Fitchburg State University
(a department of the
Commonwealth of Massachusetts)

Financial Statements
(With Supplementary Information)
and Independent Auditor's Reports

June 30, 2018 and 2017

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Index

Independent Auditor's Report

To the Board of Trustees
Fitchburg State University

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the Index.

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of Fitchburg State University as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As described in Note 29, the University has restated the accompanying financial statements to correct amounts allocated to the University by the Commonwealth of Massachusetts. Our opinion is not modified with respect to this matter.

Emphasis of Matters

As discussed in Notes 1 and 29 to the financial statements, in fiscal 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of Fitchburg State University and its discretely presented component unit are intended to present the respective financial position, the changes in financial position and, where applicable, cash flows of only that portion of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Massachusetts that is attributable to the transactions of Fitchburg State University and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the Commonwealth of Massachusetts as of June 30, 2018 and 2017, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and OPEB benefit schedules on pages 5 to 19 and 93 to 96, respectively, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the 2018 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 97 to 99 are presented for purposes of additional analysis and are not a required part of the 2018 financial statements. The residence hall fund and residence hall damage fund activity are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 2018 financial statements. The residence hall fund and residence hall damage fund activity information have been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 financial statements or to the 2018 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the residence hall fund and residence hall damage fund activity information are fairly stated, in all material respects, in relation to the 2018 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated March 19, 2019 on our consideration of Fitchburg 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 Fitchburg 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 Fitchburg State University's internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
November 6, 2018, except Note 29, which is dated March 19, 2019

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Management's Discussion and Analysis
(Unaudited)

Introduction

The following discussion and analysis are intended to provide an overview of the financial position and results of operations of Fitchburg State University (the "University") for the fiscal years ended June 30, 2018, 2017 and 2016. This discussion is provided by the management of the University and should be read in conjunction with the financial statements and notes thereto. The purpose of this document is to give some background to the financial statements, and foster an understanding of how these statements relate to the mission and activities of the University.

The University, located in North Central Massachusetts, is one of the nine comprehensive public universities in the Commonwealth of Massachusetts (the "Commonwealth"). These institutions, along with the five-campus University of Massachusetts system and the fifteen community colleges comprise public higher education in Massachusetts. The University offers more than 30 undergraduate degree programs in sixteen academic departments, 22 graduate degree programs and several Graduate Certificates of Advanced Study. During fall 2017, there were approximately 3,639 full-time students and thousands of part-time students enrolled. For fiscal 2018, there was a combined full-time equivalent annual enrollment of approximately 5,200. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education ("DGCE"). The University awarded approximately 1,243 graduate and undergraduate degrees in fiscal 2018. The University is accredited by the New England Commission of Higher Education ("NECHE"), formerly known as New England Association of Schools and Colleges ("NEASC"), and many of the University's programs are accredited by program-specific accrediting bodies.

Financial Highlights

The University experienced positive results from operations in fiscal 2018 resulting in an increase in net position of approximately 2.3%. The following are key financial highlights for the current period:

- General appropriations from the Commonwealth are approved by the legislature to help fund the day-to-day operations of the University. The University received appropriations of $29.5 million in fiscal 2018 as compared with $29.4 million in fiscal 2017 and $29.1 million in fiscal 2016.

- The University undergraduate fees were basically flat this fiscal year. Total mandatory fees per semester were $4,592, $4,582 and $4,482 in fiscal 2018, 2017 and 2016, respectively. Tuition, which is controlled by the Commonwealth, has not increased since the fall of 2001 and remains at $485 per semester for in-state students. The Graduate fees per 3 credit class were $957, $957, and $912 in fiscal years 2018, 2017 and 2016, respectively, and the fees for the Accelerated Online Programs were $933 to $1,251 per 3 credit class in fiscal 2018.

- The University expended $17.6 million from current funds for capital additions in fiscal 2018. Projects completed during the year included the renovations of the Landry Arena, Thompson Hall 1st Floor, Percival Hall Phase 1, the Southside Chiller and the Pearl Street Improvement Project. Projects in process at June 30, 2018 included the final renovations to Theater Building Phase 1, the Edgerly Replacement Elevator, and the Mathematics Emporium Classroom. The following projects were also in process at June 30, 2018, upgrades to the Holmes Walk in Coolers and the Energy/Water Retrofit project, improvements to McKay Phase III, Percival Hall Phase II and the Theater Block.

- Total assets and deferred outflows of resources at the end of fiscal 2018 were $244 million and exceeded liabilities and deferred inflows of resources of $121 million by $123 million (i.e. net position).

- Total operating, non-operating, and gift revenue for fiscal 2018 was $105.6 million, while expenses totaled $102.9 million, resulting in an increase to net position of $2.7 million. The increase in net position includes a 7.2% increase in student tuition and fee revenues.

- The prior period net position has been decreased as a result of the implementation of Governmental Accounting Standards Board ("GASB") Statement No. 75. The statement requires that an allocated portion of the Commonwealth's unfunded post-employment benefits other than pensions be reported on the financial statements of the individual institutions of higher education. The allocation is based on the actual contributions paid by the institutions through the group insurance commission charges of the fringe benefit. The University's portion of the Commonwealth's unfunded post-employment benefits other than pensions ("OPEB") liability is calculated at $22.2 million at June 30, 2018 and $22.4 million at June 30, 2017. Net position and other financial results have been adjusted accordingly.

- Governmental Accounting Standards Board ("GASB") Statement No. 68 requires that an allocated portion of the Commonwealth's net pension liability be reported on the financial statements of the individual institutions of higher education. The allocation is based on the actual contributions paid by the institutions through assessed fringe benefit charges. The University's portion of the Commonwealth's net pension liability is calculated at $11.4 million at June 30, 2018. The financial statements have been adjusted accordingly.

- Unrestricted net position (before benefits adjustments of $31.3 million at June 30, 2018) available to support short-term operations totaled $26.8 million.

Ratio analysis measures certain elements of an institution's overall financial health. The Massachusetts Department of Higher Education has instituted the use of certain core financial ratios as part of their performance measures for public universities and colleges in the Commonwealth. Analysis using these ratios, as well as other commonly accepted ratios, are incorporated throughout this document. These financial ratios are shown before unfunded benefits adjustments. Net assets benefits adjustments amounts are $31.3 million in 2018, $30.1 million in 2017 and $6.4 million in 2016.

- **Current Ratio:** An excess of current assets over current liabilities (the current ratio) is a measure of liquidity and provides a buffer against future uncertainties. The University's current assets of $32.5 million are sufficient to cover current liabilities of $17.9 million. The University's current ratio at June 30 is 1.8 to 1 for 2018, 1.8 to 1 for 2017, and 1.8 to 1 for 2016.

- **Return on Net Position Ratio:** Net position represents the residual interest in the University's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Comparing the current change in total net position to total net position at the beginning of the period (return on net position) is an economic measure that determines if the University is financially better off than in previous years. The University's return on net position at June 30, 2018, 2017 and 2016 was 2.65%, 2.08% and 2.43%, respectively. The increase in 2018 return on net position ratio is primarily the result of the increase in tuition income from the Accelerated Online program, increase in grants and contracts received and increase in auxiliary income.

- **Primary Reserve Ratio:** This ratio indicates how long the University could function using its expendable reserves without relying on additional net position generated by operations. The University's primary reserve ratio at June 30, 2018, 2017 and 2016 was 35.14%, 35.05% and 34.41%, respectively.

- **Secondary Reserve Ratio:** This ratio measures the significance of non-expendable net position in relation to an institution's operating size. An improving trend shows an improved capital base and the higher the ratio value, the better the long term financial condition. The University's secondary reserve ratio at June 30, 2018, 2017 and 2016 was 116.80%, 119.65% and 126.90%, respectively.

- **Composite Financial Index:** In order to assess and evaluate the total financial health of an institution, core financial ratios are weighted and combined into a single factor called the Composite Financial Index ("CFI"). When calculated, a strength factor of three indicates a relatively healthy institution that can sustain moderate growth with expendable net position exceeding debt levels. The University's CFI at June 30, 2018, 2017 and 2016 was 1.9, 1.7 and 1.8, respectively.

Using the Financial Statements

Fitchburg State University reports its activity as a business type activity using the full accrual basis of accounting. The accrual basis of accounting ensures that all amounts owed to the University and all pending obligations of the University are accounted for in the appropriate period, thus giving a clear picture of the University's financial position. The University is a department of the Commonwealth of Massachusetts. A summary of the University's financial statements is incorporated in the Commonwealth's Comprehensive Annual Financial Report in its government-wide financial statements.

The University's financial statements include three major documents: The Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards.

Statement of Net Position

The statement of net position presents the financial position of the University at the end of the year and includes all assets, liabilities and deferred inflows and outflows of resources of the University, with the difference reported as net position. Assets, liabilities and deferred inflows and outflows are generally measured using current values, with a notable exception in capital assets, which are stated at historical cost less an allowance for depreciation. Net position is one indicator of the financial condition of the University, while the change in net position from one period to the next is an indicator of whether the financial condition has improved or worsened. The statements of net position (condensed, in thousands) at June 30, 2018, 2017 and 2016, are as follows:

	2018	2017	2016
Assets			
Current assets	$ 32,500	$ 30,337	$ 26,712
Capital assets, net	181,449	173,403	174,998
Other	24,742	28,149	24,170
Total assets	238,691	231,889	225,880
Deferred outflows of resources	5,580	4,901	3,999
Liabilities			
Current liabilities	17,950	16,609	15,163
Long-term liabilities	98,126	97,716	70,999
Total liabilities	116,076	114,325	86,162
Deferred inflows of resources	4,807	1,822	2,382
Net position			
Net investment in capital assets	118,282	116,097	115,713
Restricted			
Nonexpendable	521	506	467
Expendable	9,089	8,096	7,230
Unrestricted			
Designated	16,218	13,142	12,271
Undesignated	(20,722)	(17,198)	5,654
Total net position	$ 123,388	$ 120,643	$ 141,335

Current assets consist primarily of cash and cash equivalents (92.0%). Other assets include non-current restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities primarily include trade accounts and salaries payable, accounts payable - construction, the current portion of compensated absences and accrued faculty payroll. In the normal course of events and based on a consistent past history in this regard, it is anticipated that obligations due to employees will be funded by state appropriations. Deferred inflows and outflows of resources represent either the acquisition or use of net assets applicable to future periods and are distinct from assets and liabilities. Net position in fiscal 2017 has been decreased to reflect the recognition of the University's unfunded ("OPEB") liability as required by the implementation of GASB Statement No. 75. The increase in deferred outflows of resources and deferred inflows of resources in fiscal year 2018 are a result of amounts associated with the implementation of GASB No. 75. The overall increase in net position over the last three years, excluding the impact from the recognition of amounts associated with the implementation of GASB Statement No. 75, is primarily the result of an influx of grant revenue, tuition and rental income. These individual elements of revenue and the corresponding increases in net position are illustrated in the following schedule.

Statement of Revenues, Expenses and Changes in Net Position

The following Statements of Revenues, Expenses and Changes in Net Position (condensed, in thousands) presents information showing the University's results of operations for the fiscal years ended June 30, 2018, 2017 and 2016. 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, revenue and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g. the accrual for compensated absences).

	2018	2017	2016
Operating revenues			
Tuition and fees (net)	$ 41,820	$ 39,020	$ 36,408
Grants	9,513	8,243	8,426
Sales and service of educational department	1,523	1,316	1,274
Auxiliary	10,675	9,647	9,270
Other operating revenue	779	862	982
Total operating revenue	64,310	59,088	56,360
Operating expenses			
Instruction	37,154	36,052	33,729
Research and public service	660	515	481
Academic support	7,158	6,301	6,088
Student services	10,124	9,545	9,646
Scholarships	2,690	1,960	1,809
Institutional support	11,744	10,784	9,975
Operations and maintenance	11,030	11,961	11,223
Depreciation	9,991	10,126	9,088
Auxiliary	10,539	9,625	8,854
Total operating expenses	101,090	96,869	90,893
Net operating loss	(36,780)	(37,781)	(34,533)
Non-operating revenue and expenses			
State appropriations	39,404	38,873	37,159
Investment income	1,030	1,085	(3)
Interest expense and debt issue costs	(1,851)	(1,963)	(1,419)
State capital appropriations	439	74	73
Capital gifts and grants	503	1,404	1,473
Interagency transfers	-	-	-
Total non-operating revenue	39,525	39,473	37,283
Increase in net position	2,745	1,692	2,750
Net position, beginning of the year	120,643	141,335	138,585
Restatement	-	(22,384)	-
Net position, end of the year	$ 123,388	$ 120,643	$ 141,335

State appropriations are reported net of the amount of in state day school tuition collected by the University on behalf of the Commonwealth. The tuition collected (for in state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the University. Included in appropriations are the fringe benefit costs for University employees, which are paid by the Commonwealth. The Commonwealth appropriates general funds to cover the cost of fringe benefits for state employees, but these funds are not appropriated directly to the University. Employees who are paid from local trust funds, grants or other sources receive the same fringe benefits. Generally, the University reimburses the Commonwealth for the benefit costs associated with these employees. In 2012 legislation was passed that allowed the state universities to retain out of state day tuition. The legislation further mandated that the Commonwealth would fund the fringe benefits for any employee paid from this funding source. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2018, 2017 and 2016 was 34.86%, 33.5% and 29.2%, respectively. The current fringe benefit rate includes group medical insurance (22.06%); retirement (11.78%) and terminal leave (1.02%).

The following schedule (condensed, in thousands) details the Commonwealth appropriations received by the University:

	2018	2017	2016
Commonwealth general appropriations	$ 29,473	$ 29,405	$ 29,109
Appropriations to cover fringe benefits provided to employees of the Commonwealth	10,605	10,185	8,820
	40,078	39,590	37,929
Tuition remitted back to the Commonwealth	(674)	(717)	(770)
Net appropriations	39,404	38,873	37,159
Additional state capital appropriations	439	74	73
Total appropriations	$ 39,843	$ 38,947	$ 37,232

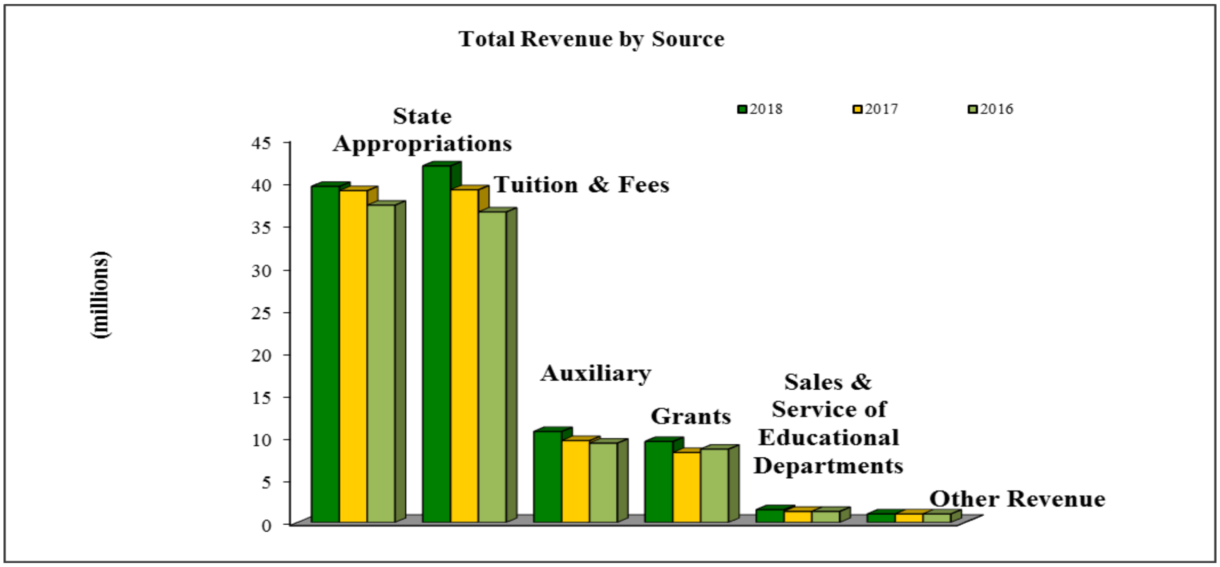
State appropriations are a significant source of funding for the University. According to the Governmental Accounting Standards Board, appropriations are considered non-operating revenue. As such, the University appears to experience a loss from operations. However, it should be noted that state appropriations are used to fund the operating activities of the University.

The following schedule (condensed, in thousands) illustrates the University's incurred losses from operations for the fiscal years ended June 30, 2018, 2017 and 2016.

	2018	2017	2016
Tuition and fees revenue, net	$ 41,820	$ 39,020	$ 36,408
Other operating revenue	22,490	20,068	19,952
Total operating revenue	64,310	59,088	56,360
Operating expenses	(101,090)	(96,869)	(90,893)
Operating loss	(36,780)	(37,781)	(34,533)
Total state appropriations	39,404	38,873	37,159
Other revenue (expense), net	121	600	124
Increase in net position	$ 2,745	$ 1,692	$ 2,750

Net Operating Revenues Ratio: This ratio indicates whether total operating activities resulted in a surplus or deficit. A positive ratio indicates that the institution experienced an operating surplus and is indicative of efficient and effective operations. For the fiscal years ended June 30, 2018, 2017 and 2016, the University's net operating revenues ratio was 2.92%, 1.61% and 2.28%, respectively.

The following is a graphic illustration of total revenue (operating, non-operating and capital) by source. Total revenue for the fiscal years ended June 30, 2018, 2017 and 2016 was $105.6, $100.5 and $95.1 million, respectively:

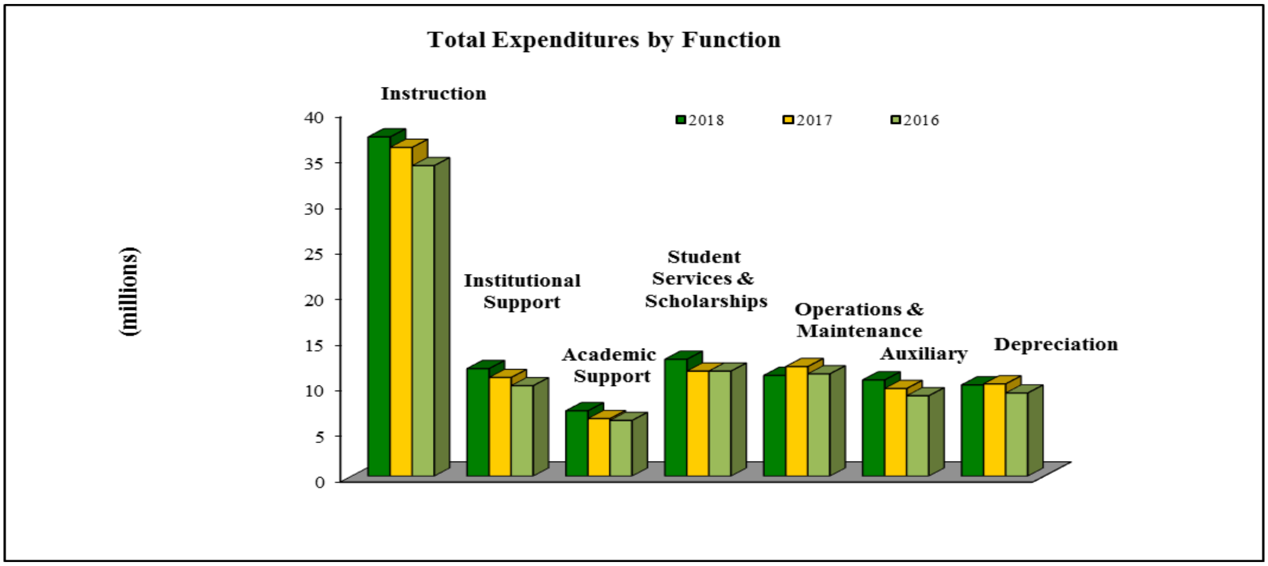


For the fiscal year ended June 30, 2018, general appropriations essentially remained flat with 2017 funding levels but total appropriations increased slightly because of the increase in benefits. Collective bargaining costs were not funded in fiscal 2018 resulting in an increase in the amount of payroll funded from local trust funds and a corresponding increase in fringe benefit charges from the state. The lack of collective bargaining funding further exacerbates the continued reduction in state support and forces the University to rely more heavily on student fees to support operations. Over the last fifteen years, general appropriations (including fringe benefits) that support the operating costs of the University have decreased to 28.6% from 61.5% in fiscal 2001. In addition to the increasing amount of local payroll, all other operating costs incurred by the University are funded from other non-state revenue sources. Tuition and fees are reported net of tuition waivers, exemptions, and scholarship allowances. The amount of tuition charged per semester is controlled at the state level and remains unchanged. The University fee and targeted course fees were increased in fiscal 2018 resulting in an overall increase in total tuition and fee revenue of 7.2%. During fiscal year 2018, 2017 and 2016, in-state tuition, fees and room & board for full time resident students was $10,347, $10,152 and $9,532 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2018, 2017 and 2016 was $5,077, $5,067 and $4,967 per semester, respectively.

Auxiliary revenue represents revenue received from the operations of the University's residence halls. Auxiliary revenue does not include fees charged for the student housing facility owned and operated by the FSU Supporting Organization, Inc. (the "Supporting Organization"). The average residence hall occupancy rate for the year was 92.2% capacity.

Grant revenue is made up of federal, state and private grants. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2018, 2017 and 2016 were $102.9, $98.8 and $92.3 million, respectively:



Expenditures, exclusive of depreciation, increased by 4.8% in FY2018. This increase was primarily due to increases in benefits mandated by collective bargaining agreements, scholarships, GASB68, GASB75, increases in resident halls debt payments to MSCBA and increase in commission from the accelerated online program. The most significant area of expense remains Instruction, which represents 36.1% of total operating expenses. Faculty payroll ($23.8 million) and related benefits ($7.8 million) represent approximately 85.0% of instructional expenditures. Institutional Support consists of the day-to-day operational support of the institution, excluding physical plant operations. Scholarships are funded from Title V entitlement programs such as PELL and SEOG, as well as, from institutional operating funds. Operations and Maintenance consists of expenditures related to physical plant. Expenditures in this functional area include general repair costs and deferred maintenance costs that are below the capitalization threshold of $50,000. The financial statements include $10.0, $10.1 and $9.1 million in depreciation expense for 2018, 2017 and 2016, respectively.

Demand Ratios: Demand ratios measure the extent to which each type of expense consumes operating and non-operating revenues. The following table displays the amount of operating and non-operating revenue, exclusive of capital grants and appropriations, consumed by the various functional expense categories:

Expense	2018	2017	2016
Instruction	35.2%	35.9%	36.0%
Institutional Support	11.1%	10.7%	10.6%
Academic Support	6.8%	6.3%	6.5%
Student Services & Scholarships	12.1%	11.4%	12.2%
Operations & Maintenance	10.4%	11.9%	12.0%
Auxiliary	10.0%	9.6%	9.4%
Depreciation	9.5%	10.1%	9.7%

Note: The total sum of all Demand Ratios will be greater (less) than 100%, with the difference representing the surplus (deficit).

Statement of Cash Flows

The statement of cash flows provides pertinent information about the cash receipts and cash payments during a certain period of time. The statement provides an additional tool to assess the financial health of the institution. As required by GASB, the statement is reported using the direct method. The direct method of cash flow reporting portrays net cash flows from operations as major classes of receipts (e.g. tuition and fees) and disbursements (e.g. cash paid to employees for services).

The following are the University's statements of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2018, 2017 and 2016:

	2018	2017	2016
Cash received from operations	$ 63,701	$ 59,413	$ 57,063
Cash expended for operations	(77,372)	(74,760)	(74,289)
Net cash used by operations	(13,671)	(15,347)	(17,226)
Net cash provided by noncapital financing activities	28,799	28,692	28,510
Net cash used in capital and related financing activities	(17,351)	(7,128)	(23,918)
Net cash provided by investing activities	29	2,312	455
Net increase (decrease) in cash and equivalents	(2,194)	8,529	(12,179)
Cash and equivalents, beginning of the year	38,306	29,777	41,956
Cash and equivalents, end of the year	$ 36,112	$ 38,306	$ 29,777

The University's cash and cash equivalents decreased by approximately $2.2 million during fiscal 2018, resulting in the cash and cash equivalents balance of $36.1 million at fiscal year end. The decrease is primarily due to the increase in capital expenditure and an increase in debt payments. Non-capital financing activities, as defined by GASB, include state appropriations. These appropriations fund the operating activities of the University. Investing activities include interest and dividends received from portfolio investments, as well as, interest earned on University funds held in various short-term money management vehicles.

Capital Assets

Capital assets consist of land, land improvements, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2018, net capital assets increased to $181.4 million net of current depreciation expense of $10.0 million. During the current fiscal year there were $18.0 million in additions to capital assets.

Major capital initiatives either continuing or undertaken during 2018 include:

- Final renovations to Landry Arena $4 million (to date)
- Phase I Percival Hall, $2 million (to date)
- Southside Chiller, $1.7 million (to date)
- Theater Building, Phase 1, $2.6 million (to date)
- Edgerly Elevator Replacement, $1.6 million (to date)
- Energy/Water Retrofit project, $6.7 million (to date)

Additional information on Fitchburg State University's capital assets can be found in footnote 5 to the accompanying financial statements.

Physical Asset Renewal Ratio: The extent to which capital renewal is occurring as compared to physical usage (depreciation) can be measured by the physical asset renewal ratio. A ratio above 1:1 indicates increasing investment in plant facilities. The University's physical asset renewal ratio for fiscal years ended June 30, 2018, 2017 and 2016 was 1.8, 0.9 and 2.2, respectively.

Long-term Debt

The University has long term debt obligations issued for various capital projects. The debt was issued through several financing agreements with the Massachusetts Development Finance Agency ("MDFA") (formerly the Massachusetts Health and Educational Facilities Authority ("MHEFA")), the Massachusetts State College Building Authority ("MSCBA") and a capital lease through J P Morgan. The interest rate on the MDFA debt is a floating rate set every 35 days based on market conditions. The interest rate on the MSCBA debt is based on an increasing coupon rate ranging from 2.00% to 6.54% over the term of the debt as set by MSCBA. The interest rate on the capital lease is fixed at 1.81%. The debt is being repaid by the University primarily through dedicated student fees ("DSF"). The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2018 and is inclusive of any bond premiums or discounts.

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MDFA	Recreation Center	1997	$6,000,000	DSF	4.61%	$381,934	$2,256,705	2023
MSCBA	Holmes Dining Hall Renovations	2005	$1,090,000	DSF	3.86%	$82,938	$485,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	$4,020,000	DSF	3.86%	$298,581	$1,770,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	$2,060,000	DSF	4.07%	$144,440	$1,093,571	2026
MSCBA	Hammond Campus Center Renovations	2011	$15,935,656	DSF & operating funds	3.38%	$1,131,858	$11,078,908	2030
MSCBA	Hammond Campus Center Renovations	2012	$7,043,416	DSF & operating funds	4.96%	$510,050	$5,423,181	2031
MSCBA	Hammond Campus Center Renovations	2013	$11,300,906	DSF & operating funds	3.27%	$745,226	$9,075,216	2032

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MSCBA	Parking Expansion	2013	$2,563,127	DSF & operating funds	3.27%	$170,788	$2,055,025	2032
MSCBA	Hammond Campus Center Renovations	2014	$12,235,614	DSF & operating funds	5.0%	$916,500	$10,510,225	2033
MSCBA	Hammond Campus Center Renovations	2015	$10,669,503	DSF & operating funds	4.93%	$761,850	$9,555,372	2034
MSCBA	Landry Arena Refurbishment	2017	$4,166,418	DSF & operating funds	3.60%	$265,533	$4,062,105	2037
DCAMM	CEIP Funds	2016	$5,420,360	DCAMM	3.00%	-	$5,420,360	2039
JP Morgan	Campus wireless project	2017	$1,261,206	DSF & operating funds	1.81%	$264,966	$894,702	2021
Total			$83,766,206			$5,674,664	$63,680,370	

For the fiscal years ended June 30, 2018, 2017 and 2016, the total debt (current and long term) attributable to interagency payments, bond premiums and capital lease payments amounted to $63.7, $61.9 and $59.7 million, respectively.

Additional information on Fitchburg State University's long-term debt activity can be found in footnotes 12 and 13 to the accompanying financial statements.

Viability Ratio: The availability of expendable net position to cover debt (the viability ratio) is a basic determinant of financial health. Expendable net position are those assets not required to be retained in perpetuity, i.e. those assets available for use for operations. A ratio of 1:1 or greater would indicate, as of the balance sheet date, an institution has sufficient expandable net position to satisfy debt obligations. However public institutions can operate effectively on a reduced ratio because of the benefit of state support which is not captured in the institution's expendable net position. The University's viability ratio, which has remained relatively consistent over time, is 56% for June 30, 2018, 55% for 2017 and 53% for 2016.

Debt Burden: The debt burden ratio measures an institution's dependence on borrowed funds by comparing the level of debt service to total expenditures. In order to effectively manage resources, including debt, industry standards set the upper threshold for institutional debt burden at 7%. As of June 30, 2018, 2017 and 2016, the University's debt burden was 6.0%, 5.7% and 5.9%, respectively.

Looking Forward

Fall 2018 school year started out on the right note when sports team members were seen assisting students move in to their dorm rooms on campus, some of which were recently refurbished. These resident students are able to take advantage of not only living communities but also learning communities based on their academic pursuit. The learning communities currently in operation are those for honors, criminal justice and STEM programs.

Fitchburg State University has made strides on its strategic goals to strengthen academic programs and to promote student success by breaking down barriers. With these goals in mind, faculty took two groups of nursing students to Ghana and San Jose in 2018. On returning from Ghana, a student had this comment to make, "As I worked in Ghana, there was one thought that stuck with me: Be the change you want to see. With the growing chaos in the world, be someone that can be a positive influence to bring change. We must take hold of this opportunity and expand it around the world to help others. This experience has marked my life forever." Another student remarked, "This trip helped me realize that I can do anything." Fitchburg State University is working to change lives and thus the world one student at a time.

The University is creating multiple pathways to ensure student success. The faculty developed a Math Lab, which opened fall 2018; the first year experience ("FYE") committee developed a general syllabus for all FYE courses; and the community assessment and risk evaluation ("CARE") team changed its focus towards a more holistic model that examines academic, behavioral, and environmental factors of students.

Fiscal 2018 saw the successful launch of the accelerated graduate and undergraduate online program from business, nursing and education departments. Because of this, the University has been able to seek and gain approval from the Massachusetts Board of Higher Education to participate in the State Authorization Reciprocity Agreement ("SARA"). Fitchburg State received the distinction of being the first public, four-year institution to be approved in Massachusetts to offer online classes to students in every state.

In September 2018, the first nine students from the 4+1 unique Fitchburg State University police program graduated with a bachelor's and a master's degree and certification which has prepared them to work full-time in municipal police departments in Massachusetts. They not only did years of academic study but they spent the last 17 weeks in a rigorous program of physical training and tactical skills development.

As the University works tirelessly to increase diversity among the student body, its work has not gone unnoticed. The report card from the University of Southern California's Race and Equity Center places Fitchburg State University in the top 10 public institutions in the nation for serving black students. The benchmark they used to determine the University's score included: representation, gender, and completion equities, and black student to black faculty ratio.

The University continues to invest in capital assets to support the academic programs and to improve the experience of students on campus. 2018 saw the completion of a number of renovation projects which were started in prior years. One of the most prominent is that of the Idealab which is housed on the second floor of the Theater Block which is also the home of a game design intern studio. The Idealab will include a space that is open and easily reconfigured which will allow different disciplines and individuals from the school and community to meet and discuss varying problems and hopefully arrive at innovation solutions. This project has been referenced by Secretary Ash as a model project in which the anchor institution works with their community to meet joint needs. With the construction of the Edgerly Elevator project completed, all campus buildings now have automated vertical accessibility. We are now near completion of the Clean Energy Investment Project ("CEIP") in conjunction with Department of Capital Asset Management and Maintenance ("DCAMM") to increase energy efficiency on campus and reduce our carbon footprint by upgrading our aging infrastructure.

Currently, the leadership of the University is working with a collective group from the community of Fitchburg on the ReImagine North of Main project. This project has received approximately $350,000 in grant funding from the Health Foundation of Central Massachusetts, Inc. in support of continued revitalization of downtown Fitchburg. The initiative is also looking at developing a Resident Leadership Institute, which will increase the campus visibility in the community. Another project of far reaching consequence that the University has undertaken with the community is that of upgrading the Theater facility which currently houses our Idealab. A project team is in place to work on the revitalization and financing of this project. As a community resource, the institution continues to provide leadership and support for economic, environmental, and social and culture needs of Fitchburg, north central Massachusetts and the Commonwealth.

Requests for Information

This financial report is designed to provide a general overview of the finances of Fitchburg State University for anyone interested in this information. Questions concerning any of the data provided in this report or requests for additional financial information should be addressed to Dr. Richard S. Lapidus, President, Fitchburg State University, 160 Pearl Street, Fitchburg, Massachusetts, 01420.

Complete financial statements for Fitchburg State University Foundation, Inc., the University's component unit, can be obtained from the office of the Vice President for Finance and Administration, Fitchburg State University, 160 Pearl Street, Fitchburg, Massachusetts, 01420.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2018 and 2017

Assets

	2018	Component Unit Fitchburg State University Foundation, Inc. 2018	2017	Component Unit Fitchburg State University Foundation, Inc. 2017
Current assets				
Cash and equivalents	$ 23,463,140	$ 1,304,617	$ 21,453,223	$ 1,361,159
Restricted cash and cash equivalents	6,505,321	-	6,591,903	-
Investments	-	8,612,256	-	7,121,426
Accounts receivable, net	2,163,522	37,160	1,956,116	49,239
Contributions receivable, net	-	106,469	-	136,800
Loans receivable - current portion	1,207	-	100	-
Other current assets	366,499	28,195	335,835	60,429
Total current assets	32,499,689	10,088,697	30,337,177	8,729,053
Noncurrent assets				
Restricted cash and cash equivalents	6,143,787	-	10,260,675	-
Investments	15,880,005	-	14,927,981	-
Endowment investments	848,920	10,177,248	789,875	9,740,479
Accounts receivable, net of current portion	89,866	-	85,557	-
Contributions receivable, net	-	-	-	79,385
Loans receivable, net of current portion	1,702,589	-	1,927,398	-
Capital assets, net	181,449,525	6,043,323	173,403,328	6,773,344
Other noncurrent assets	76,955	91,381	157,098	85,266
Total noncurrent assets	206,191,647	16,311,952	201,551,912	16,678,474
Total assets	238,691,336	26,400,649	231,889,089	25,407,527
Deferred outflows of resources				
Deferred outflow - OPEB	2,075,508	-	-	-
Deferred outflow for pensions	3,504,138	-	4,901,385	-
Total deferred outflows of resources	5,579,646	-	4,901,385	-

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2018 and 2017

Liabilities and Net Position

	2018	Component Unit Fitchburg State University Foundation, Inc. 2018	2017	Component Unit Fitchburg State University Foundation, Inc. 2017
Current liabilities				
Interagency payables - current portion	$ 3,487,348	$ -	$ 3,334,367	$ -
Long-term debt - current portion	-	756,909	-	188,765
Bank lines of credit	-	320,000	-	250,000
Capital lease obligations - current portion	249,898	-	245,435	-
Accounts payable and accrued liabilities	3,844,430	256,040	2,695,063	258,580
Accounts payable - construction	1,752,153	-	1,447,903	-
Accrued workers' compensation - current portion	141,432	-	126,662	-
Compensated absences - current portion	3,175,133	-	3,195,296	-
Faculty payroll accrual	3,510,359	-	3,342,746	-
Revenue received in advance	1,417,553	43,475	1,854,294	17,200
Deposits	323,200	-	319,125	-
Other current liabilities	49,067	-	48,371	-
Total current liabilities	17,950,573	1,376,424	16,609,262	714,545
Noncurrent liabilities				
Interagency payables, net of current portion	59,298,320	-	57,398,409	-
Accrued workers' compensation, net of current portion	507,339	-	454,356	-
Compensated absences, net of current portion	2,166,148	-	1,965,950	-
Long-term debt, net of current portion	-	2,801,813	-	3,443,878
Capital lease obligations, net of current portion	644,804	-	894,702	-
Loan payable - federal financial assistance program	1,845,365	-	2,037,912	-
Net OPEB liability	22,232,674	-	22,384,199	-
Net pension liability	11,430,648	-	12,580,841	-
Total noncurrent liabilities	98,125,298	2,801,813	97,716,369	3,443,878
Total liabilities	116,075,871	4,178,237	114,325,631	4,158,423
Deferred inflows of resources				
Service concession arrangement	1,517,508	-	1,770,425	-
Deferred inflow - OPEB	2,609,760	-	-	-
Deferred inflow for pensions	679,709	-	51,499	-
Total deferred inflows of resources	4,806,977	-	1,821,924	-

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Net Position
June 30, 2018 and 2017

Net Position

	2018	Component Unit Fitchburg State University Foundation, Inc. 2018	2017	Component Unit Fitchburg State University Foundation, Inc. 2017
Net investment in capital assets	$ 118,281,520	$ 2,164,600	$ 116,097,369	$ 2,890,701
Restricted for:				
Nonexpendable				
Scholarships and fellowships	520,615	5,335,072	506,331	4,945,904
Cultural programs	-	3,183,493	-	3,175,098
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	91,427	-	62,830
Expendable				
Scholarships and fellowships	484,519	3,801,743	483,510	3,058,555
Cultural programs	-	2,983,612	-	2,467,546
Loans	257,864	-	276,568	-
Capital projects	1,253,969	-	1,574,634	-
Debt service	6,699,132	-	5,759,312	-
Other	393,691	452,763	930	593,093
Unrestricted	(4,503,176)	2,616,728	(4,055,735)	2,462,403
Total net position	$ 123,388,134	$ 22,222,412	$ 120,642,919	$ 21,249,104

See Notes to Financial Statements.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	Component Unit Fitchburg State University Foundation, Inc. 2018	2017	Component Unit Fitchburg State University Foundation, Inc. 2017
Operating revenues				
Student tuition and fees	$ 43,632,761	$ -	$ 40,930,851	$ -
Student fees restricted for repayment of Interagency payables	5,909,693	-	5,800,350	-
Less: Scholarship allowances	(7,722,510)	-	(7,711,629)	-
Net student tuition and fees	41,819,944	-	39,019,572	-
Federal grants and contracts	8,312,288	-	7,739,969	-
State and local grants and contracts	292,900	98,042	244,862	392,700
Nongovernmental grants and contracts	907,615	-	258,594	-
Sales and services of educational departments	1,522,627	489,634	1,316,111	712,485
Gifts and contributions	-	612,927	-	607,418
Auxiliary enterprises:				
Residential life	10,643,816	262,981	9,616,860	523,798
Alcohol awareness and other programs	31,530	-	30,340	-
Other operating revenues	779,130	-	861,409	-
Total operating revenues	64,309,850	1,463,584	59,087,717	2,236,401
Operating expenses				
Educational and general				
Instruction	37,154,391	15,063	36,052,168	14,990
Research	104,463	104,142	10,635	-
Public service	555,403	45,755	504,007	76,831
Academic support	7,157,778	16,613	6,301,324	10,590
Student services	10,123,698	140,459	9,544,964	154,259
Institutional support	11,743,901	609,036	10,783,998	537,699
Operations and maintenance of plant	11,030,069	891,685	11,961,134	650,681
Depreciation and amortization	9,990,725	249,358	10,125,427	252,521
Scholarships and awards	2,690,116	507,301	1,960,021	561,831
Auxiliary enterprises				
Residential life	10,514,709	78,067	9,606,338	77,663
Alcohol awareness and other programs	24,426	-	18,767	-
Total operating expenses	101,089,679	2,657,479	96,868,783	2,337,065
Operating income (loss)	(36,779,829)	(1,193,895)	(37,781,066)	(100,664)

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2018 and 2017

	2018	Component Unit Fitchburg State University Foundation, Inc. 2018	2017	Component Unit Fitchburg State University Foundation, Inc. 2017
Nonoperating revenues (expenses)				
State appropriations	$ 39,403,569	$ -	$ 38,873,231	$ -
Gifts	100	-	-	-
Investment income (loss), net of investment expense	908,222	531,317	990,265	448,194
Investment income (loss) on restricted assets, net of investment expense	122,149	1,367,217	95,123	1,224,612
Interest expense on Interagency payables and capital asset related debt	(1,851,587)	(158,341)	(1,900,661)	(150,622)
Debt issuance costs	-	-	(63,345)	-
Net nonoperating revenues (expenses) before capital and endowment additions	38,582,453	1,740,193	37,994,613	1,522,184
Income (loss) before capital and endowment additions	1,802,624	546,298	213,547	1,421,520
State capital appropriations	439,467	-	74,078	-
Capital grants	503,124	-	1,404,215	-
Transfers (to)/from state agencies	-	-	-	-
Private gifts for endowment purposes	-	427,010	-	245,750
Total capital and endowment additions	942,591	427,010	1,478,293	245,750
Increase (decrease) in net position	2,745,215	973,308	1,691,840	1,667,270
Net position - beginning of year, as previously stated	120,642,919	21,249,104	141,335,278	19,581,834
Restatement (Note 29)	-	-	(22,384,199)	-
Net position - beginning of year, as restated	120,642,919	21,249,104	118,951,079	19,581,834
Net position - end of the year	$ 123,388,134	$ 22,222,412	$ 120,642,919	$ 21,249,104

See Notes to Financial Statements.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Tuition and fees	$ 41,635,962	$ 38,618,973
Research grants and contracts	9,467,228	8,156,683
Payments to suppliers	(20,843,013)	(18,784,209)
Payments to utilities	(4,437,738)	(4,492,220)
Payments to employees	(46,193,141)	(46,008,199)
Payments for benefits	(3,130,009)	(3,337,866)
Payments for scholarships	(2,731,812)	(1,992,215)
Loans issued to students	(36,291)	(144,555)
Collection of loans to students	248,106	207,231
Auxiliary enterprise receipts		
Residential life	10,606,391	9,611,462
Alcohol awareness program	31,530	30,340
Receipts from sales and services of educational departments	923,280	1,916,788
Other receipts	788,702	871,174
Net cash provided by (used in) operating activities	(13,670,805)	(15,346,613)
Cash flows from noncapital financing activities		
State appropriations	29,473,032	29,404,821
Tuition remitted to State	(674,450)	(713,312)
Gifts from grants for other than capital purposes	100	-
Net cash provided by (used in) noncapital financing activities	28,798,682	28,691,509
Cash flows from capital and related financing activities		
State capital appropriations	439,467	74,078
Loan programs net funds received	55,596	22,813
Interagency payable proceeds received	5,420,360	4,166,418
Payments for capital assets	(17,591,182)	(6,206,855)
Principal paid on capital debt	(3,324,678)	(2,954,918)
Interest paid on capital debt	(2,349,986)	(2,166,777)
Debt issuance costs	-	(63,345)
Net cash provided by (used in) capital and related financing activities	(17,350,423)	(7,128,586)

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from investing activities		
Purchase of investments	$ (3,924,835)	$ (6,413,281)
Proceeds from sale of investments	3,396,907	8,375,271
Earnings on investments	556,921	350,705
Net cash provided by (used in) investing activities	28,993	2,312,695
Net increase (decrease) in cash and equivalents	(2,193,553)	8,529,005
Cash and equivalents, beginning of year	38,305,801	29,776,796
Cash and equivalents, end of year	$ 36,112,248	$ 38,305,801
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (36,779,829)	$ (37,781,066)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	325,079	349,431
Depreciation and amortization	9,990,725	10,125,427
Fringe benefits paid by the Commonwealth of Massachusetts	10,604,987	10,185,677
Change in net pension liability	875,264	1,376,838
Change in net OPEB liability	382,727	-
Changes in assets and liabilities:		
Receivables	(532,536)	(733,587)
Other current and noncurrent assets	49,479	17,641
Accounts payable and accrued liabilities	1,218,053	2,424
Accrued workers' compensation	67,753	73,128
Compensated absences	180,035	(293,247)
Accrued faculty payroll	167,613	393,441
Revenue received in advance	(436,741)	806,438
Other current liabilities	696	966
Deposits	4,075	67,200
Loans to students	211,815	62,676
Net cash provided by (used in) operating activities	$ (13,670,805)	$ (15,346,613)

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Schedule of noncash investing and financing activities		
Acquisition of capital assets	$ 18,036,922	$ 8,530,873
Accounts payable thereon:		
Beginning of year	1,447,903	1,526,988
End of year	(1,752,153)	(1,447,903)
Capital lease obligation	-	(1,261,206)
Capital grants from DCAMM	-	(1,146,989)
Net interest earned and incurred, capitalized in construction in progress	(141,490)	5,092
Payments for capital assets	$ 17,591,182	$ 6,206,855
Unrealized gain (loss) on investments	$ 231,987	$ 322,341
Fringe benefits paid by the Commonwealth of Massachusetts	$ 10,604,987	$ 10,185,677
Capital grants - amortization of deferred inflows of resources - service concession arrangement	$ 252,918	$ 252,918
Reconciliation of cash and cash equivalent balances		
Current assets		
Cash and cash equivalents	$ 23,463,140	$ 21,453,223
Restricted cash and cash equivalents	6,505,321	6,591,903
Noncurrent assets		
Restricted cash and cash equivalents	6,143,787	10,260,675
Total cash and cash equivalents	$ 36,112,248	$ 38,305,801

See Notes to Financial Statements.

Note 1 - Summary of significant accounting policies

Organization

Fitchburg State University (the "University") is a public, State-supported comprehensive four-year University which offers a quality education leading to baccalaureate and master's degrees in many disciplines. With its campus located in Fitchburg, Massachusetts, the University provides instruction in a variety of liberal arts, allied health, and business fields of study. The University also offers, through the Division of Graduate and Continuing Education, credit and non-credit courses. The University is accredited by the New England Commission of Higher Education ("NECHE") (formerly known as the New England Association of Schools and Colleges ("NEASC")).

The University is a department of the Commonwealth of Massachusetts (the "State" or the "Commonwealth"). The accompanying financial statements reflect only the transactions of the University and its discretely presented component unit. Accordingly, the accompanying financial statements may not necessarily be indicative of the conditions that would have existed if the University had been operated independently of the State.

Fitchburg State University Foundation, Inc. (the "Foundation") is a component unit of Fitchburg State University. The Foundation is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. It was organized on June 6, 1978, exclusively for the benefit of Fitchburg State University, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the University; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the University as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the University; and to encourage other activities necessary for, or incidental to, any or all of the foregoing. The following programs are supported under the auspices of the Foundation: Center Stage, Alumni Association, Women in Today's Society, Amelia V. Gallucci - Cirio endowment and the University's Booster Clubs. 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.

FSU Foundation Supporting Organization, Inc. (the "Foundation Supporting Organization") was organized on October 29, 1999 for the exclusive benefit of the Foundation and all of its educational and charitable activities. The Foundation Supporting Organization is a legally separate, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation Supporting Organization's sole program activity, as of June 30, 2018, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the University. The financial information of the Foundation Supporting Organization is consolidated into the financial statements of the Foundation. The Foundation and Foundation Supporting Organization are collectively referred to hereinafter as the FSU Foundation.

During fiscal 2018, FSU Foundation distributed scholarships and awards in the amount of $507,301 directly to students and faculty of the University, and incurred an additional $2,308,519 in support of its mission in other ways. Complete financial statements for FSU Foundation can be obtained from the Office of the Vice President for Finance and Administration, Fitchburg State University, 160 Pearl Street, Fitchburg, MA 01420.

During fiscal 2017, FSU Foundation distributed scholarships and awards in the amount of $561,831 directly to students and faculty of the University, and incurred an additional $1,925,856 in support of its mission in other ways.

Basis of presentation

The University's financial statements have been prepared using the "economic resources measurement focus" and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB"). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

FSU Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board ("FASB") guidance on financial reporting for Not-for-Profit Entities. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. Other than the reclassification of certain items, no modifications have been made to FSU Foundation's consolidated financial information in the University's financial reporting entity for these differences.

The University's policy for defining operating activities in the statements 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 nonoperating activities in accordance with GASB Statement No. 35. These nonoperating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, gifts, and interest expense.

When both restricted and unrestricted resources are available for use, it is the University's policy to use the restricted resources first, then unrestricted resources as they are needed.

GASB Statement No. 34 requires that resources be classified for accounting purposes into the following three net position categories:

- **Net investment in capital assets:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt are also included in this component of net position.

- **Restricted:**

  Nonexpendable - Component of net position whose net assets are subject to externally-imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

  Expendable - Component of net position whose use of net assets by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

- **Unrestricted:** All other categories of net position. Unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees.

In accordance with the requirements of the Commonwealth of Massachusetts, the University's operations are accounted for in several trust funds. All of these trust funds have been consolidated and are included in these financial statements.

Use of estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Cash and cash equivalents and investments
The University's cash and cash equivalents are considered to be cash on hand, cash and cash equivalents held by the Commonwealth's Treasurer and Receiver-General, Massachusetts Development Finance Agency ("MDFA") and Massachusetts State College Building Authority ("MSCBA"), and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the University are reported at fair value. Any investments held with the Commonwealth's Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust ("MMDT") are also at fair value. This external investment pool, run by the Treasurer and Receiver-General, operates in accordance with appropriate laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Investments include marketable debt and equity securities which are carried at their readily determinable fair values. Realized and unrealized gains and losses are included in nonoperating revenues. Gains and losses on the disposition of investments are determined based on specific identification of securities sold or the average cost method. Investment income is recognized when earned and is generally credited to the trust fund holding the related assets.

Dividends, interest and net gains or losses on investments are reported in the Statements of Revenues, Expenses and Changes in Net Position. Any net earnings not expended are included in net position categories as follows:

(i) as increases in restricted - nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;

(ii) as increases in restricted - expendable net position if the terms of the gift or the University's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The University has relied upon the Attorney General's interpretation of state law that unappropriated endowment gains should be classified as restricted - expendable; and

(iii) as increases in unrestricted net position in all other cases.

At June 30, 2018 and 2017, the University had $321,111 and $339,750, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net position for scholarships and fellowships.

Massachusetts General Law, Chapter 15 grants authority to the University Board of Trustees to administer the general business of the University. Inherent in this authority is the authority to invest funds of the University. Chapter 15 further grants the Trustees the authority to delegate, to the President, any said powers or responsibilities. The Board of Trustees of Fitchburg State University has delegated the authority to make specific investment decisions to the President of the University and the Finance Committee of the Board of Trustees. The University's endowment investments consist of debt, marketable equity securities, mutual funds, and other investments which are carried at their fair values. The primary cash equivalent funds are within the MMDT, the external investment pool for political subdivisions of the Commonwealth.

The University's authorized spending rule provides that all earnings on endowment investments may be expended pursuant to the stipulations placed on these endowments. If a donor has not provided specific instructions, Massachusetts General Law permits the University's Board of Trustees to authorize for expense the net appreciation (realized and unrealized) of the investments of endowment funds. Any net appreciation that is spent is required to be spent for the purposes for which the endowment was established.

FSU Foundation's investments consist of debt, marketable equity securities, mutual funds and other investments which are carried at their fair values. Unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net position, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are principally determined based on the first-in, first-out method or specific identification of securities sold. Investment income is recognized when earned. Dividends are recorded on the ex-dividend date.

FSU Foundation maintains cash and equivalents and an investment pool that is available for use by all funds. Each fund's portion is reflected in the financial statements under cash and equivalents and investments. Earnings on cash and investments of the unrestricted net position and temporarily restricted (expendable) net position are reflected in the fund in which the assets are recorded.

The FSU Foundation's endowments consist of approximately 110 and 100 individual funds at June 30, 2018 and 2017, respectively, that are restricted by donors to function as endowments primarily for the granting of scholarships and to fund other academic and cultural programs. During fiscal 2018, FSU Foundation's Board of Directors voted to earmark $25,000 as a board-designated fund entitled The Fund for Fitchburg State to function as an endowment fund. The fund is designated for students with financial needs to be awarded financial aid scholarships. No funds have been designated by the Board of Directors to function as endowments as of June 30, 2017. In accordance with accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

FSU Foundation's Board of Directors has interpreted the Massachusetts Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, FSU Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by FSU Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, FSU Foundation considers the following factors in making a determination to appropriate or accumulate restricted endowment funds: (i) the duration and preservation of the fund, (ii) the purposes of FSU Foundation and the donor-restricted endowment fund, (iii) general economic conditions, (iv) the possible effect of inflation and deflation, (v) the expected total return from income and the appreciation of investments, (vi) other resources of FSU Foundation, and (vii) the investment policies of FSU Foundation.

FSU Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FSU Foundation must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by FSU Foundation's Board of Directors, the endowment assets are invested in a variety of investments that aim to preserve principal, generate income and provide the opportunity for conservative growth.

FSU Foundation's performance goals are to provide an average annual total rate of return, net of fees, that equals or exceeds its spending rate plus inflation ("CPI") over a rolling five-year period. Additionally, the endowment assets are invested in a manner that is intended to produce results that equal or exceed the average return of appropriate capital market indices weighted by FSU Foundation's asset allocation target percentages over a rolling five-year period. FSU Foundation's performance goals are also intended to produce results that equal or exceed the average return of a universe of similarly managed funds. FSU Foundation's performance goals are based upon a long-term investment horizon. Accordingly, actual returns in any given year may vary from these amounts.

To satisfy its long-term rate-of-return objectives, FSU Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FSU Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

FSU Foundation has a spending policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the preceding three years. The amount to be appropriated for distribution shall not exceed 5%. In establishing this policy, FSU Foundation considered the long-term expected return on its endowment fund assets. Accordingly, over the long-term, FSU Foundation expects the current spending policy to be consistent with the FSU Foundation's objective of seeking to maintain the purchasing power of the endowment fund assets held in perpetuity or for a specified term as well as to provide additional real growth through investment return.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Massachusetts General Laws requires FSU Foundation to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2018 and 2017, there were no deficiencies of this nature.

The University's and FSU Foundation's investment income are presented net of investment expense in the statements of revenues, expenses and changes in net position. The University's investment expense amounted to $85,581 and $96,668 for the years ended June 30, 2018 and 2017, respectively.

FSU Foundation's investment expense amounted to $107,210 and $96,801 for the years ended June 30, 2018 and 2017, respectively.

Accounts receivable
Accounts receivable are stated at the amount the University expects to collect from outstanding balances. The University provides for probable uncollectible amounts through a charge to operations and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the University has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Accounts receivable also include a receivable from the operator of the University's food services operation in connection with a service concession arrangement between the University and the operator. The receivable has been recorded at the net present value of the installments to be received from the operator using a discount rate determined by management of the University.

Loans receivable and payable
Loans receivable consist, primarily, of the Federal Perkins Loan Program ("Perkins") and the Federal Nursing Student Loan Program ("NSL"). The federal government provides the majority of the funds to support these programs. Loan payments received from students made under the Perkins and NSL programs may be re-loaned after collection. The portion of the Perkins and NSL Loan Programs provided by the federal government is refundable to the federal government upon the ending (liquidation) of the University's participation in the programs. The amount due to the federal government upon liquidation by the University is $1,467,263 and $1,619,081 for Perkins and $378,102 and $418,831 for NSL at June 30, 2018 and 2017, respectively. These amounts are included as a noncurrent liability in the accompanying statements of net position.

The prescribed practices for the Perkins and NSL programs 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 uncollectability and have been accepted (assigned) by the Department of Education and the Department of Health and Human Services. Management closely monitors outstanding balances and assigns loans to the Department of Education based upon such factors as student payment history, current status of applicable students, and the results of collection efforts.

Capital assets
Capital assets are controlled but not owned by the University. The University is not able to sell or otherwise pledge its assets, since the assets are all owned by the Commonwealth of Massachusetts. Capital assets, which include land, land improvements, buildings, building improvements, equipment and other assets are reported in the statements of net position at cost or fair market value, if donated. Capital assets are defined by the University as assets with an initial, individual cost of more than $50,000 in accordance with the Commonwealth's capitalization policy. The University does not hold collections of historical treasures, works of art, or other items not requiring capitalization or depreciation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets, with the exception of land, are depreciated using the straight-line method over estimated useful lives of 40 years for buildings, 20 years for building and land improvements, 5 years for furniture and 3 to 10 years for equipment.

Library materials acquired for the most recent five-year period are capitalized. The cost of library materials purchased in the current year is added and the cost of purchases made in the earliest year of the five-year period is deducted from the net position balance.

The land on which the residence halls stand is leased by the MSCBA from the Commonwealth of Massachusetts at a yearly cost of one dollar. The leases are long-term leases which can be extended at the end of their terms for additional 10-year periods.

The University, in accordance with a management and services agreement between the MSCBA and Commonwealth of Massachusetts, is charged a semi-annual revenue assessment which is based on a 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 may include the costs of periodic renovations and improvements to the residence halls. The revenue assessment amounts for the years ended June 30, 2018 and 2017 were $6,827,009 and $6,175,634, respectively, and are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net position. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA. It is not practical to determine the specific asset cost or liability attributable to the University. The leases, therefore, are accounted for under the operating method for financial statement purposes.

FSU Foundation's capital assets are recorded at cost, if purchased or constructed and, if donated, at fair value at the date of donation. Capital assets, with the exception of land, are depreciated using the straight-line method over the estimated useful lives of the assets of 40 years for buildings, 20 years for building and land improvements, 7 and 10 years for furniture and fixtures, 5 years for equipment and 3 years for computer software and equipment. FSU Foundation generally capitalizes all additions and improvements with an individual cost or, if donated, fair value in excess of $5,000.

Contributions and bequests

FSU Foundation recognizes contributions revenue when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of FSU Foundation. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions in the form of property and equipment and other assets are recorded at the fair value on the date the donation is received. All contributions are considered to be available for unrestricted use by FSU Foundation unless specifically restricted by the donor. FSU Foundation provides for probable uncollectible amounts of unconditional promises to give through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual account balances.

Compensated absences

Employees earn the right to be compensated during absences for vacation leave and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30 each year. Pursuant to statewide experience on sick pay buy-back agreements applicable to state employees, the University accrues sick leave to a level representing 20% 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 (see also Note 8).

Student fees

Student tuition and fees are presented net of scholarships applied to students' accounts. Certain other scholarship amounts are paid directly to, or refunded to, the student and are generally reflected as expenses.

Revenue received in advance

Deposits and advance payments received for tuition and fees related to the University's summer programs and tuition billed for the following fiscal year are recorded as revenues received in advance. Funds received in advance from various grants and contracts are also included in revenues received in advance.

Agency funds

Agency funds consist of resources held by the University as custodian or fiscal agent of student organizations, the State Treasurer and others. Transactions are recorded to asset and liability accounts. There were no material balances at June 30, 2018 and 2017.

Bond premiums

Bond premiums are being amortized on a straight-line basis over the terms of the related debt agreements.

Interest expense and capitalization

The University follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2018 and 2017, total interest costs incurred were accounted for as follows:

	2018	2017
Total interest costs incurred	$ 2,290,601	$ 2,216,234
Less: Interest income on unused funds from tax exempt borrowings	(9,299)	(6,050)
Bond premium amortization	(288,225)	(314,615)
	1,993,077	1,895,569
Less: Capitalized portion of net interest earned and incurred	(141,490)	5,092
Interest expense	$ 1,851,587	$ 1,900,661

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 Employees' 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.

OPEB plan
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to post-employment benefits other than pensions, and OPEB expense, information about the fiduciary net position of the OPEB Trust Fund and additions to/deductions from OPEB Trust Fund's fiduciary net position have been determined on the same basis as they are reported by the OPEB Trust Fund. Investments are reported at fair value.

Fringe benefits
The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and workers' compensation benefits. Workers' compensation coverage is provided by the Commonwealth on a self-insured basis. Health insurance and pension costs are billed through a fringe benefit rate charged to the University. Workers' compensation and unemployment insurance costs are assessed separately based on the University's actual experience.

Tax status
The University is a department of the Commonwealth of Massachusetts and is, therefore, exempt from federal and state income taxes.

Reclassifications
Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 presentation.

Recently adopted accounting pronouncements
In June 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of GASB Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or "OPEB"). GASB Statement No. 75 requires governments providing defined benefit OPEB plans to recognize their long-term obligation for OPEB benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. GASB Statement No. 75 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions in GASB Statement No. 75 are effective for financial statements for fiscal years beginning after June 15, 2017 with earlier application encouraged. The University adopted this standard in fiscal year 2018.

In March 2017, the GASB issued GASB Statement No. 85, *Omnibus 2017*. The objective of GASB Statement No. 85 is to address practice issues that have been identified during implementation and application of certain GASB Statements, including GASB Statement No. 75. The applicable provisions of GASB Statement No. 85 have been adopted in fiscal year 2018 with the University's initial adoption of GASB Statement No. 75.

The impact of implementing GASB Statements No. 75 and 85 on the University's financial statements is further discussed in Notes 22 and 29.

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2018 and 2017:

	2018		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 13,076,865	$ 5,769,441	$ 2,428,922
Cash equivalents held by MDFA *	-	293,344	283,274
Cash equivalents held by MSCBA **	-	363,739	3,307,247
Massachusetts Municipal Depository Trust	5,950,122	-	124,344
Massachusetts State Treasurer ***	4,435,208	78,797	-
Petty cash	945	-	-
	$ 23,463,140	$ 6,505,321	$ 6,143,787

	2017		
	Current unrestricted	Current restricted	Noncurrent restricted
Cash and money market accounts	$ 12,356,254	$ 5,288,931	$ 1,950,069
Cash equivalents held by MDFA *	-	276,740	293,261
Cash equivalents held by MSCBA **	-	304,586	7,894,943
Massachusetts Municipal Depository Trust	5,857,201	-	122,402
Massachusetts State Treasurer ***	3,238,798	721,646	-
Petty cash	970	-	-
	$ 21,453,223	$ 6,591,903	$ 10,260,675

* This amount consists of cash equivalents which are restricted by the Massachusetts Development Finance Agency ("MDFA") for the funding of payments to retire the bonds (see Note 12). The University does not have access to these funds except by the authorization of MDFA.

** This amount consists of cash and cash equivalents which are restricted by the Massachusetts State College Building Authority ("MSCBA") for the funding of certain construction projects at the University and payments to retire bonds (see Note 12). The University does not have access to these funds except by authorization of MSCBA. Interest earned on debt service reserve funds is used on a current basis to offset annual debt service payments.

*** The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of $4,435,208 and $3,238,798 at June 30, 2018 and 2017, respectively, for University funds and $78,797 and $721,646 at June 30, 2018 and 2017, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year-end.

Money market funds include the Goldman Sachs Financial Square Government Fund in the aggregate amount of $93,465 and $63,402 at June 30, 2018 and 2017, respectively. The Goldman Sachs

Financial Square Government Fund invests in U.S. Government securities and repurchase agreements. The fund seeks to maximum current income consistent with the preservation of capital and liquidity, and the maintenance of a stable $1.00 per share net asset value. At June 30, 2018 and 2017, the fund's investment securities had a weighted average maturity of 32 and 24 days, respectively. The fund had an average credit quality rating of AAAm at both June 30, 2018 and 2017.

Money market funds include the Northern Institutional U.S. Government Portfolio (formerly known as the Northern Institutional Government Assets Portfolio) in the aggregate amount of $99,475 and $231,979 at June 30, 2018 and 2017, respectively. The Northern Institutional U.S. Government Portfolio invests primarily in marketable securities issued or guaranteed as to principal and interest by the U.S. Government, or any of its agencies or instrumentalities, and repurchase agreements backed by such securities. The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity. At June 30, 2018 and 2017, the fund's investment securities had a weighted average maturity of 45 days and 25 days, respectively. The fund had an average credit quality rating of AAAm at June 30, 2018 and Aa at June 30, 2017.

Money market funds also include the RWM Cash Management money market account with a balance of $27,959 and $62,187 at June 30, 2018 and 2017, respectively.

The Massachusetts Municipal Depository Trust ("MMDT") is not subject to FDIC insurance. According to the MMDT, the Massachusetts Municipal Depository Trust is an investment pool for political subdivisions in the Commonwealth which was designed as a legal means to safely invest temporarily available cash. Its primary purpose is to provide a safe, liquid, high-yield investment vehicle offering participation in a diversified portfolio of high quality debt instruments. The MMDT is not a bank, savings institution, or financial institution. The MMDT is an instrumentality of the State Treasurer.

The University maintains a cash and investment pool that is available for use by all trust funds. Each fund type's portion of this pool is reflected in the financial statements under the caption, cash and cash equivalents and investments. The method of allocating interest earned on pooled cash and investments is to record all interest to the appropriate fund based on that fund's average monthly balance. Interest earnings attributable to each trust fund are included under investment income.

Custodial credit risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University's deposit policy provides for bank balances to be held in interest-bearing checking accounts and, where account activity and balances warrant it, in money market accounts. All bank balances are to be held at financial institutions of high credit quality. At June 30, 2018 and 2017, the University had uninsured cash balances totaling approximately $5,920,900 and $5,963,600, respectively.

The University does not have a formal policy with respect to the custodial credit risk. Custodial credit risk is that, in the event of the failure of the counterparty, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

Certain investments are covered by the Securities Investor Protection Corporation ("SIPC") up to $500,000, including $250,000 of cash from sale or for purchase of investments, but not cash held solely for the purpose of earning interest. SIPC protects securities such as notes, stocks, bonds, debentures, certificates of deposit and money funds. Certain cash balances are covered by the National Credit Union Administration's Share Insurance Fund up to $250,000.

The following University investments at June 30, 2018 and 2017 are held by the counterparty's trust department or agent but not in the University's name and, therefore, are subject to custodial credit risk as follows:

	2018	2017
U.S. Treasury Notes and Government Securities	$ 1,295,626	$ 1,293,367
Corporate Debt Securities	1,929,532	1,944,881
Equity Securities	6,825,505	6,273,275
Mutual Funds	6,678,262	6,206,333
Total	16,728,925	15,717,856
Less insured amounts	1,500,000	1,500,000
Amount subject to Custodial Credit Risk	$ 15,228,925	$ 14,217,856

Credit risk

The University is required to comply with the Commonwealth of Massachusetts' deposit and investment policies which are principally defined in the Massachusetts General Laws, Chapter 29. State Statutes permit investment in obligations of the U.S. Treasury, authorized bonds of all states, bankers' acceptances, certificates of deposit, commercial paper rated within the three highest classifications established by Standard & Poor's Corporation and Moody's Commercial Paper Record and repurchase agreements secured by any of these obligations. The University has also adopted its own formal investment policy, the objectives of which are: safety of principal; liquidity for operating needs; return on investment; and diversification of risk. The University's investment policy generally limits the maturities of investments to not more than one year. However, the University may invest in securities with maturities in excess of one year if it is determined to be in the best interest of the University as described in the University's investment policy. The University may also appoint a professional fund manager and invest in equity and bond funds. Eligible investments shall be consistent with those permitted by State Statutes.

As of June 30, 2018 and 2017, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were $6,074,466 and $5,979,603, respectively. At June 30, 2018, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 71% at 30 days or less; 20% at 31-90 days; 9% at 91-180 days; and 0% at 181 days or more. At June 30, 2018, approximately 100% of the MMDT's cash portfolio had a First Tier credit quality rating.

The University's funds held at MDFA are invested in the Short-Term Asset Reserve ("STAR") Fund and had a fair value of $576,618 and $570,001 at June 30, 2018 and 2017, respectively. The STAR Fund invests primarily in U.S. Treasury bills, notes, and other obligations guaranteed by the U.S. government or its agencies or instrumentalities. Additionally, the fund invests in repurchase agreements, bankers' acceptances, certificates of deposit, commercial paper, notes, and both corporate floating rate and corporate fixed-rate securities. The STAR Fund maintains a net asset value of $1 per share and had a fund credit quality rating of AAAm as of both June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, the fund's investment securities maintain a weighted average maturity of 37 and 41 days, respectively.

At June 30, 2018, certain of the University's funds are held at MSCBA. Of the total, $1,599,693 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $2,071,293 is invested in various funds as listed below:

		Investment maturities (in years)				
Investment type	Fair value	Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
Federal Home Loan Bank Discount Notes	$ 144,841	$ 144,841	$ -	$ -	$ -	N/A
Federal Farm Credit	881,963	-	881,963	-	-	AA+
Massachusetts ST Bonds	1,044,489	80,326	-	-	964,163	AAA
Total	$ 2,071,293	$ 225,167	$ 881,963	$ -	$ 964,163	

At June 30, 2017, certain of the University's funds are held at MSCBA. Of the total, $5,937,112 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and $2,262,417 is invested in various funds as listed below:

		Investment maturities (in years)				
Investment type	Fair value	Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
Federal Home Loan Bank Discount Notes	$ 144,841	$ 144,841	$ -	$ -	$ -	N/A
Federal Farm Credit	667,799	-	667,799	-	-	AA+
Massachusetts ST Bonds	1,449,777	-	485,614	-	964,163	AAA
Total	$ 2,262,417	$ 144,841	$ 1,153,413	$ -	$ 964,163	

The University's investments in marketable securities are represented by the following at June 30, 2018 and 2017:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Noncurrent:				
U.S. Treasury Notes and Government Securities	$ 1,360,003	$ 1,295,626	$ 1,346,929	$ 1,293,367
Corporate Debt Securities	1,985,769	1,929,532	1,935,769	1,944,881
Equity Securities	5,276,629	6,825,505	5,011,045	6,273,275
Mutual Funds	6,591,075	6,678,262	6,140,651	6,206,333
	$ 15,213,476	$ 16,728,925	$ 14,434,394	$ 15,717,856

The University's investments at fair value are presented in the accompanying statements of net position as follows:

	2018	2017
Investments	$ 15,880,005	$ 14,927,981
Endowment investments	848,920	789,875
	$ 16,728,925	$ 15,717,856

At June 30, 2018, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment type	Fair value	Investment maturities (in years): Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
U.S. Treasury Notes and Government Securities 1.625% to 3.375%	$ 1,295,626	$ 301,472	$ 767,048	$ 227,106	$ -	AA+
Corporate Debt Securities 1.875% to 5.625%	366,153	59,984	306,169	-	-	A
Corporate Debt Securities 3.100% to 6.000%	405,536	-	169,893	235,643	-	A-
Corporate Debt Securities 2.800% to 3.300%	366,339	-	180,186	186,153	-	A+
Corporate Debt Securities 3.400% to 3.625%	171,926	-	171,926	-	-	AA
Corporate Debt Securities 1.750% to 3.625%	267,285	-	170,760	96,525	-	AA-
Corporate Debt Securities 3.200% to 4.650%	107,232	-	-	107,232	-	AA+
Corporate Debt Securities 3.125%	49,120	-	-	49,120	-	AAA
Corporate Debt Securities 1.400% to 5.000%	195,941	60,796	62,023	73,122	-	BBB+
Total	$ 3,225,158	$ 422,252	$ 1,828,005	$ 974,901	$ -	

At June 30, 2017, the University's U.S. Treasury Notes and Government Securities and corporate debt securities along with their investment maturities and credit quality ratings are as follows:

Investment type	Fair value	Investment maturities (in years): Less than 1	1 - 5	6 - 10	Greater than 10	Credit rating
U.S. Treasury Notes and Government Securities 1.625% to 3.500%	$ 1,293,367	$ 212,642	$ 769,878	$ 310,847	$ -	AA+
Corporate Debt Securities 1.875% to 5.625%	497,053	121,218	375,835	-	-	A
Corporate Debt Securities 3.100% to 6.000%	355,362	61,348	51,753	242,261	-	A-
Corporate Debt Securities 2.800% to 3.300%	183,960	-	62,739	121,221	-	A+
Corporate Debt Securities 3.400% to 3.625%	178,576	-	126,314	52,262	-	AA
Corporate Debt Securities 1.750% to 3.625%	303,356	-	116,245	187,111	-	AA-
Corporate Debt Securities 3.200% to 4.650%	111,579	-	-	111,579	-	AA+
Corporate Debt Securities 3.125%	51,017	-	-	51,017	-	AAA
Corporate Debt Securities 1.400% to 5.000%	263,978	59,950	127,228	76,800	-	BBB+
Total	$ 3,238,248	$ 455,158	$ 1,629,992	$ 1,153,098	$ -	

FSU Foundation's cash and cash equivalents consist of the following at June 30, 2018 and 2017:

	2018	2017
Cash and other demand deposits	$ 471,462	$ 708,072
Money Market Funds	833,155	653,087
	$ 1,304,617	$ 1,361,159

Money market funds include the SSgA US Government Money Market Fund, the Goldman Sachs Financial Square Government Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market accounts in the amounts of $112,880, $104,726, $146,615 and $468,934 at June 30, 2018.

Money market funds include the SSgA US Government Money Market Fund, the Goldman Sachs Financial Square Government Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market accounts in the amounts of $51,013, $68,472, $91,288 and $442,314 at June 30, 2017.

The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2018 and 2017, FSU Foundation's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Goldman Sachs Financial Square Government Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market accounts, amounted to approximately $554,900 and $706,700, respectively.

FSU Foundation's investment policy consists of an asset allocation range of 50% to 70% equity securities, 30% to 50% fixed income securities and up to 10% in cash and cash equivalents.

FSU Foundation's investments are represented by the following at June 30:

	2018		2017	
	Cost	Fair value	Cost	Fair value
Equities	$ 5,956,602	$ 9,755,423	$ 5,735,924	$ 8,765,351
Preferred Stocks	72,335	73,216	95,092	97,245
Mutual Funds	4,546,413	5,207,596	4,100,943	4,480,726
Corporate Bonds	1,795,019	1,751,921	1,570,558	1,579,007
U.S. Government Securities	2,056,409	2,001,348	1,954,323	1,939,576
	$ 14,426,778	$ 18,789,504	$ 13,456,840	$ 16,861,905

FSU Foundation's investments at fair value are presented in the accompanying statements of net position as follows:

	2018	2017
Current assets		
Investments	$ 8,612,256	$ 7,121,426
Noncurrent assets		
Endowment investments	10,177,248	9,740,479
	$ 18,789,504	$ 16,861,905

At June 30, 2018, net unrealized gains in FSU Foundation's investment portfolio amounted to $4,362,726. At June 30, 2017, net unrealized gains in FSU Foundation's investment portfolio amounted to $3,405,065.

At June 30, 2018 and 2017, equities include securities in the consumer goods sector which represent 17% in each year of the fair value of FSU Foundation's investment portfolio.

At June 30, 2018, equities include securities in the technology sector which represent 10% of the fair value of FSU Foundation's investment portfolio.

At June 30, 2018 and 2017, 8% of the fair value of FSU Foundation's investment portfolio in each year represents foreign investments.

Investments held by FSU Foundation with an equivalent fair value of $11,338,000 at June 30, 2018 collateralize certain debt agreements (see Notes 14 and 15).

At June 30, 2018, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Corporate Bonds	$ 25,005	$ 1,462,981	$ 263,935	$ -	$ 1,751,921
U.S. Government Securities	242,898	1,494,970	263,480	-	2,001,348
	$ 267,903	$ 2,957,951	$ 527,415	$ -	$ 3,753,269

At June 30, 2017, the fair value of FSU Foundation's Investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 year	1 - 5 years	6 - 10 years	More than 10 years	Total
Corporate Bonds	$ 261,280	$ 853,493	$ 464,234	$ -	$ 1,579,007
U.S. Government Securities	400,388	1,187,142	352,046	-	1,939,576
	$ 661,668	$ 2,040,635	$ 816,280	$ -	$ 3,518,583

The University's investments are measured at fair value on a recurring basis and have been categorized based upon the fair value hierarchy in accordance with GASB 72 below. Similarly, the FSU Foundation follows similar guidance in accordance with Financial Accounting Standards Board Accounting Standards Codification ASC 820-10, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets into three levels also.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the University can access at measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

The University's investments' fair value measurements are as follows at June 30, 2018:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,295,626	$ -	$ 1,295,626	$ -
Corporate Debt Securities	1,929,532	-	1,929,532	-
Equity Securities	6,825,505	6,825,505	-	-
Mutual Funds	6,678,262	6,678,262	-	-
	$ 16,728,925	$ 13,503,767	$ 3,225,158	$ -

The University's investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,293,367	$ -	$ 1,293,367	$ -
Corporate Debt Securities	1,944,881	-	1,944,881	-
Equity Securities	6,273,275	6,273,275	-	-
Mutual Funds	6,206,333	6,206,333	-	-
	$ 15,717,856	$ 12,479,608	$ 3,238,248	$ -

FSU Foundation's investments' fair value measurements are as follows at June 30, 2018:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 2,001,348	$ -	$ 2,001,348	$ -
Preferred Stocks	73,216	-	73,216	-
Corporate Bonds	1,751,921	-	1,751,921	-
Equity Securities	9,755,423	9,755,423	-	-
Mutual Funds	5,207,596	5,207,596	-	-
	$ 18,789,504	$ 14,963,019	$ 3,826,485	$ -

FSU Foundation's investments' fair value measurements are as follows at June 30, 2017:

Investments	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
U.S. Treasury Notes and Government Securities	$ 1,939,576	$ -	$ 1,939,576	$ -
Preferred Stocks	97,245	-	97,245	-
Corporate Bonds	1,579,007	-	1,579,007	-
Equity Securities	8,765,351	8,765,351	-	-
Mutual Funds	4,480,726	4,480,726	-	-
	$ 16,861,905	$ 13,246,077	$ 3,615,828	$ -

Mutual funds and equity securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. Debt securities categorized as Level 2 are valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices.

Changes in FSU Foundation's board-designated and donor-restricted endowment net position by type of fund for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily restricted (Expendable)	Permanently restricted (Nonexpendable)	Total
Endowment net position, beginning of year	$ -	$ 5,065,644	$ 9,776,806	$ 14,842,450
Investment return				
Investment income	-	244,587	-	244,587
Appreciation (depreciation), realized and unrealized	-	1,195,940	-	1,195,940
Total investment return	-	1,440,527	-	1,440,527
Contributions	-	13,975	427,010	440,985
Appropriation of endowment assets for expenditure	-	(218,165)	-	(218,165)
Investment management fees	-	(77,283)	-	(77,283)
Reclassification of net position	-	(24,060)	500	(23,560)
Transfers to create board-designated endowment funds	25,000	-	-	25,000
Transfer upon removal of donor restrictions	-	-	(1,350)	(1,350)
Endowment net position, end of year	$ 25,000	$ 6,200,638	$ 10,202,966	$ 16,428,604

Changes in FSU Foundation's donor-restricted endowment net position by type of fund for the year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily restricted (Expendable)	Permanently restricted (Nonexpendable)	Total
Endowment net position, beginning of year	$ -	$ 4,130,783	$ 9,505,236	$ 13,636,019
Investment return				
Investment income	-	231,627	-	231,627
Appreciation (depreciation), realized and unrealized	-	1,060,615	-	1,060,615
Total investment return	-	1,292,242	-	1,292,242
Contributions	-	12,140	245,750	257,890
Appropriation of endowment assets for expenditure	-	(284,794)	-	(284,794)
Investment management fees	-	(70,933)	-	(70,933)
Reclassification of net position	-	(13,794)	25,820	12,026
Endowment net position, end of year	$ -	$ 5,065,644	$ 9,776,806	$ 14,842,450

Note 3 - Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2018 and 2017:

	2018	2017
Student accounts receivable	$ 1,921,064	$ 1,793,529
Parking and other fines receivable	104,485	89,796
Commissions receivable	111,269	67,631
Grants receivable	464,096	220,567
Compass receivable, including accrued interest of $11,848 and $7,540 (see Note 11)	89,866	85,557
FSU Foundation receivable	203,534	229,878
Miscellaneous other receivables	-	28,509
	2,894,314	2,515,467
Less allowance for doubtful accounts	(640,926)	(473,794)
	$ 2,253,388	$ 2,041,673

FSU Foundation's contributions receivable consist of the following at June 30, 2018 and 2017:

	2018	2017
Receivable in less than one year	$ 106,585	$ 136,800
Receivable in one to five years	400	80,600
	106,985	217,400
Discount on pledges	(516)	(1,215)
	$ 106,469	$ 216,185

Contributions which are to be received in more than one year are reflected net of a discount determined at the time of contribution ranging from 1% to 2%.

Note 4 - Loans receivable

Loans receivable include the following at June 30, 2018 and 2017:

	2018	2017
Perkins loans receivable	$ 1,408,153	$ 1,601,156
Nursing loans receivable	295,643	326,342
Emergency student loans receivable	3,018	3,018
	1,706,814	1,930,516
Less allowance for doubtful accounts	(3,018)	(3,018)
	$ 1,703,796	$ 1,927,498

The federal law authorizing the disbursing of Perkins loans expired on September 30, 2017. As of October 1, 2017, the University is prohibited from issuing new Perkins loans to undergraduate students. As of October 1, 2016, the University is prohibited from issuing new Perkins loans to graduate students who received them prior to October 1, 2015. The Perkins loan program ended any further new loans being issued after September 30, 2017. The University may remit all federal proceeds and loans at any time thereafter to the Department of Education or continue to maintain them for five additional years.

Note 5 - Capital assets

Capital assets activity of the University for the year ended June 30, 2018 is as follows:

Capital assets:	Totals June 30, 2017	Additions	Reclassifications* and reductions	Totals June 30, 2018
Non-depreciable capital assets				
Land	$ 5,478,125	$ -	$ -	$ 5,478,125
Construction in progress	6,184,439	10,459,780	(4,312,293)	12,331,926
Total non-depreciable assets	11,662,564	10,459,780	(4,312,293)	17,810,051
Depreciable capital assets				
Land improvements	16,777,625	655,169	146,528	17,579,322
Buildings	80,591,909	-	-	80,591,909
Building improvements	146,360,296	5,572,887	3,688,309	155,621,492
Equipment	17,400,275	1,250,937	477,456	19,128,668
Furniture	597,676	-	-	597,676
Library materials	493,446	98,149	(89,874)	501,721
Total depreciable assets	262,221,227	7,577,142	4,222,419	274,020,788
Total capital assets	273,883,791	18,036,922	(89,874)	291,830,839
Less: Accumulated depreciation				
Land improvements	6,123,733	854,250	-	6,977,983
Buildings	42,266,570	1,153,760	-	43,420,330
Building improvements	36,417,644	7,248,539	-	43,666,183
Equipment	15,074,840	644,302	-	15,719,142
Furniture	597,676	-	-	597,676
Library materials	-	89,874	(89,874)	-
Total accumulated depreciation	100,480,463	9,990,725	(89,874)	110,381,314
Capital assets, net	$ 173,403,328	$ 8,046,197	$ -	$ 181,449,525

As of June 30, 2018, capital assets of the University with a cost of approximately $54,241,000 were fully depreciated and still in service.

* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2018.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately $3,773,000 and $4,646,000 at June 30, 2018 and 2017, respectively.

Capital assets activity of the University for the year ended June 30, 2017 is as follows:

Capital assets:	Totals June 30, 2016	Additions	Reclassifications* and reductions	Totals June 30, 2017
Non-depreciable capital assets				
Land	$ 5,478,125	$ -	$ -	$ 5,478,125
Construction in progress	3,483,129	3,921,005	(1,219,695)	6,184,439
Total non-depreciable assets	8,961,254	3,921,005	(1,219,695)	11,662,564
Depreciable capital assets				
Land improvements	16,777,625	-	-	16,777,625
Buildings	80,591,909	-	-	80,591,909
Building improvements	142,152,855	3,179,856	1,027,585	146,360,296
Equipment	15,888,447	1,319,718	192,110	17,400,275
Furniture	597,676	-	-	597,676
Library materials	489,364	110,294	(106,212)	493,446
Total depreciable assets	256,497,876	4,609,868	1,113,483	262,221,227
Total capital assets	265,459,130	8,530,873	(106,212)	273,883,791
Less: Accumulated depreciation				
Land improvements	5,285,393	838,340	-	6,123,733
Buildings	41,049,115	1,217,455	-	42,266,570
Building improvements	29,274,488	7,143,156	-	36,417,644
Equipment	14,254,576	820,264	-	15,074,840
Furniture	597,676	-	-	597,676
Library materials	-	106,212	(106,212)	-
Total accumulated depreciation	90,461,248	10,125,427	(106,212)	100,480,463
Capital assets, net	$ 174,997,882	$ (1,594,554)	$ -	$ 173,403,328

As of June 30, 2017, capital assets of the University with a cost of approximately $52,804,000 were fully depreciated and still in service.

* Construction costs incurred for various capital projects were included in construction in progress and subsequently transferred to capital asset additions upon completion during the fiscal year ended June 30, 2017.

The University has considered the requirements of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and has noted no implications of this standard to the University's financial statements for the years ended June 30, 2018 and 2017.

Capital assets activity of FSU Foundation for the year ended June 30, 2018 is as follows:

Capital assets:	Totals June 30, 2017	Additions	Reclassifications and reductions	Totals June 30, 2018
Real estate under lease to the University:				
Land	$ 402,663	$ -	$ -	$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	2,060,839	-	-	2,060,839
Real estate used for student housing:				
Land	253,555	-	-	253,555
Buildings	434,225	-	-	434,225
Building improvements	28,600	-	-	28,600
	716,380	-	-	716,380
Other:				
Land	2,333,018	110,172	(726,493)	1,716,697
Land improvements	158,127	-	-	158,127
Buildings	1,249,071	266,737	(135,892)	1,379,916
Building improvements	1,109,006	-	-	1,109,006
Equipment	759,307	-	-	759,307
Furniture and fixtures	60,773	-	-	60,773
Library materials	6,570	-	-	6,570
	5,675,872	376,909	(862,385)	5,190,396
Total capital assets	8,453,091	376,909	(862,385)	7,967,615
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	421,883	38,944	-	460,827
Building improvements	51,063	5,022	-	56,085
	472,946	43,966	-	516,912
Real estate used for student housing:				
Buildings	109,461	10,856	-	120,317
Building improvements	11,202	1,430	-	12,632
	120,663	12,286	-	132,949
Other:				
Land improvements	75,250	11,145	-	86,395
Buildings	154,866	23,709	-	178,575
Building improvements	157,836	60,261	(4,813)	213,284
Equipment	657,238	93,711	-	750,949
Furniture and fixtures	34,378	4,280	-	38,658
Library materials	6,570	-	-	6,570
	1,086,138	193,106	(4,813)	1,274,431
Total accumulated depreciation	1,679,747	249,358	(4,813)	1,924,292
Capital assets, net	$ 6,773,344	$ 127,551	$ (857,572)	$ 6,043,323

Non-depreciable capital assets of FSU Foundation total $2,372,915 at June 30, 2018, which is comprised of land.

At June 30, 2018, capital assets of FSU Foundation with a cost of approximately $507,100 were fully depreciated and still in service.

On November 28, 2017, the Foundation Supporting Organization transferred seven properties, consisting solely of land, to the Commonwealth of Massachusetts acting by and through DCAMM on behalf of Fitchburg State University. On the date the properties were transferred, the seven properties collectively had a net book value of $678,470. A loss of $678,470 was recorded from the transfers of the properties and recognized in operations and maintenance of plant in FSU Foundation's accompanying 2018 statement of revenues, expenses and changes in net position.

On April 5, 2018, the Foundation Supporting Organization sold a property consisting of land and a building to Massachusetts State College Building Authority ("MSCBA") with an original cost of $183,915 and a net book value of $179,102 for a net sales price of $133,196. A loss of $45,906 was recorded from the sale of the property and recognized in operations and maintenance of plant in FSU Foundation's accompanying 2018 statement of revenues, expenses and changes in net position. The property is being renovated by MSCBA for use by the University for faculty/staff housing.

The Foundation Supporting Organization is planning a major renovation and expansion of a property consisting of land and a building that it acquired in fiscal 2017. The renovation of the property which when completed is expected to cost approximately $25,000,000 and consist of a multi-phased project providing academic space, student support services space, retail and community space and a theatre renovation. The space is expected to be used by the University and the Fitchburg and surrounding communities. Fitchburg State University will be responsible for the costs of the project's development and construction pursuant to the terms of the license agreement between the University and the Foundation Supporting Organization. Funding for the project is expected to come from a variety of sources including, but not limited to, New Market Tax Credits, Historic Tax Credits, bonds, grants and philanthropy. The project is in the very early stages of development and is estimated to require four years to completion. At some point during that period, the property will be transferred to a new entity. The Foundation Supporting Organization will pay for certain legal services incurred in connection with the project which the Foundation Supporting Organization currently estimates to be approximately $148,000 for the entire project. For the year ended June 30, 2018, the Foundation Supporting Organization has incurred $9,342 of legal costs related to the project. Fitchburg State University has incurred $3,181,520 of costs which have been capitalized to construction in progress as of June 30, 2018.

Capital assets activity of FSU Foundation for the year ended June 30, 2017 is as follows:

Capital assets:	Totals June 30, 2016	Additions	Reclassifications and reductions	Totals June 30, 2017
Real estate under lease to the University:				
Land	$ 402,663	$ -	$ -	$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	100,452	-	-	100,452
	2,060,839	-	-	2,060,839
Real estate used for student housing:				
Land	253,555	-	-	253,555
Buildings	434,225	-	-	434,225
Building improvements	28,600	-	-	28,600
	716,380	-	-	716,380
Other:				
Land	1,913,847	419,171	-	2,333,018
Land improvements	158,127	-	-	158,127
Buildings	893,022	641,946	(285,897)	1,249,071
Building improvements	1,109,006	-	-	1,109,006
Equipment	758,208	1,099	-	759,307
Furniture and fixtures	60,773	-	-	60,773
Library materials	6,570	-	-	6,570
	4,899,553	1,062,216	(285,897)	5,675,872
Total capital assets	7,676,772	1,062,216	(285,897)	8,453,091
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	382,941	38,942	-	421,883
Building improvements	46,040	5,023	-	51,063
	428,981	43,965	-	472,946
Real estate used for student housing:				
Buildings	98,605	10,856	-	109,461
Building improvements	9,772	1,430	-	11,202
	108,377	12,286	-	120,663
Other:				
Land improvements	61,410	13,840	-	75,250
Buildings	132,540	22,326	-	154,866
Building improvements	102,384	55,452	-	157,836
Equipment	558,167	99,071	-	657,238
Furniture and fixtures	28,797	5,581	-	34,378
Library materials	6,570	-	-	6,570
	889,868	196,270	-	1,086,138
Total accumulated depreciation	1,427,226	252,521	-	1,679,747
Capital assets, net	$ 6,249,546	$ 809,695	$ (285,897)	$ 6,773,344

Non-depreciable capital assets of FSU Foundation totaled $2,989,236 at June 30, 2017, which is comprised of land.

At June 30, 2017, capital assets of FSU Foundation with a cost of approximately $507,100 were fully depreciated and still in service.

In fiscal 2017, the Foundation Supporting Organization acquired three properties in close proximity to the Fitchburg State University campus consistent with its mission and the University's strategic plan which includes campus expansion. The properties, which each included land and a building, were acquired for an aggregate cost of $359,467. The Foundation Supporting Organization razed the buildings on the properties to create green space. As a result of its decision to raze the buildings, management determined, in accordance with the requirements of accounting guidance, that the properties were impaired and they were written down to their aggregate fair value of $73,570 resulting in an impairment charge to operations in the amount of $285,897. The impairment charges (noncash accounting charges) to operations on the three properties are included in operations and maintenance of plant in FSU Foundation's accompanying 2017 statement of revenues, expenses, and changes in net position and had no impact on FSU Foundation's fiscal 2017 cash flow or its ability to generate cash flow in the future. The fair values of the properties were measured using significant unobservable inputs (Level 3) pursuant to the accounting guidance on fair value measurements. The fair values of the properties were determined based upon the properties' assessment values at the purchase dates.

Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2018 and 2017:

	2018	2017
Accounts payable - trade	$ 1,367,592	$ 777,936
Salaries and fringe benefits payable	1,758,301	1,022,131
Accrued interest payable	286,962	355,647
Tuition due State	75,539	75,766
Other	356,036	463,583
	$ 3,844,430	$ 2,695,063

Note 7 - Accrued workers' compensation

Independent actuarial reviews of the outstanding loss reserve requirements for the Commonwealth of Massachusetts' self-insured workers' compensation program were conducted as of June 30, 2018 and 2017. Based upon the Commonwealth's analyses, $648,771 and $581,018 of accrued workers' compensation has been recorded as a liability at June 30, 2018 and 2017, respectively.

Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2018 and 2017:

	2018	2017
Vacation time payable	$ 2,623,970	$ 2,430,615
Sick time payable	2,717,311	2,730,631
Total	$ 5,341,281	$ 5,161,246
Amount representing obligations due to employees funded through sources other than State appropriations	$ 248,299	$ 224,486
Amount representing obligations due to employees compensated through State appropriations	5,092,982	4,936,760
Total	$ 5,341,281	$ 5,161,246

It is anticipated that the obligation due to employees funded through State appropriations will be discharged through future State appropriations and the balance is expected to be liquidated through trust funds. Had these amounts not been reflected as obligations of the University, the University's unrestricted net position (deficiency) balances would be $589,806 and $881,025 at June 30, 2018 and 2017, respectively (see Note 1, Compensated absences).

Note 9 - Faculty payroll accrual

The contract for full-time faculty begins on September 1 and ends on May 31, of any given academic year. The Commonwealth of Massachusetts and Fitchburg State University pay all faculty over the 12-month period from September through August. 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 State appropriation. The total amount due at June 30, 2018 of $3,510,359 will be paid from the University's fiscal 2019 State appropriations. The total amount due at June 30, 2017 of $3,342,746 was paid from the University's fiscal 2018 State appropriations.

Note 10 - Revenue received in advance

Revenue received in advance includes tuition received in advance from students for summer courses commencing after June 30 and grant funds received in advance.

Revenue received in advance includes the following at June 30, 2018 and 2017:

	2018	2017
Tuition, fees and professional development	$ 1,215,856	$ 1,036,336
Grants	103,367	787,961
Other	98,330	29,997
	$ 1,417,553	$ 1,854,294

Note 11 - Deferred inflows of resources from service concession arrangement

Deferred inflows of resources from service concession arrangement at June 30, 2018 and 2017 in the amounts of $1,517,508 and $1,770,425, respectively, consist of the unamortized balances of a service concession arrangement with Compass Group USA, Inc. ("Compass") to manage and operate the University's food services operation at the University's dining services locations as more fully described in the arrangement. The service concession arrangement commenced on July 1, 1999 for a term of 10 years through June 30, 2009 and has been amended several times thereafter to modify its terms, provide for additional payments to the University for investment in improvements in or at the University as mutually agreed upon by the parties, and extend the term of the arrangement until June 30, 2024. The last such amendment to the service concession arrangement was effective May 1, 2014 and provides for the extension of the arrangement to June 30, 2024 and payments to the University totaling $2,500,000. These payments shall be made to the University by Compass in seven installments as follows: $300,000 in fiscal 2011; $1,200,000 in fiscal 2012; $200,000 in fiscal 2014; $500,000 in fiscal 2015; $200,000 in fiscal 2016; $50,000 in fiscal 2020; and $50,000 in fiscal 2022. As of June 30, 2018, the University has received the first five installments from Compass. In addition, Compass has agreed to pay the University specified percentages of 4%, 4 ½% or 12% of specified sales receipts from the food services operation as more fully described in the arrangement. All improvements and equipment purchased with the payments received from Compass shall remain the property of the University. The arrangement may be terminated by either party at any time, without cause, by giving not less than 60 days prior written notice to the other party. The arrangement contains provisions, whereby, in the event of termination of the arrangement, the University shall be required to repay a portion of any payments made to the University by Compass. The portion required to be repaid shall be determined in accordance with amortization schedules prepared by Compass. The amortization schedules assume that all funds will be received from Compass. The University does not anticipate that the arrangement will be terminated prior to its expiration date.

The University has recorded the service concession arrangement as a deferred inflow of resources at its present value using a 5% discount rate determined by management of the University. In fiscal 2011, the University recorded an accounts receivable from Compass at the present value of the future payments to be received from Compass, using a 5% discount rate determined by management of the University. At June 30, 2018, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $89,866, which includes accrued interest receivable of $11,848 (see Note 3). At June 30, 2017, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $85,557, which includes accrued interest receivable of $7,540 (see Note 3). The deferred inflow of resources is being amortized to revenue on a straight-line basis over the term of the arrangement. Amortization in the amounts of $252,918 has been recognized in capital grants revenue in the accompanying statements of revenues, expenses and changes in net position for each of the years ended June 30, 2018 and 2017.

Note 12 - Interagency payables

The University, in association with the Massachusetts State College Building Authority ("MSCBA"), the Massachusetts Development Finance Agency ("MDFA"), and the Commonwealth of Massachusetts Division of Capital Asset Management and Maintenance ("DCAMM"), has entered into financing and construction agreements for various campus projects.

The following table summarizes the University's Interagency payables as of June 30, 2018:

	Issue date	Original amount	Interest rates (%)	Due date	Effective interest rates (%)*	Interagency payable balance	Unamortized bond premiums	Total interagency payable
MDFA Series J-3	11/22/1996	$ 6,000,000	Floating	7/1/2023	4.61	$ 2,256,705	$ -	$ 2,256,705
MSCBA Series 2005A	3/1/2005	5,110,000	3.50-5.00	5/1/2025	3.86	2,255,000	-	2,255,000
MSCBA Series 2006A	3/8/2006	2,060,000	3.50-5.00	5/1/2026	4.07	1,050,000	43,571	1,093,571
MSCBA Series 2010B	12/17/2010	11,078,908	4.89-6.54	5/1/2030	3.38	11,078,908	-	11,078,908
MSCBA Series 2012A	1/4/2012	7,043,416	3.00-5.00	5/1/2031	4.96	4,810,000	613,181	5,423,181
MSCBA Series 2012C	12/20/2012	13,864,033	2.00-5.00	5/1/2032	3.27	10,320,000	810,241	11,130,241
MSCBA Series 2014A	1/7/2014	12,235,614	2.00-5.00	5/1/2033	5.00	9,510,000	1,000,226	10,510,226
MSCBA Series 2014C	12/17/2014	10,669,502	3.00-5.00	5/1/2034	4.93	8,235,000	1,320,371	9,555,371
DCAMM CEIP Funds	11/7/2016	5,420,360	3.00	1/1/2039	0.00	5,420,360	-	5,420,360
MSCBA Series 2017A	1/25/2017	4,166,418	3.00-5.00	6/30/2037	3.60	3,835,000	227,105	4,062,105
Total		$ 77,648,251				$ 58,770,973	$ 4,014,695	$ 62,785,668

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of the Interagency payable.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Notes to Financial Statements
June 30, 2018 and 2017

The following table summarizes the University's Interagency payables as of June 30, 2017:

	Issue date	Original amount	Interest rates (%)	Due date	Effective interest rates (%)*	Interagency payable balance	Unamortized bond premiums	Total interagency payable
MDFA Series J-3	11/22/1996	$ 6,000,000	Floating	7/1/2023	2.11	$ 2,566,545	$ -	$ 2,566,545
MSCBA Series 2005A	3/1/2005	5,110,000	3.50-5.00	5/1/2025	3.03	2,530,000	-	2,530,000
MSCBA Series 2006A	3/8/2006	2,060,000	3.50-5.00	5/1/2026	3.75	1,155,000	49,254	1,204,254
MSCBA Series 2010A	12/17/2010	4,856,749	3.00-5.00	5/1/2018	3.38	717,403	23,942	741,345
MSCBA Series 2010B	12/17/2010	11,078,908	4.89-6.54	5/1/2030	3.38	11,078,908	-	11,078,908
MSCBA Series 2012A	1/4/2012	7,043,416	3.00-5.00	5/1/2031	4.95	5,075,000	658,602	5,733,602
MSCBA Series 2012C	12/20/2012	13,864,033	2.00-5.00	5/1/2032	3.25	10,880,000	866,442	11,746,442
MSCBA Series 2014A	1/7/2014	12,235,614	2.00-5.00	5/1/2033	4.97	9,930,000	1,064,757	10,994,757
MSCBA Series 2014C	12/17/2014	10,669,502	3.00-5.00	5/1/2034	4.86	8,575,000	1,400,597	9,975,597
DCAMM CEIP Funds	11/7/2016	5,420,360	3.00	1/1/2039	0.00	-	-	-
MSCBA Series 2017A	1/25/2017	4,166,418	3.00-5.00	6/30/2037	3.28	3,922,000	239,326	4,161,326
Total		$ 82,505,000				$ 56,429,856	$ 4,302,920	$ 60,732,776

*Effective Interest Rates are calculated by dividing total interest paid during the year by the average outstanding balance of the Interagency payable.

MDFA Series J-3 bond issuance
On November 22, 1996, the University signed a financing agreement to receive $6,000,000 from a MDFA (formerly Massachusetts Health and Educational Facilities Authority ("MHEFA")) bond issuance to be used for the construction of the University's athletic facility. This obligation is being repaid solely by the University. Construction of the athletic facility was completed in August 2000. MDFA retained $502,899 of the bond proceeds for a debt service retirement fund.

The University is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2018 of $293,344 was made as scheduled. These payments are made to a restricted cash account held in escrow in the University's name and recorded on the books of the University. These amounts, along with the remaining balance of the debt service retirement fund, are held in an escrow account by MDFA. Earnings on this balance are transferred and used by the University to offset the administrative costs associated with this debt. In a prior year, the University elected to release the annual funding payments from the reserve to redeem portions of the debt obligation. Accordingly, each year the funding payments are now being released from the debt service reserve to redeem portions of the outstanding debt obligation. These debt payments are to be repaid by the University solely from student fees.

Interest on the debt is paid every 35 days at a floating rate of interest subject to market conditions. The interest rate is determined by MDFA conducting a true auction of their debt issuance every 35 days, in which the University's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MDFA. The most recent auctioned interest rate in effect at June 30, 2018 and 2017 was 5.943% and 1.737%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.926% (2018) and 0.900% (2017) of the outstanding principal balance, calculated and payable every 35 days when the rate is auctioned.

MDFA is responsible to determine, subject to certain criteria, if income earned on unexpended bond proceeds exceeds the interest cost to the bondholders. Any excess income earned is held in a rebate fund by an appointed trustee. Such amounts are held until every fifth year, whereby payment is to be made as indicated by the bond indenture agreement.

MSCBA Series 2005A bond issuance
During March 2005, the University signed a financing agreement to receive $5,110,000 from a MSCBA bond issuance. These funds were used for renovations of the athletic fields and dining hall (the "Projects") at the University. This obligation will be repaid solely by the University through dedicated student fees.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2025. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.50% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs. The effective interest rate at June 30, 2018 and 2017, respectively, reflects interest savings as a result of bond refundings in prior years.

MSCBA Series 2006A bond issuance
During March 2006, the University signed a financing agreement to receive $2,060,000 from a MSCBA bond issuance. These funds were used for renovations of the dining hall (the "Project") at the University. This obligation will be repaid solely by the University through dedicated student fees.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of $144,841 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2026. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA using an increasing coupon rate of interest ranging from 3.50% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

MSCBA Series 2010A bond issuance
During December 2010, the University signed a financing agreement to receive $4,856,749 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for renovations to the Hammond Campus Center. This obligation was repaid solely by the University through dedicated student fees and operating funds.

During 2018, debt service reserve funds in the amount of $405,288 were released and applied to the final payment on the debt. As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of $80,326 and $485,614, respectively, which is included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents.

The University was required to make annual principal payments on this debt each May 1. The final principal payment was due on May 1, 2018. Interest on the debt was payable May 1 and November 1 each year. Interest payments were based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity. Earnings on the balance in the debt service reserve fund were used to defray debt service costs. During May 2018, the University made the final payment on the 2010A bonds.

MSCBA Series 2010B bond issuance
During December 2010, the University signed a financing agreement to receive $11,078,908 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of $964,163 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2019. The final principal payment is due on May 1, 2030. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 4.89% to 6.54% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

MSCBA Series 2012A bond issuance

During December 2011, the University signed a financing agreement to receive $7,043,416 from a MSCBA bond issuance. These funds, net of bond issuance costs, were used for renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2031. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity.

MSCBA Series 2012C bond issuance

During December 2012, the University signed a financing agreement to receive $13,864,033 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for Phase III of renovations to the Hammond Campus Center and parking expansion. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of $214,164 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2032. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

MSCBA Series 2014A bond issuance

During January 2014, the University signed a financing agreement to receive $12,235,614 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, were used for Phase IV of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds.

As of June 30, 2018 and 2017, MSCBA held debt service reserve funds in the amount of $667,799 each year, which are included in the accompanying statements of net position at June 30, 2018 and 2017 as noncurrent restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due on May 1, 2033. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 2.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

MSCBA Series 2014C bond issuance

During December 2014, the University signed a financing agreement to receive $10,669,502 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for Phase V of renovations to the Hammond Campus Center. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA provided management services to the University for the renovations.

As of June 30, 2018 and 2017, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2018	2017
Unexpended debt proceeds	$ -	$ 7,533
Debt service reserve fund	596,968	596,968
	$ 596,968	$ 604,501

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2018 and 2017:

	2018	2017
Restricted cash and cash equivalents:		
Current	$ -	$ 7,533
Noncurrent	596,968	596,968
	$ 596,968	$ 604,501

During fiscal 2018, the remaining unexpended MSCBA bond proceeds from Phase V in the amount of $2,530 were transferred to the Landry Arena renovation project. During fiscal 2017, unexpended MSCBA bond proceeds from prior issuances in the amount of $972,628 were transferred to Phase V for renovations of the Hammond Campus Center project. From this amount, unexpended proceeds amounted to $7,533 at June 30, 2017, which are included in the accompanying 2017 statement of net position as current restricted cash and cash equivalents.

The University is required to make annual principal payments on this debt each May 1. The final principal payment is due May 1, 2034. Interest on the debt is payable May 1 and November 1 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

DCAMM Clean Energy Investment Program

In November 2016, the University entered into a Memorandum of Understanding with DCAMM to undertake a Comprehensive Energy Performance Contracting Project (the "Project"). The Project's goal is to upgrade boilers, replace the chiller, lighting, EMS expansion and improvements, HVAC upgrades, and various energy conservation measures.

The total estimated cost for the Project is $9,270,332, including estimated contingency costs of $900,000. The cost of the Project is expected to be funded from Clean Energy Investment Program Funds ("CEIP Funds") in the amount of $5,420,360, capital grants of $3,600,000, and energy incentives from the contractor in the amount of $249,972. CEIP Funds for the Project are to be repaid over 20 years at 3.00% interest. Annual payments of principal and interest for the Project in the amount of $364,333 will commence on January 1, 2020. Additionally, the agreement provides for the University to fund annual maintenance costs to be paid over the first five years of the Project totaling approximately $244,500. These maintenance costs are expected to be offset by energy savings as a result of the Project.

MSCBA Series 2017A bond issuance

During January 2017, the University signed a financing agreement to receive $4,166,418 from a MSCBA bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being used for renovations to the Landry Arena. This obligation will be repaid solely by the University through dedicated student fees and operating funds. The University also executed a management agreement with MSCBA whereby MSCBA is providing management services to the University for the renovations.

As of June 30, 2018 and 2017, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2018	2017
Unexpended debt proceeds	$ 191,655	$ 3,740,460
Debt service reserve fund	103,073	103,073
	$ 294,728	$ 3,843,533

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2018 and 2017:

	2018	2017
Restricted cash and cash equivalents:		
Current	$ 191,655	$ -
Noncurrent	103,073	3,843,533
	$ 294,728	$ 3,843,533

The University is required to make annual principal payments on this debt each June 30 commencing in fiscal 2018. The final principal payment is due June 30, 2037. Interest on the debt is payable June 30 and December 30 each year. Interest payments are based on an amortization schedule prepared by MSCBA with interest rates ranging from 3.00% to 5.00% over the term of the debt to maturity. Funds from the debt service reserve fund are expected to be applied to the final payment on the debt. Earnings on the balance in the debt service reserve fund are to be used to defray debt service costs.

Aggregate principal and interest payments due to maturity consist of the following:

Year ending June 30:	Principal	Amortization of bond premium	Total principal	Estimated interest (1)	Total
2019	$ 3,223,066	$ 264,283	$ 3,487,349	$ 2,235,779	$ 5,723,128
2020	3,568,669	264,283	3,832,952	2,255,014	6,087,966
2021	3,709,660	264,283	3,973,943	2,104,445	6,078,388
2022	3,886,365	264,283	4,150,648	1,931,191	6,081,839
2023	4,059,860	264,283	4,324,143	1,757,930	6,082,073
2024 - 2028	19,949,675	1,308,153	21,257,828	6,262,340	27,520,168
2029 - 2033	16,635,013	1,224,343	17,859,356	2,448,884	20,308,240
2034 - 2038	3,384,941	160,784	3,545,725	306,700	3,852,425
2039 - 2043	353,724	-	353,724	10,612	364,336
Total	$ 58,770,973	$ 4,014,695	$ 62,785,668	$ 19,312,895	$ 82,098,563

(1) The interest rate in effect at June 30, 2018 of 5.943% was used to calculate the estimated interest on the MDFA Series J-3 bond included above.

Other Interagency activity

The oversight of various capital projects on campus is provided by MSCBA. To fund these projects, the University provides equity contributions, by advancing funds to the MSCBA, which are then held by MSCBA until used for the payment of the capital project costs. During fiscal 2018, the University provided an equity contribution of $1,000,000 toward the Southside Chiller Project, of which $290,598 of these funds was subsequently transferred to the Fitchburg Theatre account at MSCBA for the Fitchburg Theatre renovations project. During fiscal 2018, Landry Arena funds of $350,000 were transferred to the Fitchburg Theatre account at MSCBA for the Fitchburg Theatre renovations project. As of June 30, 2018, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled $43,257 related to the Southside Chiller Project, $3,809 related to the Landry Arena Project, and $660,931 related to the Fitchburg Theatre Project, of which $172,084 is included in current restricted cash and cash equivalents and $535,913 is included in noncurrent restricted cash and cash equivalents in the accompanying 2018 statement of net position. During 2017, the University provided an equity contribution of $800,000 toward the Southside Chiller Project. During 2017, the University provided the remaining equity contribution of $972,628 to fund their portion of the renovation costs of Phase V of the Hammond Campus Center project, of which $350,000 of these funds was subsequently transferred to the Landry Arena account at MSCBA for the Landry renovations project. As of June 30, 2018, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled $98,323 related to the Hammond Campus Center project, $832,283 related to the Southside Chiller project, and $344,308 related to the Landry Arena project, of which $297,053 is included in current restricted cash and cash equivalents and $977,861 is included in noncurrent restricted cash and cash equivalents in the accompanying 2018 statement of net position.

Note 13 - Capital lease obligation

During fiscal year 2017, the University entered into a noncancellable capital lease agreement with a financial institution in the amount of $1,261,206 for an upgrade to its wireless network equipment. The lease has a term of five years and requires semi-annual payments of $132,483, which commenced on March 23, 2017 and continues through September 23, 2021. The assets and capital lease obligation were recorded at the present value of the future minimum lease payments based upon an interest rate of 1.81% which was determined to be applicable at the inception of the lease. The capital lease obligation is secured by the related assets.

The University's wireless network equipment held under capital lease totaled $1,261,206 as of both June 30, 2018 and 2017. The assets under the capital lease are being depreciated over their estimated useful lives and the depreciation of these assets is included in depreciation expense. The accumulated depreciation on the leased assets amounted to $441,422 and $189,181 at June 30, 2018 and 2017, respectively. Depreciation expense totaled $252,241 and $189,181 for the years ended June 30, 2018 and 2017, respectively.

Interest expense incurred on the capital lease totaled $19,530 and $11,414 in fiscal 2018 and 2017, respectively.

The following is a schedule of future minimum lease payments under this capital lease at June 30, 2018:

Year ending June 30,	Amount
2019	$ 264,966
2020	264,966
2021	264,966
2022	132,483
Total minimum lease payments	927,381
Less amount representing interest	(32,679)
Present value of future minimum lease payments	894,702
Less current portion	249,898
Present value of long-term portion	$ 644,804

Note 14 - FSU Foundation's long-term debt

FSU Foundation's long-term debt consists of the following at June 30, 2018 and 2017:

	2018	2017
First mortgage notes payable	$ 3,064,779	$ 3,123,323
Notes payable - bank	514,276	533,121
	3,579,055	3,656,444
Less net debt issuance costs	(20,333)	(23,801)
	3,558,722	3,632,643
Less current portion	(756,909)	(188,765)
	$ 2,801,813	$ 3,443,878

The Foundation has a mortgage note payable in the original amount of $550,000, dated April 16, 2008, with Fidelity Cooperative Bank. The proceeds of the note were used to acquire certain real estate properties on the Fitchburg State University campus. The note is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Furthermore, any and all deposits held by the lender serve as additional collateral for the loan.

The loan agreement has a term of 20 years and provided for a fixed rate of interest of 5.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate was to be fixed at the Federal Home Loan Bank Ten Year Cost of Funds Rate in effect as of the first day of the final 10 years of the term of the loan plus 118 basis points. The interest rate was adjusted to 4.27% per annum for the remainder of the loan term pursuant to the provisions of a Change in Terms Agreement dated October 19, 2016. The loan required monthly installments of principal and interest of $3,862 through October 16, 2016. Thereafter, the loan requires monthly installments of principal and interest of $2,454 commencing on November 16, 2016 with a final principal payment due in the amount of $210,752 at the loan's maturity date of April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2018 and 2017, the outstanding principal balance of this mortgage note payable amounted to $372,278 and $385,211, respectively.

In August 2006, the Foundation Supporting Organization acquired land and a building consisting of 4,179 square feet of office space and 53,429 square feet of warehouse space located in Fitchburg, Massachusetts near the University campus. The entire property has been leased to DCAMM on behalf of the University (see Note 23). The University is currently using the property for its print services, maintenance, and shipping and receiving and financial services.

The acquisition and related costs were funded with the proceeds of an offering of tax-exempt revenue bonds, Massachusetts Development Finance Agency Revenue Bonds, FSC Foundation Supporting Organization Issue, Series 2006 (the "bonds"), dated August 1, 2006, in the amount of $1,900,000, issued by the Massachusetts Development Finance Agency ("MDFA"), pursuant to a Loan and Trust Agreement. People's United Bank, as successor in interest to Chittenden Trust Company, is the bond Trustee. MDFA assigned all of its rights, title, and interest in and to the loan and related loan documents to the bond Trustee as security for repayment of the bonds. The loan is secured by a first mortgage interest in the real estate and related personal property located thereon, and an assignment of leases and rents. Payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The loan agreement has a term of 20 years and provides for a fixed rate of interest of 5.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (August 16, 2011, 2016 and 2021) to a fixed rate of interest equal to 80% of the bank's prime rate, but no greater than 1% or less than 1% of the interest rate in effect for the immediately preceding five-year adjustment interval. The interest rate was adjusted to 4.5% per annum on August 16, 2011 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $13,154 through August 16, 2011 and $12,306 until August 16, 2016. The interest rate was adjusted to 3.5% per annum on August 16, 2016 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $11,739 until the next five-year interval adjustment date of August 16, 2021. The loan matures on August 16, 2026. The loan agreement requires the Foundation Supporting Organization to maintain a Debt Service Coverage Ratio, as defined, of not less than 1.10 to 1 to be measured annually at the end of its fiscal year.

The mortgage note was issued pursuant to the Loan and Trust Agreement and related loan documents and is subject to and governed by the terms and conditions of those agreements. The loan may be prepaid in accordance with the terms of the Loan and Trust Agreement for prepayment of the bonds as more fully described in the Loan and Trust Agreement.

The loan documents contain cross default provisions with the DCAMM lease.

As of June 30, 2018, the outstanding principal balance of the mortgage note payable of $997,414, less net debt issuance costs of $20,333, amounted to $977,081.

As of June 30, 2017, the outstanding principal balance of the mortgage note payable of $1,100,877, less net debt issuance costs of $23,801, amounted to $1,077,076.

Workers' Credit Union ("WCU") provided financing to the Foundation Supporting Organization in the form of a note, dated February 27, 2009, in the amount of $750,000. The note is secured by a first mortgage interest in certain real estate owned by the Foundation Supporting Organization and an assignment of certain leases and rents. The note is also collateralized by all funds held by the lender. At June 30, 2018 and 2017, the Foundation Supporting Organization has total cash balances of $6,935 and $6,308, respectively, held by the lender which serve as additional collateral for the loan.

The mortgage note has a term of 10 years, expiring on February 27, 2019, and provided for a fixed rate of interest of 5.74% per annum. The interest rate was adjusted to 4.99% per annum on June 20, 2013 pursuant to the provisions of a loan modification agreement. The note required monthly installments of principal and interest of $4,714, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest are $4,422, based on a 20-year principal amortization with a final principal payment due in the amount of $561,619 at the loan's maturity date of February 27, 2019.

At June 30, 2018 and 2017, the outstanding principal balance of this first mortgage loan amounted to $576,100 and $599,769, respectively.

Rollstone Bank & Trust provided financing to the Foundation Supporting Organization in the form of a note, dated December 22, 2014 in the amount of $240,000. The note is secured by a first mortgage interest in the real estate property located at 131 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The note has a term of 20 years, maturing on December 22, 2034, and provides for a fixed rate of interest of 3.25% per annum. The loan requires monthly installments of principal and interest of $1,367 based on a 20-year principal amortization. The loan agreement requires the Foundation Supporting Organization to maintain a ratio of Cash Flow (after distributions), as defined, to the Current Maturity of Long-Term Debt plus interest, as defined, of not less than 1.0 to 1 for any fiscal year. The loan agreement also contains, among other covenants, restrictions relating to future borrowings, capital expenditures by lease or purchase, distributions, making of advances or loans to other parties, making of investments, and sale, lease or transfer of assets, except as provided for and as more fully described in the loan agreement.

At June 30, 2018 and 2017, the outstanding principal balance of the mortgage note payable amounted to $208,551 and $217,912, respectively.

Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a note, dated June 26, 2013, in the amount of $83,200. The note is secured by a first mortgage interest in the real estate property located at 340 Highland Avenue in Fitchburg, Massachusetts and an assignment of leases and rents on the property. The mortgage note has a term of 20 years, maturing on June 26, 2033, and provides for a fixed rate of interest of 3.5% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (June 26, 2018, 2023 and 2028) to the Federal Home Loan Bank Boston Classic Advance Five-Year Rate plus 2.75% per annum. The loan required monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. The interest rate was adjusted to 5.93% per annum on June 26, 2018 pursuant to the provisions of the loan agreement. The July and August 2018 monthly installments of principal and interest remained at $376. On August 27, 2018, the Foundation Supporting Organization entered into a Change in Terms Agreement with the lender in which the interest rate on the note was modified to a fixed rate of 5.20% per annum until June 26, 2023. At that time, the interest rate will be adjusted pursuant to the terms of the original note described above. All other terms, provisions and conditions of the original note agreement remain in full force and effect. Commencing with the September 2018 monthly installment of principal and interest, the monthly installments shall be $450. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

At June 30, 2018 and 2017, the outstanding principal balance of the mortgage note payable amounted to $74,685 and $76,518, respectively.

In October 2016, Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a promissory note, dated October 19, 2016, in the amount of $118,000. The note is secured by a Negative Pledge Agreement on the real estate property located at 198 Pearl Street in Fitchburg, Massachusetts.

The promissory note has a term of 10 years, maturing on October 21, 2026, and provides for a fixed rate of interest of 4.11% per annum. Commencing on November 21, 2016, the loan requires monthly installments of principal and interest of $726 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance of $71,599 and any accrued interest thereon is due and payable. The note provides for the prepayment of all or a portion of the amount owed without penalty. The business loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the business loan agreement. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $111,291 and $115,273, respectively.

In January 2017, Fidelity Co-Operative Bank provided financing to the Foundation Supporting Organization in the form of a promissory note, dated January 13, 2017, in the amount of $220,000. The note is secured by a Negative Pledge Agreement on the properties located at 9 Clinton Street and 85-87 Pearl Street in Fitchburg, Massachusetts.

The promissory note has a term of 10 years, maturing on January 13, 2027, and provides for a fixed rate of interest of 4.76% per annum. Commencing on February 13, 2017, the loan requires monthly installments of principal and interest of $1,431 based on a 20-year principal amortization until the maturity date, at which time the remaining outstanding principal balance of $136,868 and any accrued interest thereon is due and payable. The note provides for the payment of a prepayment penalty if the loan is paid prior to maturity. The amount of the penalty shall be a specified percentage of the amount prepaid with such percentage ranging from 5% if paid before the loan's first anniversary and decreasing by 1% per year to 1% if paid before the loan's fifth anniversary. The prepayment penalty will reset as defined above at each five-year anniversary date of the note. The loan agreement contains, among other covenants, restrictions relating to future borrowings, making of advances or loans to other parties, sale, lease or transfer of assets, and the granting of further security interests, except as provided for and as more fully described in the loan agreement. The loan is cross-defaulted and cross collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $209,819 and $216,683, respectively.

In November 2016, Hometown Bank provided financing to the Foundation Supporting Organization in the form of a commercial note, dated November 8, 2016, in the amount of $135,000. The note was secured by a first mortgage interest and collateral assignment of rents and leases on the real estate property located at 132 Highland Avenue in Fitchburg, Massachusetts.

The commercial note has a term of 25 years, maturing on November 8, 2041, and provided for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan required monthly installments of principal and interest of $779 based on a 25-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity.

On April 5, 2018, the Foundation Supporting Organization paid off the loan balance in full and related interest with the proceeds from the sale of the 132 Highland Avenue property.

As of June 30, 2017, the outstanding principal balance of the loan amounted to $133,364.

In November 2016, Enterprise Bank and Trust Company provided financing to the Foundation Supporting Organization in the form of a promissory note, dated November 4, 2016, in the amount of $280,000. The note is secured by a first mortgage interest in the property and an assignment of rents on the property located at 689-717 Main Street in Fitchburg, Massachusetts.

The promissory note has a term of 10 years, maturing on November 4, 2026, and thereafter is payable on demand. The note provides for a fixed rate of interest of 4.33% per annum for the first ten years of the loan term. Thereafter, the interest rate will be adjusted at 10-year intervals to the Daily High Federal Home Loan Bank Boston Classic Advance Ten Year Regular Rate plus 1.95% per annum. Commencing on January 1, 2017, the loan requires monthly installments of principal and interest of $1,401 based on a 30-year principal amortization schedule. If the note is prepaid in whole or in part during the first 117 months of each fixed rate period for the purpose of refinancing the note with another financial institution, the note provides for a prepayment penalty equal to 3% of any principal reduction.

Except for the forgoing, the note may be prepaid in whole or in part without penalty. The loan is cross-defaulted and cross-collateralized with any and all other loans made by the lender to the Foundation Supporting Organization.

As of June 30, 2018 and 2017, the outstanding principal balance of the loan amounted to $273,003 and $277,716, respectively.

In September, 2017, Webster First Federal Credit Union provided financing to the Foundation Supporting Organization in the form of a commercial note, dated September 22, 2017, in the amount of $250,000. The note is secured by a first mortgage interest in the real estate properties located at 66 and 0 Day Street and 721-725 Main Street, Fitchburg, Massachusetts, and an assignment of leases and rents on the properties. The note has a term of 15 years, maturing on October 1, 2032, and provides for a fixed rate of interest of 3.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will be adjusted to the Federal Home Loan Bank of Boston Five Year Classic Rate plus 1.5% per annum for the remaining 5 years of the loan term, but no less than a rate of 3.75% per annum. Commencing on November 1, 2017, the loan requires monthly installments of principal and interest of $1,825 based on a 15-year principal amortization schedule with a final payment of all unpaid principal and accrued interest thereon due at maturity. The note may be prepaid in whole or in part at any time without penalty.

As of June 30, 2018, the outstanding principal balance of the loan amounted to $241,638.

The Foundation Supporting Organization has a note payable in the original amount of $680,000, dated April 26, 2007, with Enterprise Bank and Trust Company. The note is secured by investments with an equivalent fair value of approximately $2,253,000 and $2,116,000 at June 30, 2018 and 2017, respectively. In addition, payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

The promissory note has a term of 30 years, expiring on May 5, 2037, and provides for a fixed rate of interest of 6% per annum for the first five years of the loan term. Thereafter, the interest rate will be adjusted at five-year intervals (April 26, 2012, 2017, 2022, 2027 and 2032) to the Federal Home Loan Bank Boston Classic Advance Five-Year Rate plus 1.15% per annum. The rate was adjusted to 2.62% per annum on April 26, 2012 pursuant to the provisions of the loan agreement. The loan required monthly installments of principal and interest of $4,122 through May 7, 2012 and $2,875 until April 26, 2017. The interest rate was adjusted to 3.49% per annum on April 26, 2017 pursuant to the provisions of the loan agreement. Commencing thereafter, the monthly installments of principal and interest are $3,115 until the next five-year interval adjustment date of April 26, 2022. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2018 and 2017, the outstanding principal balance of this note payable amounted to $514,276 and $533,121, respectively.

Principal funding payments and estimated interest due to maturity consist of the following:

Year ending June 30:	Principal	Interest (1)	Total
2019	$ 756,909	$ 132,025	$ 888,934
2020	187,389	106,696	294,085
2021	194,658	99,428	294,086
2022	202,010	92,076	294,086
2023	209,643	84,412	294,055
2024-2028	1,506,091	275,373	1,781,464
2029-2033	362,757	68,146	430,903
2034-2038	159,598	10,371	169,969
Total	$ 3,579,055	$ 868,527	$ 4,447,582

(1) The interest rates in effect at June 30, 2018 on the first mortgage notes payable and the note payable - bank were used to calculate the estimated interest on these debt obligations.

Note 15 - FSU Foundation lines of credit

On August 23, 2017, the Foundation renewed, under substantially the same terms, its existing demand revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. The line of credit agreement which expired on March 17, 2017 provided for interest at The Wall Street Journal Prime Rate, but in no event less than 6% per annum. Pursuant to the provisions of the line of credit agreement, maximum advances under the line are limited to 70% of the pledged investment collateral unless otherwise approved by the lender. The renewed line of credit provides for interest at 5.25% through September 1, 2017 and, thereafter, at The Wall Street Journal Prime Rate (currently 5%) plus 1%. The interest rate charged to the Foundation may not exceed a rate of 18%. At June 30, 2018 and 2017, the effective interest rate was 6% per annum. In fiscal 2018, the line of credit was drawn down in the amount of $170,000 and advanced to the Foundation Supporting Organization. As of June 30, 2018, the outstanding borrowings payable under the line of credit amounted to $170,000. There were no draws on the line of credit in fiscal 2017 and no outstanding liability under the line of credit at June 30, 2017. For the years ended June 30, 2018 and 2017, interest expense incurred on borrowings under this line of credit amounted to $830 and $9,576, respectively. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Foundation Supporting Organization.

Borrowings under the line are secured by investments with an equivalent fair value of approximately $9,085,000 at June 30, 2018. The line is also collateralized by all funds held by the lender. At June 30, 2018, the Foundation has total cash balances of $58,583 held by the lender. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part without premium or penalty. The line of credit agreement expires on March 25, 2022.

On August 18, 2016, the Foundation Supporting Organization entered into a demand unsecured revolving line of credit agreement with Rollstone Bank and Trust which permits the Foundation Supporting Organization to borrow up to $250,000. The line of credit provides for interest at The Wall Street Journal Prime Rate less .25% (effective rates of 4.75% at June 30, 2018 and 4% at June 30, 2017). For the years ended June 30, 2018 and 2017, interest expense incurred on borrowings under this line of credit amounted to $3,440 and $2,470, respectively. The line of credit agreement expired on

August 18, 2017. The line of credit was extended through November 30, 2017, and again through November 30, 2018, under the same terms and conditions of the previous agreement. On November 30, 2018, the line of credit will be up for renewal. The Foundation Supporting Organization may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty. The line of credit agreement contains, among other covenants, the maintenance of a debt service coverage ratio, as defined, of at least 1.00 to 1. In addition, the agreement provides that the line of credit be brought to a zero balance for 30 consecutive days annually during the term of the agreement. As of June 30, 2018, the Foundation Supporting Organization has made payments of $250,000 and borrowings of $150,000 under the line of credit agreement. The balance outstanding as of June 30, 2018 is $150,000. As of June 30, 2017, the Foundation Supporting Organization has made payments of $110,000 and borrowings of $360,000 under the line of credit agreement. The balance outstanding as of June 30, 2017 was $250,000.

Note 16 - Long-term liabilities

Long-term liability activity of the University for the year ended June 30, 2018 included the following:

				Totals June 30, 2018	
	Totals June 30, 2017	Additions	Reductions	Ending balance	Current portion
Interagency payables	$ 60,732,776	$ 5,420,360	$ 3,367,468	$ 62,785,668	$ 3,487,348
Total	60,732,776	5,420,360	3,367,468	62,785,668	3,487,348
Other liabilities:					
Capital lease obligation	1,140,137	-	245,435	894,702	249,898
Workers' compensation	581,018	194,415	126,662	648,771	141,432
Compensated absences	5,161,246	3,375,331	3,195,296	5,341,281	3,175,133
Loan payable - federal financial assistance	2,037,912	39,227	231,774	1,845,365	-
Net pension liability	12,580,841	-	1,150,193	11,430,648	-
Net OPEB liability	22,384,199	-	151,525	22,232,674	-
Total other liabilities	43,885,353	3,608,973	5,100,885	42,393,441	3,566,463
Long-term obligations	$ 104,618,129	$ 9,029,333	$ 8,468,353	$ 105,179,109	$ 7,053,811

Long-term liability activity of the University for the year ended June 30, 2017 included the following:

	Totals June 30, 2016	Additions	Reductions	Totals June 30, 2017 Ending balance	Totals June 30, 2017 Current portion
Interagency payables	$ 59,714,524	$ 4,166,418	$ 3,148,166	$ 60,732,776	$ 3,334,367
Total	59,714,524	4,166,418	3,148,166	60,732,776	3,334,367
Other liabilities:					
Capital lease obligation	-	1,261,206	121,069	1,140,137	245,435
Workers' compensation	507,890	183,848	110,720	581,018	126,662
Compensated absences	5,454,493	3,153,804	3,447,051	5,161,246	3,195,296
Loan payable - federal financial assistance	2,017,863	35,442	15,393	2,037,912	-
Net pension liability	9,995,092	2,585,749	-	12,580,841	-
Net OPEB liability	-	22,384,199	-	22,384,199	-
Total other liabilities	17,975,338	29,604,248	3,694,233	43,885,353	3,567,393
Long-term obligations	$ 77,689,862	$ 33,770,666	$ 6,842,399	$ 104,618,129	$ 6,901,760

Long-term liability activity of FSU Foundation for the year ended June 30, 2018 included the following:

	Totals June 30, 2017	Additions	Reductions	Totals June 30, 2018 Ending balance	Totals June 30, 2018 Current portion
First mortgage notes payable	$ 3,099,522	$ 250,000	$ 305,076	$ 3,044,446	$ 737,411
Notes payable - bank	533,121	-	18,845	514,276	19,498
Long-term obligations	$ 3,632,643	$ 250,000	$ 323,921	$ 3,558,722	$ 756,909

Long-term liability activity of FSU Foundation for the year ended June 30, 2017 included the following:

	Totals June 30, 2016	Additions	Reductions	Totals June 30, 2017 Ending balance	Totals June 30, 2017 Current portion
First mortgage notes payable	$ 2,500,722	$ 753,000	$ 154,200	$ 3,099,522	$ 169,798
Notes payable - bank	553,081	-	19,960	533,121	18,967
Long-term obligations	$ 3,053,803	$ 753,000	$ 174,160	$ 3,632,643	$ 188,765

Note 17 - Net position

Unrestricted net position is comprised of net position that is not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Certain unrestricted net position is internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net position was $16,218,303 and $13,142,215 at June 30, 2018 and 2017, respectively. Undesignated unrestricted net position was $(20,721,479) and $(17,197,950) at June 30, 2018 and 2017, respectively.

At June 30, 2018 and 2017, the net investment in capital assets amount of $118,281,520 and $116,097,369, respectively, includes the effect of deferring the recognition of revenue from the installment payments associated with the dining facilities service concession arrangement. At June 30, 2018 and 2017, $1,478,610 and $1,725,044, respectively, of the balance of the deferred inflow of resources has been included, as a reduction, in the calculation of net investment in capital assets. This amount will be recognized as revenue and increase the net investment in capital assets net position over the remaining term of the arrangement.

Note 18 - Net position restricted by enabling legislation

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2018 and 2017 reflect a restricted net position of $17,441,084 and $15,896,000, respectively. Of these amounts, $2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

Note 19 - Operating expenses

The University's operating expenses for the years ended June 30, 2018 and 2017, on a natural classification basis, are comprised of the following:

	2018	2017
Salaries		
Faculty	$ 23,802,795	$ 23,376,057
Exempt wages	3,964,775	3,291,824
Non-exempt wages	19,155,607	19,382,008
Benefits	15,414,523	14,919,383
Scholarships	2,731,812	1,992,215
Utilities	4,608,699	4,402,055
Supplies and other services	21,095,664	19,030,383
Depreciation	9,990,725	10,125,427
Bad debt expense	325,079	349,431
Total operating expenses	$ 101,089,679	$ 96,868,783

Note 20 - State controlled accounts

Certain significant costs and benefits associated with the operations of the University are appropriated, expended, controlled, and reported by the Commonwealth through non-University line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the University. These transactions include payments by the Commonwealth for the employer's share of funding the Massachusetts State Employees' Retirement System and for the employer's share of health care premiums.

The estimated amounts of funding attributable for the Commonwealth's retirement system contribution and the employer's share of health care premiums for the years ended June 30, 2018, 2017, and 2016 were as follows (see State appropriations under Note 24):

	2018	2017	2016
Commonwealth's retirement system contributions	$ 3,893,971	$ 3,280,700	$ 3,144,412
Employers share of health care premium	$ 6,711,016	$ 6,904,977	$ 5,675,058

Note 21 - Retirement plan

Substantially all of the University's full-time employees are covered by the Massachusetts State Employees' Retirement System ("MSERS"). MSERS, a public employee retirement system ("PERS"), is a cost-sharing multi-employer defined benefit plan that is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. The Commonwealth does not issue separately audited financial statements for the plan. The financial position and results of operations of the plan are incorporated into the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

MSERS provides retirement, disability, survivor and death benefits to 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, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after 10 years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of creditable service or upon reaching the age of 55 with 10 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 cannot retire prior to age 60.

The MSERS' 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:

Hire date	% of compensation
Prior to 1975	5% of regular compensation
1975 to 1983	7% of regular compensation
1984 to June 30, 1996	8% of regular compensation
July 1, 1996 to present	9% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of $30,000

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

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 established by the State. The total amount of current funding by the State related to the University's employees during 2018, 2017 and 2016 was $3,893,971, $3,280,700 and $3,144,412, respectively. The total amount of funding by the University related to the University's employees compensated from a trust fund or other source during 2018, 2017, and 2016 was $862,928, $696,825, and $655,160, respectively. Annual covered payroll was approximately 80%, 81%, and 83% of annual total payroll for the University in 2018, 2017 and 2016, respectively.

At June 30, 2018 and 2017, the University reported a liability of $11,430,648 and $12,580,841, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2017 and 2016, respectively, and the State's total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability was based on an effective contribution methodology which allocates total contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2018, the University's proportion was 0.0891% which was a decrease of 0.0021% from its proportion measured as of June 30, 2017. At June 30, 2017, the University's proportion was 0.0912%, which was an increase of 0.0034% from its proportion measured as of June 30, 2016.

For the years ended June 30, 2018 and 2017, the University recognized pension expense of $5,321,863 and $5,098,931, respectively.

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

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 1,189,533	$ -
Net difference between projected and actual earnings on pension plan investments	-	136,196
Difference between expected and actual experience	441,955	310,999
Changes in proportion due to internal allocation	970,572	228,439
Changes in proportion from Commonwealth	39,150	4,075
University contributions subsequent to the measurement date	862,928	-
Total	$ 3,504,138	$ 679,709

The $862,928 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	$ 625,236
2020	1,173,909
2021	509,570
2022	(333,628)
2023	(13,586)
Total	$ 1,961,501

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

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ 1,395,131	$ -
Net difference between projected and actual earnings on pension plan investments	844,528	-
Difference between expected and actual experience	597,556	-
Changes in proportion due to internal allocation	1,339,317	45,438
Changes in proportion from Commonwealth	28,028	6,061
University contributions subsequent to the measurement date	696,825	-
Total	$ 4,901,385	$ 51,499

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

1. (a) 7.5% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year on the first $13,000 per year (3% cost of living increase for the year ended June 30, 2016).

2. Salary increases are based on analyses of past experience but range from 4.0% to 9.0% depending on group and length of service.

3. Chapter 79 of the Acts of 2014 established an early retirement incentive ("ERI") program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during FY2017. As a result, the total pension liability of MSERS increased by approximately $10 million as of June 30, 2017.

4. 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 Massachusetts State Employee's Retirement System ("MSERS") and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately $400 million as of June 30, 2016.

5. Mortality rates were as follows:

   (i) Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 and set forward 1 year for females (RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) for the year ended June 30, 2016).

(ii) Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females (RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) for the year ended June 30, 2016).

(iii) Disability - the mortality rate is 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) (unchanged from the year ended June 30, 2016).

These changes resulted in an increase of approximately $304 million in the total pension liability as of June 30, 2017.

6. Experience studies were performed as follows:

(i) Dated February 27, 2014 and encompass 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 asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

	Target allocation		Long-term expected real rate of return	
Asset class	2017	2016	2017	2016
Global equity	40.00%	40.00%	5.00%	6.90%
Portfolio completion strategies	13.00%	4.00%	3.60%	3.60%
Core fixed income	12.00%	13.00%	1.10%	1.60%
Private equity	11.00%	10.00%	6.60%	8.70%
Value added fixed income	10.00%	10.00%	3.80%	4.80%
Real estate	10.00%	10.00%	3.60%	4.60%
Timber/natural resources	4.00%	4.00%	3.20%	5.40%
Hedge funds	0.00%	9.00%	3.60%	4.00%
Total	100.00%	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2017 and 2016 was 7.5% for both years. 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 University'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.

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.5%, for both the measurement years ended June 30, 2017 and 2016, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2017	$ 15,568,067	$ 11,430,648	$ 8,097,858
June 30, 2016	16,394,785	12,580,841	9,348,376

Detailed information about the pension plan's fiduciary net position is available in the Commonwealth's financial statements.

Note 22 - Fringe benefits for current employees and post-employment obligations - pension and non-pension

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post - employment health insurance, unemployment, pension, and workers' compensation benefits. Health insurance and pension costs for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth.

On-behalf payments of fringe benefits for benefited employees on the Commonwealth's payroll are recognized as revenues and expenses in the University's financial statements in each of the fiscal years presented.

Post-employment other than pensions
In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth. 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 comparable to contributions required from employees.

The Commonwealth administers a single employer defined Postemployment Benefits Other Than Pensions ("OPEB") Plan. Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The State Retirement Benefits Trust Fund ("SRBT") is set up solely to pay for OPEB benefits and the cost to administer those benefits. Management of the SRBT is vested with a board of trustees, which consists of 7 members. GIC administers benefit payments, while the Trustees are responsible for investment decisions. The SRBT is reported as an OPEB Trust Fund and does not issue a stand-alone audited financial report. The financial position and results of operations of the plan are incorporated in the Commonwealth's financial statements, a copy of which may be obtained from the Office of the State Comptroller, Commonwealth of Massachusetts, One Ashburton Place, Room 901, Boston, MA 02108.

During the fiscal years ended on June 30, 2018 and 2017, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administered carve-outs for the pharmacy benefit and mental health and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage for employees not covered by collective bargaining, a retiree discount vision plan and retiree dental plan, and finally, a pre-tax health care spending account and dependent care assistance program (for active employees only).

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

At June 30, 2018 and 2017, the University reported a liability of $22,232,674 and $22,384,199, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of January 1, 2017, and the Commonwealth's total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The University's proportion of the net OPEB liability was based on an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on an employer's share of total covered payroll. At June 30, 2018, the University's proportion was 0.1272%, which was an increase of 0.0091% from its proportion measured as of June 30, 2017.

The amount of funding by the University related to benefits other than OPEB for the years ended June 30, 2018, 2017 and 2016 were $15,031,796, $14,961,048, and $11,720,616, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program. The total amount of current funding by the State related to the OPEB portion of fringe benefits for the University's employees during 2018, 2017 and 2016 was $2,713,264, $2,429,837 and $2,189,437, respectively. The total amount of funding by the University related to the OPEB portion of fringe benefits for the University's employees compensated from a trust fund or other source during 2018, 2017, and 2016 was $653,339, $559,677, and $502,044, respectively.

For the year ended June 30, 2018, the University recognized OPEB expense of $4,309,006.

At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions	$ -	$ 2,518,080
Net differences between projected and actual investment earnings on OPEB plan investments	-	40,563
Difference between expected and actual experience	-	51,117
Changes in proportion due to internal allocation	1,375,639	-
Changes in proportion from Commonwealth	46,530	-
University contributions subsequent to the measurement date	653,339	-
Total	$ 2,075,508	$ 2,609,760

The $653,339 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources as a result of the University's requirement to contribute to the Plan will be recognized in expense as follows:

Year ending June 30:		
2019	$	(248,693)
2020		(248,693)
2021		(248,693)
2022		(248,693)
2023		(192,819)
Total	$	(1,187,591)

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

1. The following annual healthcare cost trend rates: (1) 8.5%, decreasing by 0.5% each year to an ultimate rate of 5.0% in 2024 for medical, (2) 5.0% for EGWP and (3) 5.0% for administration costs.

2. The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2016 from the central year, with females set forward one year.

3. Participation rates:

   (i) 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.

   (ii) 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.

   (iii) 80% of current and future contingent eligible participants will elect health care benefits at age 65, or current age if later.

Actives, upon retirement, take coverage, and are assumed to have the following coverage:

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

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

		Long-term expected real rate of return	
Asset class	Target allocation	2017	2016
Global equity	40.00%	5.00%	6.90%
Portfolio completion strategies	13.00%	3.60%	3.60%
Core fixed income	12.00%	1.10%	1.60%
Private equity	11.00%	6.60%	8.70%
Value added fixed income	10.00%	3.80%	4.80%
Real estate	10.00%	3.60%	4.60%
Timber/natural resources	4.00%	3.20%	5.40%
Hedge funds	0.00%	3.60%	4.00%
Total	100.00%		

The discount rates used to measure the OPEB liability as of June 30, 2017 and 2016 were 3.63% and 2.88%, respectively. These rates were based on a blend of the Bond Buyer Index rates of 3.58% and 2.85%, respectively, as of the measurement dates June 30, 2017 and 2016 and the expected rates of return. The plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. The projected "depletion date" when projected benefits are not covered by projected assets is 2023. Therefore, the long-term expected rate of return on plan investments of 7.50% per annum was not applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2017 and 2016.

The following presents the University's proportionate share of the net OPEB liability calculated using the discount rate as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement year ended	1% decrease	Discount rate	1% increase
June 30, 2017 (a)	$ 26,391,962	$ 22,232,674	$ 18,925,716
June 30, 2016 (b)	26,758,751	22,384,199	18,925,179

(a) The discount rates as of June 30, 2017 are as follows: 3.63% (current); 2.63% (1% decrease) and 4.63% (1% increase).

(b) The discount rates as of June 30, 2016 are as follows: 2.88% (current); 1.88% (1% decrease) and 3.88% (1% increase).

The following presents the University's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rate as well as what the University's proportionate share of the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Measurement year ended	1% decrease (b)	Healthcare cost trend rates (a)	1% increase (c)
June 30, 2017	$ 18,394,710	$ 22,232,674	$ 27,283,202
June 30, 2016	18,518,013	22,384,199	27,507,072

(a) The current healthcare cost trend rates are as follows: 9.0% (June 30, 2017) and 8.5% (June 30, 2016) for medical and 5.0% for both fiscal years 2017 and 2016 Employer Group Waiver Plan and administration costs.

(b) The healthcare cost trend rates after a 1% decrease are as follows: 8.0% (June 30, 2017) and 7.5% (June 30, 2016) for medical and 4.0% for both fiscal years 2017 and 2016 Employer Group Waiver Plan and administration costs.

(c) The healthcare cost trend rates after a 1% increase are as follows: 10.0% (June 30, 2017) and 9.5% (June 30, 2016) for medical and 6.0% for both fiscal years 2017 and 2016 Employer Group Waiver Plan and administration costs.

Detailed information about the OPEB plan's changes in net OPEB liability, fiduciary net position, and employees covered by benefit terms separately identified by a) Inactive employees currently receiving benefit payments, b) Inactive employees entitled to but not yet receiving benefit payments, and c) Active employees is available in the Commonwealth's financial statements.

Note 23 - Lease and license agreements

As disclosed in Note 14, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAMM on behalf of the University. The lease commenced on August 16, 2006 and expired on August 16, 2016. The lease provided for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University was also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease continued in effect, after its expiration, under the same terms and conditions until March 9, 2017 when the Foundation Supporting Organization signed a new 10-year lease with the same terms and conditions as the previous agreement. The new lease agreement became effective as of August 16, 2016. For the years ended June 30, 2018 and 2017, rental income amounted to $165,000 in each year. The rental income is reflected in revenue from sales and services of educational departments in the accompanying statements of revenues, expenses and changes in net position. The corresponding rent expense of the University is reflected in operations and maintenance of plant.

The following is a schedule of future minimum rental income under the operating lease agreement at June 30, 2018:

Year ending June 30,	Amount
2019	$ 165,000
2020	165,000
2021	165,000
2022	165,000
2023	165,000
Later years	515,625
	$ 1,340,625

On August 6, 2008, the Foundation Supporting Organization entered into a 10-year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on November 1, 2008 and shall expire on October 31, 2018. The space is being used by Fitchburg State University as office and classroom space for its Center for Professional Studies. The lease provided for a base annual rent of $17,625 for each of the first three years of the lease term, payable in monthly installments of $1,469. Beginning with the fourth year of the lease there will be a 7.5% increase at the commencement of each three-year period of the lease term, including the continuous period of any extensions thereof. On November 1, 2011, the base annual rent increased to $18,947 for the next three-year period of the lease term payable in monthly installments of $1,579. On July 1, 2014, the Foundation Supporting Organization entered into an amended operating lease agreement with the unrelated third party adding 20 parking spaces for use in conjunction with the above mentioned office space and extending the lease term through June 30, 2019. The amended lease provides for a base annual rent of $28,495 for each of the first three years of the lease term, payable biannually in installments of $14,247. On July 1, 2017, the annual rent on the lease shall increase by 7.5% to $30,632 (biannual installments of $15,316). The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time with the payment of two months' base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2018 and 2017, rent expense amounted to $30,632 and $28,495, respectively.

The future minimum rental payments under this operating lease agreement at June 30, 2018 are $30,632 for the fiscal year ending June 30, 2019.

On February 1, 2013, the Foundation Supporting Organization entered into a 10-year operating lease agreement with the above noted unrelated third party for an additional 1,424 square feet of office space located in Fitchburg, Massachusetts. The lease commenced on February 1, 2013 and shall expire on January 31, 2023. The space is being used by Fitchburg State University for additional office and classroom space. The lease provides for a base annual rent of $5,696 payable in monthly installments of $475. Effective July 1, 2017, the lease agreement was amended to extend the term of the lease until June 30, 2023 and modify the lease payment provisions to be in biannual installments of $2,848. The Foundation Supporting Organization may extend the initial term of the lease, under the same terms and conditions, for successive periods of one year, provided it is not then in default of the lease terms and it gives proper notice. The Foundation Supporting Organization may cancel the lease at any time after February 1, 2014 with the payment of two months base rent as a termination charge. The Foundation Supporting Organization is also responsible for the payment of normal operating, maintenance and repair costs associated with the use of the property. For the years ended June 30, 2018 and 2017, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement at June 30, 2018:

Year ending June 30,	Amount
2019	$ 5,696
2020	5,696
2021	5,696
2022	5,696
2023	5,696
	$ 28,480

On June 25, 2015, the Foundation Supporting Organization entered into an operating lease agreement with an unrelated third party for a building containing residential suites designed for use as a dormitory for college students. The lease commenced on August 1, 2015 and expired on May 31, 2016. The lease provided for annual rent of $220,000 to be paid in two installments of $110,000 each on August 1, 2015 and January 1, 2016. In July 2016, the Foundation Supporting Organization extended the initial term of the lease under the same terms and conditions for the period August 1, 2016 through May 31, 2017. Subject to availability, the Foundation Supporting Organization may extend the term of the lease, under the same terms and conditions for the periods June 1, 2017 through July 31, 2017 and August 1, 2017 through May 31, 2018. The Foundation Supporting Organization did not renew the lease for an additional term after the expiration on May 31, 2017. Instead, the building was purchased by the Massachusetts State College Building Authority ("MSCBA") and is being used by and billed directly to Fitchburg State University by MSCBA as a part of its semi-annual residence hall revenue assessments. For the year ended June 30, 2017, rent expense amounted to $220,000.

The Foundation Supporting Organization and the University are parties to License Agreements whereby the Foundation Supporting Organization granted to the University irrevocable and exclusive licenses to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreements provide for initial terms of one year and automatic annual renewals thereafter. The License Agreements provide for annual license fees payable, in arrears, in four equal quarterly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the University. The License Agreements may be terminated by either party upon the expiration of the initial term of the agreements and any subsequent renewal term with the giving of proper notice. In addition, the University may terminate the agreements at any time with the giving of proper notice. For the years ended June 30, 2018 and 2017, license fee income for the Foundation Supporting Organization amounted to $193,272 and $252,849, respectively. The license fee income is reflected in revenue from sales and services of educational departments in the accompanying statements of revenue, expenses and changes in net position. The corresponding license fee expense of the University is reflected in operations and maintenance of plant.

Note 24 - Management Accounting and Reporting System

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

State appropriations

The University's State appropriations are comprised of the following for the years ended June 30, 2018 and 2017:

	2018	2017
Gross State appropriations	$ 29,912,499	$ 29,478,899
Add: Fringe benefits for benefited employees on the Commonwealth payroll	10,604,987	10,185,677
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(674,450)	(717,267)
Net State appropriations	$ 39,843,036	$ 38,947,309

$39,403,569 and $38,873,231 represent appropriations for maintenance and payroll and other noncapital appropriations during 2018 and 2017, respectively, and $439,467 and $74,078 represent appropriations for capital improvements for 2018 and 2017, respectively. These amounts are presented separately in the accompanying statements of revenues, expenses and changes in net position.

Day school tuition receipts and transfers have been recorded in an agency fund during the year and had no material balance outstanding at June 30, 2018 and 2017.

Note 25 - Risk management

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commonwealth is self-insured. In addition, the University maintains commercial insurance coverage for certain of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The separate insurance policies maintained by the University consist of Director and Officer's liability, automobile liability, and a foreign package policy. There were no significant reductions in insurance coverage from coverage in the prior year. The costs of settled claims have not exceeded policy coverage in any of the past three years.

The University also participates in the Commonwealth's self-insured programs for employee workers' compensation, health care and other insurance. The Commonwealth assesses the costs of workers' compensation and unemployment insurance to the University based on the University's actual experience (see Note 7). The Commonwealth manages workers' compensation as part of its general operations. No separate fund for workers' compensation is provided for in Massachusetts General

Laws. The Commonwealth assesses the costs of health care insurance to the University through a fringe benefit rate and the liability for such coverage is borne by the Commonwealth. The Commonwealth's Group Insurance Commission manages health insurance and other benefits for the Commonwealth's active and retired employees (see Note 22).

Massachusetts General Laws limit the risk assumed by the Commonwealth for claims of personal injury or property damages to $100,000 per occurrence, in most circumstances.

Note 26 - Commitments and contingencies

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 legal actions at this date will not result in a material loss to the University since most of any obligation is expected to be paid from state appropriated funds.

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditure of funds under these programs require compliance with the grant agreements and are subject to audit by representatives of these federal and state agencies. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management, such liabilities, if any, are not expected to materially affect the financial condition of the University.

The University participates in the Massachusetts College Savings Prepaid Tuition Program. This program allows participants to pay in advance (against a bond) for future tuition at the cost of tuition at the time of the bond purchase, increased by changes in the Consumer Price Index plus 2%. The University is obligated to accept as payment of tuition the amount determined by this program without regard to the standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the University.

The University can perform capital projects that are funded and controlled by another State agency. These projects would be paid from funds appropriated and under the control of DCAMM. The Projects generally consist of renovations and improvements and have been recorded in the respective accounts.

The collective bargaining agreements between the Board of Higher Education and three Employee Unions which impact the University expired in the prior year. As of November 6, 2018, the agreements have been negotiated by the parties for the three Employee Unions and those agreements are in the process of being ratified by the Union memberships. The agreements will then be subject to approval by the Massachusetts Legislature and ratification by the Governor of the Commonwealth of Massachusetts. Accordingly, management cannot, at the current time, determine the impact, if any, that the results of the negotiations will have on the University's financial statements.

Note 27 - McKay Agreement

The University has an agreement with the City of Fitchburg, whereby the City can use the McKay building to provide elementary education to local residents on a year to year basis. The University receives quarterly payments from the City to reimburse the University for its share of payroll and related operating expenses (the "McKay School expenditures"). Reimbursements received for the years ended June 30, 2018 and 2017 were $860,487 and $819,487, respectively. These reimbursements are included in the Sales and Services of Educational Departments revenue amount and the McKay School expenditures are included in the appropriate categories under Operating Expenses in the accompanying statements of revenues, expenses and changes in net position.

Note 28 - Civic Center

In August 2006, the University and the City of Fitchburg entered into a Memorandum of Understanding in which the University would assume responsibility for the operations, management and maintenance of the George R. Wallace, Jr. Civic Center and the Alice G. Wallace Planetarium (collectively, the "Civic Center"). The Civic Center includes two skating rinks and the adjoining planetarium. The Commonwealth of Massachusetts acting by and through DCAMM on behalf of the University entered into a lease agreement for the Civic Center with the City of Fitchburg and the Board of Trustees of the Civic Center. The lease commenced on October 1, 2007 and is for a term of 99 years. The lease provided for an initial nominal rent payment and is otherwise a net lease. Pursuant to the terms of the lease, the University has complete authority, at its sole discretion, to do all such acts and deeds as it deems reasonably necessary to manage, maintain and operate the Civic Center for the permitted uses specified in the lease agreement. The University is responsible for payment, from net revenues generated by its operation of the Civic Center, of all costs associated with the maintenance and operation of the Civic Center, and certain other payments as specified in the lease agreement. DCAMM, at the instruction of the University and with 60 days prior written notice, may terminate the lease in the event that the University, in its sole discretion, determines that continuation of the lease is not in the interest of the University.

During fiscal 2007, the University commenced initial management, maintenance and operations activities at the Civic Center in anticipation of the lease agreement being executed. The Commonwealth of Massachusetts Legislature appropriated an aggregate amount of $2,500,000 for repairs and upgrades to the Civic Center. During fiscal 2008, the University made repairs and upgrades to the Civic Center for an aggregate cost of $2,477,381. The University engaged the services of a professional management company, Facilities Management Corporation ("FMC"), to assist with management, maintenance and operations activities of the ice-skating rink program at the Civic Center. The initial management contract expired on December 31, 2008.

On February 1, 2009, the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance on behalf of the University entered into a sublease agreement with FMC for a term of 25 years commencing on the date of the agreement. The sublease agreement is a net lease and, accordingly, FMC is responsible for all costs associated with the operations, management, and maintenance of the sublease premises as well as repairs and required capital improvements. The sublease premises consist of the facilities and related equipment associated with the operation of a public ice-skating rink program. The planetarium is not part of the sublease premises and it is not currently operational. FMC is also responsible for certain other payments for and on behalf of the University related to obligations in existence at the date the University initially assumed management of the Civic Center. During the term of the sublease agreement, FMC is required to pay the University monthly percentage rent based upon the actual gross revenues from its operations, as defined. During each of the first 10 years of the sublease term, no percentage rent is required.

Thereafter, for each of the years 11 through 25, percentage rent at the rate of 1% of actual gross revenues shall be due and payable on a monthly basis. However, in no event shall the aggregate amount of percentage rent paid by FMC during the sublease term be less than $107,155.

The University, officials of the City of Fitchburg, and the Board of Trustees of the Civic Center believe that their collective efforts will return the Civic Center to a vibrant place where the citizenries of the City of Fitchburg and its surrounding cities and towns can enjoy athletic, educational and cultural activities.

Note 29 - Correction of an error and change in accounting principle

In fiscal year 2018, the University adopted Governmental Accounting Standards Board Statement No. 75 ("GASB 75"), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* by recognizing a net OPEB liability of $25,788,376 as of July 1, 2016, which amount was provided to the University by the State, for the effect of retroactively applying the new standard. Subsequent to having issued its financial statements on November 6, 2018, the University was informed by the State of an error in the net OPEB liability allocated to the University. To correct this error, the University has reduced the amount recognized as of July 1, 2016 in connection with initially adopting GASB 75 by $3,404,177 to $22,384,199. Information was not available to recognize the impact on deferred inflows and outflows as of July 1, 2016 of initial adoption.

The error in the net OPEB liability allocated by the State to the University also resulted in misstatements in the University's net OPEB liability as of June 30, 2018 and 2017 as had been originally reported. Accordingly, the University has restated its financial statements to correct these errors as shown in the tables below:

	2018 (as previously reported on November 6, 2018)	2018 (as restated)	Effect of change
Statement of Net Position:			
Deferred outflows - OPEB	$ 2,291,791	$ 2,075,508	$ (216,283)
Net OPEB liability	25,145,103	22,232,674	(2,912,429)
Deferred inflows - OPEB	3,346,876	2,609,760	(737,116)
Unrestricted net position	(7,936,438)	(4,503,176)	3,433,262
Total net position	119,954,872	123,388,134	3,433,262
Statement of Revenues, Expenses and Changes in Net Position:			
Institutional support	11,772,986	11,743,901	(29,085)
Increase (decrease) in net position	2,716,130	2,745,215	29,085

	2017 (as previously reported on November 6, 2018)	2017 (as restated)	Effect of change
Statement of Net Position:			
Net OPEB liability	$ 25,788,376	$ 22,384,199	$ (3,404,177)
Unrestricted net position	(7,459,912)	(4,055,735)	3,404,177
Total net position	117,238,742	120,642,919	3,404,177

Supplementary Information

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of the University's Proportionate Share of the Net Pension Liability and Schedule of University Contributions
Year Ended June 30, 2018

	2018	2017	2016	2015	2014
University's proportion of the net pension liability (asset)	0.0891%	0.0912%	0.0878%	0.0684%	0.0695%
University's proportionate share of the net pension liability (asset)	$ 11,430,648	$ 12,580,841	$ 9,995,092	$ 5,078,817	$ 6,192,668
University's covered payroll	$ 37,747,018	$ 37,408,274	$ 37,167,634	$ 35,389,121	$ 33,794,553
University's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	30.28%	33.63%	26.89%	14.35%	18.32%
Plan fiduciary net position as a percentage of the total pension liability	67.21%	63.48%	67.87%	76.32%	70.31%

* The amounts presented for each fiscal year were determined as of 6/30.

	2018	2017	2016	2015	2014
Contractually required contribution	$ 4,756,899	$ 3,977,525	$ 3,799,572	$ 3,946,690	$ 2,912,032
Contributions in relation to the contractually required contribution	$ (4,756,899)	$ (3,977,525)	$ (3,799,572)	$ (3,946,690)	$ (2,912,032)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
University's covered payroll	$ 37,747,018	$ 37,408,274	$ 37,167,634	$ 35,389,121	$ 33,794,553
Contributions as a percentage of covered payroll	12.60%	10.63%	10.22%	11.15%	8.62%

See Independent Auditor's Report on Page 2 and Notes to Required Supplementary Information.

Note 1 - Changes in Pension Plan Benefit Terms and Assumptions

FY2017 Changes in Actuarial Assumptions

Changes in benefit terms

Chapter 79 of the Acts of 2014 established an early retirement incentive ("ERI") program for certain employees of the highway division of the Massachusetts Department of Transportation whose positions have been eliminated due to the automation of toll collections. Most members retiring under the ERI program had a date retirement of October 28, 2016. 112 members took the ERI and retired during FY2017. As a result, the total pension liability of MSERS increased by approximately $10 million as of June 30, 2017.

Changes in assumptions

The mortality assumptions changed as follows:

- Pre-retirement - was changed to RP-2014 Blue Collar Employees table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Employees table projected generationally with scale BB and a base year of 2009 (gender distinct).

- Post-retirement - was changed to RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2016 set forward 1 year for females from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

- Disabled members - is 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), and is unchanged from the prior valuation.

FY2016 Changes in Actuarial Assumptions

Changes in benefit terms

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 Massachusetts State Employee's Retirement System ("MSERS") and purchase service for the period while members of the ORP. As a result, the total pension liability of MSERS has increased by approximately $400 million as of June 30, 2016.

Note 2 - Other information

This schedule is intended to present 10 years of data. Additional years will be presented when available.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of the University's Proportionate Share
of the Net OPEB Liability and Schedule of University Contributions
Year Ended June 30, 2018

Schedule of the University's Proportionate Share of the Net Pension Liability

	2018	2017
University's proportion of the net OPEB liability (asset)	0.1272%	0.1181%
University's proportionate share of the total OPEB liability (asset)	$ 23,499,661	$ 23,406,837
Less: University's proportionate share of Plan fiduciary net postion	1,266,987	1,022,638
University's proportionate share of the net OPEB liability (asset)	$ 22,232,674	$ 22,384,199
University's covered payroll	$ 37,747,018	$ 37,408,274
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	58.90%	59.84%
Plan fiduciary net position as a percentage of the total OPEB liability	5.39%	4.37%

*The amounts presented for each fiscal year were determined as of 6/30.

Schedule of University Contributions

	2018	2017
Contractually required contribution	$ 3,366,603	$ 2,989,514
Contributions in relation to the contractually required contribution	(3,366,603)	(2,989,514)
Contribution deficiency (excess)	$ -	$ -
University's covered payroll	$ 37,747,018	$ 37,408,274
Contributions as a percentage of covered payroll	8.92%	7.99%

See Independent Auditor's Report on Page 2 and Notes to Required Supplementary Information.

Notes to Required Supplementary Information - OPEB
June 30, 2018

Note 1 - Changes in OPEB plan benefit terms and assumptions

There are no changes in plan benefit terms and assumptions since the actuarial valuation as of January 1, 2017 is the initial actuarial valuation performed for the plan.

Note 2 - Other information

This schedule is intended to present 10 years of data. Additional years will be presented when available.

Detained information about the OPEB plan's changes in net OPEB liability and changes in the plan's fiduciary net position are not available to the University and, accordingly, are not presented in the schedule. This information is available in the Commonwealth of Massachusetts' financial statements.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2018

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2018 are as follows:

Statements of Net Position

	Residence Hall Fund	Residence Hall Damage Fund
Assets		
Cash	$ 1,466,614	$ 132,193
Cash held by State Treasurer	184,839	-
Investments	1,026,393	82,159
Prepaid expenses	5,037	-
Accounts receivable, net	77,264	45,862
Total assets	2,760,147	260,214
Liabilities		
Accounts payable	81,049	-
Deposits	323,200	-
Salaries payable	64,561	-
Compensated absences	83,879	-
Deferred rental income	2,050	-
Total liabilities	554,739	-
Net position	$ 2,205,408	$ 260,214

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund Activity
Year Ended June 30, 2018

The University's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Position (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2018 are as follows:

	Residence Hall Fund	Residence Hall Damage Fund
Revenues		
Student fees	$ 10,360,099	$ -
Interest	42,622	2,127
Investment income (loss)	32,932	1,882
Commissions	48,282	-
Rentals	69,649	-
Room damage assessments	-	48,766
Miscellaneous	37,457	-
Total revenues	10,591,041	52,775
Expenses		
Regular employee compensation	1,190,047	-
Regular employee related expenses	15,340	-
Special employee/contract services	176,921	-
Pension and insurance	430,711	-
Facility operating supplies and related expenses	78,150	-
Administrative expenses	11,869	-
Energy and space rental	1,146,012	-
Operational services	19,458	-
Equipment purchases	45,061	17,974
Equipment lease - purchase, lease, rent, repair	6,132	-
Purchased client services and programs	200	-
Construction and improvements	479,844	-
Benefit program	32,194	-
Loans and special payments	6,827,009	-
Other - bad debt expense (recovery)	18,842	389
Information technology expenses	18,556	-
Total expenses	10,496,346	18,363
Transfers (in)/out		
Interdepartmental rental income	(73,249)	-
Printing	647	-
Total transfers	(72,602)	-
Total expenses and transfers	10,423,744	18,363
Increase (decrease) in net position	167,297	34,412
Net position - beginning of year	2,038,111	225,802
Net position - end of year	$ 2,205,408	$ 260,214

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Residence Hall Fund and Residence Hall Damage Fund Activity
Year Ended June 30, 2018

The above Statements of Revenues, Expenses and Changes in Net Position do not include an allocation of the current year charge for workers' compensation as estimated by the Commonwealth's actuarial review. It is not practical to allocate any such amount to any specific trust fund.

Supplementary Information and Reports
Required by the Uniform Guidance

Independent Auditor's Report on Supplementary Information
Required by the Uniform Guidance

To the Board of Trustees
Fitchburg State University

We have audited the financial statements of the business-type activities and the discretely presented component unit of Fitchburg State University (a department of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fitchburg State University's basic financial statements, and our report thereon dated November 6, 2018, which included emphasis of matters paragraphs and which appears on page 3, expressed unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the 2018 financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and is not a required part of the 2018 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2018 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2018 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 financial statements or to the 2018 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2018 financial statements as a whole.

CohnReznick LLP

Boston, Massachusetts
November 6, 2018

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Passed through to Subrecipients	Federal Expenditures
National Endowment for the Humanities			
Direct Programs			
Promotion of the Humanities - Office of Digital Humanities	45.169	-	$ 1,003
Subtotal Direct Programs			1,003
Total National Endowment for the Humanities			$ 1,003
U.S. Department of Education			
Direct Programs			
English Language Acquisition State Grants (TESEL: Transforming English and Schools for English Learners)	84.365Z	-	$ 33,736
TRIO Cluster:			
TRIO - Student Support Services	84.042	-	252,890
TRIO - Upward Bound	84.047	-	369,125
TRIO - Upward Bound Math and Science	84.047	-	119,996
Total TRIO Cluster			742,011
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	-	245,710
Federal Work-Study Program	84.033	-	209,728
Federal Perkins Loan Program	84.038	-	1,619,081
Federal Pell Grant Program	84.063	-	7,080,099
Federal Direct Student Loans	84.268	-	26,787,551
Nursing Student Loans	93.364	-	449,618
Total Student Financial Assistance Cluster			36,391,787
Subtotal Direct Programs			37,167,534
Total U.S. Department of Education			$ 37,167,534
Total Federal Expenditures			$ 37,168,537

See Independent Auditor's Report on Supplementary Information on Page 101 and Notes to Schedule of Expenditures of Federal Awards.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards ("SEFA" or "Schedule") includes the federal award activity of Fitchburg State University (the "University"), under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net position, or cash flows of the University.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Fitchburg State University has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - Matching costs

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedule.

Note 4 - Relationship to federal financial reports

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule.

Note 5 - Federal Direct Student Loans ("FDL")

The Schedule includes FDL ("CFDA 84.268") which are made directly by the U.S. Department of Education to individual students.

Note 6 - Federal Perkins Loan Program

The Federal Perkins Loan Program ("CFDA 84.038") is administered by Fitchburg State University. Fiscal year 2018 activity included loan funds disbursed of $0. The outstanding liability to the federal government under this loan program at June 30, 2018 totaled $1,467,263.

Note 7 - Nursing Student Loans

The Nursing Student Loan Program ("CFDA 93.364") is administered by Fitchburg State University. Fiscal year 2018 activity included loan funds disbursed of $30,767. The outstanding liability to the federal government under this loan program at June 30, 2018 totaled $378,102.

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
Fitchburg 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 the business-type activities and discretely presented component unit of Fitchburg State University (the "University") (a department of the Commonwealth of Massachusetts), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 6, 2018, except for Note 29 to the financial statements which is dated March 19, 2019, which included emphasis of matters paragraphs as indicated on page 3.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.

CohnReznick LLP

Boston, Massachusetts
March 19, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Trustees
Fitchburg State University

Report on Compliance for Each Major Federal Program

We have audited Fitchburg State University's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fitchburg State University's major federal programs for the year ended June 30, 2018. Fitchburg State University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fitchburg State University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fitchburg State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Fitchburg State University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Boston, Massachusetts
November 6, 2018

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Fitchburg State University were prepared in accordance with generally accepted accounting principles.

2. No significant deficiencies related to the audit of the financial statements were reported in the 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*. No material weaknesses were reported.

3. No instances of noncompliance material to the financial statements of Fitchburg State University, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit and reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses were reported.

5. The auditor's report on compliance for the major federal award programs for Fitchburg State University expressed an unmodified opinion on all major federal programs.

6. There were no audit findings relating to the major federal award programs for Fitchburg State University that are required to be reported in accordance with 2 CFR Section 200.516(a) in this Schedule.

7. The programs tested as major programs were:

Agency	Title	CFDA #
Student Financial Assistance Cluster:		
U.S. Department of Education	Federal Supplemental Educational Opportunity Grants	84.007
U.S. Department of Education	Federal Work-Study Program	84.033
U.S. Department of Education	Federal Perkins Loan Program	84.038
U.S. Department of Education	Federal Pell Grant Program	84.063
U.S. Department of Education	Federal Direct Student Loans	84.268
U.S. Department of Health and Human Services	Nursing Student Loans	93.364

8. The threshold for distinguishing between Type A and B Programs was $750,000.

9. Fitchburg State University was determined to be a low-risk auditee.

Fitchburg State University
(a department of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

B. Findings - Audit of Financial Statements

None

C. Findings and Questioned Costs - Audit of Major Federal Award Programs

None