

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2015



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Westfield State University
Westfield, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of Westfield State University (an agency of the Commonwealth of Massachusetts) (the "University"), which comprise the statement of net position as of June 30, 2015, the related statement of revenues and expenses, changes in net position and cash flows for the year then ended, and the related notes to the financial statements. We also have audited the financial statements of Westfield State Foundation, Inc. (the "Foundation") as of June 30, 2015, and the related statement of revenues and expenses, changes in net position and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Westfield State University as of June 30, 2015, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, is effective for fiscal year 2015 and required the University to restate net position as of June 30, 2014 to recognize its proportionate share of the net pension obligation or asset determined by the State Employee's Retirement Plan.

In addition, as discussed in Note 2 to the financial statements the University restated prior period balances due to a change in policy related to the valuation of inventory.

Our opinion is not modified with respect to these matters.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-15, the schedule of the proportionate share of the net pension liability on page 51 and the schedule of the contributions on page 52 and the notes to the required supplemental information on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Schedules

Our audit was conducted for the purpose of forming an opinion on the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2015, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2015

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited)

June 30, 2015

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and results of operations of Westfield State University (the "University") for the fiscal year ended June 30, 2015. This discussion has been prepared by management along with the financial statements and footnotes. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State University is a comprehensive public institution of higher learning with approximately 5,600 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 31 undergraduate majors in both the traditional arts and sciences and in professional fields with over 60 options for discipline-specific or interdisciplinary minors and concentrations. There are also 36 graduate-level degree and certificate programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State University to providing quality educational programs.

FINANCIAL HIGHLIGHTS

- The University's financial position improved significantly during the fiscal year ended June 30, 2015, with a \$13.5 million or 23% increase in total net position. Net position, which represents the residual interest in the University's assets after liabilities and deferred inflows of resources are deducted, increased to \$72.2 million in 2015.
- Expenses incurred during fiscal year 2015 totaled \$109.5 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$123.0 million resulting in an increase in net position of \$13.5 million.
- In June of 2012, the Government Accounting Standards Board (GASB) issued *Statement 68 Accounting and Financial Reporting for Pensions*. This statement is effective for fiscal years beginning after June 15, 2014. During the fiscal year ended June 30, 2015, the University implemented GASB 68. With the new reporting change, the University is allocated its proportionate share of the Commonwealth of Massachusetts State Employees' Retirement System's net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$17,520,188.

WESTFIELD STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

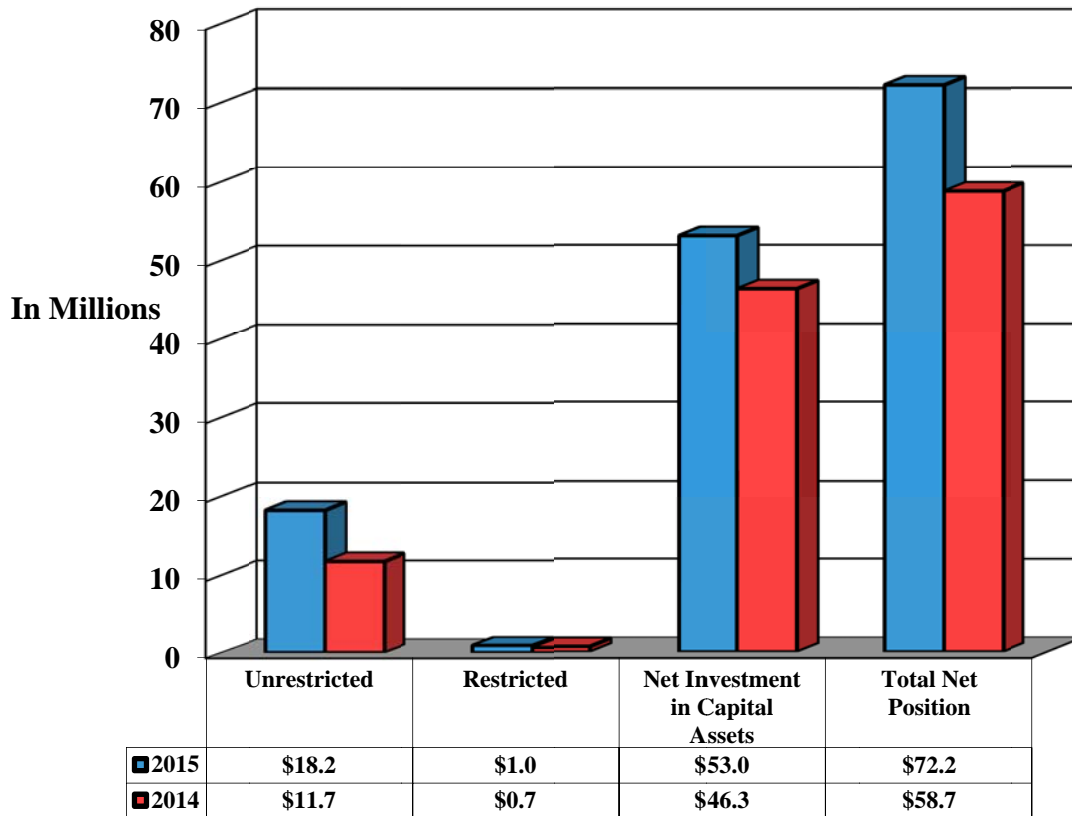
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL HIGHLIGHTS - Continued

Graphically displayed, the comparative changes in net position by category for the fiscal years ended June 30, 2015 and 2014 are shown below:

Comparison of Net Position



- The increase in total net position during the fiscal year ended June 30, 2015 is partially attributable to the recognition of state capital appropriation revenue in the amount of \$7.8 million for the work completed during the fiscal year on the new science center building. The remainder of the increase is due to the fact that the increase in revenues more than offset the increase in operating expense.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements. Westfield State University's basic financial statements are comprised of two components: 1) the financial statements and 2) the notes to the financial statements.

The Financial Statements

The financial statements are designed to provide readers with a broad overview of Westfield State University's finances in a manner similar to a private-sector university. The University's financial report includes four financial statements: the *Statement of Net Position*, the *Statement of Revenues and Expenses*, the *Statement of Changes in Net Position* and the *Statement of Cash Flows*.

These statements have been prepared in accordance with Government Accounting Standards Board (GASB) principles. These principles establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the institution as a whole. A description of the financial statements follows.

The Westfield State Foundation, Inc. (the 'Foundation'), a component unit of the University, is an independent not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes for the benefit of the University. The financial information of the Foundation has been discretely presented and included within these financial statements because of the nature and significance of their relationship with the University. Complete financial statements for the Foundation can be obtained from their administrative office in Westfield, Massachusetts.

The *Statement of Net Position* presents the financial position of the University at the end of the fiscal year and includes all assets less liabilities and deferred inflows of resources of the University. The difference between these amounts, net position, is one indicator of the current financial position of the University, while the change in net position serves as a useful indicator of whether the financial position of the University is improving or deteriorating.

The *Statement of Revenues and Expenses* presents the University's results of operations and other non-operating revenues.

The *Statement of Changes in Net Position* presents information showing how the University's net position changed during the most recent fiscal year.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The *Statement of Cash Flows* provides additional information about the University's financial results by reporting the major sources and uses of cash. Government Accounting Standards Board (GASB) Statements 34 and 35 require that the direct method be used to prepare this statement. The direct method of cash flow reporting portrays the net cash flow from operations by major categories of operating receipts and disbursements.

The financial statements can be found on pages 17-20 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21-50 of this financial report.

Other Information

In addition to the financial statements and accompanying footnotes, this financial report also contains certain required supplementary information concerning the University's Building Authority trust fund. This supplementary information can be found on pages 54-55 of this financial report.

FINANCIAL ANALYSIS OF THE UNIVERSITY

The University's financial position increased significantly during the year with an increase in net position of \$13.5 million for the year ended June 30, 2015.

Net position invested in capital assets, net of related debt, represents the University's capital assets (e.g. land, buildings, machinery and equipment), net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. By far the largest portion of the University's net position (73.4% at June 30, 2015), these capital assets are used to provide services to students and support to faculty and administration; consequently these assets are not available for future spending.

An additional portion of the University's net position (1.4% at June 30, 2015), are restricted expendable which represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. The remaining balance of unrestricted net position (25.2% at June 30, 2015) may be used to meet the University's ongoing obligations.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

A summary of the Statements of Net Position as of June 30, is presented below:

	<u>2015</u>	<u>2014</u>
Current Assets	\$ 65,403,913	\$ 48,062,598
Capital Assets, net	67,780,162	61,642,210
Other Non-current assets	1,646,597	984,654
Deferred Outflows of Resources	<u>2,349,657</u>	<u>1,283,189</u>
 Total Assets and Deferred Outflows of Resources	 <u>137,180,329</u>	 <u>111,972,651</u>
 Current Liabilities	 15,749,079	 15,086,825
Non-current Liabilities	<u>44,831,973</u>	<u>36,799,273</u>
Total Liabilities	<u>60,581,052</u>	<u>51,886,098</u>
 Deferred Inflows of Resources	 <u>4,440,253</u>	 <u>1,439,277</u>
 Net Position:		
Invested in Capital Assets, net of related debt	52,998,001	46,289,232
Restricted: Expendable	981,536	680,442
Unrestricted	<u>18,179,487</u>	<u>11,677,602</u>
Total Net Position	<u>72,159,024</u>	<u>58,647,276</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 \$ <u>137,180,329</u>	 \$ <u>111,972,651</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

A condensed summary of the Statements of Revenues and Expenses for the years ended June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Tuition and fees	\$ 49,400,890	\$ 48,524,546
Residence and dining fees	26,872,236	25,713,839
Less: scholarships and fellowships	(9,578,206)	(9,375,369)
Federal, state and private grants and contracts	10,950,861	11,302,149
Other sources	<u>4,790,926</u>	<u>4,578,875</u>
Total operating revenues	82,436,707	80,744,040
Less: operating expenses	<u>109,025,859</u>	<u>107,134,376</u>
Operating loss	<u>(26,589,152)</u>	<u>(26,390,336)</u>
Non-operating revenues (expenses):		
State appropriations, net	31,982,967	30,162,664
Restricted state appropriations	94,599	152,009
Net investment income	310,674	307,856
Loss on disposal of assets	(6,474)	(15,196)
Interest expense	<u>(438,770)</u>	<u>(455,586)</u>
Total net non-operating revenues	<u>31,942,996</u>	<u>30,151,747</u>
Income before other revenues (expenses)	5,353,844	3,761,411
Related entity transfers	(6,792)	(35,000)
State capital appropriations	<u>8,164,696</u>	<u>1,324,222</u>
Increase in net position	\$ <u>13,511,748</u>	\$ <u>5,050,633</u>

WESTFIELD STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

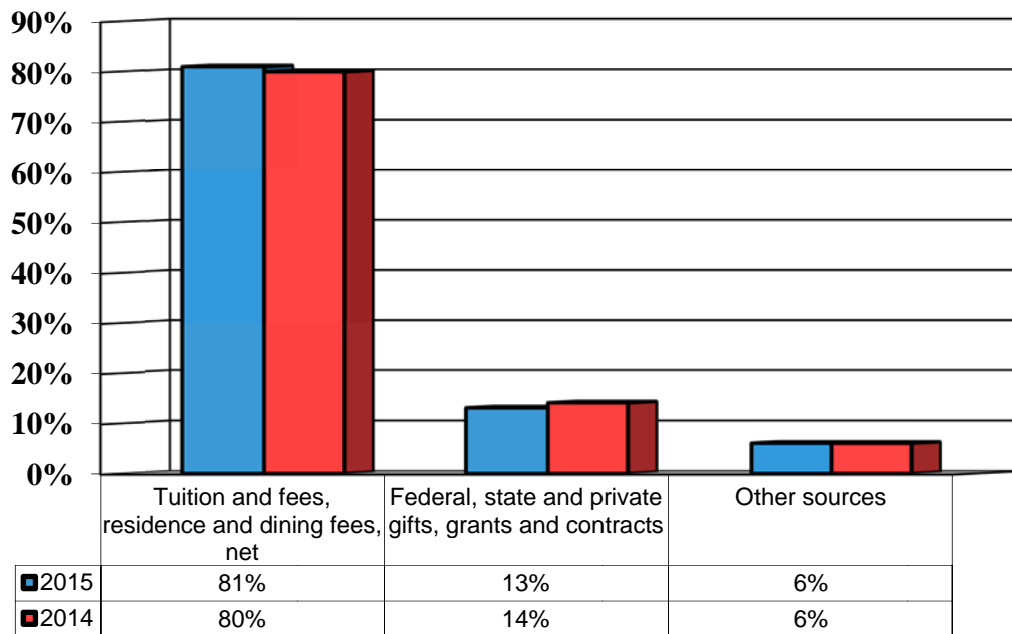
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

The following is a graphic illustration of operating revenues by source, as a percent of total operating revenue, which were used to fund the University’s operating activities for the years ended June 30, 2015 and 2014.

Operating Revenues by Source



The University’s operating revenues consist primarily of tuition and fee and residence and dining fee revenue. Tuition and fee revenue increased \$.9 million or 1.8% during the fiscal year ended June 30, 2015. This increase was primarily due to an increase in the general fee which was offset by revenue decreases due to lower enrollments along with a slight decrease in Division of Graduate and Continuing Education tuition and fees.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

Tuition and fees received by the University include the following at June 30:

	<u>2015</u>	<u>2014</u>
Tuition	\$ 12,526,966	\$ 12,699,687
Student Fees:		
General fees	26,505,913	25,374,623
Student activity fees	1,666,332	1,624,462
Capital improvement fees	454,027	459,617
Technology fees	7,490,612	7,585,504
Miscellaneous fees	<u>757,040</u>	<u>780,653</u>
Total	\$ <u>49,400,890</u>	\$ <u>48,524,546</u>

Residence and dining fee revenue generated by the auxiliary operations of the University's food service provider and building authority trust funds was \$26,872,236 and \$25,713,839 for the years ended June 30, 2015 and 2014, respectively. The increase in revenues for the year ended June 30, 2015 in the amount of \$1,158,397 or 4.5% is attributable to the yearly increase in the room and board rates.

Major grants and contracts awarded to Westfield State University for the years ended June 30, 2015 and 2014 included the following:

- U.S. Department of Education - Student Support Services \$264,284 (in 2015) \$250,462 (in 2014)
- U.S. Department of Education - College Work Study \$368,333 (in 2015 and 2014)
- U.S. Department of Education - SEOG \$295,448 (in 2015 and 2014)

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

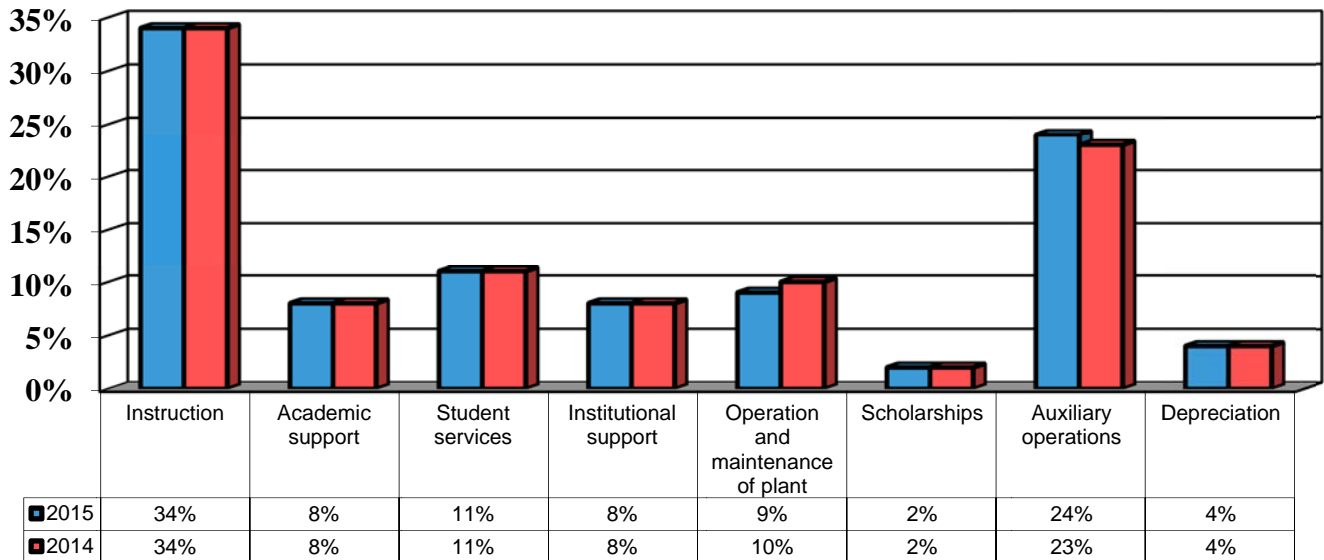
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

The following is a graphic illustration of operating expenses by function, shown as a percent of total operating expense, for the years ended June 30, 2015 and 2014.

Operating Expenses by Function



A summary of the University's expenses by functional classification for the years ended June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Instruction	\$ 36,549,113	\$ 35,972,212
Public service	323,685	306,904
Academic support	8,257,294	8,175,828
Student services	12,291,835	11,928,015
Institutional support	9,028,190	8,734,781
Operation and maintenance of plant	9,413,263	10,172,014
Scholarships and fellowships	2,343,220	2,092,247
Auxiliary operations	25,985,478	25,017,980
Depreciation	<u>4,833,781</u>	<u>4,734,395</u>
Total	\$ <u>109,025,859</u>	\$ <u>107,134,376</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

The University's total operating expenses increased slightly during fiscal year ended June 30, 2015 by \$1,891,483 or 1.8%. The increase in fiscal year 2015 is attributable to many factors some of which are: an increase in compensation and benefits (\$3.1 million) and a decrease in attorney's fees (\$1.3 million).

A condensed summary of the Statements of Cash Flows for years ended June 30 is as follows:

	<u>2015</u>	<u>2014</u>
Cash received from operating activities	\$ 112,233,909	\$ 110,222,007
Cash expenses for operating activities	<u>(127,511,443)</u>	<u>(126,388,763)</u>
Net cash applied to operating activities	<u>(15,277,534)</u>	(16,166,756)
Net cash provided by non-capital financing activities	25,106,354	23,880,980
Net cash provided by (applied to) capital financing activities	7,133,903	(3,466,009)
Net cash provided by investing activities	<u>310,158</u>	<u>307,070</u>
Net increase in cash and equivalents	17,272,881	4,555,285
Cash and equivalents - beginning of year	<u>46,227,055</u>	<u>41,671,770</u>
Cash and equivalents - end of year	<u>\$ 63,499,936</u>	<u>\$ 46,227,055</u>

The University's liquidity increased significantly during the year ended June 30, 2015 with a \$17,272,881 increase in cash and equivalents. Approximately \$11.0 million of the increase is attributable to bond proceeds received during fiscal year 2015 which will be spent during fiscal year 2016. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2015, the University's net cash applied to operating activities decreased by \$.9 million over the prior year. This was due to an increase in cash received of \$2.0 million and a decrease in payments to suppliers of \$1.1 million outpacing an increase in payments to employees and students of \$2.2 million. Net cash provided by non-capital financing activities increased approximately \$1.2 million due to an increase in state appropriation. Net cash provided by capital financing activities increased \$10.6 million due to the proceeds received from the issuance of bonds (\$11.7 million) and the increase in state appropriation (\$.3 million) offsetting increases in capital asset purchases (\$.7 million) and debt service reserve (\$.7 million). The increase in capital debt was related to the bonds payable for the new science center building. The slight increase in net cash provided by investing activities was due to an increase in interest received.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

LOSS FROM OPERATIONS

The following table presents the University's incurred losses from operations and its non-operating revenues for the fiscal years ended June 30, 2015 and 2014.

	<u>2015</u>	<u>2014</u>
Operating revenues, net	\$ 82,436,707	\$ 80,744,040
Operating expenses	<u>109,025,859</u>	<u>107,134,376</u>
Operating loss	<u>(26,589,152)</u>	<u>(26,390,336)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth and 9C cut	31,982,967	30,162,664
Restricted state appropriations	94,599	152,009
Net investment income	310,674	307,856
Loss on disposal of assets	(6,474)	(15,196)
Other expenses	(438,770)	(455,586)
Capital appropriations	8,164,696	1,324,222
Related entity transfers	<u>(6,792)</u>	<u>(35,000)</u>
Non-operating revenues	<u>40,100,900</u>	<u>31,440,969</u>
Increase in net position	<u>\$ 13,511,748</u>	<u>\$ 5,050,633</u>

Due to the nature of accounting for appropriations as non-operating revenues in accordance with GASB principles, the University incurred a loss from operations. The Commonwealth's Department of Higher Education establishes tuition rates while the University sets fees and other charges. The University, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

The \$8.7 million increase in net non-operating revenues during fiscal year 2015 is primarily attributable to an increase in state capital appropriation in the amount of \$6.9 million combined with an increase in net state appropriation in the amount of \$1.8 million. The state capital appropriation increase was due to the recognition of revenue related to the science center building which was in progress at June 30, 2015.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2015

CAPITAL ASSETS AND DEBT

The University's investment in capital assets, net of accumulated depreciation, as of June 30, 2015 and 2014 were \$67,780,162 and \$61,642,210, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets increased by \$6,137,952 or 10% during the fiscal year ended June 30, 2015. The increase during fiscal year ended June 30, 2015 was due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2015 amounted to \$10,980,007.

Major additions during 2015 include \$8.1 million in construction in progress for construction costs related to the new science center building on campus scheduled to be completed in August, 2016, \$1.1 million for the installation of air conditioning in Bates Hall and Parenzo Hall, and \$.5 million in Information Technology upgrades.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Westfield State University's finances for all those with an interest in the University's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Vice President of Administration and Finance, 333 Western Avenue, Westfield, Massachusetts 01085.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2015

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statement of Net Position

June 30, 2015

Assets and Deferred Outflow of Resources

	<u>Westfield State University</u>	<u>Component Unit</u>
Current Assets:		
Cash and equivalents	\$ 47,879,444	\$ 149,224
Cash held by State Treasurer	1,587,185	-
Deposits held by State Treasurer	3,067,436	-
Deposits held by MSCBA	1,295,871	-
Deposits held by DCAMM	9,670,000	-
Short-term investments	61,339	-
Accounts receivable, net	1,618,004	177,810
Due from Foundation	2,888	-
Loans receivable	178,385	-
Other current assets	<u>43,361</u>	<u>8,922</u>
Total Current Assets	<u>65,403,913</u>	<u>335,956</u>
Non-Current Assets:		
Debt service reserve	1,107,609	-
Investments	-	6,398,482
Loans receivable, net	538,988	-
Capital assets, net	<u>67,780,162</u>	<u>499,855</u>
Total Non-Current Assets	<u>69,426,759</u>	<u>6,898,337</u>
Deferred Outflows of Resources:		
Contributions made after the measurement date	1,656,130	-
Changes in assumptions	182,054	-
Changes in proportion due to internal allocation	<u>511,473</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>2,349,657</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 137,180,329</u>	<u>\$ 7,234,293</u>

The accompanying notes are an integral part of the financial statements.

Liabilities, Deferred Inflows of Resources and Net Position

	<u>Westfield State University</u>	<u>Component Unit</u>
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 2,318,564	\$ 27,958
Accrued salaries, wages and benefits	5,315,374	-
Compensated absences	4,937,652	-
Accrued workers' compensation	198,373	-
Due to University	-	2,888
Student deposits and unearned revenue	1,129,313	1,000
Deposits held	591,015	-
Line of credit	-	247,200
Assets held in custody for others	187,862	225,712
Current portion of capital lease obligations	120,270	-
Current portion of bonds payable	947,337	-
Other liabilities	<u>3,319</u>	<u>-</u>
Total Current Liabilities	<u>15,749,079</u>	<u>504,758</u>
Non-Current Liabilities:		
Compensated absences	1,540,688	-
Accrued workers' compensation	711,596	-
Grants refundable	834,828	-
Capital lease obligations	158,888	-
Bonds payable	25,390,562	-
Net pension liability	<u>16,195,411</u>	<u>-</u>
Total Non-Current Liabilities	<u>44,831,973</u>	<u>-</u>
Total Liabilities	<u>60,581,052</u>	<u>504,758</u>
Deferred Inflows of Resources:		
Service concession arrangements	1,110,557	-
Differences between projected and actual earnings of plan investment	3,324,089	-
Changes in plan investment assumptions	<u>5,607</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>4,440,253</u>	<u>-</u>
Net Position:		
Net investment in capital assets	52,998,001	499,855
Restricted for:		
Expendable	981,536	3,193,253
Non-expendable	-	3,276,788
Unrestricted	<u>18,179,487</u>	<u>(240,361)</u>
Total Net Position	<u>72,159,024</u>	<u>6,729,535</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 137,180,329</u>	<u>\$ 7,234,293</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statement of Revenues and Expenses

For the Year Ended June 30, 2015

	<u>Westfield State University</u>	<u>Component Unit</u>
Operating Revenues:		
Tuition and fees	\$ 49,400,890	\$ -
Residence and dining fees	26,872,236	-
Less: scholarships and fellowships	<u>(9,578,206)</u>	<u>-</u>
Net tuition and fees	66,694,920	-
Federal grants and contracts	8,270,275	-
State grants and contracts	2,210,075	-
Private grants and contracts	470,511	853,744
Public service	314,245	-
Other sources	<u>4,476,681</u>	<u>104,414</u>
Total Operating Revenues	<u>82,436,707</u>	<u>958,158</u>
Operating Expenses:		
Instruction	36,549,113	-
Public service	323,685	-
Academic support	8,257,294	144,892
Student services	12,291,835	-
Institutional support	9,028,190	597,651
Operation and maintenance of plant	9,413,263	-
Scholarships and fellowships	2,343,220	143,601
Auxiliary operations	25,985,478	-
Depreciation	<u>4,833,781</u>	<u>14,844</u>
Total Operating Expenses	<u>109,025,859</u>	<u>900,988</u>
Operating (Loss) Income	<u>(26,589,152)</u>	<u>57,170</u>
Non-Operating Revenues (Expenses):		
State appropriations, net	31,982,967	-
Restricted state appropriations	94,599	-
Loss on disposal of assets	(6,474)	-
Investment income, net of expenses	310,674	197,249
Interest expense	<u>(438,770)</u>	<u>(9,774)</u>
Net Non-Operating Revenues	<u>31,942,996</u>	<u>187,475</u>
Income Before Other Revenues (Expenses)	5,353,844	244,645
Capital appropriations	8,164,696	-
Related entity transfers	<u>(6,792)</u>	<u>6,792</u>
Total Increase in Net Position	<u>\$ 13,511,748</u>	<u>\$ 251,437</u>

The accompanying notes are an integral part of the financial statements.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statement of Changes in Net Position

For the Year Ended June 30, 2015

	<u>Westfield State University</u>				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2014 as previously reported	\$ 46,289,232	\$ 680,442	\$ -	\$ 29,617,159	\$ 76,586,833
Change in accounting principles (Note 2)	-	-	-	(17,939,557)	(17,939,557)
Balance, June 30, 2014, as restated	46,289,232	680,442	-	11,677,602	58,647,276
Changes in net position for 2015	6,708,769	301,094	-	6,501,885	13,511,748
Balance June 30, 2015	<u>\$ 52,998,001</u>	<u>\$ 981,536</u>	<u>\$ -</u>	<u>\$ 18,179,487</u>	<u>\$ 72,159,024</u>
	<u>Component Unit</u>				
	<u>Investment in Capital Assets, net</u>	<u>Restricted Expendable</u>	<u>Restricted Non-expendable</u>	<u>Unrestricted</u>	<u>Total</u>
Balance, June 30, 2014	\$ 460,649	\$ 3,146,133	\$ 3,205,298	\$ (333,982)	\$ 6,478,098
Changes in net position	39,206	47,120	71,490	93,621	251,437
Balance, June 30, 2015	<u>\$ 499,855</u>	<u>\$ 3,193,253</u>	<u>\$ 3,276,788</u>	<u>\$ (240,361)</u>	<u>\$ 6,729,535</u>

The accompanying notes are an integral part of the financial statements.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows

For the Year Ended June 30, 2015

	Westfield State University
Cash Flows from Operating Activities:	
Tuition and fees	\$ 42,988,652
Residence and dining fees	23,519,864
Grants and contracts	11,122,412
Payments to suppliers	(36,344,424)
Payments to employees	(58,288,735)
Payments to students	(2,344,348)
Direct lending receipts	30,386,201
Direct lending disbursements	(30,386,201)
Loans issued to students	(147,735)
Collections of loans to students	155,133
Other receipts	<u>4,061,647</u>
Net Cash Applied to Operating Activities	<u>(15,277,534)</u>
Cash Flows from Non-Capital Financing Activities:	
State appropriation	26,501,504
9C cuts	(372,446)
Tuition remitted to state	(1,015,912)
Received from the Foundation	<u>(6,792)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>25,106,354</u>
Cash Flows from Capital Financing Activities:	
Capital appropriations	317,886
Proceeds from sale of bonds	11,746,598
Purchases of capital assets	(2,803,899)
Principal paid on capital leases	(148,222)
Interest paid on capital leases	(13,672)
Principal paid on bonds payable	(880,458)
Interest paid on bonds payable	(424,248)
Decrease in debt service reserve	<u>(660,082)</u>
Net Cash Provided by Capital Financing Activities	<u>7,133,903</u>
Cash Flows from Investing Activity:	
Interest income	<u>310,158</u>
Net Increase in Cash and Equivalents	17,272,881
Cash and Equivalents, Beginning of Year	<u>46,227,055</u>
Cash and Equivalents, End of Year	<u>\$ 63,499,936</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Statement of Cash Flows - Continued

For the Years Ended June 30, 2015

	<u>Westfield State University</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:	
Operating loss	\$ (26,589,152)
Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities:	
Depreciation	4,833,781
Fringe benefits provided by the State	6,964,420
Amortization of service concession agreement	(328,720)
Bad debts	150,633
Changes in Assets and Liabilities:	
Accounts receivable	(241,274)
Due from Foundation	(1,128)
Loans receivable	12,130
Other current assets	9,860
Accounts payable and accrued liabilities	(317,794)
Accrued salaries, wages and benefits	631,670
Compensated absences	479,660
Accrued workers' compensation	18,654
Student deposits and unearned revenue	52,927
Deposits held	(66,624)
Assets held in custody for others	(381,398)
Grants refundable	(159,778)
Other liabilities	(663)
Net pension activity	<u>(344,738)</u>
Net Cash Applied to Operating Activities	<u>\$ (15,277,534)</u>
Non-Cash Transactions:	
Fringe benefits paid by State	<u>\$ 6,964,420</u>
Acquisition of capital assets through capital leases	<u>\$ 90,714</u>
Trade in value received for capital assets obtained in capital lease	<u>\$ 1,800</u>
Capital improvements provided by capital appropriations	<u>\$ 7,846,810</u>
Deferred inflows of resources	<u>\$ 328,720</u>
Construction in progress included in accounts payable and accrued liabilities	<u>\$ 238,584</u>
Cash and Equivalents, End of Year:	
Cash and equivalents	\$ 47,879,444
Cash held by State Treasurer	1,587,185
Deposits held by State Treasurer	3,067,436
Deposits held by MSCBA	1,295,871
Deposits held by DCAMM	<u>9,670,000</u>
Total	<u>\$ 63,499,936</u>

The accompanying notes are an integral part of the financial statements.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies**

Organization

Westfield State University (the "University") is a public, state-supported university located in Westfield, Massachusetts and governed by a local Board of Trustees under the direction of the Massachusetts Department of Higher Education. The University is empowered to award baccalaureate and post graduate degrees in education, business, and arts and sciences, as well as conduct programs of continuing education. The University is accredited by the New England Association of Schools and Colleges.

Basis of Presentation

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the *Governmental Accounting Standards Board (GASB)*.

Westfield State Foundation, Inc. (the "Foundation") is a related tax exempt organization founded to foster and promote the growth, progress and general welfare of the University. The Foundation is included in the University's financial statements and is reported in a separate column from the University to emphasize that it is a Massachusetts not-for-profit organization legally separate from the University. Because of the significance of its financial relationship with the University, the Foundation is included in the University's financial statements. Complete financial statements can be obtained from the Foundation's administrative office in Westfield, Massachusetts.

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

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Continued

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

The University's policy for defining operating activities in the statement of revenues and expenses is those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis - for Public Colleges and Universities*. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts, net investment income, and interest expense.

Net Position

Resources are classified for accounting purposes into the following four net asset categories:

Investment in capital assets, net: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, repair or improvement of those assets.

Restricted - nonexpendable: Net position subject to externally imposed conditions such that the University must maintain the funds in perpetuity.

Restricted - expendable: Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the University or the passage of time.

Unrestricted: Net position that is not subject to externally imposed stipulations. 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.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Net Position - Continued

The University has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the dates of the financial statements and revenues and expenses recognized during the reporting periods. The University's significant estimates include the accrual for employee compensated absences, the accrual for workers' compensation liability, the accrual for pollution remediation, the allowance for doubtful accounts, and the useful lives of capital assets. Actual results could differ from those estimates.

Trust Funds

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

Cash and Equivalents

The University's cash and equivalents are cash on hand, cash and deposits held with the Commonwealth's Treasurer and Massachusetts State College Board Authority (MSCBA), which are short term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Allowance for Doubtful Accounts

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

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Investments

Investments in marketable securities are stated at fair value.

Dividends, interest, and net gains or losses on investments of endowments and similar funds are reported in the Statement of Revenues and Expenses. Any net earnings not expended are included in net position categories as follows:

- A) as increases in restricted – nonexpendable net position if the terms of the gift require that they be added to the principal of a permanent endowment fund;
- B) as increases in temporarily restricted – expendable net position if the terms of the gift or the University’s interpretation of relevant state law impose restrictions on the current use of the income or net gains. The University has relied upon the Attorney General’s interpretation of state law that unappropriated endowment gains should generally be classified as restricted - expendable; and
- C) as increases in unrestricted net position in all other cases.

Capital Assets

Real estate assets, including improvements, are generally stated at cost. Furnishings, equipment and collection items are stated at cost at date of acquisition or, in the case of gifts, at fair value at date of donation. In accordance with the University's capitalization policy, non-collection items with a unit cost of more than \$1,000 are capitalized. Library materials are generally expensed during the year. University capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Restricted Gifts

The University recognizes restricted gifts as revenues or receivables when all applicable eligibility requirements, including time requirements, are met.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Grants and Contracts

The University receives monies from the Federal and state government and other private agencies under grants and contracts. The costs, both direct and indirect, charged to these grants and contracts are subject to audit by the granting agency. The University administration believes that any audit adjustments would not have a material adverse effect on the University's financial position, its revenues, expenses and changes in net position, or its cash flows.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave or when using compensatory time. Accrued vacation and compensatory time is the amount earned by all eligible employees through June 30, 2015. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2015. Upon retirement, these employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

Deposits and Unearned Revenue

Deposits and advance payments received for tuition and fees related to certain summer programs and tuition received for the following academic year are deferred. Funds received in advance from various grants and contracts are deferred. Deposits and unearned revenue are recorded as revenue when earned.

Deposits held by MSCBA

Deposits held represent funds held by the Massachusetts State College Building Authority for specific projects.

Deposits held by DCAMM

Deposits held represent funds held by the Division of Capital Asset Management and Maintenance for specific projects.

Deposits held by State Treasurer

Deposits held represent funds accessible by the University held by the Commonwealth of Massachusetts for payments on payroll.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

Pensions

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

Student Fees

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

Fringe Benefits

The University participates in the Commonwealth's fringe benefit programs, including health insurance, unemployment, pension and workers' compensation benefits. Health insurance, unemployment and pension costs are billed through a fringe benefit rate charged to the University. Workers' compensation costs are assessed separately based on the University's actual experience. The Commonwealth requires the University to record, as a liability, its portion of the future estimated workers' compensation benefits to be paid.

Income Tax Status

The University is a component unit of the Commonwealth of Massachusetts and is exempt from Federal income taxes under Section 115 of the Internal Revenue Code. The Foundation is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

New Governmental Accounting Pronouncements

Fair Value Measurement and Application-GASB Statement 72, is effective for periods beginning after June 15, 2015. This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The valuation techniques should be consistent with one or more of the following approaches: the market approach, the cost approach or the income approach. Valuation methodologies should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. GASB 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements - Continued

which are as follows: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices, included within Level 1 that are observable, directly or indirectly. Level 3 inputs are unobservable inputs such as management's assumptions about certain factors affecting the value of the asset or liability. Management is in the process of evaluating the implementation of this Statement, but does not expect any material effect to its financial position.

Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 – GASB Statement 73. The provisions of this Statement applicable to the University are effective for periods beginning after June 15, 2015. The purpose of these provisions is to clarify and enhance certain reporting requirements of GASB Statements 67 and 68. GASB Statement 68 is effective for the fiscal year ended June 30, 2015. Management has not yet evaluated the effects of the implementation of GASB Statement 73.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions – GASB Statement 75, is effective for periods beginning after June 15, 2017. This Statement replaces Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension Plans* and Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The objective of Statement 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions ("OPEB"). It also requires additional information by state and local governmental employers about financial support for OPEB that is provided by other entities. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expense/expenditures. GASB 75 also identifies the assumptions and methods that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value and attribute that present value to periods of employee service for defined benefit OPEB. Management has not yet evaluated the effects of the implementation of this Statement.

The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments – GASB Statement 76, supersedes similarly named Statement 55 and is effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP").

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements - Continued

The hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment of a transaction or other event is not specified within a source of authoritative GAAP. Management is currently reviewing this pronouncement, implementation of which must be applied retroactively.

Note 2 - **Prior Period Adjustments**

Implementation of Newly Effective Accounting Standard

As a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, the University has restated net position in the statement of net position by a decrease of \$17,520,188 as of June 30, 2014. The prior period restatement of net position reflects the recognition of a net pension liability as of June 30, 2014, as required by the application of GASB 68.

Change in Accounting Principles

During the fiscal year ended June 30, 2015, the University changed its accounting policy related to inventory. The University switched from the first in, first out (FIFO) valuation method to direct expensing. Accordingly, net position as of June 30, 2014 has been restated by a decrease of \$419,369.

Summary of Prior Period Adjustments

A summary of the changes made to the previously issued financial statements for the year ended June 30, 2014 is as follows:

	<u>As Previously Stated</u>	<u>As Restated</u>
Other current assets	\$ 472,590	\$ 53,221
Deferred outflows of resources	-	1,283,189
Net pension liability	-	18,803,377
Unrestricted net position	29,617,159	11,677,602

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 3 - **Cash and Equivalents**

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the University would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) and other third-party insurance. The University's policy is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized. The University places funds with the Massachusetts Municipal Depository Trust (MMDT).

The MMDT is an instrumentality of the Treasurer of the Commonwealth and therefore not subject to FDIC insurance and its political sub-divisions. It is designed as a legal means to temporarily invest available cash in safe, liquid and high yield investment vehicles by offering participation in a diversified portfolio of high quality money market instruments.

The University has a repurchase agreement with one of its financial institutions. The fair value of the securities held at this institution at June 30, 2015 was approximately \$5,844,000. The University will earn interest on their cash investment at prime rate minus 75 basis points.

The carrying amount of the University's bank deposits and deposits in trust depositories are \$47,879,444 as compared to bank balances of \$48,200,032 at June 30, 2015. The differences between the carrying amount and the bank balances was caused by deposits in-transit and outstanding checks.

Bank balances as of June 30, 2015 in the amount of \$42,297,716 at Peoples Bank and Berkshire Bank are insured by the Massachusetts Depositors Insurance Fund and are therefore not subject to custodial risk. As of June 30, 2015, \$5,902,316 remains exposed to custodial risk.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 4 - **Cash Held by the State Treasurer**

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled \$1,587,185 at June 30, 2015. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which was subsequently used to pay for such liabilities.

Note 5 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2015, the entire balance of investments represents mutual funds that are held in safekeeping accounts in trust depositories in the name of the University and are uninsured. At June 30, 2015, the investments are stated at fair market value, have a maturity of less than one year, and have an unrated quality.

Foundation

Investments of the Foundation are stated at fair value and consist of the following at June 30, 2015:

	<u>Market</u>	<u>Cost</u>
Investments:		
Stock Market Index Fund	\$ 3,152,513	\$ 3,217,614
Bond Market Index Fund	1,926,487	1,964,782
International Stock Market Index Fund	<u>1,319,482</u>	<u>1,384,008</u>
	<u>\$ 6,398,482</u>	<u>\$ 6,566,404</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 5 - **Investments - Continued**

Foundation - Continued

The following schedule summarizes the investment return net of investment fees and its classification in the statements of revenues and expenses for the year ended June 30, 2015:

	<u>2015</u>
Interest and dividends	\$ 135,794
Realized gains	1,564,835
Net unrealized gains	<u>(1,503,380)</u>
	<u>\$ 197,249</u>

Note 6 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2015 is summarized as follows:

	<u>2015</u>
Student accounts receivable	\$ 1,570,241
Grants receivable	324,628
Other receivables	<u>812,799</u>
	<u>2,707,668</u>
Less: allowance for doubtful accounts	<u>(1,089,664)</u>
	<u>\$ 1,618,004</u>

Note 7 - **Loans Receivable and Grants Refundable**

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The Federal government provides the majority of the funds to support this program. Loan payments received from students made under this program may be re-loaned after collection. The portion of the Perkins program provided by the Federal government, identified as grants refundable on the Statement of Net Position, is refundable to the Federal government upon the termination of the University's participation in the program.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 7 - **Loans Receivable and Grants Refundable - Continued**

Loans receivable include the following at June 30, 2015:

Perkins loans receivable	\$ 1,213,326
Less: allowance for doubtful accounts	<u>(495,953)</u>
Total loans receivable, net	717,373
Less: amount due in one year	<u>(178,385)</u>
Long-term loans receivable	\$ <u>538,988</u>

Note 8 - **Related Party Transactions**

University

The University provides certain personnel and payroll services to the Foundation at no charge.

A member of the Board of Trustees of the University is the President of Westfield Bank with which the University has entered into a repurchase agreement with. The bank holds deposits of \$5,844,000 as of June 30, 2015.

Foundation

A member of the Board of Directors is a principal in a firm that provided \$1,950 in legal service to the Foundation during the year ended June 30, 2015.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 9 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2015 is summarized as follows:

	June 30, 2015					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862
Construction-in-progress	-	<u>2,127,541</u>	<u>8,342,815</u>	<u>-</u>	<u>(555,500)</u>	<u>9,914,856</u>
Total		<u>3,351,403</u>	<u>8,342,815</u>	<u>-</u>	<u>(555,500)</u>	<u>11,138,718</u>
Depreciable:						
Buildings, including improvements	20-40	91,253,344	1,048,738	-	555,500	92,857,582
Land improvements	20	2,104,294	-	-	-	2,104,294
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	23,833,671	1,457,180	643,513	-	24,647,338
Library books	5	7,167,687	39,260	-	-	7,206,947
Vehicles	5	<u>1,383,503</u>	<u>92,014</u>	<u>47,520</u>	<u>-</u>	<u>1,427,997</u>
Total		<u>126,013,582</u>	<u>2,637,192</u>	<u>691,033</u>	<u>555,500</u>	<u>128,515,241</u>
Less accumulated depreciation:						
Buildings, including improvements		40,305,095	2,705,932	-	-	43,011,027
Land improvements		934,877	104,596	-	-	1,039,473
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		18,231,826	1,813,074	635,239	-	19,409,661
Library books		7,063,799	54,411	-	-	7,118,210
Vehicles		<u>916,095</u>	<u>155,768</u>	<u>47,520</u>	<u>-</u>	<u>1,024,343</u>
Total accumulated depreciation		<u>67,722,775</u>	<u>4,833,781</u>	<u>682,759</u>	<u>-</u>	<u>71,873,797</u>
Capital Assets, Net		<u>\$ 61,642,210</u>	<u>\$ 6,146,226</u>	<u>\$ 8,274</u>	<u>\$ -</u>	<u>\$ 67,780,162</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 10 - **Student Deposits and Unearned Revenue**

Student deposits and unearned revenue includes tuition received in advance from students for summer courses commencing after June 30, the subsequent fall semester, and grant funds received in advance. Student deposits and unearned revenue of the University include the following as of June 30, 2015:

Tuition and fees	\$ 1,026,816
Grants	<u>102,497</u>
 Total student deposits and unearned revenue	 \$ <u>1,129,313</u>

Note 11 - **Deferred Inflows of Resources**

The University has entered into agreements, categorized as service concession arrangements per GASB 60 *Accounting and Reporting for Service Concession Arrangements*, expiring through June 2022, with certain vendors for the provision of beverages and dining and related services. As part of these arrangements, the vendors provided the University with \$3,442,715 for the purpose of improvements of the related facilities and \$30,000 in support of the mission of the University. In accordance with GASB 65, *Items Previously Reported as Assets and Liabilities*, the University has accounted for these monies as deferred inflows of resources and will amortize the amounts into income over the life of the respective agreements. In addition, each of the agreements provides for additional payments to the University to defray certain costs and as revenue sharing. During the fiscal year ended 2015, such additional payments aggregated \$740,380.

Recognition of these monies in annual revenue is as follows:

Years Ending <u>June 30,</u>	
2016	\$ 328,720
2017	155,556
2018	155,556
2019	149,556
2020	149,556
Thereafter	<u>171,613</u>
	 \$ <u>1,110,557</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 12 - **Line of Credit**

The Foundation has a \$1,000,000 line of credit with a bank, secured by certain investments bearing interest at 3.5%. The balance outstanding on the line of credit was \$247,200 at June 30, 2015.

Note 13 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2015 consist of:

	June 30, 2015				
	Restated Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Leases and bonds payable:					
Lease obligations	\$ 337,616	\$ 89,764	\$ 148,222	\$ 279,158	\$ 120,270
Bonds payable	14,337,877	10,090,000	774,134	23,653,743	812,857
Bonds premium	<u>1,133,882</u>	<u>1,656,598</u>	<u>106,324</u>	<u>2,684,156</u>	<u>134,480</u>
Total leases and bonds payable	<u>15,809,375</u>	<u>11,836,362</u>	<u>1,028,680</u>	<u>26,617,057</u>	<u>1,067,607</u>
Other long-term liabilities:					
Compensated absences	5,998,680	479,660	-	6,478,340	4,937,652
Workers' compensation	891,315	18,654	-	909,969	198,373
Net pension liability	<u>18,803,377</u>	<u>-</u>	<u>2,607,966</u>	<u>16,195,411</u>	<u>-</u>
Total other long-term liabilities	<u>25,693,372</u>	<u>498,314</u>	<u>2,607,966</u>	<u>23,583,720</u>	<u>5,136,025</u>
Total	<u>\$ 41,502,747</u>	<u>\$ 12,334,676</u>	<u>\$ 3,636,646</u>	<u>\$ 50,200,777</u>	<u>\$ 6,203,632</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Long-Term Liabilities - Continued**

Bonds Payable

In December 2014, the University entered into a financing agreement with the Massachusetts State College Building Authority (MSCBA) for partial funding of a new Science Center building. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2014B). Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting November 1, 2015 and ending May 1, 2044, at an annual variable coupon rate averaging 5.0%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2015, the balance on the bond was \$11,718,440.

In November 2011, the University entered into a financing agreement with the MSCBA for an expansion of the wellness center, and the relocation of the food services and other student areas in Ely Hall. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2012A). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting November 1, 2012 and ending May 1, 2031, at an annual variable coupon rate averaging 4.9%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2015 the balance on the bond was \$8,170,734.

During November 2010, the University borrowed \$226,065 in clean renewable energy bonds issue Series 2010A-14 with the Massachusetts Development Finance Agency (MDFA). The Series 2010A-14 bonds are payable in annual principal installments of \$13,298 through fiscal year 2027. Interest is payable semiannually at a fixed interest rate of 3.5%. MDFA requires no debt reserve. At June 30, 2015 the balance on the bond was \$159,575.

In December 2010, the University entered into a financing agreement with the MSCBA for an expansion of a dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2010A and 2010B). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2030, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2015 the balance on the bond was \$3,717,029.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Long-Term Liabilities - Continued**

Bonds Payable - Continued

In August 2002, the University borrowed \$5,816,000 in tax-exempt revenue bonds issue Series M-2 with the Massachusetts Health and Educational Facilities Authority (MHEFA). The Series M-2 bonds are payable in annual installments through fiscal year 2022 with principal amounts ranging between approximately \$242,000 and \$435,000. Interest is payable monthly at a predetermined varying rate (0.210% as of June 30, 2015). MHEFA requires that the University maintain a debt service reserve. At June 30, 2015 the balance on the bond was \$2,572,121.

The University has a \$2,572,121 letter of credit agreement with Bank of America in support of the above MHEFA revenue bonds. Under the terms of the agreement, the University has pledged its right to receive continuing education tuition and fees, general fees, technical fees and miscellaneous fees as collateral to Bank of America. The agreement also places certain limits on the University with regard to incurring additional debt; requires the University to maintain a minimum amount of unrestricted cash and equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were \$42,787 at June 30, 2015. As of June 30, 2015, there is no outstanding balance on the letter of credit.

Maturities of the bonds payable subsequent to June 30, 2015 are as follows:

<u>Years Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 947,337	\$ 1,168,408	\$ 2,115,745
2017	1,168,498	959,082	2,127,580
2018	1,217,829	926,072	2,143,901
2019	1,258,329	896,254	2,154,583
2020	1,306,773	865,967	2,172,740
2021-2025	6,000,577	3,764,166	9,764,743
2026-2030	6,271,672	2,589,559	8,861,231
2031-2035	2,854,744	1,525,750	4,380,494
2036-2040	2,691,575	973,250	3,664,825
2041-2044	<u>2,620,565</u>	<u>307,500</u>	<u>2,928,065</u>
	<u>\$ 26,337,899</u>	<u>\$ 13,976,008</u>	<u>\$ 40,313,907</u>

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 13 - **Long-Term Liabilities - Continued**

Capital Lease Obligations

The following schedule summarizes future minimum payments under non-cancelable capital leases as of June 30, 2015.

<u>Years Ending June 30,</u>	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
2016	\$ 120,270	\$ 9,439	\$ 129,709
2017	95,905	4,862	100,767
2018	<u>62,983</u>	<u>1,423</u>	<u>64,406</u>
	<u>\$ 279,158</u>	<u>\$ 15,724</u>	<u>\$ 294,882</u>

The following is a summary of property held under capital lease as of June 30, 2015:

Equipment	\$ 649,704
Less: accumulated depreciation	<u>(297,322)</u>
	<u>\$ 352,382</u>

Note 14 - **Pension**

Defined Benefit Plan Description

The University makes contributions for employees paid by state appropriations through a benefit charge assessed by the Commonwealth. Such pension expense amounted to \$2,653,000 for the year ended June 30, 2015. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 88% of annual total payroll for the University in 2015.

Certain employees of the University participate in a cost-sharing multiple-employer defined benefit pension plan – the Massachusetts State Employees’ Retirement System ("SERS") – administered by the Massachusetts State Board of Retirement (the “Board”), which is a public employee retirement system (PERS). Under a cost-sharing plan, pension obligations for employees of all employers are pooled and plan assets are available to pay the benefits through the plan, regardless of the status of the employers’ payment of its pension obligations to the plan. The plan provides retirement and disability benefits and death benefits to plan members and beneficiaries.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Pension - Continued**

Benefit Provisions

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

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

Contributions

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

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Pension - Continued**

Contributions - Continued

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

<u>Hire Date</u>	<u>Percent of Compensation</u>
Prior to 1975	5% of regular compensation
1975 - 1983	7% of regular compensation
1984 to 6/30/1996	8% of regular compensation
7/1/1996 to present	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present	An additional 2% of regular compensation in excess of \$30,000

The University is required to contribute at an actuarially determined rate; the rate was 10.39% of annual covered payroll for the fiscal year ended June 30, 2015. The College contributed \$1,656,130, for the fiscal years ended June 30, 2015, equal to 100% of the required contributions for each year.

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

At June 30, 2015, the University reported a liability of \$16,195,411 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability was measured as of June 30, 2014, the measurement date, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The University's proportion of the net pension liability was based on its share of the Commonwealth of Massachusetts collective pension amounts allocated on the basis of actual fringe benefit charges assessed to the University for the fiscal year 2014. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2014 relative to total contributions of all participating employers for that fiscal year. At June 30, 2014, the University's proportion was 0.253%.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Pension - Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources – Continued*

For the year ended June 30, 2015, the University recognized a net pension expense of \$1,311,392. At June 30, 2015, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$1,656,130
Change in assumptions	182,054
Changes in proportion due to internal allocation	<u>511,473</u>
Total	<u>\$2,349,657</u>

Deferred Inflows of Resources

Differences between projected and actual earnings of plan investments	\$3,324,089
Changes in plan investment assumptions	<u>5,607</u>
Total	<u>\$3,329,696</u>

Contributions of \$1,656,130 are reported as deferred outflows of resources related to pensions resulting from the University's contributions in fiscal year ended 2015 subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Pension - Continued**

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

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increase (decreases) in pension expense as follows:

Years ending <u>June 30,</u>	
2016	\$ 678,151
2017	678,151
2018	678,151
2019	678,151
2020	<u>(76,435)</u>
	 <u>\$ 2,636,169</u>

Actuarial Assumptions

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

Inflation	3.00%
Salary increases	3.50% to 9.00%
Investment rate of return	8.00%

Mortality rates were based on pre-retirement of RP-2000 Employees table projected 20 years with Scale AA (gender distinct) and post-retirement of Healthy Annuitant table projected 15 years with Scale AA (gender distinct).

The actuarial assumptions used in the January 1, 2014 valuation rolled forward to June 30, 2014 and the calculation of the total pension liability at June 30, 2014 were consistent with the results of actuarial experience study performed as of January 1, 2014.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Pension - Continued**

Actuarial Assumptions - Continued

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

Asset Class	Target Allocation	Long-term expected real rate of return
Global Equity	43%	7.20%
Core Fixed Income	13%	2.50%
Hedge Funds	10%	5.50%
Private Equity	10%	8.80%
Real Return	10%	6.30%
Value Added Fixed Income	10%	6.30%
Timber/Natural Resources	4%	5.00%
	<u>100%</u>	

Discount Rate

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

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 14 - **Pension - Continued**

Sensitivity of the Net Pension Liability to changes in the Discount Rate

The following table illustrates the sensitivity of the net pension liability calculated using the discount rate of 8.0 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate.

1.00% Decrease (7.00%)	Current Discount Rate (8.00%)	1.00% Increase (9.00)%
\$ 23,446,365	\$ 16,195,411	\$ 9,971,468

Note 15 - **Pollution Remediation**

In 2009, the University adopted GASB Statement No. 49 (“GASB 49”), *Accounting and Financial Reporting for Pollution Remediation Obligations*. The University has accrued all known liabilities meeting the requirements of this statement. At June 30, 2015, management is of the opinion that the University's exposure related to such events is not material to its financial position.

Note 16 - **Operating Leases**

During fiscal year 2011, the University entered into a lease agreement for an apartment building to be used for student housing, expiring in July 2021. The University also leases office equipment under non-cancelable operating leases with various expiration dates through 2019. Total rent expense under these lease agreements is approximately \$1,578,000 for the year ended June 30, 2015.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 16 - **Operating Leases - Continued**

Future minimum payments related to these leases are as follows:

Years Ending <u>June 30,</u>	
2016	\$ 1,509,533
2017	1,534,246
2018	1,566,490
2019	1,597,543
2020	1,523,874
2021-2022	<u>1,360,552</u>
Total	\$ <u>9,092,238</u>

Note 17 - **Restricted Net Position**

The University is the recipient of funds that are subject to various external constraints upon their use, either as to purpose or time. These funds are comprised of the following at June 30, 2015:

Restricted - expendable:	
Scholarships and fellowships	\$ 344,063
Loans	15,095
Capital projects	503,105
Grants	<u>119,273</u>
	\$ <u>981,536</u>

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support as of June 30, 2015.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 18 - **Operating Expenses**

The University's operating expenses, on a natural classification basis, are comprised of the following at June 30, 2015:

Compensation and benefits	\$ 66,392,422
Supplies and services	35,456,436
Depreciation and amortization	4,833,781
Scholarships and fellowships	<u>2,343,220</u>
	\$ <u>109,025,859</u>

Note 19 - **Fringe Benefits**

Fringe Benefit Programs

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

Group Insurance Commission

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.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 19 - **Retirement Plan - Continued**

Group Insurance Commission - Continued

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

The GIC administers a plan included within the State Retirement Benefits Trust Fund, an irrevocable trust. Any assets accumulated in excess of liabilities to pay premiums or benefits or administrative expenses are returned to the Commonwealth's General 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 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 year ended June 30, 2015, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans.

The GIC also administers carve-outs for pharmacy, 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), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 20 - **Commitments and Contingencies**

The University is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters for which the Commonwealth is self-insured.

Various lawsuits are pending or threatened against the University, which arise in the ordinary course of operations. In the opinion of management no litigation is now pending or threatened that would materially affect the University's financial position.

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

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

Note 21 - **Massachusetts 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. Management believes the amounts reported on MMARS meet the guidelines of the Comptroller's *Guide for Higher Education Audited Financial Statements*.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 21 - **Massachusetts Management Accounting and Reporting System - Continued**

The University's state appropriations are composed of the following at June 30, 2015:

Direct unrestricted appropriations	\$ 26,406,905
Add: Fringe benefits for benefited employees on the state payroll	6,964,420
Less: 9C cuts	(372,446)
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,015,912)</u>
Total unrestricted appropriations	31,982,967
Capital appropriations	8,164,696
Restricted appropriations	<u>94,599</u>
Total appropriations	\$ <u>40,242,262</u>

No timing differences occurred where the University had additional revenue that was reported to Massachusetts Management Accounting and Reporting System (MMARS) after June 30, 2015.

Note 22 - **Pass-Through Grants**

The University distributed \$30,386,201 as of June 30, 2015 for student loans through the U.S. Department of Education Federal direct lending program. These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

Note 23 - **Massachusetts State College Building Authority**

The Massachusetts State College Building Authority (MSCBA) was created pursuant to Chapter 703 of the Acts of 1963 by the Commonwealth as a public instrumentality for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students of the state universities of the Commonwealth. The University is charged a semi-annual revenue assessment that is based on a certified

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2015

Note 23 - **Massachusetts State College Building Authority - Continued**

occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The Commonwealth guarantees these obligations. The Revenue Assessments for the residence halls for the year ended June 30, 2015 was \$10,403,795. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

Dormitory trust fund reports included as supplemental information include revenues and expenses, which are included in auxiliary enterprises revenues and expenses.

**REQUIRED SUPPLEMENTARY
INFORMATION**

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Proportionate Share of the Net Pension Liability
(Unaudited)

Valuation was performed as of January 1, 2014 and adjusted through June 30, 2014 (measurement date)

Proportion of the net collective pension liability	0.218%
Proportionate share of the collective net pension liability	\$ 16,195,411
Covered-employee payroll	\$ 16,181,450
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	100.09%
Plan fiduciary net position as a percentage of the plan's total pension liability	76.32%

Notes:

The Schedule is intended to show ten years. Information is only available for one year. The valuation was performed as of January 1, 2014 and adjusted through June 30, 2014.

See accompanying notes to the required supplemental information.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Contributions (Unaudited)

For the Year Ended June 30, 2015

Contractually required contribution	\$ 1,656,130
Contributions in relation to the contractually required contribution	<u>1,656,130</u>
Contribution excess	<u>\$ -</u>
Covered-employee payroll	\$15,939,654
Contribution as a percentage of covered-employee payroll	10.39%

Notes:

Employers participating in the Massachusetts State Employees' Retirement System are required by MA General Laws, Section 32, to contribute an actually determined contribution rate each year

The Schedule is intended to show ten years. Information is only available for one year.

See accompanying notes to the required supplemental information.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Notes to the Required Supplementary Information
(Unaudited)

For the Year Ended June 30, 2015

Note 1 - **Change in Assumptions**

Changes in assumptions about future economic or demographic factors and inputs resulted in additional plan wide pension expense of \$102 million dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statement of net position. The University's proportionate share of the net pension liability and the results of changes in assumptions is .218%, as shown on the Schedule of Proportionate Share of Net Pension Liability, and represents the relationship of contributions made by the University to total contributions by all participating State Agencies.

The University's portion of these amounts is as follows:

Changes in assumptions	\$222,510
Recognized in current year pension expense	40,456
Deferred outflows of resources	182,054

SUPPLEMENTAL INFORMATION

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)

Schedule of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Year Ended June 30, 2015

Assets

Current Assets:

Cash and equivalents	\$ 6,693,428
Accounts receivable, net	144,981
Deposits held by State Treasurer	306,425
Other current assets	<u>44,295</u>

Total Assets \$ 7,189,129

Liabilities and Net Position

Current Liabilities:

Accounts payable and accrued liabilities	\$ 271,903
Accrued employee compensation and benefits	506,008
Deposits held	570,585
Other liabilities	<u>776</u>

Total Current Liabilities 1,349,272

Noncurrent Liability:

Accrued liability for employee compensation and benefits	<u>44,522</u>
--	---------------

Total Liabilities 1,393,794

Net Position:

Unrestricted	<u>5,795,335</u>
--------------	------------------

Total Liabilities and Net Position \$ 7,189,129

WESTFIELD STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

Schedule of Revenue, Expense and Change in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Year Ended June 30, 2015

Operating Revenues:	
Room rent	\$ 17,234,260
Infrastructure fees	274,850
Other sources	101,969
Deposits forfeited	95,110
Commissions - laundry	65,543
Commissions - vending	42,314
University support	<u>150,000</u>
Total Operating Revenues	<u>17,964,046</u>
Operating Expenses:	
Employee compensation	2,593,917
Energy costs	1,777,031
Pension and insurance	736,930
Special employees	611,932
Operational services	424,170
Scholarships	350,000
Repairs and maintenance	143,770
Facility operations supplies	283,045
Administrative	65,996
Equipment purchase	130,247
Equipment lease, rental and maintenance	30,389
Consultant services	29,574
Student travel	2,026
Employee related	12,929
Annual payment to the Massachusetts State College Building Authority	<u>10,403,795</u>
Total Operating Expenses	<u>17,595,751</u>
Increase in Net Position	<u>368,295</u>
Net Assets, Beginning of Year	<u>5,427,040</u>
Net Assets, End of Year	<u>\$ 5,795,335</u>

**INDEPENDENT AUDITORS' 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***



**Independent Auditors' 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 of
Westfield State University
Westfield, Massachusetts

We have audited, 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, the financial statements of Westfield State University (the "University"), which comprise the statement of net position as of June 30, 2015, and the related statement of revenues and expenses, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Westfield State University's basic financial statements and have issued our report thereon dated October 8, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

O'Connor and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 8, 2015