

Good afternoon Trustee Blais,

The next scheduled Worcester State University Board of Trustees Meeting will take place on:

Tuesday, October 16, 2018
Student Affairs Conference Room, Room 326
Worcester State University

Finance & Facilities Sub-Committee Meeting 4:00 p.m.
Student Affairs Conference Room, Room 326

Board of Trustees Dinner 5:30 p.m.
Sheehan Dining Hall

Board of Trustees Meeting 6:30 p.m.
Student Affairs Conference Room, Room 326

As a reminder, we are committed to our paperless meeting format - so the materials have been posted to the website, here is the link to view those materials: <https://www.worcester.edu/Board-of-Trustees-Packets/>

We look forward to seeing you at the meeting.

Sincerely,

Barry M. Maloney
President

Tuesday, October 16, 2018
Student Affairs Conference Room, Room 326
Worcester State University

Finance & Facilities Sub-Committee Meeting 4:00 p.m.
Student Affairs Conference Room, Room 326



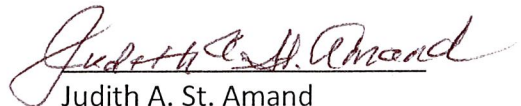
WORCESTER STATE UNIVERSITY

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NOTICE

A MEETING OF THE FINANCE & FACILITIES COMMITTEE OF THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES WILL BE HELD ON TUESDAY, OCTOBER 16, 2018 AT 4:00 P.M. IN THE STUDENT AFFAIRS CONFERENCE ROOM #326 OF THE STUDENT CENTER.

1. CALL TO ORDER
2. VOTES
3. FY 2018 DRAFT AUDIT REPORT
4. UPDATE ON FY 2019 UNIVERSITY BUDGET
5. FY 2018 TRUST FUND REPORTS – QUARTER 4 --- Information Only
6. 535 CHANDLER STREET PROPERTY IMPROVEMENTS
7. OTHER BUSINESS
8. ADJOURNMENT



Judith A. St. Amand
October 9, 2018

Finance & Facilities Committee

Trustee Steve Madaus, Chair
Trustee Aleta Fazzone
Trustee Dina Nichols
Trustee Shirley Steele
Trustee Marina Taylor

Finance & Facilities Committee

VOTES

Upon a motion made and seconded, it was

VOTED: to recommend approval of the FY 2018 Draft Audit Report as presented.

Upon a motion made and seconded, it was

VOTED: following the receipt of the FY 2019 Budget Update, it was agreed to recommend that no action until a full report is presented to the Board at their November meeting.

Upon a motion made and seconded, it was

VOTED: to recommend approval of the property improvements at the President House located at 535 Chandler Street. The improvements include the demolition of the barn, grading and leveling the site, installation of a pavilion adjacent to the house and related utility work, paving and landscaping. Project to be completed in two phases:

Phase I encompasses barn demolition and pavilion construction for an estimated cost of \$75,000 and will be funded by the Worcester State Foundation.

Phase II encompasses all paving work, in addition to updating the walkways in the area and refreshed landscaping including planting beds bordering the pavilion at an estimated cost of \$60,519 to be paid with funds allocated for capital adaptation and renewal in FY 2019.

Upon a motion made and seconded, it was

VOTED: to adjourn the meeting at

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

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

YEARS ENDED JUNE 30, 2018 AND 2017

AND

INDEPENDENT AUDITOR'S REPORT

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

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

YEARS ENDED JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Worcester State University
Worcester, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Worcester State University (an agency of the Commonwealth of Massachusetts) (the "University") and the financial statements of Worcester State Foundation, Inc., its discretely presented component unit, as of and for the years ended June 30, 2018 and 2017 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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, 2018 and 2017, and the changes in its net position, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2017, the University adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 12 and certain information pertaining to the pension liability recorded in accordance with Government Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* on pages 43 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplemental schedules on pages 48 through 52 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical information on pages 53 through 58 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated ____ __, 2018, 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 the effectiveness of Worcester State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester State University's internal control over financial reporting and compliance.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Worcester State University, we offer readers of Worcester State University's financial statements this narrative overview and analysis of the financial activities of Worcester State University for the fiscal year ended June 30, 2018. 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 62 undergraduate majors and minors, 31 graduate programs, 80 study abroad programs, 18 honor societies and a student-to-faculty ratio of 17:1. The University currently has 5,495 full and part-time undergraduate students and 939 full and part-time graduate students.

Financial Highlights

- The assets of Worcester State University exceeded its liabilities at the close of the most recent fiscal year by \$97,759,705, prior to posting of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position). Subsequent to the posting of the University's share of the Commonwealth's year end accruals related for these pension and other postemployment obligations, total net position is reduced to \$57,456,102.
- Prior to posting of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB), the University's total net position decreased by \$(2,086,345). Pension and insurance expense increased by \$2,907,012 as a result of recording the University's portion of the Commonwealth's pension and other postemployment benefits obligations, resulting in a larger decrease in net position of \$(4,933,357). Overall the revenues earned, when combined with non-operating revenues, exceeded operating expenses excluding depreciation expense (non-cash item) and the additional pension and other postemployment benefits accrual to reflect the University's portion of the Commonwealth's liability.
- The implementation of Government Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2018 requires the posting of a prior period adjustment as of July 1, 2017 to record the University's allocation of the Commonwealth's net OPEB Liability. The prior period adjustment reduces University net position at the beginning of the fiscal year by \$37,396,591. This prior period adjustment is similar in nature to the GASB No. 68 adjustment made to the University's financial statements in FY 2015, except the OPEB adjustment is significantly larger.
- The University's net position as July 1, 2017, prior to implementation of GASB No. 75, was \$99,846,050. The net position, subsequent to the adjustment to bring on the University's allocation of the Commonwealth net OPEB liability at the start of the fiscal year, is \$62,449,459. Unrestricted net assets from operations as of June 30, 2018 was \$35,831,022 with an offset related to the University's allocation of the Commonwealth's accumulated net retirement obligations of \$18,104,320 related to Pensions and \$39,627,832 related to OPEB, resulting in unrestricted net position of (\$21,811,130).
- Auxiliary Services, specifically Residence Life and Housing, closed the year with an operating surplus in excess of \$500,000, in contrast to a similar operating loss in FY 2017. The year closed in a favorable position, despite occupancy being below 100%, as the result of strict budget oversight that included budget adjustments to reduce spending as a result of a mid- year review

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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 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 \$57,456,102 at the close of Fiscal Year 2018.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

**Worcester State University's Net Position as of
June 30, 2018, with comparative data as of June 30, 2017**

	2018	2017
Current and other assets	\$ 53,513,360	\$ 51,803,517
Capital assets	102,366,458	107,486,081
Total assets	155,879,818	159,289,598
Deferred outflows of resources	11,785,378	7,714,625
Non-current outstanding liabilities	84,077,959	46,041,055
Other liabilities	12,978,007	12,939,451
Total liabilities	97,055,966	58,980,506
Deferred inflows of resources	13,178,128	8,117,667
Net position		
Invested in capital assets, net of related debt	79,046,212	83,469,474
Restricted	221,020	305,250
Unrestricted	(21,811,130)	16,071,326
Total net position	\$ 57,456,102	\$ 99,846,050
<u>Net position analysis</u>		
	2018	2017
Invested in capital assets, net	\$ 79,046,212	\$ 83,469,474
Restricted reserves, expendable for:		
Other	90,205	178,233
Capital projects	130,815	127,017
Total restricted reserves, expendable	221,020	305,250
Unrestricted net position		
Accumulated Commonwealth of MA retirement obligations - Pension	(18,014,320)	(18,674,184)
Accumulated Commonwealth of MA retirement obligations - OPEB	(39,627,832)	
Unrestricted reserves from operations	35,831,022	34,745,510
Total net unrestricted reserves	(21,811,130)	16,071,326
Total net position	\$ 57,456,102	\$ 99,846,050

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

A portion of the Worcester State University's net assets (less than 1.0 percent) as of June 30, 2018 represent funds that are subject to external restrictions on how they must be used. Unrestricted net reserves from operations of \$35,831,022 at June 30, 2018 may be used to meet the University's ongoing obligations to its stakeholders. The University's net position decreased by \$4,993,357 during the year ended June 30, 2018. At the end of the current fiscal year, Worcester State University reports a positive balance in restricted reserves, a positive balance in unrestricted reserves from operations and accumulated net negative obligations for the allocated share of the Commonwealth of Massachusetts pension and OPEB plans.

The University's primary reserve ratio, calculated as expendable net position divided by total expenses, is 35.05% and 34.56%, respectively, for the years ended June 30, 2018 and June 30, 2017. 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 implementation of Government Accounting Standard Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment benefits Other Than Pensions (OPEB)*, for the fiscal year ended June 30, 2018 requires the posting of a prior period adjustment as of July 1, 2017 to record the University's allocation of the Commonwealth's net OPEB liability. The prior period adjustment reduces University net position at the beginning of the fiscal year by \$37,396,591.

In FY 2014 GASB 68 was implemented which required the annual accrual of the University's allocation of the Commonwealth's net pension liability. In FY 2018, an additional accrual of pension and insurance expense of \$2,907,012 was recorded in order to reflect the University's allocation of the Commonwealth's accrued obligations of pension and OPEB liabilities.

The application of GASB 68 and GASB 75 requires certain reporting and disclosures with regard to the Massachusetts State Employees' Retirement System (MSERS). The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts. The allocation provided to the University from the Commonwealth of Massachusetts Comptroller's Office reflects the University's proportionate share of the net pension liability related to its participation in MSERS. The University's participation in MSERS is directly related to the share of annual payroll costs funded from campus based trust funds in contrast to payroll expended from annual operating appropriations allocated to the University from Commonwealth resources. In FY 2018 payroll funded from campus based trust funds was \$11,336,488, total payroll costs for FY 2018 were \$38,319,515.

The University's return on net position ratio, calculated as the change in total net position divided by total net assets – beginning of the year, is (5.0)% and (4.25)%, respectively, for the years ended June 30, 2018 and June 30, 2017. 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.

Construction of the Wellness Center was completed in FY 2017 and projects completed in FY 2018 were concentrated on repairs and deferred maintenance, the majority of which were expended as they did not extend the existing useful lives of the structures. While there were smaller scale projects completed during the year, the value of capitalized assets was down significantly compared to the previous years. In years of significant infrastructure investment the net position ratio experiences a spike in value which levels out when the campus returns to traditional deferred maintenance and infrastructure investments levels.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The net operating revenue ratio is (5.32)% and (4.64)%, respectively, for the years ended June 30, 2018, and June 30, 2017. 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 position.

In FY 2018 the University experienced a net loss before other revenue, expenses, gains or losses of \$(5,346,076), including the net posting of year end accruals related to the Commonwealth of Massachusetts pension and other postemployment benefits (OPEB) of \$2,907,012. Overall the revenues generated, when combined with non-operating revenues, exceeded operating expenses excluding depreciation expense (non-cash item). Operating results, exclusive of the retirement and OPEB accruals and posting of annual depreciation, exceeded annual budget expectations with a surplus falling to reserves of \$2,086,345 as compared to the transfer to reserves planned for in the FY 2018 budget of \$2,443,827

Net capital assets decreased by \$5,119,623 in FY 2018, while depreciation expense on capital assets was \$5,655,439. The University's viability ratio, calculated as expendable net position divided by long term debt, is 1 : 1.54 and 1 : 1.45 respectively, as of June 30, 2018 and June 30, 2017. The viability ratio measures the availability of expendable net position to cover debt as of the statement of net position date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net position to satisfy its debt obligations as of the statement of net position date.

The University's results from operations for the year ended June 30, 2018 were in line with the approved budget for the year. The annual operating budget excludes accruals for depreciation expense and the allocation of Commonwealth of Massachusetts liabilities for pension and postemployment benefits other than pensions (OPEB), which significantly impact the presentation of the University's operating results. As anticipated through the budget process the University ended the year with a planned operating surplus in the Capital Improvement Trust Fund and a modest operating surplus in the General Purpose Trust Fund. The results are also consistent with the University's five year capital financing plan which focuses on growth of unrestricted reserves from operations through net revenue accumulation in the Capital Improvement Trust Fund and a targeted annual operating surplus in the General Purpose Trust Fund. While net unrestricted reserves and total net position are significantly impacted by depreciation expense and the required allocation of retirement plan accruals to the University, we are progressing toward University goals with regard to the growth of unrestricted cash within the campus based trust funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Worcester State University's Statement of Revenues, Expenses and Changes in Net Assets for the year ended June 30, 2018 with comparative data for the year ended June 30, 2017

	2018	2017
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 50,357,398	\$ 48,483,889
Operating grants and contributions	13,902,376	13,007,729
Sales and services of auxiliary enterprises and other sources	796,446	440,172
Total operating revenues	65,056,220	61,931,790
Operating Expenses		
Instruction	36,603,957	35,523,651
Public service	1,512,400	1,270,991
Academic support	7,514,332	7,072,401
Student service	11,253,631	11,153,602
Institutional support	13,849,274	14,397,858
Operations and maintenance of plant	14,219,747	11,230,348
Scholarships	2,634,749	2,763,487
Depreciation	5,655,439	5,328,423
Debt service	695,557	497,152
Auxiliary enterprises	11,839,524	12,170,935
Total operating expense	105,778,610	101,408,848
Net operating loss	(40,722,390)	(39,477,058)
Non-operating revenues (expenses)		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	35,415,371	35,169,690
Investment income (loss)	(77,486)	(195,547)
Other and transfers	38,429	7,120
Total non-operating revenues	35,376,314	34,981,263
Loss before other revenues, expenses, gains or losses	(5,346,076)	(4,495,795)
Capital appropriations	352,719	62,652
Change in net position	(4,993,357)	(4,433,143)
Net position - July 1	99,846,050	104,279,193
Adoption of accounting principal	(37,396,591)	-
Net position - June 30	\$ 57,456,102	\$ 99,846,050

State appropriations for operations, including fringe benefits and net of tuition remission, experienced a net increase in FY 2017. The Commonwealth of Massachusetts final budget for FY 2018 did not include any additional dollars for Worcester State University.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

State appropriations are reported net of the amount of in-state day school tuition collected by the University on behalf of the Commonwealth. The in-state day tuition collected is remitted back to the Commonwealth as dictated by Massachusetts General Law. Included in State appropriations are the fringe benefit costs for University employees paid by the Commonwealth. Capital appropriations are funded by Massachusetts General Obligation Bonds which are issued to fund Commonwealth infrastructure improvements. The funds are provided to the campus in the form of a capital grant and as such the University is not responsible for repayment of the funds.

The following schedule details the Commonwealth appropriations received by the University for the years ending June 30, 2018 and June 30, 2017, respectively.

	2018	2017
State Appropriations	\$ 26,633,223	\$ 26,666,525
Appropriations to cover fringe benefits provided to employees of the Commonwealth	9,264,372	9,065,561
Tuition remitted back to the State	(482,224)	(562,396)
Net appropriations	35,415,371	35,169,690
Additional State capital appropriations	352,719	62,652
Total Appropriations	<u>\$ 35,768,090</u>	<u>\$ 35,232,342</u>

Loss from Operations

State appropriations are a significant 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, 2018 and 2017, respectively

	2018	2017	Change
Net Tuition and Fee Revenue	\$ 50,357,398	\$ 48,483,889	\$ 1,873,509
Other Revenue, net of Student Financial Aid	14,698,822	13,447,901	1,250,921
Operational Expenses	(105,778,610)	(101,408,848)	(4,369,762)
Operating loss	(40,722,390)	(39,477,058)	(1,245,332)
Commonwealth direct appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	35,415,371	35,169,690	245,681
Investment and non-operating income	(39,057)	(188,427)	149,370
Capital appropriations	352,719	62,652	290,067
Change in net position	<u>\$ (4,993,357)</u>	<u>\$ (4,433,143)</u>	<u>\$ (560,214)</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets and Debts of the University

Capital Assets: Worcester State University's investment in capital assets as of June 30, 2018 amounts to 102,366,458 net of accumulated depreciation, compared to \$107,486,081 net of accumulated depreciation as of June 30, 2017. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2018 gross capital assets increased by \$535,815. The increase was related to the replacement of the roof on the Student Center building.

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

Long-Term Debt

Compensated Absences

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

MHEFA Financing

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

Massachusetts Development Financing Agency (MDFA) Clean Renewable Energy Bond.

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

Massachusetts State College Building Authority (MSCBA) WSU Student Life Project

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Economic Factors that will affect the Future:

The FY 2019 budget cycle began with a detailed review of all accounts by department within each division. This review was conducted over a two day period with participation from division leadership and various budget managers from across the University. A detailed review of this nature has not been performed over the past ten years. The process provided a view into the overall financial framework of the University's operations and a clearer understanding of the manner in which resources are allocated and expended.

Budget discussions primarily focused on increasing demands on resources noting that pressures ebb and flow but more recently those pressures have escalated as they are coming from all aspects of the University's operations. It has been noted that 75% of the operating budget is comprised of fixed or semi-fixed costs. Discretionary spending of approximately \$11m (25% of operating budget) has been subject to scrutiny over recent years and more so during this budget cycle.

The charge for the FY 2019 budget cycle was for each division to identify reductions in the range of 3% - 5% of the overall divisional budgets. The final budget for FY 2019 reflects a collective reduction in discretionary spending lines by 2.67%, as a result of division guided reductions across the University. The reductions achieved through this process have been re-allocated towards the Capital Adaptation and Renewal line to address increasing campus deferred maintenance needs.

Demands on resources to address campus infrastructure are two-fold. Deferred maintenance and adaption projects address the ongoing operational needs of the institution. It has become increasingly difficult to keep up with the cost associated with this work even at a minimal commitment of 5% of university revenues. The 5% figure is a benchmark established for the State University campuses by the Board of Higher Education years ago and requires an additional \$700,000 investment to maintain this level in FY 2019. Long term planning for campus infrastructure requires a multi-year strategy to build unrestricted reserves from operations. The University has a process in place to plan for and assess the results of stabilizing reserves by updating its capital financing plan on an annual basis and focusing on strict budget controls to ensure an annual operating surplus is returned to reserves to provide financial leverage for future large scale capital projects

In June of 2018 the Commonwealth announced a plan to address the backlog of infrastructure repairs on Massachusetts Higher Education campuses. The Governor's Capital Investment Plan includes \$250M over the next five years (FY 19-23) to address Critical Repairs. Critical Repairs projects are smaller scale, building-specific, and involve renewal, repair and replacement of equipment and systems. Critical Repairs projects are managed directly by the individual campuses. The five-year allocation represents a new approach that provides predictable discretionary funds, allows more autonomy in campus prioritization over five years, and addresses the highest priority needs as identified through an independent facility condition assessments. Worcester State University will be receiving \$12.4M of critical repairs funds over the next five year. When combined with projected local funding of 5% capital adaptation and renewal funds, the University is on track to invest \$32.4M in campus infrastructure repairs and improvements through 2023.

The most immediate and significant pressure on the budget is annual collective bargaining costs and fringe benefit costs. The increased costs to the FY 2019 operating budget due to these items is approximately \$2M. While just recently ratified, FY2019 is year two of a three year contract for APA and MSCA members. AFSCME is still in negotiations. The Commonwealth will be funding the retroactive application of negotiated salary increases. The University Board of Trustees voted to fund the projected collective bargaining costs and related fringe benefits with an increase in student fees. A final 2% increase for FY 2020 will be effective July 1, 2019 and will need to be funded by the University in the FY 2020 operating budget.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The comprehensive budget reflects the actions taken by the Board of Trustees in April to fund expected increased costs in FY 2019. The General Fee has been increased by 8% over the previous year. The annual increase in the General Fee of \$629 has been distributed to the Capital Adaptation and Renewal budget line at annual rate of increase of \$109 per full time student. The remainder of the annual General Fee increase of \$520 per full time student has been distributed to the Regular Employee (AA) and Staff Benefit Expenses (DD) lines.

The Commonwealth completed its FY 2019 budget process in August 2018. The State University incentive funds were approved as a 1% increase in base appropriation for the campuses. In addition, the cost of collective bargaining increases that went in to effect in the past (FY 2017), and are currently paid from campus resources, have been funded in our base appropriation in a prospective manner.

Requests for Information

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

DISCUSSION DRAFT 10/5/18

FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	Worcester State University		Component Unit Worcester State Foundation	
	2018	2017	2018	2017
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 18,222,388	\$ 16,134,966	\$ 1,464,949	\$ 1,119,146
Cash held by State Treasurer	5,354,491	5,202,770	-	-
Cash held by Foundation	82,004	125,004	-	-
Accounts receivable, net	1,234,089	1,174,544	2,036	2,000
Current portion of loans receivable	196,129	196,129	-	-
Current portion of contributions receivable	-	-	422,410	596,722
Inventories	35,465	34,593	70,540	60,884
Prepaid expenses and other current assets	207,136	180,585	17,017	29,816
Total current assets	<u>25,331,702</u>	<u>23,048,591</u>	<u>1,976,952</u>	<u>1,808,568</u>
Non-current Assets:				
Investments	19,868,723	20,046,060	27,418,177	22,008,634
Deposits held with trustee	249,214	249,214	-	-
Loans receivable, less current portion	489,262	649,383	-	-
Contributions receivable, less current portion	-	-	965,109	1,149,939
Other non-current assets	7,574,459	7,810,269	348,747	320,421
Capital assets, net of accumulated depreciation	102,366,458	107,486,081	4,259,184	4,403,923
Total non-current assets	<u>130,548,116</u>	<u>136,241,007</u>	<u>32,991,217</u>	<u>27,882,917</u>
Total assets	<u>155,879,818</u>	<u>159,289,598</u>	<u>34,968,169</u>	<u>29,691,485</u>
DEFERRED OUTFLOWS OF RESOURCES				
Resources related to pension and OPEB obligations	11,697,668	7,621,068	-	-
Loss on refunding of long-term debt	87,710	93,557	-	-
Total deferred outflows of resources	<u>11,785,378</u>	<u>7,714,625</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Current portion of bonds payable	680,667	660,667	17,504	14,809
Current portion of capital lease obligation	115,923	412,606	-	-
Accounts payable	1,448,856	1,842,747	93,647	82,166
Accrued payroll and fringe benefits	4,989,805	4,269,045	-	-
Accrued interest and other liabilities	674,976	122,197	39,001	29,239
Funds held for others	-	-	108,446	156,221
Student deposits and unearned revenue	1,313,189	1,853,750	82,369	65,209
Current portion of split-interest agreements	-	-	49,536	49,536
Current portion of accrued workers' compensation	256,260	149,143	-	-
Current portion of accrued compensated absences	3,473,331	3,629,296	-	-
Total current liabilities	<u>12,953,007</u>	<u>12,939,451</u>	<u>390,503</u>	<u>397,180</u>
Non-current liabilities:				
Bonds payable, less current portion	22,733,135	23,449,497	2,709,528	2,641,073
Capital lease obligation, less current portion	40,211	115,572	-	-
Split-interest agreements, less current portion	-	-	32,518	77,518
Accrued workers' compensation, less current portion	734,091	640,790	-	-
Accrued compensated absences, less current portion	2,150,057	2,171,167	-	-
Accrued pension and OPEB obligations	57,642,152	18,674,184	-	-
Refundable grant - federal financial assistance program	778,313	989,845	-	-
Total liabilities	<u>97,030,966</u>	<u>58,980,506</u>	<u>3,132,549</u>	<u>3,115,771</u>
DEFERRED INFLOWS OF RESOURCES				
Resources related to pension and OPEB obligations	7,876,600	2,464,365	-	-
Deferred service concession arrangements	5,301,528	5,713,302	-	-
Total deferred inflows of resources	<u>13,178,128</u>	<u>8,177,667</u>	<u>-</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net	79,046,212	83,469,474	-	-
Restricted - Non-expendable	-	-	17,560,594	14,248,420
Restricted - Expendable	221,020	305,250	10,054,915	8,842,065
Unrestricted	(21,811,130)	16,071,326	4,220,111	3,485,229
Total net position	<u>\$ 57,456,102</u>	<u>\$ 99,846,050</u>	<u>\$ 31,835,620</u>	<u>\$ 26,575,714</u>

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, 2018 AND 2017

	Worcester State University		Component Unit Worcester State Foundation	
	2018	2017	2018	2017
REVENUES				
Operating Revenues:				
Student tuition and fees	\$ 47,455,790	\$ 45,060,846	\$ 408,874	\$ 387,205
Auxiliary enterprises, student housing	12,163,982	11,837,360	-	-
Less: Scholarship discounts and allowance	9,262,374	8,414,317	-	-
Net student tuition and fees	50,357,398	48,483,889	408,874	387,205
Contributions	-	-	2,402,945	2,694,998
Federal grants and contracts	8,133,879	7,144,353	-	-
State and local grants and contracts	1,340,704	1,328,165	-	-
Nongovernmental grants and contracts	3,162,615	3,502,787	-	-
Auxiliary enterprises, other	796,446	440,172	227,550	218,613
Other operating revenues	1,265,178	1,032,424	251,925	261,196
Total operating revenues	65,056,220	61,931,790	3,291,294	3,562,012
EXPENSES				
Operating expenses:				
Instruction	36,603,957	35,523,651	-	-
Public service	1,512,400	1,270,991	-	-
Academic support	7,514,332	7,072,401	-	-
Student services	11,253,631	11,153,602	-	-
Institutional support	13,849,274	14,397,858	1,267,637	1,229,821
Operation and maintenance of plant	14,219,747	11,230,348	137,070	134,189
Scholarship	2,634,749	2,763,487	520,698	524,103
Depreciation	5,655,439	5,328,423	207,874	212,506
Debt service	695,557	497,152	98,453	61,011
Auxiliary enterprises	11,839,524	12,170,935	-	-
Total operating expenses	105,778,610	101,408,848	2,231,732	2,161,630
Operating loss	(40,722,390)	(39,477,058)	1,059,562	1,400,382
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	35,415,371	35,169,690	-	-
Interest and investment income (loss)	(77,486)	(195,547)	1,928,480	2,590,431
Other payments to Worcester State University	-	-	(982,032)	(896,000)
Other non-operating revenues	38,429	7,120	-	-
Net non-operating revenues	35,376,314	34,981,263	946,448	1,694,431
Income (loss) before other revenues, expenses, gains, or losses	(5,346,076)	(4,495,795)	2,006,010	3,094,813
Capital appropriations	352,719	62,652	-	-
Additions to permanent endowments	-	-	3,253,896	1,213,605
Change in net position	(4,993,357)	(4,433,143)	5,259,906	4,308,418
NET POSITION				
Beginning of year	99,846,050	104,279,193	26,575,714	22,267,296
Adoption of accounting principle	(37,396,591)	-	-	-
End of year	\$ 57,456,102	\$ 99,846,050	\$ 31,835,620	\$ 26,575,714

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, 2018 AND 2017

	Primary Government	
	2018	2017
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 47,617,572	\$ 46,805,606
Federal grants and contracts	8,133,879	7,144,353
State and local grants and contracts	1,340,704	1,328,165
Nongovernmental grants and contracts	3,162,615	3,502,787
Auxiliary enterprise charges	796,446	440,172
Employee compensation and fringe benefit payments	(61,594,717)	(63,187,831)
Payments to suppliers	(32,245,818)	(31,249,895)
Interest paid	(142,778)	(571,953)
Loans repaid by students	160,121	109,489
Other receipts	884,756	1,248,504
Net cash used in operating activities	<u>(31,887,220)</u>	<u>(34,430,603)</u>
Cash flows from noncapital financing activities:		
State appropriations	35,415,371	35,169,690
Net deposits	<u>(3,545)</u>	<u>352</u>
Net cash provided by noncapital financing activities	<u>35,411,826</u>	<u>35,170,042</u>
Cash flows from capital and related financing activities:		
Capital appropriations	352,719	62,652
Purchases of capital assets	(474,363)	(8,105,689)
Principal payments of bonds payable	(696,362)	(671,361)
Principal payments of capital lease obligation	(433,497)	(504,924)
Decrease in cash restricted for capital activities	-	-
Decrease in deferred loss on refunding of bonds payable	5,847	5,848
Perkins loan program, net funds paid	(211,532)	(3,933)
Other activities	<u>38,429</u>	<u>7,120</u>
Net cash used in capital and related financing activities	<u>(1,418,759)</u>	<u>(9,210,287)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	2,679,387	7,491,599
Purchases of investments	(3,023,347)	(7,774,380)
Interest and investment income	<u>434,256</u>	<u>519,641</u>
Net cash provided by investing activities	<u>90,296</u>	<u>236,860</u>
Net increase (decrease) in cash and cash equivalents	2,196,143	(8,233,988)
Cash and cash equivalents, beginning of year	<u>21,462,740</u>	<u>29,696,728</u>
Cash and cash equivalents, end of year	<u>\$ 23,658,883</u>	<u>\$ 21,462,740</u>

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017
(Continued)

	Primary Government	
	2018	2017
Reconciliation of operating loss to		
net cash used in operating activities:		
Operating loss	\$ (40,722,390)	\$ (39,477,058)
Adjustments to reconcile operating loss to net cash		
used in operating activities:		
Depreciation expense	5,655,439	5,328,423
Amortization of other assets	235,810	235,810
(Increase) decrease in operating assets and		
deferred outflows:		
Accounts receivable, net	(59,545)	635,958
Loans receivable	160,121	109,489
Inventories	(872)	(704)
Prepaid expenses and other assets	(16,996)	55,879
Resources related to pension and OPEB obligations	2,907,012	1,543,489
Increase (decrease) in operating liabilities and		
deferred inflows:		
Accounts payable	(393,891)	(553,296)
Accrued payroll and fringe benefits	720,760	(2,725,940)
Accrued interest and other liabilities	552,779	(74,801)
Accrued workers' compensation	200,418	176,693
Student deposits and unearned revenue	(537,016)	366,570
Accrued compensated absences	(177,075)	360,660
Deferred service concession arrangements	(411,774)	(411,775)
Net cash used in operating activities	<u>\$ (31,887,220)</u>	<u>\$ (34,430,603)</u>

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

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

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Worcester State University (the "University") is a public, state-supported University, located in Worcester, Massachusetts. The University is governed by a local Board of Trustees under the discretion of the Massachusetts Department of Higher Education. 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, 2018 and 2017, the Foundation distributed \$1,502,730 and \$1,420,103, 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).

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 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.

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.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

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

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.

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through ____, 2018, 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 both the State Treasurer and Worcester State Foundation, Inc. for the benefit of the University and all debt securities with a maturity of three months or less to be cash equivalents.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, temporary investments, and investments (continued)

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.

Fair value measurements

The University follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This Statement defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles, and expands disclosures about fair value measurements.

The University uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with GASB 72, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in many instances, there may be no quoted market prices for the University's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

In accordance with GASB 72, the University groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The University's component unit utilizes a similar market approach which uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities

Allowance for doubtful accounts

Accounts receivable are reported at the amount management expects to collect in the future on balances outstanding at year end. Management estimates allowances for losses based on the history of collections and the knowledge acquired about specific items. Adjustments to the allowance are charged to bad debt expense. Interest is not charged on accounts receivable. Uncollectible amounts are written off against the reserve when deemed uncollectible; recoveries are recorded when received. An amount is considered uncollectible when reasonable efforts to collect the account have been exhausted.

Inventories

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

Loans receivable and payable

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

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

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. 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.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student deposits and unearned revenue

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

Bond premiums

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

Funds held for others

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

State appropriations

The University's unrestricted State appropriations amounted to \$35,897,594 and \$35,732,086 for the years ended June 30, 2018 and 2017, respectively. State supported tuition, in the amounts of \$482,223 and \$562,396 for the years ended June 30, 2018 and 2017, 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 \$57,404 and \$55,808 as of June 30, 2018 and 2017, respectively.

Pension plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Massachusetts State 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.

Other Postemployment benefits plan (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Commonwealth of Massachusetts Postemployment Benefits Other Than Pensions Plan and additions to/deductions from this plan's fiduciary net position have been determined on the same basis as they are reported by the Commonwealth of Massachusetts. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation leave is the amount earned by all eligible employees through June 30, 2018. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fringe benefits

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

Trust funds

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

Tax status

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

New government accounting pronouncements

GASB Statement No. 83, *Accounting for Certain Asset Retirement Obligations*, is required for periods beginning after June 15, 2018. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based in the guidance in this statement. Management is in the process of reviewing this statement and potential effects on their financial reporting.

GASB Statement No. 85, *Omnibus 2017*, is required for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including goodwill, fair value measurements, and postemployment benefits (pensions and other postemployment benefits). Management is in the process of reviewing this statement and potential effects on their financial reporting.

GASB Statement No. 87, *Leases* is required for periods beginning after December 15, 2019. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement established as single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. It requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Management is in the process of reviewing this statement and potential effects on their financial reporting.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - ADOPTION OF ACCOUNTING PRINCIPLE

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this Statement is to improve 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. GASB Statement No. 75 is effective for financial statements for periods beginning after June 15, 2017. 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 other post-employment benefits from which certain University employees receive benefits, along with related deferred inflows and outflows. The adoption of GASB Statement No. 75 resulted in a restatement of opening net position by (\$37,396,591) for the year ended June 30, 2018. As allowed by GASB 78, management has reviewed the available pension information and determined a full restatement of the 2017 financial statements to be impractical.

3 - CASH AND TEMPORARY INVESTMENTS

The University's cash and temporary investments are as follows as of June 30, 2018 and 2017:

	2018	2017
Carrying amount	\$ 18,222,388	\$ 16,134,966
Bank balance	\$ 20,594,083	\$ 18,727,294
Less amounts		
Covered by depository insurance	1,523,204	1,523,204
Collateralized repurchase agreements	13,501,575	11,508,771
Remaining bank balance	\$ 5,569,304	\$ 5,695,319

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, 2018 and 2017, the University held \$228,757 and \$237,734 respectively, in money market funds maintained by its investment custodian.

As of June 30, 2018 and 2017, the University was party to a repurchase agreement with a bank. The value of this agreement was \$13,501,575 and \$11,508,771 as of June 30, 2018 and 2017, 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 \$940,391 and \$1,135,691 as of June 30, 2018 and 2017, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$4,414,100 and \$4,067,079 as of June 30, 2018 and 2017, respectively. None of these cash balances are insured or collateralized.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - INVESTMENTS

The University maintains pooled investments in long-term U.S. Treasury and Agency Securities. The fair value of these investments as of June 30, 2018 and 2017 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2018</u>				
Investment type				
U.S. Treasuries	\$ 15,329,717	\$ 182,414	\$ 11,093,763	\$ 4,053,540
U.S. Agencies	4,539,006	1,328,709	2,900,542	309,755
Total	<u>\$ 19,868,723</u>	<u>\$ 1,511,123</u>	<u>\$ 13,994,305</u>	<u>\$ 4,363,295</u>
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2017</u>				
Investment type				
U.S. Treasuries	\$ 14,090,728	\$ -	\$ 8,672,573	\$ 5,418,155
U.S. Agencies	5,955,332	1,338,909	4,293,242	323,181
Total	<u>\$ 20,046,060</u>	<u>\$ 1,338,909</u>	<u>\$ 12,965,815</u>	<u>\$ 5,741,336</u>

Interest Rate Risk

The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average life of the maturities is evaluated regularly with the weighted average life of the portfolio being limited to five years or less, whenever possible. The weighted average life of the portfolio at June 30, 2017 was 3.9 years.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - INVESTMENTS (Continued)

Custodial Credit Risk (continued)

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

	2018	2017
Interest	\$ 443,811	\$ 485,315
Realized loss on investments	-	(93,223)
Unrealized loss on investments	(521,297)	(587,639)
	<u>\$ (77,486)</u>	<u>\$ (195,547)</u>

Component Unit

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

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 371,393	\$ 371,393	\$ 460,364	\$ 460,364
Mutual funds - equity based	12,273,521	15,254,046	10,179,765	12,289,594
Mutual funds - bonds based	6,849,863	6,618,181	4,508,450	4,418,893
Security based investment fund	5,086,768	4,738,805	4,450,575	4,432,437
Limited partnership interest	250,000	435,752	250,000	407,346
	<u>\$ 24,831,545</u>	<u>\$ 27,418,177</u>	<u>\$ 19,849,154</u>	<u>\$ 22,008,634</u>

6 - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

U.S. treasury securities and U.S. agency securities: Valued at the closing price reported in the active market in which the individual securities are traded.

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

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2018 as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Treasuries	\$ 15,329,717	\$ -	\$ -	\$ 15,329,717
U.S. Agencies	4,539,006	-	-	4,539,006
Total investments, at fair value	<u>\$ 19,868,723</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,868,723</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - FAIR VALUE MEASUREMENTS (Continued)

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2017 as follows:

	Level 1	Level 2	Level 3	Total
Investments:				
U.S. Treasuries	\$ 14,090,728	\$ -	\$ -	\$ 14,090,728
U.S. Agencies	5,955,332	-	-	5,955,332
Total investments, at fair value	<u>\$ 20,046,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,046,060</u>

The University does not measure any liabilities at fair value on a recurring or non-recurring basis on the statement of net position.

7 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2018 and 2017:

	2018	2017
Students	\$ 803,705	\$ 664,245
Other	729,741	758,449
	1,533,446	1,422,694
Less: Allowance for uncollectible accounts	<u>299,357</u>	<u>248,150</u>
	<u>\$ 1,234,089</u>	<u>\$ 1,174,544</u>

8 - CONTRIBUTIONS RECEIVABLE – COMPONENT UNIT

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue.

Payments of contributions receivable as of June 30, 2018 are expected to be received as follows:

2019	\$ 422,410
2020	205,157
2021	169,468
2022	202,905
2023	108,098
Thereafter	<u>387,254</u>
	1,495,292
Less: Discount on contributions receivable	<u>107,773</u>
	<u>\$ 1,387,519</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - 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 \$249,214 as of June 30, 2018 and 2017.

10 - LOANS RECEIVABLE

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 \$685,391 and \$845,512 at June 30, 2018 and 2017, respectively, represents student loans issued through the Perkins Loans program and consists of the following as of June 30, 2018 and 2017:

	2018	2017
Enrolled students	\$ 139,424	\$ 380,768
Repayment on schedule	234,793	128,047
In default	311,174	336,697
	<u>\$ 685,391</u>	<u>\$ 845,512</u>

11 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	1,066,764	-	1,066,764	-
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	153,632,580	1,541,126	-	155,173,706
Furnishings and equipment	13,624,845	61,453	-	13,686,298
Books	-	-	-	-
Total capital assets	<u>173,786,748</u>	<u>1,602,579</u>	<u>1,066,764</u>	<u>174,322,563</u>
Less accumulated depreciation for				
Land improvements	3,899,563	242,348	-	4,141,911
Buildings, including improvements	51,905,634	4,647,895	-	56,553,529
Furnishings and equipment	10,495,470	765,195	-	11,260,665
Total accumulated depreciation	<u>66,300,667</u>	<u>5,655,438</u>	<u>-</u>	<u>71,956,105</u>
Capital assets, net	<u>\$107,486,081</u>	<u>\$ (4,052,859)</u>	<u>\$ 1,066,764</u>	<u>\$102,366,458</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - CAPITAL ASSETS (Continued)

Capital assets activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	48,474,306	14,278,897	61,686,439	1,066,764
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	100,241,213	53,391,367	-	153,632,580
Furnishings and equipment	11,316,890	2,307,955	-	13,624,845
Books	235,704	-	235,704	-
Total capital assets	165,730,672	69,978,219	61,922,143	173,786,748
Less accumulated depreciation for				
Land improvements	3,657,214	242,349	-	3,899,563
Buildings, including improvements	47,728,335	4,177,299	-	51,905,634
Furnishings and equipment	9,822,398	673,072	-	10,495,470
Total accumulated depreciation	61,207,947	5,092,720	-	66,300,667
Capital assets, net	<u>\$104,522,725</u>	<u>\$ 64,885,499</u>	<u>\$ 61,922,143</u>	<u>\$107,486,081</u>

12 - 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 and 2022 and 2026. 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, 2018 and 2017, in the amounts of \$8,971,063 and \$8,734,911, 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.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - DEFERRED SERVICE CONCESSION ARRANGEMENTS

Deferred service concession arrangements at June 30, 2018 and 2017 in the amounts of \$5,301,528 and \$5,713,302, 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 \$411,775 as of June 2018 and 2017.

14 - LONG-TERM LIABILITIES

Long-term liabilities of the university at June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 24,110,164	\$ -	\$ 696,362	\$ 23,413,802	\$ 680,667
Capital lease obligations	528,178	61,453	433,497	156,134	115,923
Accrued workers' compensation	789,933	200,418	-	990,351	256,260
Accrued compensated absences	5,800,463	-	177,075	5,623,388	3,473,331
Accrued pension and OPEB obligations	18,674,184	38,967,968	-	57,642,152	-
Refundable grant	989,845	-	211,532	778,313	-
	<u>\$ 50,892,767</u>	<u>\$ 261,871</u>	<u>\$ 2,178,330</u>	<u>\$ 48,976,308</u>	<u>\$ 4,551,181</u>

Long-term liabilities of the university at June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds payable	\$ 24,781,525	\$ -	\$ 671,361	\$ 24,110,164	\$ 660,667
Capital lease obligations	918,614	114,488	504,924	528,178	412,606
Accrued workers' compensation	613,240	368,125	191,432	789,933	149,143
Accrued compensated absences	5,439,803	360,660	-	5,800,463	3,629,296
Accrued pension obligations	18,901,770	-	227,586	18,674,184	-
Refundable grant	993,778	-	3,933	989,845	-
	<u>\$ 51,648,730</u>	<u>\$ 843,273</u>	<u>\$ 1,599,236</u>	<u>\$ 50,892,767</u>	<u>\$ 4,851,712</u>

15 - BONDS PAYABLE

(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.

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NOTES TO FINANCIAL STATEMENTS
(Continued)

15 - BONDS PAYABLE (Continued)

(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 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, 2018, was \$5,848. The remaining loss to be amortized at June 30, 2018 is \$87,709.

(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, 2018 is as follows:

	2018	2017
(A) Bond payable, MDFA 2007 Series	\$ 82,667	\$ 103,333
(B) Bond payable, MDFA 2012 Series	9,489,342	9,784,965
(C) Bond payable, MSCBA	13,841,793	14,221,866
	23,413,802	24,110,164
Less: Current maturities	680,667	660,667
	<u>\$ 22,733,135</u>	<u>\$ 23,449,497</u>

Debt service requirements as of June 30, 2018 are as follows:

Year Ended June 30	Principal	Interest
2019	\$ 680,667	\$ 705,948
2020	705,667	679,088
2021	730,667	654,488
2022	760,667	623,363
2023	770,000	593,563
2024 - 2028	5,985,000	2,434,233
2029 - 2033	6,910,000	1,492,125
2034 - 2038	3,205,000	733,650
2039 - 2043	2,930,000	223,050
	22,677,668	8,139,508
Unamortized premium	736,134	-
	<u>\$ 23,413,802</u>	<u>\$ 8,139,508</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - 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. Operating lease expenditures were \$6,727 and \$6,420 for 2018 and 2017, respectively.

Property and equipment includes the following acquired under capital lease agreements:

	2018	2017
Buildings, including improvements	\$ 789,809	\$ 789,809
Furnishings and equipment	1,019,371	957,918
Total capital assets	1,809,180	1,747,727
Less: Accumulated depreciation	1,250,496	990,365
	<u>\$ 558,684</u>	<u>\$ 757,362</u>

Future minimum lease payments under leases, together with the present value of future minimum lease payments as of June 30, 2018 are as follows:

Year Ending	Capital Lease	Operating Lease
2019	\$ 118,459	\$ 51,235
2020	39,316	6,420
2021	1,535	1,070
Total minimum lease payments	159,310	<u>\$ 58,725</u>
Less: Amount representing interest	3,176	
Present value of minimum lease payments	<u>\$ 156,134</u>	

17 - NET POSITION

Unrestricted net position from operations is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position from operations 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, 2018 and 2017, unrestricted net position from operations of \$18,020,120 and \$15,967,165, respectively, has been internally designated by the University for future capital investments. Undesignated unrestricted net position from operations was \$17,810,894 and \$18,778,45 at June 30, 2018 and 2017, respectively.

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:

	2018	2017
Restricted - expendable		
Capital projects	\$ 130,815	\$ 127,017
Scholarships and other grants	90,205	178,233
	<u>\$ 221,020</u>	<u>\$ 305,250</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

17 - NET POSITION (Continued)

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.

18 - 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, 2018 and 2017 of \$2,658,463 and \$2,540,363 respectively, has been recorded in the financial statements.

19 - 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, 2018 and 2017. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$990,351 and \$789,933 as of June 30, 2018 and 2017, respectively have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$601,826 and \$368,125 in 2018 and 2017, respectively. The actual workers' compensation paid by the University was \$391,868 and \$194,479 in 2018 and 2017, respectively.

20 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$2,921,378 for accrued vacation time and \$2,702,010 for accrued sick time as of June 30, 2018 and \$3,011,553 for accrued vacation time and \$2,788,910 for accrued sick time as of June 30, 2017. Of these balances, \$262,485 and \$257,059 for June 30, 2018 and 2017, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,360,903 and \$5,543,404 as of June 30, 2018 and 2017, 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.

21 - 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 2018, the University reimbursed the State a total of \$4,712,200 (\$1,730,320 for pensions and \$2,981,880 for health care premiums). For 2017, the University reimbursed the State a total of \$4,925,072 (\$1,586,119 for pensions and \$3,338,953 for health care premiums).

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - RETIREMENT PLAN

The University reports a liability, deferred outflows and 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.

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

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

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - RETIREMENT PLAN (Continued)

Contributions (continued)

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 11.78% and 9.95% of annual covered payroll for the fiscal years ended June 30, 2018 and June 30, 2017, respectively. The University contributed \$1,421,425 and \$1,098,173 for the fiscal years ended June 30, 2018 and June 30, 2017, equal to 100% of the required contributions for the year.

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

At June 30, 2018 and 2017, the University reported a net pension liability of \$18,014,320 and \$18,674,184 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, 2017, the measurement date, as determined by an actuarial valuation. 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 years 2017 and 2016. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal years 2017 and 2016 relative to total contributions of all participating employers for each respective fiscal year. At June 30, 2017 and 2016, the University's proportion was 0.153% and 0.147% respectively. For the year end June 30, 2018 and 2017, the University recognized pension expense of \$2,435,838 and \$2,655,639, respectively.

At June 30, 2018 and 2017, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2018	2017
Deferred outflows of resources:		
Change in plan actuarial assumptions	\$ 1,874,665	\$ 2,070,843
Differences between expected and actual experience	696,507	886,974
Changes in proportion from Commonwealth of due to internal allocation	2,091,868	2,311,515
Differences between projected and actual earnings on plan investments	-	1,253,563
Contributions subsequent to the measurement date	1,421,424	1,098,173
	<u>\$ 6,084,464</u>	<u>\$ 7,621,068</u>
Deferred inflows of resources:		
Differences between projected and actual earnings on plan investments	\$ 214,641	\$ -
Differences between expected and actual experience	490,124	-
Changes in proportion from Commonwealth of due to internal allocation	1,897,273	2,464,365
	<u>\$ 2,602,038</u>	<u>\$ 2,464,365</u>

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - RETIREMENT PLAN (Continued)

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

Contributions of \$1,421,424 and \$1,098,173, respectively, are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal year 2018 and 2017 subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2019 and 2018. 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:

2019	\$ 889,572
2020	1,375,745
2021	17,456
2022	(219,043)
2023	(2,728)
	<u>\$ 2,061,002</u>

Actuarial Assumptions

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

	<u>2017</u>	<u>2016</u>
Cost of living increases (on the first \$13,000 per year for 2017)	3.0%	3.0%
Salary increases	4.0 to 9.0%	4.0% to 9.0%
Investment rate of return	7.5%	7.5%
Interest rate credit to the annuity savings fund	3.5%	3.5%

Pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2016 and set forward one year for females. Post-retirement mortality rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year for females. Mortality rates for disability were assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct).

Experience studies were performed as of February 27, 2014, encompassing the period January 1, 2006 to December 31, 2011.

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, 2017 and 2016 are summarized in the following table:

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

22 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

Asset Class	Target allocation	Long-term expected real Rate of return	
		2017	2016
Global equity	40%	5.00%	6.90%
Core fixed income	12%	1.10%	1.60%
Hedge funds	0%	3.60%	4.00%
Private equity	11%	6.60%	8.70%
Real estate	10%	3.60%	4.60%
Value added fixed income	10%	3.80%	4.80%
Portfolio completion strategies	13%	3.60%	3.60%
Timber/natural resources	4%	3.20%	5.40%
Total	100%		

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for 2017 and 2016. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2017 and 2016. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one percentage-point higher than the current discount rate:

	2017	2016
1% decrease to 6.5%	\$ 24,534,754	\$ 23,957,506
Current discount rate 7.5%	18,014,320	18,674,184
1% increase to 8.5%	12,761,954	13,876,123

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The University reports a liability, deferred outflows and inflows of resources, and expense as a result of its statutory requirement to contribute to the Commonwealth of Massachusetts Postemployment Benefits Other than Pensions (OPEB) Plan. The following information is about the OPEB Plan:

Plan Description

The Commonwealth of Massachusetts Postemployment Benefits Other than Pensions (OPEB) Plan covers substantially all of the University's non-student full-time employees. It is a cost-sharing multiple-employer defined benefit pension plan administered by the Commonwealth of Massachusetts. Under the cost-sharing plan, certain benefits for retired 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 obligations to the plan. The plan provides health care and life insurance to plan members and beneficiaries.

Benefit Provisions

Chapter 32A of the General Laws of the Commonwealth (MGL), requires the Commonwealth of Massachusetts to provide certain health care and life insurance benefits for retired employees. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care/benefit costs, which are compatible to contributions required from employees.

Contributions

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2017 and 2016 and as of the valuation date (January 1, 2017), Commonwealth participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status. As part of the FY10 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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

At June 30, 2018 the University reported a net OPEB liability of \$39,627,832 for its proportionate share of the net OPEB liability related to its participation in the OPEB Plan. At July 1, 2017 the University had a net OPEB liability of \$38,278,622 for its proportionate share of the net OPEB liability related to its participation in the OPEB Plan. The net OPEB liability was measured as of June 30, 2017, the measurement date, as determined by an actuarial valuation. The University's proportion of the net OPEB liability was based on its share of the Commonwealth of Massachusetts' collective OPEB amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal years 2017 and 2016. The Commonwealth's proportionate share was based on actual employer contributions to the OPEB Plan for fiscal years 2017 relative to total contributions of all participating employers for each respective fiscal year. At June 30, 2017 and 2016, the University's proportion was 0.210% and 0.184% respectively. For the year end June 30, 2018, the University recognized OPEB expense of \$2,968,787.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

At June 30, 2018, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to postemployment benefits other than pensions from the following sources:

Deferred outflows of resources:

Changes in proportion from Commonwealth of due to internal allocation	\$ 4,537,016
Contributions subsequent to the measurement date	1,076,188
	<u>\$ 5,613,204</u>

Deferred inflows of resources:

Change in plan actuarial assumptions	\$ 5,106,724
Differences between expected and actual experience	103,768
Differences between projected and actual earnings on plan investments	64,070
	<u>\$ 5,274,562</u>

Contributions of \$1,076,188 are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal year 2018 subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in OPEB expense as follows:

2019	\$ 30,451
2020	30,451
2021	30,451
2022	30,451
2023	(859,350)
	<u>\$ (737,546)</u>

Actuarial Assumptions

The total OPEB liability for the June 30, 2016 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled back to June 30, 2016. The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. This valuation used the following assumptions:

1. The following annual healthcare cost trend rates: (1) 8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for medical, (2) 5.0% for EGWP and (3) 5.0% for administration costs.
2. The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions (continued)

3. Participation rates:

- a. 100% of all retirees who currently have health care coverage will continue with the same coverage, except that retirees under age 65 with POS/PPO coverage switch to Indemnity at age 65 and those over age 65 with POS/PPO coverage switch to HMO.
- b. All current retirees, other than those indicated on the census data as not being eligible by Medicare, have Medicare coverage upon attainment of age 65, as do their spouses. All future retirees are assumed to have Medicare coverage upon attainment of age 65.
- c. 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.
- d. Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

Investment assets of the Plan are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

Asset Class	Target allocation	Long-term expected real Rate of return	
		2017	2016
Global equity	40%	5.00%	6.90%
Portfolio completion strategies	13%	3.60%	3.60%
Core fixed income	12%	1.11%	1.60%
Private equity	11%	6.60%	8.70%
Value added fixed income	10%	3.80%	4.80%
Real Estate	10%	3.60%	4.60%
Timber/natural resources	4%	3.20%	5.40%
Hedge funds	0%	3.60%	4.00%
Total	100%		

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Discount Rate

The discount rates used to measure the OPEB liability as of June 30, 2017 was 3.63. This rate was based on a blend of the Bond Buyer Index rates of 3.58% respectively as of the measurement date of June 30, 2017 and the expected rates of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017.

Sensitivity Analysis

The following presents the net OPEB liability of the University calculated the discount rate we as what the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one percentage-point higher than the current discount rate:

	2017
1% decrease to 2.63%	\$ 43,603,875
Current discount rate 3.63%	35,883,540
1% increase to 4.63%	29,950,842

The following presents the net OPEB liability of the University, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rate:

	2017
1% decrease to 8.0% for Medical and 4% for EGWP and Administrative costs	\$ 28,512
Current discount rate 9.0% for Medical and 5% for EGWP and Administrative costs	34,662
1% increase to 10.0% for Medical and 6% for EGWP and Administrative costs	42,944

24 - 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 2018 were \$3,401,877 and \$5,862,495, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2017 were \$2,919,554 and \$6,145,977, respectively.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

25 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

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

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

	<u>2018</u>	<u>2017</u>
Direct unrestricted appropriations	\$ 26,633,223	\$ 26,666,525
Fringe benefits for benefitted employees on state payroll	9,264,372	9,065,561
Tuition remitted	<u>(482,224)</u>	<u>(562,396)</u>
Total appropriations	<u>\$ 35,415,371</u>	<u>\$ 35,169,690</u>

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2018 is as follows:

Revenue per MMARS	\$ 74,570,160
Revenue per University	<u>74,716,927</u>
Net reporting classification and differences	<u>\$ (146,767)</u>

26 - 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, 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, 2018 and 2017. 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 \$329,178 and \$318,841 for the years ended June 30, 2018 and 2017 respectively.

The University provides certain operating costs for WSF Real Estate, Inc. in exchange of the use property adjacent to the University campus for various purposes. WSF Real Estate, Inc. is under the control and holds property on behalf of the Foundation. Operating costs provided by the University were \$122,296 and \$92,775 during the years ended June 30, 2018 and 2017, respectively.

WORCESTER STATE UNIVERSITY
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NOTES TO FINANCIAL STATEMENTS
(Continued)

27 - 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, 2018 and 2017 are as follows:

	2018		2017	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 12,514,466	\$ 447,962	\$ 11,837,360	\$ 440,172
Total expenses	11,884,854	477,507	12,398,177	483,289
Increase (decrease) in net position before transfers	<u>\$ 629,612</u>	<u>\$ (29,545)</u>	<u>\$ (560,817)</u>	<u>\$ (43,117)</u>

28 - 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.

29 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2017 financial statements, with no effect on change in net position, to conform to the 2018 presentation.

DISCUSSION DRAFT 10/5/18

SUPPLEMENTARY INFORMATION

WORCESTER STATE UNIVERSITY
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SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2014 through 2017)

	2018	2017	2016	2015	2014
University's proportion of the net pension liability	0.15%	0.15%	0.18%	0.14%	0.14%
University's proportion of the net pension liability	\$ 18,014,320	\$ 18,674,184	\$ 18,901,770	\$ 9,357,928	\$ 11,308,376
University's covered-employee payroll	\$ 11,336,488	\$ 11,331,835	\$ 11,013,323	\$ 10,245,240	\$ 11,163,731
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	158.91%	164.79%	171.63%	91.34%	101.30%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	67.87%	76.32%	70.31%

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
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SCHEDULE OF UNIVERSITY PENSION CONTRIBUTIONS
Massachusetts State Employees' Retirement Plan

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2014 through 2017)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,098,173	\$ 972,477	\$ 1,039,592	\$ 741,444	\$ 700,426
Contributions in relation to the statutorily required contribution	<u>1,098,173</u>	<u>972,477</u>	<u>1,039,592</u>	<u>741,444</u>	<u>700,426</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	11,336,488	11,331,835	11,013,323	10,245,240	11,163,731
Contributions as a percentage of covered-employee payroll	9.69%	8.58%	9.44%	7.24%	6.27%

See accompanying independent auditor's report.

WORCESTER STATE UNIVERSITY
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NOTES TO SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND SCHEDULE OF UNIVERSITY CONTRIBUTIONS

JUNE 30, 2014 THROUGH 2018

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

The actuarial assumptions used as of the June 30, 2017 measurement date included a change cost of living increases where by such increases are on only the first \$13,000 per year.

The Actuarial assumptions used as of the June 30, 2017 measurement date included a change in mortality rates. As of this date, pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2016 and set forward one year for females. Post-retirement mortality rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year for females. Mortality rates for disability were assumed to be in accordance with the RP-2000 Healthy Annuitant Table projected generationally with Scale BB and a base year of 2015 (gender distinct).

The actuarial assumptions used as of the June 30, 2016 measurement date included a change in the range of assumed salary increases from 3.5% to 9.0% in 2015 to 4.0% to 9.0%.

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

The actuarial assumptions used as of the June 30, 2015 measurement date included a change in the investment rate of return and discount rate from 8.0% to 7.5%. The projection of cash flows used to determine the investment rate of return and discount rate assumed that plan member contributions will be made at the current contributions rates and the members rates.

In May 2015, an early retirement incentive (ERI) was created for certain members MSERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of MSERS has increased by approximately \$230 million as of the June 30, 2015 measurement date.

The Actuarial assumptions used as of the June 30, 2015 measurement date included a change in mortality rates. As of this date, pre-retirement mortality rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement mortality rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scan BB (gender distinct). Disability rates were assumed to be in accordance with the RP- 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct).

Mortality rates included as of the June 30, 2014 included pre-retirement mortality rates reflecting the RP-2000 Employees table projected 20 years with Scale AA (gender distinct). Post-retirement mortality rates reflect the RP-2000 Healthy Annuitant table projected 15 years with Scan AA (gender distinct). Disability rates 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.

See accompanying independent auditor's report.

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

SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Commonwealth of Massachusetts Postemployment Benefits Other Than Pensions (OPEB) Plan

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	2018	2017
University's proportion of the net OPEB liability	0.21%	0.18%
University's proportion of the net OPEB liability	\$ 39,627,832	\$ 38,278,622
University's covered-employee payroll	\$ 11,336,488	\$ 11,331,835
University's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	337.66%	349.70%
Plan fiduciary net position as a percentage of the total OPEB liability	4.80%	3.81%

See accompanying independent auditor's report.

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

SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS
Commonwealth of Massachusetts Postemployment Benefits Other Than Pensions (OPEB) Plan

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	2018	2017
Statutorily required contribution	\$ 882,031	\$ 745,202
Contributions in relation to the statutorily required contribution	882,031	745,202
Annual contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 11,336,488	\$ 11,331,835
Contributions as a percentage of covered-employee payroll	7.78%	6.58%

See accompanying independent auditor's report.

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

UNIVERSITY NET POSITION ANALYSIS

JUNE 30, 2018
(With Comparative Totals for 2014 through 2017)

	2018	2017	2016	2015	2014
Invested in Capital Assets, Net	\$ 79,046,212	\$ 83,469,474	\$ 87,321,688	\$ 56,137,097	\$ 54,295,189
Restricted - Expendable for:					
Other	90,205	305,250	3,241,368	2,503,864	2,997,476
Capital Projects	130,815	127,017	123,819	126,343	122,862
Total expendable	221,020	432,267	3,365,187	2,630,207	3,120,338
Unrestricted					
Unrestricted from operations	35,831,022	34,618,493	32,494,088	33,462,206	34,051,290
Accumulated Commonwealth pension obligations	(18,014,320)	(18,674,184)	(18,901,770)	(9,357,928)	(10,567,132)
Accumulated Commonwealth OPEB obligations	(39,627,832)	-	-	-	-
Total unrestricted	(21,811,130)	15,944,309	13,592,318	24,104,278	23,484,158
Total Net Position	\$ 57,456,102	\$ 99,846,050	\$ 104,279,193	\$ 82,871,582	\$ 80,899,685

See accompanying independent auditor's report.

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

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018
(With Comparative Totals for 2017)

	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Totals	
							2018	2017
Regular employee compensation	\$ 19,689,720	\$ 285,377	\$ 3,501,897	\$ 4,505,325	\$ 7,115,836	\$ 3,221,360	\$ 38,319,515	\$ 38,184,450
Special employee contracted services	7,253,048	576,291	539,152	923,819	474,195	95,572	9,862,077	9,429,935
Pension and insurance	7,337,727	307,677	1,525,708	2,255,210	2,788,668	2,849,251	17,064,241	14,928,348
Total payroll and employee benefits	34,280,495	1,169,345	5,566,757	7,684,354	10,378,699	6,166,183	65,245,833	62,542,733
Regular employee related expenses	160,391	9,484	178,989	103,248	199,167	54,623	705,902	762,468
Administrative	960,189	45,296	1,148,909	573,009	1,607,772	409,713	4,744,888	4,640,059
Facility operations support and related expenses	266,125	91,714	337,149	680,656	451,089	34,179	1,860,912	1,885,747
Energy and space rental	143,284	5,920	29,414	581,545	54,212	2,513,251	3,327,626	2,993,119
Professional services	204,470	54,152	112,584	550,042	495,613	622,849	2,039,710	1,844,636
Operational services	339,478	63,783	60,208	381,667	297,688	44,403	1,187,227	1,127,233
Equipment purchases	173,705	24,367	50,017	55,959	130,543	255,900	690,491	1,017,061
Equipment lease and maintenance	75,820	48,339	30,305	643,151	234,491	294,237	1,326,343	1,303,222
Construction and building improvements	-	-	-	-	-	3,824,409	3,824,409	2,532,573
Total operating expenses	2,323,462	343,055	1,947,575	3,569,277	3,470,575	8,053,564	19,707,508	18,106,118
Total educational and general expenses	\$ 36,603,957	\$ 1,512,400	\$ 7,514,332	\$ 11,253,631	\$ 13,849,274	\$ 14,219,747	\$ 84,953,341	\$ 80,648,851

See accompanying independent auditor's report.

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

RESIDENCE LIFE AND HOUSING

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash	\$ 3,953,368	\$ 3,327,520
Accounts receivable, net	103,457	90,178
Total assets	4,056,825	3,417,698
LIABILITIES		
Unearned rental income	261,684	255,803
Accrued and other liabilities	230,081	225,447
Total liabilities	491,765	481,250
NET POSITION		
Unrestricted	\$ 3,565,060	\$ 2,936,448

See accompanying independent auditor's report.

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

RESIDENCE LIFE AND HOUSING

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUES		
Fees	\$ 12,163,982	\$ 11,483,340
Other income	350,484	354,020
Total revenues	<u>12,514,466</u>	<u>11,837,360</u>
EXPENSES		
Regular employee compensation	1,120,809	1,207,992
Special employees/contracted services	210,250	214,585
Pension and insurance	386,031	412,579
Regular employee related expenses	14,546	41,469
Administrative	157,683	133,845
Debt payment	7,909,758	7,904,458
Facility operations support and related expenses	218,190	199,304
Energy and space rental	513,634	720,592
Professional services	26,890	20,045
Operational services	3,465	25,108
Equipment purchases	1,954	10,086
Equipment lease and maintenance	108,800	110,988
Building improvements	690,007	686,285
Benefits programs	522,837	710,841
Total expenses	<u>11,884,854</u>	<u>12,398,177</u>
Change in net position	629,612	(560,817)
NET POSITION		
Beginning of year	<u>2,936,448</u>	<u>3,497,265</u>
End of year	<u><u>\$ 3,566,060</u></u>	<u><u>\$ 2,936,448</u></u>

See accompanying independent auditor's report.

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

HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
REVENUES		
Fees	\$ 447,851	\$ 440,002
Other income	111	170
Total revenues	<u>447,962</u>	<u>440,172</u>
EXPENSES		
Regular employee compensation	117,034	133,050
Special employees/contracted services	9,858	10,560
Pension and insurance	42,143	47,544
Regular employee related expenses	2,589	2,382
Administrative	1,460	5,361
Facility operations support and related expenses	17,731	20,642
Professional services	286,077	258,004
Equipment purchases	-	2,578
Equipment maintenance	325	2,780
Benefits programs	<u>290</u>	<u>388</u>
Total expenses	<u>477,507</u>	<u>483,289</u>
Change in net position	<u>\$ (29,545)</u>	<u>\$ (43,117)</u>

See accompanying independent auditor's report.

DISCUSSION DRAFT 10/5/18

STATISTICAL INFORMATION
(UNAUDITED)

Worcester State University
Schedule of Net Position by Component
June 30, 2013 through 2018

Exhibit E-1

	2013		2014		2015		2016		2017		2018	
Invested in capital assets, net of related debt	\$	53,993,527	\$	54,295,189	\$	56,137,097	\$	87,321,688	\$	83,469,474	\$	79,046,212
Restricted-expendable		3,150,370		3,120,338		3,902,909		3,365,187		305,250		221,020
Restricted-nonexpendable		-		-		-		-		-		-
Unrestricted		30,722,888		34,051,290		22,831,576		13,592,318		16,071,326		(21,811,130)
Total primary government net position	\$	87,866,785	\$	91,466,817	\$	82,871,582	\$	104,279,193	\$	99,846,050	\$	57,456,102

**Worcester State University
Tuition & Mandatory Fees**

Exhibit E-2

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<i>Resident Undergraduate</i>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	5,200	5,636	6,186	6,683	7,187	7,587	7,587	7,887	8,232	8,562
<i>Total Annual</i>	\$ 6,170	\$ 6,606	\$ 7,156	\$ 7,653	\$ 8,157	\$ 8,557	\$ 8,557	\$ 8,857	\$ 9,202	\$ 9,532
<i>Non Resident Undergraduate</i>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	5,200	5,636	6,186	6,683	7,187	7,587	7,587	7,887	8,232	8,562
<i>Total Annual</i>	\$ 12,250	\$ 12,686	\$ 13,236	\$ 13,733	\$ 14,237	\$ 14,637	\$ 14,637	\$ 14,937	\$ 15,282	\$ 15,612
<i>Resident Graduate</i>										
Tuition	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 169
Mandatory Fees	95	95	112	115	115	117	117	138	148	153
<i>Total per Credit Hours</i>	\$ 245	\$ 245	\$ 262	\$ 265	\$ 265	\$ 267	\$ 267	\$ 288	\$ 298	\$ 322

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Faculty - Primary Instruction ^{/1}	405	512	416	419	441
Part-time	204	306	214	215	230
Full-time	201	206	202	204	211
Staff and Administrators	339	363	353	354	356
Part-time	15	12	13	12	12
Full-time	324	351	340	342	344
Total Faculty & Staff Employees	744	875	769	773	797
Part-time	219	318	227	227	242
Full-time	525	557	542	546	555
Non-Benefitted Employees ^{/2}	609	651	615	385	436
Contract Workers	100	134	141	174	214
Student Workers	509	517	474	211	222
Total All Employees	1,353	1,526	1,384	1,158	1,233

/1 Includes Instruction, Research & Public Service

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

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

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

Exhibit E-4

	Fall Term				
Admissions-Freshman /1	2013	2014	2015	2016	2017
Applications	5,632	5,662	4,828	4,963	4,822
Applications accepted	3,467	3,479	3,458	3,651	3,742
Accepted as a percentage of applications	61.56%	61.44%	71.62%	73.56%	77.60%
Students enrolled /2	1,415	1,409	1,454	1,366	1,494
Enrolled as a percentage of accepted	40.81%	40.50%	42.05%	37.41%	39.93%

/1 Includes all undergraduate admissions including transfer students.

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

	Annual				
Enrollment	FY14	FY15	FY16	FY17	FY18
Full-time equivalent	5,437.3	5,373.0	5,339.5	5,409.8	5,449.0
Unduplicated credit headcount	10,078	9,797	9,774	10,679	10,276
Percent undergraduate /3	86.18%	87.61%	87.44%	83.16%	85.41%
Percent graduate	13.82%	12.39%	12.56%	16.84%	14.59%

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

	Fall Term				
Student Population Demographics /4	2013	2014	2015	2016	2017
Percentage of men	38.03%	38.27%	38.31%	37.09%	38.72%
Percentage of women	61.97%	61.73%	61.69%	62.91%	61.28%
Percentage of African-American	5.43%	6.13%	6.85%	7.08%	7.77%
Percentage of White	72.79%	71.09%	70.42%	68.95%	66.86%
Percentage of Latino	6.95%	7.94%	8.18%	9.21%	10.68%
Percentage of Other /5	6.08%	6.72%	6.77%	6.75%	6.92%
< 20	23.26%	23.60%	24.08%	23.74%	25.58%
20 to 30	58.98%	59.10%	58.76%	56.35%	57.09%
31 to 40	7.67%	7.40%	7.96%	8.54%	7.44%
41 & Over	10.08%	9.60%	9.20%	11.36%	9.89%

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

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

Degrees Granted	FY14	FY15	FY16	FY17	FY18
Bachelor's	986	1,008	1,115	1,076	1,095
Master's	262	192	205	225	227

Worcester State University
Schedule of Capital Asset Information

Exhibit E-5

	Academic Year	
	<u>2017</u>	<u>2018</u>
Land (acreage)	57	57
Buildings (square feet)		
100 Instruction/classroom	56,585	58,544
200 Labs	54,613	54,613
300 Administrative	111,966	118,199
400 Study facilities	27,870	27,870
52x Athletic	1,845	66,049
5xx Other Special Use	6,470	6,470
600 General Use	75,885	77,211
700 Support facilities	172,937	173,012
000 Unclassified	-	-
Unassigned/unassignable	307,890	379,910
Total Sq Ft	816,061	961,878
Residence Halls	462,513	462,513
Rental space	-	-
Dormitories - # of residents	1,577	1,577

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

	Fiscal Year				
	2014	2015	2016	2017	2018
Source of Revenue					
Student charges (net of scholarships)	\$ 41,992,749	\$ 44,591,923	\$ 48,411,331	\$ 48,483,889	\$ 50,357,398
Grants & contracts	9,404,005	10,575,227	10,924,592	11,975,305	12,637,198
Auxiliary enterprises	754,505	873,017	444,478	440,172	796,446
Other operating revenue	1,574,697	1,058,816	1,146,016	1,032,424	1,265,178
Total operating revenue	53,725,956	57,098,983	60,926,417	61,931,790	65,056,220
State support	30,055,723	31,840,805	33,605,906	35,169,690	35,415,371
Other non-operating revenue	420,498	471,712	811,842	(188,427)	(39,057)
Total non-operating revenue	30,476,221	32,312,517	34,417,748	34,981,263	35,376,314
Total revenue	\$ 84,202,177	\$ 89,411,500	\$ 95,344,165	\$ 96,913,053	\$ 100,432,534
Functional Expense					
Instruction	\$ 32,780,505	\$ 33,402,333	\$ 34,662,566	\$ 35,523,651	\$ 36,603,957
Academic support	7,025,574	6,607,824	7,768,616	7,072,401	7,514,332
Student services	7,469,711	8,625,036	9,396,733	11,153,602	11,253,631
Institutional support	13,443,252	13,432,296	15,447,340	14,397,858	13,849,274
Plant operations & maintenance	7,409,398	9,342,808	9,297,557	11,230,348	14,219,747
Research	-	-	-	-	-
Public service	520,666	1,149,664	955,701	1,270,991	1,512,400
Scholarships	1,033,633	729,898	2,653,815	2,052,956	2,634,749
Sub-total	69,682,739	73,289,859	80,182,328	82,701,807	87,588,090
Auxiliary enterprises	8,243,709	12,299,488	11,838,607	12,881,466	11,839,524
Independent operations	-	-	-	-	-
All other	574,866	270,821	289,560	497,152	695,557
Total operating expense	\$ 78,501,314	\$ 85,860,168	\$ 92,310,495	\$ 96,080,425	\$ 100,123,171
Memo: Depreciation	\$ 4,158,890	\$ 4,224,797	\$ 4,664,588	\$ 5,328,423	\$ 5,655,439

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

DISCUSSION DRAFT 10/5/18

OTHER REPORTS

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

To the Board of Trustees
Worcester State University
Worcester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Worcester State University, an agency of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Worcester State University's basic financial statements, and have issued our report thereon dated _____, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Worcester State University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Worcester State University's internal control. Accordingly, we do not express an opinion on the effectiveness of Worcester State University's internal control.

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

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

Compliance and Other Matters

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

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

(Continued)

Purpose of this Report

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

Worcester, Massachusetts

_____, 2018

Memorandum

DATE: October 1, 2018

TO: Steve Madaus, Chair, Finance and Facilities Sub-committee of the Board of Trustees

FROM: Kathleen Eichelroth, Vice President for Administration and Finance

RE: FY 2019 BUDGET UPDATE

The FY 2019 budget was approved at the June 5, 2018 board meeting. At that time the Commonwealth of Massachusetts had not approved a budget for FY 2019. As a result, the level of funding from the State for FY 2019 was still unknown. During the week of July 9th, as the State was still awaiting a final budget, the University sent out fall semester bills to all registered students. The fall semester bills reflected the two fee increases approved as part of the FY 2019 budget:

- \$520 annual fee increase to fund FY 2019 collective bargaining and fringe benefits
- \$109 annual fee increase to fund deferred maintenance gap and expired grant funds

On July 26, 2018 the Governor signed the Commonwealth FY 2019 budget. The approved budget for the state university system included a performance based formula funding increase in addition to an increase to the base operating appropriation. The increase in base operating appropriations is equal to the FY 2017 collective bargaining increases that had been funded individually by each campus with local trust fund resources. The campuses did not receive funding for collective bargaining costs related to FY 2018 or FY 2019.

Each labor union represented on campus (AFSCME, APA and MSCA) are actively working on closing new agreements that reach back to July 1, 2017 with a three year term ending on June 30, 2020. It is anticipated that the Commonwealth will file a supplemental bill to fund the FY 2018 2% collective bargaining increases provided for in the current versions of the contracts. The University took action in FY 2019 to fund year two of the collective bargaining increases. The University expects to be responsible for funding year 3 of collective bargaining increases which have been negotiated at an annual 2% increase. We estimate the cost of collective bargaining increases in FY 2020 will be approximately \$1,135, 125.

The new dollars we have received from the state in FY 2019 break down as follows: performance based formula funding of \$278,076; increase to base to recover FY 2017 collective bargaining costs of \$932,355. Total new funds added to the University budget for FY 2019 equals \$1,210,431. Historically increases of this nature are added to base and carried forward as annual minimal base funding from year to year. In the past, budgets have been reduced through a 9C reduction process as called for by the Governor. 9C reductions are rare and occur during times when the state is anticipating and/or experiencing a fiscal down turn. The fiscal health of the Commonwealth appears strong and growing at this point in time. There is no expectation that a 9C budget reduction would be implemented over the next year.

Considering the information outlined above and the uncertainty related to the changing demographics of college age students, we are considering the following course of action with regard to the programming of additional resources made available through the state budget process for FY 2019 and an approach to planning for the FY 2020 budget.

We propose that a majority of new dollars available in FY 2019, approximately \$1,210,431, be transferred to the Capital Improvement Trust Fund as a one-time deposit. This one time transfer will boost the effort to build reserves. As discussed in recent Finance and Facilities subcommittee meetings, and referenced by rating agencies S&P and Moody's during the recent rating reviews, the University's ability to fund future large scale capital projects is dependent on the growth of unrestricted reserves. We are also evaluating whether there are any urgent strategic needs that would benefit from a one-time allocation of the additional resources. Our intent would be to bring a detailed budget amendment to the board for a vote in November.

Furthermore, we propose that the \$1,210,431 of annual new spending capacity be re-directed in FY 2020 as permanent funding of the 2% collective bargaining increase estimated at a cost of \$1,135,125. Allocating the new state resources in this manner ensures that contract increases are funded without an increase to student fees. In addition, the administration would commit to managing the remaining operational needs for FY 2020 within the confines of existing resources. The approach to the FY 2020 budget is to evaluate significant spending categories in an effort to achieve budget savings that may be re-allocated to other institutional priorities.

We would commit to freezing student fees for one year at FY2019 levels. As an emergency measure, should we experience a decrease in enrollment, or are subject to State budget cuts, we would request access to the funds transferred to reserves during FY 2019. We would then look to the FY 2021 budget cycle to address any budget shortfall that would remain on an ongoing basis.

We are seeking discussion on this topic at the Finance and Facility subcommittee meeting on October 16th. The intent is to receive feedback from committee members and other trustees and prepare a package to be provided to the Board for action at the November 13th meeting.

Memorandum

DATE: September 28, 2018

TO: Steve Madaus, Chair, Finance and Facilities Subcommittee

FROM: Kathleen Eichelroth, Vice President for Administration and Finance

RE: FY 2018 TRUST FUND REPORTS– QUARTER 4

Attached are the Trust Fund Reports for the fourth quarter of Fiscal Year 2018, ended June 30, 2018.

The reports include the “All Trust Funds” revenue and expenditure reports in the same format as presented for previous quarters. There is also a set of “Operating Budget” reports that present the year to date revenue and expenditure results for the combined state appropriated funds and the General Purpose Trust Fund.

As indicated on the “All Trust Funds” report for Revenue, the net percent of earned revenue is 100.81%. The only trust fund that did not meet budgeted revenue expectations was the Residence Life Trust Fund. The administration adjusted the Residence Life operating budget when it was apparent occupancy in the halls would be lower than anticipated in an effort to avoid an operating deficit at the close of the fiscal year.

The “All Trust Funds” Expenditure report reflects anticipated incremental monthly spending within the trust fund accounts. The expenditures are reported as of June 30 and do not reflect any year end accruals for the close of the fiscal year. Through the close of the fiscal year significant postings will be made to various funds to accrue payroll and fringe benefit costs, in addition to the posting of invoices for goods and/or services rendered through the fiscal year end. Once all accruals are entered it is anticipated that the cumulative percent of budget spent to be at 100% or higher.

The “Operating Budget Revenue” report includes all sources that directly support the operating budget. The June 30 revenue reported, prior to year end accruals, does not reflect the in-kind funding by the Commonwealth of approximately \$9M of fringe benefit related costs for state employees paid from State appropriated funds. That figure is also absent from the Staff Benefit Expense (DDD) line on the “Operating Budget Expenses” report as of June 30, 2018. On the report of expenses there is a column titled “Encumbered” that represents goods and/or services procured for which we are awaiting invoices. In addition, accruals will be made to the Regular Employee (AAA) and Staff Benefit (DDD) expense line as part of year end closing.

FY 2018 – Quarter 4
12 Months Ended June 30, 2018
All Trust Funds

- Revenue - to date
- Expenditures to –date

Worcester State University
All Trust Fund Report - Quarter 4
FY18 Budget vs Actuals
Revenues 6/30/2018 (Without Accruals)

Account Description	Original Budget - BOT	Revenue Budget Excluding Transfers	Revenue Earned Actual	Percent of Budget Earned	Unearned
General Trust Fund (400)	45,250,975	45,250,975.00	45,825,705.24	101.27%	(574,730.24)
Capital Improvement Trust Fund (405)	3,232,677	3,232,677.00	3,423,229.51	105.89%	(190,552.51)
Parking Garage Operating Fund (408)	860,000	-	-	0.00%	-
Federal Grants/Program Overhead (433)	46,701	-	(3.00)	0.00%	3.00
Parking Fines Scholarship Fund (439)	103,374	91,834.00	120,320.00	131.02%	(28,486.00)
Health Services Trust Fund (442)	559,394	446,966.00	447,916.86	100.21%	(950.86)
Resident Hall Trust Fund (445)	12,657,698	12,657,698.00	12,387,674.80	97.87%	270,023.20
Student Activities Trust Fund (446)	405,000	284,545.00	290,130.64	101.96%	(5,585.64)
Residence Hall Technology and Equipment Trust Fund (448)	346,940	346,940.00	323,730.00	93.31%	23,210.00
	63,462,759.00	62,311,635.00	62,818,704.05	100.81%	(507,069.05)

Approved Budget 63,462,759.00

Amount is not earned revenue but transfers to fund current activity (869,010.00)

Amount is not earned revenue but reserve balances budgeted to fund current activity (282,114.00)

62,311,635.00

Variance -

Worcester State University
All Trust Fund Report - Quarter 4
FY18 Budget vs Actuals
Expenses 6/30/2018 (Without Accruals)

Account Description	Original Budget - BOT	Expenditure Budget	Expenditure Actual	Percent of Budget Spent	Available
General Trust Fund (400)	45,250,975	45,250,975.00	42,231,135.60	93.33%	3,019,839.40
Capital Improvement Trust Fund (405)	3,232,677	788,850.00	790,050.00	100.15%	(1,200.00)
Parking Garage Operating Fund (408)	860,000	860,000.00	685,879.06	79.75%	174,120.94
Federal Grants/Program Overhead (433)	46,701	46,701.00	50,210.66	107.52%	(3,509.66)
Parking Fines Scholarship Fund (439)	103,374	103,374.00	95,811.55	92.68%	7,562.45
Health Services Trust Fund (442)	559,394	559,394.00	466,922.95	83.47%	92,471.05
Resident Hall Trust Fund (445)	12,657,698	12,568,698.00	11,568,035.04	92.04%	1,000,662.96
Student Activities Trust Fund (446)	405,000	405,000.00	315,698.66	77.95%	89,301.34
Residence Hall Technology and Equipment Trust Fund (448)	346,940	346,940.00	364,362.90	105.02%	(17,422.90)
	63,462,759.00	60,929,932.00	56,568,106.42	92.84%	4,361,825.58

Approved Budget 63,462,759.00

Amount reflects a budgeted transfer from fund 405 to fund 408 (860,000.00)

Amount reflects a transfer to fund balance to increase reserves in fund 405 (1,583,827.00)

Budget Reduction Transfer - Source 445 (89,000.00)

60,929,932.00

Variance -

FY 2018 – Quarter 4
12 Months Ended June 30, 2018

Operating Budget

(State Appropriations and General Purpose Trust Fund Only)

- Revenue - to date
- Expenditures to –date

Worcester State University
FY18 Budget vs Actuals - Quarter 4
Operating Budget Revenue (source 400 & 111)
6/30/18 (Before Accruals)

Description	Original Budget - Upload	Current Revenue Budget	Revenue Earned Actual	Percent of Budget Earned	Unearned
Academic Fees	(36,307,048.00)	(36,307,048.00)	(37,060,475.15)	102.08%	753,427.15
Fee Waivers	796,083.00	796,083.00	813,211.04	102.15%	(17,128.04)
Tuition	(9,257,070.00)	(9,275,054.00)	(9,801,435.82)	105.68%	526,381.82
Tuition Waivers	391,560.00	391,560.00	545,297.51	139.26%	(153,737.51)
Activity Income	(215,000.00)	(336,087.50)	(166,121.82)	49.43%	(169,965.68)
Other Student Charges	(659,500.00)	(816,707.14)	(849,007.45)	103.95%	32,300.31
State Maintenance	(35,921,743.00)	(35,921,743.00)	(26,632,372.00)	74.14%	(9,289,371.00)
	(81,172,718.00)	(81,468,996.64)	(73,150,903.69)	89.79%	(8,318,092.95)

Approved Budget	(81,172,718.00)
Sources Closing to 400	(296,278.64)
End Budget	<u>(81,468,996.64)</u>
Variance	-

Worcester State University
FY18 Budget vs Actuals - Quarter 4
Operating Budget Expenses (source 400 & 111)
6/30/18 (Before Accruals)

Account Description	Object	Original Budget - BOT	Original Budget - Upload	Current Budget	Actual	Percent of Budget Spent	Encumbered	Available
Regular Employees	AAA	39,603,454.00	39,603,454.00	39,694,954.00	37,852,932.51	95.36%	-	1,842,021.49
Employee Related Expenses	BBB	763,103.00	763,103.00	860,578.71	668,545.36	77.69%	137,316.45	54,716.90
Temporary Part-Time Employees	CCC	8,653,906.00	8,198,115.97	8,428,868.58	8,975,575.30	106.49%	4,969.80	(551,676.52)
Staff Benefit Expenses	DDD	13,156,915.00	13,612,704.67	13,612,704.67	3,452,992.56	25.37%	-	10,159,712.11
Administrative Expenses	EEE	2,586,107.00	2,586,106.78	2,176,860.06	2,471,915.29	113.55%	80,643.25	(375,698.48)
Facility Operation Supplies	FFF	1,615,714.00	1,615,714.69	1,577,174.40	1,300,681.90	82.47%	259,183.41	17,309.09
Energy/Space Rental	GGG	2,389,498.00	2,389,498.00	2,334,761.04	2,309,203.17	98.91%	77,243.03	(51,685.16)
Professional Services	HHH	1,089,533.00	1,089,533.10	1,529,927.16	1,597,665.52	104.43%	297,613.59	(365,351.95)
Operational Services	JJJ	772,564.00	772,563.70	830,364.52	992,539.54	119.53%	29,328.22	(191,503.24)
Equipment Purchase	KKK	94,748.00	94,748.00	154,106.29	193,671.14	125.67%	241,158.49	(280,723.34)
Equipment Lease, Maintenance, Repair	LLL	1,262,104.00	1,262,104.00	1,373,108.80	1,366,030.62	99.48%	56,321.28	(49,243.10)
Infrastructure & Building Improvements	NNN	4,348,744.00	4,348,744.00	4,017,183.67	3,528,545.92	87.84%	525,607.95	(36,970.20)
Educational Assistance	RRR	2,517,439.00	2,517,439.00	2,447,709.05	2,247,351.91	91.81%	1,712.50	198,644.64
Debt Service	SSS	307,013.00	307,013.00	307,013.00	319,818.37	104.17%	-	(12,805.37)
Technology Expenses	UUU	2,011,876.00	2,011,876.09	2,123,682.69	1,732,828.84	81.60%	291,925.02	98,928.83
		81,172,718.00	81,172,718.00	81,468,996.64	69,010,297.95	84.71%	2,003,022.99	10,455,675.70

Approved Budget 81,172,718.00

Sources Closing to 400 296,278.64

End Budget 81,468,996.64

Variance -



Memorandum

DATE: October 5, 2018

TO: Barry M. Maloney, President

FROM: Kathleen Eichelroth, Vice President for Administration and Finance

RE: 535 CHANDLER STREET PROPERTY IMPROVEMENTS

Attached are materials related to proposed improvements to the President House at 535 Chandler Street. The proposed improvements are intended to create an area for hosting University events on site during seasonable weather. Similar events have been held in the general area in the past at additional cost related to tent rental and set up of temporary utilities. The pavilion will provide a permanent structure where events can be held more frequently with significantly less cost and effort required to set up temporary accommodations.

The scope of work recommended in this package includes the demolition of the barn, grading and leveling of the site, installation of a pavilion adjacent to the house and related utility work, paving and landscaping.

The project is identified in phases. Phase I encompass the barn demolition and pavilion construction, and is estimated to cost \$75,500. This phase of work is to be funded by Worcester State Foundation by allocating the funds that were drawn on the excess equity of 535 Chandler Street when the mortgage on the property was re-financed by WSF during FY 2018. WSF approved the use of these funds to accomplish phase one during a meeting on October 4th, 2018.

Phase II encompasses all the paving work, in addition to updating the walkways in the area and refreshed landscaping including planting beds bordering the pavilion. The estimated cost for Phase II is \$60, 519. The University intends to fund Phase II with funds allocated for capital adaptation and renewal in FY 2019.

Kathleen Eichelroth

From: Kathleen Eichelroth
Subject: FW: Presidents - Barn & Pavilion (Phase 1)

The attached quotes cover the scope of work we discussed for the Presidents House:

- Phase 1 – Foundation Funded Work
 - Barn Demolition/Paving Prep (Ricciardi Bros.) - \$29,000.00
 - Patio/Pavilion Installation (Bells Landscaping) - \$45,500.00
 - Misc. electrical work (no quote) - \$ 1,000.00
 - Total Cost** - **\$75,500.00**
- Phase 2 – WSU Funded Work
 - Paving Removal/Replacement (Ricciardi Bros.) - \$23,500.00
 - Walkways & landscaping (Bells Landscaping) - \$34,019.20
 - Misc. electrical work (no quote) - \$ 3,000.00
 - Total Cost** - **\$60,519.20**
- **Projected Total Project Cost** **\$136,019.20**

The attached quotes provided a more detailed breakdown of the scopes of work for each phase.

Something to keep in mind is that the Pavilion has a lead time of 4 weeks. During that 4 week period we can demo the barn and begin installation of the patio.

If we are going to move forward we need to meet again to discuss schedule and to go over expectations and coordination with President Maloney, as well as explain the entire project to him.

Hopefully this is broken down how you wanted it done, if not please let me know and I'll make the necessary changes.

Thanks,
Peter

Peter Fenuccio

Worcester State University
Associate Director of Facilities

486 Chandler Street
Worcester, MA 01602
Office : (508) 929-8026
Cell : (774) 239-2364

Phase I

RICCIARDI BROS., INC.

20 ENVELOPE TERRACE
WORCESTER, MA. 01604

Ph: 508-753-0175

FAX: 508-753-2868

**SITE WORK PROPOSAL FOR:
BARN DEMOLITION
WORCESTER STATE UNIVERSITY**

September 11, 2018

WSU Facilities Dept.
486 Chandler St.
Worcester, MA 01602

THE WORK OF THIS BUDGETARY PROPOSAL

The work of this proposal shall conform to state and local codes, or as described below.

Site Prep:

Obtain demolition permit from the City of Worcester.
Have Dig-Safe mark the area.
(electric to be disconnected by others)

Cut down and remove existing tree in front of barn.

Barn Demolition:

Supply labor and equipment to demolish and legally dispose of existing barn including all exterior / interior walls, roof, floors, and any items left within building.

Supply labor and equipment to demolish and remove existing foundation walls and floors and dispose legally.

Supply and install compacted gravel to foundation area as needed.

BUDGETARY PROPOSAL TOTAL: \$29,000.00

EXCLUSIONS:

-Any and all fees assessed by the Commonwealth of Massachusetts, Mass Highway, the City of Worcester, or their agents, associated with any and all permits, connections, inspections or assessments, and any other fees or charges

Bells Lawn & Garden Center

201 Southbridge Street Auburn, MA 0150

508-756-6685 Fax 508-832-6626

bellsawn@charter.net

Date: August 31, 2018

Worcester State University

486 Chandler St

Worcester Ma

Proposal For Pavilion at 535 Chandler St

Project: Install a 20' by 40' Pavilion with pavers

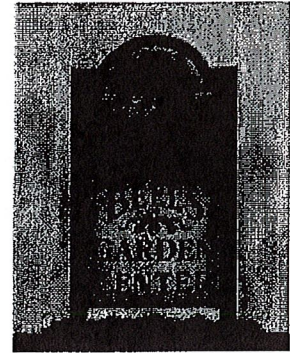
Scope : Provide and install Pavilion with new gravel base and footings. Provide trench work for electrical for pavilion.

Application:

1. Asphalt to be removed by others.
2. Excavate area and install concrete footings for pavilion to code and spec.
3. Install electrical for pavilion. Exact location of electrical to be determined.
4. Install new gravel base for pavers.
5. Install pavilion to code and spec.
6. Install pavers for pavilion

Total price for labor and materials \$45,500

Phase 1



Phase 2

RICCIARDI BROS., INC.

20 ENVELOPE TERRACE

WORCESTER, MA. 01604

Ph: 508-753-0175

Fax: 508-753-2868

**SITE WORK PROPOSAL FOR:
DRIVEWAY PAVING
WORCESTER STATE UNIVERSITY**

September 11, 2018

WSU Facilities Dept.
486 Chandler St.
Worcester, MA 01602

THE WORK OF THIS BUDGETARY PROPOSAL

The work of this proposal shall conform to state and local codes, or as described below.

Site Prep:

Sawcut and remove existing asphalt and dispose of at legal dumping facility.

Work to be done in two mobilizations.

Site Grading:

Supply labor and equipment to cut back existing yard grades and re-work barn area to achieve a parking area in the same foot print of barn as well as to the rear of existing garage.

Supply and install rip rap to slopes as necessary when slopes are too steep to support grass growth.

Supply and install compacted gravel grading for proper drainage and runoff.

Driveway Paving:

Supply and install 1.5" binder and 1.5" top asphalt to driveway areas as specified.

BUDGETARY PROPOSAL TOTAL: \$23,500.00

EXCLUSIONS:

-Any and all fees assessed by the Commonwealth of Massachusetts, Mass Highway, the City of Worcester, or their agents, associated with any and all permits, connections, inspections or assessments, and any other fees or charges

Bells Lawn & Garden Center

201 Southbridge Street Auburn, MA 0150

508-756-6685 Fax 508-832-6626

bellslawn@charter.net

Date: August 31, 2018

Worcester State University

486 Chandler St

Worcester Ma

Proposal For Landscaping at 535 Chandler St

Project: Install new walkways in front of house to both doors. Install new stairs to upper lawn area. New planting beds along walkways.

Scope : Provide and install new walkways and plantings.

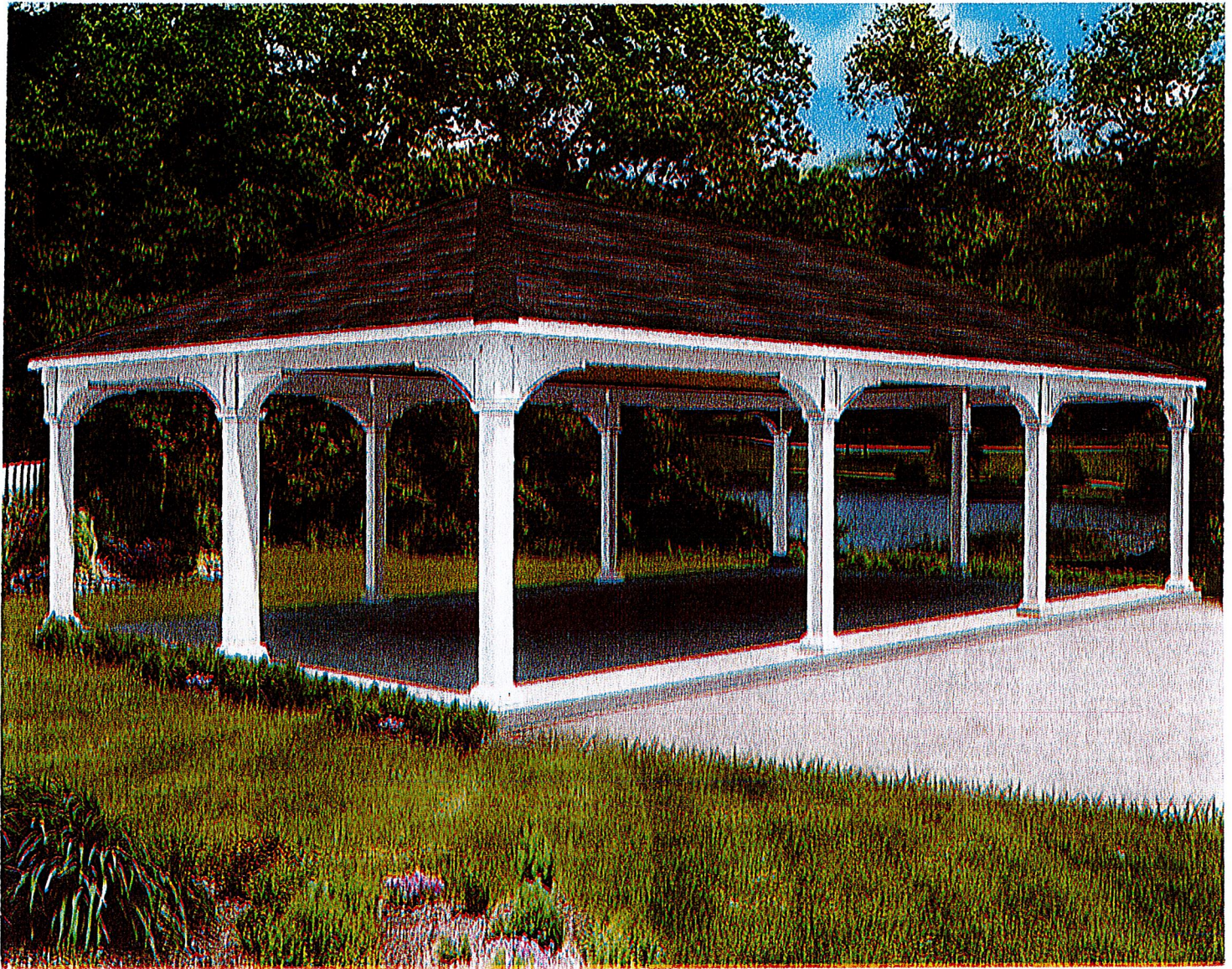
Application:

1. Asphalt to be removed by others.
2. Excavate area and install new walkways.
3. Install new plantings along walkways.
4. Install new gravel base for pavers.
5. Remove old stairs and install new to upper lawn area.
6. Hydroseed all disturbed areas.

Total price for labor and materials \$34,019.20

Phase 2



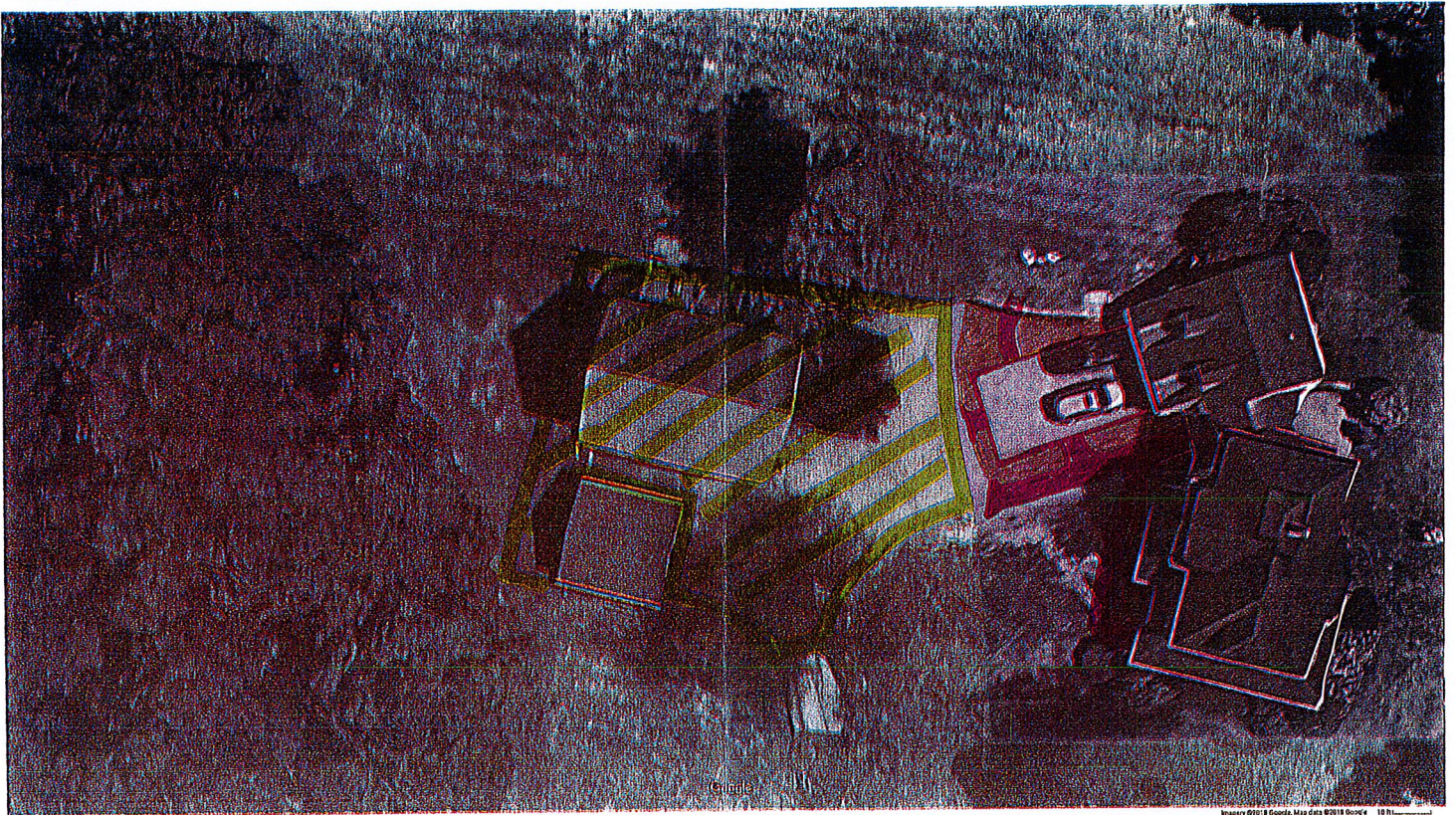


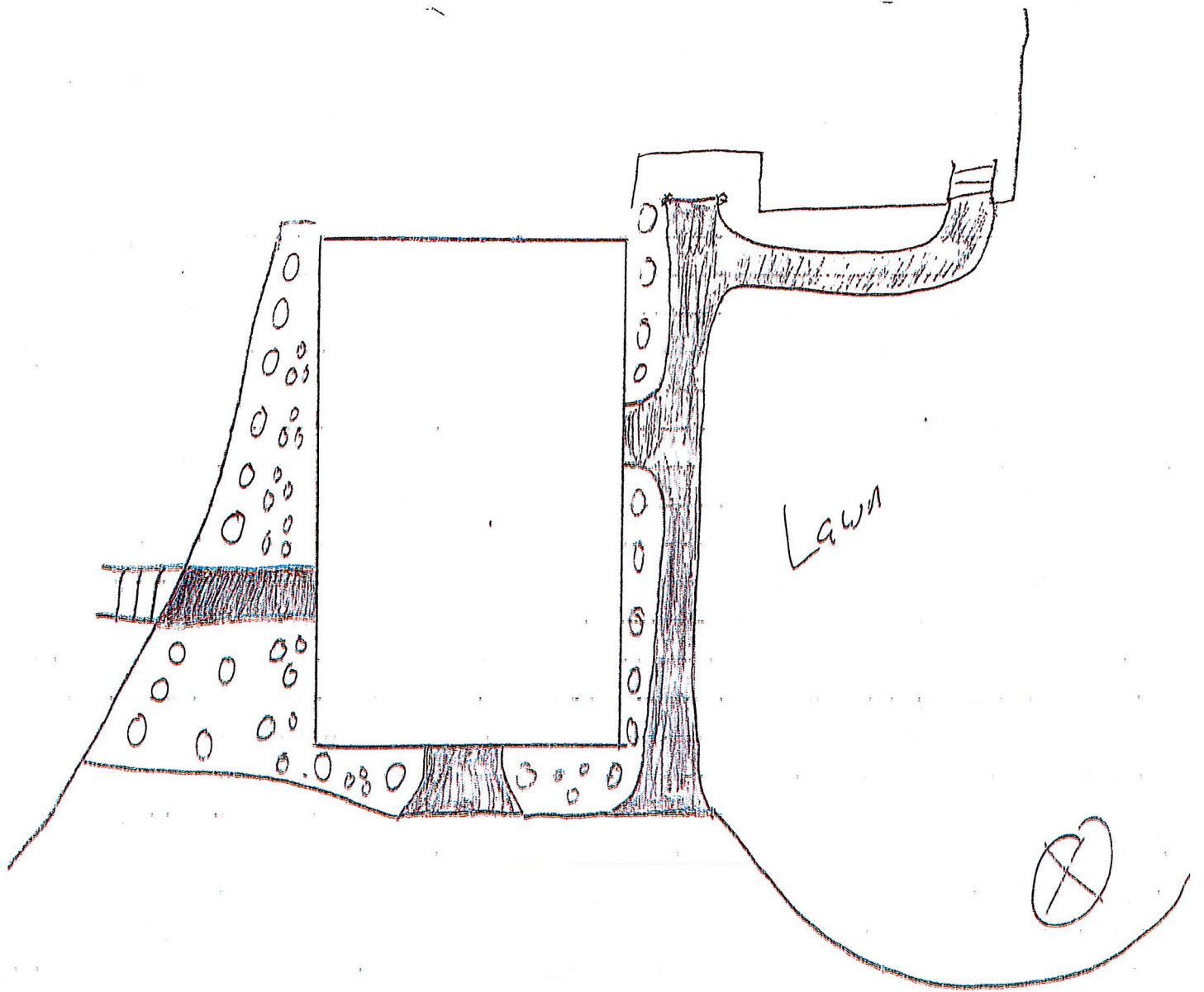
Have questions about this feature? Call 1-888-293-2339 Mon-Fri: 8AM-7PM | Sat: 10AM-3PM | Sun: - EST

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Google Maps

PAVING AREA

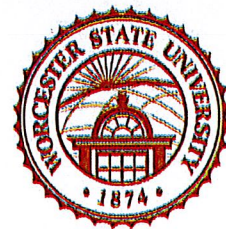






Worcester State University

486 Chandler Street Worcester, MA 01602



President's House Carriage House Study

JULY 10, 2018

Prepared by:

 **LAMOUREUX • PAGANO**
ARCHITECTS PROJECT MANAGERS



LAMOUREUX · PAGANO
ARCHITECTS PROJECT MANAGERS

100 State Street, Suite 200, Worcester, MA 01602-2597
Tel: 508.853.1234 Fax: 508.853.1235 Email: info@lamoureuxpagano.com

Matthew Conkelt
200 State Street, Suite 200
Worcester, MA 01602-2597
Tel: 508.853.1234 Fax: 508.853.1235 Email: info@lamoureuxpagano.com

10 July 2018

Peter Fenuccio, Assistant Director
Facilities Department
Worcester State University
486 Chandler Street
Worcester, MA 01602-2597

RE: Worcester State University
President's House – Carriage House Study
535 Chandler Street

Dear Mr. Fenuccio:

Lamoureux Pagano & Associates (LPA) was retained by Worcester State University (WSU), to conduct a study that will compare three options for the existing barn. Originally provided in 2011, this report was updated to reflect current conditions of the building from the last 7 years. LPA revised the original options to the following:

1. Recommend that WSU conduct a program study of the long term extended use of the barn
2. Stabilize the existing structure and envelope to assure structural and weather soundness. The existing use of the building, primarily for storage, will not change.
3. Demolish the existing barn and restore the surface to lawn.

LPA made several site visits to the barn, most recently on 5/25/18, to observe the existing conditions and to prepare preliminary drawings included in this report. The barn is a two-story, balloon-framed, wood building with full walk-in basement that appears to be more than 75 years old. The foundation walls appear to have been reconstructed in the last 20 years. The building was built as a barn/storage building and the construction is minimal and shows signs of age. The first floor is of non-dimensional wood joints and thin decking at random width. The upper framing is rough sawn 2x4 and 2x6 joists and rafters. The balloon stud framing extends above the second floor to become a knee wall which has bowed out over the years, causing the floor to drop. The floors likely can support minimal floor loads which have sagged with age. There was minimal wood decay noted at the sliding door and at certain locations along the base trim. Since the last review, the siding and roofing has reached the end of its useful life which requires repairs/upgrades that are warranted at this time. Options are outlined further in this report. As discussed below, remedial structural improvements are required to stabilize the building should the decision be made to maintain it.

OPTION 1- CONDUCT A PROGRAM STUDY TO DETERMINE LONG-TERM USE

This option, illustrated on attached drawings, originally considered not only the stabilization of the building, but, also the use of the building as a temporary shelter for gatherings that take place on the property. All scope of work items as described in Option 2 below were to be included with the addition of removing all first floor boards and joists and replacing with new 2x dimensional structural framing and plywood sheathing. This would have provided a more rigid first floor to handle the loads that may be imposed on it should it be used as a gathering place.

Furthermore, the attic floor would still be limited to light storage or use by the Owner only. Additionally, the recommendation would be to reconstruct the guardrail system at the attic floor, around the opening to the first floor below.

However, after our most recent visit to the barn, and seeing the current conditions, our recommendation would be for the University to conduct a separate program study of the long-term extended use of the barn, including its adjacency to the existing President's house. The barn, in its current condition, would not be able to be upgraded for any other use group except residential accessory and storage/utility without major rebuilding. If any other use is programmed, the barn would likely not be the ideal location and thus would be a new building properly programmed and sited. Once a program is established, then LPA would be able to make a set of recommendations that would suit the needs of the University.

Recommended budget: To be determined once a program study is completed.

OPTION 2- STABILIZATION OF EXISTING

This option describes the minimum requirements to stabilize the building structure and envelope. While this option would be the most economical way to maintain the building in its current conditions, it also limits the use of the building to light storage on the first and attic floors as illustrated on the attached drawings. The scope of work required under this option includes replacing damaged first floor joists, reinforcing the first floor girder, installing plywood sheathing at the interior side of the exterior walls for lateral bracing, providing additional rafters and collar ties at the roof, and confirming positive construction connections throughout.

Since the original report was conducted, additional observations were made that must also be addressed which include the following:

- The 30+ year old cedar clapboards are now showing signs of aging. It appears that galvanized 4 or 6d box nails were used to secure the clapboards to random width sheathing and are now working their way out of the clapboards. This is typical when temperature and moisture conditions, particularly on the South side of the barn that receives the most sun during the day, causes the greatest amount of movement in material due to large temperature swings between day and night. This was also observed on the east and west sides of the barn but to a lesser extent. This condition has progressed to the degree that the siding is physically falling off of the building. If this is not addressed in the immediate future, it will lead to water infiltration which will cause further decay of the sheathing and structural framing at an increased rate as more clapboards become loose and fall off the building. We recommend at least 1/4 of the South side is replaced with new cedar clapboards with the remaining clapboards being refastened to the sheathing. Additionally, to give the clapboards an additional layer of protection, we recommend that the entire barn be repainted.
- There are signs of progressing decay at the bottom trim and siding at the north and part of the east and west elevations of the barn. Like the clapboards previously discussed, if not addressed in the immediate future, the decay will eventually allow water to reach the structural sill. Once this happens, an even greater extent of repairs will be needed.
- Although the interior and structure appear to be as it was 7 years ago, with no observed movement or failure, the floor in front of the main sliding door is now showing signs of water infiltration which is causing the floor to become weak. The recommendation would be to add a layer of plywood floor sheathing as an overlay to the area in front of the door.

- The asphalt shingle roof that appeared to be watertight and in fair shape is now 7 years older since first observed. Although there were no signs of water infiltration, the shingles look older and are showing signs of weathering at the edges. The shingles, in their current condition, may serve their purpose for an additional number of years, but, it's our recommendation that the shingles are at the end of their lifespan and should be replaced as part of the base repairs of Option 2.

Option 2 would be considered the bare minimum needed to address several deficiencies and to stabilize it for continued use for light storage.

The condition of the barn has continued to worsen since the initial review and has reached a point where decisions and actions need to be scheduled. With potential for significant snowfall and weather that cannot be predicted, the already compromised structure could become overloaded and collapse. This, in turn, would lead to emergency shoring or repairs should decisions not be made soon.

Recommended budget: \$85,000 - \$100,000

OPTION 3- DEMOLISH EXISTING BARN

This option involves removal of the existing barn including foundation walls, removal of associated stone steps and paved areas, re-grading the landscape to provide proper drainage, providing minimal landscape features that take into account remaining existing structures, and provide loam and seed to restore surface to lawn.

Recommended budget: \$30,000

In conclusion, careful consideration to any potential future use of the barn should be taken into account in determining which option will be selected. The barn has and is able to continue its use as was originally intended, for storage, provided much needed work is completed to stabilize its condition. As previously described in Option 1, the recommendation would be for the University to conduct a program study to best determine the future use of the barn beyond the minimal structural stabilization scope of work.

Please don't hesitate to contact me or Katie Crockett if you have any questions or comments.

Sincerely,

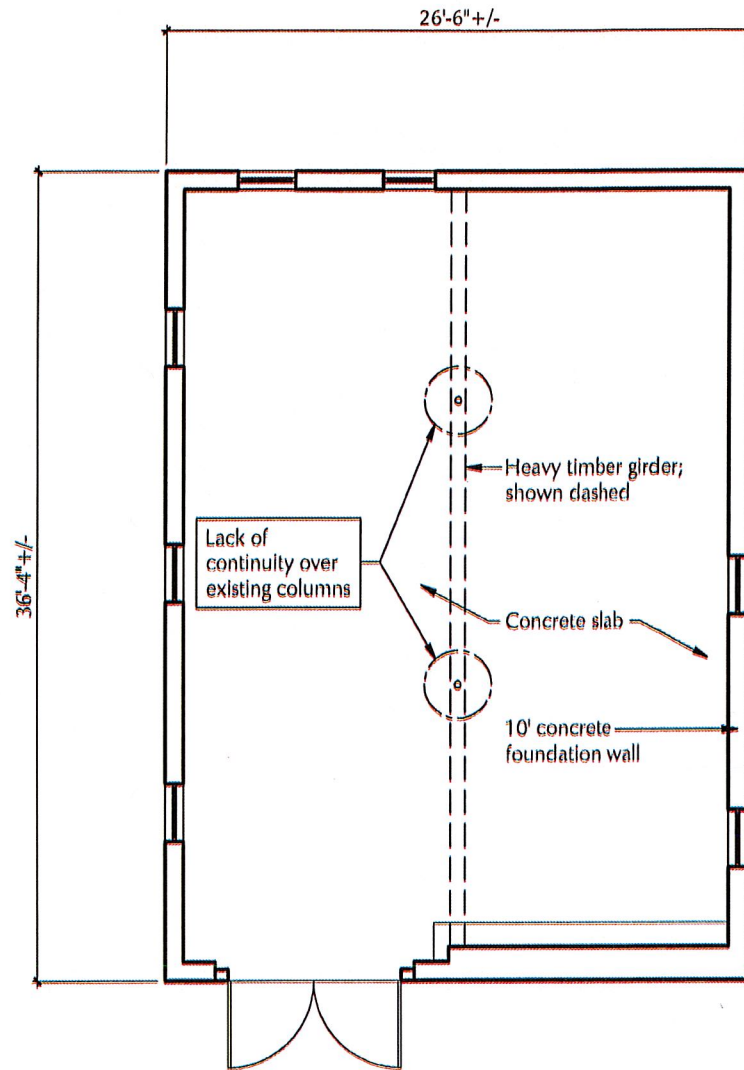


Peter A. Caruso, Jr., NCARB, LEED AP

Attachments:

- Drawings- Lower, First, and Attic Floor and Building Section Deficiencies
- Drawings- Lower, First, and Attic Floor and Building Section Option 2 (Stabilization of Existing)
- Bolton & DiMartino, Inc., Presidents House- Carriage House, Worcester State University, Worcester MA, dated November 7, 2011
- Lamoureux Pagano & Associates, Inc. Existing Conditions Report, Worcester State University, President's House-Barn/Carriage House, dated 12 May 2011, updated 10 July 2018

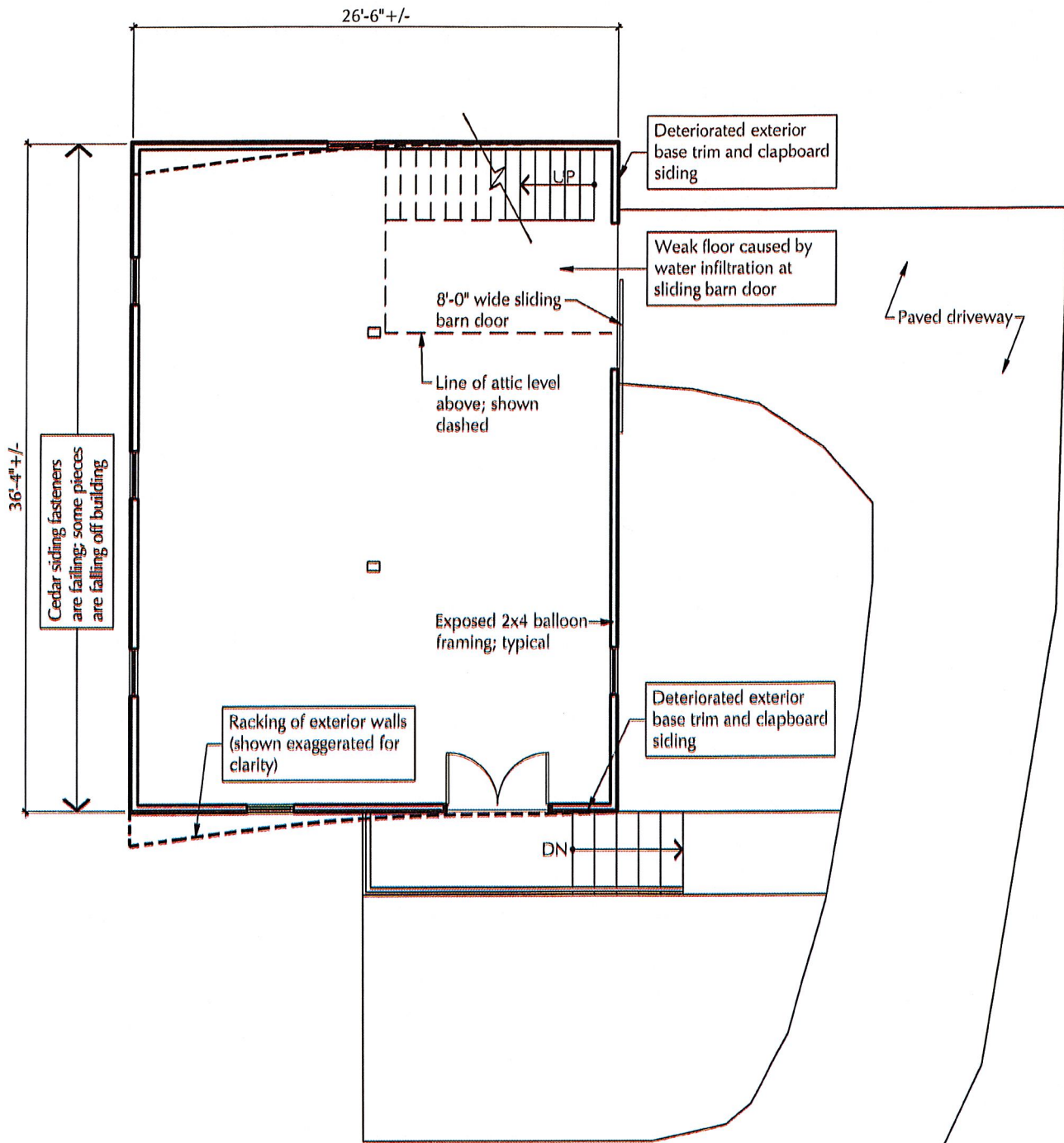
cc: Peter Fenuccio, WSC
Katie Crockett, LPA
Eric Moore, LPA



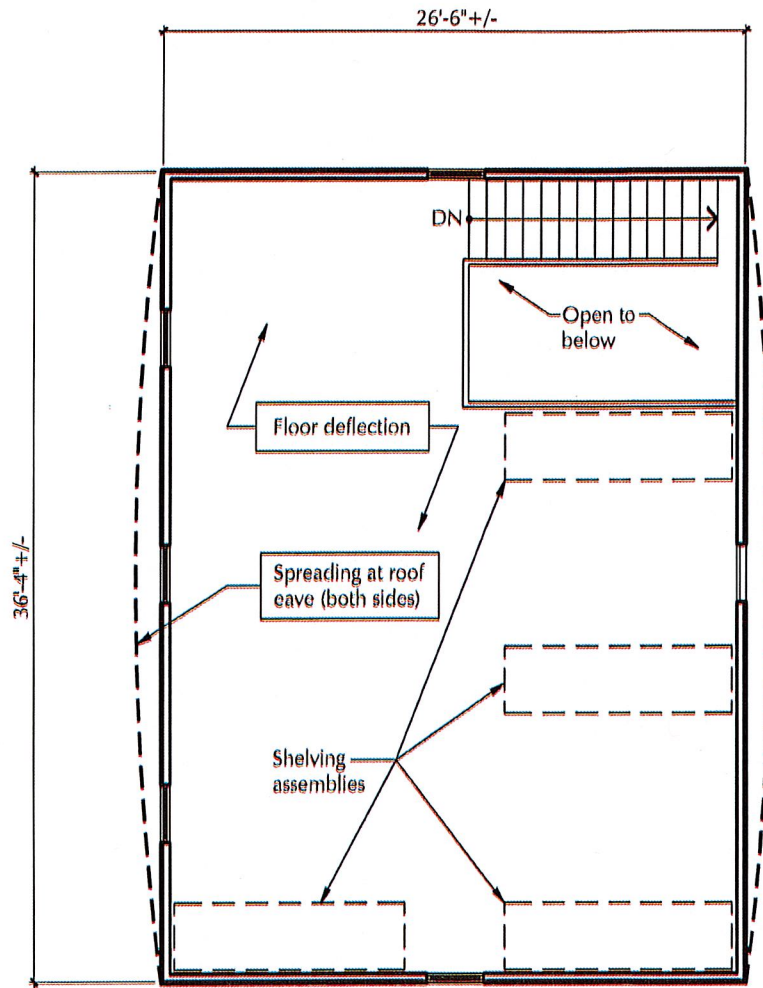
Note: Deficiency notes are boxed for clarity

Existing Lower Floor Plan- Illustrating Deficiencies

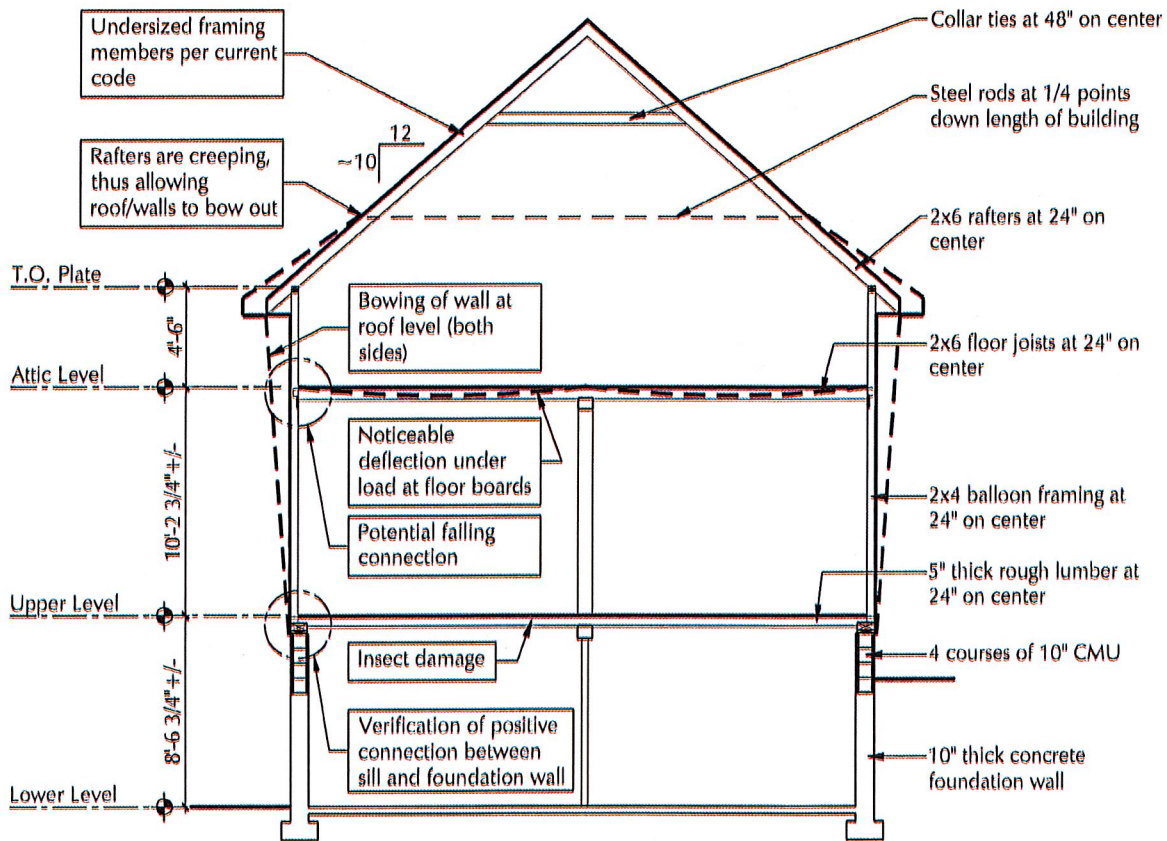




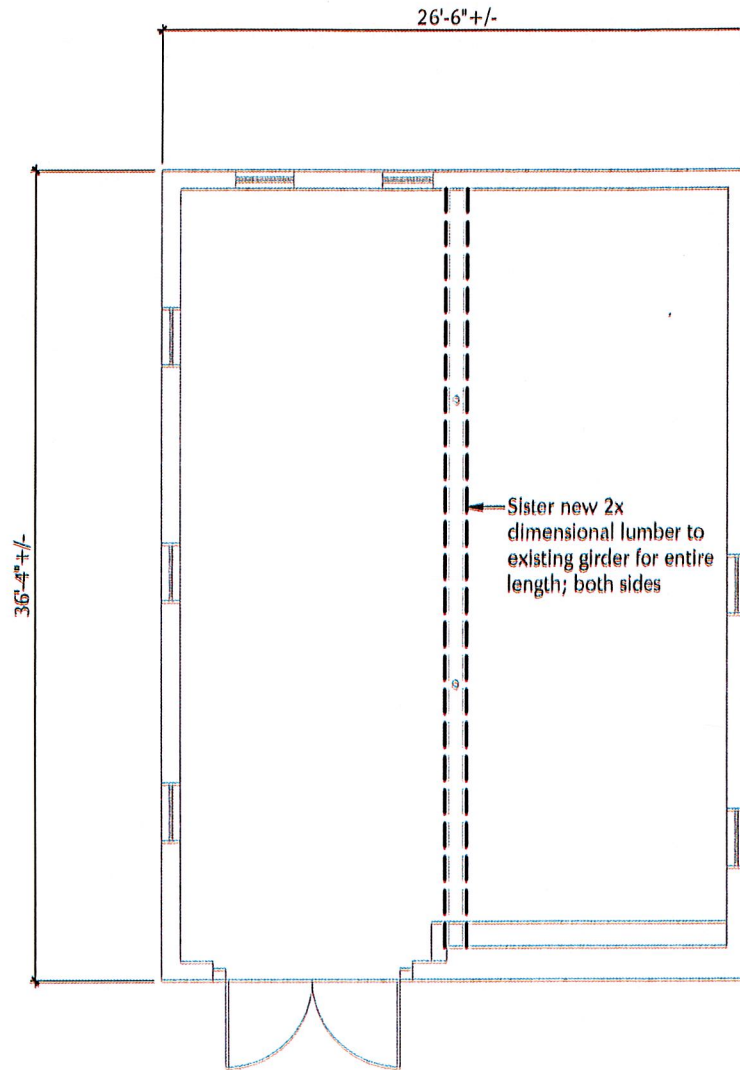
Existing First Floor Plan- Illustrating Deficiencies



Note: Deficiency notes are boxed for clarity

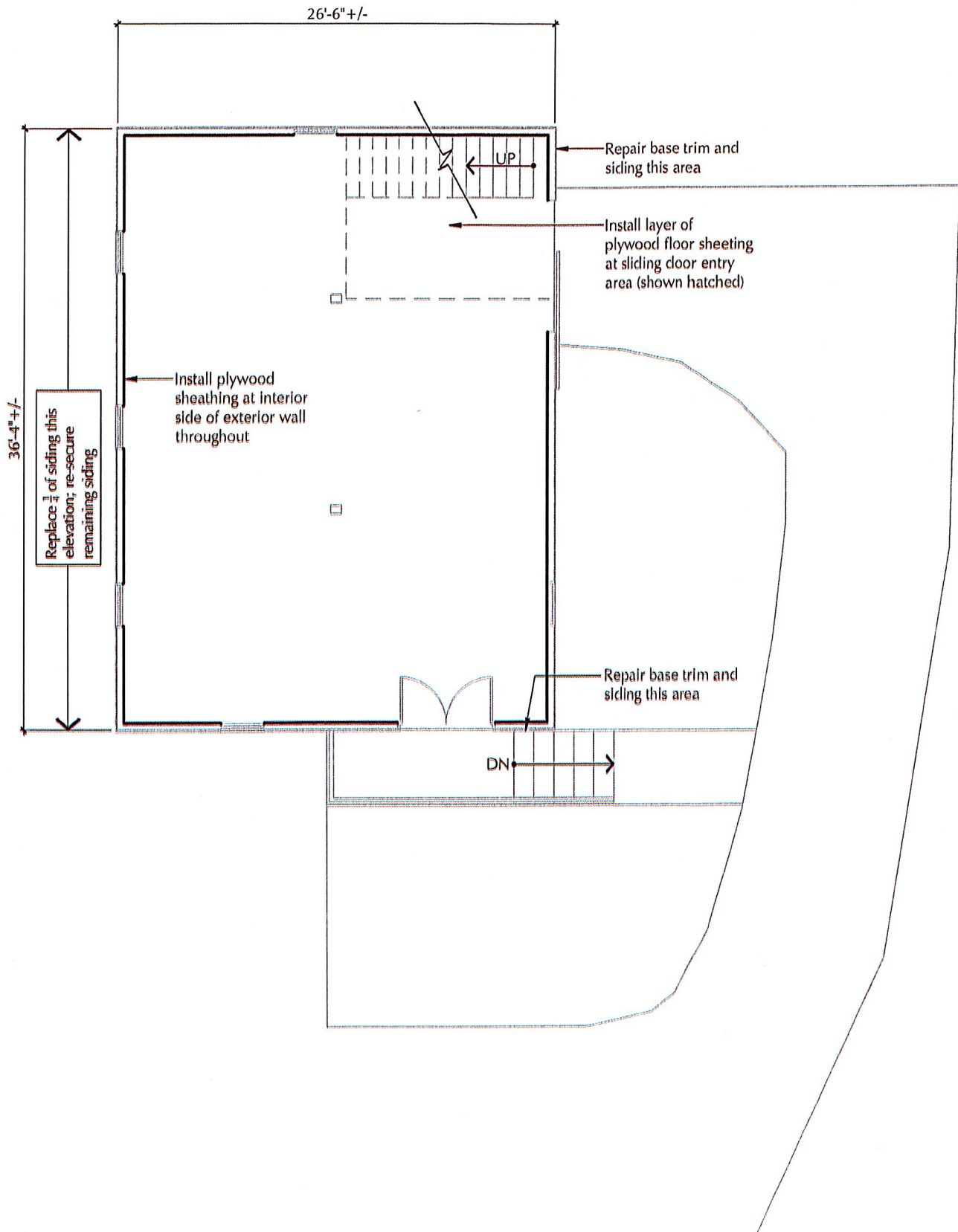


Note: Deficiency notes are boxed for clarity

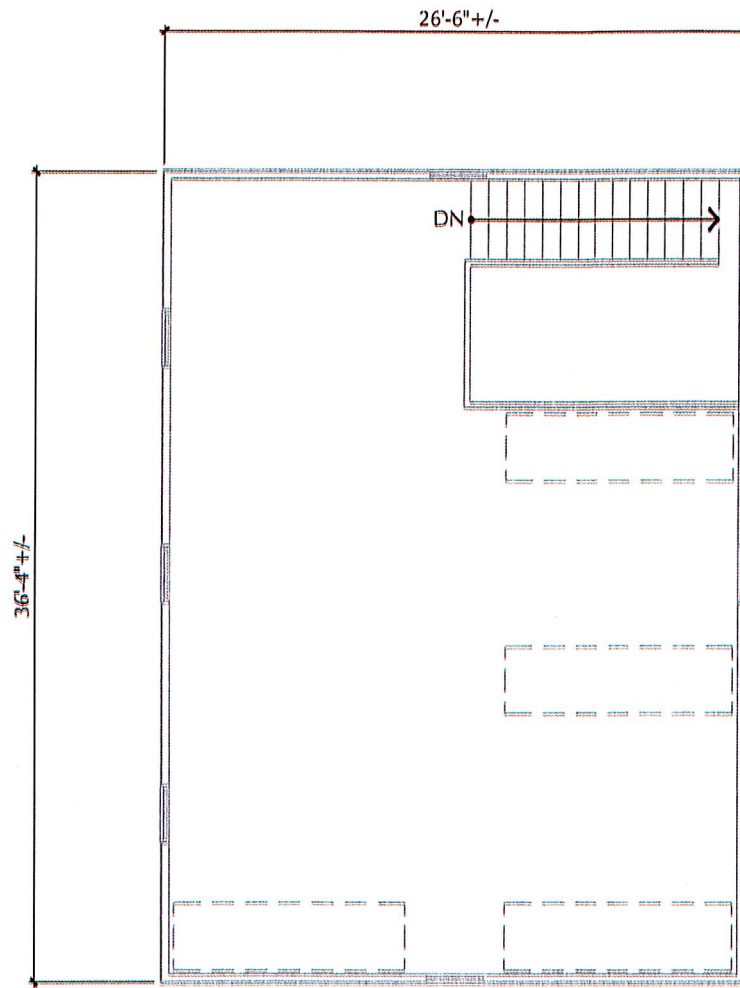


Existing Lower Floor Plan- Option 1 (Stabilization of Existing)



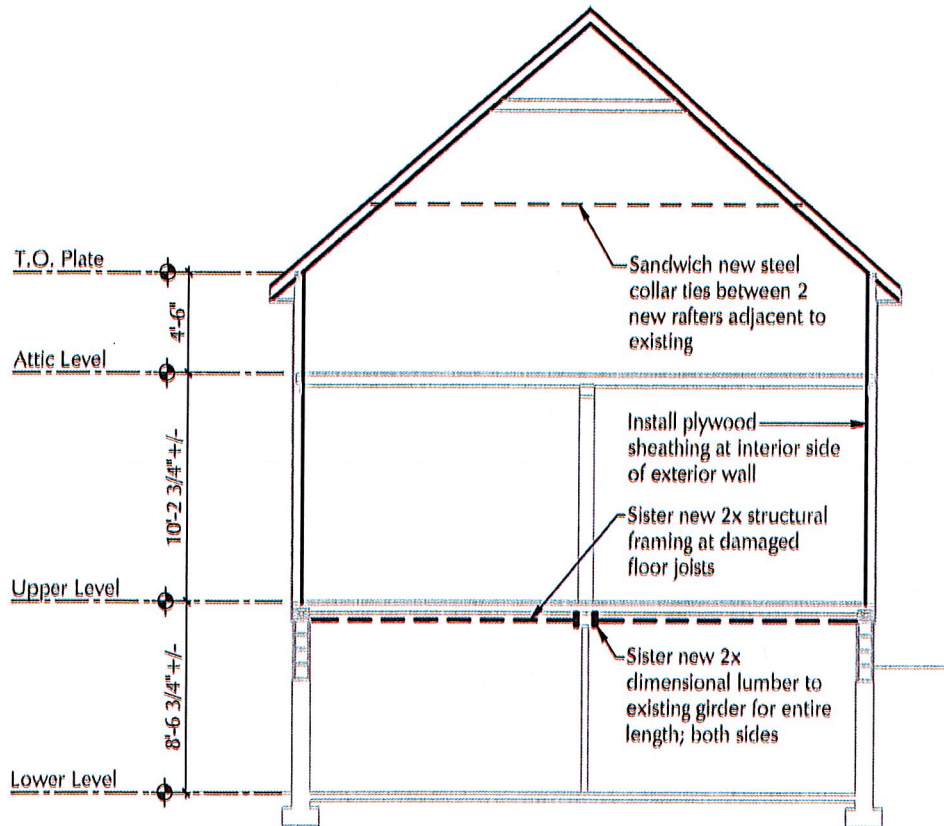


Existing First Floor Plan- Option 1 (Stabilization of Existing)



Existing Attic Floor Plan- Option 1 (Stabilization of Existing)





Existing Building Section- Option 1 (Stabilization of Existing)



Worcester State University, Presidents House-Barn/Carriage House

Existing Conditions Report

12 May 2011
Updated 10 July 2018



East Side



North Side



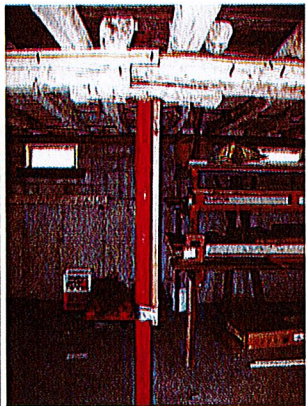
North Side



South east side



West side



Basement column
connection

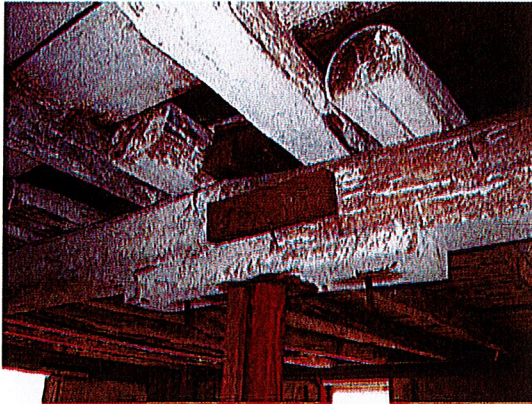


Basement

Worcester State University, Presidents House-Barn/Carriage House

Existing Conditions Report

12 May 2011
Updated 10 July 2018



Basement column connection



Basement column connection



Basement tie rod



Basement



Main floor

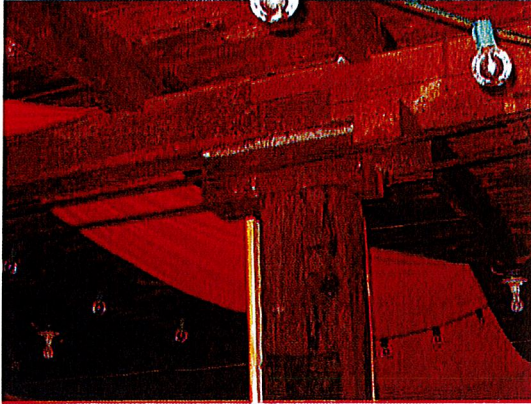


Attic opening

Worcester State University, Presidents House-Barn/Carriage House

Existing Conditions Report

12 May 2011
Updated 10 July 2018



Main floor column & tie



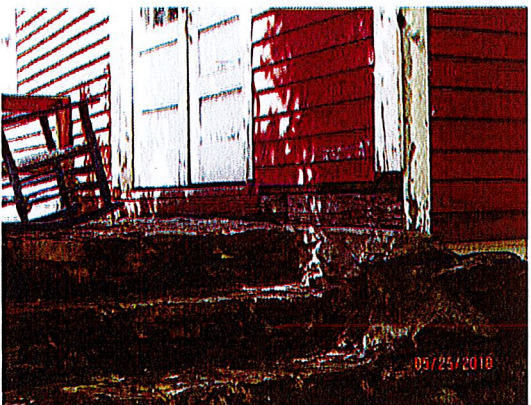
Attic knee wall



Hole in attic floor



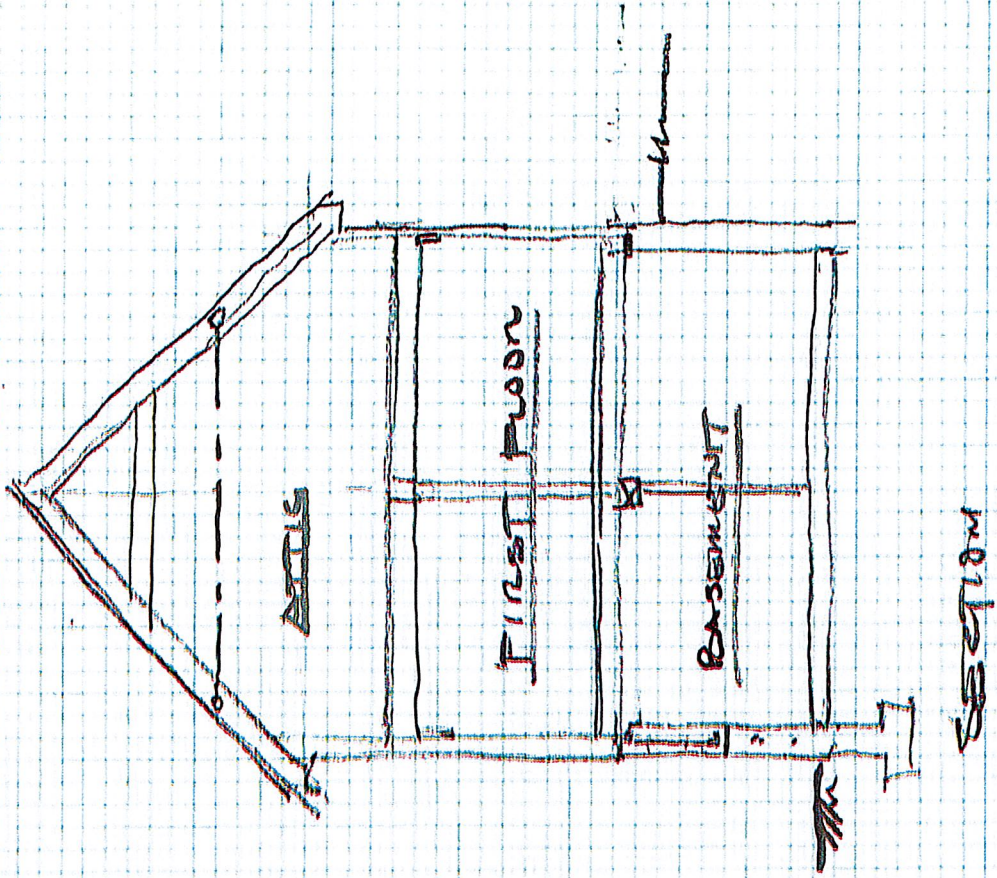
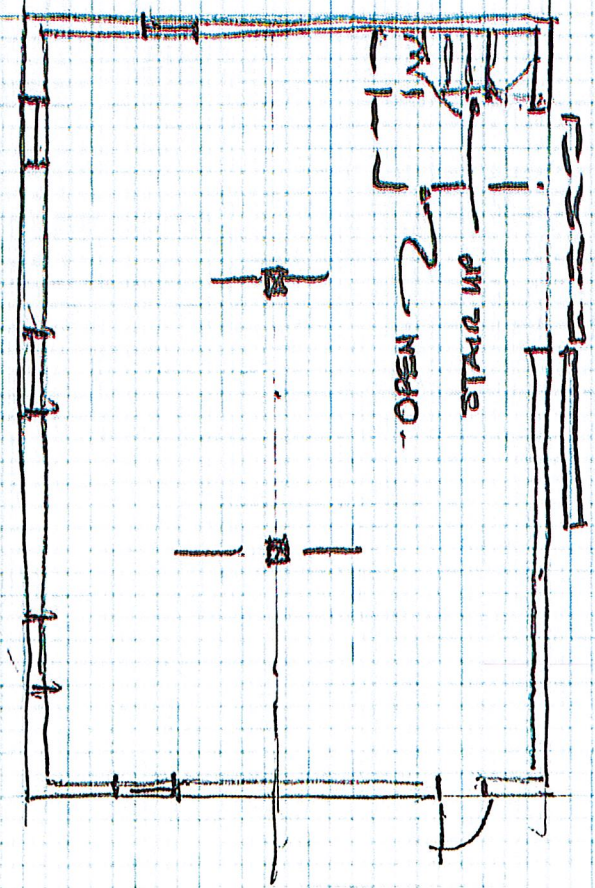
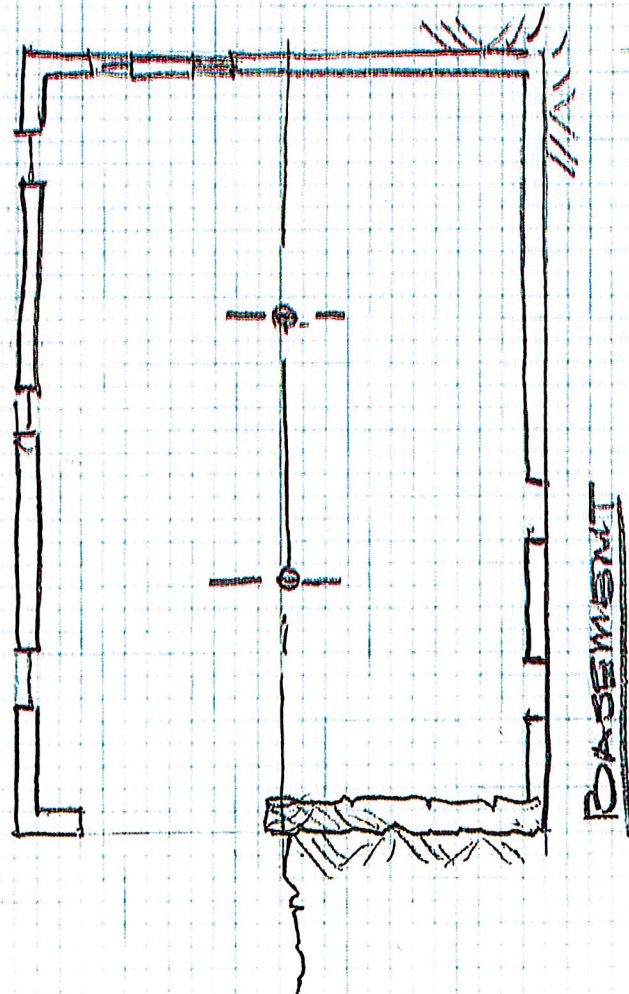
Fasteners coming out at South elevation



Deteriorated base trim



Cedar siding falling off South elevation (a piece is leaning against foundation in photo)



536 CHANDLER ST
 BOSTON
 WORCESTER MA
 12 MAY 2011

Tuesday, October 16, 2018
Student Affairs Conference Room, Room 326
Worcester State University

Board of Trustees Meeting 6:30 p.m.
Student Affairs Conference Room, Room 326



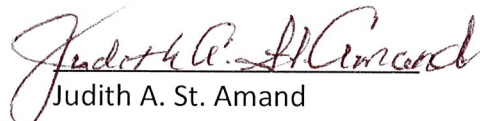
WORCESTER STATE UNIVERSITY

President's Office
Phone: 508-929-8020
Fax: 508-929-8191
Email: bmaloney@worchester.edu

NOTICE

A MEETING OF THE WORCESTER STATE UNIVERSITY BOARD OF TRUSTEES WILL BE HELD ON TUESDAY, OCTOBER 16, 2018 AT 6:30 P.M. IN THE STUDENT AFFAIRS CONFERENCE ROOM #326 OF THE STUDENT CENTER.

1. CALL TO ORDER
2. VOTES
3. APPROVAL OF MINUTES – September 11, 2018
4. PRESENTATION – Academic Partnerships
5. CHAIR'S UPDATE
6. PRESIDENT'S REPORT
7. FINANCE & FACILITIES COMMITTEE REPORT
8. OTHER BUSINESS
9. ADJOURNMENT


Judith A. St. Amand
October 9, 2018

VOTES

Upon a motion made and seconded, it was

VOTED: to approve the minutes of September 11, 2018 as submitted.

Upon a motion made and seconded, it was

VOTED: to accept the recommendation of the Finance Committee and approve the FY 2018 Draft Audit Report as presented.

Upon a motion made and seconded, it was

VOTED: to accept the recommendation of the Finance Committee to take no action of the FY 2019 University Budget until a report is made at the November meeting.

Upon a motion made and seconded, it was

VOTED: to accept the recommendation of the Finance Committee and approve the property improvements at the President House located at 535 Chandler Street. The improvements will include the demolition of the barn, grading and leveling the site, installation of a pavilion adjacent to the house and related utility work, paving and landscaping. Project to be completed in two phases:

Phase I encompasses barn demolition and pavilion construction for an estimated cost of \$75,000 and will be funded by the Worcester State Foundation.

Phase II encompasses all paving work, in addition to updating the walkways in the area and refreshed landscaping including planting beds bordering the pavilion at an estimated cost of \$60,519 to be paid with funds allocated for capital adaptation and renewal in FY 2019.

Upon a motion made and seconded, it was

VOTED: to adjourn the meeting at

**WORCESTER STATE UNIVERSITY
BOARD OF TRUSTEES**

September 11, 2018

PRESENT: Trustee Craig Blais, Chair
Trustee Maryanne Hammond, Vice Chair
Trustee Stephen Madaus, Vice Chair
Trustee Lisa Colombo
Trustee Aleta Fazzone
Trustee Manasseh Konadu
Trustee Karen LaFond
Trustee Dina Nichols
Trustee Shirley Steele
Trustee Marina Taylor
Trustee David Tuttle
President Barry Maloney, Secretary
Ms. Judith St. Amand, Assistant Secretary

The provisions of General Laws, Chapter 30A having been complied with, and a quorum present, a meeting of the Worcester State University Board of Trustees was held on Tuesday, September 11, 2018 in room 204 of the Wellness Center. Chairman Blais called the meeting to order at 7:03 p.m. Chairman Blais immediately called a recess and the meeting was called back to order at 7:10 p.m.

APPROVAL OF MINUTES – June 5, 2018

Chairman Blais called agenda item #4 out of order. Upon a motion by Trustee LaFond and seconded by Trustee Tuttle, it was unanimously

VOTED: to approve the minutes of June 5, 2018 as submitted.

SIGHTLINES PRESENTATION

- VP Kathy Eichelroth introduced Jordan Morris who provided the presentation.
- Physical space is one of the most coveted – and expensive – resource on a college or university campus.
- In order to align current needs with long-term strategic goals, facilities must be maintained, must tackle new construction, stay abreast of technological updates and complete outstanding renovations.
- A PowerPoint presentation was provided and the following were the highlights of the report:

Peer Group for Comparative Use for Benchmarking

Babson College, Bentley University, Keene State College, MA College of Art & Designs, University of Hartford, University of Maine-Augusta, University of New Haven, University of Southern Maine and Westfield State University

Significant Needs Despite Younger Age Profile

70% of space on WSU is under 25 years of age. Much of the space in the "10-25" age group is beginning to show wear and need for systemic renewal. Spaces over 25 years of age are candidates for renovation or replacement, most notably Chandler Village and Student Center.

Existing Space Investment not Meeting Target

The majority of capital funding in the last five years has been directed towards new space. Investment levels have fallen short of stewardship targets for existing campus. Limited investment and higher use intensity of campus have accelerated wear in existing buildings.

Investment Based on Building Condition

Maintain high NAV buildings with PM and Annual Stewardship. Buildings below 70% NAV are candidates for major systemic renewal or gut renovation from one-time funding infusions. High needs in the Student Center, coupled with its unique and obsolete HVAC distribution make it a candidate for demolition and replacement.

Asset Reinvestment Need Impacting Operations

High \$/GSF need and densely populated campus are leading to increased operating costs and coverage ratios of maintenance trades. Many systems are past their useful life and are being repaired rather than replaced, while also seeing accelerated use. Short term investments should focus on reliability needs and projects that replace systems to alleviate operating costs.

- VP Eichelroth reported that Worcester State University is among Massachusetts public higher education institutions that will share in about \$4 billion in state investments.\
- The money will come from a \$3.9 billion bond package that addresses statewide capital needs, including higher education campuses.
- The package includes funding to help state campuses tackle issues with critical infrastructure, formerly called deferred maintenance.
- The most pressing repairs will be addressed first, including significant infrastructure repairs to the Ghosh building and repairs and improvements to campus roadways.
- Each project will require separate approval from the Division of Capital Assets, Management and Maintenance before going forward.
- WSU's share of the money, \$12.4 million over five years, represents the second-largest amount among the 29 campuses receiving allocations.

- Matching funds are required from each institution, and WSU will provide an additional \$9 million to support the projects.
- WSU already has committed, through its operating budget, \$20 million over the next five years toward infrastructure adaptation and renewal.
- Those funds, at \$4 million a year, will be used to meet the University's match requirement.
- The commonwealth determined the distribution of critical-repair funds with the help of Sightlines, a facilities-management company with which the University has had a long relationship.
- This funding is very helpful in addressing the increasing demands on maintaining campus infrastructure.
- Sightlines assessment suggests that we are funding critical repairs at a level of \$10 million annually to keep up with infrastructure life cycles. This [additional] funding helps address the needs in a predictable manner and with less of a burden on the operating budget.
- The bond bill authorizes \$950 million overall for public higher education investments, including capital expenditures.
- The Fiscal Year 2019 Capital Investment Plan also funds a planning and project readiness process with projects at several campuses, including Worcester State University.
- WSU will use this funding to consider the future of the Student Center, a structure built in 1978 that has major infrastructure issues and is not up to current standards in other ways. An upgrade of the Student Center would require extensive and costly renovations, so the study will look at exactly what repairs would be needed and whether replacement might be a better option.

CHAIRMAN'S UPDATE

Chairman Blais reviewed the Trustee membership of the Executive Committee, the Foundation Board, and the Academic Affairs/Student Development, Finance & Facilities, Human Resources, and the Planning & Development Standing Committees of the Board.

PRESIDENT'S REPORT

- A conference call was held with Chairman Blais, Attorney Cox, Provost Wims, and VP Forsythe to discuss the best way to report information on the Arts & Sciences project that has been underway. Looking to host a time where open discussion and dialogue can take place. Material should be ready to report by the first of the year. Plans will continue with a time and place for said discussion and whether a proposed retreat or regular January meeting will take place. Trustees to be kept updated.
- October meeting will host a presentation on the two proposed graduate on-line courses.
- Hoping to hear news on faculty contracts approval in near future even though questions were raised relative to the 2% overall expenses
- APA contract is facing issues with OER because there is a cost that exceeds the 2% approved by the Governor – working to hopefully resolve the issue so that contract

negotiations do not have to be reopened – looking at possible miscalculation and hopeful to be resolved soon.

- AFSCME contact to be approved in near future.
- Homecoming Weekend is September 19, 20 & 21 - all trustees are welcome at any event and admission is always complimentary.
- Family Weekend will also be held and we look forward to a very busy and successful weekend
- Hanover Theatre College Partnership Agreement
Chairman Blais commended WSU on its continued support of the theatre.
President Ashley was one of the first presidents to enter into a five-year agreement to support the venture and proud to see WSU continuing with their support.
Great opportunity for students, faculty and staff to attend shows and facilities are used at various times throughout the year for events.

NOMINEES FOR SPEAKER/AWARDS POOL

- President Maloney reminded the group that he established this committee and charged them with soliciting nominations for individuals to be approved and included in a Speaker/Awards Pool.
- The committee is served by VP Tom McNamara is who is the president's liaison, faculty, staff and students.
- The nominees/recommendations are vetted through the All University Committee, recommended to the President and then final approval is granted by the BOT.
- The pool is maintained so that a selection for a speaker or an award recipient may be done during the year without having to have a special meeting of the BOT to approve.

Following the recommendation of the AUC, President Maloney put forward the following two names for inclusion in the Speaker/Awards Pool. Upon a motion by Trustee Colombo and seconded by Trustee Tuttle, it was unanimously

VOTED: to approve the following nominees for inclusion in the Speaker/Awards Pool:

Sasha Pfeiffer	Commencement Speaker & Community Service Award
Devin McCourty	Community Service Award

HUMAN RESOURCES COMMITTEE REPORT

- Trustee Maryanne Hammond, Chair of the HR Committee, reported that the group convened today to discuss the appointment of the Assistant Vice President for Communications & Marketing.
- Vice President for Enrollment Management, Ryan Forsythe, provided an overview of the search process.
- This person will be a direct report to Dr. Forsythe.

- President Maloney provided a copy of the appointment letter for Maureen Stokes to the HR Committee clearly stating that this offer is contingent upon approval of the Board of Trustees.
- Also provided was communication from Dr. Forsythe stating that the search followed a lengthy and thorough process, including a national position posting.
- Pool consisted of 67 applicants.
- 9 members of the search committee was composed of faculty and staff, and the student trustee.
- Comprehensive interview process was held over two rounds.
- Recommended candidate has a wide variety of professional experiences in campus level higher education communications and marketing.
- She has proven to be an effective leader, strategist and communicator in her previous positions.

Following discussion and questions for the recommended candidate, a motion was made by Trustee Colombo seconded by Trustee Tuttle, and it was unanimously

VOTED: to accept the recommendation of the Human Resources Committee to approve the appointment of Maureen Stokes as the Assistant Vice President for Communications & Marketing based upon the terms described in her letter of appointment dated August 28, 2018.

OTHER BUSINESS

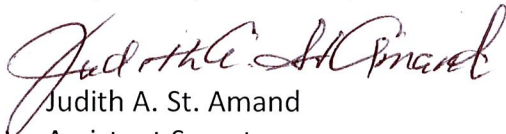
President Maloney informed the trustees that normally at this meeting a recommendation is brought forward relative to the approved final budget and previously approved fee increase imposed on students. Since the budget was not finalized until after the bills went out to students, options that include a possible freeze on fee increase will be discussed and reviewed at October meeting.

ADJOURNMENT

Upon a motion by Trustee Nichols and seconded by Trustee Colombo, it was unanimously

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

Respectfully submitted,

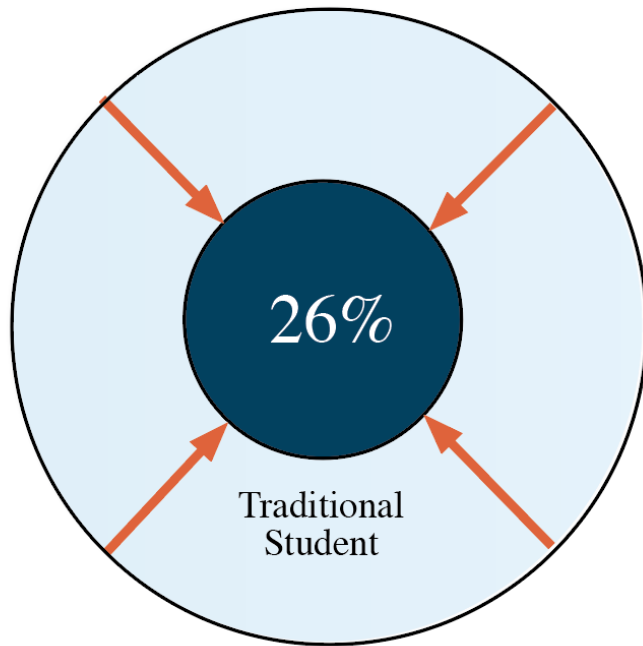

Judith A. St. Amand
Assistant Secretary

A low-angle, upward-looking shot of a graduation ceremony. Several black graduation caps with tassels are in the air, having been tossed by graduates. The background is a bright blue sky with wispy white clouds. The sun is visible in the upper right, creating a lens flare effect. Several arms of graduates are visible at the bottom, reaching up towards the sky.

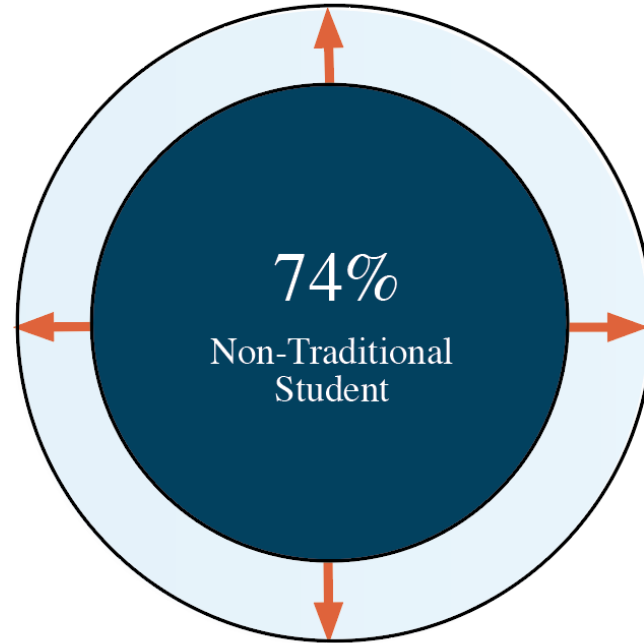
WORCESTER STATE UNIVERSITY



U.S. UNIVERSITIES' TWO MARKETS

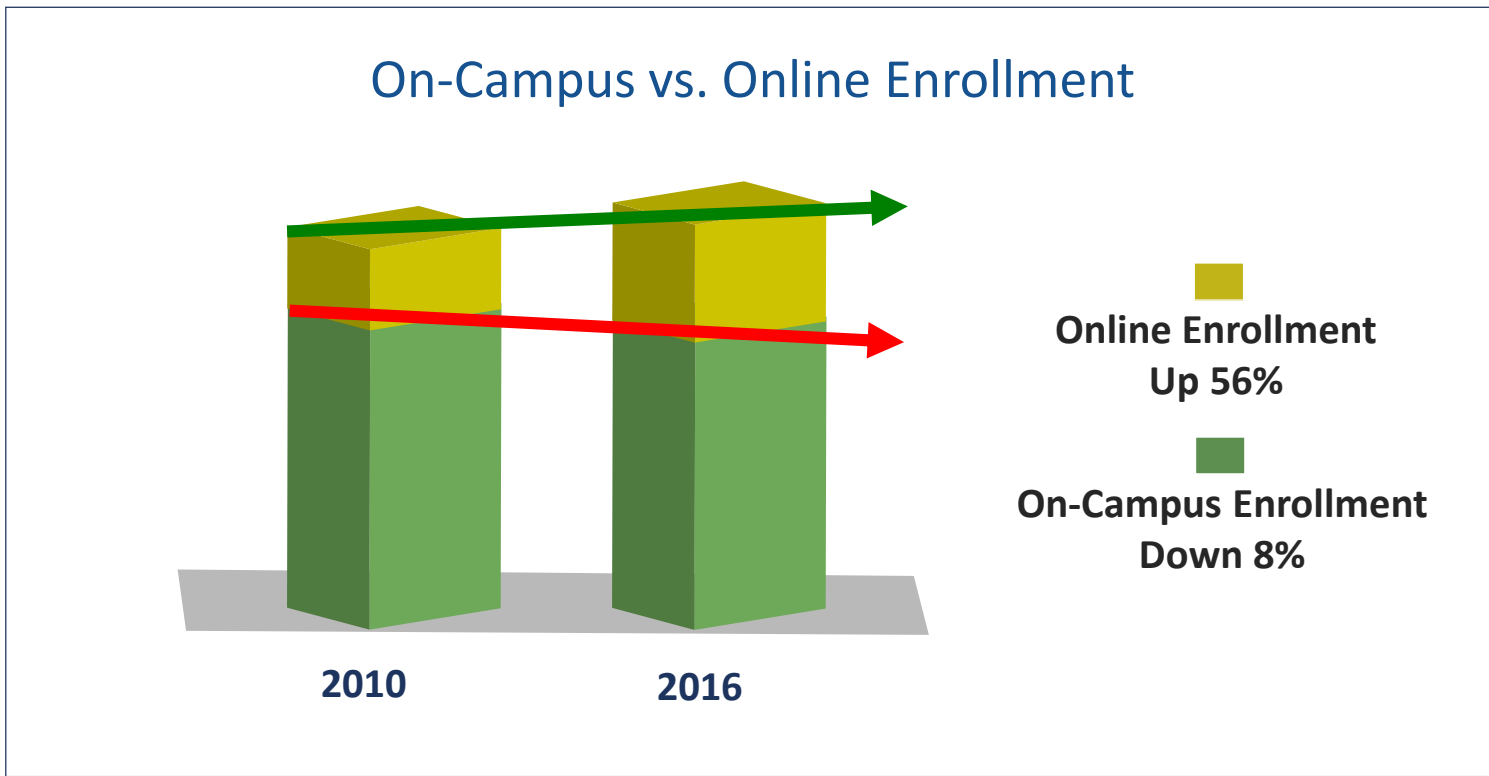


Enrollment of traditional students declined 8% over the past 6 years



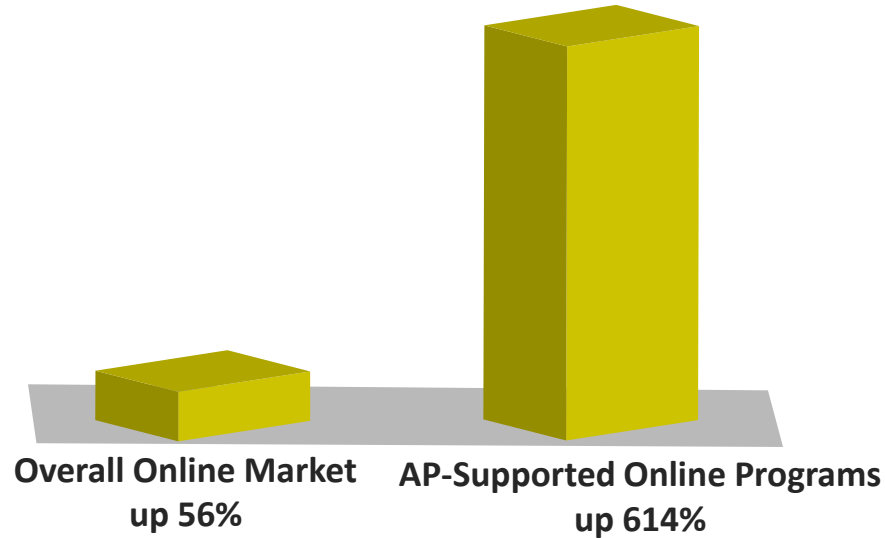
Enrollment in online degrees increased 56% over the past 6 years

UNIVERSITY ENROLLMENT (2010 – 2016)



Source: NCES, Eduventures

IMPACT OF ACADEMIC PARTNERSHIPS



On average, in the first 3 years after launch, AP grows a new online degree program between 378% and 2,200% over its on-campus enrollment.

ACADEMIC PARTNERSHIPS MISSION



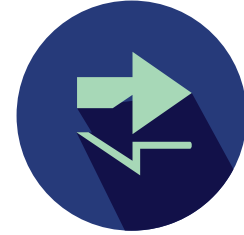
ACCESSIBILITY



AFFORDABILITY



STUDENT
SUCCESS



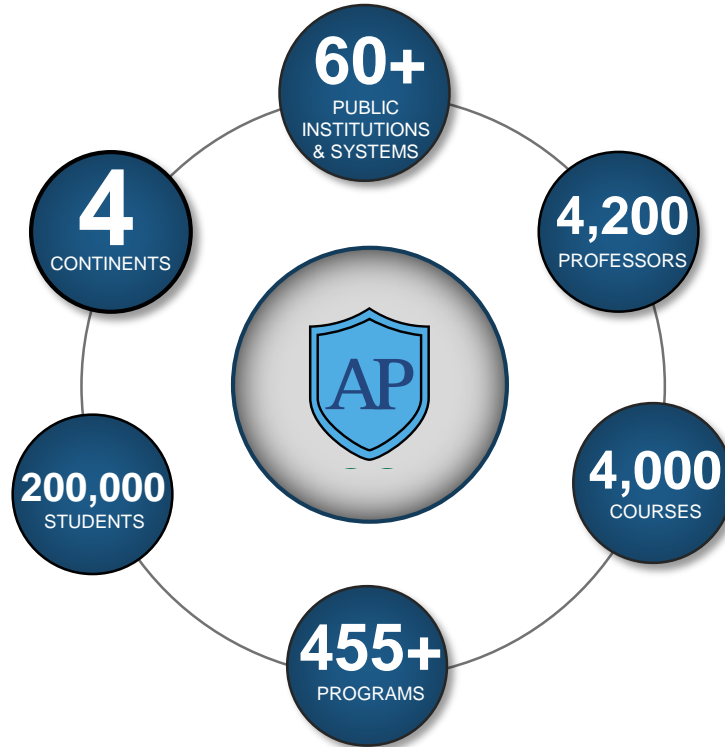
SCALE

Partnering with universities to facilitate sustainable growth and helping students achieve personal and professional success.

AP EXPERIENCE AND TRACK RECORD

#1 PUBLIC UNIVERSITIES'
Nursing enrollments;
26% of national total

#1 PUBLIC UNIVERSITIES'
Master of Education enrollments



#1 INDUSTRY'S TOP
RETENTION RATES

#1 EMPLOYER-BASED
PARTNERSHIPS
**Network of over
3,000 employer
partners**

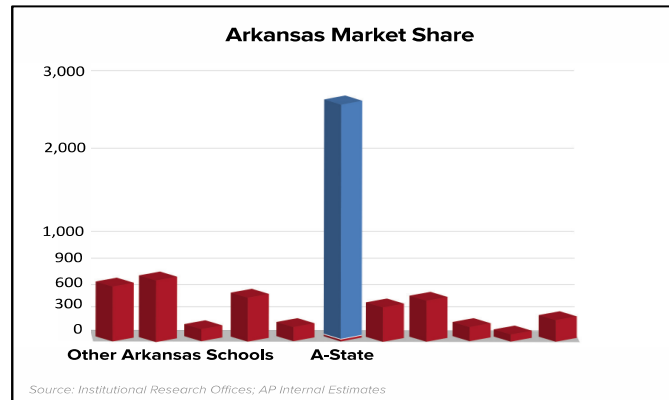
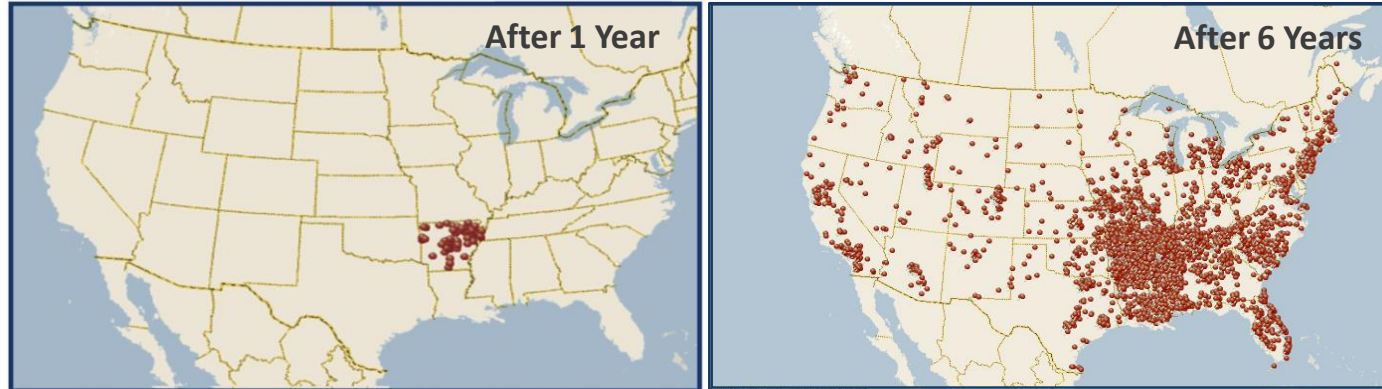
#1 INTERNATIONAL
PRESENCE



AP MARKETING VERTICALS & CASE STUDIES

CASE STUDY – ARKANSAS STATE EDUCATION

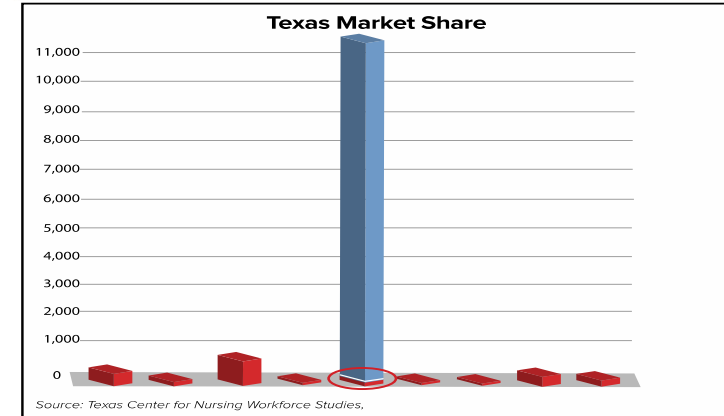
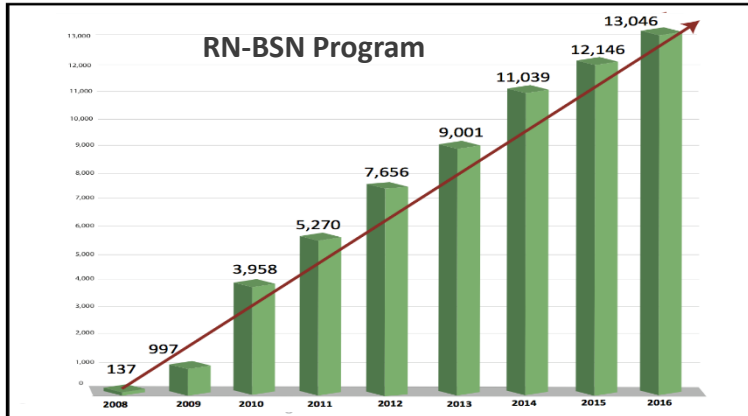
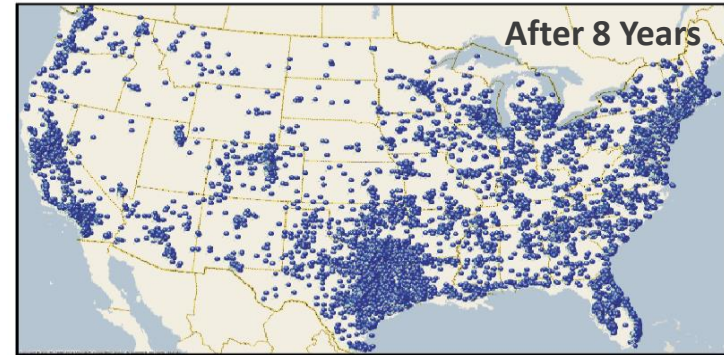
When AP launched this partner's first MEd program online, there were only 14 students enrolled in the program on campus.



In 2015, this partner enrolled 87% of M.Ed. students attending Arkansas public universities.

CASE STUDY – UTA NURSING

When this partner university launched an online RN-BSN, it had fewer than 140 students enrolled on campus. **The institution now has 6% of the U.S. market and 65% of the public university market in Texas.**



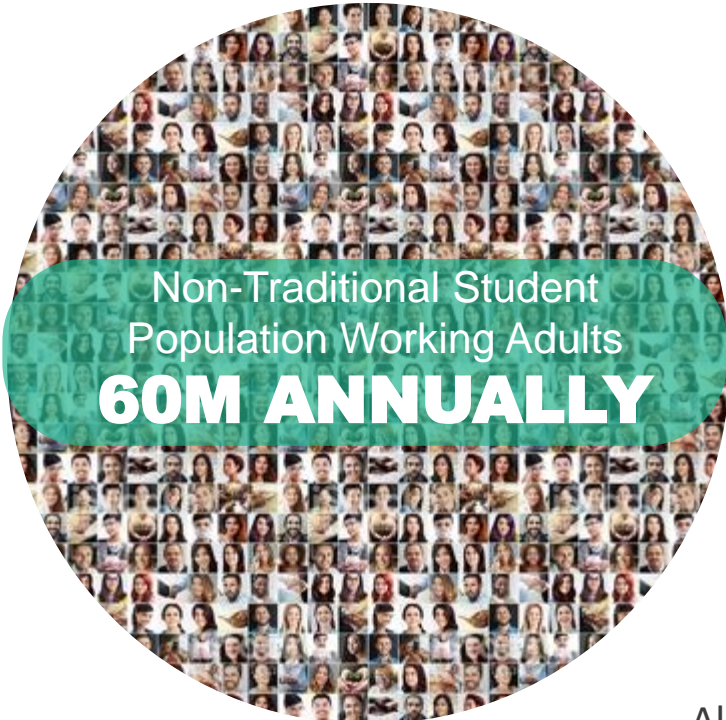
HOW DO WE DO IT?

- We partner with the right institution
- We know the market
- We know the student
- We know the competitive online model



THE MARKET IS JOB FOCUSED

Traditional Student Population
High School Graduates



6.3M

K12 Teachers and
Administrators

3.3M

Registered Nurses

24.0M

Business, Finance, and
Operations Managers

26.1M

Employed in other
Professional Occupations

Also another

31.0M

College Dropouts

Source: Bureau of Labor Statistics, National Center for
Education Statistics, National Student Clearinghouse,
The Henry J. Kaiser Family Foundation

WE KNOW THE ONLINE STUDENT



On-Campus Student

Cost

Not as price-sensitive, parents may be funding education

Program Duration

Semester-based calendar is standard

Admission Requirements

Accepted as standard

Accessibility

2-3 semester starts per year accepted as standard

Brand

Prestige and campus experience is more important for this audience



Online Student

Online students are working full-time and paying for school, cost is most important consideration

Accelerated time to completion is important for career growth

Would like to be respected as a working professional with valuable career experience

Asynchronous, accredited programs with specializations and multiple start opportunities important

Career relevance more important than brand

WE KNOW THE COMPETITIVE ONLINE MODEL

- ✓ 100% online
- ✓ Accelerated course/program design
- ✓ Multiple start dates
- ✓ Competitive program duration
- ✓ Competitive pricing
- ✓ Competitive admission requirements
- ✓ All starts financial aid eligible

UNIVERSITY RETAINS CONTROL

UNIVERSITY CONTROLS	AP RESPONSIBILITIES
Admission standards and student acceptance to online programs	Student recruitment to the specifications of the university's admission standards
Online curriculum and instruction and their quality	Guidance in course design and conversion from campus-based to an online format utilizing best practices in instructional design, i.e. program- and course-level planning against learning objectives, course sequencing, utilization of learning technologies, quality reviews, faculty workshops, etc.
Grading, credentialing and academic advising	Student retention through Student Success Coordinators, supplementing university's own student support services but performing no academic duties. Students with academic concerns are referred to the university
Financial aid advising and disbursement	Student referral to the university's financial aid office
Student data and privacy	Enablement of university's information systems and processes to facilitate the most optimal online student experience, including enrollment, communication and support
University brand and its communication	Marketing and advertising support with all communications approved by University

BUSINESS MODEL DRIVES STUDENT SUCCESS

Average Annual Course to Course Persistence Rates



RN-BSN: 97.0%



MSE: 97.7%

Improving Student Persistence

On Boarding
New Students

Orientation
Risk
Assessment

Achieve Early
Successful 1st
to 2nd Course

2nd Course to
Program
Completion

Data Flags

President's Update

October 2018

President's Message



The 2018-2019 academic year got off to an excellent start last month. We met our enrollment target again this year, welcoming some 1,500 new undergraduate students, and have settled into fall activities, which included a combined Family Day/Homecoming weekend that

brought many to campus.

Our challenges this year are, first, to retain the students we've enrolled -- a topic I emphasized at the Tri-Board dinner -- and, second, to make the changes that are necessary for us to meet the needs of tomorrow's students. This year, the Graduate and Continuing Studies division and the faculty, working with Academic Partnerships, a nationally recognized online vendor, are preparing to offer fully online graduate programs. This will help us provide more delivery options to meet today's busy students, wherever they may be. The focus at the outset is on those adult learners who have already earned an undergraduate degree.

We are also laying the groundwork for programming changes. We are gathering data indicating which majors' prospective students are likely to prefer in the years ahead and which job markets are likely to grow, to inform our decision making.

These initiatives, as well as the other cross-campus goals outlined in the Update, help advance Worcester State's mission of "champion(ing) academic excellence in a diverse, student-centered environment that fosters scholarship, creativity, and global awareness," as our [strategic plan](#) states.



**WORCESTER
STATE
UNIVERSITY**

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PRESIDENT'S OFFICE

Worcester State University
486 Chandler Street
Worcester, MA 01602
508-929-8000
www.worcester.edu

Learning Outcomes

Goal #1. Enhance undergraduate academic programs and expand graduate programs in a community of learning that promotes academic excellence and innovation.

Initiative: The university will develop its first institutional learning outcomes (ILO). These ILOs will provide a foundation for future strategic planning, accreditation self-studies, and integration of university operations and services with Worcester State's overall academic mission.

Initiative's Lead: Sarah Strout

Projected Completion: May 2019

October's Status

The Learning Outcomes Survey was created and distributed students, faculty, staff and trustees during the last week of September. Additionally, alumni who are currently involved with programs also will be encouraged to respond to the survey. The survey will conclude on October 12, 2018.



Positioning Study

Goal #1. Enhance undergraduate academic programs and expand graduate programs in a community of learning that promotes academic excellence and innovation.

Initiative: The university will use the findings of the Art and Science Positioning Study to examine and retool academic programs.

Initiative's Lead: Lois Wims

Projected Completion: 2019 - 2020

October's Status

Because the Positioning Study has not yet been issued, no implementation activities have been scheduled to date. Academic Affairs has been addressing inquiries from faculty and other constituencies about the future process associated with the Positioning Study, indicating that they will be inclusive once the study has been issued.



Course Scheduling

Goal #2. Leverage WSU's distinctive strengths, both to enhance the University's reputation and to prepare students to lead, serve, and make a difference in the world.

Initiative: The university will leverage its course scheduling software to increase efficiency across departments and maximize student scheduling options.

Projected Completion: March 2019

October's Status

A representative group of university administrators met with the course scheduling software team to establish campus priorities and rules relative to the functionality of the software. The Registrar then met with the academic deans to share the progress and next steps in the project, discuss connecting data from the university's student information system, and garner feedback on the project's status to date. Next, the Registrar will work with the course scheduling software team to finalize system configurations and determine the remaining project schedule.



Academic Advising

Goal #3. Attract and enroll a diverse pool of highly motivated students and attach institution-wide priority to promoting their retention and success.

Initiative: The university will strengthen academic advising through assessing current Worcester State practices and researching academic advising best practices.

Initiative's Lead: Henry Theriault

Projected Completion: June 2019

October's Status

Faculty advising webpage content has been developed that includes outcome objectives, general tips, a suggested meeting schedule, agendas for meetings keyed to student class status/semester, and a "Find It Fast" set of links. This content was presented to chairs and others in Academic Affairs for feedback, and suggestions have been incorporated. Final content, plus an advising landing page for faculty and students, has been submitted to Marketing for inclusion in the Worcester State website; the faculty advising materials will go live by the beginning of the Fall 2019 advising period. A similar advising site for students currently is under development.



Orientation & Registration

Goal #3. Attract and enroll a diverse pool of highly motivated students and attach institution-wide priority to promoting their retention and success.

Initiative: The university will respond to the changing demographics and needs of incoming students by enhancing orientation and registration processes for families and new students.

Initiative's Lead: Ryan Forsythe

Projected Completion: July 2019

October's Status

Recommendations from a cross-divisional group of faculty and staff have been reviewed and plans are in process to engage key stakeholders, including the Office of Student Involvement and Leadership Development and the Academic Success Center. Work has begun on developing a new strategic direction for future registration and orientation activities, including an evaluation of human and financial resources.



Campus Climate

Goal #4. Cultivate a vibrant campus life and a collaborative work and learning environment in which all members of the WSU community feel welcomed, included, respected, empowered, and valued.

Initiative: The university will continue implementing suggestions from the Campus Climate Report to determine inequalities that may exist in student academic experiences (e.g., changing majors or failing classes at higher than average rates).

Initiative's Lead: Stacey Luster

Projected Completion: July 2019

October's Status

During Opening Day breakout sessions, the university community received updates on the implementation of the Campus Climate Study and a review of the data collected from the Spring '18 Campus Climate survey. The Campus Climate Committee recommendations have been implemented and the committee is developing protocols for faculty focus groups, which will provide information for additional recommendations. The Advisory Committee for Equal Opportunity, Diversity, and Affirmative Action and the Campus Climate Committee have been appointed and will launch in October.



Program Support

Goal #5. Promote financial strength and organizational sustainability while continuing to secure and invest the resources required to maintain WSU's reputation for excellence and value.

Initiative: The university will use the results of its analysis of Worcester State Foundation funds during the 2017-2018 academic year and work directly with the Deans of the two schools to identify alternative or supplemental resources to support various academic and programmatic activities for the year.

Initiative's Lead: Karen Sharpe

Projected Completion: June 2019

October's Status

The FY2019 review of institutional priorities (research, scholarship, programs, and capital) was held in September to create stronger communication about private grants processes and ways to engage faculty and staff. Additionally, cross-department meetings were held to review acceptance, processing, and expenditure of Foundation funds; protocols for student and faculty research and grant support expenditures also were reviewed.

During Summer 2018, conversations on project planning and goals were held with those who work within the School of Humanities and Social Sciences, Interdisciplinary Programs, the Worcester Center for Crafts, the School of Education, health, and Natural Sciences, Worcester State's teaching, research, and partnership centers, and the Latino Education Institute.



Online Learning

Goal #5. Promote financial strength and organizational sustainability while continuing to secure and invest the resources required to maintain WSU's reputation for excellence and value.

Initiative: The university will expand undergraduate and graduate online offerings that will reach underserved and non-traditional student populations.

Initiative's Lead: Lois Wims

Projected Completion: July 2019 (initial review); Spring 2020 (launch graduate programs)

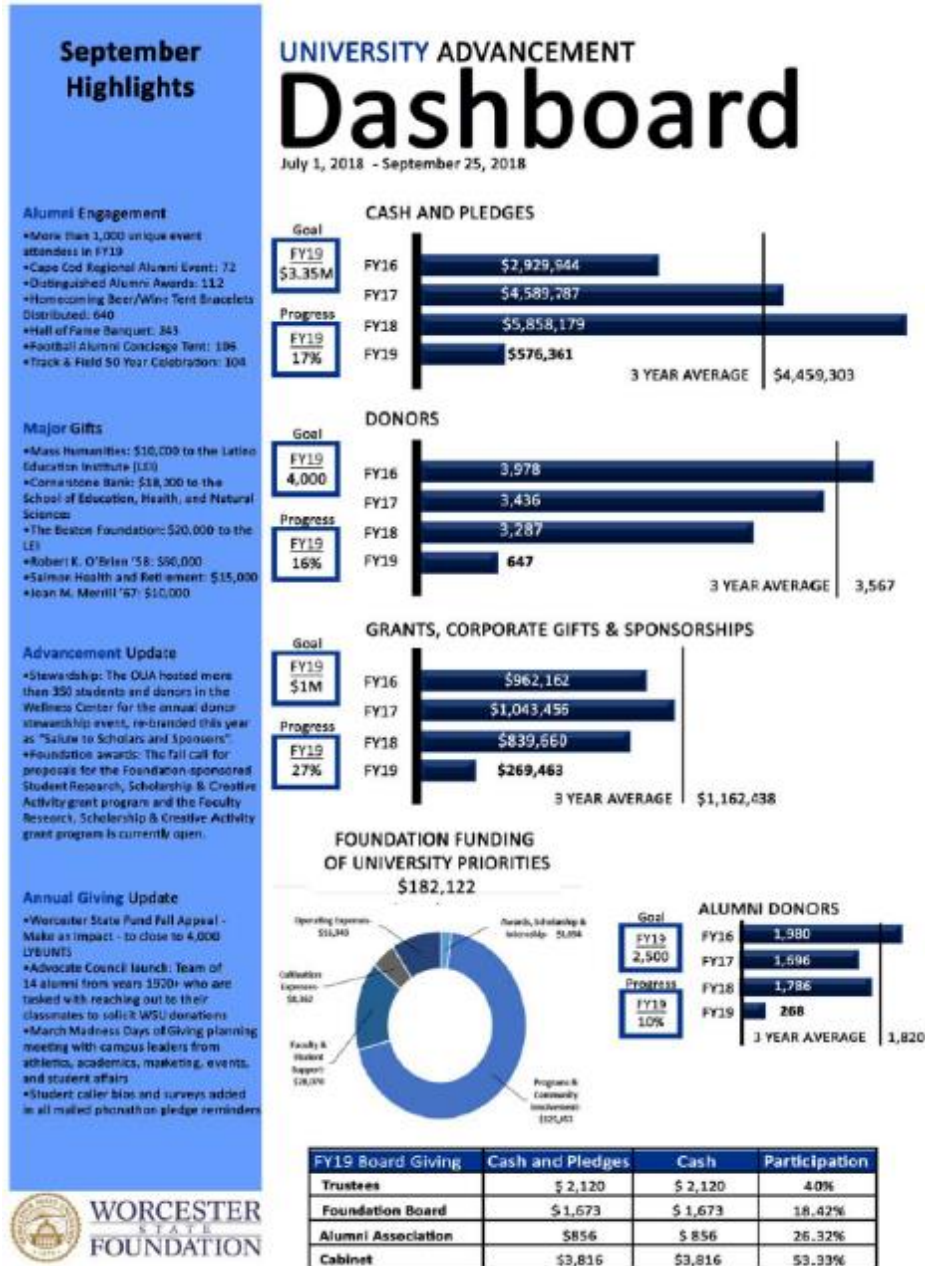
October's Status

Worcester State has signed an agreement with Academic Partnerships to offer selected master's programs in Nursing and Education fully online; project implementation is under way. In non-online degree programs, Worcester State currently offers 65 Day and 56 DGCE fully online undergraduate courses, 36 Day and 18 DGCE hybrid/blended undergraduate course, and 10 fully online and 24 hybrid/blended graduate courses. To support development of high-quality online and hybrid/blended offerings across its curriculum, Worcester State has become active with Mass Colleges Online, and has joined Quality Matters, an organization that provides support in measuring the quality of online courses. Faculty members have begun going through Quality Matters training in online and hybrid/blended course best practices, some of whom later will train their colleagues through programs organized by academic departments and the Center for Teaching and Learning (CTL).



University Advancement Dashboard

[View September's University Dashboard here.](#)



2018 Entering Class Profile

[View the 2018 Entering Class Profile here.](#)

Worcester State University

Profile of the Fall 2018 New Freshmen and Transfer Class

Sept. 27, 2018

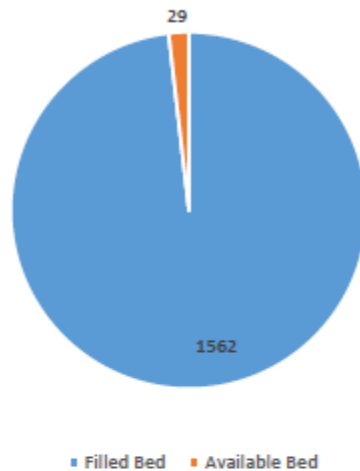
Worcester State University's entering Fall 2018 class is increasingly diverse, with over 30% of students self-identifying as being a member of an underrepresented race or ethnic group, and represents higher levels of academic achievement than in prior years, including an average high school GPA of 3.23 and average SAT score of 1087 for freshmen. It is the second largest new student class in the history of the university, with 1,450 enrolled new students, only 14 fewer than the largest class in Fall 2017. The highest rate of new students ever are choosing to live on campus, at a rate of over 44% of all new students for Fall 2018. Fifty-nine percent of students are female; 48% are first-generation college, and over 32% applied to WSU as an early action applicant. WSU students are primarily from the Commonwealth of Massachusetts; however, students enrolled in Fall 2018 from New York, Maine, Tennessee, Ohio, Georgia, Albania, China, the Democratic Republic of the Congo, and more. The most popular towns new students hailed from were Worcester, Shrewsbury, Holden, Rutland, and Auburn. Feeder high schools included Doherty HS, South Community HS, Wachusett Regional HS, Worcester Tech HS, Shrewsbury HS, and more. Feeder colleges for transfer students included Quinsigamond Community College, UMASS Amherst, Anna Maria College, Westfield State University, Mount Ida College, and Clark University. Top majors in Fall 2018 included Business Administration, Biology, Nursing, Psychology, Criminal Justice, and Computer Science. The most popular names for enrolling students were Michael, Emily, Matthew, Sarah, Nicholas, Hannah, Tyler, Amanda, Ryan, and Nicole.

Fall 2018 Resident Data

[View Fall 2018 Resident Data Here](#)

Fall 2018 Resident Data

Current Residence Hall Occupancy



Residence Hall Space Audit

