
  - Construction $44,848,859
  - Design $ 3,838,641
  - DCAM Administration $ 1,230,342
  - Initial Study* $ 866,002
  - FF&E $ 2,500,000

  Total **$53,283,844**

*Study - The initial feasibility study for the Wellness Center Project began in 2010. It was partially funded through the University operating budget ($608,502) with the remainder covered through the Commonwealth. The entire cost of the study was $866,002. When preparing an MOU, DCAM accumulates all the project costs beginning with the feasibility study.

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RESERVE STABILIZATION ANALYSIS

Reserve Stabilization Analysis

- At the close of FY 2015 the unrestricted operating reserves were significantly depleted by the implementation of GASB 68 requiring the University to record the net pension liability for Commonwealth employees that work at Worcester State University. In September 2015 the University transferred $9M of unrestricted reserves to the Division of Capital Asset Management in accordance with the Memorandum of Agreement identifying the sources of funds for construction of the Wellness Center.
- As a result unrestricted reserves are expected to drop to $15.9M by June 30, 2016, a decrease of $18.1M since June 30, 2014. The reduction in unrestricted reserves impairs the University's ability to leverage funds for future campus improvements. The University's ratios have experienced unfavorable declines as a result of the decrease in unrestricted reserves.
- The administration is considering several options to rebuild the unrestricted reserve balance over the short term.

Reserve Stabilization Analysis

Option A

- Proposes an annual operating transfer to the Capital Improvement Trust Fund of $750,000 beginning in FY 2017
- This option builds up unrestricted reserves to cover all outstanding debt dollar for dollar by June 30, 2019
- The ability to leverage reserves occurs in FY 2020 when we have unrestricted reserves in excess of outstanding debt
- The capital improvement fee remains flat throughout this scenario with no increases
- Unrestricted fund balance is projected to be $26,186,738 by June 30, 2020 with a viability ratio of 1.18
- At June 30, 2020, unrestricted reserves are expected to exceed outstanding debt by $4,052,187

Reserve Stabilization Analysis

Option B

- Proposes an annual operating transfer to the Capital Improvement Trust Fund of $1,000,000 beginning in FY 2017
- This option builds up unrestricted reserves to cover all outstanding debt dollar for dollar by December 31, 2018
- The ability to leverage reserves occurs in FY 2019 when we have unrestricted reserves in excess of outstanding debt
- The capital improvement fee is increased by $5 a credit hour or $120 a year in FY 2018 and then remains flat at an annual rate of $636 through June 30, 2020
- Unrestricted fund balance is projected to be $29,128,068 by June 30, 2020 with a viability ratio of 1.32
- At June 30, 2020, unrestricted reserves are expected to exceed outstanding debt by $6,993,517

Reserve Stabilization Analysis

Option C

- Proposes an annual operating transfer to the Capital Improvement Trust Fund of $1,000,000 beginning in FY 2017
- This option builds up unrestricted reserves to cover all outstanding debt dollar for dollar by December 31, 2018
- The ability to leverage reserves occurs in FY 2019 when we have unrestricted reserves in excess of outstanding debt
- The capital improvement fee is increased by $5 a credit hour or $120 a year in FY 2018, and then again in FY 2019 by an additional $5 a credit hour of $120 a year. The annual rate then remains flat at $756 a year through June 30, 2020
- Unrestricted fund balance is projected to be $30,422,088 by June 30, 2020 with a viability ratio of 1.37
- At June 30, 2020, unrestricted reserves are expected to exceed outstanding debt by $8,287,537

Reserve Stabilization Analysis

Deferred Maintenance and Capital Projects

- The University provides funds for deferred maintenance and capital adaptation and renewal in its annual operating budget. That budget is approximately $3.3M on an annual basis.

- The University does not receive funds on a regular basis from Commonwealth resources to maintain the campus.

- Annual resources provided in the operating budget no longer provide us the ability to maintain the facilities at the same rate that systems require replacement and we have started to fall behind.

- Operating resources do not exist to fund replacement cycles for furnishings and renovation of academic spaces to remain competitive when vying for students.

Reserve Stabilization Analysis

Deferred Maintenance and Capital Projects

It is unlikely WSU will receive any funds from the Commonwealth to address space planning and academic programing needs or to renovate facilities such as the May Street Building to meet these needs. Below is just a sample of projects that will require funding outside of the operating budget in the coming years.

- Science & Technology Building air handlers/ventilation/cooling systems $4,000,000
- Student Center Envelope Refurbishment $1,500,000
- Upgrades to Electrical Loop feeds $1,550,000
- Athletic Field Refurbishment and upgrades $2,750,000
- Sullivan Auditorium ADA compliance $1,000,000
- Sullivan Building air handlers/ventilation/cooling systems $2,000,000
- Sullivan Building flooring replacement/painting $2,700,000
- LRC new boiler plant, duct distribution and sprinklers $3,500,000
- Furnishing replacements for areas not renovated in the past 8-10 years $2,500,000
- May Street Building fire protection and safety $1,800,000
- May Street Building accessibility, structural upgrades $3,200,000
- May Street Building life cycle replacements (roof/mechanical/electrical) $4,500,000
- May Street Building adaptation to address programming needs TBD
- Adaptation of space for Academic programming $1,750,000

Stabilizing and building unrestricted reserves will provide the university with leverage to borrow funds through MSCBA or MassDevelopment (with legislative approval) to accomplish some of these projects.