

**FITCHBURG STATE COLLEGE**  
**(a department of the Commonwealth of Massachusetts)**

**REPORT ON AUDITS OF FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**

**YEARS ENDED JUNE 30, 2008 AND 2007**

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

REPORT ON AUDITS OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

YEARS ENDED JUNE 30, 2008 AND 2007

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis (Unaudited)	i - xi
Independent auditor's report	1 - 2
Statements of net assets	3 - 5
Statements of revenues, expenses and changes in net assets	6 - 7
Statements of cash flows	8 - 10
Notes to financial statements	11 - 53
Supplemental information:	
Independent auditor's report on supplemental information	54
Residence hall and residence hall damage fund activity	55 - 56
Statistical section (Unaudited)	57 - 61
Independent auditor's report on internal control over financial reporting and on compliance and other matters	62 - 63

**FITCHBURG STATE COLLEGE**  
(a department of the Commonwealth of Massachusetts)  
Management's Discussion and Analysis  
**UNAUDITED**

***Introduction***

The following discussion and analysis is intended to provide an overview of the financial position and results of operations of Fitchburg State College (the "College") for the fiscal years ended June 30, 2008 and 2007. While audited financial statements for the fiscal year ended June 30, 2006 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. This discussion is provided by the management of the College 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 College.

The College, located in North Central Massachusetts, is one of the nine comprehensive public colleges in the Commonwealth of Massachusetts (the "Commonwealth"). These institutions, along with the five-campus University of Massachusetts system and the fifteen community colleges (all reporting to the Department of Higher Education in varying degrees) comprise public higher education in Massachusetts. The College offers approximately 49 undergraduate degree programs in 18 academic departments, 20 Masters' degree programs and several Graduate Certificates of Advanced Study. During fiscal 2008, there were approximately 3,500 full-time students and thousands of part-time students enrolled in degree programs, for a combined full-time equivalent enrollment of approximately 5,200. Thousands more non-matriculated students take advantage of professional development programs through the Division of Graduate and Continuing Education (DGCE). The College awarded approximately 1,150 graduate and undergraduate degrees in fiscal 2008. The College is accredited by the New England Association of Schools and Colleges (NEASC) and many of the College's programs are accredited by program-specific accrediting bodies.

***Financial Highlights***

The College experienced positive results from operations in fiscal 2008 and remains on firm financial ground as it closes the fourth year of its five-year strategic plan. The College continues its aggressive efforts to update facilities and make significant investments in the College's infrastructure that will ensure the long term viability of the institution. 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 College. The College received \$27.5 million in fiscal 2008 compared with \$26.9 million in fiscal 2007 and \$26.0 million in fiscal 2006. The increase primarily funded collective bargaining agreements. In addition, the College received another \$475,000 in capital appropriations to fund repair projects.
- Fees were increased to fund academic and capital initiatives. The mandatory per semester college fee increased to \$2,268 from \$2,043 in fiscal 2007 and to \$2,043 from \$1,887 in fiscal 2006. Fees were also increased for undergraduate continuing education students. 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 College expended \$7.8 million from current funds for capital additions in fiscal 2008. Projects completed during the year included renovation of the Information Technology offices, renovations to the Service Center, construction of the Ross Street parking lot and construction of the North Street retaining wall. Projects remaining in process at June 30, 2008 include renovations to the Nursing faculty offices, construction of a new Campus Police station and expansion of Academic offices along the North Street corridor.

- Total assets at the end of fiscal 2008 were \$82.8 million and exceeded liabilities of \$29.6 million by \$53.2 million (i.e. net assets). Unrestricted net assets available to support short-term operations totaled \$11.9 million, of which \$5.4 million has been designated for specific purposes.
- Total operating, non-operating, and gift revenue for fiscal 2008 was \$71.3 million, while expenses totaled \$68.1 million, resulting in an increase to net assets of \$3.2 million. The increase in net assets includes a 9.2% increase in student tuition and fee revenues.
- The consolidated financial information of the Fitchburg State College Foundation, Inc. (the “Foundation”) is included in the College’s financial statements as a component unit of the College. It is important to reiterate that the Foundation is indeed a separate organization. Foundation funds are largely restricted, and unrestricted funds can only be expended by vote of the Board of Directors of the Foundation. In general, these funds are not available for operational costs of the College.

### ***Using the Financial Statements***

Fitchburg State College 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 College and all pending obligations of the College are accounted for in the appropriate period, thus giving a clear picture of the College’s financial position. The College is a department of the Commonwealth of Massachusetts. A summary of our financial statements is incorporated in the Commonwealth’s Comprehensive Annual Financial Report in its government-wide financial statements.

The Massachusetts Department of Higher Education has instituted the use of certain core financial ratios as part of their performance measures for public colleges in the Commonwealth. Analysis using these ratios, as well as other commonly accepted ratios, has been incorporated throughout this document.

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

### Statement of Net Assets

The statement of net assets presents the financial position of the College at the end of the year and includes all assets and liabilities of the College, with the difference reported as net assets. Assets and liabilities 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 assets are one indicator of the financial condition of the College, while the change in net assets from one period to the next is an indicator of whether the financial condition has improved or worsened. The statement of net assets (condensed, in thousands) at June 30, 2008, 2007 and 2006, are as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>			
Current assets	\$ 13,258	\$ 25,442	\$ 25,526
Capital assets, net	48,496	44,080	36,102
Other	<u>21,058</u>	<u>9,964</u>	<u>11,333</u>
Total Assets	<u>\$82,812</u>	<u>\$79,486</u>	<u>\$72,961</u>
 <b>Liabilities</b>			
Current liabilities	\$ 11,695	\$ 10,001	\$ 10,087
Long term liabilities	<u>17,857</u>	<u>19,432</u>	<u>18,579</u>
Total Liabilities	<u>29,552</u>	<u>29,433</u>	<u>28,666</u>
 <b>Net Assets</b>			
Invested in capital assets, net of related debt	30,984	25,807	20,360
Restricted:			
Nonexpendable	511	600	598
Expendable	9,850	10,947	10,209
Unrestricted:			
Designated	5,406	4,580	5,737
Undesignated	<u>6,509</u>	<u>8,119</u>	<u>7,391</u>
Total net assets	<u>53,260</u>	<u>50,053</u>	<u>44,295</u>
Total Liabilities & Net Assets	<u>\$ 82,812</u>	<u>\$ 79,486</u>	<u>\$ 72,961</u>

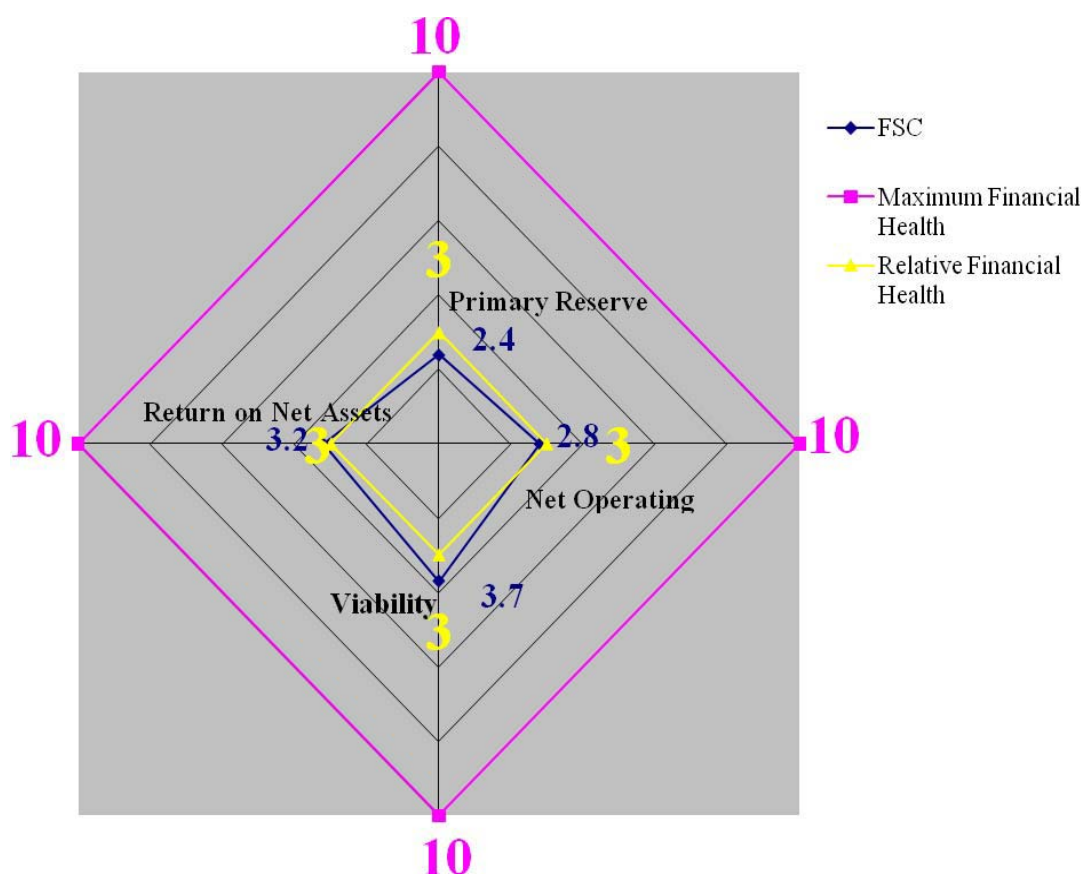
Current assets consist primarily of cash and cash equivalents (82.0%). Other assets include restricted cash and cash equivalents, investments in marketable securities and loans receivable. Capital assets are used to provide services to students, faculty and staff. These assets are not available for current or future spending. Current liabilities include trade accounts and salaries payable, 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 the obligation due to employees will be funded by state appropriations. The increase in net assets over the past three periods is indicative of the capital improvement initiatives undertaken during this time.

Ratio analysis measures certain elements of an institution's financial health. Although there are decreases in some of the ratios, the results are still positive and remain indicators of the overall financial health of the institution. All ratios are either at or above benchmark industry standards.

- **Current Ratio:** The College's current assets of \$13.3 million are sufficient to cover current liabilities of \$11.7 million. An excess of current assets over current liabilities (the current ratio) is a measure of liquidity and provides a buffer against future uncertainties. The College's current ratio, at June 30 is 1.1 to 1 for 2008 and 2.5 to 1 for both 2007 and 2006. During 2008, a portion of available cash was invested, on a long term basis, in marketable securities resulting in a decrease in the current ratio. The securities are primarily made up of intermediate term, high-quality bond and multi-strategy equity funds in amounts governed by the College's investment policies.

- **Return on Net Assets Ratio:** Net assets represent the residual interest in the College's assets after liabilities are deducted. Comparing the current change in total net assets to total net assets at the beginning of the period (return on net assets) is an economic measure that determines if the College is financially better off than in previous years. The College's return on net assets at June 30, 2008, 2007 and 2006 was 6.41%, 13.0% and 13.6%, respectively. The decrease in the ratio is the result of the College's significant investment in physical assets, which do not produce returns at the same level as operating activities. The ratio, however, is still well above industry benchmarks.
- **Primary Reserve Ratio:** This ratio indicates how long the College could function using its expendable reserves without relying on additional net assets generated by operations. The College's primary reserve ratio at June 30, 2008, 2007 and 2006 was 32.0%, 37.80% and 40.5%, respectively. The decrease in the ratio is a result of the College's decision to spend some of its accumulated reserves to fund capital initiatives.
- 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 assets exceeding debt levels, although not by excessive amounts. The College's CFI at June 30, 2008, 2007 and 2006 was 3.05, 4.01 and 4.24, respectively. The following graph illustrates the four core financial ratios after they have been weighted and strength factors calculated.

### Composite Financial Index



Statement of Revenues, Expenses and Changes in Net Assets

The following Statements of Revenues, Expenses and Changes in Net Assets (condensed, in thousands) presents information showing the College's results of operations for the fiscal years ended June 30, 2008, 2007 and 2006. All changes in net assets are reported as soon as the underlying event given 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).

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>Operating revenues:</u>			
Tuition & fees (net)	\$ 23,783	\$ 21,778	\$ 19,928
Grants	3,951	3,657	3,486
Sales & service of educational department	1,357	1,366	1,301
Auxiliary	6,056	5,915	5,466
Other operating revenue	<u>606</u>	<u>621</u>	<u>627</u>
Total operating revenue	<u>35,753</u>	<u>33,337</u>	<u>30,808</u>
<u>Operating expenses:</u>			
Instruction	26,700	24,193	22,856
Research & public service	595	548	764
Academic support	5,344	5,109	4,632
Student services & scholarships	7,480	7,025	6,563
Institutional support	7,228	6,648	6,169
Operations & maintenance	11,040	9,699	8,186
Depreciation	3,228	3,113	2,648
Auxiliary	<u>5,810</u>	<u>5,714</u>	<u>5,420</u>
Total operating expenses	<u>67,425</u>	<u>62,049</u>	<u>57,238</u>
Net operating loss	<u>(31,672)</u>	<u>(28,712)</u>	<u>(26,430)</u>
<u>Non-operating revenue &amp; expenses:</u>			
State appropriations	34,064	31,702	29,645
Gifts	4	13	7
Investment income	816	1,379	1,071
Interest expense	(658)	(548)	(316)
State capital appropriations	475	1,800	1,195
Capital grants	<u>178</u>	<u>124</u>	<u>124</u>
Total non-operating revenue	<u>34,879</u>	<u>34,470</u>	<u>31,726</u>
<u>Increase in net assets</u>	<u>3,207</u>	<u>5,758</u>	<u>5,296</u>
Net assets, beginning of the year	<u>50,053</u>	<u>44,295</u>	<u>38,999</u>
Net assets, end of the year	<u>\$ 53,260</u>	<u>\$ 50,053</u>	<u>\$ 44,295</u>

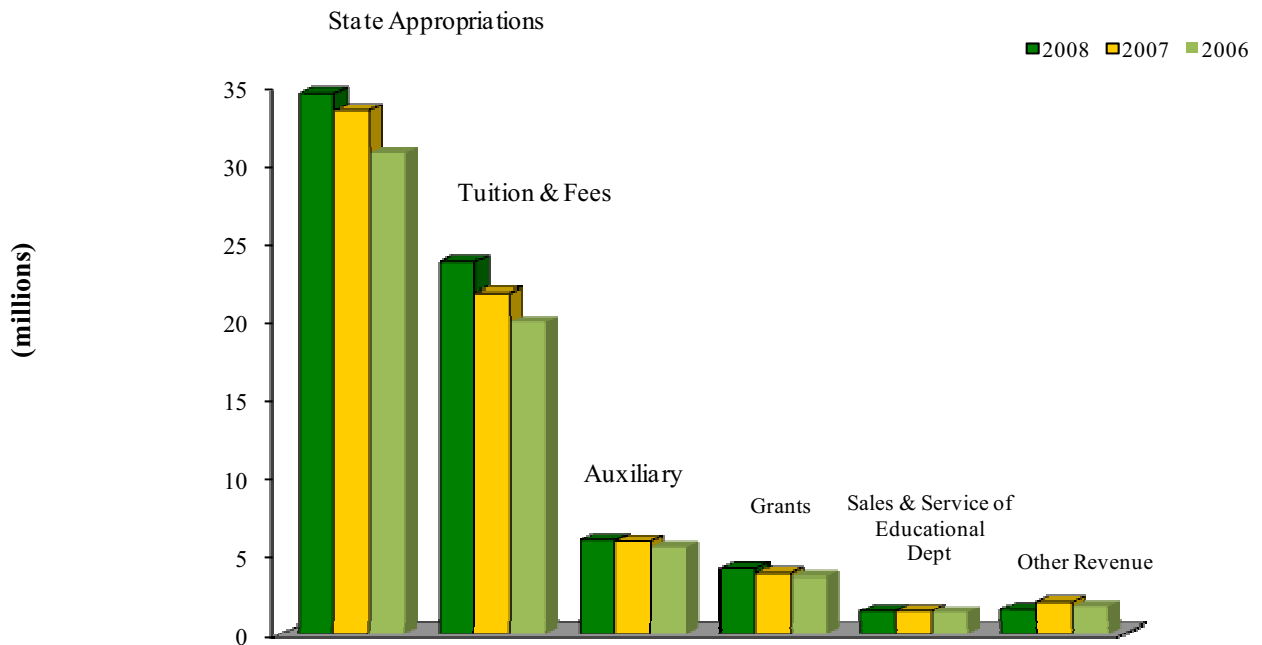
State appropriations are reported net of the amount of day school tuition collected by the College on behalf of the Commonwealth. The tuition collected (for state supported courses taught by state employees) is then remitted to the Commonwealth as required by Massachusetts General Law. The following schedule details the Commonwealth appropriations received by the College. Included in appropriations are the fringe benefit costs for College 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 College. Non-state employees who are paid from trust funds, grants or other sources receive the same fringe benefits. The College reimburses the Commonwealth for the benefit costs associated with these employees. The fringe benefit rate charged by the Commonwealth, exclusive of compensated absences, for fiscal years 2008, 2007 and 2006 was 38.3%, 31.3% and 27.0%, respectively. The current fringe benefit rate includes group medical insurance (29.9%); retirement (8.4%) and terminal leave (.03%).

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Commonwealth general appropriations	\$ 27,464	\$ 26,924	\$ 26,044
Appropriations to cover fringe benefits provided to employees of the Commonwealth	<u>9,647</u>	<u>7,747</u>	<u>6,309</u>
	37,111	34,671	32,353
Tuition remitted back to the Commonwealth	<u>(3,047)</u>	<u>(2,969)</u>	<u>(2,708)</u>
Net appropriations	34,064	31,702	29,645
Additional state capital appropriations	<u>475</u>	<u>1,800</u>	<u>1,195</u>
Total appropriations	<u>\$ 34,539</u>	<u>\$ 33,502</u>	<u>\$ 30,840</u>

The following is a graphic illustration of total revenue (operating and non-operating) by source. Total revenue for the fiscal years ended June 30, 2008, 2007 and 2006 was \$71.3, \$68.4 and \$62.8 million, respectively. The increase in total revenue is the result of additional state appropriations, increased fees and increased enrollment.

#### Total Revenue by Source



For the fiscal year ended June 30, 2008, total appropriations increased by 3.1%. The increase is primarily the result of a significant increase in the fringe benefit rate for 2008. It is important to note that the state appropriations the College receives essentially fund payroll and benefit costs. The majority of operating costs incurred by the College 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 student is controlled at the state level and remained at fiscal 2007 levels. The increase in total tuition and fee revenue (9.2%) is due to a modest increase in student fees and an increase in enrollment. It is the policy of the institution whenever student fees are increased, that the amount committed to scholarships is also increased in an amount equal to 25% of the projected revenue generated by that increase. This resulted in a 16.0% increase in the amount of scholarships actually awarded to students. During fiscal years 2008, 2007 and 2006, in-state tuition and fees for full time resident students were \$6,412,

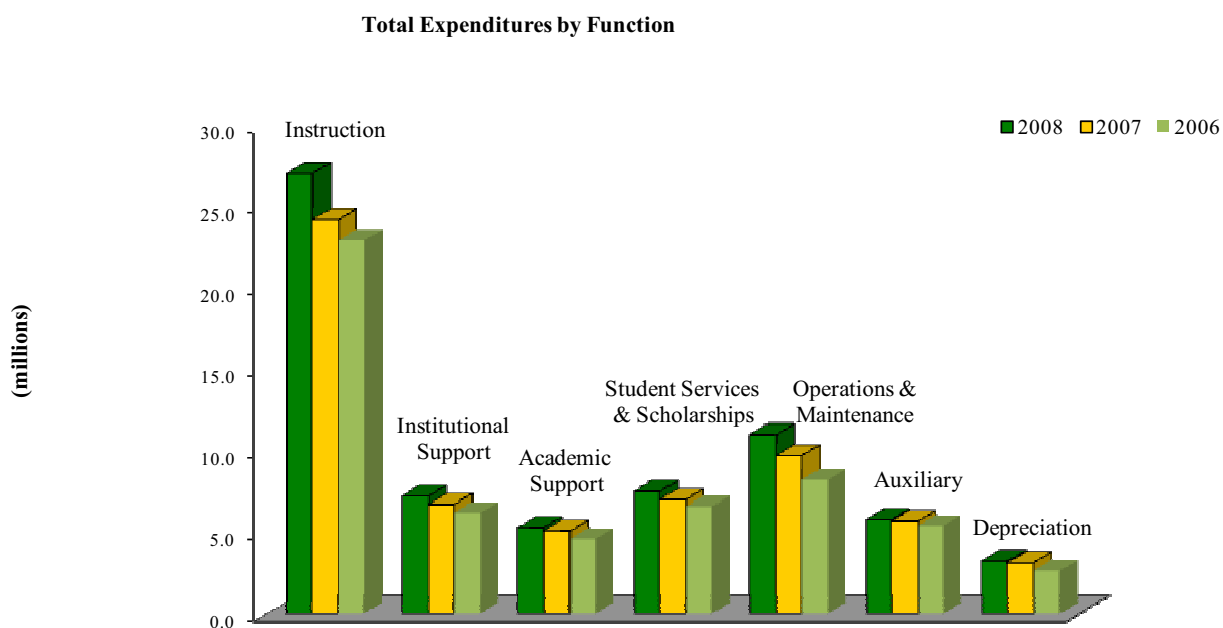


\$6,107 and \$5,638 per semester, respectively. In-state tuition for commuting students in fiscal years 2008, 2007 and 2006 was \$2,996, \$2,771 and \$2,501 per semester, respectively.

Auxiliary revenue represents revenue received from the operations of the College's residence halls. Auxiliary revenue increased 2.4% and does not include fees charged for the student housing facility owned and operated by the FSC Supporting Organization, Inc. (the "Supporting Organization"). The Supporting Organization acquired the facility in 2007 to help alleviate some of the student housing needs of the College. Overall Residence Hall occupancy is at 110% capacity. Construction began in fiscal 2008 on additional townhouse units in Mara Village. Those facilities should be completed by the fall of 2009.

Grant revenue is made up of federal, state and private grants. The most significant of these is the PELL and SEOG federal financial aid programs.

The following is a graphic illustration of total expenditures (operating and non-operating) by function. Total expenditures for the fiscal years ended June 30, 2008, 2007 and 2006 were \$68.1 million, \$62.6 million and \$57.5 million, respectively.



The most significant area of expense is Instruction, which represents 39.6% of total operating expenses in the fiscal year 2008. Faculty payroll (\$16.5 million) and related benefits (\$6.3 million) represent approximately 85.4% of instructional expenditures. Increases in instructional expense over the past years relate to the hiring of additional faculty positions and increases in collective bargaining agreements. Institutional Support consists of the day-to-day operational support of the institution, excluding physical plant operations. 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 \$3.2, \$3.1 and \$2.6 million in depreciation expense for 2008, 2007 and 2006, respectively.

Total expenses for fiscal year 2008, excluding depreciation, increased by approximately \$5.4 million (9.0%) when compared to fiscal 2007 (\$4.6 million or 8.3% increase when comparing fiscal 2007 to fiscal 2006). The increase is due to the collective bargaining agreements, particularly increased fringe benefit costs, variable costs associated with increased enrollment and deferred maintenance projects.

State appropriations are the primary source of funding for the College. According to the Governmental Accounting Standards Board (GASB), appropriations are considered non-operating revenue. As such, the College appears to

experience a loss from operations. However, it should be noted that state appropriations *are* used to fund the operating activities of the College.

The following schedule (condensed, in thousands) illustrates the College's incurred losses from operations for the fiscal years ended June 30, 2008, 2007 and 2006.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Tuition & fees revenue, net	\$ 23,783	\$ 21,778	\$ 19,928
Other operating revenue	<u>11,970</u>	<u>11,559</u>	<u>10,880</u>
Total operating revenue	35,753	33,337	30,808
Operating expenses	<u>(67,425)</u>	<u>(62,049)</u>	<u>(57,238)</u>
Operating loss	(31,672)	(28,712)	(26,430)
Total state appropriations	34,539	33,502	30,840
Other revenue (expense), net	<u>340</u>	<u>968</u>	<u>886</u>
Increase in net assets	\$ <u>3,207</u>	\$ <u>5,758</u>	\$ <u>5,296</u>

**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. For the fiscal years ended June 30, 2008, 2007 and 2006, the College's net operating revenues ratio was 3.62%, 5.77% and 6.46%, respectively. The decline in the ratio over the periods is the result of the strategic commitment to invest in the College's physical plant. It is important to note that the ratio remains positive indicating that the College produces a positive return on current activities and is at about the same level that existed prior to undertaking the capital initiative.

#### 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 College's statement of cash flows (condensed, in thousands) for the fiscal years ended June 30, 2008, 2007 and 2006:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash received from operations	\$ 35,992	\$ 33,669	\$ 30,736
Cash expended for operations	<u>(53,272)</u>	<u>(52,016)</u>	<u>(47,703)</u>
Net cash used by operations	(17,280)	(18,347)	(16,967)
Net cash provided by non-capital financing activities	24,421	23,969	23,343
Net cash used by capital and related financing activities	(9,322)	(9,239)	(4,699)
Net cash (used) provided by investing activities	<u>(10,798)</u>	<u>1,420</u>	<u>1,101</u>
Net increase (decrease) in cash and equivalents	(12,979)	(2,197)	2,778
Cash and equivalents, beginning of the year	<u>30,713</u>	<u>32,910</u>	<u>30,132</u>
Cash and equivalents, end of the year	\$ <u>17,734</u>	\$ <u>30,713</u>	\$ <u>32,910</u>

The College's cash and cash equivalents decreased by approximately \$13.0 million during fiscal 2008, resulting in the cash and cash equivalents balance of \$17.7 million at fiscal year end. The decrease is primarily due to the decision to invest a portion of the College's idle cash in marketable securities. The investments primarily include intermediate term, high-quality bond and multi-strategy equity funds invested on a long term basis. Investment

income includes interest and dividends received from these investments, as well as, interest earned on College funds held in the Massachusetts Municipal Depository Trust (MMDT), a short-term money management vehicle provided by the Commonwealth. Investment income also includes unrealized gains and losses on long term investments. Non-capital financing activities, as defined by GASB, include state appropriations. These appropriations fund the operating activities of the College.

#### Capital Assets

Capital assets consist of land, buildings and building improvements, equipment, library materials, and construction in progress. As of June 30, 2008, net capital assets increased to \$48.5 million after depreciation expense of \$3.2 million. During the current fiscal year there were \$7.6 million in additions to capital assets. Included in this amount is the \$1.1 million renovation of the Information Technology offices, \$1.4 million in improvements and construction of various parking lots and approximately \$5.1 million in improvements to various academic, athletic, student and administration facilities.

In fiscal 2008, a capital bond bill was approved by the legislature and signed by the governor. Included in this bill is funding for the College's new science building. The College expects that this project will be included in the five year capital spending plan which is expected to be released soon.

**Physical Asset Renewal Ratio:** Over the past three years, the College has incurred approximately \$27 million in costs for capital renewal projects illustrating the College's commitment to maintain its long-term viability. 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 1.00 indicates increasing investment in plant facilities. The College's physical asset renewal ratio for fiscal years ended June 30, 2008, 2007 and 2006 was 2.43, 3.09, and 2.90, respectively.

#### Long Term Debt

The College has long term debt obligations issued for various capital projects. The debt was issued through several financing agreements with the Massachusetts Health and Educational Facilities Authority (MHEFA) and the Massachusetts State College Building Authority (MSCBA). The interest rate on the MHEFA 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 3.50% to 5.00 % over the term of the debt as set by MSCBA. The debt is being repaid by the College through dedicated student fees (DSF). The following table summarizes the various debt vehicles, interest rates, debt service and debt outstanding at June 30, 2008 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	Debt Outstanding	Maturity
MHEFA	Recreation Center	1997	\$6,000,000	DSF	3.59%	\$333,348	\$4,601,096	2023
MSCBA	Holmes Dining Hall Renovations	2005	\$1,090,000	DSF	4.15%	\$82,069	\$975,000	2025
MSCBA	Elliot Athletic Field Improvements	2005	\$4,020,000	DSF	4.15%	\$304,869	\$3,590,000	2025
MSCBA	Holmes Dining Hall Renovations	2006	\$2,060,000	DSF	4.41%	\$163,613	\$2,025,402	2026
Total			\$13,170,000			\$883,899	\$11,191,498	

The College has also acquired equipment through capital lease agreements with various financing companies. The capital lease agreements allow for the acquisition of telephone, printing and computer equipment, as well as software and implementation costs. Capital lease agreements are generally paid from operating funds and have terms ranging from five to ten years. The following table summarizes the various capital lease agreements, interest rates, debt service and amounts outstanding at June 30, 2008.

Financing Agreement	Equipment Acquisition	Initial Lease Year	Original Amount Financed	Funding Source	Interest Rate	Debt Service	Debt Outstanding	Maturity
1	Student information system	2001	\$5,000,000	Operating funds	5.85%	\$616,332	\$1,414,316	2010
2	Network system upgrade	2007	\$1,870,144	Operating funds	5.13%	\$426,427	\$1,533,244	2012
all others	Telephone, computer and printing equipment	2005 to 2007	\$245,593	Operating funds	4.96% - 7.93%	\$66,467	\$119,506	2010-2011
Total			\$7,115,737			\$1,109,226	\$3,067,066	

For the fiscal years ended June 30, 2008, 2007 and 2006, the total debt (current and long term) attributable to interagency payments, capital leases and bond premiums amounted to \$14.3 million, \$15.6 million and \$14.9 million, respectively.

**Viability Ratio:** The availability of expendable net assets to cover debt (the viability ratio) is a basic determinant of financial health. A viability ratio of 1.00 indicates that, as of the balance sheet date, the College has sufficient net assets to satisfy its debt obligations. As of June 30, 2008, 2007 and 2006, the College's viability ratio was 1.53, 1.52 and 1.57, respectively.

**Debt Burden Ratio:** 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, the Massachusetts Department of Higher Education recommends a debt burden ratio of no more than 5%. As of June 30, 2008, 2007 and 2006, the College's debt burden was 3.01, 3.04 and 2.95, respectively.

#### Looking Forward

The College has completed the fourth year of its five-year strategic plan. The College has not only accomplished many of the goals outlined in the strategic plan but in many cases exceeded expectations. The significant investment in academic and capital initiatives has allowed the College to strengthen its competitive position within the higher education industry. Next year will see the review of the College's current mission statement, which will be followed by the development and dissemination of a new strategic plan.

A recent example of an academic initiative includes the important work that was done to engage a research team of graduate students, led by the department chair of the Communications-Media Department, to collect data and provide a report to the College community forecasting the feasibility of possible new academic majors. The committee was coined "Second Stage Academic Planning" to signify its work. What resulted from this study were salient issues which span a mix of academic, social and structural concerns that offer an opportunity for the College to improve the campus environment and attract new students. This study will also be a key ingredient for the conversations that will be occurring to develop a new strategic plan.

In the area of capital initiatives, there have been aggressive efforts to update facilities which have changed the face of the campus and ensured the College's long-term viability. These efforts continue with an additional \$10 million of the 2009 budget dedicated to capital projects and includes such projects as a new campus police station located

in the North Street corridor, completion of the renovations to the Nursing faculty offices, and renovation of the Anthony building that will result in a “one stop” student service area that includes the registrar, admissions, financial aid, student accounts, and graduate and continuing education.

The College, the City of Fitchburg and the Massachusetts Division of Capital Asset Management (DCAM) finalized a long-term lease that turned the operation and administration of the George R. Wallace, Jr. Civic Center and the Alice G. Wallace Planetarium over to the College. Renovations to the facility’s roof and refrigeration and dehumidification systems were completed in 2008 with funds appropriated through earmarked legislation. The College recently issued a Request for Proposal for the management of the facility. Responses are due by mid-October at which time a vendor will be chosen.

The College is closer to its goal of constructing a new science facility. A capital bond bill, which included this project, was passed by the legislature and signed by the Governor in fiscal 2008. The College is awaiting the release of the first year project list and expects this project to be included.

The College also continues its efforts to improve the technological environment of the College to expose our students to state-of-the-art technologies that enhance the teaching and learning experience. Fourteen new mediated classrooms were added over the summer, increasing the total to nearly 100. This coming year the College will address four key areas of improvement: stabilizing the core infrastructure; improving customer service; expanding new offerings to meet the changing needs of students; and improving information security. Projects in these four areas include the redesign of the helpdesk, releasing Microsoft Vista image set, increasing the wireless network, increasing training and adding a new anti-spam system for faculty, staff and student e-mail systems. These projects address some immediate needs but also position the College as a leader in the use of instructional and operational technology.

The College is a key resource to the City of Fitchburg, northern Worcester County and the Commonwealth of Massachusetts. The College recognizes its role as a community leader relative to many of the local, as well as, global issues currently facing higher education. In April 2007, Governor Deval Patrick signed an executive order committing all state agencies to lead by example and demonstrate significant progress in reducing our environmental impact. The integration of clean energy, environmental protections and resource conservation will provide a model for both businesses and private citizens. In the fall of 2007, Fitchburg State College signed the *American College and University Presidents Climate Commitment*. Fitchburg State College, along with over 400 colleges and universities nationwide agreed to make sustainability a priority, find ways to minimize global warming and provide students with the knowledge and skills needed to address systemic change. To date our efforts have resulted in the decreasing use of fuel oil by converting the power plant to a dual fuel system allowing the use of cleaner burning natural gas. Single stream recycling was introduced in February 2008 resulting in more than 66 tons of recyclables being removed from the waste stream. As planning continues, the College will take a comprehensive look at campus operations and energy needs in an effort to identify strategies for increasing efficiency, incorporating cleaner energy solutions and reducing demand.

Teaching, learning and service continue to be the principles that drive our actions. Underlying most of our efforts is the quest to strengthen our competitive advantage by building on past accomplishments. The strategic plan has served as an excellent roadmap. As we begin the fifth and final year of the plan, we continue to balance our resources between the long term investment in the institution and its immediate needs in order to maintain an effective and efficient operation. The College remains committed to producing graduates who have high level skills and the overall knowledge they need to succeed in an increasingly complex world.

#### Requests for Information

This financial report is designed to provide a general overview of the finances of Fitchburg State College 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 Robert V. Antonucci, President, Fitchburg State College, 160 Pearl Street, Fitchburg, Massachusetts, 01420.



Ercolini & Company LLP  
Certified Public Accountants  
101 Arch Street, Suite 300  
Boston, MA 02110-1103

t 617-482-5511  
f 617-426-5252

[www.recpa.com](http://www.recpa.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Fitchburg State College  
Fitchburg, Massachusetts

We have audited the accompanying financial statements of the business-type activities of Fitchburg State College (a department of the Commonwealth of Massachusetts) as of and for the years ended June 30, 2008 and 2007, and the discretely presented component unit as of and for the years ended June 30, 2008 and 2007, which collectively comprise Fitchburg State College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Fitchburg State College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Fitchburg State College and its discretely presented component unit are intended to present the respective financial position, results of operations 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 College 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, 2008 and 2007, the change 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.

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 College as of June 30, 2008 and 2007, and the respective results of operations and cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 2008 on our consideration of Fitchburg State College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters for the year ended June 30, 2008. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our 2008 audit.

The Management's Discussion and Analysis (MD&A) on pages i to xi is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Ercoleini & Company LLP*

October 5, 2008

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET ASSETS

JUNE 30, 2008 AND 2007

**ASSETS**

		Component Unit Fitchburg State College Foundation, Inc.		Component Unit Fitchburg State College Foundation, Inc.
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
<b><u>Current Assets</u></b>				
Cash and cash equivalents	\$ 8,306,462	\$ 768,206	\$ 20,319,968	\$ 522,636
Restricted cash and cash equivalents	2,563,691	95,290	2,598,535	94,552
Investments	-	3,553,717	-	4,484,268
Accounts receivable, net	1,982,316	69,301	2,138,599	93,535
Contributions receivable, net	-	309,103	-	219,214
Loans receivable - current portion	3,279	-	2,983	-
Other current assets	<u>402,578</u>	<u>16,352</u>	<u>382,428</u>	<u>16,446</u>
Total current assets	<u>13,258,326</u>	<u>4,811,969</u>	<u>25,442,513</u>	<u>5,430,651</u>
<b><u>Noncurrent Assets</u></b>				
Restricted cash and cash equivalents	6,864,213	-	7,794,902	292,639
Investments	11,692,953	-	-	-
Endowment investments	85,073	7,114,479	174,244	6,394,609
Contributions receivable, net	-	503,109	-	13,876
Loans receivable, net of current portion	1,776,749	-	1,691,615	-
Capital assets, net	48,495,584	4,038,675	44,080,116	3,359,960
Other noncurrent assets	<u>639,405</u>	<u>141,330</u>	<u>303,061</u>	<u>114,140</u>
Total noncurrent assets	<u>69,553,977</u>	<u>11,797,593</u>	<u>54,043,938</u>	<u>10,175,224</u>
<b>TOTAL ASSETS</b>	<u>\$ 82,812,303</u>	<u>\$ 16,609,562</u>	<u>\$ 79,486,451</u>	<u>\$ 15,605,875</u>



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET ASSETS - CONTINUED

JUNE 30, 2008 AND 2007

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES</b>	<b><u>2008</u></b>	<b>Component Unit Fitchburg State College Foundation, Inc. <u>2008</u></b>	<b><u>2007</u></b>	<b>Component Unit Fitchburg State College Foundation, Inc. <u>2007</u></b>
<b><u>Current Liabilities</u></b>				
Interagency payables - current portion	\$ 434,485	\$ -	\$ 420,213	\$ -
Accounts payable and accrued liabilities	3,097,009	26,755	2,125,125	24,996
Accounts payable - construction	98,826	-	312,953	-
Accrued workers' compensation - current portion	88,649	-	100,588	-
Compensated absences - current portion	2,158,916	-	2,047,183	-
Faculty payroll accrual	2,694,842	-	2,234,005	-
Deferred revenue - current portion	1,744,298	3,026	1,489,143	96,366
Capital leases - current portion	957,118	-	905,801	-
Long-term debt - current portion	-	82,893	-	63,990
Deposits	254,810	-	247,285	-
Other current liabilities	<u>166,643</u>	<u>-</u>	<u>119,083</u>	<u>-</u>
Total current liabilities	<u>11,695,596</u>	<u>112,674</u>	<u>10,001,379</u>	<u>185,352</u>
<b><u>Noncurrent Liabilities</u></b>				
Interagency payables, net of current portion	10,757,013	-	11,203,468	-
Accrued workers' compensation, net of current portion	361,347	-	410,010	-
Compensated absences, net of current portion	1,679,940	-	1,662,874	-
Deferred revenue, net of current portion	1,123,278	-	1,307,654	-
Rebate payable	17,163	-	13,681	-
Capital leases, net of current portion	2,109,948	-	3,067,066	-
Long-term debt, net of current portion	-	2,931,592	-	2,466,833
Loan payable - federal financial assistance programs	<u>1,807,924</u>	<u>-</u>	<u>1,767,225</u>	<u>-</u>
Total noncurrent liabilities	<u>17,856,613</u>	<u>2,931,592</u>	<u>19,431,978</u>	<u>2,466,833</u>
Total liabilities	<u>29,552,209</u>	<u>3,044,266</u>	<u>29,433,357</u>	<u>2,652,185</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF NET ASSETS - CONTINUED

JUNE 30, 2008 AND 2007

LIABILITIES AND NET ASSETS - CONTINUED

		Component Unit Fitchburg State College Foundation, Inc.		Component Unit Fitchburg State College Foundation, Inc.
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 30,983,682	\$ 1,072,850	\$ 25,806,513	\$ 875,199
Restricted for:				
Non-expendable				
Scholarships and fellowships	511,206	3,958,634	600,377	3,456,139
Cultural programs	-	1,340,871	-	1,335,496
Centennial endowments	-	1,592,974	-	1,592,974
Other	-	63,647	-	59,053
Expendable				
Scholarships and fellowships	324,260	1,398,147	298,049	1,352,227
Cultural programs	-	608,256	-	693,609
Loans	247,117	-	241,829	-
Capital projects	4,153,696	-	5,554,159	-
Debt service	5,124,225	-	4,851,815	-
Other	930	201,633	930	182,856
Unrestricted	<u>11,914,978</u>	<u>3,328,284</u>	<u>12,699,422</u>	<u>3,406,137</u>
Total net assets	<u>53,260,094</u>	<u>13,565,296</u>	<u>50,053,094</u>	<u>12,953,690</u>
<b>LIABILITIES AND NET ASSETS</b>	<u>\$ 82,812,303</u>	<u>\$ 16,609,562</u>	<u>\$ 79,486,451</u>	<u>\$ 15,605,875</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2008 AND 2007

		Component Unit Fitchburg State College Foundation, Inc.		Component Unit Fitchburg State College Foundation, Inc.
<b><u>OPERATING REVENUES</u></b>	<b><u>2008</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2007</u></b>
Student tuition and fees	\$ 27,064,990	\$ -	\$ 24,458,748	\$ -
Student fees restricted for repayment of Interagency payables	1,358,624	-	1,319,093	-
Less: Scholarship allowances	( 4,640,369)	-	( 4,000,131)	-
<b>Net student tuition and fees</b>	<b>23,783,245</b>	<b>-</b>	<b>21,777,710</b>	<b>-</b>
Federal grants and contracts	3,610,402	-	3,391,927	-
State and local grants and contracts	242,942	5,200	137,608	5,200
Nongovernmental grants and contracts	97,663	8,841	127,444	51,030
Sales and services of educational departments	1,356,825	429,263	1,366,139	416,734
Gifts and contributions	-	1,082,345	-	1,239,914
<b>Auxiliary enterprises:</b>				
Residential life	6,018,836	192,939	5,876,405	-
Alcohol awareness and other programs	36,832	-	38,358	-
Other operating revenues	<u>606,449</u>	<u>2,406</u>	<u>621,052</u>	<u>4,515</u>
<b>Total operating revenues</b>	<b><u>35,753,194</u></b>	<b><u>1,720,994</u></b>	<b><u>33,336,643</u></b>	<b><u>1,717,393</u></b>
<b><u>OPERATING EXPENSES</u></b>				
<b>Educational and general:</b>				
Instruction	26,699,550	66,978	24,193,071	103,479
Research	37,104	-	61,077	-
Public service	558,388	226,004	486,633	172,769
Academic support	5,344,027	19,198	5,108,978	23,635
Student services	7,478,709	134,969	7,022,806	123,319
Institutional support	7,228,110	369,327	6,648,295	387,399
Operations and maintenance of plant	11,040,392	20,232	9,699,216	31,993
Depreciation and amortization	3,227,502	63,013	3,112,604	66,105
Scholarships and awards	1,500	205,755	2,300	183,084
<b>Auxiliary enterprises:</b>				
Residential life	5,779,845	54,330	5,679,902	-
Alcohol awareness and other programs	<u>30,053</u>	<u>-</u>	<u>34,533</u>	<u>-</u>
<b>Total operating expenses</b>	<b><u>67,425,180</u></b>	<b><u>1,159,806</u></b>	<b><u>62,049,415</u></b>	<b><u>1,091,783</u></b>
<b>Operating income (loss)</b>	<b>( 31,671,986)</b>	<b><u>561,188</u></b>	<b>( 28,712,772)</b>	<b><u>625,610</u></b>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>	<b><u>2008</u></b>	<b>Component Unit Fitchburg State College Foundation, Inc. <u>2008</u></b>	<b><u>2007</u></b>	<b>Component Unit Fitchburg State College Foundation, Inc. <u>2007</u></b>
State appropriations	\$ 34,063,661	\$ -	\$ 31,702,393	\$ -
Gifts	3,506	-	13,327	-
Investment income (loss), net of investment expense	180,283	( 393,153)	808,709	1,182,682
Investment income on restricted assets	636,055	85,513	571,626	403,075
Interest expense on Interagency payables and capital asset related debt	( 657,783)	( 149,813)	( 548,265)	( 94,374)
<b>Net nonoperating revenues before capital and endowment additions</b>	<b><u>34,225,722</u></b>	<b><u>( 457,453)</u></b>	<b><u>32,547,790</u></b>	<b><u>1,491,383</u></b>
<b><u>INCOME BEFORE CAPITAL AND ENDOWMENT ADDITIONS</u></b>	<b><u>2,553,736</u></b>	<b><u>103,735</u></b>	<b><u>3,835,018</u></b>	<b><u>2,116,993</u></b>
State capital appropriations	475,000	-	1,799,754	-
Capital grants	178,264	-	123,535	-
Private gifts for endowment purposes	<u>-</u>	<u>507,871</u>	<u>-</u>	<u>390,632</u>
<b>Total capital and endowment additions</b>	<b><u>653,264</u></b>	<b><u>507,871</u></b>	<b><u>1,923,289</u></b>	<b><u>390,632</u></b>
<b><u>INCREASE IN NET ASSETS</u></b>	<b><u>3,207,000</u></b>	<b><u>611,606</u></b>	<b><u>5,758,307</u></b>	<b><u>2,507,625</u></b>
<b><u>NET ASSETS - BEGINNING OF YEAR</u></b>	<b><u>50,053,094</u></b>	<b><u>12,953,690</u></b>	<b><u>44,294,787</u></b>	<b><u>10,446,065</u></b>
<b><u>NET ASSETS - END OF YEAR</u></b>	<b><u>\$ 53,260,094</u></b>	<b><u>\$ 13,565,296</u></b>	<b><u>\$ 50,053,094</u></b>	<b><u>\$ 12,953,690</u></b>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2008 AND 2008

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b><u>2008</u></b>	<b><u>2007</u></b>
Tuition and fees	\$ 23,272,259	\$ 21,841,382
Research grants and contracts	4,098,798	3,974,864
Payments to suppliers	( 14,567,221)	( 13,494,222)
Payments to utilities	( 3,764,823)	( 4,225,520)
Payments to employees	( 33,094,775)	( 32,643,830)
Payments for benefits	( 1,474,723)	( 1,263,770)
Payments for scholarships	( 1,500)	( 2,300)
Loans issued to students	( 369,642)	( 319,502)
Collection of loans to students	263,724	358,288
Auxiliary enterprise receipts:		
Residential life	6,015,686	5,909,209
Alcohol awareness program	36,832	39,610
Receipts from sales and services of educational departments	1,649,014	926,886
Other payments	-	( 66,482)
Other receipts	<u>655,922</u>	<u>618,299</u>
<b>Net cash used in operating activities</b>	<b>( 17,280,449)</b>	<b>( 18,347,088)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	27,471,403	26,931,911
Tuition remitted to State	( 3,054,239)	( 2,976,034)
Gifts from grants for other than capital purposes	<u>3,506</u>	<u>13,327</u>
<b>Net cash provided by noncapital financing activities</b>	<b><u>24,420,670</u></b>	<b><u>23,969,204</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
State capital appropriations	475,000	1,799,754
Loan programs net funds received	46,462	54,921
Capital grants	-	382,837
Payments for capital assets	( 7,850,000)	( 9,631,597)
Principal paid on capital debt and leases	( 1,332,302)	( 1,205,464)
Interest paid on Interagency payables and capital leases	<u>( 660,823)</u>	<u>( 639,503)</u>
<b>Net cash used in capital and related financing activities</b>	<b>( 9,321,663)</b>	<b>( 9,239,052)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	( 12,103,000)	-
Earnings on investments	<u>1,305,403</u>	<u>1,420,028</u>
<b>Net cash (used in) provided by investing activities</b>	<b>( 10,797,597)</b>	<b><u>1,420,028</u></b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>( 12,979,039)</b>	<b>( 2,196,908)</b>
<b>Cash and cash equivalents - beginning of year</b>	<b><u>30,713,405</u></b>	<b><u>32,910,313</u></b>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 17,734,366</u></b>	<b><u>\$ 30,713,405</u></b>

See notes to financial statements.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:**

	<u>2008</u>	<u>2007</u>
<b>Operating loss</b>	(\$ 31,671,986)	(\$ 28,712,772)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Bad debt expense	459,576	56,036
Depreciation and amortization	3,227,502	3,112,604
Fringe benefits paid by the Commonwealth of Massachusetts	9,646,497	7,747,168
Changes in assets and liabilities:		
Receivables	( 306,787)	( 290,328)
Other current and noncurrent assets	( 356,494)	( 567,558)
Accounts payable and accrued liabilities	795,405	( 164,394)
Accrued workers' compensation	( 60,602)	( 72,988)
Compensated absences	128,799	139,592
Accrued salaries	675,843	166,562
Deferred revenue	232,631	266,686
Other current liabilities	47,560	( 60,530)
Deposits	7,525	( 5,952)
Loans to students	( 105,918)	38,786
<b>Net cash used in operating activities</b>	<u>(\$ 17,280,449)</u>	<u>(\$ 18,347,088)</u>

**SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:**

Acquisition of capital assets	\$ 7,642,970	\$ 11,090,510
Accounts payable thereon:		
Beginning of year	312,953	832,031
End of year	( 98,826)	( 312,953)
Acquisition of assets from capital lease obligation	-	( 1,946,606)
Payments made by DCAM	( 16,412)	-
Net interest earned and incurred, capitalized in construction in progress	<u>9,315</u>	<u>( 31,385)</u>
Payments for capital assets	<u>\$ 7,850,000</u>	<u>\$ 9,631,597</u>
Unrealized gain (loss) on marketable securities	<u>(\$ 499,218)</u>	<u>\$ 2,816</u>
Fringe benefits paid by the Commonwealth of Massachusetts	<u>\$ 9,646,497</u>	<u>\$ 7,747,168</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

STATEMENTS OF CASH FLOWS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**RECONCILIATION OF CASH AND CASH EQUIVALENT BALANCES:**

	<u><b>2008</b></u>	<u><b>2007</b></u>
Current assets:		
Cash and cash equivalents	\$ <b>8,306,462</b>	\$ 20,319,968
Restricted cash and cash equivalents	<b>2,563,691</b>	2,598,535
Noncurrent assets:		
Restricted cash and cash equivalents	<u><b>6,864,213</b></u>	<u>7,794,902</u>
<b>Total cash and cash equivalents</b>	<u><b>\$ 17,734,366</b></u>	<u>\$ 30,713,405</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies:**

Organization:

Fitchburg State College (the “College”) is a public, State-supported comprehensive four-year college which offers a quality education leading to baccalaureate and masters degrees in many disciplines. With its campus located in Fitchburg, Massachusetts, the College provides instruction in a variety of liberal arts, allied health, and business fields of study. The College also offers, through the Division of Continuing Education, credit and non-credit courses. The College is accredited by the New England Association of Schools and Colleges.

The College is a department of the Commonwealth of Massachusetts (the “State” or the “Commonwealth”). The accompanying financial statements reflect only the transactions of the College 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 College had been operated independently of the State.

Fitchburg State College Foundation, Inc. (the “Foundation”) is a component unit of Fitchburg State College. 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 College, to establish scholarships and make awards to educationally talented and needy students; to establish a Distinguished Professor award within the faculty of the College; to subsidize inter-collegiate athletic programs; to subsidize budgets of departments of the College as needed for particular purposes; to encourage public use and support of functions and activities which further the mission of the College; 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 College's Booster Clubs. The Board of the Foundation is self-perpetuating and consists of graduates and friends of the College. Although the College 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 College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements. The College provides, at no cost, certain administrative services to the Foundation.

FSC 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, 2008, has been to acquire, hold, operate and lease real estate and related improvements for the benefit of the Foundation and the College. 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 FSC Foundation.

During the year ended June 30, 2008, FSC Foundation distributed a net amount of \$222,020 to the College for both restricted and unrestricted purposes. During 2008, FSC Foundation distributed scholarships and awards in the amount of \$205,755 directly to students and faculty of the College, and expended an additional \$881,844 in support of its mission in other ways. Complete financial statements for FSC Foundation can be obtained from the Office of the Vice President for Finance and Administration, Fitchburg State College, 160 Pearl Street, Fitchburg, MA 01420.



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Organization - continued:

During the year ended June 30, 2007, FSC Foundation distributed a net amount of \$189,086 to the College for both restricted and unrestricted purposes. During 2007, FSC Foundation distributed scholarships and awards in the amount of \$183,084 directly to students and faculty of the College, and expended an additional \$813,987 in support of its mission in other ways.

Basis of presentation:

The College'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.

FSC Foundation, as a nonprofit organization, reports under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting of Not-for-Profit Organizations*. 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 FSC Foundation's consolidated financial information in the College's financial reporting entity for these differences.

The College's policy for defining operating activities in the statements of revenues, expenses and changes in net assets 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 College'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 College's policy to use the restricted resources first, then unrestricted resources as they are needed.

The College has elected not to adopt the pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989.

The accompanying statements of revenues, expenses and changes in net assets demonstrate the degree to which the direct expense of a given function is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Basis of presentation - continued:

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

- **Invested in capital assets, net of related debt:** Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted:**
  - Nonexpendable** - Net assets subject to externally-imposed stipulations that they be maintained permanently by the College. Such assets include the College's permanent endowment funds.
  - Expendable** - Net assets whose use by the College is subject to externally-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.
- **Unrestricted:** All other categories of net assets. Unrestricted net assets 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 College'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 College'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, MHEFA and MSCBA, and short term investments with original maturities of three months or less from the date of acquisition.

Investments for the College are reported at fair value. Any investments held with the Commonwealth's Treasurer and Receiver-General in the Massachusetts Municipal Depository Trust 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.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Cash and cash equivalents and investments - continued:

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 Assets. Any net earnings not expended are included in net asset categories as follows:

- (i) as increases in restricted - nonexpendable net assets 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 assets if the terms of the gift or the College's interpretation of relevant state law impose restrictions on the current use of the income or net gains. The College 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 assets in all other cases.

At June 30, 2008 and 2007, the College had \$294,368 and \$268,157, respectively, in endowment income available for authorization for expenditure, which is included in restricted-expendable net assets for scholarships and fellowships.

Massachusetts General Law, Chapter 15 grants authority to the College Boards of Trustees to administer the general business of the College. Inherent in this authority is the authority to invest funds of the College. 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 College has delegated the authority to make specific investment decisions to the President of the College and the Finance Committee of the Board of Trustees. The College currently holds one publicly-traded equity security related to one of its endowments and it has invested in pooled investment funds with the Commonfund. The primary cash equivalent funds are the Massachusetts Municipal Depository Trust, an external investment pool for political subdivisions of the Commonwealth.

The College's authorized spending rule provides that all earnings on endowment investments may be expended pursuant to the stipulations placed on these endowments.

FSC Foundation's investments consist of pooled investment funds that invest in debt and marketable equity securities and real estate. The investments in debt and marketable equity securities are carried at their readily determinable fair values. The investment in the real estate fund is carried at its estimated fair value as determined by the Commonfund Realty Investors, LLC. Realized and unrealized gains and losses are included in revenue. Restricted investment income and gains are reported as increases in unrestricted net assets, unless a donor or law temporarily (expendable) or permanently (non-expendable) restricts their use. Gains and losses on the disposition of investments are determined based on the average cost method.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Cash and cash equivalents and investments - continued:

FSC Foundation maintains cash 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 assets and temporarily restricted (expendable) net assets are reflected in the fund in which the assets are recorded.

The College's and FSC Foundation's investment income are presented net of investment expense in the statements of revenues, expenses and changes in net assets. The College's investment expense amounted to \$11,554 for the year ended June 30, 2008. The Foundation's investment expense amounted to \$36,666 and \$35,414 for the years ended June 30, 2008 and 2007, respectively.

Accounts receivable:

Accounts receivable are stated at the amount the College expects to collect from outstanding balances. The College 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 College has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

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 College's participation in the programs. The amount due to the federal government upon liquidation by the College is \$1,460,502 and \$1,431,602 for Perkins and \$347,422 and \$335,623 for NSL at June 30, 2008 and 2007, respectively. These amounts are included as a noncurrent liability in the financial statements.

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 College. The College 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, buildings, building improvements, equipment and other assets are reported in the statement of net assets at

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Capital assets - continued:

cost. Capital assets are defined by the College as assets with an initial, individual cost of more than \$50,000 in accordance with the Commonwealth's capitalization policy. Prior to July 1, 2001, the Commonwealth's capitalization policy was for items with a unit cost of more than \$15,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The College 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 improvements 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 asset balance.

In addition, the land on which the residence halls stand is leased by the Massachusetts State College Building Authority (MSCBA) from the Commonwealth of Massachusetts at a yearly cost of one dollar. The residence halls have various lease terms which extend to the years 2012 and 2016. The leases can be extended at the end of the terms for additional 10-year periods.

The College, per 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. These obligations are guaranteed by the Commonwealth. The revenue assessment amounts for the years ended June 30, 2008 and 2007 were \$2,782,598 and \$2,881,814, respectively. These amounts are included in the Residential life auxiliary enterprises in the accompanying statements of revenues, expenses and changes in net assets. 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 College. The leases, therefore, are accounted for under the operating method for financial statement purposes.

FSC Foundation's capital assets are recorded at cost, if purchased or constructed and, if donated, at fair market 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 and 3 years for equipment. FSC Foundation generally capitalizes all additions and improvements with an individual cost or, if donated, fair market value in excess of \$5,000.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Contributions and bequests:

FSC Foundation recognizes contributions revenue when the donor makes a promise to give, that is, in substance, unconditional. Unconditional promises to give which are to be received in more than one year are reflected net of a discount as determined by management of FSC 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 market value on the date of the donation. All contributions are considered to be available for unrestricted use by FSC Foundation unless specifically restricted by the donor. FSC 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 College accrues sick leave to a level representing 20 percent of amounts earned by those College 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.

Deferred revenue:

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

Agency funds:

Agency funds consist of resources held by the College 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, 2008 and 2007.

Bond related items:

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

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**1. Summary of significant accounting policies - continued:**

Interest expense and capitalization:

The College follows the policy of capitalizing interest expense as a component of the cost of capital assets constructed for its own use. During 2008 and 2007, total interest costs incurred were accounted for as follows:

	<u>2008</u>	<u>2007</u>
Total interest costs incurred	\$ 659,985	\$ 618,524
Less: Interest income on unused funds from tax exempt borrowings	( 9,315)	( 41,564)
Rebate payable increase (decrease)	3,481	8,373
Bond premium amortization	( 5,683)	( 5,683)
	<u>648,468</u>	579,650
Less: Capitalized portion of net interest earned and incurred	<u>9,315</u>	( 31,385)
Interest expense	<u>\$ 657,783</u>	<u>\$ 548,265</u>

Fringe benefits:

The College 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 College. Workers' compensation and unemployment insurance costs are assessed separately based on the College's actual experience.

Tax status:

The College 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 2007 financial statements to conform to the 2008 presentation.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments:**

Cash and cash equivalents - unrestricted and restricted - include the following at June 30, 2008 and 2007:

	<b>2008</b>		
	<b><u>Current Unrestricted</u></b>	<b><u>Current Restricted</u></b>	<b><u>Noncurrent Restricted</u></b>
Cash and money market accounts	\$ 459,576	\$ -	\$ 79,678
Cash equivalents held by MHEFA *	-	163,802	472,167
Cash equivalents held by MSCBA ***	-	16,470	828,485
Massachusetts Municipal Depository Trust	6,570,631	1,651,896	4,749,418
Massachusetts State Treasurer **	1,275,204	731,523	734,465
Petty cash	<u>1,051</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 8,306,462</u></b>	<b><u>\$ 2,563,691</u></b>	<b><u>\$ 6,864,213</u></b>
	<b>2007</b>		
	<b><u>Current Unrestricted</u></b>	<b><u>Current Restricted</u></b>	<b><u>Noncurrent Restricted</u></b>
Cash and money market accounts	\$ 346,477	\$ -	\$ 38,423
Cash equivalents held by MHEFA *	-	154,530	442,687
Cash and cash equivalents held by MSCBA ***	-	263,029	1,529,085
Massachusetts Municipal Depository Trust	17,787,383	1,947,217	4,131,496
Massachusetts State Treasurer **	2,185,183	233,759	1,653,211
Petty cash	<u>925</u>	<u>-</u>	<u>-</u>
	<b><u>\$ 20,319,968</u></b>	<b><u>\$ 2,598,535</u></b>	<b><u>\$ 7,794,902</u></b>

\* This amount consists of cash equivalents which are restricted by the Massachusetts Health and Educational Facilities Authority (MHEFA) for the funding of payments to retire the bonds (See Note 12). The College does not have access to these funds except by the authorization of MHEFA.

\*\* The College has recorded cash held for the benefit of the College by the State Treasurer in the amount of \$1,275,204 and \$2,185,183 at June 30, 2008 and 2007, respectively, for College funds and \$1,465,988 and \$1,886,970 at June 30, 2008 and 2007, 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 College and payments to retire bonds (See Note 12). The College does not have access to these funds except by authorization of MSCBA.



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments - continued:**

Money market funds include the Commonfund Short Term Fund in the aggregate amount of \$136,009 at June 30, 2008. The Short Term Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper. The fund's objective is to match or exceed the performance of the bond-equivalent yield of 3-month U.S. Treasury securities issued for that month. At June 30, 2008, the fund's investment securities had an average maturity of 3.1 months and an effective duration of 3.10 months. The fund had an average credit rating of AAA as of June 30, 2008 (see Note 27).

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 money market instruments. The MMDT is not a bank, savings institution, or financial institution. The MMDT is an instrumentality of the State Treasurer.

The College 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 College's deposits may not be returned to it. The College'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. As of June 30, 2008 and 2007, all of the College's bank balances in excess of Federal Deposit Insurance Corporation (FDIC) limits are fully collateralized under an agreement with Sovereign Bank.

Credit risk

The College 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 College 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 College's investment policy generally limits the maturities of investments to not more than one year. However, the College may invest in securities with maturities in excess of one year if it is determined to be in the best interest of the College as described in the College's investment policy. The College 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.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments - continued:**

As of June 30, 2008 and 2007, the fair values of the Colleges' deposits held at the Massachusetts Municipal Depository Trust were \$12,971,945 and \$23,866,096, respectively. At June 30, 2008, the approximate percentage of the Colleges' deposits held at the MMDT and the respective investment maturities in days were as follows: 58% at 30 days or less; 25.5% at 31-90 days; 12.5% at 91-180 days; and 4% at 181-397 days. At June 30, 2008, approximately 97.5% of the MMDT's cash portfolio had a credit quality rating of P1 and the remaining 2.5% had a credit quality rating of P2.

The College's funds held at MHEFA are invested in the Short Term Asset Reserve (STAR) Fund and had a fair value of \$635,969 and \$597,217 at June 30, 2008 and 2007, 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 may invest 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 June 30, 2008 and 2007, respectively. The Fund's investment securities maintain a weighted average maturity of less than 60 days.

At June 30, 2008, certain of the College's funds are held at MSCBA. Of the total, \$302,082 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$542,873 is invested in various funds as listed below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			<u>Credit Rating</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
<b>Fannie Mae Corporation discount notes</b>	\$ 388,335	\$ 388,335	\$ -	\$ -	<b>A-1+</b>
<b>Federal Home Loan Banks discount note</b>	144,841	144,841	-	-	<b>A-1+</b>
<b>First American Treasury Fund Class D mutual fund</b>	<u>9,697</u>	<u>9,697</u>	<u>-</u>	<u>-</u>	<b>AAAm</b>
<b>Total</b>	<u><u>\$ 542,873</u></u>	<u><u>\$ 542,873</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments - continued:**

At June 30, 2007, certain of the College's funds are held at MSCBA. Of the total, \$1,205,262 is deposited in various cash accounts which are fully collateralized by securities in accounts in the name of MSCBA, and \$586,852 is invested in various funds as listed below:

<u>Investment Type</u>	<u>Investment Maturities (in years)</u>				<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
Federal Home Loan Mortgage Corporation discount note	\$ 387,234	\$ 387,234	\$ -	\$ -	A-1+
Fannie Mae Corporation discount note	144,841	144,841	-	-	A-1+
First American Treasury Fund Class D mutual fund	<u>54,777</u>	<u>54,777</u>	<u>-</u>	<u>-</u>	AAAm
Total	<u>\$ 586,852</u>	<u>\$ 586,852</u>	<u>\$ -</u>	<u>\$ -</u>	

The College's investments are represented by the following at June 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Noncurrent:</u>				
Commonfund (pooled investment funds):				
Short Term Fund	\$ 103,000	\$ 103,000	\$ -	\$ -
Intermediate Term Fund	1,800,000	1,727,859	-	-
Multi-Strategy Equity Fund	3,000,000	2,911,445	-	-
High Quality Bond Fund	<u>7,200,000</u>	<u>6,950,649</u>	<u>-</u>	<u>-</u>
	<u>\$ 12,103,000</u>	<u>\$ 11,692,953</u>	<u>\$ -</u>	<u>\$ -</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments - continued:**

The College's endowment fund investment is represented by the following at June 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Bank of America Corporation common stock (3,564 shares)	<u>\$ 7,257</u>	<u>\$ 85,073</u>	<u>\$ 7,257</u>	<u>\$ 174,244</u>

FSC Foundation's cash and cash equivalents consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Cash, checking	\$ 132,307	\$ 83,707
Money Market Funds	731,189	533,481
Collateral escrow deposit	<u>-</u>	<u>292,639</u>
	<u>\$ 863,496</u>	<u>\$ 909,827</u>

Money market funds include the Commonfund Short Term Fund in the aggregate amounts of \$281,892 at June 30, 2008 and \$357,664 at June 30, 2007. The Short Term Fund invests in U.S. Treasury and government agency securities, high quality corporate securities, asset-backed and commercial and bank paper. The fund's objective is to match or exceed the performance of the bond-equivalent yield of 3-month U.S. Treasury securities issued for that month. At June 30, 2008 and 2007, the fund's investment securities had an average maturity of 3.1 months and 3.3 months, respectively, and an effective duration of 3.10 months and 3.30 months, respectively. The fund had an average credit quality rating of AAA as of June 30, 2008 and 2007 (see Note 27).

The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2008 and 2007, FSC Foundation's uninsured cash and equivalent balances, including the Commonfund Short Term Fund, amounted to \$556,008 and \$653,323, respectively.

A collateral escrow deposit in the amount of \$280,000 was required by Rollstone Bank & Trust (formerly Fitchburg Savings Bank, FSB) as additional security in connection with the Foundation Supporting Organization's first mortgage note payable (see Note 13). All interest earnings on the account also served as additional collateral on the loan. During fiscal 2008, the bank released this collateral requirement. At June 30, 2007, the account was invested in a bank certificate of deposit, with a term of eleven-months, maturing on June 14, 2008, yielding an annual interest rate of 5.03%. The balance in this account at June 30, 2007 amounted to \$292,639, which included accumulated interest earned of \$12,639, and is reflected as a noncurrent restricted cash and cash equivalent in the accompanying 2007 statement of net assets of FSC Foundation. Upon maturity, the proceeds from the certificate of deposit totaling \$307,466 were deposited into a money market account with the bank which is included with current unrestricted cash and cash equivalents in the accompanying 2008 statement of net assets of FSC Foundation.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments - continued:**

FSC Foundation's investment policy consists of an asset allocation policy of 60% equity, 35% fixed income securities and 5% in a real estate fund with Commonfund. The investment policy also provides the Finance Committee with the flexibility to vary the percentage invested in equity securities from 50% to a maximum of 70% based on the economic outlook.

FSC Foundation's investments are represented by the following at June 30, 2008 and 2007:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Commonfund (pooled investment funds):				
Short Term Fund	\$ 212,000	\$ 212,000	\$ -	\$ -
Intermediate Term Fund	91,842	85,895	142,813	139,821
Multi-Strategy Equity Fund	5,092,148	6,757,037	5,123,348	7,428,941
Multi-Strategy Bond Fund	2,935,115	3,118,880	2,915,115	3,050,312
Commonfund Realty Investors, LLC	<u>485,000</u>	<u>494,384</u>	<u>246,623</u>	<u>259,803</u>
	<u>\$ 8,816,105</u>	<u>\$ 10,668,196</u>	<u>\$ 8,427,899</u>	<u>\$ 10,878,877</u>

The Intermediate Term Fund invests in high-quality fixed income securities with maturities generally ranging from 1-3 years. The fund may, however, invest in high-quality fixed income securities with maturities ranging from one day to 30 years. The fund's objective is to exceed the performance of the Merrill Lynch 1-3 Year Treasury Index. As of June 30, 2008 and 2007, the fund's investment securities had a weighted average life of 2.9 and 2.2 years, respectively, and an effective duration of 1.9 and 1.5 years, respectively. The fund had an average credit quality rating of AA+ as of both June 30, 2008 and 2007 (see Note 27).

The Multi-Strategy Equity Fund invests in equity securities across strategies in proportions that are considered to be optimal for a fully diversified equity portfolio. The fund's objective is to add value over long time periods, above the return of the U.S. equity market as measured by the Standard & Poor's 500 Index. An aggregate dollar value of \$1,287,000 in this fund serves as collateral for certain debt agreements (see Notes 13 and 14).

The Multi-Strategy Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The majority of the fund's assets are invested in traditional core strategies focused on domestic investment grade securities. The fund's objective is to exceed the return of the broad U.S. bond market as measured by the Lehman Aggregate Bond Index. As of June 30, 2008 and 2007, the fund's investment securities had a weighted average life of 7.8 and 6.6 years, respectively, and an effective duration of 4.8 and 4.0 years, respectively. The fund had an average credit quality rating of AA as of both June 30, 2008 and 2007.

The High Quality Bond Fund invests in debt securities across strategies in proportions that are considered to be optimal for a fully diversified fixed income portfolio. The fund's assets are primarily invested in corporate bonds and commercial mortgage backed securities. The fund's objective is to exceed the return of the broad

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**2. Cash and cash equivalents, and investments - continued:**

U.S. bond market as measured by the Lehman Aggregate Bond Index. As of June 30, 2008, the fund's investment securities had a weighted average life of 9.4 years, and an effective duration of 5.6 years. The fund had an average credit quality rating of AA+ as of June 30, 2008.

Commonfund Realty Investors, LLC (the Fund) is a commingled, open-end real estate investment fund specifically designed to meet the needs of endowments, foundations and other tax-exempt investors. The Fund is 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 Fund's investment objective is to earn an average annual net return of 11-15% over long periods of time by following a disciplined investment strategy and actively managing all investments. The Fund will seek to mitigate risk through diversification by property type and geographic area. The Fund expects to reinvest proceeds from the sale of investments unless such proceeds are needed to satisfy redemptions. The Fund expects to periodically make distributions of operating cash flow.

FSC Foundation made a capital commitment to the Commonfund Realty Investors, LLC totaling \$485,000, of which \$246,623 was funded as of June 30, 2007. The remaining commitment of \$238,377 was funded in August, 2007. Investment units in the Fund are not deemed to be readily marketable as investors may only elect, once each year during September, to have the Fund redeem up to 20% of the units they have owned for at least five years. Redemptions are processed at the Fund's net asset value at the date the redemption is paid.

Investment securities and real estate investments are exposed to various risks, such as interest rate, market, and credit risks. Real estate investments are exposed to additional risks based on investment concentrations by specific property type and geographic area. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the College's and FSC Foundation's investment account balances.

**3. Accounts and contributions receivable:**

The College's accounts receivable include the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Student accounts receivable	\$ 1,395,194	\$ 1,304,403
Parking and other fines receivable	159,989	95,969
Commissions receivable	196,456	104,128
Grants receivable	164,186	150,289
Interest receivable	5,129	5,578
Miscellaneous other receivable	40,000	28,659
Interagency receivable - DCAM	-	291,590
Due from Commonwealth of Massachusetts	<u>310,026</u>	<u>310,026</u>
	2,270,980	2,290,642
Less allowance for doubtful accounts	( 288,664)	( 152,043)
	<u>\$ 1,982,316</u>	<u>\$ 2,138,599</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**3. Accounts and contributions receivable - continued:**

In September, 2005, the College sold a certain building and land that had been declared surplus property by a vote of the Board of Trustees of the College. The net proceeds from the sale of \$291,590 were reflected as a receivable from DCAM (the State agency overseeing the sale). During fiscal 2008, this amount was deemed uncollectable and written off to bad debt expense.

At June 30, 2008 and 2007, the College has a receivable totaling \$310,026 from the State representing expenses incurred in connection with the initial management, maintenance and operation of the George R. Wallace, Jr. Civic Center and the Alice G. Wallace Planetarium (collectively the Civic Center) (see Note 26). The College has provided an allowance in the amount of \$103,342 on this receivable in fiscal 2008.

FSC Foundation's contributions receivable consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Receivable in less than one year	\$ 330,860	\$ 219,940
Receivable in one to five years	<u>536,734</u>	<u>15,000</u>
	867,594	234,940
Discount on pledges at 3.5% in 2008 and 4% in 2007	<u>55,382</u>	<u>1,850</u>
	<u>\$ 812,212</u>	<u>\$ 233,090</u>

There is no allowance for doubtful accounts for contributions receivable at both June 30, 2008 and 2007.

**4. Loans receivable:**

Loans receivable include the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Perkins loans receivable	\$ 1,442,385	\$ 1,389,080
Nursing loans receivable	334,364	302,535
Emergency student loans receivable	<u>20,936</u>	<u>20,310</u>
	1,797,685	1,711,925
Less allowance for doubtful accounts	( <u>17,657</u> )	( <u>17,327</u> )
	<u>\$ 1,780,028</u>	<u>\$ 1,694,598</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**5. Capital assets:**

Capital assets activity of the College for the year ended June 30, 2008 is as follows:

<b>Capital assets:</b>	<b>Totals June 30, 2007</b>	<b>Additions</b>	<b>Reclassifications* and Reductions</b>	<b>Totals June 30, 2008</b>
<u>Non-depreciable capital assets</u>				
Land	\$ 3,988,575	\$ 409,495	\$ -	\$ 4,398,070
Construction in progress	<u>2,839,825</u>	<u>1,935,098</u>	<u>( 1,650,969)</u>	<u>3,123,954</u>
Total non-depreciable assets	<u>6,828,400</u>	<u>2,344,593</u>	<u>( 1,650,969)</u>	<u>7,522,024</u>
<u>Depreciable capital assets</u>				
Buildings	44,491,325	-	-	44,491,325
Building improvements	22,433,352	4,750,030	1,541,517	28,724,899
Equipment	13,091,327	503,640	109,452	13,704,419
Library materials	<u>364,532</u>	<u>44,707</u>	<u>( 165,276)</u>	<u>243,963</u>
Total depreciable assets	<u>80,380,536</u>	<u>5,298,377</u>	<u>1,485,693</u>	<u>87,164,606</u>
Total capital assets	<u>87,208,936</u>	<u>7,642,970</u>	<u>( 165,276)</u>	<u>94,686,630</u>
<b>Less: accumulated depreciation</b>				
Buildings	31,446,082	928,672	-	32,374,754
Building improvements	3,851,792	1,239,018	-	5,090,810
Equipment	7,830,946	894,536	-	8,725,482
Library materials	<u>-</u>	<u>165,276</u>	<u>165,276</u>	<u>-</u>
Total accumulated depreciation	<u>43,128,820</u>	<u>3,227,502</u>	<u>165,276</u>	<u>46,191,046</u>
<b>Capital assets, net</b>	<u><b>\$ 44,080,116</b></u>	<u><b>\$ 4,415,468</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 48,495,584</b></u>

As of June 30, 2008, capital assets of the College with a cost of approximately \$12,294,000 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, 2008.



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**5. Capital assets - continued:**

Capital assets activity of the College for the year ended June 30, 2007 is as follows:

<b>Capital assets:</b>	<b>Totals <u>June 30, 2006</u></b>	<b><u>Additions</u></b>	<b>Reclassifications* and <u>Reductions</u></b>	<b>Totals <u>June 30, 2007</u></b>
<u>Non-depreciable capital assets</u>				
Land	\$ 2,990,832	\$ 997,743	\$ -	\$ 3,988,575
Construction in progress	<u>8,284,377</u>	<u>2,601,051</u>	( 8,045,603)	<u>2,839,825</u>
Total non-depreciable assets	<u>11,275,209</u>	<u>3,598,794</u>	( 8,045,603)	<u>6,828,400</u>
<u>Depreciable capital assets</u>				
Buildings	44,491,325	-	-	44,491,325
Building improvements	9,391,360	5,118,689	7,923,303	22,433,352
Equipment	11,093,358	2,321,399	( 323,430)	13,091,327
Library materials	<u>475,591</u>	<u>51,628</u>	( 162,687)	<u>364,532</u>
Total depreciable assets	<u>65,451,634</u>	<u>7,491,716</u>	<u>7,437,186</u>	<u>80,380,536</u>
Total capital assets	<u>76,726,843</u>	<u>11,090,510</u>	( 608,417)	<u>87,208,936</u>
<b>Less: accumulated depreciation</b>				
Buildings	30,517,410	928,672	-	31,446,082
Building improvements	2,961,190	1,012,902	122,300	3,851,792
Equipment	7,146,033	1,008,343	323,430	7,830,946
Library materials	<u>-</u>	<u>162,687</u>	<u>162,687</u>	<u>-</u>
Total accumulated depreciation	<u>40,624,633</u>	<u>3,112,604</u>	<u>608,417</u>	<u>43,128,820</u>
<b>Capital assets, net</b>	<u>\$ 36,102,210</u>	<u>\$ 7,977,906</u>	<u>\$ -</u>	<u>\$ 44,080,116</u>

As of June 30, 2007, capital assets of the College with a cost of approximately \$11,792,000 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, 2007.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**5. Capital assets - continued:**

Capital assets activity of FSC Foundation for the year ended June 30, 2008 is as follows:

<b>Capital assets:</b>	<b>Totals June 30, 2007</b>	<b>Additions</b>	<b>Reclassifications and Reductions</b>	<b>Totals June 30, 2008</b>
Real estate under lease to the College:				
Land	\$ 402,663	\$ -	\$ -	\$ 402,663
Building	1,557,724	-	-	1,557,724
Building improvements	<u>100,452</u>	<u>-</u>	<u>-</u>	<u>100,452</u>
	<u>2,060,839</u>	<u>-</u>	<u>-</u>	<u>2,060,839</u>
Real estate used for student housing:				
Land	-	-	253,555	253,555
Building	<u>-</u>	<u>-</u>	<u>434,225</u>	<u>434,225</u>
	<u>-</u>	<u>-</u>	<u>687,780</u>	<u>687,780</u>
Land	862,922	503,022	( 453,592)	912,352
Land improvements	61,899	-	-	61,899
Buildings	434,225	427,374	( 434,225)	427,374
Building improvements	-	8,966	-	8,966
Equipment	<u>330,729</u>	<u>-</u>	<u>-</u>	<u>330,729</u>
Total capital assets	<u>3,750,614</u>	<u>939,362</u>	<u>( 200,037)</u>	<u>4,489,939</u>
<b>Less: accumulated depreciation</b>				
Real estate under lease to the College:				
Land	-	-	-	-
Building	32,452	38,943	-	71,395
Building improvements	<u>837</u>	<u>5,023</u>	<u>-</u>	<u>5,860</u>
	<u>33,289</u>	<u>43,966</u>	<u>-</u>	<u>77,255</u>
Real estate used for student housing:				
Land	-	-	-	-
Building	<u>904</u>	<u>10,855</u>	<u>-</u>	<u>11,759</u>
	<u>904</u>	<u>10,855</u>	<u>-</u>	<u>11,759</u>
Land	-	-	-	-
Land improvements	26,565	3,095	-	29,660
Buildings	-	1,781	-	1,781
Building improvements	-	80	-	80
Equipment	<u>329,896</u>	<u>833</u>	<u>-</u>	<u>330,729</u>
Total accumulated depreciation	<u>390,654</u>	<u>60,610</u>	<u>-</u>	<u>451,264</u>
<b>Capital assets, net</b>	<u>\$ 3,359,960</u>	<u>\$ 878,752</u>	<u>(\$ 200,037)</u>	<u>\$ 4,038,675</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**5. Capital assets - continued:**

Non-depreciable capital assets of FSC Foundation totaled \$1,568,570 at June 30, 2008 and consisted of land.

In June, 2008, the Foundation Supporting Organization paid a deposit of \$5,000 on the purchase of a property in Fitchburg, Massachusetts (see Note 27).

During fiscal 2008, the Foundation sold land with a carrying cost of \$200,037 to the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance. The Foundation realized net proceeds of \$197,850 on the transaction resulting in a net loss on the sale of \$2,187. The College continues to use this land for additional parking.

At June 30, 2008, capital assets of FSC Foundation with a cost of approximately \$331,000 were fully depreciated and still in service.

Capital assets activity of FSC Foundation for the year ended June 30, 2007 is as follows:

<b>Capital assets:</b>	<b>Totals</b>		<b>Reclassifications</b>		<b>Totals</b>
	<b><u>June 30, 2006</u></b>	<b><u>Additions</u></b>	<b>and</b>	<b><u>Reductions</u></b>	<b><u>June 30, 2007</u></b>
Real estate under lease to the College:					
Land	\$ -	\$ 402,663		\$ -	\$ 402,663
Building	-	1,557,724		-	1,557,724
Building improvements	-	100,452		-	100,452
	<u>-</u>	<u>2,060,839</u>		<u>-</u>	<u>2,060,839</u>
Real estate used for student housing:					
Land	-	-		-	-
Building	-	-		-	-
	<u>-</u>	<u>-</u>		<u>-</u>	<u>-</u>
Land	149,566	713,356		-	862,922
Land improvements	61,899	-		-	61,899
Buildings	-	434,225		-	434,225
Building improvements	-	-		-	-
Equipment	<u>330,729</u>	<u>-</u>		<u>-</u>	<u>330,729</u>
Total capital assets	<u>542,194</u>	<u>3,208,420</u>		<u>-</u>	<u>3,750,614</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**5. Capital assets - continued:**

	<b><u>Totals</u></b> <b><u>June 30, 2006</u></b>	<b><u>Additions</u></b>	<b><u>Reclassifications</u></b> <b><u>and</u></b> <b><u>Reductions</u></b>	<b><u>Totals</u></b> <b><u>June 30, 2007</u></b>
<b>Less: accumulated depreciation</b>				
Real estate under lease to the College:				
Land	\$ -	\$ -	\$ -	\$ -
Building	-	32,452	-	32,452
Building improvements	-	837	-	837
	<u>-</u>	<u>33,289</u>	<u>-</u>	<u>33,289</u>
Real estate used for student housing:				
Land	-	-	-	-
Building	-	904	-	904
	<u>-</u>	<u>904</u>	<u>-</u>	<u>904</u>
Land	-	-	-	-
Land improvements	-	26,565	-	26,565
Buildings	-	-	-	-
Building improvements	-	-	-	-
Equipment	<u>326,562</u>	<u>3,334</u>	<u>-</u>	<u>329,896</u>
Total accumulated depreciation	<u>326,562</u>	<u>64,092</u>	<u>-</u>	<u>390,654</u>
<b>Capital assets, net</b>	<u>\$ 215,632</u>	<u>\$ 3,144,328</u>	<u>\$ -</u>	<u>\$ 3,359,960</u>

Non-depreciable capital assets of FSC Foundation totaled \$1,265,585 at June 30, 2007 and consisted of land.

As of June 30, 2007, capital assets of FSC Foundation with a cost of approximately \$321,000 were fully depreciated and still in service.

**6. Accounts payable and accrued liabilities:**

Accounts payable and accrued liabilities include the following at June 30, 2008 and 2007:

	<b><u>2008</u></b>	<b><u>2007</u></b>
Accounts payable - trade	\$ 2,152,151	\$ 1,386,941
Salaries and fringe benefits payable	815,288	600,282
Accrued interest payable	76,689	77,526
Tuition due State	<u>52,881</u>	<u>60,376</u>
	<u>\$ 3,097,009</u>	<u>\$ 2,125,125</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**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, 2008 and 2007. Based upon the Commonwealth's analyses, \$449,996 and \$510,598 of accrued workers' compensation has been recorded as a liability at June 30, 2008 and 2007, respectively.

**8. Accrued compensated absences:**

Accrued compensated absences are comprised of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Vacation time payable	\$ 1,917,325	\$ 1,849,332
Sick time payable	<u>1,921,531</u>	<u>1,860,725</u>
Total	<u>\$ 3,838,856</u>	<u>\$ 3,710,057</u>
Amount representing obligations due to employees funded through sources other than State appropriations	\$ 216,656	\$ 224,754
Amount representing obligations for employees compensated through State appropriations	<u>3,622,200</u>	<u>3,485,303</u>
Total	<u>\$ 3,838,856</u>	<u>\$ 3,710,057</u>

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 College, the College's unrestricted net asset balances would be \$15,537,178 and \$16,184,725 at June 30, 2008 and 2007, respectively. (See Note 1, Compensated absences).

**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 College pay all faculty over the twelve 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, 2008 of \$2,694,842 will be paid from the College's fiscal 2009 State appropriations. The total amount due at June 30, 2007 of \$2,234,005 was paid from the College's fiscal 2008 State appropriations.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**10. Deferred revenue:**

Deferred revenue includes tuition received in advance from students for summer courses commencing after June 30 and grant funds received in advance. Deferred revenue also consists of contributions made to the College as part of a management agreement with Compass Group, Inc. (Compass) to manage and operate the College's food services operation. This management agreement may be terminated by either party at any time, without cause, by giving no less than sixty days prior written notice.

As part of the management agreement with Compass executed in 1999, as amended thereafter, Compass has agreed to provide a total of \$2,258,076 for improvements to the College's dining facilities and other improvement projects as mutually agreed. As of June 30, 2008, Compass has contributed a total of \$2,238,347 for improvements, of which \$50,000 was designated for a specific use, and the remainder has been used for improvements to the College's dining facilities. Of the total of \$2,238,347, Compass contributed cash in the amount of \$382,838 in fiscal 2007, and made improvements to the College's dining facilities and other improvements totaling \$1,855,509 in the years prior to fiscal 2007. As of June 30, 2008, Compass has a remaining obligation for improvements at the College in the amount of \$19,729. Management expects to receive these funds over the course of the remaining agreement. The management agreement contains provisions, whereby, in the event of termination of the agreement, the College would be required to repay a portion of the amounts contributed. The portion required to be repaid is determined by amortization schedules prepared by Compass. The schedules amortize the various contributed amounts over various periods through June 30, 2019 assuming that all funding will be received from Compass.

Deferred revenue includes the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Tuition, fees and professional development	\$ 1,279,729	\$ 1,202,844
Capital grants received in advance	1,297,834	1,462,654
Grants	273,863	118,349
Other	<u>16,150</u>	<u>12,950</u>
	<u>\$ 2,867,576</u>	<u>\$ 2,796,797</u>

**11. Capital lease obligations:**

During fiscal year 2001, the College acquired, through a capital lease arrangement, computer software and hardware for a student records system. Payments under the lease agreement are due each year on March 27 and September 27 for a ten year period. Lease payments commenced March 27, 2001. The scheduled semi-annual payments were approximately \$334,000. In September 2004, \$255,920 remaining in the acquisition escrow upon completion of the project covered by this lease agreement was applied to the principal portion of the outstanding lease payments. The remaining lease payments were then recomputed based on the reduced principal balance. Commencing March 27, 2005, semi-annual lease payments are approximately \$308,000 for the remainder of the lease term. The College is utilizing an interest rate of 5.85% per year which was determined to be applicable at the inception of the lease.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**11. Capital lease obligations - continued:**

In June 2005, the College entered into a noncancellable capital lease for printing equipment. The lease has a term of five years and requires monthly payments of \$913. The asset and capital lease obligation have been recorded at the present value of the future minimum lease payments based upon an interest rate of 5.86% determined to be applicable at the inception of the lease.

During fiscal 2006, the College entered into two noncancellable capital leases for upgrades to the voice, data and video cable system. The leases have terms of four years and require aggregate monthly payments of \$2,819. The assets and capital lease obligations have been recorded at the present value of the future minimum lease payments based upon interest rates of 4.96% and 7.93% which were determined to be applicable at the inception of the leases.

During fiscal 2007, the College entered into a noncancellable capital lease for an upgrade to its network system hardware and software. The lease has a term of five years and requires quarterly payments of \$106,607 which commenced on September 30, 2007 and shall continue through June 30, 2012. The asset and capital lease obligation have been recorded at the present value of the future minimum lease payments based upon an interest rate of 5.13% which was determined to be applicable at the inception of the lease. In connection with this capital lease, the College entered into a maintenance and ongoing support agreement with a term of five years which commenced on July 1, 2007. In order to obtain favorable pricing terms, the College agreed to prepay the entire cost of the contract totaling \$1,059,020. The College paid \$500,000 prior to June 30, 2007 and the balance of \$559,020 in July, 2007. Of the total payments made, \$211,800 is included in other current assets at June 30, 2008 and 2007, respectively and \$635,412 and \$288,200 are included in other noncurrent assets at June 30, 2008 and 2007, respectively.

During fiscal 2007, the College entered into a noncancellable capital lease for a telephone messaging system. The lease has a term of four years and requires monthly payments of \$1,806 which commenced in August, 2006. The asset and capital lease obligation have been recorded at the present value of the future minimum lease payments based upon an interest rate of 6.29% which was determined to be applicable at the inception of the lease.

Capital lease obligations are secured by the related assets.

The College's equipment held under capital leases at June 30, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Printing equipment	\$ 55,375	\$ 55,375
Voice, data and video cable system	1,380,869	1,380,869
Network system hardware and software upgrade	1,870,144	1,870,144
Student records system	<u>5,563,723</u>	<u>5,563,723</u>
	<u>\$ 8,870,111</u>	<u>\$ 8,870,111</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**11. Capital lease obligations - continued:**

The assets under capital leases are being depreciated over their useful lives and the depreciation on these assets is included in depreciation expense. The accumulated depreciation on these leased assets amounted to \$4,370,870 and \$3,559,867 at June 30, 2008 and 2007, respectively. Depreciation expense totaled \$811,003 and \$914,121 for 2008 and 2007, respectively.

The following is a schedule of future minimum lease payments under capital leases:

Year ending June 30,	<u>Total Payments</u>
2009	\$ 1,109,225
2010	1,101,012
2011	736,399
2012	426,427
2013	<u>-</u>
Total minimum lease payments	3,373,063
Less amount representing interest	( 305,997)
Present value of future minimum lease payments	<u>\$ 3,067,066</u>

**12. Interagency payables:**

**MHEFA**

On November 22, 1996, the College signed a financing agreement to receive \$6,000,000 from a Massachusetts Health and Educational Facilities Authority (MHEFA) bond issuance, to be used for the construction of the College's athletic facility. This obligation is being repaid solely by the College through an increase in student fees. Construction of the athletic facility was completed in August, 2000. MHEFA 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 College for its share of the cost of the athletic facility.

The net proceeds of the borrowing deposited by MHEFA on behalf of the College were as follows:

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



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**12. Interagency payables - continued:**

The College is required to make annual funding payments of principal on this debt each July 1. The principal payment due July 1, 2008 of \$163,802 was made as scheduled. These payments are made to a restricted cash account held in escrow in the College's name and recorded on the books of the College. These amounts, along with the initial deposit of \$502,899, are to be held in escrow until July 1, 2023, when the total debt is due and payable unless the College 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 College to offset the administrative costs associated with this debt. In a prior year, the College 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. Furthermore, during fiscal 2008 and 2007, additional amounts of \$14,069 and \$95,048 were released from the debt service reserve and used to redeem portions of the outstanding debt obligation. The outstanding principal balance of this Interagency payable at June 30, 2008 and 2007 was \$4,601,096 and \$4,767,596, respectively.

Interest on the debt is paid every thirty-five days at a floating rate of interest subject to market conditions. The interest rate is determined by MHEFA conducting a true auction of their debt issuance every thirty-five days, in which the College's obligation is pooled with other higher education institutions within the Commonwealth who have debt funded through MHEFA. The most recent auctioned interest rate in effect at June 30, 2008 and 2007 was 3.593% and 3.76%, respectively. The College is also responsible to pay for program expenses at an annual rate of 0.816% (2008) and 0.780% (2007) of the outstanding principal balance, calculated and payable every thirty-five days when the rate is auctioned. The effective interest rate (including annual program expenses) for 2008 and 2007 amounted to 4.10% and 4.17%, respectively.

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

For the year ending June 30,	<u>Principal</u>	<u>Estimated Interest (1)</u>	<u>Total</u>
2009	\$ 163,802	\$ 159,432	\$ 323,234
2010	173,630	153,193	326,823
2011	184,048	146,581	330,629
2012	195,091	139,571	334,662
2013	200,797	132,356	333,153
2014-2018	1,235,674	533,755	1,769,429
2019-2023	1,653,611	268,464	1,922,075
2024	<u>398,562</u>	<u>14,224</u>	<u>412,786</u>
	4,205,215	1,547,576	5,752,791
Balance of restricted cash held for debt principal	<u>395,881</u>	<u>-</u>	<u>395,881</u>
Total	<u>\$ 4,601,096</u>	<u>\$ 1,547,576</u>	<u>\$ 6,148,672</u>

- (1) The interest rate in effect at June 30, 2008 of 3.593% was used to calculate the estimated interest on the debt obligation of \$4,601,096. The estimated interest also reflects the reduction of the outstanding debt obligation each year by the annual funding payments.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**12. Interagency payables - continued:**

The Massachusetts Health and Educational Facilities Authority (MHEFA) 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 College signed a financing agreement to receive \$5,110,000 from a Massachusetts State College Building Authority (MSCBA) bond issuance. These funds are being used for renovations of the athletic fields and dining hall (the Projects) at the College. This obligation will be repaid solely by the College through dedicated student fees. The College also provided equity contributions totaling \$5,000,000 to fund their portion of the total renovation costs of the Projects. Of this amount, \$1,200,000 was provided by the College's food service vendor for the dining facilities Project. The College also executed a management agreement with MSCBA whereby MSCBA will provide management services to the College for the Projects.

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

Debt issue	\$ 5,110,000
Reoffering premium	72,903
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	( 388,335)
Debt issuance costs	( 94,568)
Net proceeds	<u>\$ 4,700,000</u>

As of June 30, 2008 and 2007, unexpended net proceeds amounted to \$1,007 and \$46,037, respectively. In addition, as of June 30, 2008, the College has fully funded its \$5,000,000 equity contribution commitment to MSCBA, including the \$1,200,000 it received from its food service vendor. Furthermore, the College advanced an additional \$582,838 to MSCBA in fiscal 2007, including \$382,838 it received from its food service vendor. Of the total amount advanced by the College, \$248,411 and \$394,036, respectively, had not yet been expended by MSCBA as of June 30, 2008 and 2007.

As of June 30, 2008 and 2007, amounts held by MSCBA related to the debt issue and the Projects are as follows:

	<u>2008</u>	<u>2007</u>
Unexpended debt proceeds	\$ 1,007	\$ 46,037
Unexpended College contribution	248,411	394,036
Debt service reserve fund	<u>388,335</u>	<u>388,335</u>
	<u>\$ 637,753</u>	<u>\$ 828,408</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**12. Interagency payables - continued:**

The amounts held by MSCBA are included in the accompanying statements of net assets at June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Restricted cash and cash equivalents:		
Current	\$ 10,179	\$ 95,625
Noncurrent	<u>627,574</u>	<u>732,783</u>
	<u>\$ 637,753</u>	<u>\$ 828,408</u>

The College is required to make annual principal payments on this debt each May 1, which commenced on May 1, 2006. 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 will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. 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, 2008 and 2007, the effective interest rate on this debt was 4.15% and 4.12%, respectively. The outstanding balance of this Interagency payable was \$4,565,000 and \$4,755,000 at June 30, 2008 and 2007, respectively.

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

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 195,000	\$ 190,288	\$ 385,288
2010	205,000	184,438	389,438
2011	210,000	177,263	387,263
2012	215,000	169,913	384,913
2013	220,000	162,388	382,388
2014-2018	1,265,000	670,738	1,935,738
2019-2023	1,535,000	391,881	1,926,881
2024-2025	<u>720,000</u>	<u>54,500</u>	<u>774,500</u>
Total	<u>\$ 4,565,000</u>	<u>\$ 2,001,409</u>	<u>\$ 6,566,409</u>

During March 2006, the College signed a financing agreement to receive \$2,060,000 from a Massachusetts State College Building Authority (MSCBA) bond issuance. These funds are being used for renovations of the dining hall (the Project) at the College. This obligation will be repaid solely by the College through dedicated student fees. The College also executed a management agreement with MSCBA whereby MSCBA will provide management services to the College for the Project.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**12. Interagency payables - continued:**

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

Debt issue	\$ 2,060,000
Reoffering premium	113,663
Amount held by MSCBA for debt service reserve fund (included in restricted cash and cash equivalents - noncurrent)	( 144,841)
Debt issuance costs	( 28,822)
Net proceeds	<u>\$ 2,000,000</u>

As of June 30, 2008 and 2007, unexpended net proceeds amounted to \$6,291.

As of June 30, 2008 and 2007, amounts held by MSCBA related to the debt issue and the Project are as follows:

	<u>2008</u>	<u>2007</u>
Unexpended debt proceeds	\$ 6,291	\$ 6,291
Debt service reserve fund	<u>144,841</u>	<u>144,841</u>
	<u>\$ 151,132</u>	<u>\$ 151,132</u>

The amounts held by MSCBA are included in the accompanying statements of net assets at June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Restricted cash and cash equivalents:		
Current	\$ 6,291	\$ 6,291
Noncurrent	<u>144,841</u>	<u>144,841</u>
	<u>\$ 151,132</u>	<u>\$ 151,132</u>

As of June 30, 2007, the Projects have been placed in service and are being depreciated. As of June 30, 2008 and 2007, costs remaining unpaid related to the Projects amounted to \$16,470 and \$101,916, respectively, and have been included in accounts payable - construction in the accompanying 2008 and 2007 statements of net assets. The unpaid costs at June 30, 2008 and 2007 represent retainage payable.

The College is required to make annual principal payments on this debt each May 1, which commenced on May 1, 2007. 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

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**12. Interagency payables - continued:**

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 will be applied to reduce the semi annual interest payments on the debt pursuant to the amortization schedule prepared by MSCBA. 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, 2008 and 2007, the effective interest rate on this debt was 4.41% and 4.38%, respectively. The outstanding balance of this Interagency payable was \$2,025,402 and \$2,101,085 at June 30, 2008 and 2007, respectively, including unamortized premium.

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

For the year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 70,000	\$ 90,813	\$ 160,813
2010	75,000	88,013	163,013
2011	80,000	85,013	165,013
2012	80,000	81,813	161,813
2013	85,000	77,813	162,813
2014-2018	485,000	326,375	811,375
2019-2023	605,000	205,000	810,000
2024-2026	<u>445,000</u>	<u>45,250</u>	<u>490,250</u>
	1,925,000	1,000,090	2,925,090
Plus: Unamortized premiums	<u>100,402</u>	<u>-</u>	<u>100,402</u>
Total	<u>\$ 2,025,402</u>	<u>\$ 1,000,090</u>	<u>\$ 3,025,492</u>

In December 2005, the College advanced \$300,000 to MSCBA to be used for renovations to the Hammond Campus Center. In 2007, the College advanced an additional \$842,000 to MSCBA to be used for renovations to the Hammond Campus Center. As of June 30, 2008 and 2007, the unexpended portion of the College's contribution held by MSCBA amounted to \$56,070 and \$812,574, respectively. As of June 30, 2008 and 2007, construction in progress incurred on this project amounted to approximately \$1,014,800 and \$490,500, respectively, of which \$161,113 remained unpaid as of June 30, 2007 and has been included in accounts payable - construction in the accompanying 2007 statement of net assets.

The amounts held by MSCBA related to the Hammond Campus Center Project are included in the accompanying statements of net assets at June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>
Restricted cash and cash equivalents:		
Current	\$ -	\$ 161,113
Noncurrent	<u>56,070</u>	<u>651,461</u>
	<u>\$ 56,070</u>	<u>\$ 812,574</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**13. FSC Foundation long term debt:**

FSC Foundation's long-term debt consists of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
First mortgage note payable	\$ 547,629	\$ -
First mortgage note payable	1,799,722	1,855,227
Note payable - bank	<u>667,134</u>	<u>675,596</u>
	3,014,485	2,530,823
Less current portion	<u>82,893</u>	<u>63,990</u>
	<u>\$ 2,931,592</u>	<u>\$ 2,466,833</u>

In April, 2008, the Foundation acquired land and buildings at a total cost of \$561,664, including related acquisition costs. The properties are located on the Fitchburg State College campus and were previously owned by an unrelated third party.

The acquisitions were funded with the proceeds of a note payable in the amount of \$550,000, dated April 16, 2008, with Fidelity Co-operative Bank. 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 twenty years and provides for a fixed rate of interest of 5.75% per annum for the first ten 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 ten years of the term of the loan plus 118 basis points. Commencing May, 2008, the loan requires monthly installments of principal and interest of \$3,862. The monthly installments of principal and interest during the final ten 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, 2008, the outstanding principal balance of this first mortgage note payable amounted to \$547,629.

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 Fitchburg State College campus. The appraised value of the property was \$1,950,000. The purchase price was \$1,750,000 with the difference of \$200,000 being accounted for as a contribution from the seller of the property. The entire property has been leased to the Commonwealth of Massachusetts acting by and through its Division of Capital Asset Management and Maintenance (DCAM) on behalf of the College (see Note 22). The College is currently using the property for its print services, maintenance, and shipping and receiving and accounting departments.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**13. FSC Foundation long term debt - continued:**

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. Chittenden Trust Company (Chittenden) 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. In addition, the Foundation was required to deposit \$280,000 cash collateral with Rollstone Bank & Trust (formerly Fitchburg Savings Bank, FSB) as additional security until such time as the outstanding loan balance has been reduced to \$1,520,000 (see Note 2).

The loan agreement has a term of twenty 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 loan requires monthly installments of principal and interest of \$13,154 which commenced in September, 2006. The note 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, 2008 and 2007, the outstanding principal balance of this first mortgage note payable amounted to \$1,799,722 and \$1,855,227, respectively.

In May, 2007, the Foundation Supporting Organization acquired land and a building consisting of six apartment units at a total cost of \$504,479, including related acquisition costs. The Supporting Organization also acquired an adjacent parcel of land at a cost of \$183,301. The properties are located in the area surrounding the Fitchburg State College campus. Commencing with the Fall 2007 semester, the apartments are being used by the College 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 investment units with an equivalent dollar value of \$972,000 in the Commonfund Multi-Strategy Equity Fund which are owned by the Foundation. In addition, payment and performance of the Foundation Supporting Organization's obligations under the loan agreement have been guaranteed by the Foundation.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**13. FSC Foundation long term debt - continued:**

The promissory note has a term of thirty 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 to the Federal Home Loan Bank Boston Classic Advance Five Year Rate plus 1.15% per annum. The loan requires monthly installments of principal and interest of \$4,122 based on a thirty year principal amortization which commenced in June, 2007. The note may be prepaid at any time, in whole or in part, without premium or penalty.

At June 30, 2008 and 2007, the outstanding principal balance of this note payable amounted to \$667,134 and \$675,596, respectively.

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

For the year ending June 30,	<u>Principal</u>	<u>Estimated Interest (1)</u>	<u>Total</u>
2009	\$ 82,893	\$ 170,767	\$ 253,660
2010	87,725	165,935	253,660
2011	92,837	160,823	253,660
2012	97,826	155,834	253,660
2013	103,951	149,709	253,660
2014-2018	617,629	650,668	1,268,297
2019-2023	820,021	448,276	1,268,297
2024-2028	788,937	182,247	971,184
2029-2033	173,792	73,541	247,333
2034-2037	<u>148,874</u>	<u>15,998</u>	<u>164,872</u>
Total	<u>\$ 3,014,485</u>	<u>\$ 2,173,798</u>	<u>\$ 5,188,283</u>

- (1) The interest rate in effect at June 30, 2008 of 5.75% and 5.5% on the first mortgage notes payable and 6% on the note payable - bank were used to calculate the estimated interest on these debt obligations.

**14. FSC Foundation line of credit:**

During fiscal 2007, the Foundation entered into a revolving working capital line of credit agreement with Workers' Credit Union which permits the Foundation to borrow up to \$250,000. At June 30, 2008 and 2007, there were no borrowings outstanding under 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, 2008 and 2007, the effective interest rates were 6% and 8.25%, respectively. Borrowings are secured by investment units with an equivalent dollar value of \$315,000 in the Commonfund Multi-Strategy Equity Fund. The line of credit agreement expires on February 7, 2009. The Foundation may prepay outstanding revolving loans under the agreement in whole or in part at any time without premium or penalty.



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**15. Long term liabilities:**

Long-term liability activity of the College for the year ended June 30, 2008 included the following:

	<b>Totals</b>			<b>Totals June 30, 2008</b>	
	<b>June 30, 2007</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>Interagency payables and capital leases:</b>					
Interagency payables	\$ 11,623,681	\$ -	\$ 432,183	\$ 11,191,498	\$ 434,485
Capital leases	<u>3,972,867</u>	<u>-</u>	<u>905,801</u>	<u>3,067,066</u>	<u>957,118</u>
<b>Total</b>	<b><u>15,596,548</u></b>	<b><u>-</u></b>	<b><u>1,337,984</u></b>	<b><u>14,258,564</u></b>	<b><u>1,391,603</u></b>
<b>Other liabilities:</b>					
Workers' compensation	510,598	-	60,602	449,996	88,649
Compensated absences	<u>3,710,057</u>	<u>128,799</u>	<u>-</u>	<u>3,838,856</u>	<u>2,158,916</u>
<b>Total other liabilities</b>	<b><u>4,220,655</u></b>	<b><u>128,799</u></b>	<b><u>60,602</u></b>	<b><u>4,288,852</u></b>	<b><u>2,247,565</u></b>
<b>Long term obligations</b>	<b><u>\$ 19,817,203</u></b>	<b><u>\$ 128,799</u></b>	<b><u>\$ 1,398,586</u></b>	<b><u>\$ 18,547,416</u></b>	<b><u>\$ 3,639,168</u></b>

Long-term liability activity of the College for the year ended June 30, 2007 included the following:

	<b>Totals</b>			<b>Totals June 30, 2007</b>	
	<b>June 30, 2006</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
<b>Interagency payables and capital leases:</b>					
Interagency payables	\$ 12,120,195	\$ -	\$ 496,514	\$ 11,623,681	\$ 420,213
Capital leases	<u>2,740,894</u>	<u>1,946,606</u>	<u>714,633</u>	<u>3,972,867</u>	<u>905,801</u>
<b>Total</b>	<b><u>14,861,089</u></b>	<b><u>1,946,606</u></b>	<b><u>1,211,147</u></b>	<b><u>15,596,548</u></b>	<b><u>1,326,014</u></b>
<b>Other liabilities:</b>					
Workers' compensation	583,586	-	72,988	510,598	100,588
Compensated absences	<u>3,570,465</u>	<u>139,592</u>	<u>-</u>	<u>3,710,057</u>	<u>2,047,183</u>
<b>Total other liabilities</b>	<b><u>4,154,051</u></b>	<b><u>139,592</u></b>	<b><u>72,988</u></b>	<b><u>4,220,655</u></b>	<b><u>2,147,771</u></b>
<b>Long term obligations</b>	<b><u>\$ 19,015,140</u></b>	<b><u>\$ 2,086,198</u></b>	<b><u>\$ 1,284,135</u></b>	<b><u>\$ 19,817,203</u></b>	<b><u>\$ 3,473,785</u></b>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**15. Long term liabilities - continued:**

Long-term liability activity of FSC Foundation for the year ended June 30, 2008 included the following:

	<b>Totals</b>			<b>Totals June 30, 2008</b>	
	<b><u>June 30, 2007</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b>	<b><u>Current</u></b>
				<b><u>Balance</u></b>	<b><u>Portion</u></b>
<b>First mortgage notes payable</b>	\$ 1,855,227	\$ 550,000	\$ 57,876	\$ 2,347,351	\$ 73,763
<b>Note payable - bank</b>	<u>675,596</u>	<u>-</u>	<u>8,462</u>	<u>667,134</u>	<u>9,130</u>
<b>Long-term obligations</b>	<u>\$ 2,530,823</u>	<u>\$ 550,000</u>	<u>\$ 66,338</u>	<u>\$ 3,014,485</u>	<u>\$ 82,893</u>

Long-term liability activity of FSC Foundation for the year ended June 30, 2007 included the following:

	<b>Totals</b>			<b>Totals June 30, 2007</b>	
	<b><u>June 30, 2006</u></b>	<b><u>Additions</u></b>	<b><u>Reductions</u></b>	<b><u>Ending</u></b>	<b><u>Current</u></b>
				<b><u>Balance</u></b>	<b><u>Portion</u></b>
<b>First mortgage note payable</b>	\$ -	\$ 1,900,000	\$ 44,773	\$ 1,855,227	\$ 55,505
<b>Note payable - bank</b>	<u>-</u>	<u>680,000</u>	<u>4,404</u>	<u>675,596</u>	<u>8,485</u>
<b>Long-term obligations</b>	<u>\$ -</u>	<u>\$ 2,580,000</u>	<u>\$ 49,177</u>	<u>\$ 2,530,823</u>	<u>\$ 63,990</u>

**16. Unrestricted net assets:**

Unrestricted net assets, are not subject to externally imposed stipulations; however, they may be subject to internal restrictions. For example, unrestricted net assets 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 assets are internally designated for academic and research programs and initiatives, and graduate and continuing education programs. Designated unrestricted net assets were \$5,406,016 and \$4,580,252 at June 30, 2008 and 2007, respectively. Undesignated unrestricted net assets were \$6,508,962 and \$8,119,170 at June 30, 2008 and 2007, respectively.

**17. Net assets restricted by enabling legislation:**

Fitchburg State College Foundation, Inc.'s consolidated statements of net assets as of June 30, 2008 and 2007 reflect restricted net assets of \$9,164,162 and \$8,672,354, respectively. Of these amounts, \$2,357,931 and \$2,000,272 at June 30, 2008 and 2007, respectively, are restricted by enabling legislation for the State Matching Funds Program.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**18. Operating expenses:**

The College's operating expenses for the years ended June 30, 2008 and 2007, on a natural classification basis, are comprised of the following:

	<u>2008</u>	<u>2007</u>
Salaries:		
Faculty	\$ 16,445,993	\$ 15,014,316
Exempt wages	3,346,424	3,526,178
Non-exempt wages	14,082,963	14,388,276
Benefits	11,084,654	8,959,164
Scholarships (endowed)	1,500	2,300
Utilities	3,836,903	4,030,353
Supplies and other services	15,399,241	13,016,224
Depreciation	<u>3,227,502</u>	<u>3,112,604</u>
Total operating expenses	<u>\$ 67,425,180</u>	<u>\$ 62,049,415</u>

**19. State controlled accounts:**

Certain significant costs and benefits associated with the operations of the College are appropriated, expended, controlled, and reported by the Commonwealth through non-College line items in the Commonwealth's budget. Under generally accepted accounting principles, such transactions must be recorded in the financial statements of the College. 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, 2008, 2007 and 2006 were as follows (See State appropriations under Note 23):

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Commonwealth's retirement system Contributions	\$ 2,122,129	\$ 2,241,428	\$ 2,009,502
Employers share of health care premium	\$ 7,524,368	\$ 5,505,740	\$ 4,299,400

**20. Retirement plan:**

Substantially all of the College's full-time employees are covered by the Massachusetts State Employees' Retirement System (SERS). SERS, a single employer defined benefit public employee retirement system, is administered by the Massachusetts State Retirement Board and covers substantially all non-student employees. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Chapter 32A of the General Laws of the Commonwealth of Massachusetts assigns the authority to establish and amend benefit provisions to the Massachusetts Legislature. The College is not required to contribute from its appropriation allocation or other college funds to SERS for employees

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**20. Retirement plan - continued:**

compensated from State appropriations. For College employees covered by SERS but compensated from a trust fund or other source, the College 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 College's employees was \$2,122,129, \$2,241,428 and \$2,009,502 during 2008, 2007 and 2006, respectively. Annual covered payroll was approximately 78%, 77% and 76% of total payroll for the College for the years ended June 30, 2008, 2007 and 2006, respectively.

The Commonwealth does not issue separately audited financial statements. 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.

Substantially all full-time staff are covered by and must participate in SERS. Benefits fully vest after 10 years of full-time employment. An employee may receive retirement benefits after 20 years of service, or after 10 years of service and having attained the age of 55.

Based on State statute, covered employees of the College contribute an amount ranging from 5% to 9% (depending on date of employment) of their eligible compensation to SERS. Employees hired after January 1, 1979, are required to contribute an additional 2% for the eligible compensation over \$30,000 per year. The State is required to make actuarially determined contributions that maintain the financial integrity of the retirement system.

**21. Fringe benefits for current employees and post employment obligations - pension and non-pension:**

The College 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 College by the Commonwealth and currently the liability is borne by the Commonwealth.

*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 College.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**21. Fringe benefits for current employees and post employment obligations - pension and non-pension - continued :**

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, 2008 and 2007, 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 College related to benefits other than pensions for the years ended June 30, 2008, 2007 and 2006 were \$11,084,654, \$8,959,164 and \$7,608,720, respectively, which equaled the required contributions each year charged to it through the Commonwealth's fringe benefit recovery program.

**22. Lease agreement:**

As disclosed in Note 13, the Foundation Supporting Organization entered into a long-term operating lease agreement with the Commonwealth of Massachusetts acting by and through the Division of Capital Asset Management and Maintenance (DCAM) on behalf of the College. The lease commenced on August 16, 2006. The lease is for a term of ten years and provides for base rent of \$165,000 per year, payable in monthly installments of \$13,750, for the entire lease term. The College is also responsible for the payment of normal operating, maintenance and repair costs associated with its use of the property. At the expiration of the lease term, the Foundation Supporting Organization expects the lease will be renewed with DCAM on behalf of the College. For the year ended June 30, 2008, rental income for the Foundation Supporting Organization amounted to \$165,000. For the year ended June 30, 2007, rental income amounted to \$165,000. However, of this amount, \$20,625 represented the payment of additional rent by the College to reimburse the Foundation Supporting Organization for real estate taxes and other operating expenses incurred during the 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 assets. The corresponding rent expense of the College is reflected in operations and maintenance of plant.

At June 30, 2007, the College made a prepayment of rent under the lease in the amount of \$90,000. This amount is reflected in our current assets of College and deferred revenue of FSC Foundation in the accompanying 2007 statements of net assets.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**22. Lease agreement - continued:**

The following is a schedule of future minimum rent on this lease:

Year ending <u>June 30,</u>	<u>Amount</u>
2009	\$ 165,000
2010	165,000
2011	165,000
2012	165,000
2013	165,000
2014 - 2017	<u>515,625</u>
	<u>\$ 1,340,625</u>

**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 College's State appropriations are comprised of the following for the years ended June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Gross State appropriations	\$ 27,938,908	\$ 28,723,639
Add: Fringe benefits for benefited employees on the Commonwealth payroll	9,646,497	7,747,168
Less: Day school tuition remitted to the Commonwealth and included in tuition and fee revenue	( 3,046,744)	( 2,968,660)
Net State appropriations	<u>\$ 34,538,661</u>	<u>\$ 33,502,147</u>

\$34,063,661 and \$31,702,393 represent appropriations for maintenance and payroll during 2008 and 2007, respectively, and \$475,000 and \$1,799,754 represent appropriations for capital improvements for 2008 and 2007, respectively. These amounts are presented separately in the accompanying statements of revenues, expenses and changes in net assets.

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**23. Management Accounting and Reporting System - continued:**

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, 2008 and 2007.

**24. Risk management, commitments and contingencies:**

The College 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.

Pending or threatened lawsuits against governmental agencies arise in the ordinary course of operations. In the opinion of the College's administration, the ultimate resolution of any legal actions at this date will not result in a material loss to the College since most of any obligation is expected to be paid from state appropriated funds.

The College 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 College. In the opinion of management, such liabilities, if any, are not expected to materially affect the financial condition of the College.

The College 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 College 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 College. The effect of this program cannot be determined as it is contingent on future tuition increases and the bond purchasers who attend the College.

The College 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 the Department of Capital Asset Management (DCAM). The projects generally consist of renovations and improvements and have been recorded in the respective accounts.

During 2006, an agreement was signed between the Department of Higher Education and an Employee Union in which certain employees would be given various increases in salary, retroactive to July 3, 2005 and October 2, 2005. The increases were subject to approval by the Massachusetts Legislature and ratification by the Governor of the Commonwealth of Massachusetts. The increases were approved by the Massachusetts Legislature and ratified by the Governor. The retroactive increases totaling \$207,351 were paid from the College's fiscal 2007 State appropriation and are reflected as a charge in the fiscal 2007 financial statements.

During 2002, agreements were signed between the Department of Higher Education and the Employee Unions in which certain employees would be given various increases in salary, retroactive to July 1, 2001. The retroactive increase was subject to approval by the Massachusetts Legislature and ratification by the Governor of the Commonwealth of Massachusetts. The agreements were not ratified by the Governor. As a result, during 2003, this appropriation was carried forward to 2004 for consideration by the Legislature. During 2004, the cumulative salary increase percentages pursuant to the agreements were appropriated for payroll payments commencing effective January 1, 2004. The salary increases pursuant to the agreements for the periods prior to January 1, 2004 and retroactive to July 1, 2001 were not approved. During 2005, the salary increases pursuant

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**24. Risk management, commitments and contingencies - continued:**

to the agreements were appropriated for payroll payments for the period from July 1, 2003 to December 31, 2003. The salary increases pursuant to the agreements for the periods prior to July 1, 2003 and retroactive to July 1, 2001 were approved in fiscal 2006. During fiscal 2006, the salary increases pursuant to the agreements were appropriated for payroll payments for the period from July 1, 2002 to June 30, 2003. During fiscal 2007, the retroactive payroll increase and bonus pursuant to the agreements were appropriated for payroll payments for the period from July 1, 2001 to June 30, 2002 and were paid in August 2006. Accordingly, these payments totaling approximately \$289,000 have been reflected as charges in the fiscal 2007 financial statements.

During 2003, the Commonwealth of Massachusetts enacted early retirement legislation effective for employees retiring on December 31, 2003. Consequently, the College was required to pay retiring employees for compensated absences (unused vacation and sick time). The liability for retiring employees was included in the compensated absences liability and was being paid over four years at approximately \$53,400 per year through fiscal 2007. This liability was fully paid as of June 30, 2007.

**25. McKay Agreement:**

The College 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 College receives quarterly payments from the City to reimburse the College for its share of payroll and related operating expenses (the "McKay School expenditures"). Reimbursements received for each of the years ended June 30, 2008 and 2007 were \$994,887. 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 assets.

**26. Civic Center:**

In August 2006, the College and the City of Fitchburg entered into a Memorandum of Understanding in which the College 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 its Division of Capital Asset Management and Maintenance (DCAM) on behalf of the College 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 College 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 College 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 College and with 60 days prior written notice, may terminate the lease in the event that the College, in its sole discretion, determines that continuation of the lease is not in the interest of the College.

During fiscal 2007, the College commenced initial management, maintenance and operations activities at the Civic Center in anticipation of the lease agreement being executed. The College has engaged the services of a professional management company to assist with the management, maintenance and operations activities of the



FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**26. Civic Center - continued:**

Civic Center. The current management contract expires on December 31, 2008. The College is currently in the process of requesting proposals for these services on a longer term basis.

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 College made repairs and upgrades to the Civic Center for an aggregate cost of \$2,477,381.

The College, 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.

**27. Subsequent events:**

On July 22, 2008, the Foundation Supporting Organization closed on the acquisition of a real estate property located in Fitchburg at a total cost of \$161,697, including related acquisition costs. The property will be used as additional parking by the College.

On August 6, 2008, the Foundation Supporting Organization entered into a ten year operating lease agreement with an unrelated third party for 2,350 square feet of office space located in Fitchburg, Massachusetts. The lease shall commence on November 1, 2008, and expire on October 31, 2018. The space shall be used by the College as office and classroom space for its Center for Professional Studies. The lease provides 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. 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 November 1, 2009 with 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.

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

Year ending <u>June 30,</u>	<u>Amount</u>
2009	\$ 11,750
2010	17,625
2011	17,625
2012	18,506
2013	18,947
2014 - 2018	100,964
2019	<u>7,299</u>
	<u>\$ 192,716</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

NOTES TO FINANCIAL STATEMENTS - CONTINUED

YEARS ENDED JUNE 30, 2008 AND 2007

**27. Subsequent events - continued:**

The Foundation Supporting Organization and the College entered into a License Agreement whereby the Foundation Supporting Organization granted the College an irrevocable and exclusive license to occupy, manage, maintain and operate certain property owned by the Foundation Supporting Organization. The License Agreement has an initial term of one year and it commenced on September 3, 2008. The License Agreement provides for an annual license fee of \$108,875 payable, in arrears, in twelve equal monthly installments. All costs to operate and maintain the property, including any capital improvements made thereto, shall be borne by the College. Upon expiration of the initial term, the License Agreement provides for automatic annual renewals thereafter. The License Agreement may be terminated by either party upon the expiration of the initial term of the agreement and any subsequent renewal term with the giving of proper notice. In addition, the College may terminate the agreement at any time with the giving of proper notice. In July, 2008, the College prepaid \$91,250 of the annual license fee for the initial term of the agreement.

On September 29, 2008, the Commonfund notified its investors that due to recent developments in the credit markets, Wachovia Bank, N.A., as trustee of the Commonfund Short Term Fund, is commencing the formal termination of the fund, resigning as trustee, and is no longer accepting new deposits. In connection therewith, the trustee has imposed a liquidity restriction currently equal to 90% of investor fund balances and has established two tranches to implement the restriction and plan for an orderly liquidation of the fund's holdings. The trustee is limiting liquidity and, accordingly, investor access to funds to cash generated from maturing securities and deposits. Each investor's balance in the fund has been allocated in two tranches, 10% to an immediate tranche and 90% to an intermediate/longer term tranche. Balances in the immediate tranche will have intraday availability much like the normal operations of the Short Term Fund while balances in the intermediate/longer term tranche shall not be available for withdrawals until they are transferred to the immediate tranche. As securities mature in the intermediate/longer term tranche, proceeds will be transferred on a pro-rata basis to the immediate tranche. The trustee has indicated that it will liquidate the fund's investments in the best interests of all of the fund's investors and not as a forced seller in the market. The trustee has estimated that the schedule of the fund's investment maturities will reach 57% by December 31, 2008. As of September 29, 2008, management of the Commonfund has reported that there have been no losses incurred in this fund.

On September 30, 2008, the Commonfund notified its investors that, effective September 29, 2008, the Commonfund has imposed a redemption restriction on its Intermediate Term Fund whereby investors shall only be permitted to withdraw up to 30% of their unit values as of the close of business on September 26, 2008. This redemption restriction is in response to current market conditions for the sale of shorter-term fixed income securities and it will remain in effect until further notice from the Commonfund. The Commonfund will divide the fund into two accounts, one consisting of liquid holdings available for daily redemption as in the normal circumstances, and the other consisting of the remaining assets of the fund for which redemption will be deferred. Each investor's holdings in the fund will be apportioned between the two accounts. Securities in the deferred account in the fund will be transferred to the daily redemption account when and as market conditions make it practicable to dispose of them at a price that fairly reflects their reasonably anticipated cash return.

College and FSC Foundation management believe they have sufficient liquidity to support their operations and, accordingly, they do not believe the recent actions taken with respect to these Commonfund investments will have a material adverse affect on their financial condition or results of operations.

## SUPPLEMENTAL INFORMATION



Ercolini & Company LLP  
Certified Public Accountants  
101 Arch Street, Suite 300  
Boston, MA 02110-1103

t 617-482-5511  
f 617-426-5252

[www.recpa.com](http://www.recpa.com)

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Trustees  
Fitchburg State College  
Fitchburg, Massachusetts

Our report on our audits of the financial statements that collectively comprise Fitchburg State College's basic financial statements for the years ended June 30, 2008 and 2007 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The residence hall fund and residence hall damage fund activity, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic 2008 financial statements. The residence hall fund and residence hall damage fund activity have been subjected to the auditing procedures applied in the audit of the basic 2008 financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic 2008 financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic 2008 financial statements and accordingly, we express no opinion on it.

*Ercolini & Company LLP*

October 5, 2008

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY

JUNE 30, 2008

The College's Residence Hall Fund and Residence Hall Damage Fund non-classified Statements of Net Assets at June 30, 2008 are as follows:

**Statements of Net Assets**

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Assets:		
Cash	\$ 1,360,050	\$ 78,582
Cash held by State Treasurer	103,937	-
Accounts receivable, net	<u>31,531</u>	<u>37,338</u>
Total assets	<u>\$ 1,495,518</u>	<u>\$ 115,920</u>
Liabilities:		
Accounts payable	\$ 70,696	\$ 10,119
Deposits	254,810	-
Salaries payable	65,723	-
Compensated absences	109,912	-
Deferred revenue	<u>10,800</u>	<u>-</u>
Total liabilities	<u>511,941</u>	<u>10,119</u>
Net assets	<u>983,577</u>	<u>105,801</u>
Total liabilities and net assets	<u>\$ 1,495,518</u>	<u>\$ 115,920</u>

FITCHBURG STATE COLLEGE  
(a department of the Commonwealth of Massachusetts)

RESIDENCE HALL FUND AND RESIDENCE HALL DAMAGE FUND ACTIVITY - CONTINUED

YEAR ENDED JUNE 30, 2008

The College's Residence Hall Fund and Residence Hall Damage Fund Statements of Revenues, Expenses and Changes in Net Assets (presented in accordance with the Commonwealth of Massachusetts' Expenditure Classification plan) for the year ended June 30, 2008 are as follows:

	<u>Residence Hall Fund</u>	<u>Residence Hall Damage Fund</u>
Revenues:		
Student fees	\$ 5,732,562	\$ -
Interest	88,274	2,324
Commissions	33,659	-
Rentals	54,797	-
Room damage assessments	-	78,306
Miscellaneous	<u>28,915</u>	<u>-</u>
Total revenues	<u>5,938,207</u>	<u>80,630</u>
Expenses:		
Regular employee compensation	1,042,072	-
Regular employee related expenses	7,669	-
Special employee/contract services	111,566	-
Pension and insurance	413,283	-
Facility operating supplies and related expenses	6,339	-
Administrative expenses	13,441	-
Energy and space rental	782,813	-
Consultant services	2,588	-
Operational services	27,499	-
Equipment purchases	112,629	29,708
Equipment lease - purchase, lease, rent, repair	7,402	-
Purchased client service and programs	104	-
Land acquisition	355,057	23,848
Loans and special payments	2,803,545	-
Other - bad debt expense (recovery)	1,548	16,328
Information technology expenses	<u>22,961</u>	<u>-</u>
Total expenses	<u>5,710,516</u>	<u>69,884</u>
Transfers (in)/out:		
Interdepartmental rental income	( 87,971)	-
Administrative overhead	66,604	823
Printing	<u>8,699</u>	<u>-</u>
Total transfers	<u>( 12,668)</u>	<u>823</u>
Total expenses and transfers	<u>5,697,848</u>	<u>70,707</u>
Increase (decrease) in net assets	240,359	9,923
Net assets - beginning of year	<u>743,218</u>	<u>95,878</u>
Net assets - end of year	<u>\$ 983,577</u>	<u>\$ 105,801</u>

The above Statements of Revenues, Expenses and Changes in Net Assets 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.

**FITCHBURG STATE COLLEGE**  
(a department of the Commonwealth of Massachusetts)

**Supplemental Statistical Information - Unaudited**

Schedule of Net Assets by Category	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Invested in capital assets, net of related debt	\$ 19,972,257	\$ 20,793,469	\$ 21,045,366	\$ 20,186,185	\$ 20,360,103	\$ 25,806,513	\$ 30,983,682
Restricted-expendable	4,483,491	4,076,361	3,816,427	7,138,933	10,209,367	10,946,782	9,850,228
Restricted-non-expendable	529,685	521,361	576,826	588,587	597,461	600,377	511,206
Unrestricted	4,493,708	6,881,233	9,583,813	11,085,627	13,127,856	12,699,422	11,914,978
<b>Total net assets</b>	<b>\$ 29,479,141</b>	<b>\$ 32,272,424</b>	<b>\$ 35,022,432</b>	<b>\$ 38,999,332</b>	<b>\$ 44,294,787</b>	<b>\$ 50,053,094</b>	<b>\$ 53,260,094</b>

**Sources and Uses of Funds**

Sources and Uses of Funds	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
<b>Source of Revenue</b>							
Student charges (net of scholarships)	\$ 10,888,041	\$ 13,191,212	\$ 15,126,171	\$ 17,150,618	\$ 19,928,219	\$ 21,777,710	\$ 23,783,245
Grants & contracts	2,930,694	3,081,004	3,962,244	3,831,266	3,486,257	3,656,979	3,951,007
Auxiliary enterprises	3,477,126	3,877,418	4,317,584	5,018,722	5,466,027	5,914,763	6,055,668
Other operating revenue	1,702,415	1,806,843	1,796,923	1,889,756	1,927,868	1,987,191	1,963,274
<b>Total operating revenue</b>	<b>18,998,276</b>	<b>21,956,477</b>	<b>25,202,922</b>	<b>27,890,362</b>	<b>30,808,371</b>	<b>33,336,643</b>	<b>35,753,194</b>
State support	30,295,195	28,151,837	25,199,981	27,782,999	30,840,087	33,502,147	34,538,661
Other non-operating revenue	407,303	245,729	384,263	631,906	1,202,429	1,517,197	998,108
<b>Total non-operating revenue</b>	<b>30,702,498</b>	<b>28,397,566</b>	<b>25,584,244</b>	<b>28,414,905</b>	<b>32,042,516</b>	<b>35,019,344</b>	<b>35,536,769</b>
<b>Total revenue</b>	<b>\$ 49,700,774</b>	<b>\$ 50,354,043</b>	<b>\$ 50,787,166</b>	<b>\$ 56,305,267</b>	<b>\$ 62,850,887</b>	<b>\$ 68,355,987</b>	<b>\$ 71,289,963</b>

Functional Expense	Fiscal Year						
	2002	2003	2004	2005	2006	2007	2008
Instruction	\$ 20,092,140	\$ 19,366,094	\$ 18,019,813	\$ 18,847,979	\$ 22,856,426	\$ 24,193,071	\$ 26,699,550
Research	1,323	2,499	130,803	164,787	165,550	61,077	37,104
Public service	640,666	810,173	785,084	636,765	598,273	486,633	558,388
Academic support	5,038,238	4,553,718	4,301,883	4,607,796	4,631,842	5,108,978	5,344,027
Student services	5,284,418	5,772,833	5,426,794	5,980,391	6,560,972	7,022,806	7,478,709
Institutional support	6,414,461	5,998,902	6,764,298	7,179,198	6,169,474	6,648,295	7,228,110
Operations and maintenance of plant	6,233,864	5,911,344	5,944,096	7,246,710	8,185,991	9,699,216	11,040,392
Scholarships	20,117	8,625	16,836	6,845	2,250	2,300	1,500
<b>Sub-total</b>	<b>43,725,227</b>	<b>42,424,188</b>	<b>41,389,607</b>	<b>44,670,471</b>	<b>49,170,778</b>	<b>53,222,376</b>	<b>58,387,780</b>
Auxiliary enterprises	2,908,940	3,576,732	4,032,223	4,762,364	5,419,873	5,714,435	5,809,898
<b>Total operating expense</b>	<b>46,634,167</b>	<b>46,000,920</b>	<b>45,421,830</b>	<b>49,432,835</b>	<b>54,590,651</b>	<b>58,936,811</b>	<b>64,197,678</b>
Other non-operating expense	177,366	146,440	198,855	307,292	316,491	548,265	657,783
<b>Total non-operating expense</b>	<b>177,366</b>	<b>146,440</b>	<b>198,855</b>	<b>307,292</b>	<b>316,491</b>	<b>548,265</b>	<b>657,783</b>
<b>Total operating expense</b>	<b>\$ 46,811,533</b>	<b>\$ 46,147,360</b>	<b>\$ 45,620,685</b>	<b>\$ 49,740,127</b>	<b>\$ 54,907,142</b>	<b>\$ 59,485,076</b>	<b>\$ 64,855,461</b>

*Note: These schedules do not include component units, like the Fitchburg State College Foundation, Inc.*

**FITCHBURG STATE COLLEGE**  
(a department of the Commonwealth of Massachusetts)

**Supplemental Statistical Information - Unaudited**

**Schedule of Capital Asset Information**

	Academic Year								
	2008								
Land (acreage)	222								
Buildings (square feet)									
100 Instruction /classroom	88,817								
200 Labs	88,336								
300 Administrative	105,686								
400 Study facilities	56,342								
52x Athletic	58,113								
5xx Other Special Use	0								
600 General Use	125,353								
700 Support facilities	30,796								
800 Health Care	1,550								
000 Unclassified	3,022								
Unassigned/ unassignable	304,715								
<b>Total Sq Ft</b>	<b>862,730</b>								
Residence Halls	377,077								
Rental space	58,337								
Dormitories - # of residents									
	2002	2003	2004	2005	2006	2007	2008		
	1,215	1,305	1,355	1,434	1,443	1,466	1,499		

*Note: Classification of facilities space is consistent with Facilities Inventory & Classification Code guide.  
This was implemented in 2005; comparable statistics prior to this time are not available.  
Number of residents is an average of total fall and spring residency counts as reported to the Massachusetts State College Building Authority.*



**FITCHBURG STATE COLLEGE**  
(a department of the Commonwealth of Massachusetts)

**Supplemental Statistical Information - Unaudited**

**Schedule of Tuition & Mandatory Fees**

	Academic Year										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	
<i><b>Resident Undergraduate</b></i>											
Tuition	\$ 1,210	\$ 1,090	\$ 1,030	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970	\$ 970
Mandatory Fees	1,988	1,928	1,988	2,018	2,718	3,216	3,618	4,032	4,572	5,430	
<i><b>Total</b></i>	<b>\$ 3,198</b>	<b>\$ 3,018</b>	<b>\$ 3,018</b>	<b>\$ 2,988</b>	<b>\$ 3,688</b>	<b>\$ 4,186</b>	<b>\$ 4,588</b>	<b>\$ 5,002</b>	<b>\$ 5,542</b>	<b>\$ 6,400</b>	
<i><b>Non Resident Undergraduate</b></i>											
Tuition	\$ 6,450	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050	\$ 7,050
Mandatory Fees	1,988	1,928	1,988	2,018	2,718	3,216	3,618	4,032	4,572	5,430	
<i><b>Total</b></i>	<b>\$ 8,438</b>	<b>\$ 8,978</b>	<b>\$ 9,038</b>	<b>\$ 9,068</b>	<b>\$ 9,768</b>	<b>\$ 10,266</b>	<b>\$ 10,668</b>	<b>\$ 11,082</b>	<b>\$ 11,622</b>	<b>\$ 12,480</b>	
<i><b>Resident Graduate</b></i>											
Tuition	\$ 840	\$ 840	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900	\$ 900
Mandatory Fees	97	97	107	107	117	432	432	510	540	540	
<i><b>Total</b></i>	<b>\$ 937</b>	<b>\$ 937</b>	<b>\$ 1,007</b>	<b>\$ 1,007</b>	<b>\$ 1,017</b>	<b>\$ 1,332</b>	<b>\$ 1,332</b>	<b>\$ 1,410</b>	<b>\$ 1,440</b>	<b>\$ 1,440</b>	<b>\$ 1,440</b>

Note: Undergraduate tuition and fees are per semester and exclude dormitory fees. Graduate tuition and fees are based on a six credit course load.

**FITCHBURG STATE COLLEGE**  
(a department of the Commonwealth of Massachusetts)

**Supplemental Statistical Information - Unaudited**

	Fall Term							
	2000	2001	2002	2003	2004	2005	2006	2007
<b>Admissions-Freshman (1)</b>								
Applications	2,672	2,681	3,289	3,861	3,514	3,859	3,880	4,057
Applications accepted	1,875	1,804	2,163	2,498	2,468	2,777	2,795	2,838
Accepted as a percentage of applications	70%	67%	66%	65%	70%	72%	72%	70%
<b>Students enrolled (2)</b>								
Enrolled	724	763	887	988	1,016	1,007	1,086	1,067
Enrolled as a percentage of accepted	39%	42%	41%	40%	41%	36%	39%	38%

(1) Includes all undergraduate admissions including transfer students.

(2) Includes only students who were accepted and enrolled. Non degree seeking students are excluded.

	Annual							
	FY 01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
<b>Enrollment</b>								
Full-time equivalent	4,552	4,448	4,648	4,360	4,670	5,029	5,018	5,159
Unduplicated credit headcount	13,341	13,649	13,107	11,302	11,272	12,578	11,906	11,756
Percent undergraduate (3)	57%	64%	67%	70%	68%	68%	68%	57%
Percent graduate	43%	36%	33%	30%	32%	32%	32%	43%

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

	Fall Term							
	2000	2001	2002	2003	2004	2005	2006	2007
<b>Student Population Demographics (4)</b>								
Percentage of men	33%	36%	37%	39%	38%	38%	38%	37%
Percentage of women	67%	64%	63%	61%	62%	62%	62%	63%
Percentage of African-American	3%	3%	3%	3%	3%	3%	3%	3%
Percentage of White	92%	92%	92%	92%	92%	92%	92%	92%
Percentage of Latino	3%	3%	3%	3%	3%	3%	3%	3%
Percentage of Other (5)	2%	2%	2%	2%	2%	2%	2%	2%
< 20	15%	17%	18%	21%	22%	21%	21%	18%
20 to 24	33%	36%	37%	38%	36%	38%	38%	35%
25 to 44	37%	33%	32%	30%	30%	29%	29%	33%
44 & Over	15%	14%	13%	11%	12%	12%	12%	14%

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

(5) Other includes Asian or Pacific Islander, American Indian, Alaskan Native, and Cape Verdean.

<b>Degrees Granted</b>	<b>FY 01</b>	<b>FY02</b>	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>
Bachelor's	477	468	516	579	489	553	622
Master's	277	463	379	465	368	484	475

**FITCHBURG STATE COLLEGE**  
(a department of the Commonwealth of Massachusetts)

**Supplemental Statistical Information - Unaudited**

**Schedule of Employment**

	2001	2003	2005	2006	2007
<b>Faculty - Primary Instruction (1)</b>					
Part-time	474	283	252	269	266
Full-time	273	115	86	95	90
	201	168	166	174	176
<b>Staff and Administrators</b>					
Part-time	346	329	439	385	386
Full-time	9	13	143	81	75
	337	316	296	304	311
<b>Total Employees</b>					
Part-time	820	612	691	654	652
Full-time	282	128	229	176	165
	538	484	462	478	487

---

(1) Includes Instruction, Research & Public Service

*Notes: This schedule reflects personnel as of November 1.*

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 College  
Fitchburg, Massachusetts

We have audited the financial statements of the business-type activities and discretely presented component unit of Fitchburg State College (a department of the Commonwealth of Massachusetts) (the College) as of and for the year ended June 30, 2008, which collectively comprise Fitchburg State College's basic financial statements and have issued our report thereon, dated October 5, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fitchburg State College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fitchburg State College's financial statements are free of 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.

This report is intended solely for the information and use of the Board of Trustees, management, others within Fitchburg State College, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Ercolelli & Company LLP*

October 5, 2008