

WORCESTER STATE UNIVERSITY
(AN AGENCY OF THE COMMONWEALTH OF
MASSACHUSETTS)
FINANCIAL STATEMENTS
AND MANAGEMENT'S DISCUSSION AND ANALYSIS
WITH SUPPLEMENTARY INFORMATION, STATISTICAL
INFORMATION AND OTHER REPORTS
YEARS ENDED JUNE 30, 2015 AND 2014
AND
INDEPENDENT AUDITOR'S REPORT

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

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

YEARS ENDED JUNE 30, 2015 AND 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 11
Basic Financial Statements:	
Statements of Net Position	12
Statements of Revenues, Expenses and Changes in Net Position	13
Statements of Cash Flows	14 - 15
Notes to Financial Statements	16 - 35
Supplementary Information:	
Schedule 1 - Functional Expenses	36
Schedule 2 - Schedule of the University's Proportionate Share of Net Pension Liability	37
Schedule 3 - Schedule of University Pension Contributions	38
Schedule 4 - Residence Life and Housing Statements of Net Position	39
Schedule 5 - Residence Life and Housing Statements of Revenues, Expenses, and Changes in Net Position	40
Schedule 6 - Health Services Statements of Revenues, Expenses, and Changes in Net Position	41
Statistical Information	42 - 47
Other Reports:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Bases on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	48 - 49

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Worcester State University
Worcester, Massachusetts

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2015, on our consideration of Worcester State University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester State University's internal control over financial reporting and compliance.

Ballus Lynch, LLP

Worcester, Massachusetts
October 20, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

Financial Highlights

- Adoption of Accounting Principal. The Commonwealth of Massachusetts adopted GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The effect on the June 30, 2015 financial statements includes a \$10,567,132 reduction to net assets as of July 1, 2014 to record the Net Pension Liability the Commonwealth has attributed to Worcester State University. Additional changes in presentation include the deferred outflows and inflows of future pension related costs and an overall net reduction in operating expense of \$362,530 to address a timing difference in recording of pension costs assessed on payroll through the Commonwealth's fringe benefit rate.
- The assets of Worcester State University exceeded its liabilities at the close of the most recent fiscal year by \$82,871,582 (net assets). Of this amount, \$24,104,278 is classified as unrestricted net assets. Growth in unrestricted net assets had been strategically planned in accordance with the University's long term Capital Financing Plan. The plan called for growth in reserves as the means of providing financial leverage for the building of the new Wellness Center and other capital improvements. A draw of \$9,500,000 of reserve funds as an equity contribution to the construction of the Wellness Center occurred in September of 2015. Total net assets and unrestricted net assets have been reduced by \$10,567,132 as of July 1, 2014 by the unanticipated adoption of GASB Statement No. 68, requiring the University to record its share of the Commonwealth's net pension liability for its employees.
- The University experienced a loss before other revenues, expenses, gains or losses of (\$673,465). The total change in net position of \$1,971,897 includes the recognition of \$2,645,362 of capital appropriation received from the state for infrastructure investment. Operational items of significance that influenced the total change in net position included the opening of Sheehan Hall, a new four hundred bed residence hall. The University experienced high demand for this new hall, however overall housing demand was down for the year resulting in a \$1,048,825 operating deficit for auxiliary services. Lower occupancy levels than normal in the residence halls had cross institution effects on other student assessed revenue categories resulting in lower revenue realization than expected. Despite the net operating results, the Capital Improvement Trust Fund continues to accumulate an annual operating surplus as intended with a goal of building the trust fund balance so it will be available to leverage plans for future capital investment.

Overview of the Financial Statements

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

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

The Statement of Revenues, Expenses and Changes in Net Assets present information showing how the University's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the accrual for compensated absences.)

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

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

The University reports its activity as a business-type activity using the full accrual measurement focus and basis of accounting. The University is a component unit of the Commonwealth of Massachusetts. Therefore, the results of the University's operations, its net assets and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the financial statements and are presented separately.

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

Financial Analysis

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

	2015	2014
Current and other assets	\$ 66,590,902	\$ 75,946,624
Capital assets	77,084,437	65,917,045
Total assets	143,675,339	141,863,669
Deferred outflows of resources	1,250,036	111,099
Non-current outstanding liabilities	37,975,821	29,264,138
Other liabilities	15,549,661	14,087,092
Total liabilities	53,525,482	43,351,230
Deferred inflows of resources	8,528,311	7,156,721
Net position		
Invested in capital assets, net of related debt	56,137,097	54,295,189
Restricted	2,630,207	3,120,338
Unrestricted	24,104,278	34,051,290
Total net position	\$ 82,871,582	\$ 91,466,817

A portion of the Worcester State University's net assets (3.2 percent) as of June 30, 2015 represent funds that are subject to external restrictions on how they must be used. Unrestricted net assets of \$24,104,278 may be used to meet the University's ongoing obligations to its stakeholders. This figure was significantly reduced by \$10,567,132 as of July 1, 2014. The reduction was the result of the adoption of GASB No. 68 requiring the University to record its share of the Commonwealth's net pension liability. The University's net assets increased by \$1,971,897 during the year ended June 30, 2015. At the end of the current fiscal year, Worcester State University reports positive balances in all net asset categories.

The University's primary reserve ratio, calculated as expendable net assets divided by total expenses, is 29.68% and 44.97%, respectively, for the years ended June 30, 2015 and June 30, 2014. This ratio provides a snapshot of financial strength and flexibility by indicating the percent of operating expenses that could be funded by expendable reserves without relying on additional net assets generated by operations.

The University has not achieved the Department of Higher Education benchmark of a primary reserve ratio of 40% of operating expenses for the year ended June 30, 2015. The primary reason for this is the application of GASB No. 68 that resulted in an unanticipated \$10,567,132 reduction in unrestricted net assets as of July 1, 2014. There had been purposeful growth in the reserve balance over the past decade and more specifically since 2006 as an integral part of the long term capital financing plan of the University. Reserves were being accumulated in the Capital Improvement Trust Fund for the specific purpose of financing a wellness center and other capital improvement projects. The growth in reserves had been planned in preparation for the University's equity contribution of \$9.5M to the Department of Capital Asset Management as part of the financing plan for the Wellness Center. The transfer of reserved funds for the project occurred in September 2015. The compound effect of the unanticipated application of GASB 68 and the planned equity contribution to the Wellness Center project has resulted in a current primary reserve ratio of 19%. A strategy will be developed over the coming year to improve this ratio.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

In FY 2015 construction of the Wellness Center was funded by the Commonwealth of Massachusetts general obligation bonds in the amount of \$2,081,931 in addition to \$10,440,031 of the \$15M bond proceeds the University borrowed for the project in 2012 through the MSCBA and placed on deposit with the Commonwealth Division of Capital Asset Management. The spending of MSCBA bond proceeds had a neutral effect on net assets as the funds moved from cash held by the State Treasurer to Construction in Progress. In addition, there was an operating surplus of \$1,023,552 in the Capital Improvement Trust Fund which was a planned contribution to reserves in accordance with WSU's Capital Improvement Plan. When looking at operations overall this planned surplus was negated by the effect of a lower than usual occupancy rate in the residence halls that impacted student assessed revenue across the institution. The overall growth in net assets was negated by the adoption of GASB 68 which resulted in the reduction of net assets by \$10,567,132 as of July 1, 2014.

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

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

The increase in net capital assets in FY 2015, was \$11,167,392 while depreciation expense on capital assets was \$4,224,797. During the year \$13,072,481 was expended on construction of the Wellness Center and building improvements made to the Student Center and the Learning Resource Center. The University received deferred maintenance funding to assist with the LRC project and to pay for several project planning studies.

The University's viability ratio, calculated as expendable net assets divided by long term debt, is 1 : 1.05 and 1 : 1.42 respectively, as of June 30, 2015 and June 30, 2014. The viability ratio measures the availability of expendable net assets to cover debt as of the balance sheet date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net assets to satisfy its debt obligations as of the balance sheet date.

The University has been working to improve this ratio in accordance with its long term capital financing plan. The intent over the past several years has been to raise the ratio in anticipation of transferring \$9.5M to DCAM in September of 2015 in accordance with the financing plan for the Wellness Center. The goal had been to sustain a 1:1 ratio as the project comes on line keeping the institution fiscally stable and not burdened by excess debt load. The University's plans had not anticipated the adoption of GASB 68 which resulted in a \$10,567,132 reduction to unrestricted net assets as of July 1, 2014. This reduction in unrestricted net assets accelerated the reduction in the University's viability ratio to 1:1.05 as of June 30, 2015, prior to the \$9.5 equity contribution to DCAM which has occurred as of September 2015. The University's current viability ratio is 1: .68. This is not an acceptable ratio for the University. A plan will be developed to achieve equilibrium in the ratio as quickly as possible.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

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

Loss from Operations

State appropriations are the primary source of funding for the University. Under GASB 35, appropriations are considered non-operating revenue. As such, the University incurs a loss from operations. The Commonwealth's Board of Higher Education sets tuition for the day division. The University's Board of Trustees sets all fees and tuition of the Division of Graduate and Continuing Education. The University's Board of Trustees approves the annual budget with the intention of mitigating losses after consideration of Commonwealth appropriations while balancing educational and operational needs. The following schedule presents Worcester State University's incurred losses from operations for the fiscal years ended June 30, 2015 and 2014, respectively.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Capital Assets and Debts of the University

Capital Assets: Capital Assets: Worcester State University's investment in capital assets as of June 30, 2015 amounts to \$77,084,437, net of accumulated depreciation, compared to \$65,917,045 net of accumulated depreciation as of June 30, 2014. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2015 gross capital assets increased by \$15,001,899. The majority of the increase was for Wellness Center construction. The Wellness Center will be complete for the fall of 2016. The MSCBA financed bond proceeds on deposit will be combined with the additional \$9.5M equity contribution transferred by the University to the Commonwealth in September. Those funds, when added to the Commonwealth's G.O. Bond commitment, will provide the resources needed to complete the \$52.3M Wellness Center project over the coming year.

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

Long-Term Debt

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Economic Factors that will affect the Future

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

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

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

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

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

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

During the summer of 2010 the University began a study with the Division of Capital Asset Management (DCAM) for a new wellness center to replace the existing 50 year old gymnasium. The planning study was completed in August of 2012 supporting the demolition of the existing gym building and construction of a new 100,000 square foot Wellness Center. A Memorandum of Understanding was executed amongst the Commonwealth, the University and the MSCBA with regard to financing of the Wellness Center project. The current certified cost of the project is \$53,283,845. The Commonwealth has funds earmarked for the project on the Higher Education Bond Bill in the amount of \$25.2 million. The current financing plan was approved by the Board of Trustees on July 3, 2012. The plan calls for the University to leverage reserves, which have been accumulating in accordance with the capital financing plan, to finance an estimated \$27.78 million for this project. The financing is a combination of University reserve spending and revenue bonds issued by the Mass State College Building Authority. The construction site is active with the building expected to be weather tight this fall. The new wellness center is scheduled to open fall of 2016.

Requests for Information

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

FINANCIAL STATEMENTS

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

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

	Worcester State University		Component Unit Worcester State Foundation	
	2015	2014	2015	2014
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 23,781,381	\$ 23,155,571	\$ 800,282	\$ 740,019
Cash held by State Treasurer	12,455,374	20,866,471	-	-
Cash held by Foundation	145,680	158,524	-	-
Accounts receivable, net	1,161,850	915,870	7,970	464
Current portion of loans receivable	153,424	162,022	-	-
Current portion of contributions receivable	-	-	397,770	324,188
Inventories	41,769	47,387	53,566	49,577
Prepaid expenses and other current assets	225,337	251,273	15,097	13,561
Total current assets	<u>37,964,815</u>	<u>45,557,118</u>	<u>1,274,685</u>	<u>1,127,809</u>
Non-current Assets:				
Investments	19,239,634	22,847,103	19,503,793	20,015,245
Deposits held with trustee	254,295	254,295	-	-
Loans receivable, less current portion	850,269	770,409	-	-
Contributions receivable, less current portion	-	-	442,770	491,769
Other non-current assets	8,281,889	6,517,699	348,571	327,161
Capital assets, net of accumulated depreciation	77,084,437	65,917,045	4,785,499	2,148,236
Total non-current assets	<u>105,710,524</u>	<u>96,306,551</u>	<u>25,080,633</u>	<u>22,982,411</u>
Total assets	<u>143,675,339</u>	<u>141,863,669</u>	<u>26,355,318</u>	<u>24,110,220</u>
DEFERRED OUTFLOWS OF RESOURCES				
Resources related to pension obligations	1,144,785	-	-	-
Loss on refunding of long-term debt	105,251	111,099	-	-
Total deferred outflows of resources	<u>1,250,036</u>	<u>111,099</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current Liabilities:				
Current portion of long-term debt	615,667	595,667	38,364	110,775
Current portion of capital lease obligation	197,403	193,497	-	-
Accounts payable	2,641,613	2,046,625	105,449	34,333
Accrued payroll and fringe benefits	6,527,207	5,793,717	-	-
Accrued interest and other liabilities	127,952	131,433	18,606	15,946
Funds held for others	-	-	180,145	200,027
Student deposits and unearned revenue	1,698,266	1,937,023	50,912	33,922
Current portion of split-interest agreements	-	-	40,048	43,136
Current portion of accrued workers' compensation	172,589	161,280	-	-
Current portion of accrued compensated absences	3,568,964	3,227,850	-	-
Total current liabilities	<u>15,549,661</u>	<u>14,087,092</u>	<u>433,524</u>	<u>438,139</u>
Non-current liabilities:				
Long-term debt, less current portion	24,817,219	25,488,652	2,724,450	516,933
Capital lease obligation, less current portion	303,600	501,003	-	-
Split-interest agreements, less current portion	-	-	120,234	157,194
Advance payable to the University	-	-	-	-
Accrued workers' compensation, less current portion	560,660	647,558	-	-
Accrued compensated absences, less current portion	1,893,542	1,582,271	-	-
Accrued pension obligations	9,357,928	-	-	-
Refundable grant - federal financial assistance program	1,042,872	1,044,654	-	-
Total liabilities	<u>53,525,482</u>	<u>43,351,230</u>	<u>3,278,208</u>	<u>1,112,266</u>
DEFERRED INFLOWS OF RESOURCES				
Resources related to pension obligations	1,991,459	-	-	-
Deferred service concession arrangements	6,536,852	7,156,721	-	-
Total deferred inflows of resources	<u>8,528,311</u>	<u>7,156,721</u>	<u>-</u>	<u>-</u>
NET POSITION				
Invested in capital assets, net	56,137,097	54,295,189	-	-
Restricted - Non-expendable:				
Other	-	-	12,309,121	11,834,998
Restricted - Expendable for:				
Other	2,503,864	2,997,476	7,255,767	7,443,711
Capital projects	126,343	122,862	-	-
Unrestricted	24,104,278	34,051,290	3,512,222	3,719,245
Total net position	<u>\$ 82,871,582</u>	<u>\$ 91,466,817</u>	<u>\$ 23,077,110</u>	<u>\$ 22,997,954</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, 2015 AND 2014

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

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

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	Primary Government	
	2015	2014
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 44,531,324	\$ 42,077,492
Federal grants and contracts	7,511,031	7,001,491
State and local grants and contracts	1,366,407	1,296,533
Nongovernmental grants and contracts	1,697,789	1,105,981
Auxiliary enterprise charges	873,017	754,505
Employee compensation and fringe benefit payments	(55,163,191)	(52,463,004)
Payments to suppliers	(30,650,898)	(25,889,545)
Interest paid	(350,401)	(824,815)
Loans issued to students	(71,262)	(40,247)
Other receipts	193,696	5,944,799
Net cash used in operating activities	(30,062,488)	(21,036,810)
Cash flows from noncapital financing activities:		
State appropriations	31,840,805	30,055,723
Net deposits	(178,887)	174,138
Net cash provided by noncapital financing activities	31,661,918	30,229,861
Cash flows from capital and related financing activities:		
Capital appropriations	2,645,362	2,058,059
Purchases of capital assets	(15,316,090)	(3,949,772)
Principal payments of capital related debt	(651,433)	(426,290)
Principal payments of capital lease obligation	(193,497)	(95,308)
Decrease in cash restricted for capital activities	-	1,358
Decrease (increase) in deferred loss on refunding of capital related debt	5,848	5,848
Perkins loan program, net funds received (paid)	(1,782)	(37,552)
Other activities	3,730	3,200
Net cash used in capital and related financing activities	(13,507,862)	(2,440,457)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	9,403,194	5,543,328
Purchases of investments	(5,896,812)	(6,092,701)
Interest and investment income	603,919	623,891
Net cash provided by investing activities	4,110,301	74,518
Net increase (decrease) in cash and cash equivalents	(7,798,131)	6,827,112
Cash and cash equivalents, beginning of year	44,180,566	37,353,454
Cash and cash equivalents, end of year	\$ 36,382,435	\$ 44,180,566

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

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

STATEMENTS OF CASH FLOWS
(Continued)

YEARS ENDED JUNE 30, 2015 AND 2014

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

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

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

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Component units

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

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

Basis of presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (US GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of presentation (continued)

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

Net Position

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

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

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

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

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

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

Management accounting and reporting system

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

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through October 20, 2015, the date that the financial statements were available to be issued.

Cash, temporary investments, and investments

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

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

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

Allowance for Doubtful Accounts

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

Inventories

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

Loans receivable and payable

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital assets

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

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

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

Student deposits and unearned revenue

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

Bond premiums

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

Funds held for others

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

Pension Plan

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

State appropriations

The University's unrestricted State appropriations amounted to \$32,379,368 and \$30,601,978 for the years ended June 30, 2015 and 2014, respectively. State supported tuition, in the amounts of \$538,563 and \$546,255 for the years ended June 30, 2015 and 2014, respectively, were remitted to the State and have been offset against these appropriations. State supported tuition receipts and transfers have been recorded in an agency fund during the year with a net amount due the Commonwealth of \$16,164 and \$58,254 as of June 30, 2015 and 2014, respectively.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated absences

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

Fringe benefits

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

Trust funds

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

Tax status

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

New Government Accounting Pronouncements

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Government Accounting Pronouncements (continued)

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

2 - ADOPTION OF ACCOUNTING PRINCIPLE

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

3 - CASH AND TEMPORARY INVESTMENTS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND TEMPORARY INVESTMENTS (Continued)

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

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

4 - CASH HELD BY STATE TREASURER

The University has recorded cash held for the benefit of the University by the State Treasurer in the amounts of \$4,791,855 and \$14,687,611 as of June 30, 2015 and 2014, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$7,663,519 and \$6,178,860 as of June 30, 2015 and 2014, respectively. None of these cash balances are insured or collateralized.

5 - INVESTMENTS

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

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2015</u>				
Investment type				
U.S. Treasuries	\$ 11,195,109	\$ 706,078	\$ 6,425,325	\$ 4,063,706
U.S. Agencies	8,044,525	2,390,576	4,565,544	1,088,405
Total	<u>\$ 19,239,634</u>	<u>\$ 3,096,654</u>	<u>\$ 10,990,869</u>	<u>\$ 5,152,111</u>
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2014</u>				
Investment type				
U.S. Treasuries	\$ 12,282,992	\$ -	\$ 6,630,485	\$ 5,652,507
U.S. Agencies	10,564,111	-	9,191,820	1,372,291
Total	<u>\$ 22,847,103</u>	<u>\$ -</u>	<u>\$ 15,822,305</u>	<u>\$ 7,024,798</u>

Interest Rate Risk

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

Credit Risk

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - INVESTMENTS (Continued)

Concentration of Credit Risk

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

Custodial Credit Risk

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

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

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

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

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

6 - ACCOUNTS RECEIVABLE

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - CONTRIBUTIONS RECEIVABLE – COMPONENT UNIT

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

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

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

8 - DEPOSITS HELD WITH TRUSTEE

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

9 - LOANS RECEIVABLE

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

10 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	8,141,599	13,661,967	3,405,330	18,398,236
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	93,922,282	5,135,554	-	99,057,836
Furnishings and equipment	10,473,461	-	-	10,473,461
Books	1,118,878	-	390,292	728,586
Total capital assets	<u>119,118,779</u>	<u>18,797,521</u>	<u>3,795,622</u>	<u>134,120,678</u>
Less accumulated depreciation for				
Land improvements	3,172,516	242,349	-	3,414,865
Buildings, including improvements	41,149,166	3,168,519	-	44,317,685
Furnishings and equipment	8,880,052	423,639	-	9,303,691
Total accumulated depreciation	<u>53,201,734</u>	<u>3,834,507</u>	<u>-</u>	<u>57,036,241</u>
Capital assets, net	<u>\$ 65,917,045</u>	<u>\$ 14,963,014</u>	<u>\$ 3,795,622</u>	<u>\$ 77,084,437</u>

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

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

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

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

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

12 - DEFERRED SERVICE CONCESSION ARRANGMENTS

Deferred service concession arrangements at June 30, 2015 and 2014 in the amounts of \$6,536,852 and \$7,156,721, respectively, consist of the unamortized balances of multiple food service agreements with an outside party. This outside party contributed multiple payments since 2004 totaling \$8,788,017, to upgrade the food service facilities. The contributions are being amortized over various periods ranging from 12 to 18 years. Amortization of these contributions was \$572,201 and \$260,318 in 2015 and 2014, respectively.

13 - LONG-TERM DEBT

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

13 - LONG-TERM DEBT (Continued)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

14 - LEASE COMMITMENTS

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

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

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

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

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

15 - GOVERNMENT ADVANCES REFUNDABLE

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

16 - NET POSITION

Unrestricted net position is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2015 and 2014, unrestricted net position of \$11,688,452 and \$11,133,863, respectively, has been internally designated by the University for future capital investments. Undesignated unrestricted net position was \$12,415,826 and \$22,917,427 at June 30, 2015 and 2014, respectively.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - NET POSITION (Continued)

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

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

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

17 - FACULTY COMPENSATION

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

18 - ACCRUED WORKERS' COMPENSATION

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

19 - ACCRUED COMPENSATED ABSENCES

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

20 - FRINGE BENEFIT CHARGES

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

21 - RETIREMENT PLAN

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

Plan Description

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

Benefit Provisions

MSERS provides retirement, disability, survivor and death benefits to plan members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, group creditable service and group classification. The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts.

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

Contributions

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

21 - RETIREMENT PLAN (Continued)

Contributions (continued)

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

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

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

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

At June 30, 2015, the University reported a net pension liability of \$9,357,928 for its proportionate share of the net pension liability related to its participation in MSERS. At July 1, 2014 the University had a net pension liability of \$10,567,132 for its proportionate share of the net pension liability related to its participation in MSERS. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal year 2014. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal year 2014 relative to total contributions of all participating employers for that fiscal year. At June 30, 2014 and 2013, the University's proportion was 0.138% and 0.139% respectively. For the year end June 30, 2015, the University recognized pension expense of \$677,063.

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

21 - RETIREMENT PLAN (Continued)

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

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

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

Actuarial Assumptions

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

21 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

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

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

22 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - STATE CONTROLLED ACCOUNTS

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

24 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

25 - RELATED PARTY TRANSACTIONS

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

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

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

26 - AUXILIARY ENTERPRISES

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

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

27 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants and entitlements

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

SUPPLEMENTARY INFORMATION

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

FUNCTIONAL EXPENSES

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

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

See accompanying independent auditor's report.

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

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

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

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

See accompanying independent auditor's report.

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

SCHEUDLE OF UNIVERSITY PENSION CONTRIBUTIONS
Massachusetts State Employees' Retirement Plan

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

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

See accompanying independent auditor's report.

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

RESIDENCE LIFE AND HOUSING

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

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

See accompanying independent auditor's report.

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

RESIDENCE LIFE AND HOUSING

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
REVENUES		
Fees	\$ 10,445,446	\$ 8,741,904
Other income	<u>362,128</u>	<u>266,551</u>
Total revenues	<u>10,807,574</u>	<u>9,008,455</u>
EXPENSES		
Regular employee compensation	1,133,410	844,204
Special employee contracted services	97,428	82,924
Pension and insurance	314,654	224,366
Regular employee related expenses	42,627	36,059
Administrative	203,169	115,725
Debt payment	7,725,217	4,866,554
Facility operations support and related expenses	216,041	155,104
Energy and space rental	908,642	473,212
Professional services	8,090	13,565
Operational services	141,559	31,843
Equipment purchases	38,817	41,625
Equipment lease and maintenance	94,624	105,050
Building improvements	475,599	431,829
Benefits programs	<u>435,460</u>	<u>409,470</u>
Total expenses	<u>11,835,337</u>	<u>7,831,530</u>
Change in net position	(1,027,763)	1,176,925
NET POSITION		
Beginning of year	<u>4,775,496</u>	<u>3,598,571</u>
End of year	<u><u>\$ 3,747,733</u></u>	<u><u>\$ 4,775,496</u></u>

See accompanying independent auditor's report.

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

HEALTH SERVICES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

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

See accompanying independent auditor's report.

STATISTICAL INFORMATION
(UNAUDITED)

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

Exhibit E-1

	2010	2011	2012	2013	2014	2015
Invested in capital assets, net of related debt	\$ 56,818,614	\$ 56,195,538	\$ 54,324,836	\$ 53,993,527	\$ 54,295,189	\$ 56,137,097
Restricted-expendable	3,260,704	3,160,760	3,561,378	3,150,370	3,120,338	2,630,207
Restricted-nonexpendable	-	-	-	-	-	-
Unrestricted	22,438,104	27,806,659	30,428,591	30,722,888	34,051,290	24,104,278
Total primary government net position	\$ 82,517,422	\$ 87,162,957	\$ 88,314,805	\$ 87,866,785	\$ 91,466,817	\$ 82,871,582

**Worcester State University
Tuition & Mandatory Fees**

Exhibit E-2

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

**Worcester State University
Schedule of Employment
2010-2014**

Exhibit E-3

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

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

/1 Includes all undergraduate admissions including transfer students.

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

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

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

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

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

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

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

Worcester State University
Schedule of Capital Asset Information

Exhibit E-5

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

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

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

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

OTHER REPORTS

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

To the Board of Trustees
Worcester State University
Worcester, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Worcester State University, an agency of the Commonwealth of Massachusetts, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Worcester State University's basic financial statements, and have issued our report thereon dated October 20, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

(Continued)

Purpose of this Report

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

Ballus Lynch, LLP

Worcester, Massachusetts
October 20, 2015