

**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, 2019 AND 2018***

***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, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Worcester State University

**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, 2019 and 2018 and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Worcester State University and Worcester State Foundation, Inc., its discretely presented component unit, as of June 30, 2019 and 2018, and the changes in its net position, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 2 to the financial statements, the 2018 financial statements have been restated to correct a misstatement related to the University's adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and certain information pertaining to liabilities recorded in accordance with Government Accounting Standards Board Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* on pages 43 through 48 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 49 through 53 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 54 through 59 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 15, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Worcester State University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester State University's internal control over financial reporting and compliance.

*Ballus Lynch, LLP*

Worcester, Massachusetts  
October 15, 2019

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, 2019. 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 59 undergraduate majors and minors, 29 graduate programs, 82 study abroad programs, and a student-to-faculty ratio of 17:1. The University currently has 5,380 full and part-time undergraduate students and 837 full and part-time graduate and professional students.

### **Financial Highlights**

- The assets of Worcester State University exceeded its liabilities at the close of the most recent fiscal year by \$62,698,382, inclusive of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$56,685,255.
- The University's total net position increased by \$89,625. Pension and insurance expense increased by \$3,693,137 as a result of recording University's portion of the Commonwealth's postretirement obligations. Overall the revenues earned, when combined with non-operating revenues, exceeded operating expenses excluding depreciation expense (non-cash item) and the additional pension accrual to reflect the University's portion of the Commonwealth's liability.
- The Commonwealth of Massachusetts adjusted its estimate for the OPEB accrual after the publication of our June 30, 2018 audited financial statements. As a result the June 30, 2019 Statement of Changes in Net Position beginning balance as of July 1, 2018, had been restated to reflect the accrual adjustment. The prior period adjustment increases University Net Position at the beginning of the fiscal year by \$5,152,655.
- The University's Net Position as June 30, 2019 was \$62,698,382. Unrestricted Net Position from Operations as of June 30, 2019 was \$40,687,978. The healthy operational reserves is offset by the University's allocation of the Commonwealth's accumulated Net Retirement Obligations of \$20,564,468 related to Pensions and \$36,120,787 related to OPEB, resulting in Net Unrestricted Reserves of (\$15,997,277).
- Auxiliary Services, specifically Residence Life and Housing, closed the year with an operating surplus of \$381,403 for the year ended June 30, 2019. For the second consecutive year this trust fund closed the year in a favorable position, despite occupancy being below 100%, as the result of strict budget oversight that included budget adjustments to reduce spending as a result of a mid- year review

### **Overview of the Financial Statements**

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

The Financial Statements are designed to provide readers with a broad overview of Worcester State University's finances in a manner similar to a private sector college.

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

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

The Statement of Revenues, Expenses and Changes in Net Position present information showing how the University's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. the 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 position and cash flows are also summarized in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data 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 position 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 \$62,698,382 at the close of Fiscal Year 2019.

By far the largest portion of the Worcester State University's net position 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  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

**Worcester State University's Net Position as of  
June 30, 2019, with comparative data as of June 30, 2018**

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 63,619,523	\$ 53,513,360
Capital assets	<u>100,696,221</u>	<u>102,366,458</u>
Total assets	<u>164,315,744</u>	<u>155,879,818</u>
Deferred outflows of resources	<u>18,134,838</u>	<u>11,186,473</u>
Non-current outstanding liabilities	82,728,381	79,488,069
Other liabilities	<u>18,415,410</u>	<u>12,953,007</u>
Total liabilities	<u>101,143,791</u>	<u>92,441,076</u>
Deferred inflows of resources	<u>18,608,419</u>	<u>12,016,458</u>
Net position		
Invested in capital assets, net of related debt	78,092,336	79,046,212
Restricted	603,323	221,020
Unrestricted	<u>(15,997,277)</u>	<u>(16,658,475)</u>
Total net position	<u>\$ 62,698,382</u>	<u>\$ 62,608,757</u>

The following schedule presents an analysis of Worcester State University's net position as of June 30, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Invested in capital assets, net	<u>\$ 78,092,336</u>	<u>\$ 79,046,212</u>
Restricted reserves, expendable for:		
Other	467,961	90,205
Capital projects	<u>135,362</u>	<u>130,815</u>
Total restricted reserves, expendable	<u>603,323</u>	<u>221,020</u>
Unrestricted net position		
Accumulated Commonwealth of Massachusetts retirement obligations - Pension	(20,564,468)	(18,014,320)
Accumulated Commonwealth of Massachusetts retirement obligations - OPEB	(36,120,787)	(35,037,942)
Unrestricted reserves from operations	<u>40,687,978</u>	<u>36,393,787</u>
Total net unrestricted reserves	<u>(15,997,277)</u>	<u>(16,658,475)</u>
Total net position	<u>\$ 62,698,382</u>	<u>\$ 62,608,757</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

A portion of the Worcester State University's net position (less than 1.0 percent) as of June 30, 2019, represent funds that are subject to external restrictions on how they must be used. Unrestricted net reserves from operations of \$40,687,978 at June 30, 2019 may be used to meet the University's ongoing obligations to its stakeholders. The University's net position increased by \$89,625 during the year ended June 30, 2019. At the end of the current fiscal year, Worcester State University reports a positive balance in restricted reserves, a positive balance in unrestricted reserves from operations and accumulated net negative obligations for the allocated share of the Commonwealth of MA pension and OPEB plans.

The University's primary reserve ratio, calculated as expendable net position divided by total expenses, is 36.67% and 34.61%, respectively, for the years ended June 30, 2019 and June 30, 2018. 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 position generated by operations.

The implementation of Government Accounting Standard Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment benefits Other Than Pensions (OPEB), for the fiscal year ended June 30, 2018 requires the posting of a prior period adjustment as of July 1, 2017 to record the University's allocation of the Commonwealth's Net OPEB Liability. The prior period adjustment reduces University net position at the beginning of the fiscal year by \$32,243,936. In addition, implementation of GASB 68 and GASB 75 required the annual accrual of the University's allocation of the Commonwealth's Net Pension and OPEB Liability. The additional accrual of pension and insurance expense of \$3,693,137 in FY 2019 and \$2,907,012 in FY 2018 was recorded to reflect the University's allocation of the Commonwealth's accrued obligation of Pension and OPEB liabilities.

The application of GASB 68 and GASB 75 requires certain reporting and disclosures with regard to the Massachusetts State Employees' Retirement System (MSERS). The authority for establishing and amending these provisions rests with the Massachusetts Legislature, Chapter 32A of the General Laws of the Commonwealth of Massachusetts. The allocation provided to the University from the Commonwealth of Massachusetts Comptroller's Office reflects the University's proportionate share of the net pension liability related to its participation in MSERS. The University's participation in MSERS is directly related to the share of annual payroll costs funded from campus-based trust funds in contrast to payroll expended from annual operating appropriations allocated to the University from Commonwealth resources. In FY 2019, payroll funded from campus-based trust funds was \$12,922,066 and total payroll costs for FY 2019 were \$40,065,816.

The University's return on net position ratio, calculated as the change in total net position divided by total net position – beginning of the year, is 0.14% and (7.97)%, respectively, for the years ended June 30, 2019 and June 30, 2018. This ratio measures total economic return including capital investment and positive operating results. An improving trend indicates increasing net position which provide for increased financial flexibility.

Return on net position ratio was high as we completed construction of the Wellness Center. The decline in FY 2017 and FY 2018 is the result of the GASB required postretirement benefit accruals to reflect the campus share of the Commonwealth's liability related to the third-party management of the retirement assets. In FY 2019 the University closed the year with a slight increase in net position despite the magnitude of the accrual adjustment related to the post retirement benefit plans. We had positive operating results in FY 2019, including the receipt of collective bargaining funds that had not been anticipated and positive return on investment assets.

The net operating revenue ratio is 0.08% and (4.95)%, respectively, for the years ended June 30, 2019, and June 30, 2018. The ratio measures whether an institution is living within its available resources. Worcester State University strives to achieve an annual operating surplus as measured by this ratio as part of its long-term plan to improve its primary reserve and viability ratios and maintain a healthy annual return on net position.

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

In FY 2019 the University experienced a net operating surplus of \$89,625, inclusive of the net posting of year end accruals related to the Commonwealth of Massachusetts Pension and Other Postemployment Benefits (OPEB) (net position) of \$3,693,137. Operating results, exclusive of the retirement and OPEB accruals and posting of annual depreciation, met annual budget expectations including a planned transfer of over \$3 million to reserves and a contribution to the Strategic Plan Trust Fund.

Net capital assets decreased by \$1,670,237 in FY 2019, while depreciation expense on capital assets was \$5,448,274, building improvements of \$2,940,085 were capitalized, and leases of \$832,285 were capitalized.

The University's viability ratio, calculated as expendable net position divided by long term debt, is 1 : 1.88 and 1 : 1.55 respectively, as of June 30, 2019 and June 30, 2018. The viability ratio measures the availability of expendable net position to cover debt as of the statement of net position date. A ratio of 1:1 or greater indicates an institution has sufficient expendable net position to satisfy its debt obligations as of the statement of net position date.

The University's results from operations for the year ended June 30, 2019 were in line with the approved budget for the year. The annual operating budget excludes accruals for depreciation expense and the allocation of Commonwealth of Massachusetts liabilities for pension and postemployment benefits other than pensions (OPEB), which significantly impact the presentation of the University's operating results. As anticipated through the budget process the University ended the year with a planned operating surplus in the Capital Improvement Trust Fund and planned transfers of operating surplus in the General Purpose Trust Fund to the Strategic Plan Trust Fund and an additional contribution to the Capital Improvement Trust Fund. The results are also consistent with the University's five year capital financing plan which focuses on growth of unrestricted reserves from operations through net revenue accumulation in the Capital Improvement Trust Fund and a targeted annual operating surplus in the General Purpose Trust Fund. While Net Unrestricted Reserves and Total Net Position are significantly impacted by depreciation expense and the required allocation of retirement plan accruals to the University, we are progressing toward University goals with regard to the growth of unrestricted cash within the campus based trust funds.

WORCESTER STATE UNIVERSITY  
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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, 2019 with comparative data for the year ended June 30, 2018.

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Tuition and fees, net of scholarships discounts and allowances	\$ 52,375,323	\$ 50,357,398
Operating grants and contributions	14,232,338	13,902,376
Sales and services of auxiliary enterprises and other sources	<u>854,299</u>	<u>796,446</u>
Total operating revenues	67,461,960	65,056,220
Operating Expenses		
Instruction	42,272,512	38,782,984
Academic support	6,349,744	7,376,332
Student service	11,685,388	11,098,900
Institutional support	13,662,914	13,736,523
Operations and maintenance of plant	17,493,866	13,958,602
Scholarships	2,089,119	2,634,749
Depreciation	5,448,274	5,655,439
Debt service	672,047	695,557
Auxiliary enterprises	<u>12,954,983</u>	<u>11,839,524</u>
Total operating expense	<u>112,628,847</u>	<u>105,778,610</u>
Net operating loss	<u>(45,166,887)</u>	<u>(40,722,390)</u>
Non-operating revenues (expenses)		
State appropriation, including fringe benefits provided to employees by the Commonwealth, net of tuition remitted to the Commonwealth	39,400,435	35,415,371
Investment income (loss)	1,188,164	(77,486)
Other and transfers	<u>-</u>	<u>38,429</u>
Total non-operating revenues	<u>40,588,599</u>	<u>35,376,314</u>
Loss before other revenues, expenses, gains or losses	(4,578,288)	(5,346,076)
Capital appropriations	<u>4,667,913</u>	<u>352,719</u>
Change in net position	<u>89,625</u>	<u>(4,993,357)</u>
Net position - July 1	62,608,757	99,846,050
Adoption of accounting principle	<u>-</u>	<u>(32,243,936)</u>
Net position - June 30	<u>\$ 62,698,382</u>	<u>\$ 62,608,757</u>

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

State appropriations for operations, including fringe benefits and net of tuition remission, were up in FY 2019 compared to FY 2018. The increase in state appropriations of \$3,985,064 is attributable to the release of collective bargaining funds to provide partial funding of AFSCME, APA and MSCA retroactive pay increases back to July 1, 2017. It is important to note that this was one time funding for the retroactive amount due but does not provide funding in a prospective manner to address the increase in base salaries of the unit members.

In FY 2019 the University received its first year of funding with regard to the Commonwealth's five year campus infrastructure critical repair funds in the form of state capital appropriations. During FY 2019 over \$8 million of critical repair and deferred maintenance projects were accomplished of which approximately \$3 million worth of improvements were capitalized.

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

The following schedule details the Commonwealth appropriations received by the University for the years ending June 30, 2019 and June 30, 2018, respectively.

	<u>2019</u>	<u>2018</u>
State Appropriations	\$ 29,684,752	\$ 26,633,223
Appropriations to cover fringe benefits provided to employees of the Commonwealth	10,096,880	9,264,371
Tuition remitted back to the State	<u>(381,197)</u>	<u>(482,223)</u>
Net appropriations	39,400,435	35,415,371
Additional State capital appropriations	<u>4,667,913</u>	<u>352,719</u>
Total Appropriations	<u>\$ 44,068,348</u>	<u>\$ 35,768,090</u>

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

**Loss from Operations**

State appropriations are a significant source of funding for the University. Under GASB 35, appropriations are considered non-operating revenue. As such, the University incurs a loss from operations. The Commonwealth's Board of Higher Education sets tuition for the day division. The University's Board of Trustees sets all fees and tuition of the Division of Graduate and Continuing Education. The University's Board of Trustees approves the annual budget with the intention of mitigating losses after consideration of Commonwealth appropriations while balancing educational and operational needs. The following schedule presents Worcester State University's incurred losses from operations for the fiscal years ended June 30, 2018 and 2017, respectively.

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Net Tuition and Fee Revenue	\$ 52,375,323	\$ 50,357,398	\$ 2,017,925
Other Revenue, net of Student Financial Aid	15,086,637	14,698,822	387,815
Operational Expenses	<u>(112,628,847)</u>	<u>(105,778,610)</u>	<u>(6,850,237)</u>
Operating loss	(45,166,887)	(40,722,390)	(4,444,497)
Direct State appropriations, fringe benefits for employees on the Commonwealth's payroll, net of remitted tuition to the Commonwealth	39,400,435	35,415,371	3,985,064
Investment and non-operating income	1,188,164	(39,057)	1,227,221
Capital appropriations	<u>4,667,913</u>	<u>352,719</u>	<u>4,315,194</u>
Change in net position	<u>\$ 89,625</u>	<u>\$ (4,993,357)</u>	<u>\$ 5,082,982</u>

**Capital Assets and Debts of the University**

Capital Assets: Worcester State University's investment in capital assets as of June 30, 2019 amounts to \$100,696,221 net of accumulated depreciation, compared to \$102,366,458 net of accumulated depreciation as of June 30, 2018. The University's investment in capital assets includes, land (including improvements), building (including improvements,) furnishings and equipment, and books. In FY 2019 gross capital assets increased by \$3,778,037. The increase was related roadway improvements, track and field replacement and capitalized leases for information technology equipment.

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

**Long-Term Debt**

*Compensated Absences*

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

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

*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 2032. Annual principal payments range from \$665,000 to \$875,000 through November of 2032.

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

On November 9, 2007, the College entered into a financing agreement with MDFA to receive \$310,000 to facilitate the financing of the installation of a 100 KW Photovoltaic Panel, mounting system and inverter on the roof of the Learning Resource Center. The bond proceeds are non-interest bearing and are to be re-paid in equal annual installments of \$20,667 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 \$787,950 are scheduled through May, 2042. Campus trust funds provide the revenue source for the annual debt service.

**Economic Factors that will affect the Future**

In June of 2018 the Commonwealth announced a plan to address the backlog of infrastructure repairs on Massachusetts Higher Education campuses. The Governor's Capital Investment Plan includes \$250M over a five year period (FY19-23) to address Critical Repairs. Critical Repair projects are smaller scale, building-specific, and involve renewal, repair and replacement of equipment and systems. Critical Repair projects are managed directly by the individual campuses. The five-year allocation represents a new approach that provides predictable discretionary funds, allows more autonomy in campus prioritization over five years, and addresses the highest priority needs as identified through an independent facility condition assessments. Worcester State University will be receiving \$12.4M of critical repair funds through 2023. When combined with projected local funding of 5% capital adaptation and renewal funds, the University is on track to invest \$32.4 million in campus infrastructure repairs and improvements through 2023.

During fiscal year 2019 Worcester State University expended approximately \$8 million on critical repair projects. The majority of projects were accomplished from mid-May through mid-August during the break from traditional semester terms. Projects accomplished during this period included athletic field turf and track replacement, paving and repairs to campus parking lots and roadways, mechanical system upgrades in the Ghosh Science Building, relocation of electrical utilities, installation of security cameras, in addition to numerous other repair and renewal projects. Studies included the completion of the parking garage planning study, IT Classroom Master Plan, and May Street preliminary design. The extent of work accomplished during the short window of time over the past summer is double the approximate budget for annual capital adaptation and repairs spending during a traditional year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)

The administration began the FY 2020 budget cycle in October 2018 with a recommendation to the Board of Trustees to freeze the General Fee at the FY 2019 rate. Through the spring of 2019 operating expenditures were reconciled, subgroups of the Cabinet were convened to evaluate various cost containment and budget alignment strategies and requests for funding that align with the universities priorities were gathered across divisions. Throughout the fiscal year supplemental funds had been received from the Commonwealth to alleviate the pressures of collective bargaining costs. The administration strategically aligned those resources, through various budget amendments, with the intent of optimizing their use to address the broader strategic priorities of the University

The FY 2020 budget includes a carry forward of FY 2019 Amendment #1 which funded a contribution to the Capital Improvement Trust Fund of \$1,210,431. This was approved as a one-time investment in FY 2019. The FY 2020 budget reflects this contribution becoming an annual investment to the Capital Improvement Trust Fund. This annual investment supports the Strategic Plan 2015-2020 strategy under goal number five to “implement the campus master plan based on evolving strategic priorities and consistent with principles of green building and environmental sustainability” and will provide much needed resources for future capital investment.

FY 2019 Amendment #2 provided one-time resources of \$562,582 to fund the dormant Strategic Plan Trust Fund (SPTF). The FY 2020 Budget includes the Strategic Plan Trust Fund referencing the available resources. University leadership intends to evaluate how best to administer the funds as we close out The Strategic Plan 2015-2020 and look towards developing a new plan. Initially, a budget has been approved to fund the strategic planning process that has begun in FY 2020. As the new strategic plan is formed a revised trust fund guideline will be prepared and brought to the board for approval.

In April 2019 the University received an additional \$225,195 to cover collective bargaining costs related to the APA and AFSCME agreements. The timing of the receipt of the funds made it impractical to include the costs in the FY 2019 budget. FY 2019 Amendment #3 provided for the funds to fall to surplus as FY 2019 fiscal year was closed. The FY 2020 budget includes a one-time appropriation of the \$225,195 from the unrestricted reserve balance at July 1, 2019 to address divisional priorities in FY 2020.

The budget also reflects anticipated formula funding of \$261,795 that will provide an increase to base funding on an ongoing basis. This resource has also been set aside in the FY 2020 budget to address prioritized initiatives. There are a multitude of initiatives in process, some of which are in study and others for which we are entering the initial implementation phase. Initiatives in process include implementing recommendations in the areas of strategic positioning and enrollment, the master plan study of classroom technology and furnishings, an assessment of information technology infrastructure and resources, and implementation of online degree programs, in addition to a significant list of additional competing requests for funds to address strategic priorities and sustain existing University operations.

Fortunately, the University received additional state resources in FY 2019 to provide for financial flexibility and an opportunity to invest in strategic initiatives. The investment of these resources is intended to assist the University in navigating through the current higher education landscape that has become increasingly more competitive to attract, enroll and retain students due to a shrinking pool of prospective students.

### **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, 2019 AND 2018

	Worcester State University		Component Unit Worcester State Foundation	
	2019	2018	2019	2018
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 23,315,422	\$ 18,222,388	\$ 1,891,264	\$ 1,464,949
Cash held by State Treasurer	9,138,015	5,354,491	-	-
Cash held by Foundation	39,004	82,004	-	-
Accounts receivable, net	1,891,119	1,234,089	10,114	2,036
Current portion of loans receivable	154,327	196,129	-	-
Current portion of contributions receivable	-	-	447,801	422,410
Inventories	50,885	35,465	88,783	70,540
Prepaid expenses and other current assets	219,902	207,136	18,023	17,017
Total current assets	<u>34,808,674</u>	<u>25,331,702</u>	<u>2,455,985</u>	<u>1,976,952</u>
Non-current assets:				
Investments	20,846,622	19,868,723	28,457,872	27,418,177
Deposits held with trustee	249,214	249,214	-	-
Loans receivable, less current portion	371,364	489,262	-	-
Contributions receivable, less current portion	-	-	999,122	965,109
Other non-current assets	7,343,649	7,574,459	348,764	348,747
Capital assets, net of accumulated depreciation	<u>100,696,221</u>	<u>102,366,458</u>	<u>4,243,322</u>	<u>4,259,184</u>
Total non-current assets	<u>129,507,070</u>	<u>130,548,116</u>	<u>34,049,080</u>	<u>32,991,217</u>
Total assets	<u>164,315,744</u>	<u>155,879,818</u>	<u>36,505,065</u>	<u>34,968,169</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Resources related to pension and OPEB obligations	18,052,985	11,098,763	-	-
Loss on refunding of long-term debt	<u>81,863</u>	<u>87,710</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>18,134,848</u>	<u>11,186,473</u>	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>				
Current liabilities:				
Current portion of bonds payable	705,667	680,667	2,218,199	17,504
Current portion of capital lease obligation	275,694	115,923	-	-
Accounts payable	6,311,410	1,448,856	104,192	93,647
Accrued payroll and fringe benefits	5,745,610	4,989,805	-	-
Accrued interest and other liabilities	451,709	674,976	43,866	39,001
Funds held for others	-	-	61,696	108,446
Student deposits and unearned revenue	1,233,698	1,313,189	77,448	82,369
Current portion of split-interest agreements	-	-	37,454	49,536
Current portion of accrued workers' compensation	226,897	256,260	-	-
Current portion of accrued compensated absences	<u>3,464,725</u>	<u>3,473,331</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>18,415,410</u>	<u>12,953,007</u>	<u>2,542,855</u>	<u>390,503</u>
Non-current liabilities:				
Bonds payable, less current portion	21,991,774	22,733,135	491,335	2,709,528
Capital lease obligation, less current portion	296,515	40,211	-	-
Split-interest agreements, less current portion	-	-	-	32,518
Accrued workers' compensation, less current portion	718,032	734,091	-	-
Accrued compensated absences, less current portion	2,256,195	2,150,057	-	-
Accrued pension and OPEB obligations	56,685,255	53,052,262	-	-
Refundable grant - federal financial assistance program	<u>780,610</u>	<u>778,313</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>101,143,791</u>	<u>92,441,076</u>	<u>3,034,190</u>	<u>3,132,549</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources related to pension and OPEB obligations	13,729,296	6,714,930	-	-
Deferred service concession arrangements	<u>4,879,123</u>	<u>5,301,528</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>18,608,419</u>	<u>12,016,458</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>				
Invested in capital assets, net	78,092,336	79,046,212	-	-
Restricted - Non-expendable	-	-	17,963,764	17,560,594
Restricted - Expendable	603,323	221,020	11,363,690	10,054,915
Unrestricted	<u>(15,997,277)</u>	<u>(16,658,475)</u>	<u>4,143,421</u>	<u>4,220,111</u>
Total net position	<u>\$ 62,698,382</u>	<u>\$ 62,608,757</u>	<u>\$ 33,470,875</u>	<u>\$ 31,835,620</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, 2019 AND 2018

	Worcester State University		Component Unit Worcester State Foundation	
	2019	2018	2019	2018
<b>REVENUES</b>				
Operating Revenues:				
Student tuition and fees	\$ 49,364,735	\$ 47,455,790	\$ 445,311	\$ 408,874
Auxiliary enterprises, student housing	12,437,212	12,163,982	-	-
Less: Scholarship discounts and allowance	9,426,624	9,262,374	-	-
Net student tuition and fees	52,375,323	50,357,398	445,311	408,874
Contributions	-	-	2,471,477	2,402,945
Federal grants and contracts	8,341,655	8,133,879	-	-
State and local grants and contracts	1,575,071	1,340,704	-	-
Nongovernmental grants and contracts	2,846,919	3,162,615	-	-
Auxiliary enterprises, other	854,299	796,446	230,933	227,550
Other operating revenues	1,468,693	1,265,178	208,381	251,925
Total operating revenues	67,461,960	65,056,220	3,356,102	3,291,294
<b>EXPENSES</b>				
Operating expenses:				
Instruction	42,272,512	38,782,984	-	-
Academic support	6,349,745	7,376,332	-	-
Student services	11,685,388	11,098,900	-	-
Institutional support	13,662,913	13,736,523	1,318,083	1,267,637
Operation and maintenance of plant	17,493,866	13,958,602	79,232	137,071
Scholarship	2,089,119	2,634,749	496,695	520,698
Depreciation	5,448,274	5,655,439	198,110	207,873
Debt service	672,047	695,557	104,011	98,453
Auxiliary enterprises	12,954,983	11,839,524	-	-
Total operating expenses	112,628,847	105,778,610	2,196,131	2,231,732
Operating loss	(45,166,887)	(40,722,390)	1,159,971	1,059,562
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State appropriations	39,400,435	35,415,371	-	-
Interest and investment income (loss)	1,188,164	(77,486)	1,040,264	1,928,480
Other payments to Worcester State University	-	-	(1,047,815)	(982,032)
Other non-operating revenues	-	38,429	-	-
Net non-operating revenues	40,588,599	35,376,314	(7,551)	946,448
Income (loss) before other revenues, expenses, gains, or losses	(4,578,288)	(5,346,076)	1,152,420	2,006,010
Capital appropriations	4,667,913	352,719	-	-
Additions to permanent endowments	-	-	482,835	3,253,896
Change in net position	89,625	(4,993,357)	1,635,255	5,259,906
<b>NET POSITION</b>				
Beginning of year	62,608,757	99,846,050	31,835,620	26,575,714
Adoption of accounting principle	-	(32,243,936)	-	-
End of year	\$ 62,698,382	\$ 62,608,757	\$ 33,470,875	\$ 31,835,620

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

WORCESTER STATE UNIVERSITY  
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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	Primary Government	
	2019	2018
Cash flows from operating activities:		
Student tuition, fees and charges	\$ 50,053,195	\$ 47,617,572
Federal grants and contracts	8,341,655	8,133,879
State and local grants and contracts	1,575,071	1,340,704
Nongovernmental grants and contracts	2,846,919	3,162,615
Auxiliary enterprise charges	854,299	796,446
Employee compensation and fringe benefit payments	(65,014,034)	(61,594,717)
Payments to suppliers	(30,549,843)	(32,245,818)
Interest paid	(895,314)	(142,778)
Loans repaid by students	159,700	160,121
Other receipts	512,307	884,756
	(32,116,045)	(31,887,220)
Net cash used in operating activities		
Cash flows from noncapital financing activities:		
State appropriations	39,400,435	35,415,371
Net deposits	30,469	(3,545)
	39,430,904	35,411,826
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Capital appropriations	4,667,913	352,719
Purchases of capital assets	(3,010,839)	(474,363)
Principal payments of bonds payable	(716,362)	(696,362)
Principal payments of capital lease obligation	(351,123)	(433,497)
Decrease in deferred loss on refunding of bonds payable	5,847	5,847
Perkins loan program, net funds paid	2,297	(211,532)
Other activities	-	38,429
	597,733	(1,418,759)
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	5,255,542	2,679,387
Purchases of investments	(5,527,277)	(3,023,347)
Interest and investment income	1,192,701	434,256
	920,966	90,296
Net cash provided by investing activities		
Net increase in cash and cash equivalents	8,833,558	2,196,143
Cash and cash equivalents, beginning of year	23,658,883	21,462,740
Cash and cash equivalents, end of year	\$ 32,492,441	\$ 23,658,883

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, 2019 AND 2018  
(Continued)

	Primary Government	
	2019	2018
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (45,166,887)	\$ (40,722,390)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	5,448,274	5,655,439
Amortization of other assets	230,810	235,810
Accretion of deferred service concession arrangements	(422,405)	(411,774)
(Increase) decrease in operating assets and deferred outflows:		
Accounts receivable, net	(657,030)	(59,545)
Loans receivable	159,700	160,121
Inventories	(15,420)	(872)
Prepaid expenses and other assets	(8,230)	(16,996)
Resources related to pension and OPEB obligations	2,977,902	2,907,012
Increase (decrease) in operating liabilities and deferred inflows:		
Accounts payable	4,862,554	(393,891)
Accrued payroll and fringe benefits	755,805	720,760
Accrued interest and other liabilities	(223,267)	552,779
Accrued workers' compensation	(45,422)	200,418
Student deposits and unearned revenue	(109,961)	(537,016)
Accrued compensated absences	97,532	(177,075)
Net cash used in operating activities	\$ (32,116,045)	\$ (31,887,220)

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

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

NOTES TO FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Component units

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

During the year ended June 30, 2019 and 2018, the Foundation distributed \$1,544,510 and \$1,502,730, respectively, to the University for both restricted and unrestricted purposes. Complete financial statements for the Foundation can be obtained from the Worcester State University Business Office at 486 Chandler Street, Worcester, MA 01602.

Basis of presentation

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

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

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

WORCESTER STATE UNIVERSITY  
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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 accounting standards. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, and net investment income.

Net position

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

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

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

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

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

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

Accounting estimates

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

Subsequent events

The University has evaluated the financial statement impact of subsequent events occurring through October 15, 2019, the date that the financial statements were available to be issued.

Cash, temporary investments, and investments

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

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, temporary investments, and investments (continued)

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

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

Fair value measurements

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements (continued)

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

Allowance for doubtful accounts

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

Inventories

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

Loans receivable and payable

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

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

Capital assets

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

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

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

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student deposits and unearned revenue

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

Bond premiums

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

Funds held for others

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

State appropriations

The University's unrestricted State appropriations amounted to \$39,781,632 and \$35,897,594 for the years ended June 30, 2019 and 2018, respectively. State supported tuition, in the amounts of \$381,197 and \$482,224 for the years ended June 30, 2019 and 2018, 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 \$64,854 and \$57,404 as of June 30, 2019 and 2018, respectively.

Pension plan

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

Other postemployment benefits plan (OPEB)

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

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation leave is the amount earned by all eligible employees through June 30, 2019. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20 percent of amounts earned by those University employees with ten or more years of State service at the end of the fiscal year. Upon retirement, these employees are entitled to receive payment for this accrued balance.

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fringe benefits

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

Trust funds

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

Tax status

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

New government accounting pronouncements

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

2 - ADOPTION OF ACCOUNTING PRINCIPLE

In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of this Statement is to improve accounting and financial reporting for other post-employment benefits provided to employees of state and local governmental employers, as well as establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. GASB Statement No. 75 is effective for financial statements for periods beginning after June 15, 2017. The adoption of this statement requires the University, as an Agency of the Commonwealth of Massachusetts, to recognize a proportionate share of the Commonwealth's unfunded other post-employment benefits from which certain University employees receive benefits, along with related deferred inflows and outflows. The adoption of GASB Statement No. 75 resulted in a restatement of opening net position by (\$37,396,591) for the year ended June 30, 2018. As allowed by GASB 75, management has reviewed the available pension information and determined a full restatement of the 2017 financial statements to be impractical.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - ADOPTION OF ACCOUNTING PRINCIPLES (Continued)

In December 2018 the University was notified by the Commonwealth of Massachusetts of errors in the actuarial calculations and reports used to account for its proportionate share of the Commonwealth's unfunded other post-employment benefits. Revised calculations were issued and the 2018 financial statement have been adjusted accordingly though the following prior period adjustment:

Adjustment for adoption of GASB Statement No. 75, as originally reported	\$(37,396,591)
Correction of error in adopting GASB Statement No. 75	<u>5,152,655</u>
Adjustment for adoption of GASB Statement No. 75, as restated	<u><u>\$(32,243,936)</u></u>

3 - CASH AND CASH EQUIVALENTS

The University's cash and temporary investments are as follows as of June 30, 2019 and 2018:

	2019	2018
Carrying amount	\$ 23,315,422	\$ 18,222,388
Bank balance	\$ 26,673,611	\$ 20,594,083
Less amounts		
Covered by depository insurance	1,530,652	1,523,204
Collateralized repurchase agreements	18,034,634	13,501,575
Remaining bank balance	\$ 7,108,325	\$ 5,569,304

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, 2019 and 2018, the University held \$329,950 and \$228,757 respectively, in money market funds maintained by its investment custodian.

As of June 30, 2019 and 2018, the University was party to a repurchase agreement with a bank. The value of this agreement was \$18,034,634 and \$13,501,575 as of June 30, 2019 and 2018, respectively.

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

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 \$3,601,527 and \$940,391 as of June 30, 2019 and 2018, respectively. In addition, the State Treasurer held cash for certain University trust funds in the amounts of \$5,536,488 and \$4,414,100 as of June 30, 2019 and 2018, respectively. None of these cash balances are insured or collateralized.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS

The University maintains pooled investments in long-term U.S. Treasury and Agency Securities. The fair value of these investments as of June 30, 2019 and 2018 are as follows:

	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2019</u>				
Investment type				
U.S. Treasuries	\$ 15,425,842	\$ 1,383,237	\$ 8,534,363	\$ 5,508,242
U.S. Agencies	<u>5,420,780</u>	<u>1,477,831</u>	<u>3,613,068</u>	<u>326,881</u>
Total	<u>\$ 20,846,622</u>	<u>\$ 2,861,068</u>	<u>\$ 12,147,431</u>	<u>\$ 5,835,123</u>
	Investment Maturities (in years)			
	Fair Value	Less Than 1	1 to 5	Greater than 5
<u>June 30, 2018</u>				
Investment type				
U.S. Treasuries	\$ 15,329,717	\$ 182,414	\$ 11,093,763	\$ 4,053,540
U.S. Agencies	<u>4,539,006</u>	<u>1,328,709</u>	<u>2,900,542</u>	<u>309,755</u>
Total	<u>\$ 19,868,723</u>	<u>\$ 1,511,123</u>	<u>\$ 13,994,305</u>	<u>\$ 4,363,295</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 as of June 30, 2019 was 3.6 years.

Credit Risk

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

Concentration of Credit Risk

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

Custodial Credit Risk

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

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - INVESTMENTS (Continued)

Custodial Credit Risk (continued)

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

	2019	2018
Interest	\$ 487,546	\$ 443,811
Realized loss on investments	(5,546)	-
Unrealized gain (loss) on investments	706,164	(521,297)
	\$ 1,188,164	\$ (77,486)

Component Unit

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

	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Money market funds	\$ 309,669	\$ 309,669	\$ 371,393	\$ 371,393
Mutual funds - equity based	17,136,675	19,595,626	12,273,521	15,254,046
Mutual funds - bonds based	8,078,591	8,115,076	6,849,863	6,618,181
Security based investment fund	-	-	5,086,768	4,738,805
Limited partnership interest	250,000	437,501	250,000	435,752
	\$ 25,774,935	\$ 28,457,872	\$ 24,831,545	\$ 27,418,177

6 - FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2019 and 2018.

*U.S. treasury securities and U.S. agency securities:* Valued at the closing price reported in the active market in which the individual securities are traded. Fair value hierarchy for each is based on the level of active trading within the respective markets for each asset or liability.

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

The University's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy as of June 30, 2019 as follows:

	Level 1	Level 2	Level 3	Total
Investments				
U.S. Treasuries	\$ 15,425,842	\$ -	\$ -	\$ 15,425,842
U.S. Agencies	5,420,780	-	-	5,420,780
Total investments, at fair value	\$ 20,846,622	\$ -	\$ -	\$ 20,846,622

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - FAIR VALUE MEASUREMENTS (Continued)

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

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

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

7 - ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Students	\$ 824,428	\$ 803,705
Other	<u>1,373,156</u>	<u>729,741</u>
	2,197,584	1,533,446
Less: Allowance for uncollectible accounts	<u>306,465</u>	<u>299,357</u>
	<u>\$ 1,891,119</u>	<u>\$ 1,234,089</u>

8 - CONTRIBUTIONS RECEIVABLE – COMPONENT UNIT

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

Payments of contributions receivable as of June 30, 2019 are expected to be received as follows:

2020	\$ 462,801
2021	243,719
2022	275,828
2023	157,949
2024	106,503
Thereafter	<u>280,751</u>
	1,527,551
Less: Discount on contributions receivable	65,628
Less: Allowance for uncollectible contributions receivable	<u>15,000</u>
	<u>\$ 1,446,923</u>

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

9 - DEPOSITS HELD WITH TRUSTEE

The University's bond payable indentures require the maintenance of restricted construction and debt service reserve funds on deposit with a bank trustee. Deposits with bank trustee are held in various trust accounts and are available for future debt service of \$249,214 as of June 30, 2019 and 2018.

10 - LOANS RECEIVABLE

The University participates in the Federal Perkins Loan Program. This program is funded through a combination of Federal and institutional resources. The portion of this program that has been funded with Federal funds is ultimately refundable to the U.S. government upon the termination of the University's participation in the program. The loans receivable balance of \$525,691 and \$685,391 as of June 30, 2019 and 2018, respectively, represents student loans issued through the Perkins Loans program and consists of the following as of June 30, 2019 and 2018:

	2019	2018
Enrolled students	\$ 71,781	\$ 139,424
Repayment on schedule	144,412	234,793
In default	309,498	311,174
	\$ 525,691	\$ 685,391

11 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 188,650	\$ -	\$ -	\$ 188,650
Construction in process	-	2,940,085	-	2,940,085
Capital assets, being depreciated				
Land improvements	5,273,909	-	-	5,273,909
Buildings, including improvements	155,173,706	-	-	155,173,706
Furnishings and equipment	13,686,298	837,952	-	14,524,250
Total capital assets	174,322,563	3,778,037	-	178,100,600
Less accumulated depreciation for				
Land improvements	4,141,911	177,778	-	4,319,689
Buildings, including improvements	56,553,529	4,470,314	-	61,023,843
Furnishings and equipment	11,260,665	800,182	-	12,060,847
Total accumulated depreciation	71,956,105	5,448,274	-	77,404,379
Capital assets, net	\$102,366,458	\$ (1,670,237)	\$ -	\$100,696,221

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

11 - CAPITAL ASSETS (Continued)

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

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

12 - MASSACHUSETTS STATE COLLEGE BUILDING AUTHORITY

The land on which the dormitory residence halls are located is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the year and 2022 and 2026. The leases can be extended at the end of these terms for additional ten year periods.

The University, under the terms of a management and service agreement between MSCBA and the Commonwealth, is charged a semi-annual revenue assessment which is based on the certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations are guaranteed by the Commonwealth. The assessments charged for the years ended June 30, 2019 and 2018, in the amounts of \$9,133,569 and \$8,971,063, 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 into 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.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

13 - DEFERRED SERVICE CONCESSION ARRANGEMENTS

Deferred service concession arrangements as of June 30, 2019 and 2018 in the amounts of \$4,879,123 and \$5,301,528, 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 \$422,405 and \$411,775 for the years ended June 2019 and 2018, respectively.

14 - LONG-TERM LIABILITIES

Long-term liabilities of the university as of June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 23,413,802	\$ -	\$ 716,361	\$ 22,697,441	\$ 705,667
Capital lease obligations	156,134	767,198	351,123	572,209	275,694
Accrued workers' compensation	990,351	-	45,422	944,929	226,897
Accrued compensated absences	5,623,388	97,532	-	5,720,920	3,464,725
Accrued pension and OPEB obligations	53,052,262	3,632,993	-	56,685,255	-
Refundable grant	<u>778,313</u>	<u>2,297</u>	<u>-</u>	<u>780,610</u>	<u>-</u>
	<u>\$ 84,014,250</u>	<u>\$ 4,500,020</u>	<u>\$ 1,112,906</u>	<u>\$ 87,401,364</u>	<u>\$ 4,672,983</u>

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds payable	\$ 24,110,164	\$ -	\$ 696,362	\$ 23,413,802	\$ 680,667
Capital lease obligations	528,178	61,453	433,497	156,134	115,923
Accrued workers' compensation	789,933	200,418	-	990,351	256,260
Accrued compensated absences	5,800,463	-	177,075	5,623,388	3,473,331
Accrued pension and OPEB obligations	18,674,184	34,378,078	-	53,052,262	-
Refundable grant	<u>989,845</u>	<u>-</u>	<u>211,532</u>	<u>778,313</u>	<u>-</u>
	<u>\$ 50,892,767</u>	<u>\$ 34,639,949</u>	<u>\$ 1,518,466</u>	<u>\$ 84,014,250</u>	<u>\$ 4,526,181</u>

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

15 - BONDS PAYABLE

- (A) On November 9, 2007, the University signed a financing agreement to receive \$310,000 from a Massachusetts Development Financing Agency (MDFA) clean renewable energy bond. These funds have been received and were used for the installation of a 100 KW photovoltaic panel, mounting system and inverter on the roof of the Learning Resource Center. The bond is non-interest bearing with annual principal installments of \$20,667 due through 2022.
- (B) On December 4, 2002, the University signed a financing agreement used for the renovation of the Sullivan and Administration Buildings, which was completed in 2009. A call provision became available on this bond issue and the issue was refunded on December 18, 2012, with \$10,585,000 of Massachusetts Development Financing Agency (MDFA) Revenue Bonds. The obligation is being repaid solely by the University through revenues. Interest on the MDFA bonds is due in semi-annual installments at varying rates ranging from 2.00% to 4.00%. Annual principal installments ranging from \$255,000 to \$875,000 are due through November 2032. The refunding of the MHEFA bonds resulted in a loss, which is included in deferred outflows of resources and will be amortized over the term of the bond. Amortization of this loss for the year ended June 30, 2019, was \$5,847. The remaining loss to be amortized as June 30, 2019 is \$81,863.
- (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, 2019 is as follows:

	2019	2018
(A) Bond payable, MDFA 2007 Series	\$ 62,000	\$ 82,667
(B) Bond payable, MDFA 2012 Series	9,188,720	9,489,342
(C) Bond payable, MSCBA	13,446,721	13,841,793
	22,697,441	23,413,802
Less: Current maturities	705,667	680,667
	\$ 21,991,774	\$ 22,733,135

Debt service requirements as of June 30, 2019 are as follows:

Year Ended June 30	Principal	Interest
2020	\$ 705,667	\$ 679,088
2021	730,667	654,488
2022	760,666	623,363
2023	770,000	593,563
2024	1,120,000	560,413
2025 - 2029	6,165,000	2,253,470
2030 - 2034	6,215,000	1,296,525
2035 - 2039	3,300,000	637,500
2040 - 2044	2,230,000	135,150
	21,997,000	7,433,560
Unamortized premium	700,441	-
	\$ 22,697,441	\$ 7,433,560

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

16 - LEASE COMMITMENTS

The University leases property, a motor vehicle, modular building, and furniture and equipment under various lease agreements. These leases are classified as either capital or operating in the financial statements. Operating lease expenditures were \$7,302 and \$6,727 for 2019 and 2018, respectively.

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

	2019	2018
Buildings, including improvements	\$ 789,809	\$ 789,809
Furnishings and equipment	1,786,568	1,019,371
Total capital assets	2,576,377	1,809,180
Less: Accumulated depreciation	1,837,953	1,250,496
	\$ 738,424	\$ 558,684

Future minimum lease payments under leases, together with the present value of future minimum lease payments as of June 30, 2019 are as follows:

	Capital Lease	Operating Lease
Year Ending		
2020	\$ 286,066	\$ 6,420
2021	248,286	1,070
2022	39,447	-
2023	9,964	-
2024	4,981	-
Total minimum lease payments	588,744	\$ 7,490
Less: Amount representing interest	16,535	
Present value of minimum lease payments	\$ 572,209	

17 - NET POSITION

Unrestricted net position from operations is not subject to externally imposed stipulations; however, it may be subject to internal restrictions. For example, unrestricted net position from operations may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. As of June 30, 2019 and 2018, unrestricted net position from operations of \$22,272,641 and \$18,020,120, respectively, has been internally designated by the University for future capital investments. Undesignated unrestricted net position from operations was \$40,687,978 and \$36,393,787 as of June 30, 2019 and 2018, respectively.

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

	2019	2018
Restricted - expendable		
Capital projects	\$ 135,362	\$ 130,815
Scholarships and other grants	467,961	90,205
	\$ 603,323	\$ 221,020

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

17 - NET POSITION (Continued)

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

18 - FACULTY COMPENSATION

Contracts for full-time faculty begin on September 1, and end May 31 of any given academic year. The Commonwealth of Massachusetts and the University pay all faculty members over the twelve-month period of September 1 through August 31. Consequently, on June 30 of each year there is a balance due on each faculty contract which is to be paid from the subsequent year's appropriation. The balance due as of June 30, 2019 and 2018 of \$2,604,019 and \$2,658,463 respectively, has been recorded as accrued payroll in the financial statements.

19 - ACCRUED WORKERS' COMPENSATION

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured Workers' Compensation program were conducted as of June 30, 2019 and 2018. Based upon the Commonwealth's analyses, accrued workers' compensation in the amount of \$944,929 and \$990,351 as of June 30, 2019 and 2018, respectively have been recorded in the unrestricted current fund. Workers' compensation expense charged to operations was \$406,136 and \$601,826 in 2019 and 2018, respectively. The actual workers' compensation paid by the University was \$451,558 and \$391,868 in 2019 and 2018, respectively.

20 - ACCRUED COMPENSATED ABSENCES

Included in accrued compensated absences are \$2,880,435 for accrued vacation time and \$2,840,485 for accrued sick time as of June 30, 2019 and \$2,921,378 for accrued vacation time and \$2,702,010 for accrued sick time as of June 30, 2018. Of these balances, \$248,194 and \$262,485 for June 30, 2019 and 2018, respectively, represent obligations due to employees funded through sources other than State appropriations, and \$5,472,726 and \$5,360,903 as of June 30, 2019 and 2018, respectively, represent obligations to employees funded through State appropriations. The University anticipates that the obligations due to employees funded by State appropriations will be discharged through future State appropriations.

21 - FRINGE BENEFIT CHARGES

Certain fringe benefit costs associated with University staff, compensated through State appropriations, are paid out of non-University State budget line items. The University is required to reimburse the State for such costs for employees funded from other than State appropriations, based on a percentage of payroll. For 2019, the University reimbursed the State a total of \$4,430,811 (\$1,691,684 for pensions and \$2,739,127 for health care premiums). For 2018, the University reimbursed the State a total of \$4,712,200 (\$1,730,320 for pensions and \$2,981,880 for health care premiums).

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

22 - RETIREMENT PLAN

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

Plan Description

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

Benefit Provisions

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

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

Contributions

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

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

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

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

22 - RETIREMENT PLAN (Continued)

Contributions (continued)

The University is not required to contribute from its appropriation allocation or other University funds to MSERS for employees compensated from State appropriations. For University employees covered by MSERS but compensated from a trust fund or other source, the University is required to contribute an amount determined as a percentage of compensation in accordance with a fringe benefit rate determined by the State. The rate was 12.06% and 11.78% of annual covered payroll for the fiscal years ended June 30, 2019 and June 30, 2018, respectively. The University contributed \$1,315,547 and \$1,421,424 for the fiscal years ended June 30, 2019 and June 30, 2018, equal to 100% of the required contributions for the year.

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

As of June 30, 2019 and 2018, the University reported a net pension liability of \$20,564,468 and \$18,014,320, respectively, 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, 2018, the measurement date, as determined by an actuarial valuation. The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts' collective pension amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal years 2018 and 2017. The Commonwealth's proportionate share was based on actual employer contributions to the MSERS for fiscal years 2018 and 2017 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2018 and 2017, the University's proportion was 0.169% and 0.153% respectively. For the year end June 30, 2019 and 2018, the University recognized pension expense of \$3,029,723 and \$2,435,838, respectively.

As of June 30, 2019 and 2018, the University reported in the statement of net position deferred outflows and deferred inflows of resources related to pensions from the following sources:

	2019	2018
Deferred outflows of resources:		
Change in plan actuarial assumptions	\$ 2,084,081	\$ 1,874,665
Differences between expected and actual experience	652,131	696,507
Changes in proportion from Commonwealth of due to internal allocation	2,730,789	2,091,868
Contributions subsequent to the measurement date	1,315,547	1,421,424
	\$ 6,782,548	\$ 6,084,464
Deferred inflows of resources:		
Differences between expected and actual experience	\$ 419,105	\$ 490,124
Differences between projected and actual earnings on plan investments	714,800	214,641
Changes in proportion from Commonwealth of due to internal allocation	1,330,242	1,897,273
	\$ 2,464,147	\$ 2,602,038

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

22 - RETIREMENT PLAN (Continued)

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

Contributions of \$1,315,547 and \$1,421,424, respectively, are reported as deferred outflows of resources related to pensions resulting from the University contributions in fiscal year 2019 and 2018 subsequent to the measurement date, which will be recognized as a reduction of the net pension liability for the year ended June 30, 2019 and 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in pension expense as follows:

2020	\$ 1,812,912
2021	454,620
2022	218,119
2023	434,435
2024	82,768
	\$ 3,002,854

Actuarial Assumptions

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

	2018	2017
Cost of living increases (on the first \$13,000 per year for 2018)	3.00%	3.00%
Salary increases	4.00 to 9.00%	4.00 to 9.00%
Investment rate of return	7.35%	7.50%
Interest rate credit to the annuity savings fund	3.50%	3.50%

Pre-retirement mortality rates reflect the RP-2014 Blue Collar Employees Table, projected generationally with Scale MP-2016 and set forward one year for females. Post-retirement mortality rates reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year for females. Mortality rates for disability reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year.

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

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target assets allocation as of June 30, 2018 and 2017 are summarized in the following table:

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

22 - RETIREMENT PLAN (Continued)

Actuarial Assumptions (continued)

Asset Class	Target allocation	Long-term expected real Rate of return	
		2018	2017
Global equity	39%	5.00%	5.00%
Core fixed income	12%	0.90%	1.10%
Hedge funds	-	-	3.60%
Private equity	12%	6.60%	6.60%
Real estate	10%	3.80%	3.60%
Value added fixed income	10%	3.80%	3.80%
Portfolio completion strategies	13%	3.70%	3.60%
Timber/natural resources	4%	3.40%	3.20%
Total	<u>100%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 7.35% and 7.50% for 2018 and 2017, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the net pension liability to changes in the discount rate as of June 30, 2018 and 2017. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one percentage-point higher than the current discount rate:

	2018	2017
1% decrease to 6.35% for 2018 and 6.50% for 2017	\$ 27,717,465	\$ 24,534,754
Current discount rate 7.35% for 2018 and 7.50% for 2017	20,564,468	18,014,320
1% increase to 8.35% for 2018 and 7.50% for 2017	14,452,507	12,761,954

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

Plan Description

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

Benefit Provisions

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

Contributions

Employer and employee contribution rates are set in MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2018 and 2017 and as of the valuation date (January 1, 2018), Commonwealth participants contributed 0% to 20% of premium costs, depending on the date of hire and whether the participant is active, retiree, or survivor status. As part of the FY10 General Appropriation Act, all active employees pay an additional 5% of premium costs.

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

As of June 30, 2019 and 2018, the University reported a net OPEB liability of \$36,120,787 and \$35,037,942, respectively, for its proportionate share of the net OPEB liability related to its participation in the OPEB Plan. The net OPEB liability was measured as of June 30, 2018, the measurement date, as determined by an actuarial valuation. The University's proportion of the net OPEB liability was based on its share of the Commonwealth of Massachusetts' collective OPEB amounts allocated on the basis of actual fringe benefit charges assessed the University for the fiscal years 2018 and 2017. The Commonwealth's proportionate share was based on actual employer contributions to the OPEB Plan for fiscal years 2018 relative to total contributions of all participating employers for each respective fiscal year. As of June 30, 2018 and 2017, the University's proportion was 0.253% and 0.210% respectively. For the year end June 30, 2018 and 2017, the University recognized OPEB expense of \$3,174,645 and \$2,924,016, respectively.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

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

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

	2019	2018
Deferred outflows of resources:		
Changes in proportion from Commonwealth of due to internal allocation	\$ 9,872,428	\$ 3,938,111
Differences between expected and actual experience	438,719	-
Contributions subsequent to the measurement date	959,290	1,076,188
	\$ 11,270,437	\$ 5,014,299
Deferred inflows of resources:		
Change in plan actuarial assumptions	\$ 11,097,857	\$ 3,968,408
Differences between expected and actual experience	77,097	80,559
Differences between projected and actual earnings on plan investments	90,195	63,925
	\$ 11,265,149	\$ 4,112,892

Contributions of \$959,290 and \$1,076,188, respectively are reported as deferred outflows of resources related to OPEB resulting from the University contributions in fiscal year 2019 and 2018 subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability for the year ended June 30, 2019 and 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a reduction in OPEB expense as follows:

2020	\$ (214,909)
2021	(214,909)
2022	(214,909)
2023	(190,853)
2024	(118,422)
	\$ (954,002)

Actuarial Assumptions

The total OPEB liability for the June 30, 2017 measurement date was determined by an actuarial valuation as of January 1, 2017 rolled forward to June 30, 2017. The total OPEB liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of January 1, 2018 rolled forward to June 30, 2018. This valuation used the following assumptions:

1. For 2018, the following annual healthcare cost trend rates: (1) 8.0%, decreasing by 0.5% each year to 5.5% in 2023 and then decreasing 0.25% each year to an ultimate rate of 5.0% in 2025 for medical and (2) 5.0% for administration costs. Healthcare costs are offset by reimbursements for Employer Group Waiver Plans (EGWP), which are assumed to increase 5.0% per year.
2. For 2018 and 2017, the following annual healthcare cost trend rates: (1) 8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for medical, (2) 5.0% for EGWP and (3) 5.0% for administration costs.
3. For 2018 and 2017, the mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 form the central year, with females set forward one year.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Actuarial Assumptions (continued)

4. Participation rates:

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

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

Investment assets of the Plan are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2018 and 2017 are summarized in the following table:

Asset Class	Target allocation	Long-term expected real Rate of return	
		2018	2017
Global equity	39%	5.00%	5.00%
Portfolio completion strategies	13%	3.70%	3.60%
Core fixed income	12%	0.90%	1.11%
Private equity	12%	6.60%	6.60%
Value added fixed income	10%	3.80%	3.80%
Real Estate	10%	3.80%	3.60%
Timber/natural resources	4%	4.00%	3.20%
Hedge funds	-	-	3.60%
Total	100%		

WORCESTER STATE UNIVERSITY  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

23 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Discount Rate

The discount rates used to measure the OPEB liability as of June 30, 2018 and 2017 was 3.95% and 3.63%, respectively. This rate was based on a blend of the Bond Buyer Index rates of 3.87% and 3.58% as of the measurement date of June 30, 2018 and 2017, respectively and the expected rates of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2025. Therefore, the long-term expected rate of return on plan investments of 7.35% and 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018 and 2017, respectively.

Sensitivity Analysis

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

	2018	2017
1% decrease to 2.95% for 2018 and 2.63% for 2017	\$ 42,652,452	\$ 41,592,841
Current discount rate 3.95% for 2018 and 3.63% for 2017	36,120,787	35,037,942
1% increase to 4.95% for 2018 and 4.63% for 2017	30,898,818	29,826,287

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

	2018	2017
1% decrease to for Medical and EGWP and Administrative costs	\$ 30,010,139	\$ 28,989,441
Current discount rate 8.5% for Medical and 5% for EGWP and Administrative costs	36,120,787	35,037,942
1% increase for Medical and EGWP and Administrative costs	44,097,962	42,997,403

24 - STATE CONTROLLED ACCOUNTS

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled and reported by the State through non-University line items in the State's budget. Under accounting principles generally accepted in the United States of America such transactions must be recorded in the financial statements of the University. These transactions include payments by the State for the employer's share of funding the Massachusetts State Employee's Retirement System and for the employer's share of health care premiums. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2019 were \$3,958,583 and \$6,409,627, respectively. The estimated amounts of funding attributable for the State retirement system contribution and the employer's share of health care premiums for 2018 were \$3,401,877 and \$5,862,495, respectively.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

25 - MANAGEMENT ACCOUNTING AND REPORTING SYSTEM - (UNAUDITED)

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

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

	2019	2018
Direct unrestricted appropriations	\$ 29,684,752	\$ 26,633,223
Fringe benefits for benefitted employees on state payroll	10,096,880	9,264,372
Tuition remitted	(381,197)	(482,224)
Total appropriations	\$ 39,400,435	\$ 35,415,371

A reconciliation between the University and MMARS fund 901 activity as of June 30, 2019 is as follows:

Revenue per MMARS	\$ 65,916,880
Revenue per University	65,577,518
Net reporting classification and differences	\$ 339,362

26 - RELATED PARTY TRANSACTIONS

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

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

The University and the Foundation have entered into an affiliation agreement with the Worcester Center for Crafts, Inc. to collaboratively offer venues for teaching and learning in the arts, exhibition space, safe, well-equipped studios for community-based programs as well as undergraduate visual and performing art classes. As part of the agreement, the University provides various forms of support to the Crafts Center including annual fees of \$250,000 for allowing the University to use the facilities. Service agreement fees were \$250,000 for the years ended June 30, 2019 and 2018. 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 \$354,412 and \$329,178 for the years ended June 30, 2019 and 2018 respectively.

The University provides certain operating costs for WSF Real Estate, Inc. in exchange of the use property adjacent to the University campus for various purposes. WSF Real Estate, Inc. is under the control and holds property on behalf of the Foundation. Operating costs provided by the University were \$79,623 and \$126,139 during the years ended June 30, 2019 and 2018, respectively.

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

27 - AUXILIARY ENTERPRISES

The University's auxiliary enterprises consist of residence life and housing and health services. The related revenues and expenses for the years ended June 30, 2019 and 2018 are as follows:

	2019		2018	
	Residence Life and Housing	Health Services	Residence Life and Housing	Health Services
Total revenue	\$ 12,843,230	\$ 448,282	\$ 12,514,466	\$ 447,962
Total expenses	12,461,827	493,157	11,885,854	477,507
Increase (decrease) in net position before transfers	\$ 381,403	\$ (44,875)	\$ 628,612	\$ (29,545)

28 - COMMITMENTS AND CONTINGENCIES

Litigation

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

Grants and entitlements

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

29 - RECLASSIFICATIONS

Certain reclassifications have been made to the 2018 financial statements, with no effect on change in net position, to conform to the 2019 presentation.

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2014 through 2018)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
University's proportion of the net pension liability	0.17%	0.15%	0.15%	0.18%	0.14%	0.14%
University's proportion of the net pension liability	\$ 20,564,468	\$ 18,014,320	\$ 18,674,184	\$ 18,901,770	\$ 9,357,928	\$ 11,308,376
University's covered-employee payroll	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835	\$ 11,013,323	\$ 10,245,240	\$ 11,163,731
University's proportionate share of the net pension liability as a percentage of its covered employee payroll	159.14%	158.91%	164.79%	171.63%	91.34%	101.30%
Plan fiduciary net position as a percentage of the total pension liability	67.91%	67.21%	63.48%	67.87%	76.32%	70.31%

See accompanying independent auditor's report.

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

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2014 through 2018)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 1,421,424	\$ 1,098,173	\$ 972,477	\$ 1,039,592	\$ 741,444	\$ 700,426
Contributions in relation to the statutorily required contribution	<u>1,421,424</u>	<u>1,098,173</u>	<u>972,477</u>	<u>1,039,592</u>	<u>741,444</u>	<u>700,426</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835	\$ 11,013,323	\$ 10,245,240	\$ 11,163,731
Contributions as a percentage of covered-employee payroll	11.00%	9.69%	8.58%	9.44%	7.24%	6.27%

See accompanying independent auditor's report.

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

JUNE 30, 2014 THROUGH 2019

**1 - CHANGES IN ACTUARIAL ASSUMPTIONS**

The actuarial assumptions used as of the June 30, 2018 measurement date included a change in mortality rates for disability. As of this date, mortality rates for disability reflect the RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward one year.

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

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

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

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

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

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

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

Mortality rates included as of the June 30, 2014 included pre-retirement mortality rates reflecting the RP-2000 Employees table projected 20 years with Scale AA (gender district). Post-retirement mortality rates reflect the RP-2000 Healthy Annuitant table projected 15 years with Scan AA (gender distinct). Disability rates were assumed to be in accordance with the RP- 2000 table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

See accompanying independent auditor's report.

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

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

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018 and 2017)

	<u>2019</u>	<u>2018</u> (as restated)	<u>2017</u> (as restated)
University's proportion of the net OPEB liability	0.25%	0.21%	0.18%
University's proportion of the net OPEB liability	\$ 36,120,787	\$ 35,037,942	\$ 33,225,679
University's covered-employee payroll	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835
University's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	279.53%	309.07%	293.21%
Plan fiduciary net position as a percentage of the total OPEB liability	7.38%	5.39%	4.37%

See accompanying independent auditor's report.

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

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

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018 and 2017)

	<u>2019</u>	<u>2018</u> (as restated)	<u>2017</u> (as restated)
Statutorily required contribution	\$ 1,076,188	\$ 882,031	\$ 745,202
Contributions in relation to the statutorily required contribution	<u>1,076,188</u>	<u>882,031</u>	<u>745,202</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
University's covered-employee payroll	\$ 12,922,066	\$ 11,336,488	\$ 11,331,835
Contributions as a percentage of covered-employee payroll	8.33%	7.78%	6.58%

See accompanying independent auditor's report.

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

NOTES TO SCHEDULE OF THE UNIVERSITY'S PROPORTIONATE SHARE OF THE  
NET OPEB LIABILITY AND SCHEDULE OF UNIVERSITY OPEB CONTRIBUTIONS

JUNE 30, 2017 THROUGH 2019

1 - CHANGES IN ACTUARIAL ASSUMPTIONS

The actuarial assumptions used as of the June 30, 2018 measurement date included a change in the discount rates used to measure the OPEB liability from 3.63% to 3.95%. This rate was based on a blend of the Bond Buyer Index rates of 3.87% and 3.58% as of the measurement date of June 30, 2018 and 2017, respectively and the expected rates of return.

The actuarial assumptions used as of the June 30, 2018 measurement date included a change in the long-term expected rate of return on plan investments from 7.50% to 7.35%.

See accompanying independent auditor's report.

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

UNIVERSITY NET POSITION ANALYSIS

JUNE 30, 2019  
(With Comparative Totals for 2014 through 2018)

	<u>2019</u>	<u>2018</u> (as restated)	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Invested in Capital Assets, Net	\$ 78,092,336	\$ 79,046,212	\$ 83,469,474	\$ 87,321,688	\$ 56,137,097	\$ 54,295,189
Restricted - Expendable for						
Other	467,961	90,205	178,233	3,241,368	2,503,864	2,997,476
Capital Projects	<u>135,362</u>	<u>130,815</u>	<u>127,017</u>	<u>123,819</u>	<u>126,343</u>	<u>122,862</u>
Total expendable	<u>603,323</u>	<u>221,020</u>	<u>305,250</u>	<u>3,365,187</u>	<u>2,630,207</u>	<u>3,120,338</u>
Unrestricted						
Unrestricted from operations	40,687,978	36,393,787	34,745,510	32,494,088	33,462,206	34,051,290
Accumulated Commonwealth pension obligations	(20,564,468)	(18,014,320)	(18,674,184)	(18,901,770)	(9,357,928)	(10,567,132)
Accumulated Commonwealth OPEB obligations	<u>(36,120,787)</u>	<u>(35,037,942)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unrestricted	<u>(15,997,277)</u>	<u>(16,658,475)</u>	<u>16,071,326</u>	<u>13,592,318</u>	<u>24,104,278</u>	<u>23,484,158</u>
Total Net Position	<u>\$ 62,698,382</u>	<u>\$ 62,608,757</u>	<u>\$ 99,846,050</u>	<u>\$ 104,279,193</u>	<u>\$ 82,871,582</u>	<u>\$ 80,899,685</u>

See accompanying independent auditor's report.

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

FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019  
(With Comparative Totals for 2018)

	Instruction	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Totals	
						2019	2018
Regular employee compensation	\$ 21,791,036	\$ 3,494,971	\$ 4,703,802	\$ 6,769,334	\$ 3,306,672	\$ 40,065,815	\$ 38,319,515
Special employee contracted services	8,373,227	322,658	954,413	466,217	87,499	10,204,014	9,862,077
Pension and insurance	8,553,840	1,315,897	2,362,813	2,761,576	3,535,896	18,530,022	17,064,241
<b>Total payroll and employee benefits</b>	<b>38,718,103</b>	<b>5,133,526</b>	<b>8,021,028</b>	<b>9,997,127</b>	<b>6,930,067</b>	<b>68,799,851</b>	<b>65,245,833</b>
Regular employee related expenses	256,719	91,192	107,555	201,841	62,018	719,325	705,902
Administrative	1,480,643	760,545	676,179	1,882,968	470,663	5,270,998	4,744,888
Facility operations support and related expenses	539,906	171,284	733,848	461,793	235,166	2,141,997	1,860,912
Energy and space rental	152,395	22,891	613,747	49,520	2,411,263	3,249,816	3,327,626
Professional services	369,800	71,305	377,579	541,409	1,090,281	2,450,374	2,039,710
Operational services	332,927	61,543	446,245	269,589	52,689	1,162,993	1,187,227
Equipment purchases	287,449	18,205	63,097	66,960	204,321	640,032	690,491
Equipment lease and maintenance	134,570	19,254	646,110	191,706	316,030	1,307,670	1,326,343
Construction and building improvements	-	-	-	-	5,721,368	5,721,368	3,824,409
<b>Total operating expenses</b>	<b>3,554,409</b>	<b>1,216,219</b>	<b>3,664,360</b>	<b>3,665,786</b>	<b>10,563,799</b>	<b>22,664,573</b>	<b>19,707,508</b>
<b>Total educational and general expenses</b>	<b>\$ 42,272,512</b>	<b>\$ 6,349,745</b>	<b>\$ 11,685,388</b>	<b>\$ 13,662,913</b>	<b>\$ 17,493,866</b>	<b>\$ 91,464,424</b>	<b>\$ 84,953,341</b>

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Cash	\$ 4,300,250	\$ 3,953,368
Accounts receivable, net	<u>106,049</u>	<u>103,457</u>
Total assets	<u>4,406,299</u>	<u>4,056,825</u>
<b>LIABILITIES</b>		
Unearned rental income	245,598	261,684
Accrued and other liabilities	<u>214,238</u>	<u>230,081</u>
Total liabilities	<u>459,836</u>	<u>491,765</u>
<b>NET POSITION</b>		
Unrestricted	<u>\$ 3,946,463</u>	<u>\$ 3,565,060</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Fees	\$ 12,437,212	\$ 12,163,982
Other income	<u>406,018</u>	<u>350,484</u>
Total revenues	<u>12,843,230</u>	<u>12,514,466</u>
<b>EXPENSES</b>		
Regular employee compensation	1,134,982	1,120,809
Special employees/contracted services	263,347	210,250
Pension and insurance	408,391	386,031
Regular employee related expenses	9,848	14,546
Administrative	138,270	158,683
Debt payment	8,076,627	7,909,758
Facility operations support and related expenses	220,825	218,190
Energy and space rental	725,259	513,634
Professional services	12,730	26,890
Operational services	3,499	3,465
Equipment purchases	8,950	1,954
Equipment lease and maintenance	108,046	108,800
Building improvements	778,194	690,007
Benefits programs	<u>572,860</u>	<u>522,837</u>
Total expenses	<u>12,461,827</u>	<u>11,885,854</u>
Change in net position	381,403	628,612
<b>NET POSITION</b>		
Beginning of year	<u>3,565,060</u>	<u>2,936,448</u>
End of year	<u><u>\$ 3,946,463</u></u>	<u><u>\$ 3,565,060</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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Fees	\$ 448,194	\$ 447,851
Other income	88	111
	<u>448,282</u>	<u>447,962</u>
<b>EXPENSES</b>		
Regular employee compensation	85,315	117,034
Special employees/contracted services	7,800	9,858
Pension and insurance	46,416	42,143
Regular employee related expenses	3,073	2,589
Administrative	4,187	1,460
Facility operations support and related expenses	13,204	17,731
Professional services	302,188	286,077
Operational services	30,399	-
Equipment maintenance	325	325
Benefits programs	250	290
	<u>493,157</u>	<u>477,507</u>
Total expenses	<u>493,157</u>	<u>477,507</u>
Change in net position	<u>\$ (44,875)</u>	<u>\$ (29,545)</u>

See accompanying independent auditor's report.

STATISTICAL INFORMATION  
(UNAUDITED)

**Worcester State University**  
**Schedule of Net Position by Component**  
**June 30, 2014 through 2019**

**Exhibit E-1**

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Invested in capital assets, net of related debt	\$ 54,295,189	\$ 56,137,097	\$ 87,321,688	\$ 83,469,474	\$ 79,046,212	\$ 78,092,336
Restricted-expendable	3,120,338	2,630,207	3,365,187	305,250	221,020	603,323
Restricted-nonexpendable	-	-	-	-	-	-
Unrestricted	23,484,158	24,104,278	13,592,318	16,071,326	(16,658,475)	(15,997,277)
<b>Total primary government net position</b>	<b>\$ 80,899,685</b>	<b>\$ 82,871,582</b>	<b>\$ 104,279,193</b>	<b>\$ 99,846,050</b>	<b>\$ 62,608,757</b>	<b>\$ 62,698,382</b>

**Worcester State University  
Tuition & Mandatory Fees**

**Exhibit E-2**

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b><i>Resident Undergraduate</i></b>										
Tuition	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	5,636	6,186	6,683	7,187	7,587	7,587	7,887	8,232	8,562	8,562
<b><i>Total Annual</i></b>	<b>\$ 6,606</b>	<b>\$ 7,156</b>	<b>\$ 7,653</b>	<b>\$ 8,157</b>	<b>\$ 8,557</b>	<b>\$ 8,557</b>	<b>\$ 8,857</b>	<b>\$ 9,202</b>	<b>\$ 9,532</b>	<b>\$ 9,532</b>
<b><i>Non Resident Undergraduate</i></b>										
Tuition	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	5,636	6,186	6,683	7,187	7,587	7,587	7,887	8,232	8,562	8,562
<b><i>Total Annual</i></b>	<b>\$ 12,686</b>	<b>\$ 13,236</b>	<b>\$ 13,733</b>	<b>\$ 14,237</b>	<b>\$ 14,637</b>	<b>\$ 14,637</b>	<b>\$ 14,937</b>	<b>\$ 15,282</b>	<b>\$ 15,612</b>	<b>\$ 15,612</b>
<b><i>Resident Graduate</i></b>										
Tuition	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 150	\$ 169	\$ 169
Mandatory Fees	95	112	115	115	117	117	138	148	153	153
<b><i>Total per Credit Hours</i></b>	<b>\$ 245</b>	<b>\$ 262</b>	<b>\$ 265</b>	<b>\$ 265</b>	<b>\$ 267</b>	<b>\$ 267</b>	<b>\$ 288</b>	<b>\$ 298</b>	<b>\$ 322</b>	<b>\$ 322</b>

**Worcester State University  
Schedule of Employment  
2014-2018**

**Exhibit E-3**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Faculty - Primary Instruction</b> <sup>/1</sup>	<b>512</b>	<b>416</b>	<b>419</b>	<b>441</b>	<b>-</b>
Part-time	306	214	215	230	
Full-time	206	202	204	211	
<b>Staff and Administrators</b>	<b>363</b>	<b>353</b>	<b>354</b>	<b>356</b>	<b>-</b>
Part-time	12	13	12	12	
Full-time	351	340	342	344	
<b>Total Faculty &amp; Staff Employees</b>	<b>875</b>	<b>769</b>	<b>773</b>	<b>797</b>	<b>-</b>
Part-time	318	227	227	242	
Full-time	557	542	546	555	
<b>Non-Benefitted Employees</b> <sup>/2</sup>	<b>651</b>	<b>615</b>	<b>385</b>	<b>436</b>	<b>-</b>
Contract Workers	134	141	174	214	
Student Workers	517	474	211	222	
<b>Total All Employees</b>	<b>1,526</b>	<b>1,384</b>	<b>1,158</b>	<b>1,233</b>	<b>-</b>

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*/1 Includes Instruction, Research & Public Service*

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

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

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

**Exhibit E-4**

	<b>Fall Term</b>				
<b>Admissions-Freshman /1</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Applications	5,662	4,828	4,963	4,822	5,123
Applications accepted	3,479	3,458	3,651	3,742	4,062
Accepted as a percentage of applications	61.44%	71.62%	73.56%	77.60%	79.29%
Students enrolled /2	1,409	1,454	1,366	1,494	1,461
Enrolled as a percentage of accepted	40.50%	42.05%	37.41%	39.93%	35.97%

/1 Includes all undergraduate admissions including transfer students.

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

	<b>Annual</b>				
<b>Enrollment</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
Full-time equivalent	5,373.0	5,339.5	5,409.8	5,449.0	5,465.3
Unduplicated credit headcount	9,797	9,774	10,679	10,276	9,691
Percent undergraduate /3	87.61%	87.44%	83.16%	85.41%	86.54%
Percent graduate	12.39%	12.56%	16.84%	14.59%	13.46%

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

	<b>Fall Term</b>				
<b>Student Population Demographics /4</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Percentage of men	38.27%	38.31%	37.09%	38.72%	38.06%
Percentage of women	61.73%	61.69%	62.91%	61.28%	61.94%
Percentage of African-American	6.13%	6.85%	7.08%	7.77%	8.09%
Percentage of White	71.09%	70.42%	68.95%	66.86%	65.03%
Percentage of Latino	7.94%	8.18%	9.21%	10.68%	11.60%
Percentage of Other /5	6.72%	6.77%	6.75%	6.92%	7.32%
< 20	23.60%	24.08%	23.74%	25.58%	27.19%
20 to 30	59.10%	58.76%	56.35%	57.09%	57.23%
31 to 40	7.40%	7.96%	8.54%	7.44%	6.89%
41 & Over	9.60%	9.20%	11.36%	9.89%	8.69%

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

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

	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>
<b>Degrees Granted</b>					
Bachelor's	1008	1,115	1,076	1,095	1,112
Master's	192	205	225	227	234

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

**Exhibit E-5**

	<b>Academic Year</b>	
	<b><u>2018</u></b>	<b><u>2019</u></b>
Land (acreage)	57	57
Buildings (square feet)		
100 Instruction/classroom	58,544	57,369
200 Labs	54,613	55,893
300 Administrative	118,199	117,172
400 Study facilities	27,870	27,750
52x Athletic	66,049	66,049
5xx Other Special Use	6,470	6,470
600 General Use	77,211	77,736
700 Support facilities	173,012	173,502
000 Unclassified	-	-
Unassigned/unassignable	379,910	379,910
<b>Total Sq Ft</b>	<b>961,878</b>	<b>961,851</b>
Residence Halls	462,513	462,513
Rental space	-	-
Dormitories - # of residents	1,577	1,577

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

	Fiscal Year				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Source of Revenue</b>					
Student charges (net of scholarships)	\$ 44,591,923	\$ 48,411,331	\$ 48,483,889	\$ 50,357,398	\$ 52,375,323
Grants & contracts	10,575,227	10,924,592	11,975,305	12,637,198	12,763,645
Auxiliary enterprises	873,017	444,478	440,172	796,446	854,299
Other operating revenue	1,058,816	1,146,016	1,032,424	1,265,178	1,468,693
<b>Total operating revenue</b>	<b>57,098,983</b>	<b>60,926,417</b>	<b>61,931,790</b>	<b>65,056,220</b>	<b>67,461,960</b>
State support	31,840,805	33,605,906	35,169,690	35,415,371	39,400,435
Other non-operating revenue	471,712	811,842	(188,427)	(39,057)	1,188,164
<b>Total non-operating revenue</b>	<b>32,312,517</b>	<b>34,417,748</b>	<b>34,981,263</b>	<b>35,376,314</b>	<b>40,588,599</b>
<b>Total revenue</b>	<b>\$ 89,411,500</b>	<b>\$ 95,344,165</b>	<b>\$ 96,913,053</b>	<b>\$ 100,432,534</b>	<b>\$ 108,050,559</b>
<b>Functional Expense</b>					
Instruction	\$ 33,402,333	\$ 34,662,566	\$ 35,523,651	\$ 38,782,984	\$ 42,272,512
Academic support	6,607,824	7,768,616	7,072,401	7,376,332	6,349,745
Student services	8,625,036	9,396,733	11,153,602	11,098,900	11,685,388
Institutional support	13,432,296	15,447,340	14,397,858	13,736,523	13,662,913
Plant operations & maintenance	9,342,808	9,297,557	11,230,348	13,958,602	17,493,866
Research	-	-	-	-	-
Public service	1,149,664	955,701	1,270,991	-	-
Scholarships	729,898	2,653,815	2,763,487	2,634,749	2,089,119
<b>Sub-total</b>	<b>73,289,859</b>	<b>80,182,328</b>	<b>83,412,338</b>	<b>87,588,090</b>	<b>93,553,543</b>
Auxiliary enterprises	12,299,488	11,838,607	12,170,935	11,839,524	12,954,983
Independent operations	-	-	-	-	-
All other	270,821	289,560	497,152	695,557	672,047
<b>Total operating expense</b>	<b>\$ 85,860,168</b>	<b>\$ 92,310,495</b>	<b>\$ 96,080,425</b>	<b>\$ 100,123,171</b>	<b>\$ 107,180,573</b>
Memo: Depreciation	\$ 4,224,797	\$ 4,664,588	\$ 5,328,423	\$ 5,655,439	\$ 5,448,274

*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

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, 2019, 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 15, 2019.

**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 15, 2019