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

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

June 30, 2016 and 2015

CohnReznick
Accounting • Tax • Advisory

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, 2016 and 2015, 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, 2016 and 2015, 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.

Emphasis of 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, 2016 and 2015, 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 benefit schedules on pages 5 to 15 and 80 to 81, 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 2016 financial statements that collectively comprise the University's basic financial statements. The residence hall fund and residence hall damage fund activity shown on pages 82 to 83 are presented for purposes of additional analysis and are not a required part of the 2016 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 2016 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 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 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 2016 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 November 15, 2016 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fitchburg State University's internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
November 15, 2016

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, 2016, 2015 and 2014. 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 15 community colleges comprise public higher education in Massachusetts. The University offers approximately 50 undergraduate degree programs in eighteen academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2016, there were approximately 3,650 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,136. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education ("DGCE"). The University awarded approximately 1,100 graduate and undergraduate degrees in fiscal 2016. The University is accredited by the 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 2016 resulting in an increase in net assets of approximately 2.0%. 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 $29.1 million in fiscal 2016 as compared with $28.9 million in fiscal 2015 and $27.4 million in fiscal 2014. Included in the current year's figure are incentive funds appropriated by the Massachusetts legislature which provided an additional $5.5 million in funding to the state university system. Fitchburg State University received $400,000, less than half of what was received in the prior fiscal year. There were no funds received for the current collective bargaining agreements resulting in an overall increase in general appropriations of less than 1%.

- The University increased mandatory fees by $225 per semester to subsidize unfunded state mandates, primarily collective bargaining obligations not funded by state appropriations. The capital projects fee was also increased in fiscal 2016 to fund the final phase of the renovations to Hammond Hall. Total mandatory per semester fees were $4,482, $4,145 and $4,007 in fiscal 2016, 2015 and 2014, 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 University expended $19.2 million from current funds for capital additions in fiscal 2016. An additional $1 million was spent on the University's behalf by the Massachusetts Division of Capital Asset Management ("DCAM") for the Science Center modernization project and energy retrofit projects. Projects completed during the year included Phase IV, V & VI of the Hammond Hall renovations, renovations to the Dupont smokestack and campus core improvements. Projects remaining in process at June 30, 2016 include the final renovations of Hammond Hall, Phase II of the McKay C wing renovations, and the campus wireless project.

- Total assets and deferred outflows of resources at the end of fiscal 2016 were $230 million and exceeded liabilities and deferred inflows of resources of $89 million by $141 million (i.e. net position). Unrestricted net position available to support short-term operations totaled $17.9 million, of which $12.3 million has been designated for specific purposes.

- Total operating, non-operating, and gift revenue for fiscal 2016 was $95.1 million, while expenses totaled $92.3 million, resulting in an increase to net position of $2.8 million. The increase in net position includes a 7.6% increase in student tuition and fee revenues.

- Governmental Accounting Standards Board ("GASB") Statement No. 68 requires that an allocated portion of the Commonwealth's unfunded 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 unfunded pension liability is calculated at $10 million at June 30, 2015. The financial statements and ratios have been adjusted accordingly.

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.

- **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 $26.7 million are sufficient to cover current liabilities of $15.1 million. The University's current ratio at June 30 is 1.8 to 1 for 2016, 1.6 to 1 for 2015, and 1.4 to 1 for 2014.

- **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, 2016, 2015 and 2014 was 2.0%, 4.4% and 14.5%, respectively. The increase in the prior years' return on net position ratio is primarily the result of capital funds received for the construction of the Antonucci Science Complex.

- **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, 2016, 2015 and 2014 was 27.3%, 27.5% and 25.8%, 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, 2016, 2015 and 2014 was 125.9%, 128.45% and 131.9%, 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, 2016, 2015 and 2014 was 1.4, 1.6 and 2.8, 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, 2016, 2015 and 2014, are as follows:

	2016	2015	2014
Assets			
Current assets	$ 26,712	$ 28,703	$ 23,573
Capital assets, net	174,998	163,847	151,560
Other	24,170	35,402	38,639
Total assets	225,880	227,952	213,772
Deferred outflows of resources	3,999	607	-
Liabilities			
Current liabilities	15,163	17,393	16,485
Long-term liabilities	70,999	69,179	62,541
Total liabilities	86,162	86,572	79,026
Deferred inflows of resources	2,382	3,402	2,017
Net position			
Net investment in capital assets	115,713	113,647	110,513
Restricted			
Nonexpendable	467	480	474
Expendable	7,230	6,660	5,680
Unrestricted			
Designated	12,271	10,568	9,381
Undesignated	5,654	7,230	6,681
Total net position	$ 141,335	$ 138,585	$ 132,729

Current assets consist primarily of cash and cash equivalents (93.0%). 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 2014 has been decreased to reflect the recognition of the University's unfunded pension liability as required by the implementation of GASB Statement No. 68. The overall increase in net position over the last three fiscal years is the result of an influx of capital appropriations and grants that funded the construction of the Antonucci Science Complex. Those 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, 2016, 2015 and 2014. 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).

	2016	2015	2014
Operating revenues			
Tuition and fees (net)	$ 36,408	$ 33,815	$ 32,945
Grants	8,426	8,500	8,040
Sales and service of educational department	1,274	1,139	1,142
Auxiliary	9,270	9,278	8,807
Other operating revenue	982	832	799
Total operating revenue	56,360	53,564	51,733
Operating expenses			
Instruction	33,729	32,049	31,735
Research and public service	481	396	551
Academic support	6,088	5,478	4,865
Student services	9,646	9,745	9,195
Scholarships	1,809	1,647	1,688
Institutional support	9,975	8,081	7,664
Operations and maintenance	11,223	12,116	11,377
Depreciation	9,088	8,525	7,209
Auxiliary	8,854	9,094	8,770
Total operating expenses	90,893	87,131	83,054
Net operating loss	(34,533)	(33,567)	(31,321)
Non-operating revenue and expenses			
State appropriations	37,159	36,198	34,028
Investment income	(3)	191	1,988
Interest expense and debt issue costs	(1,419)	(1,165)	(1,002)
State capital appropriations	73	908	836
Capital gifts and grants	1,473	3,841	12,361
Interagency transfers	-	(550)	(120)
Total non-operating revenue	37,283	39,423	48,091
Increase in net position	2,750	5,856	16,770
Net position, beginning of the year	138,585	132,729	122,152
Restatement	-	-	(6,193)
Net position, end of the year	$ 141,335	$ 138,585	$ 132,729

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 2016, 2015 and 2014 was 29.2%, 27.3% and 26.2%, respectively. The current fringe benefit rate includes group medical insurance (18.8%); retirement (9.5%) and terminal leave (.9%).

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

	2016	2015	2014
Commonwealth general appropriations	$ 29,109	$ 28,961	$ 27,551
Appropriations to cover fringe benefits provided to employees of the Commonwealth	8,820	8,191	7,522
	37,929	37,152	35,073
Tuition remitted back to the Commonwealth	(770)	(954)	(1,045)
Net appropriations	37,159	36,198	34,028
Additional state capital appropriations	73	908	836
Total appropriations	$ 37,232	$ 37,106	$ 34,864

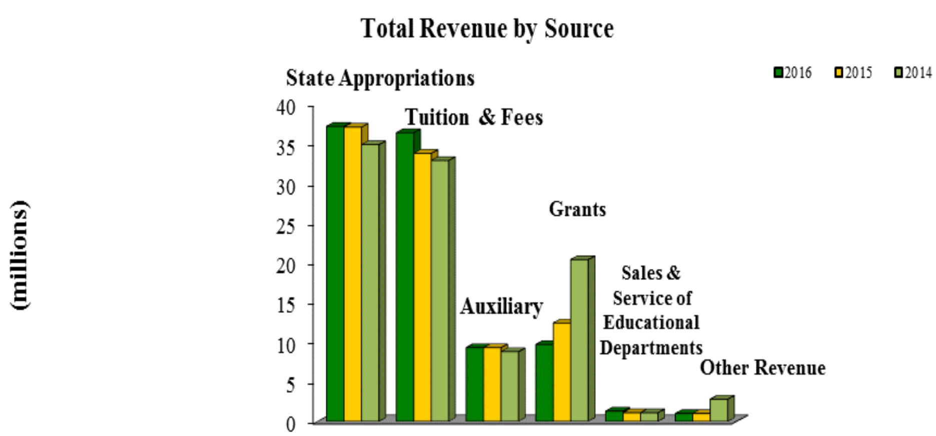
State appropriations are a significant source of funding for the University. According to the Governmental Accounting Standards Board, appropriations are considered non-operating revenue. As such, the University appears to experience a loss from operations. However, it should be noted that state appropriations *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, 2016, 2015 and 2014:

	2016	2015	2014
Tuition and fees revenue, net	$ 36,408	$ 33,815	$ 32,945
Other operating revenue	19,952	19,749	18,788
Total operating revenue	56,360	53,564	51,733
Operating expenses	(90,893)	(87,131)	(83,054)
Operating loss	(34,533)	(33,567)	(31,321)
Total state appropriations	37,159	36,198	34,028
Other revenue (expense), net	124	3,225	14,063
Increase in net position	$ 2,750	$ 5,856	$ 16,770

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, 2016, 2015 and 2014, the University's net operating revenues ratio was 1.5%, 1.4% and 4.0%, 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, 2016, 2015 and 2014 was $95.1, $94.7 and $100.9 million, respectively.

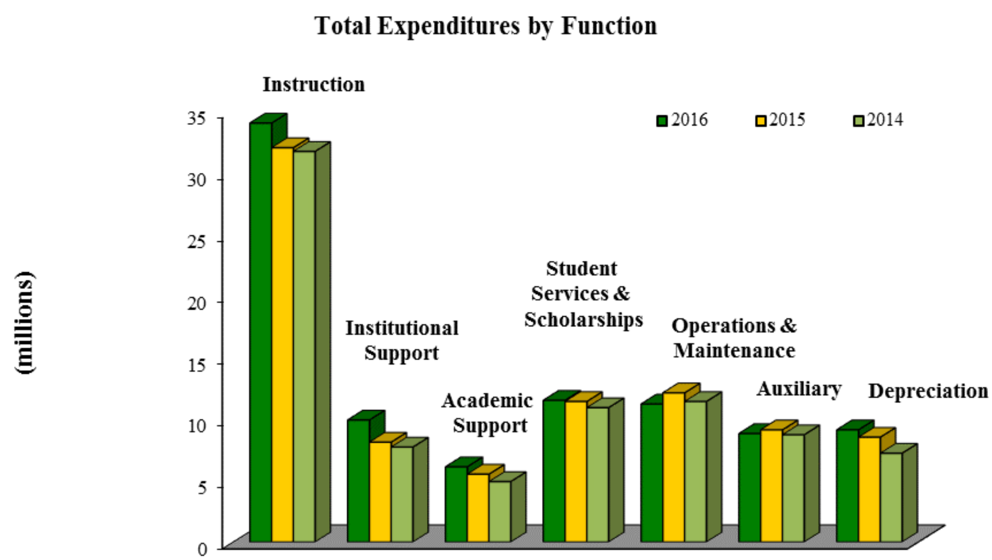


For the fiscal year ended June 30, 2016, general appropriations, as well as total appropriations, essentially remained flat with 2015 funding levels. Collective bargaining costs were not funded in fiscal 2016 resulting in an increase in the amount of payroll funded from local trust funds and a corresponding 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 40.2% 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 capital projects fee was increased in fiscal 2016 resulting in an overall increase in total tuition and fee revenue of 7.6%. During fiscal year 2016, 2015 and 2014, in-state tuition, fees and room & board for full time resident students was $9,532, $9,100 and $8,907 per semester, respectively. In-state tuition and fees for commuting students in fiscal years 2016, 2015 and 2014 was $4,967, $4,630 and $4,492 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 103% capacity.

Grant revenue is made up of federal, state and private grants. Grant revenue includes PELL, SEOG and Federal Work Study financial aid programs. Grant revenue also includes $1.3 million in capital grant funds used for construction and renovation of the science center and energy retrofit projects.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2016, 2015 and 2014 were $92.3, $88.8 and $84.2 million, respectively.



Expenditures, exclusive of depreciation, increased by 4.1% primarily due to increases in payroll mandated by collective bargaining agreements. The most significant area of expense remains Instruction, which represents 36.5% of total operating expenses. Faculty payroll ($22.1 million) and related benefits ($6.5 million) represent approximately 84.7% 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 $9.1, $8.5 and $7.2 million in depreciation expense for 2016, 2015 and 2014, 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	2016	2015	2014
Instruction	36.0%	35.6%	36.2%
Institutional Support	10.6%	9.0%	8.7%
Academic Support	6.5%	6.1%	5.5%
Student Services & Scholarships	12.2%	12.6%	12.4%
Operations & Maintenance	12.0%	13.5%	13.0%
Auxiliary	9.4%	10.1%	10.0%
Depreciation	9.7%	9.5%	8.2%

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, 2016, 2015 and 2014:

	2016	2015	2014
Cash received from operations	$ 57,063	$ 52,990	$ 51,214
Cash expended for operations	(74,289)	(70,666)	(68,574)
Net cash used by operations	(17,226)	(17,676)	(17,360)
Net cash provided by noncapital financing activities	28,510	28,007	26,506
Net cash used in capital and related financing activities	(23,918)	(9,069)	(7,150)
Net cash provided by (used in) investing activities	455	2,235	(187)
Net increase (decrease) in cash and equivalents	(12,179)	3,497	1,809
Cash and equivalents, beginning of the year	41,956	38,459	36,650
Cash and equivalents, end of the year	$ 29,777	$ 41,956	$ 38,459

The University's cash and cash equivalents decreased by approximately $12.2 million during fiscal 2016, resulting in the cash and cash equivalents balance of $29.7 million at fiscal year end. The decrease is primarily due to bond proceeds spent on Phase V of the Hammond Hall renovation. 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, 2016, net capital assets increased to $175 million net of current depreciation expense of $9.1 million. During the current fiscal year there were $20.2 million in additions to capital assets. Major capital initiatives either continuing or undertaken during 2016 include:

- McKay C Wing renovations, $856,000 (to date)
- Campus Wireless Project, $129,000 (to date)
- Final renovations to Hammond Hall, $1.6 million (to date)

Additional information on Fitchburg State University's capital assets can be found in Note 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, 2016, 2015 and 2014 was 2.2, 2.4 and 4.0, 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")) and the Massachusetts State College Building Authority ("MSCBA"). The interest rate on the MDFA debt is a floating rate set every thirty five 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 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, 2016 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	1.91%	$301,238	$2,838,013	2023
MSCBA	Holmes Dining Hall Renovations	2005	$1,090,000	DSF	2.57%	$68,225	$600,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	$4,020,000	DSF	2.32%	$248,451	$2,190,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	$2,060,000	DSF	4.59%	$147,192	$1,309,937	2026
MSCBA	Hammond Campus Center Renovations	2011	$15,935,656	DSF & operating funds	3.42%	$1,108,132	$12,559,798	2030

Issuing Agency	Construction Project	Fiscal Year Issued	Original Issue	Funding Source	Effective Interest Rate	Debt Service Payments	Debt Outstanding	Maturity
MSCBA	Hammond Campus Center Renovations	2012	$7,043,416	DSF & operating funds	4.95%	$509,550	$6,029,022	2031
MSCBA	Hammond Campus Center Renovations	2013	$11,300,906	DSF & operating funds	3.33%	$744,425	$10,056,807	2032
MSCBA	Parking Expansion	2013	$2,563,127	DSF & operating funds	3.07%	$168,588	$2,280,838	2032
MSCBA	Hammond Campus Center Renovations	2014	$12,235,614	DSF & operating funds	4.90%	$914,400	$11,464,287	2033
MSCBA	Hammond Campus Center Renovations	2015	$10,669,503	DSF & operating funds	4.07%	$759,044	$10,385,822	2034
Total			$72,918,222			$4,969,245	$59,714,524	

For the fiscal years ended June 30, 2016, 2015 and 2014, the total debt (current and long-term) attributable to interagency payments and bond premiums amounted to $59.7, $62.6 and $54.4 million, respectively.

Additional information on Fitchburg State University's long-term debt activity can be found in Note 12 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. A viability ratio of 1.0 indicates that, as of the statement of net position date, the University has sufficient net position to satisfy its debt obligations. The University's viability ratio remained at .4 as of June 30, 2016, 2015 and 2014.

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 sets the upper threshold for institutional debt burden at 7%. As of June 30, 2016, 2015 and 2014, the University's debt burden was 5.8%, 5.0% and 4.2%, respectively.

Looking Forward

In September, the University launched the 2016-17 academic year with one of its largest and most diverse incoming freshman classes. There are more than 1,000 first year and transfer students beginning classes which is the second largest incoming class in the University's history. There are 294 high schools represented, 14 states and 4 foreign countries resulting in the highest overall diversity rate to date. The 2016-17 academic year also welcomes a new provost and vice president for academic affairs as well as the formal inauguration of the eleventh president of Fitchburg State University.

In August of 2016, the Massachusetts Department of Higher Education awarded $910,000 in individual grants to 22 public colleges and universities to expand opportunities for high school students to participate in the Commonwealth Dual Enrollment Partnership program. The program allows students to attend free or low cost college courses at local campuses, at area high schools or on line. Fitchburg State University received a 25% increase over the 2016 amounts and will use those funds to expand partnerships with area high schools and to expand access to the program by offering classes in the late afternoons and on Saturdays.

Fitchburg State University has been selected by the American Association of State Colleges and Universities to participate in a three year *Re-Imagining the First Year of College* ("RFY") project. The University was one of only 44 institutions nationally and one of only two institutions in Massachusetts to be selected. The sweeping initiative aims to transform the first year of college to enhance student's success in their undergraduate years and in the 21st century workplace. The first year of college is critical to student success but is also the point at which undergraduate institutions experience the greatest loss of students. The Project will strive to implement proven, innovative strategies and programs that are adapted to each campus's unique environment. The goal of the program is to improve retention, persistence and graduation rates as well as the entire operational system surrounding a student's first two semesters in higher education. RFY is being funded through grants from the Bill and Melinda Gates Foundation and USA Funds.

The University is the largest employer in the city of Fitchburg. As such, the institution continues to partner with the city and regional leadership in projects aimed at improving the quality of life and economic foundation of the area. Economic development and urban renewal efforts have taken many forms and include support from faculty, students and administrative staff. The *ReImagine North of Main* project is a multi-agency effort to improve the quality of life in the area north of Main Street. The Project includes representatives from City Hall, the University, Fitchburg Public Schools and several local nonprofit organizations. The goal is to improve overall conditions in targeted neighborhoods by focusing on public safety, economic development and entrepreneurship, education, housing, health and community engagement. As a community resource, the institution continues to provide leadership and support for the economic, environmental, social and cultural 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.

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

Statements of Net Position
June 30, 2016 and 2015

Assets

	2016	Component Unit Fitchburg State University Foundation, Inc. 2016	2015	Component Unit Fitchburg State University Foundation, Inc. 2015
Current assets				
Cash and equivalents	$ 19,028,998	$ 1,185,537	$ 19,114,408	$ 1,287,165
Restricted cash and cash equivalents	5,807,938	-	7,134,196	-
Investments	-	5,795,296	-	6,258,067
Accounts receivable, net	1,522,077	45,062	2,163,423	109,929
Contributions receivable, net	-	81,701	-	61,124
Loans receivable - current portion	117	-	100	-
Other current assets	352,411	68,921	290,709	25,285
Total current assets	26,711,541	7,176,517	28,702,836	7,741,570
Noncurrent assets				
Restricted cash and cash equivalents	4,939,860	-	15,706,939	-
Investments	16,185,963	-	16,597,029	-
Endowment investments	809,984	9,460,950	842,717	9,211,284
Accounts receivable, net of current portion	81,249	-	80,009	-
Contributions receivable, net	-	37,983	-	95,990
Loans receivable, net of current portion	1,996,583	-	2,020,468	-
Capital assets, net	174,997,882	6,249,546	163,847,460	6,368,281
Other noncurrent assets	157,159	115,187	155,097	120,834
Total noncurrent assets	199,168,680	15,863,666	199,249,719	15,796,389
Total assets	225,880,221	23,040,183	227,952,555	23,537,959
Deferred outflows of resources				
Deferred outflow for pensions	3,999,478	-	606,819	-
Total deferred outflows of resources	3,999,478	-	606,819	-

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

Statements of Net Position
June 30, 2016 and 2015

Liabilities and Net Position

	2016	Component Unit Fitchburg State University Foundation, Inc. 2016	2015	Component Unit Fitchburg State University Foundation, Inc. 2015
Current Liabilities				
Interagency payables - current portion	$ 3,132,683	$ -	$ 2,866,416	$ -
Long-term debt - current portion	-	175,937	-	164,043
Bank line of credit	-	250,000	-	-
Accounts payable and accrued liabilities	2,649,234	57,505	4,721,040	145,587
Accounts payable - construction	1,526,988	-	2,068,744	-
Accrued workers' compensation - current portion	110,720	-	127,529	-
Compensated absences - current portion	3,447,051	-	3,366,175	-
Faculty payroll accrual	2,949,305	-	2,947,991	-
Revenue received in advance	1,047,856	69,770	981,528	6,795
Deposits	251,925	-	270,550	-
Other current liabilities	47,405	-	42,890	-
Total current liabilities	15,163,167	553,212	17,392,863	316,425
Noncurrent liabilities				
Interagency payables, net of current portion	56,581,841	-	59,740,264	-
Accrued workers' compensation, net of current portion	397,170	-	457,467	-
Compensated absences, net of current portion	2,007,442	-	1,913,232	-
Long-term debt, net of current portion	-	2,905,137	-	3,080,876
Loan payable - federal financial assistance program	2,017,863	-	1,989,199	-
Net pension liability	9,995,092	-	5,078,817	-
Total noncurrent liabilities	70,999,408	2,905,137	69,178,979	3,080,876
Total liabilities	86,162,575	3,458,349	86,571,842	3,397,301
Deferred inflows of resources				
Service concession arrangement	2,023,343	-	2,276,261	-
Deferred inflow for pensions	358,503	-	1,125,969	-
Total deferred inflows of resources	2,381,846	-	3,402,230	-

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

Statements of Net Position
June 30, 2016 and 2015

Net Position

	2016	Component Unit Fitchburg State University Foundation, Inc. 2016	2015	Component Unit Fitchburg State University Foundation, Inc. 2015
Net investment in capital assets	$ 115,713,366	$ 2,918,471	$ 113,647,096	$ 3,108,089
Restricted for:				
Nonexpendable				
Scholarships and fellowships	467,162	4,839,056	480,227	4,626,322
Cultural programs	-	3,063,207	-	3,033,384
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	10,000	-	10,000
Expendable				
Scholarships and fellowships	492,879	2,511,936	530,065	2,809,012
Cultural programs		1,946,688	-	2,088,759
Loans	273,806	-	269,986	-
Capital projects	1,455,397	-	1,498,585	-
Debt service	5,007,027	-	4,360,069	-
Other	930	304,331	930	317,152
Unrestricted	17,924,711	2,395,171	17,798,344	2,554,966
Total net position	$ 141,335,278	$ 19,581,834	$ 138,585,302	$ 20,140,658

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, 2016 and 2015

	2016	Component Unit Fichburg State University Foundation, Inc. 2016	2015	Component Unit Fichburg State University Foundation, Inc. 2015
Operating revenues				
Student tuition and fees	$ 38,443,713	$ -	$ 36,798,709	$ -
Student fees restricted for repayment of				
Interagency payables	5,692,277	-	4,918,252	-
Less: Scholarship allowances	(7,728,440)	-	(7,901,604)	-
Net student tuition and fees	36,407,550	-	33,815,357	-
Federal grants and contracts	7,850,337	-	7,935,184	-
State and local grants and contracts	393,374	25,005	496,631	71,892
Nongovernmental grants and contracts	182,630	-	68,430	-
Sales and services of educational departments	1,273,739	582,262	1,138,903	723,700
Gifts and contributions	-	544,843	-	636,485
Auxiliary enterprises:				
Residental life	9,237,481	478,962	9,245,569	224,540
Alcohol awareness and other programs	32,250	-	32,580	-
Other operating revenues	982,443	-	831,648	594,795
Total operating revenues	56,359,804	1,631,072	53,564,302	2,251,412
Operating expenses				
Educational and general				
Instruction	33,729,305	38,489	32,048,719	84,973
Research	2,445	-	1,191	-
Public service	479,045	118,062	395,305	153,939
Academic support	6,087,539	15,193	5,477,624	20,718
Student services	9,646,259	173,622	9,745,125	157,651
Institutional support	9,974,494	534,249	8,080,755	672,421
Operations and maintenance of plant	11,223,190	451,043	12,115,929	147,203
Depreciation and amortization	9,087,710	250,048	8,525,149	166,470
Scholarships and awards	1,809,254	449,585	1,647,595	430,573
Auxiliary enterprises				
Residential life	8,824,155	71,816	9,065,978	68,037
Alcohol awareness and other programs	29,770	-	27,882	-
Total operating expenes	90,893,166	2,102,107	87,131,252	1,901,985
Operating income (loss)	(34,533,362)	(471,035)	(33,566,950)	349,427

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

Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

	2016	Component Unit Fichburg State University Foundation, Inc. 2016	2015	Component Unit Fichburg State University Foundation, Inc. 2015
Nonoperating revenues (expenses)				
State appropriations	$ 37,159,087	$ -	$ 36,197,548	$ -
Gifts	176,510	-	50	-
Investment income (loss), net of investment expense	(59,768)	(29,366)	129,973	261,264
Investment income (loss) on restricted assets, net of investment expense	57,157	(77,019)	61,013	645,871
Interest expense on Interagency payables and capital asset related debt	(1,418,683)	(140,902)	(1,092,563)	(167,308)
Debt issuance costs	-	-	(72,534)	-
Net nonoperating revenues (expenses) before capital and endowment additions	35,914,303	(247,287)	35,223,487	739,827
Income (loss) before capital and endowment additions	1,380,941	(718,322)	1,656,537	1,089,254
State capital appropriations	72,922	-	908,318	-
Capital grants	1,296,113	-	3,841,367	-
Transfers (to)/from state agencies	-	-	(550,360)	-
Private gifts for endowment purposes	-	159,498	-	311,443
Total capital and endowment additions	1,369,035	159,498	4,199,325	311,443
Increase (decrease) in net position	2,749,976	(558,824)	5,855,862	1,400,697
Net position - beginning of year	138,585,302	20,140,658	132,729,440	18,739,961
Net position - end of the year	$ 141,335,278	$ 19,581,834	$ 138,585,302	$ 20,140,658

See Notes to Financial Statements.

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

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Tuition and fees	$ 36,581,234	$ 33,258,312
Research grants and contracts	8,513,028	8,392,365
Payments to suppliers	(19,182,946)	(19,207,948)
Payments to utilities	(4,125,313)	(4,493,845)
Payments to employees	(46,171,052)	(42,661,945)
Payments for benefits	(2,735,385)	(2,249,189)
Payments for scholarships	(1,839,701)	(1,676,028)
Loans issued to students	(234,744)	(292,382)
Collection of loans to students	255,170	269,553
Auxiliary enterprise receipts		
Residential life	9,236,353	9,254,125
Alcohol awareness program	32,250	32,580
Receipts from sales and services of educational departments	1,398,044	953,133
Other payments	-	(84,862)
Other receipts	1,047,084	829,752
Net cash provided by (used in) operating activities	(17,225,978)	(17,676,379)
Cash flows from noncapital financing activities		
State appropriations	29,108,794	28,960,545
Tuition remitted to State	(775,375)	(953,550)
Gifts from grants for other than capital purposes	176,510	50
Net cash provided by (used in) noncapital financing activities	28,509,929	28,007,045
Cash flows from capital and related financing activities		
State capital appropriations	72,922	908,318
Loan programs net funds received	32,484	35,201
Capital grants	193,468	486,798
Interagency payable proceeds received	-	10,669,502
Payments for capital assets	(19,247,076)	(16,404,632)
Principal paid on capital debt	(2,582,360)	(2,086,687)
Interest paid on capital debt	(2,386,885)	(2,054,377)
Debt issuance costs	-	(72,534)
Transfers to other state agencies	-	(550,360)
Net cash provided by (used in) capital and related financing activities	(23,917,447)	(9,068,771)

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

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from investing activities		
Purchase of investments	$ (3,694,401)	$ (7,033,331)
Proceeds from sale of investments	3,758,792	8,263,378
Earnings on investments	390,358	904,687
Collection of advance to component unit	-	100,000
Net cash provided by (used in) investing activities	454,749	2,234,734
Net increase (decrease) in cash and equivalents	(12,178,747)	3,496,629
Cash and equivalents, beginning of year	41,955,543	38,458,914
Cash and equivalents, end of year	$ 29,776,796	$ 41,955,543
Reconciliation of operating loss to net cash provided by (used in) operating activities		
Operating loss	$ (34,533,362)	$ (33,566,950)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Bad debt expense	94,997	340,682
Depreciation and amortization	9,087,710	8,525,149
Fringe benefits paid by the Commonwealth of Massachusetts	8,819,470	8,190,553
Change in unfunded net pension liability	756,150	(594,701)
Changes in assets and liabilities:		
Receivables	350,358	(772,518)
Other current and noncurrent assets	(63,692)	36,969
Accounts payable and accrued liabilities	(1,909,548)	651,000
Accrued workers' compensation	(77,106)	(112,878)
Compensated absences	175,086	232,490
Accrued faculty payroll	1,314	(480,703)
Revenue received in advance	66,328	(17,780)
Other current liabilities	4,515	(44,697)
Deposits	(18,625)	(40,165)
Loans to students	20,427	(22,830)
Net cash provided by (used in) operating activities	$ (17,225,978)	$ (17,676,379)

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

Statements of Cash Flows
Years Ended June 30, 2016 and 2015

	2016	2015
Schedule of noncash investing and financing activities		
Acquisition of capital assets	$ 20,238,132	$ 20,812,807
Accounts payable thereon:		
Beginning of year	2,068,744	1,880,368
End of year	(1,526,988)	(2,068,744)
Capital grants from DCAM	(1,036,663)	(3,588,067)
Net interest earned and incurred, capitalized in construction in progress	(496,149)	(631,732)
Payments for capital assets	$ 19,247,076	$ 16,404,632
Unrealized gain (loss) on investments	$ (405,738)	$ (701,502)
Fringe benefits paid by the Commonwealth of Massachusetts	$ 8,819,470	$ 8,190,553
Capital grants - amortization of deferred inflows of resources - service concession arrangement	$ 252,918	$ 259,901
Reconciliation of cash and cash equivalent balances		
Current assets		
Cash and cash equivalents	$ 19,028,998	$ 19,114,408
Restricted cash and cash equivalents	5,807,938	7,134,196
Noncurrent assets		
Restricted cash and cash equivalents	4,939,860	15,706,939
Total cash and cash equivalents	$ 29,776,796	$ 41,955,543

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 Association of Schools and Colleges.

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, 2016, 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 2016, FSU Foundation distributed scholarships and awards in the amount of $449,585 directly to students and faculty of the University, and incurred an additional $1,793,424 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 2015, FSU Foundation distributed scholarships and awards in the amount of $430,573 directly to students and faculty of the University, and incurred an additional $1,638,720 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, 2016 and 2015, the University had $455,754 and $394,659, 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, a pooled investment real estate fund 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 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 $103,535 and $113,383 for the years ended June 30, 2016 and 2015, respectively. The Foundation's investment expense amounted to $100,290 and $94,980 for the years ended June 30, 2016 and 2015, 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 $1,606,367 and $1,585,355 for Perkins and $411,496 and $403,844 for NSL at June 30, 2016 and 2015, 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, 2016 and 2015 were $5,231,200 and $5,742,083, 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, 2016 and 2015.

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 2016 and 2015, total interest costs incurred were accounted for as follows:

	2016	2015
Total interest costs incurred	$ 2,225,292	$ 1,997,166
Less: Interest income on unused funds from tax exempt borrowings	(937)	(118)
Bond premium amortization	(309,523)	(272,753)
	1,914,832	1,724,295
Less: Capitalized portion of net interest earned and incurred	(496,149)	(631,732)
Interest expense	$ 1,418,683	$ 1,092,563

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.

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 2015 financial statements to conform to the 2016 presentation.

Recently adopted accounting pronouncements

In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application*. The primary objective of GASB Statement No. 72 is to address accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of GASB Statement No. 72 are effective for financial statements for periods beginning after June 15, 2015 with earlier application encouraged. The University adopted this standard in fiscal year 2016.

The impact of implementing GASB Statement No. 72 on the University's financial statements is disclosure only as further discussed in Note 2.

Note 2 - Cash and cash equivalents, and investments

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2016 and 2015:

	2016		
	Current Unrestricted	Current Restricted	Noncurrent Restricted
Cash and money market accounts	$ 14,278,260	$ 4,829,913	$ 945,656
Cash equivalents held by MDFA *	-	261,076	307,647
Cash equivalents held by MSCBA ***	-	612,595	3,565,261
Massachusetts Municipal Depository Trust	3,113,025	-	121,296
Massachusetts State Treasurer **	1,636,643	104,354	-
Petty cash	1,070	-	-
	$ 19,028,998	$ 5,807,938	$ 4,939,860

	2015		
	Current Unrestricted	Current Restricted	Noncurrent Restricted
Cash and money market accounts	$ 13,072,032	$ 5,188,126	$ 120,303
Cash equivalents held by MDFA *	-	246,298	330,616
Cash equivalents held by MSCBA ***	-	1,201,002	15,240,108
Massachusetts Municipal Depository Trust	3,099,938	104,875	15,912
Massachusetts State Treasurer **	2,941,350	393,895	-
Petty cash	1,089	-	-
	$ 19,114,409	$ 7,134,196	$ 15,706,939

* 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.

** The University has recorded cash held for the benefit of the University by the State Treasurer in the amount of $1,636,643 and $2,941,350 at June 30, 2016 and 2015, respectively, for University funds and $104,354 and $393,895 at June 30, 2016 and 2015, respectively, to pay year-end liabilities. The latter balance represents amounts paid from State appropriations subsequent to the fiscal year-end.

*** 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 are used on a current basis to offset annual debt service payments.

Money market funds include the Schwab Advisor Cash Reserves Premier Sweep Shares in the aggregate amount of $78,860 and $43,109 at June 30, 2016 and June 30, 2015, respectively. The Schwab Advisor Cash Reserves Premier Sweep Shares invests in high-quality short-term money market investments issued by U.S. and foreign issuers, such as commercial paper, including asset-backed commercial paper; promissory notes; certificates of deposit and time deposits; variable and floating-rate debt services; bank notes and bankers' acceptances; repurchase agreements; obligations that are issued by the U.S. government, its agencies or instrumentalities. The fund seeks the highest current income consistent with stability of capital and liquidity. At June 30, 2016 and June 30, 2015, the fund's investment securities had a weighted average maturity of 33 days and 42 days, respectively. The fund was not rated for average credit quality at June 30, 2016 and June 30, 2015, respectively.

Money market funds include the Northern Institutional Diversified Assets Portfolio in the aggregate amount of $337,241 and $208,083 at June 30, 2016 and June 30, 2015, respectively. The Northern Institutional Diversified Assets Portfolio invests in a broad range of high quality, U.S. dollar-denominated government, bank and commercial obligations that are available in the money markets. The fund seeks to maximize current income to the extent consistent with the preservation of capital and maintenance of liquidity by investing exclusively in high quality money market instruments. At June 30, 2016 and June 30, 2015, the fund's investment securities had a weighted average maturity of 28 days and 37 days, respectively. The fund had an average credit quality rating of Aaa-mf at June 30, 2016 and June 30, 2015.

Money market funds also include the RWM Cash Management money market account with a balance of $328,685 and $106,206 at June 30, 2016 and 2015, 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, 2016 and 2015, the University had uninsured cash balances totaling $5,582,049 and $5,584,089, 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, 2016 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:

U.S. Treasury Notes and Government Securities	$ 1,425,817
Corporate Debt Securities	1,900,196
Equity Securities	7,770,711
Mutual Funds	5,899,223
Total	16,995,947
Less insured amounts	1,500,000
Amount subject to Custodial Credit Risk	$ 15,495,947

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, 2016 and 2015, the fair values of the University's deposits held at the Massachusetts Municipal Depository Trust were $3,234,321 and $3,220,725, respectively. At June 30, 2016, the approximate percentage of the University's deposits held at the MMDT and the respective investment maturities in days were as follows: 54% at 30 days or less; 29% at 31-90 days; 11% at 91-180 days; and 6% at 181 days or more. At June 30, 2016, approximately 97% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 3% had a credit quality rating of P2.

The University's funds held at MDFA are invested in the Short-Term Asset Reserve ("STAR") Fund and had a fair value of $568,723 and $576,914 at June 30, 2016 and 2015, 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, 2016 and 2015, respectively. At June 30, 2016 and 2015, the fund's investment securities maintain a weighted average maturity of 46 and 27 days, respectively.

At June 30, 2016, certain of the University's funds are held at MSCBA. Of the total, $1,915,439 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	

At June 30, 2015, certain of the University's funds are held at MSCBA. Of the total, $14,178,693 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	-	AAA
Massachusetts ST Bonds	1,449,777	-	485,614	-	964,163	AAA
Total	$ 2,262,417	$ 144,841	$ 485,614	$ 667,799	$ 964,163	

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Noncurrent:				
U.S. Treasury Notes and Government Securities	$ 1,443,562	$ 1,425,817	$ 1,519,134	$ 1,474,042
Corporate Debt Securities	1,849,460	1,900,196	1,948,679	1,921,784
Mortgage-Backed Securities	-	-	16,581	16,593
Equity Securities	6,798,795	7,770,711	4,269,686	5,533,726
Mutual Funds	5,943,009	5,899,223	8,318,807	8,493,601
	$ 16,034,826	$ 16,995,947	$ 16,072,887	$ 17,439,746

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

	2016	2015
Investments	$ 16,185,963	$ 16,597,029
Endowment investments	809,984	842,717
	$ 16,995,947	$ 17,439,746

At June 30, 2016, 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 Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater Than 10	Credit Rating
U.S. Treasury Notes and Government Securities 1.625% to 3.500%	$ 1,425,817	$ 137,236	$ 1,098,264	$ 190,317	$ -	AA+
Corporate Debt Securities 1.875% to 5.625%	633,314	120,219	449,385	63,710	-	A
Corporate Debt Securities 3.100% to 6.3000%	314,030	-	64,168	249,862	-	A-
Corporate Debt Securities 2.800% to 4.300%	128,009	-	-	128,009	-	A+
Corporate Debt Securities 3.400% to 3.625%	185,084	-	65,615	119,469	-	AA
Corporate Debt Securities 1.75% to 3.625%	193,452	60,469	-	132,983	-	AA-
Corporate Debt Securities 3.200% to 4.650%	121,721	-	-	121,721	-	AA+
Corporate Debt Securities 0.03125	53,552	-	-	53,552	-	AAA
Corporate Debt Securities 1.400% to 5.000%	271,034	-	192,706	78,328	-	BBB+
Total	$ 3,326,013	$ 317,924	$ 1,870,138	$ 1,137,951	$ -	

At June 30, 2015, the University's U.S. Treasury Notes and Government Securities, corporate debt securities and mortgage-backed securities along with their investment maturities and credit quality ratings are as follows:

		Investment Maturities (in years)				
Investment Type	Fair Value	Less Than 1	1-5	6-10	Greater Than 10	Credit Rating
U.S. Treasury Notes and Government Securities 2.000% to 3.500%	$ 1,474,042	$ 141,489	$ 995,448	$ 337,105	$ -	AA+
Corporate Debt Securities 1.375% to 6.0000%	554,646	50,397	316,114	188,135	-	A
Corporate Debt Securities 1.400% to 3.875%	312,004	60,127	65,975	185,902	-	A-
Corporate Debt Securities 1.875% to 5.625%	313,811	-	192,377	121,434	-	A+
Corporate Debt Securities 3.400% to 4.300%	176,788	-	-	176,788	-	AA
Corporate Debt Securities 0.0175	249,829	61,907	126,222	61,700	-	AA-
Corporate Debt Securities 3.000% to 4.650%	190,624	75,143	-	115,481	-	AA+
Corporate Debt Securities 0.046	124,082	-	59,606	64,476	-	BBB+
Mortgage-Backed Securities 0.0037	16,593	-	16,593	-	-	N/A
Total	$ 3,412,419	$ 389,063	$ 1,772,335	$ 1,251,021	$ -	

FSU Foundation's cash and cash equivalents consist of the following at June 30, 2016 and 2015:

	2016	2015
Cash and other demand deposits	$ 600,755	$ 513,024
Money Market Funds	584,782	774,141
	$ 1,185,537	$ 1,287,165

Money market funds include the SSgA US Government Money Market Fund, the Schwab Advisor Cash Reserves Fund, RWM Cash Management and the Fidelity Bank LifeDesign Business Cash Management Money Market account in the amounts of $208,180, $79,744, $155,349 and $141,509 at June 30, 2016 and $139,750, $42,183, $151,894 and $440,314 at June 30, 2015, respectively.

The cash balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At June 30, 2016 and 2015, FSU Foundation's uninsured cash and equivalent balances, including the SSgA US Government Money Market Fund, Schwab Advisor Cash Reserves Fund, RWM Cash Management and Fidelity Bank LifeDesign Business Cash Management Money Market account, amounted to approximately $430,200 and $510,700, 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:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Equities	$ 5,839,660	$ 8,109,970	$ 5,860,876	$ 8,644,818
Preferred stocks	107,779	112,925	119,957	118,798
Mutual funds	3,665,172	3,676,250	3,842,598	3,928,904
Corporate bonds	1,586,976	1,630,038	1,173,863	1,194,283
U.S. government securities	1,693,568	1,727,063	1,576,992	1,570,489
Mortgage-backed securities	-	-	12,071	12,059
	$ 12,893,155	$ 15,256,246	$ 12,586,357	$ 15,469,351

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

	2016	2015
Current assets		
Investments	$ 5,795,296	$ 6,258,067
Noncurrent assets		
Endowment investments	9,460,950	9,211,284
	$ 15,256,246	$ 15,469,351

At June 30, 2016, net unrealized gains in FSU Foundation's investment portfolio amounted to $2,363,091. At June 30, 2015, net unrealized gains in FSU Foundation's investment portfolio amounted to $2,882,994.

At June 30, 2016 and 2015, equities include securities in the consumer goods sector which represent 21% and 18%, respectively, in each year of the fair value of FSU Foundation's investment portfolio.

At June 30, 2016 and 2015, 8% and 6% of the fair value of FSU Foundation's investment portfolio in each year, respectively, represents foreign investments.

Investments held by FSU Foundation with an equivalent fair value of $9,190,000 at June 30, 2016 collateralize certain debt agreements (see Notes 13 and 14).

Commonfund Realty Investors, LLC (the "Fund") is a commingled, open-end real estate investment fund composed of income oriented, value-add and development properties that are combined to create a value-added portfolio with a strong focus on distributable income. The Foundation made a capital investment in the Commonfund Realty Investors, LLC totaling $485,000 as of August 2007. Investment units in the Fund are not deemed to be readily marketable pursuant to and as more fully described in the investment agreement. On June 30, 2010, FSU Foundation wrote down its investment in Commonfund Realty Investors, LLC to zero representing its fair value based upon the latest available information (March 31, 2010) provided by its professional investment manager. The decline in the fair value of this investment resulted from the continuing significant disruptions in the global capital, credit and real estate markets. In the opinion of management of FSU Foundation, the decline in fair value of this investment was considered to be other-than-temporary. During fiscal 2015, FSU Foundation received capital gain distributions from Commonfund Realty Investors, LLC totaling $423, which is included in investment income (loss) on restricted assets in the accompanying 2015 statement of revenues, expenses and changes in net position.

At June 30, 2016, the fair value of FSU Foundation's investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 Year	1-5 Years	5-10 Years	More Than 10 Years	Total
Corporate bonds	$ 234,795	$ 1,024,782	$ 370,461	$ -	$ 1,630,038
U.S. government securities	101,115	1,273,593	352,355	-	1,727,063
	$ 335,910	$ 2,298,375	$ 722,816	$ -	$ 3,357,101

At June 30, 2015, the fair value of FSU Foundation's Investments in debt securities by contractual maturities is as follows:

	Maturity				
	Within 1 Year	1-5 Years	5-10 Years	More Than 10 Years	Total
Corporate bonds	$ 30,267	$ 917,914	$ 246,102	$ -	$ 1,194,283
U.S. government securities	429,208	809,493	331,788	-	1,570,489
Mortgage-backed securities	-	-	-	12,059	12,059
	$ 459,475	$ 1,727,407	$ 577,890	$ 12,059	$ 2,776,831

The University 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 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 quote 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, 2016:

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	$ 1,425,817	$ -	$ 1,425,817	$ -
Corporate Debt Securities	1,900,196	-	1,900,196	-
Equity Securities	7,770,711	7,770,711	-	-
Mutual Funds	5,899,223	5,899,223	-	-
	$ 16,995,947	$ 13,669,934	$ 3,326,013	$ -

The University's investments' fair value measurements are as follows at June 30, 2015:

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	$ 1,474,042	$ -	$ 1,474,042	$ -
Corporate Debt Securities	1,921,784	-	1,921,784	-
Mortgage-Backed Securities	16,593	-	16,593	-
Equity Securities	5,533,726	5,533,726	-	-
Mutual Funds	8,493,601	8,493,601	-	
	$ 17,439,746	$ 14,027,327	$ 3,412,419	$ -

The FSU Foundation's investments' fair value measurements are as follows at June 30, 2016:

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	$ 1,727,063	$ -	$ 1,727,063	$ -
Preferred stocks	112,925	-	112,925	-
Corporate bonds	1,630,038	-	1,630,038	-
Equity securities	8,109,970	8,109,970	-	-
Mutual funds	3,676,250	3,676,250	-	-
	$ 15,256,246	$ 11,786,220	$ 3,470,026	$ -

The FSU Foundation's investments' fair value measurements are as follows at June 30, 2015:

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	$ 1,570,489	$ -	$ 1,570,489	$ -
Preferred stocks	118,798	-	118,798	-
Mortgage-backed securities	12,059	-	12,059	-
Corporate bonds	1,194,283	-	1,194,283	-
Equity securities	8,644,818	8,644,818	-	-
Mutual funds	3,928,904	3,928,904	-	-
	$ 15,469,351	$ 12,573,722	$ 2,895,629	$ -

Debt 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.

Note 3 - Accounts and contributions receivable

The University's accounts receivable include the following at June 30, 2016 and 2015:

	2016	2015
Student accounts receivable	$ 1,491,446	$ 1,804,967
Parking and other fines receivable	84,621	102,578
Commissions receivable	73,879	71,761
Grants receivable	221,718	366,374
Compass receivable, including accrued interest of $3,231 and $23,104 (see Note 11)	81,249	276,708
Miscellaneous other receivables	38,081	37,563
	1,990,994	2,659,951
Less allowance for doubtful accounts	(387,668)	(416,519)
	$ 1,603,326	$ 2,243,432

FSU Foundation's contributions receivable consist of the following at June 30, 2016 and 2015:

	2016	2015
Receivable in less than one year	$ 81,701	$ 74,874
Receivable in one to five years	40,000	85,500
	121,701	160,374
Discount on pledges	(2,017)	(3,260)
	$ 119,684	$ 157,114

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%.

During fiscal 2016, a donor made a conditional promise to give to the FSU Foundation in the amount of $100,000. The contribution is to be used for the proposed downtown Fitchburg theater block renovation project. As of June 30, 2016, the conditions of the donation have not been met and accordingly, the contribution has not been recorded. The Project is expected to close in fiscal 2017, at which time the conditions of the contribution are expected to be met.

Note 4 - Loans receivable

Loans receivable include the following at June 30, 2016 and 2015:

	2016	2015
Perkins loans receivable	$ 1,642,805	$ 1,658,456
Nursing loans receivable	353,895	362,112
Emergency student loans receivable	3,018	3,018
	1,999,718	2,023,586
Less allowance for doubtful accounts	(3,018)	(3,018)
	$ 1,996,700	$ 2,020,568

The federal law authorizing the disbursing of Perkins loans expired on September 30, 2015. As of October 1, 2015, the University is prohibited from issuing new Perkins loans to students who have not received them prior to October 1, 2014. As of the date of these financial statements, the Perkins loan program will end any further new loans being issued after June 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, 2016 is as follows:

Capital assets:	Totals June 30, 2015	Additions	Reclassifications* and Reductions	Totals June 30, 2016
Non-depreciable capital assets				
Land	$ 5,327,079	$ 74,731	$ 76,315	$ 5,478,125
Construction in progress	16,371,909	3,216,178	(16,104,958)	3,483,129
Total non-depreciable assets	21,698,988	3,290,909	(16,028,643)	8,961,254
Depreciable capital assets				
Land improvements	14,699,632	1,212,157	865,836	16,777,625
Buildings	80,591,909	-	-	80,591,909
Building improvements	111,653,501	15,336,547	15,162,807	142,152,855
Equipment	15,606,531	281,916	-	15,888,447
Furniture	597,676	-	-	597,676
Library materials	427,351	116,603	(54,590)	489,364
Total depreciable assets	223,576,600	16,947,223	15,974,053	256,497,876
Total capital assets	245,275,588	20,238,132	(54,590)	265,459,130
Less: Accumulated depreciation				
Land improvements	4,492,258	793,135	-	5,285,393
Buildings	39,831,662	1,217,453	-	41,049,115
Building improvements	23,116,834	6,157,654	-	29,274,488
Equipment	13,389,698	864,878	-	14,254,576
Furniture	597,676	-	-	597,676
Library materials	-	54,590	(54,590)	-
Total accumulated depreciation	81,428,128	9,087,710	(54,590)	90,461,248
Capital assets, net	$ 163,847,460	$ 11,150,422	$ -	$ 174,997,882

As of June 30, 2016, capital assets of the University with a cost of approximately $45,276,000 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, 2016.

The University enters into various contract commitments with contractors, from time to time, for improvements to its facilities. Remaining contract commitments totaled approximately $1,553,000 and $673,000 at June 30, 2016 and 2015, respectively.

Capital assets activity of the University for the year ended June 30, 2015 is as follows:

Capital assets:	Totals June 30, 2014	Additions	Reclassifications* and Reductions	Totals June 30, 2015
Non-depreciable capital assets				
Land	$ 5,130,841	$ 196,238	$ -	$ 5,327,079
Construction in progress	15,315,326	13,365,116	(12,308,533)	16,371,909
Total non-depreciable assets	20,446,167	13,561,354	(12,308,533)	21,698,988
Depreciable capital assets				
Land improvements	14,296,430	396,727	6,475	14,699,632
Buildings	80,591,909	-	-	80,591,909
Building improvements	92,850,538	6,500,905	12,302,058	111,653,501
Equipment	15,332,037	274,494	-	15,606,531
Furniture	597,676	-	-	597,676
Library materials	428,462	79,327	(80,438)	427,351
Total depreciable assets	204,097,052	7,251,453	12,228,095	223,576,600
Total capital assets	224,543,219	20,812,807	(80,438)	245,275,588
Less: Accumulated depreciation				
Land improvements	3,777,981	714,277	-	4,492,258
Buildings	38,228,247	1,603,415	-	39,831,662
Building improvements	18,000,770	5,116,064	-	23,116,834
Equipment	12,387,075	1,002,623	-	13,389,698
Furniture	589,344	8,332	-	597,676
Library materials	-	80,438	(80,438)	-
Total accumulated depreciation	72,983,417	8,525,149	(80,438)	81,428,128
Capital assets, net	$ 151,559,802	$ 12,287,658	$ -	$ 163,847,460

As of June 30, 2015, capital assets of the University with a cost of approximately $43,383,000 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, 2015.

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, 2016 and 2015, respectively.

Capital assets activity of FSU Foundation for the year ended June 30, 2016 is as follows:

Capital assets:	Totals June 30, 2015	Additions	Reclassifications* and Reductions	Totals June 30, 2016
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	1,892,490	21,357	-	1,913,847
Land improvements	131,506	26,621	-	158,127
Buildings	893,022	-	-	893,022
Building improvements	1,031,261	77,745	-	1,109,006
Equipment	758,208	-	-	758,208
Furniture and fixtures	58,650	2,123	-	60,773
Library materials	6,570	-	-	6,570
	4,771,707	127,846	-	4,899,553
Total capital assets	7,548,926	127,846	-	7,676,772
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	343,997	38,944	-	382,941
Building improvements	41,018	5,022	-	46,040
	385,015	43,966	-	428,981
Real estate used for student housing:				
Buildings	87,750	10,855	-	98,605
Building improvements	8,342	1,430	-	9,772
	96,092	12,285	-	108,377
Other:				
Land improvements	53,935	7,475	-	61,410
Buildings	110,215	22,325	-	132,540
Building improvements	49,124	53,260	-	102,384
Equipment	458,324	99,843	-	558,167
Furniture and fixtures	21,370	7,427	-	28,797
Library materials	6,570	-	-	6,570
	699,538	190,330	-	889,868
Total accumulated depreciation	1,180,645	246,581	-	1,427,226
Capital assets, net	$ 6,368,281	$ (118,735)	$ -	$ 6,249,546

Non-depreciable capital assets of FSU Foundation total $2,570,065 at June 30, 2016, which is comprised of land.

At June 30, 2016, capital assets of FSU Foundation with a cost of approximately $464,000 were fully depreciated and still in service.

In fiscal 2016, the Foundation Supporting Organization acquired a property in close proximity to the Fitchburg State University campus consistent with its mission and the University's strategic plan which includes campus expansion. The property, which includes land and a building, was purchased for an aggregate cost of $119,803 (see Note 13). The Foundation Supporting Organization intends to raze the building and create green space.

As a result of its decision to raze the building, management determined, in accordance with the requirements of accounting guidance, that the property was impaired and was written down to its fair value of $21,357. The impairment charge (a noncash accounting charge) to operations in the amount of $98,446 had no impact on the Foundation Supporting Organization's fiscal 2016 cash flow or its ability to generate cash flow in the future. The impairment charge is included in operations and maintenance of plant in the FSU Foundation's accompanying 2016 statement of revenues, expenses and changes in net position.

The fair value of the property was measured using significant unobservable inputs (Level 3) pursuant to the accounting guidance on fair value measurements. The fair value of the property was determined based upon the property assessment at the purchase date.

On February 3, 2016, May 5, 2016, June 10, 2016 and July 26, 2016, the Foundation Supporting Organization entered into purchase and sale agreements for the purchase of four properties, including land and buildings, for a price of $350,000, $140,000, $80,000 and $180,000, respectively. The Foundation Supporting Organization closed on these purchases on November 4, 2016, July 12, 2016, July 14, 2016 and November 8, 2016 at total costs of $358,287, $141,515, $81,275, and $183,237, respectively.

Capital assets activity of FSU Foundation for the year ended June 30, 2015 is as follows:

Capital assets:	Totals June 30, 2014	Additions	Reclassifications* and Reductions	Totals June 30, 2015
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	1,872,490	20,000	-	1,892,490
Land improvements	61,899	69,607	-	131,506
Buildings	893,022	-	-	893,022
Building improvements	39,569	1,176,182	(184,490)	1,031,261
Equipment	643,259	114,949	-	758,208
Furniture and fixtures	26,277	32,373	-	58,650
Library materials	6,570	-	-	6,570
Construction in progress	398,777	-	(398,777)	-
	3,941,863	1,413,111	(583,267)	4,771,707
Total capital assets	6,719,082	1,413,111	(583,267)	7,548,926
Less: Accumulated depreciation				
Real estate under lease to the University:				
Building	305,054	38,943	-	343,997
Building improvements	35,995	5,023	-	41,018
	341,049	43,966	-	385,015
Real estate used for student housing:				
Buildings	76,894	10,856	-	87,750
Building improvements	6,912	1,430	-	8,342
	83,806	12,286	-	96,092
Other:				
Land improvements	48,230	5,705	-	53,935
Buildings	88,916	21,299	-	110,215
Building improvements	9,957	39,167	-	49,124
Equipment	424,493	33,831	-	458,324
Furniture and fixtures	15,281	6,089	-	21,370
Library materials	5,913	657	-	6,570
	592,790	106,748	-	699,538
Total accumulated depreciation	1,017,645	163,000	-	1,180,645
Capital assets, net	$ 5,701,437	$ 1,250,111	$ (583,267)	$ 6,368,281

Non-depreciable capital assets of FSU Foundation totaled $2,548,708 at June 30, 2015, which is comprised of land.

At June 30, 2015, capital assets of FSU Foundation with a cost of approximately $422,000 were fully depreciated and still in service.

In fiscal 2015, the Foundation Supporting Organization acquired two properties in close proximity to the University's campus consistent with the Foundation's mission and the University's strategic plan which includes campus expansion. The properties, including land only, were acquired for a cost of $100,940 and $51,218, respectively. The land acquired for $100,940 was sold to the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance ("DCAM") on behalf of Fitchburg State University during the fiscal year. The land acquired of $51,218 is currently being used as green space. In May 2015, the Foundation Supporting Organization obtained an appraisal of the property acquired for $51,218. As a result of the appraisal, management determined that the property was impaired and accordingly, it was written down to its fair value of $20,000. The impairment charge (a noncash accounting charge) to operations in the amount of $31,218 had no impact on the Foundation Supporting Organization's fiscal 2015 cash flow or its ability to generate cash flow in the future. The impairment charge is included in operations and maintenance of plant in the FSU Foundation's accompanying 2015 statement of revenues, expenses and changes in net position.

The fair value of the property was measured using significant unobservable inputs (Level 3) pursuant to accounting guidance on fair value measurements. The fair value of the property was determined based upon the appraisal.

During fiscal 2015, the Foundation Supporting Organization sold land located at 161 - 181 Main Street in Fitchburg, Massachusetts for $800,000 resulting in a gain of $670,000. The property had a carrying value of $130,000.

The Foundation Supporting Organization received a letter of intent from DCAM, dated August 29, 2014, to purchase one of its properties for $69,600 subject to the satisfaction of certain State publication requirements and the execution of a mutually acceptable Purchase and Sale Agreement. During fiscal 2015, the property was sold to DCAM for $69,600. The property had a carrying value of $69,600.

A second property was sold during fiscal 2015 to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The property was recorded on the books of the Foundation Supporting Organization at $100,865 and was sold for $56,600. A loss of $44,265 was recorded from the sale of the property.

During fiscal 2015, the Foundation Supporting Organization sold land acquired during the fiscal year at a cost of $100,940. The property was sold to the Commonwealth of Massachusetts acting by and through DCAM on behalf of Fitchburg State University. The property was sold for $70,000. A loss of $30,940 was recorded from the sale of the property.

Collectively, the Foundation Supporting Organization had a net gain of $594,795 from the sale of the aforementioned real estate properties. This gain is reflected as other operating revenues in the accompanying 2015 statement of revenues, expenses and changes in net position of FSU Foundation.

Note 6 - Accounts payable and accrued liabilities

Accounts payable and accrued liabilities include the following at June 30, 2016 and 2015:

	2016	2015
Accounts payable - trade	$ 706,708	$ 1,428,711
Salaries and fringe benefits payable	1,134,762	2,279,398
Accrued interest payable	312,241	474,498
Tuition due State	71,810	78,008
Other	423,713	460,425
	$ 2,649,234	$ 4,721,040

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, 2016 and 2015. Based upon the Commonwealth's analyses, $507,890 and $584,996 of accrued workers' compensation has been recorded as a liability at June 30, 2016 and 2015, respectively.

Note 8 - Accrued compensated absences

Accrued compensated absences are comprised of the following at June 30, 2016 and 2015:

	2016	2015
Vacation time payable	$ 2,608,874	$ 2,590,531
Sick time payable	2,845,619	2,688,876
Total	$ 5,454,493	$ 5,279,407
Amount representing obligations due to employees funded through sources other than State appropriations	$ 292,981	$ 359,174
Amount representing obligations due to employees compensated through State appropriations	5,161,512	4,920,233
Total	$ 5,454,493	$ 5,279,407

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 balances would be $23,086,223 and $22,718,577 at June 30, 2016 and 2015, 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, 2016 of $2,949,305 will be paid from the University's fiscal 2017 State appropriations. The total amount due at June 30, 2015 of $2,947,991 was paid from the University's fiscal 2016 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, 2016 and 2015:

	2016	2015
Tuition, fees and professional development	$ 869,621	$ 828,926
Grants	147,260	144,957
Other	30,975	7,645
	$ 1,047,856	$ 981,528

Note 11 - Deferred inflows of resources from service concession arrangement

Deferred inflows of resources from service concession arrangement at June 30, 2016 and 2015 in the amounts of $2,023,343 and $2,276,261, 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, 2016, 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. The University received $200,000 from Compass in fiscal 2016 which was applied as follows: interest income - $26,405; and a reduction of the accounts receivable - $173,595. The University received $500,000 from Compass in fiscal 2015 and it has been recognized in the accompanying 2015 statement of net position as an additional deferred inflow. At June 30, 2016, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $81,249, which includes accrued interest receivable of $3,231 (see Note 3). At June 30, 2015, the accompanying statement of net position includes a remaining receivable from Compass in the amount of $276,708, which includes accrued interest receivable of $23,104 (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 and $259,901, respectively, 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, 2016 and 2015.

Note 12 - Interagency payables

MDFA

On November 22, 1996, the University signed a financing agreement to receive $6,000,000 from a Massachusetts Development Finance Agency ("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 through an increase in student fees. Construction of the athletic facility was completed in August 2000. MDFA retained $502,899 of the bond proceeds for a debt service retirement fund.

In addition, the Commonwealth appropriated an additional $6,000,000 on behalf of the University for its share of the cost of the athletic facility.

The net proceeds of the borrowing deposited by MDFA on behalf of the University were as follows:

Debt issue	$ 6,000,000
Amount held by MDFA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(502,899)
Origination fees paid to MDFS	(98,707)
Net proceeds	$ 5,398,394

The University is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2016 of $261,076 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 initial deposit, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the University elects to release the funds in the debt service reserve to redeem portions of the debt obligation. 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. As of June 30, 2016 and 2015, debt service reserve funds amounted to $213,311 and $236,867, respectively. The outstanding principal balance of this Interagency payable at June 30, 2016 and 2015 was $2,838,013 and $3,110,051, respectively.

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, 2016 and 2015 was 0.958% and 0.318%, respectively. The University is also responsible to pay for program expenses at an annual rate of 0.882% (2016) and 0.867% (2015) of the outstanding principal balance, calculated and payable every 35 days when the rate is auctioned. The effective interest rate (including annual program expenses) for 2016 and 2015 amounted to 1.91% and 1.18%, respectively.

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

For the year ending June 30,	Principal	Estimated Interest (1)	Total
2017	$ 261,076	$ 25,702	$ 286,778
2018	276,740	23,051	299,791
2019	293,345	20,240	313,585
2020	310,945	17,262	328,207
2021	329,602	14,104	343,706
2022 - 2024	1,112,280	21,414	1,133,694
	2,583,988	121,773	2,705,761
Balance of restricted cash held for debt principal	254,025	-	254,025
Total	$ 2,838,013	$ 121,773	$ 2,959,786

(1) The interest rate in effect at June 30, 2016 of 0.958% was used to calculate the estimated interest on the debt obligation of $2,838,013. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

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

During March 2005, the University signed a financing agreement to receive $5,110,000 from a Massachusetts State College Building Authority ("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 also provided equity contributions totaling $5,582,838 to fund their portion of the total renovation costs of the Projects. Of this amount, $1,582,838 was provided by the University's food service vendor for the dining facilities Project. The University also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the Projects.

In prior years, the MSCBA had certain bond refunding transactions. The University expects to benefit from interest savings on the bond refundings and to have a net interest credit in fiscal year 2025 as a result of the interest savings.

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 3.5% to 5% 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. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 2.37% and 0.89%, respectively. The effective interest rate at June 30, 2016 and 2015, respectively, reflects interest savings as a result of the bond refundings. The outstanding balance of this Interagency payable was $2,790,000 and $3,045,000 at June 30, 2016 and 2015, respectively.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 260,000	$ 80,405	$ 340,405
2018	275,000	96,879	371,879
2019	285,000	91,244	376,244
2020	295,000	78,796	373,796
2021	305,000	68,091	373,091
2022 - 2025	1,370,000	130,274	1,500,274
Total	$ 2,790,000	$ 545,689	$ 3,335,689

During March 2006, the University signed a financing agreement to receive $2,060,000 from a Massachusetts State College Building Authority ("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. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the Project.

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issue and the Project are debt service reserve funds of $144,841 for both years which are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

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 3.5% to 5% 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. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 4.59% and 4.10%, respectively. The outstanding balance of this Interagency payable was $1,309,937 and $1,410,621 at June 30, 2016 and 2015, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 100,000	$ 42,248	$ 142,248
2018	105,000	46,118	151,118
2019	110,000	47,035	157,035
2020	115,000	41,303	156,303
2021	120,000	36,216	156,216
2022 - 2026	705,000	87,021	792,021
	1,255,000	299,941	1,554,941
Plus: Unamortized premiums	54,937	-	54,937
Total	$ 1,309,937	$ 299,941	$ 1,609,878

During December 2010, the University signed a financing agreement to receive $15,935,656 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being 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 also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the renovations.

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issue and the Project debt service reserve funds of $1,449,777 for both years are included as noncurrent restricted cash and cash equivalents in the accompanying statements of net position.

The University is required to make annual principal payments on this debt each May 1. 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 3.0% 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. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 3.42% and 3.44%, respectively. The outstanding balance of this Interagency payable was $12,559,798 and $13,272,854 at June 30, 2016 and 2015, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 682,085	$ 423,207	$ 1,105,292
2018	717,403	389,102	1,106,505
2019	752,721	374,041	1,126,762
2020	777,002	350,125	1,127,127
2021	801,284	325,438	1,126,722
2022 - 2026	4,478,801	1,151,916	5,630,717
2027 - 2030	4,269,099	271,242	4,540,341
	12,478,395	3,285,071	15,763,466
Plus: Unamortized premiums	81,403	-	81,403
Total	$ 12,559,798	$ 3,285,071	$ 15,844,869

During December 2011, the University signed a financing agreement to receive $7,043,416 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs, are being 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 also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the renovations.

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 3.0% to 5.0% over the term of the debt to maturity. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 4.95% and 4.93%, respectively. The outstanding balance of this Interagency payable was $6,029,022 and $6,314,443 at June 30, 2016 and 2015, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 250,000	$ 257,550	$ 507,550
2018	265,000	245,050	510,050
2019	280,000	231,800	511,800
2020	290,000	220,600	510,600
2021	300,000	209,000	509,000
2022 - 2026	1,730,000	820,000	2,550,000
2027 - 2031	2,210,000	342,250	2,552,250
	5,325,000	2,326,250	7,651,250
Plus: Unamortized premiums	704,022	-	704,022
Total	$ 6,029,022	$ 2,326,250	$ 8,355,272

During December 2012, the University signed a financing agreement to receive $13,864,033 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being 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. The University also executed a management agreement with MSCBA, whereby MSCBA will provide management services to the University for the renovations.

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2016	2015
Unexpended debt proceeds	$ -	$ 549,877
Debt service reserve fund	214,164	214,164
	$ 214,164	$ 764,041

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2016 and 2015 as follows:

	2016	2015
Restricted cash and cash equivalents		
Current	$ -	$ 83,757
Noncurrent	214,164	680,284
	$ 214,164	$ 764,041

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 5.0% 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. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 3.28% and 3.39%, respectively. The outstanding balance of this Interagency payable was $12,337,645 and $12,908,846 at June 30, 2016 and 2015, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 535,000	$ 377,413	$ 912,413
2018	560,000	356,012	916,012
2019	580,000	333,613	913,613
2020	610,000	304,612	914,612
2021	630,000	280,213	910,213
2022 - 2026	3,550,000	1,017,312	4,567,312
2027 - 2031	4,060,000	505,950	4,565,950
2032	890,000	26,700	916,700
	11,415,000	3,201,825	14,616,825
Plus: Unamortized premiums	922,645	-	922,645
Total	$ 12,337,645	$ 3,201,825	$ 15,539,470

During January 2014, the University signed a financing agreement to receive $12,235,614 from a Massachusetts State College Building Authority ("MSCBA") bond issuance. These funds, net of bond issuance costs and a debt service reserve fund, are being 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. The University also executed a management agreement with MSCBA whereby MSCBA will provide management services to the University for the renovations.

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2016	2015
Unexpended debt proceeds	$ -	$ 1,084,008
Debt service reserve fund	667,799	667,799
	$ 667,799	$ 1,751,807

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

	2016	2015
Restricted cash and cash equivalents:		
Current	$ -	$ 675,569
Noncurrent	667,799	1,076,238
	$ 667,799	$ 1,751,807

The University is required to make annual principal payments on this debt each May 1 commencing in fiscal 2015. 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 5.0% 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. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 4.90% and 4.81%, respectively. The outstanding balance of this Interagency payable was $11,464,287 and $11,918,818 at June 30, 2016 and 2015, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 405,000	$ 512,700	$ 917,700
2018	420,000	496,500	916,500
2019	440,000	475,500	915,500
2020	465,000	453,500	918,500
2021	485,000	430,250	915,250
2022 - 2026	2,815,000	1,762,250	4,577,250
2027 - 2031	3,600,000	983,750	4,583,750
2032 - 2033	1,705,000	129,000	1,834,000
	10,335,000	5,243,450	15,578,450
Plus: Unamortized premiums	1,129,287	-	1,129,287
Total	$ 11,464,287	$ 5,243,450	$ 16,707,737

During December 2014, the University signed a financing agreement to receive $10,669,503 from a Massachusetts State College Building Authority ("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 will provide management services to the University for the renovations.

The net proceeds of the borrowing deposited by MSCBA on behalf of the University were as follows:

	2015
Debt issue	$ 9,065,000
Amount held by MSCBA for debt service retirement fund (included in restricted cash and cash equivalents - noncurrent)	(596,968)
Debt issuance premium	1,604,502
Debt issuance cost	(72,534)
Net proceeds	$ 10,000,000

As of June 30, 2016 and 2015, amounts held by MSCBA related to the debt issue and the Project are as follows:

	2016	2015
Unexpended debt proceeds	$ 41,291	$ 9,773,075
Debt service reserve fund	596,968	596,968
	$ 638,259	$ 10,370,043

The amounts held by MSCBA are included in the accompanying statements of net position at June 30, 2016 and 2015:

	2016	2015
Restricted cash and cash equivalents:		
Current	$ 41,291	$ 441,675
Noncurrent	596,968	9,928,368
	$ 638,259	$ 10,370,043

During fiscal 2016, unexpended MSCBA bond proceeds from prior issuances in the amount of $1,643,614 were transferred to Phase V for renovations of the Hammond Campus Center Project. From this amount, unexpended proceeds amounted to $41,291 at June 30, 2016, which are included in the accompanying 2016 statement of net position as current restricted cash and cash equivalents.

During fiscal 2015, unexpended MSCBA bond proceeds from prior issuances in the amount of $2,100,000 were transferred to Phase V for renovations of the Hammond Campus Center project. From this amount, unexpended proceeds amounted to $1,017,479 at June 30, 2015, which are included in the accompanying 2015 statement of net position 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 2016. 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. For the years ended June 30, 2016 and 2015, the effective interest rate on this debt was 4.07% and 4.75%, respectively. The outstanding balance of the Interagency payable was $10,385,822 and $10,626,047 at June 30, 2016 and 2015, respectively, including unamortized premium.

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

For the year ending June 30,	Principal	Interest	Total
2017	$ 330,000	$ 431,750	$ 761,750
2018	340,000	421,850	761,850
2019	350,000	408,250	758,250
2020	365,000	394,250	759,250
2021	385,000	376,000	761,000
2022 - 2026	2,225,000	1,572,000	3,797,000
2027 - 2031	2,840,000	957,250	3,797,250
2032 - 2034	2,070,000	210,500	2,280,500
	8,905,000	4,771,850	13,676,850
Plus: Unamortized premiums	1,480,822	-	1,480,822
Total	$ 10,385,822	$ 4,771,850	$ 15,157,672

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 2012, the University provided equity contributions totaling $9,136,550 to fund their portion of the total renovation costs of the Hammond Campus Center Project. During 2015, the University provided an equity contribution of $1,500,000 to fund a part of their portion of the renovation costs of Phase V of the Hammond Campus Center Project. During 2016, the University provided an equity contribution of $200,000 toward the Southside Chiller Project. As of June 30, 2016, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled $883,311 related to the Hammond Campus Center Project and $179,705 related to the Southside Chiller Project, of which $571,304 is included in current restricted cash and cash equivalents and $491,712 is included in noncurrent restricted cash and cash equivalents in the accompanying 2016 statement of net position. During July 2016, 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. As of June 30, 2015, amounts held by MSCBA representing the unexpended portion of the University's contributions totaled $883,189, of which $419,591 is included in current restricted cash and cash equivalents and $463,598 is included in noncurrent restricted cash and cash equivalents in the accompanying 2015 statement of net position.

Note 13 - FSU Foundation long-term debt

FSU Foundation's long-term debt consists of the following at June 30, 2016 and 2015:

	2016	2015
First mortgage notes payable	$ 2,527,993	$ 2,672,455
Notes payable - bank	553,081	572,464
	3,081,074	3,244,919
Less current portion	175,937	164,043
	$ 2,905,137	$ 3,080,876

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 provides for a fixed rate of interest of 5.75% per annum for the first 10 years of the loan term. Thereafter, the interest rate will 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 loan requires monthly installments of principal and interest of $3,862. The monthly installments of principal and interest during the final 10 years of the loan term shall be determined based on the interest rate then in effect to provide for the amortization of the then outstanding loan principal over the remaining term of the loan. The note matures on April 16, 2028. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2016 and 2015, the outstanding principal balance of this mortgage note payable amounted to $401,297 and $423,463, 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 DCAM on behalf of the University (see Note 22). 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 DCAM lease.

At June 30, 2016 and 2015, the outstanding principal balance of this first mortgage note payable amounted to $1,199,159 and $1,289,675, respectively.

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 proceeds of the loan were used primarily to repay advances made to the Foundation Supporting Organization by the Foundation for the acquisition of four real estate properties. 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, 2016 and 2015, the Foundation Supporting Organization has total cash balances of $5,660 and $4,914, respectively, held at WCU which serve as additional collateral for both WCU loans to the Foundation Supporting Organization (see below).

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.

At June 30, 2016 and 2015, the outstanding principal balance of this first mortgage loan amounted to $622,287 and $643,630, respectively.

Workers' Credit Union provided financing to the Foundation Supporting Organization in the form of a note, dated February 19, 2010, in the amount of $300,000. The proceeds of the loan were used to finance the acquisition of a real estate property. The mortgage note had a term of 10 years, expiring on February 19, 2020, and provided for a fixed rate of interest of 6.03% per annum. The interest rate was adjusted to 5.28% 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 $1,939, through June 20, 2013, based on a 20-year principal amortization. Commencing thereafter, the monthly installments of principal and interest were $1,816, based on a 20-year principal amortization. Upon the sale of the property during fiscal 2015, the loan was paid in full.

In June 2013, Rollstone Bank & Trust provided financing to the Foundation Supporting Organization in the form of a note, dated June 19, 2013, in the amount of $142,000. The proceeds of the loan were used to repay an advance made to the Foundation Supporting Organization by the Foundation in May, 2013 for the acquisition of a real estate property. The mortgage note had a term of 20 years, maturing on June 19, 2033, and provided for a fixed rate of interest of 3.25% per annum. Commencing in July, 2013, the loan required monthly installments of principal and interest of $809 based on a 20-year principal amortization.

On December 22, 2014, the Foundation Supporting Organization refinanced its Rollstone Bank & Trust first mortgage note, with an outstanding balance of $134,314 at the date of the refinancing, with a new note dated December 22, 2014 in the amount of $240,000. As a result, the Foundation Supporting Organization received additional loan proceeds of $105,686. The note is secured by a first mortgage interest in the property and an assignment of leases and rents on the property.

The mortgage 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. Commencing in January 2015, 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, 2016 and 2015, the outstanding principal balance of the mortgage note payable amounted to $226,969 and $235,713, respectively.

In June 2013, 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 proceeds of the loan were used to repay an advance made to the Foundation Supporting Organization by the Foundation in May 2013 for the acquisition of a real estate property. The note is secured by a first mortgage interest in the property and an assignment of leases and rents.

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. Commencing in July, 2013, the loan requires monthly installments of principal and interest of $376 until the next five-year interval adjustment date of June 26, 2018. 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.

At June 30, 2016 and 2015, the outstanding principal balance of the mortgage note payable amounted to $78,281 and $79,974, respectively.

In May 2007, the Foundation Supporting Organization acquired land and a building consisting of six apartment units and an adjacent parcel of land located in the area surrounding the Fitchburg State University campus. The apartments are being used by the University as additional student housing for which the Foundation Supporting Organization receives residence hall fees.

The acquisitions were funded with the proceeds of a note payable in the 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 $1,981,000 at June 30, 2016. 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. Commencing thereafter, the monthly installments of principal and interest are $2,875 until the next five-year interval adjustment date of April 26, 2017. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2016 and 2015, the outstanding principal balance of this note payable amounted to $553,081 and $572,464, respectively.

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

For the year ending June 30,	Principal	Interest (1)	Total
2017	$ 175,937	$ 120,872	$ 296,809
2018	183,894	111,781	295,675
2019	742,461	95,157	837,618
2020	172,600	70,011	242,611
2021	179,456	63,155	242,611
2022 - 2026	1,007,335	205,722	1,213,057
2027 - 2031	332,366	64,251	396,617
2032 - 2036	255,688	21,224	276,912
2037	31,337	417	31,754
Total	$ 3,081,074	$ 752,590	$ 3,833,664

(1) The interest rates in effect at June 30, 2016 of 5.75%, 3.5%, 4.99%, 3.25%, and 3.5% on the first mortgage notes payable and 2.62% on the note payable - bank were used to calculate the estimated interest on these debt obligations.

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 proceeds of the loan were used to reimburse the Foundation Supporting Organization for the acquisition, at a cost of $119,803, of a real estate property located at 198 Pearl Street in Fitchburg, Massachusetts in February 2016 (see Note 5). The note is secured by a Negative Pledge Agreement on the property.

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 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.

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 proceeds of the loan were used for the acquisition, at a cost of $358,287, of a real estate property located at 689-717 Main Street in Fitchburg, Massachusetts (see Note 5). The note is secured by a first mortgage interest in the property and an assignment of rents on the property.

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 ten-year intervals to the Federal Home Loan Bank Boston Classic Advance Ten Year 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.

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 proceeds of the loan were used for the acquisition, at a cost of $183,237, of a real estate property located at 132 Highland Avenue in Fitchburg, Massachusetts (see Note 5). The note is secured by a first mortgage interest in the property and a collateral assignment of rents and leases on the property.

The commercial note has a term of 25 years, maturing on November 8, 2041, and provides for a fixed rate of interest of 4.875% per annum. Commencing on December 8, 2016, the loan requires 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. The loan agreement requires the Foundation Supporting Organization to maintain a minimum earnings before interest, taxes, depreciation, amortization and rent to related entities and after distributions of not less than 1.25 times annual principal and interest payments plus dividends to be tested annually.

Note 14 - FSU Foundation lines of credit

On April 2, 2015, the Foundation renewed, under substantially the same terms, its existing revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to $250,000. 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. At June 30, 2016, $250,000 was outstanding on the line of credit. At June 30, 2015, no amount was outstanding on the line of credit. The line of credit provides for interest at the Wall Street Journal Prime Rate, but in no event less than 6% per annum. At June 30, 2016 and 2015, the effective interest rate was 6% per annum. For the years ended June 30, 2016 and 2015, interest expense incurred on borrowings under this line of credit amounted to $4,078 and $12,834, respectively. The borrowings under the line, during 2016, were advanced to the Foundation Supporting Organization. There were no new borrowings under the line during 2015. The interest expense incurred on the borrowings has been reflected as an expense on the books of the Foundation Supporting Organization. Borrowings are secured by investments with equivalent fair value of approximately $7,209,000. The line of credit is also collateralized by all funds held by the lender. At June 30, 2016, the Foundation has total cash balances of $57,903 held by the lender. The line of credit agreement expires on March 17, 2017. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.

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 (currently 3.5%) less .25%. The line of credit agreement expires on August 18, 2017. 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 November 15, 2016, the Foundation Supporting Organization has made borrowings of $110,000 under the line of credit agreement.

Note 15 - Long-term liabilities

Long-term liability activity of the University for the year ended June 30, 2016 included the following:

				Totals June 30, 2016	
	Totals June 30, 2015	Additions	Reductions	Ending Balance	Current Portion
Interagency payables	$ 62,606,680	$ -	$ 2,892,156	$ 59,714,524	$ 3,132,683
Total	62,606,680	-	2,892,156	59,714,524	3,132,683
Other liabilities:					
Workers' compensation	584,996	50,423	127,529	507,890	110,720
Compensated absences	5,279,407	3,541,261	3,366,175	5,454,493	3,447,051
Loan payable - federal financial assistance	1,989,199	40,252	11,588	2,017,863	-
Net pension liability	5,078,817	4,916,275	-	9,995,092	-
Total other liabilities	12,932,419	8,548,211	3,505,292	17,975,338	3,557,771
Long term obligations	$ 75,539,099	$ 8,548,211	$ 6,397,448	$ 77,689,862	$ 6,690,454

Long-term liability activity of the University for the year ended June 30, 2015 included the following:

	Totals June 30, 2014	Additions	Reductions	Totals June 30, 2015 Ending Balance	Totals June 30, 2015 Current Portion
Interagency payables	$ 54,388,217	$ 10,669,502	$ 2,451,039	$ 62,606,680	$ 2,866,416
Total	54,388,217	10,669,502	2,451,039	62,606,680	2,866,416
Other liabilities:					
Workers' compensation	697,874	24,603	137,481	584,996	127,529
Compensated absences	5,046,917	3,469,380	3,236,890	5,279,407	3,366,175
Loan payable - federal financial assistance	1,958,082	44,745	13,628	1,989,199	-
Net pension liability	6,192,668	-	1,113,851	5,078,817	-
Total other liabilities	13,895,541	3,538,728	4,501,850	12,932,419	3,493,704
Long-term obligations	$ 68,283,758	$ 14,208,230	$ 6,952,889	$ 75,539,099	$ 6,360,120

Long-term liability activity of FSU Foundation for the year ended June 30, 2016 included the following:

	Totals June 30, 2015	Additions	Reductions	Totals June 30, 2016 Ending Balance	Totals June 30, 2016 Current Portion
First mortgage notes payable	$ 2,672,455	$ -	$ 144,462	$ 2,527,993	$ 155,893
Notes payable - bank	572,464	-	19,383	553,081	20,044
Long-term obligations	$ 3,244,919	$ -	$ 163,845	$ 3,081,074	$ 175,937

Long-term liability activity of FSU Foundation for the year ended June 30, 2015 included the following:

	Totals June 30, 2014	Additions	Reductions	Totals June 30, 2015 Ending Balance	Totals June 30, 2015 Current Portion
First mortgage notes payable	$ 2,977,001	$ 105,686	$ 410,232	$ 2,672,455	$ 144,563
Notes payable - bank	591,459	-	18,995	572,464	19,480
Long-term obligations	$ 3,568,460	$ 105,686	$ 429,227	$ 3,244,919	$ 164,043

Note 16 - 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 $12,270,991 and $8,630,721 at June 30, 2016 and 2015, respectively. Undesignated unrestricted net position was $5,653,720 and $9,167,623 at June 30, 2016 and 2015, respectively.

At June 30, 2016 and 2015, the net investment in capital assets amount of $115,713,366 and $113,647,096, 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, 2016 and 2015, $1,971,471 and $2,101,214, 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 17 - Net position restricted by enabling legislation

Fitchburg State University Foundation, Inc.'s consolidated statements of net position as of June 30, 2016 and 2015 reflect a restricted net position of $14,268,192 and $14,477,603, respectively. Of these amounts, $2,357,931 for each year, are restricted by enabling legislation for the State Matching Funds Program.

Note 18 - Operating expenses

The University's operating expenses for the years ended June 30, 2016 and 2015, on a natural classification basis, are comprised of the following:

	2016	2015
Salaries		
Faculty	$ 22,119,459	$ 20,683,948
Exempt wages	3,464,132	3,488,458
Non-exempt wages	19,376,358	18,397,240
Benefits	12,476,766	9,831,968
Scholarships	1,839,701	1,676,028
Utilities	4,045,190	4,433,424
Supplies and other services	18,483,850	20,095,037
Depreciation	9,087,710	8,525,149
Total operating expenses	$ 90,893,166	$ 87,131,252

Note 19 - 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, 2016, 2015 and 2014 were as follows (see State appropriations under Note 23):

	2016	2015	2014
Commonwealth's retirement system contributions	$ 3,144,412	$ 3,396,962	$ 2,509,629
Employers share of health care premium	$ 5,675,058	$ 4,793,591	$ 5,012,146

Note 20 - 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

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 2016, 2015 and 2014 was $3,144,412, $3,396,962, and $2,509,629, respectively.

Annual covered payroll was approximately 67%, 70% and 69%of annual total payroll for the University in 2016, 2015 and 2014, respectively.

At June 30, 2016 and 2015, the University reported a liability of $9,995,092 and $5,078,817, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2015 and 2014, 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, 2016, the University's proportion was 0.0878% which was an increase of 0.0194% from its proportion measured as of June 30, 2015. At June 30, 2015, the University's proportion was .0684%, which was a decrease of 0.0011% from its proportion measured as of June 30, 2014.

For the years ended June 30, 2016 and 2015, the University recognized pension expense of $3,512,341 and $3,075,700, respectively. At June 30, 2016, 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	$ 1,730,945	$ -
Net difference between projected and actual earnings on pension plan investments	-	287,217
Difference between expected and actual experience	197,569	-
Changes in proportion due to internal allocation	1,415,804	63,613
Changes in proportion from Commonwealth	-	7,673
University contributions subsequent to the measurement date	655,160	-
Total	$ 3,999,478	$ 358,503

$655,160 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, 2017. 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 ended June 30:		
2017	$	577,231
2018		577,231
2019		577,231
2020		903,591
2021		350,531
Total	$	2,985,815

The total pension liability for the June 30, 2015 measurement date was determined by an actuarial valuation as of January 1, 2015 rolled forward to June 30, 2015. This valuation used the following assumptions:

1. 7.5% investment rate of return (8.0% for the year ended June 30, 2014), (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.

2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.

3. In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive ("ERI") for certain members of MSERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of MSERS has increased by approximately $230 million as of June 30, 2015.

4. Mortality rates were as follows:

   (i) Pre-retirement - reflects RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) which is a change from RP - 2000 Employees Table projected 20 years with Scale AA (gender distinct).

   (ii) Post-retirement - reflects RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) which is a change from Healthy Annuitant Table projected 15 years with Scale AA (gender distinct).

   (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) which is a change from the mortality rate assumed to be in accordance with the RP - 2000 Healthy Annuitant table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

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, 2015 and 2014 are summarized in the following table:

		Long-term Expected Real Rate of Return	
Asset Class	Target Allocation	2015	2014
Global equity	40.00%	6.90%	7.20%
Core fixed income	13.00%	2.40%	2.50%
Private equity	10.00%	8.50%	8.80%
Real estate	10.00%	6.50%	6.30%
Value added fixed income	10.00%	5.80%	6.30%
Portfolio completion strategies	4.00%	5.50%	N/A
Hedge funds	9.00%	5.80%	5.50%
Timber/natural resources	4.00%	6.60%	5.00%
Total	100.00%		

The discount rate used to measure the total pension liability for the measurement years ended June 30, 2015 and 2014 was 7.5% and 8.0%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the 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% and 8.0%, respectively, for the measurement years ended June 30, 2015 and 2014, 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% and 7.0%) or 1-percentage-point higher (8.5% and 9.0%) than the current rate:

Measurement Year Ended	1% Decrease	Discount Rate	1% Increase
June 30, 2014	$ 7,379,623	$ 5,078,817	$ 3,128,390
June 30, 2015	13,586,495	9,995,092	6,897,300

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

Note 21 - 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, housing authorities, redevelopment authorities, and certain other governmental agencies. 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 is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

The Commonwealth's Group Insurance Commission ("GIC") was established by the Legislature in 1955 to provide and administer health insurance and other benefits to the Commonwealth's employees and retirees, and their dependents and survivors. The GIC also covers housing and redevelopment authorities' personnel, certain authorities and other offline agencies, retired municipal teachers from certain cities and towns and a small amount of municipalities as an agent multiple employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

The GIC administers a plan included within the State Retire Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are retained in that fund. The GIC's administrative costs are financed through Commonwealth appropriations and employee investment returns. The Legislature determines employees' and retirees' contribution ratios.

The GIC does not issue separately audited financial statements. 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.

The GIC is a quasi-independent state agency governed by an eleven-member body (the "Commission") appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth's employees and retirees and their survivors and dependents. During the fiscal years ended on June 30, 2016 and 2015, 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).

The amount of funding by the University related to benefits other than pensions for the years ended June 30, 2016, 2015 and 2014 were $11,720,616, $10,426,669, and $9,796,325, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

Note 22 - Lease and license agreements

As disclosed in Note 13, the Foundation Supporting Organization entered into a long-term operating lease agreement with DCAM on behalf of the University. The lease commenced on August 16, 2006. The lease is for a term of 10 years and provides for base rent of $165,000 per year, payable in monthly installments of $13,750, for the entire lease term. The University is also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. The lease expired on August 16, 2016. The Foundation Supporting Organization and DCAM are operating under the same terms and conditions as the expired lease agreement for the operation and use of the property while the parties negotiate a new lease agreement. For the years ended June 30, 2016 and 2015, rental income for the Foundation Supporting Organization 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. Future minimum rental income to be received on this lease for the year ending June 30, 2017 is $20,625.

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. 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, 2016 and 2015, rent expense amounted to $28,495 and $28,494, respectively.

The following is a schedule of future minimum rental payments under this operating lease agreement:

Year ending June 30,	Amount
2017	$ 28,495
2018	30,632
2019	30,632
	$ 89,759

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. 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, 2016 and 2015, rent expense amounted to $5,696 in each year.

The following is a schedule of future minimum rental payments under this operating lease agreement:

Year ending June 30,	Amount
2017	$ 5,696
2018	5,696
2019	5,696
2020	5,696
2021	5,696
2022 - 2023	9,019
	$ 37,499

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 used 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 of 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. For the year ended June 30, 2016, 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, 2016 and 2015, license fee income for the Foundation Supporting Organization amounted to $108,167 and $235,833, 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 23 - 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, 2016 and 2015:

	2016	2015
Gross State appropriations	$ 29,181,716	$ 29,868,863
Add: Fringe benefits for benefited employees on the Commonwealth payroll	8,819,470	8,190,553
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	(769,177)	(953,550)
Net State appropriations	$ 37,232,009	$ 37,105,866

$37,159,087 and $36,120,466 represent appropriations for maintenance and payroll during 2016 and 2015, respectively, $72,922 and $908,318 represent appropriations for capital improvements for 2016 and 2015, respectively, and $0 and $77,082 represent appropriations for other noncapital appropriations for 2016 and 2015, 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, 2016 and 2015.

Note 24 - 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 21).

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 25 - 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 DCAM. The Projects generally consist of renovations and improvements and have been recorded in the respective accounts.

On September 23, 2016, the University entered into a Master Lease-Purchase Agreement (the "Master Lease") with a financial institution in the amount of $1,261,206 related to the installation of wireless network equipment (the "Equipment"). The Master Lease is secured by the Equipment. The Master Lease has a term of five years and requires semi-annual payments of $132,483 commencing on March 23, 2017 and continuing through September 23, 2021. The University may elect to prepay the Master Lease with 30 days written notice at any time after the first 12 months of the Master Lease Term (the "Lock-Out Period").

Note 26 - 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, 2016 and 2015 were $819,487 each year. 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 27 - 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 DCAM 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. DCAM, 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.

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
June 30, 2016

	2016	2015	2014
University's proportion of the net pension liability (asset)	0.0878%	0.0684%	0.0695%
University's proportionate share of the net pension liability (asset)	$ 9,995,092	$ 5,078,817	$ 6,192,668
University's covered-employee payroll	$ 28,636,295	$ 28,475,564	$ 27,038,219
University's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34.90%	17.84%	22.90%
Plan fiduciary net position as a percentage of the total pension liability	67.87%	76.32%	70.31%

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

	2016	2015	2014
Contractually required contribution	$ 3,144,412	$ 3,396,962	$ 2,509,629
Contributions in relation to the contractually required contribution	$ (3,144,412)	$ (3,396,962)	$ (2,509,629)
Contribution deficiency (excess)	$ -	$ -	$ -
University's covered-employee payroll	$ 28,636,295	$ 28,475,564	$ 27,038,219
Contributions as a percentage of covered-employee payroll	10.98%	11.93%	9.28%

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

See Independent Auditor's Report on Page 2.

Note 1 - Changes in benefit terms and assumptions

Changes in benefit terms

In May 2015, Chapter 19 of the Acts of 2015 created an Early Retirement Incentive ("ERI") for certain members of MSERS who upon election of the ERI retired effective June 30, 2015. As a result, the total pension liability of MSERS has increased by approximately $230 million as of June 30, 2015.

Changes in assumptions

The investment rate of return changed to 7.5% from 8%.

The mortality assumptions changed as follows:

- Pre-retirement - was changed to reflect the RP - 2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Employees table projected 20 years with Scale AA (gender distinct).

- Post-retirement - was changed to reflect the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) from RP - 2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct).

- Disability - was changed to the mortality rate assumed to be accordance with the RP - 2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct) from the mortality rate assumed to be in accordance with the RP - 2000 Healthy Annuitant table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

The discount rate used to measure the total pension liability changed to 7.5% from 8%.

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

Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2016

The University's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Position at June 30, 2016 are as follows:

Statements of Net Position

	Residence Hall Fund	Residence Hall Damage Fund
Assets:		
Cash	$ 1,310,268	$ 106,010
Cash held by State Treasurer	56,122	-
Investments	1,048,559	81,352
Prepaid expenses	3,337	-
Accounts receivable, net	72,157	15,136
Total assets	2,490,443	202,498
Liabilities:		
Accounts payable	67,171	-
Deposits	251,925	-
Salaries payable	54,163	-
Compensated absences	132,150	-
Total liabilities	505,409	-
Net position	$ 1,985,034	$ 202,498

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

Residence Hall Fund and Residence Hall Damage Fund Activity
June 30, 2016

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, 2016 are as follows:

	Residence Hall Fund	Residence Hall Damage Fund
Revenues		
Student fees	$ 9,050,202	$ -
Interest	22,565	1,137
Investment income (loss)	(19,998)	(1,008)
Commissions	47,208	-
Rentals	65,336	-
Room damage assessments	-	40,252
Miscellaneous	31,787	-
Total revenues	9,197,100	40,381
Expenses		
Regular employee compensation	1,197,606	-
Regular employee related expenses	8,014	-
Special employee/contract services	119,312	-
Pension and insurance	373,769	-
Facility operating supplies and related expenses	44,603	-
Administrative expenses	15,023	-
Energy and space rental	1,291,112	-
Consultant services	4,954	-
Operational services	20,558	-
Equipment purchases	19,007	-
Equipment lease - purchase, lease, rent, repair	9,567	-
Construction and improvements	430,581	7,764
Benefit program	30,447	-
Loans and special payments	5,231,200	-
Other - bad debt expense (recovery)	8,218	39
Information technology expenses	12,381	-
Total expenses	8,816,352	7,803
Transfers (in)/out		
Interdepartmental rental income	(94,154)	-
Printing	2,565	-
Total transfers	(91,589)	-
Total expenses and transfers	8,724,763	7,803
Increase (decrease) in net position	472,337	32,578
Net position - beginning of year	1,512,697	169,920
Net position - end of year	$ 1,985,034	$ 202,498

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.

See Independent Auditor's Report on Page 2.

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, 2016, which collectively comprise Fitchburg State University's basic financial statements, and our report thereon dated November 15, 2016, which included emphasis of matter 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 2016 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 2016 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 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 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 2016 financial statements as a whole.

CohnReznick LLP

Boston, Massachusetts
November 15, 2016

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

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/ Program or Cluster Title	Federal CFDA Number	Pass through to Subrecipients	Federal Expenditures
National Endowment for the Humanities			
Direct Programs			
Promotion of the Humanities - Office of Digital Humanities	45.169	-	$ 4,158
Subtotal Direct Programs			4,158
Total National Endowment for the Humanities			$ 4,158
U.S. Department of Education			
Direct Programs			
English Language Acquisition State Grants	84.365	-	$ 516,884
TRIO Cluster:			
TRIO - Student Support Services	84.042	-	249,145
TRIO - Upward Bound	84.047	-	388,160
Total TRIO Cluster			637,305
Student Financial Assistance Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007	-	245,510
Federal Work-Study Program	84.033	-	226,584
Federal Perkins Loan Program	84.038	-	1,750,185
Federal Pell Grant Program	84.063	-	6,219,897
Federal Direct Student Loans	84.268	-	22,050,726
Nursing Student Loans	93.364	-	468,844
Total Student Financial Assistance Cluster			30,961,746
Subtotal Direct Programs			32,115,935
Total U.S. Department of Education			$ 32,115,935
Total Federal Expenditures			$ 32,120,093

See Independent Auditor's Report on Supplementary Information on Page 85 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
Year Ended June 30, 2016

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, 2016. 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, as applicable, 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 2016 activity included loan funds disbursed of $164,830. The outstanding liability to the federal government under this loan program at June 30, 2016 totaled $1,606,367.

Note 7 - Nursing Student Loans

The Nursing Student Loan Program ("CFDA 93.364") is administered by Fitchburg State University. Fiscal year 2016 activity included loan funds disbursed of $65,000. The outstanding liability to the federal government under this loan program at June 30, 2016 totaled $411,496.

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, 2016, 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 15, 2016, which included emphasis of matter 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
November 15, 2016

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, 2016. 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 the requirements of 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, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

Fitchburg State University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Fitchburg State University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 15, 2016

Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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 is one audit finding (Finding 2016-001) 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, 2016

B. Findings - audit of financial statements

None

C. Findings and questioned costs - audit of major federal award programs

See Finding 2016-001 on the schedule of findings and questioned costs.

Federal Work Study Program (84.033)
Federal Award Number: P033A131863 **Award Year: 2016**
U.S. Department of Education
Finding Reference: 2016-001

Criteria:
In administering its Federal Work Study Program ("FWS"), an institution shall establish and maintain an internal control system of checks and balances that insures that no office can both authorize payments and disburse funds to students (34CFR 675.19 (a)).

The institution must also establish and maintain program and fiscal records that; (i) Include a certification by the student's supervisor, an official of the institution or off-campus agency, that each student has worked and earned the amount being paid. The certification must include or be supported by, for students paid on an hourly basis, a time record showing the hours each student worked in clock time sequence, or the total hours worked per day; (ii) Include a payroll voucher containing sufficient information to support all payroll disbursements; (iii) Include a noncash contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment (see Sec 675.27(a)); and (iv) Are reconciled at least monthly (34 CFR 675.19 (b)(2)).

Condition:
Our audit procedures included tests for proper authorization, supporting documentation, accuracy, completeness, timeliness, and adherence to award specifications and campus policies. In our sample of 5 students, we noted 2 instances of noncompliance. Due to an error in the time entry system one student was paid for 9.25 additional hours of Federal Work Study which was not corrected by management until August 2016. The second student was hired as an employee of the University for the Fall semester of 2015, but was paid from Federal Work Study funds.

Cause:
Fitchburg State University did not adequately monitor its policies and procedures governing the Federal Work Study Program requirements of time entry and proper assignment of work study funds.

Effect:
The University is not in compliance with U.S. Department of Education regulations.

Questioned Costs:
$185

Auditor's Recommendation:
We recommend that Fitchburg State University emphasize to Federal Work Study supervisors the importance of more careful review of the student's timesheets. We also recommend that Fitchburg State University emphasize to the payroll department the importance of validating and making proper distribution of work study funds.

Views of Responsible Officials and Corrective Actions:

The University agrees with the finding. Monies were immediately returned to the Federal Work Study program. The University will stress to Federal Work Study supervisors that it is their responsibility to report accurate timesheets. The payroll office will ensure the accuracy of timesheets and payroll authorizations for the Federal Work Study program.

Contact: Denise Brindle
Director of Financial Aid

Implementation dates: Fall, 2016.

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

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2016

The University has completed corrective action on the finding noted below from the OMB Circular A-133 Single Audit report for the year ended June 30, 2015.

Federal Work Study Program (84.033)
Federal Award Number: P033A131863 **Award Year: 2015**
U.S. Department of Education
Finding Reference: 2015-001

Condition:
In a sample of 5 students, 3 instances were noted in which student time sheets were not specific as to the time of day that was worked and therefore there was no way to determine if the student worked during a scheduled class.

Current Status:
The University had previously recognized a potential issue regarding the recording of shift start and end times. As a result, a remedy had been implemented prior to this finding. Effective the start of the 2015-2016 academic year, all FWS employees and supervisors were required to utilize the electronic SSTA timesheets which incorporates a mandatory "punch" style of reporting. "Punch" timesheets require that start and end times be reported for each shift. No similar findings were noted in the 2016 audit.

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