

WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017



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

**Financial Statements and
Management's Discussion and Analysis**

June 30, 2017

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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 statements of net position as of June 30, 2017 and 2016, the related statements of revenues and expenses, changes in net position and cash flows for the years 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, 2017 and 2016, and the related statements of revenues and expenses and changes in net position and cash flows for the years 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 audits.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017 and 2016, and the respective changes in net position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-15, the schedule of the proportionate share of the net pension liability on page 53 and the schedule of the contributions on page 54 and the notes to the required supplemental information on page 55 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 12, 2017, 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 Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 12, 2017

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

Management's Discussion and Analysis (Unaudited)

June 30, 2017

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, 2017, with comparative information for the year ended June 30, 2016. 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 5,800 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 College 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, 2017, with a \$9.8 million or 10.4% 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 \$104.6 million from \$94.8 million in 2016.
- Expenses incurred during fiscal year 2017 totaled \$123.2 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$133.0 million resulting in an increase in net position of \$9.8 million. Expenses incurred during fiscal year 2016 totaled \$114.1 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$136.7 million resulting in an increase in net position of \$22.6 million.
- In June of 2012, the Government Accounting Standards Board ("GASB") issued *Statement 68 Accounting and Financial Reporting for Pensions* and was 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. As of June 30, 2017, \$2.3 million in pension expense was recognized pursuant to GASB 68 and the University's portion of the Commonwealth's net pension liability was \$30,460,744.

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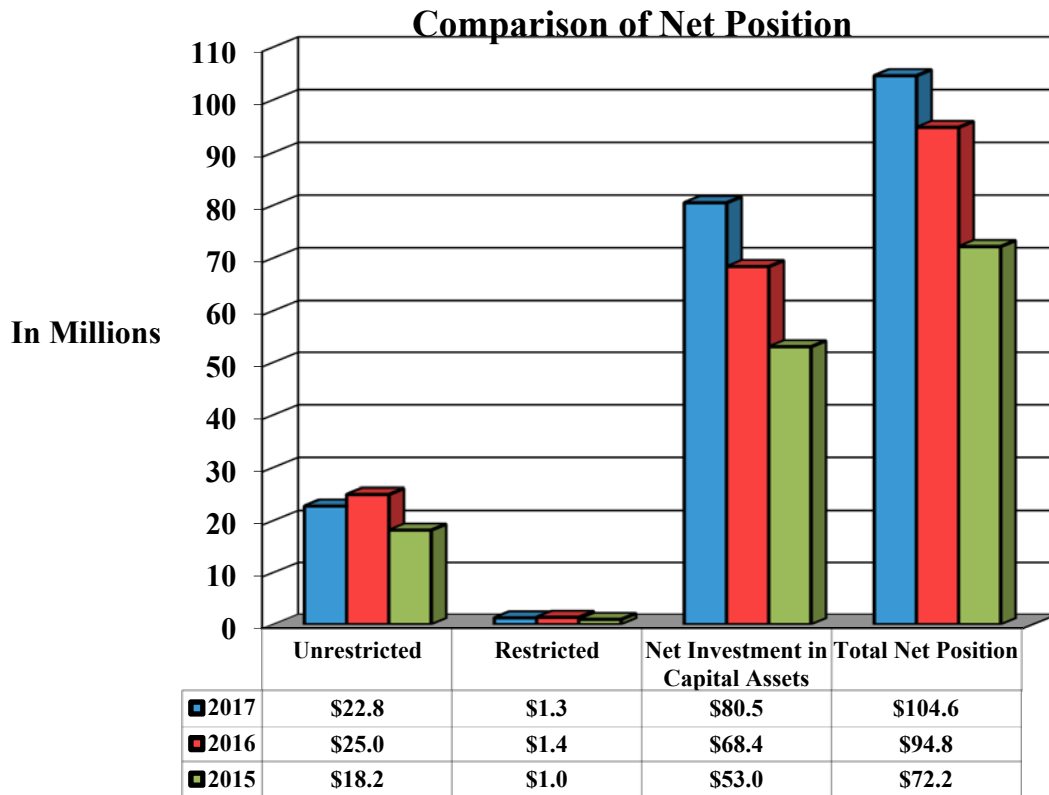
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2017

FINANCIAL HIGHLIGHTS - Continued

The impact of the GASB 68 adjustments on the University’s unrestricted net position at June 30, 2017 is \$22.1 million. Without these adjustments, the University’s unrestricted net position would have been \$44.9 million as opposed to the reported \$22.8 million at June 30, 2017. The pension adjustment increased \$2.3 million from fiscal year 2016 to 2017, contributing to the decrease in unrestricted net position. The composition of the University’s unrestricted net position and the impact of GASB 68 is shown in footnote 15 on page 48 of this report.

Graphically displayed, the comparative changes in net position by category for the fiscal years ended June 30, 2017 and 2016 and 2015 are shown below:



The increase in total net position during the fiscal years ended June 30, 2017 and June 30, 2016 was partially attributable to the recognition of state capital appropriation revenue in the amount of \$7.0 million and \$16.4 million, respectively for the work completed during each fiscal year on the Stevens Science & Innovation Center. The remainder of the increase in both fiscal years was due to the fact that revenues more than offset expenses.

WESTFIELD STATE UNIVERSITY
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

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 three financial statements: the *Statements of Net Position*, the *Statements of Revenues and Expenses and Changes in Net Position* and the *Statements 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 *Statements 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 *Statements of Revenues and Expenses and Changes in Net Position* presents the University's results of operations and other non-operating revenues and presents information showing how the University's net position changed during the most recent fiscal year.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

OVERVIEW OF THE FINANCIAL STATEMENTS - Continued

The *Statements 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 16-19 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 20-52 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 56-57 of this financial report.

FINANCIAL ANALYSIS OF THE UNIVERSITY

The University's financial position increased during the year with an increase in net position of \$9.8 million for the year ended June 30, 2017 as compared to an increase of \$22.6 million for the year ended June 30, 2016.

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 (77% at June 30, 2017 and 72.2% at June 30, 2016), 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.

WESTFIELD STATE UNIVERSITY
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

An additional portion of the University's net position (1.2% at June 30, 2017 and 1.5% at June 30, 2016), 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 (21.8% at June 30, 2017 and 26.3% at June 30, 2016) may be used to meet the University's ongoing obligations.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Current Assets	\$ 62,986,417	\$ 65,167,798	\$ 65,403,913
Capital Assets, net	103,744,693	91,554,869	67,780,162
Other Non-current assets	1,513,948	1,560,279	1,646,597
Deferred Outflows of Resources	<u>11,806,289</u>	<u>11,184,930</u>	<u>2,349,657</u>
Total Assets and Deferred Outflows of Resources	<u>180,051,347</u>	<u>169,467,876</u>	<u>137,180,329</u>
Current Liabilities	15,259,531	16,653,727	15,749,079
Non-current Liabilities	<u>56,726,290</u>	<u>57,135,625</u>	<u>44,831,973</u>
Total Liabilities	<u>71,985,821</u>	<u>73,789,352</u>	<u>60,581,052</u>
Deferred Inflows of Resources	<u>3,473,580</u>	<u>900,399</u>	<u>4,440,253</u>
Net Position:			
Invested in Capital Assets, net of related debt	80,531,023	68,412,112	52,998,001
Restricted: Expendable	1,271,154	1,420,001	981,536
Unrestricted	<u>22,789,769</u>	<u>24,946,012</u>	<u>18,179,487</u>
Total Net Position	<u>104,591,946</u>	<u>94,778,125</u>	<u>72,159,024</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 180,051,347</u>	<u>\$ 169,467,876</u>	<u>\$ 137,180,329</u>

WESTFIELD STATE UNIVERSITY
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

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>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues:			
Tuition and fees	\$ 54,007,683	\$ 51,693,910	\$ 49,400,890
Residence and dining fees	29,150,749	28,457,775	26,872,236
Less: scholarships and fellowships	(10,220,586)	(10,277,457)	(9,578,206)
Federal, state and private grants and contracts	12,171,899	11,908,237	10,950,861
Other sources	<u>5,255,339</u>	<u>4,642,967</u>	<u>4,790,926</u>
Total operating revenues	90,365,084	86,425,432	82,436,707
Less: operating expenses	<u>122,357,678</u>	<u>113,669,882</u>	<u>109,032,651</u>
Operating loss	(31,992,594)	<u>(27,244,450)</u>	<u>(26,595,944)</u>
Non-operating revenues (expenses):			
State appropriations, net	35,049,389	33,425,461	31,982,967
Restricted state appropriations	187,314	26,022	94,599
Net investment income	369,874	355,923	310,674
Loss on disposal off assets	(11,012)	(12,912)	(6,474)
Interest expense	<u>(812,199)</u>	<u>(381,258)</u>	<u>(438,770)</u>
Total net non-operating revenues	34,783,366	<u>33,413,236</u>	<u>31,942,996</u>
Income before other revenues	2,790,772	6,168,786	5,347,052
State capital appropriations	<u>7,023,049</u>	<u>16,450,315</u>	<u>8,164,696</u>
Increase in net position	\$ 9,813,821	<u>\$ 22,619,101</u>	<u>\$ 13,511,748</u>

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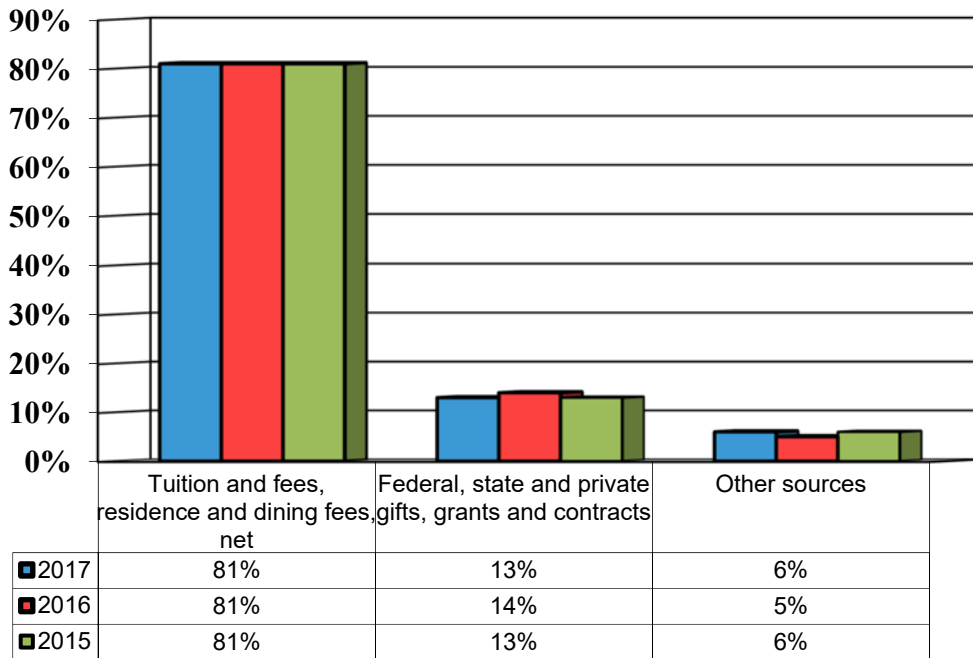
Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

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, 2017, 2016 and 2015.

Operating Revenues by Source



The University's operating revenues consist primarily of tuition and fees, residence and dining fee revenue. Tuition and fee revenue increased \$2.3 million or 4.5% during the fiscal year ended June 30, 2017 and \$2.3 million or 4.6% during the fiscal year ended June 30, 2016. The increase in fiscal year 2017 was primarily due to the increase in the general fee of \$450 per student (\$2.1 million impact) combined with an increase in graduate and continuing education tuition and fees of \$.2 million. For fiscal year ended June 30, 2016, the increase was due to an increase in enrollment over the prior fiscal year which had a financial impact on tuition and fee revenue of \$.9 million, an increase in the general fee of \$200 per student (\$.9 million impact), and an increase in graduate and continuing education tuition and fees of \$.5 million.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Tuition	\$ 13,344,874	\$ 13,139,050	\$ 12,526,966
Student Fees:			
General fees	30,126,159	28,024,782	26,505,913
Student activity fees	1,754,553	1,754,859	1,666,332
Capital improvement fees	464,540	464,340	454,027
Technology fees	7,653,971	7,654,200	7,490,612
Miscellaneous fees	<u>663,586</u>	<u>656,679</u>	<u>757,040</u>
Total	\$ <u>54,007,683</u>	\$ <u>51,693,910</u>	\$ <u>49,400,890</u>

Residence and dining fee revenue generated by the auxiliary operations of the University's food service and building authority trust funds was \$29,150,749, \$28,457,775, and \$26,872,236 for the years ended June 30, 2017, 2016, and 2015, respectively. The increase in revenues for the fiscal year ended June 30, 2017 in the amount of \$692,974 or 2.4% is attributable to the yearly increase in room and board rates combined with the decrease in the number of residential students. At June 30, 2016 residence and dining fee revenue increased \$1,585,539 or 5.9%.

Major grants and contracts awarded to Westfield State University for the years ended June 30, 2017, 2016 and 2015 included the following:

- U.S. Department of Education - Student Support Services \$272,213 in 2017, \$264,284 (in 2016 and 2015)
- U.S. Department of Education - College Work Study \$368,333 (in 2017, 2016 and 2015)
- U.S. Department of Education - SEOG \$295,448 (in 2017, 2016 and 2015)

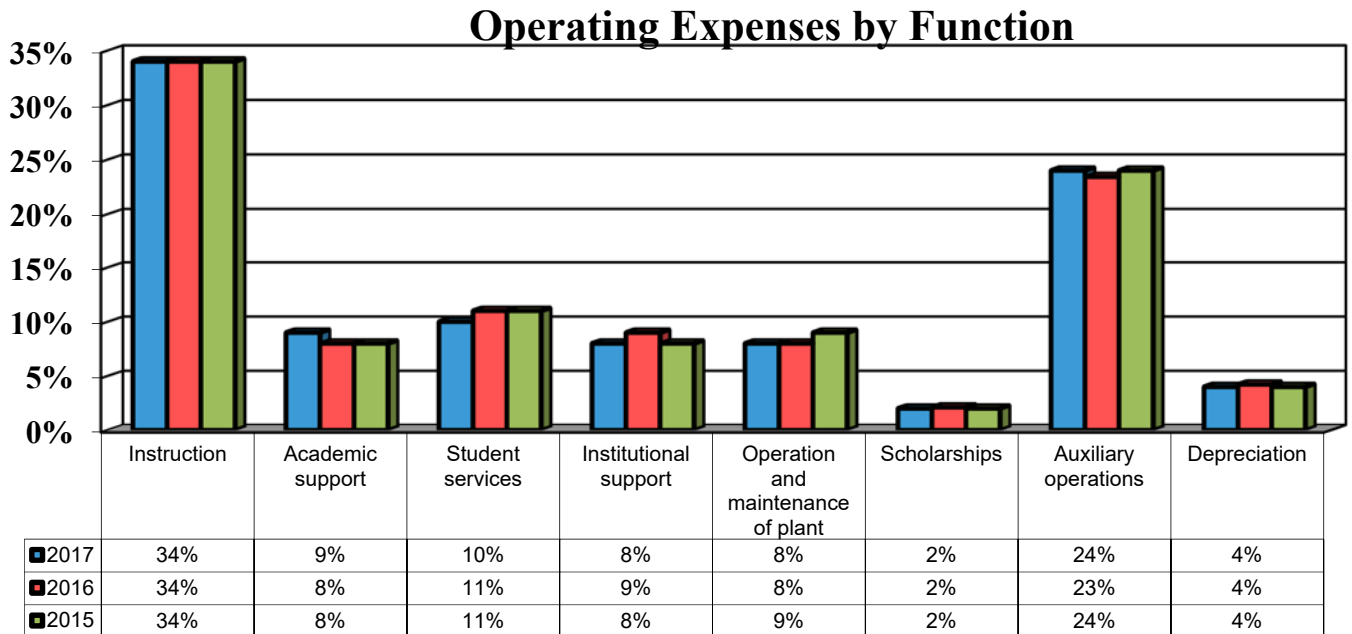
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

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, 2017, 2016 and 2015.



A summary of the University's expenses by functional classification for the years ended June 30, 2017, 2016, and 2015 is as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Instruction	\$ 41,743,652	\$ 38,912,843	\$ 36,549,113
Public service	410,625	467,132	323,685
Academic support	10,874,284	9,161,703	8,257,294
Student services	12,730,630	12,598,744	12,298,627
Institutional support	10,227,159	9,670,085	9,028,190
Operation and maintenance of plant	10,210,653	9,056,368	9,413,263
Scholarships and fellowships	2,595,264	2,395,789	2,343,220
Auxiliary operations	28,729,257	26,619,361	25,985,478
Depreciation	<u>4,836,154</u>	<u>4,787,857</u>	<u>4,833,781</u>
Total	\$ <u>122,357,678</u>	\$ <u>113,669,882</u>	\$ <u>109,032,651</u>

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

The University's total operating expenses increased during fiscal year ended June 30, 2017 by \$8.7 million or 7.6% as compared to a 4.2% increase for the fiscal year ended June 30, 2016. The increase in fiscal year 2017 is attributable to many factors the largest of which are: an increase in compensation and benefits (not including dining services) of \$6.0 million, an increase in utility expense of \$.4 million, an increase in debt service payments to the Massachusetts State College Building Authority of \$1.3 million and an increase in non-capitalized equipment and maintenance projects of \$.6 million.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash received from operating activities	\$ 118,849,359	\$ 114,240,954	\$ 109,889,561
Cash expenses for operating activities	<u>(136,611,541)</u>	<u>(125,789,104)</u>	<u>(125,173,887)</u>
Net cash applied to operating activities	<u>(17,762,182)</u>	(11,548,150)	(15,284,326)
Net cash provided by non-capital financing activities	26,467,467	25,647,991	25,113,146
Net cash provided by (applied to) capital financing activities	<u>(11,597,390)</u>	(14,300,802)	7,133,903
Net cash provided by investing activities	<u>369,803</u>	<u>354,815</u>	<u>310,158</u>
Net increase (decrease) in cash and equivalents	<u>(2,522,302)</u>	153,854	17,272,881
Cash and equivalents - beginning of year	<u>63,653,790</u>	<u>63,499,936</u>	<u>46,227,055</u>
Cash and equivalents - end of year	<u>\$ 61,131,488</u>	<u>\$ 63,653,790</u>	<u>\$ 63,499,936</u>

The University's liquidity decreased during the year ended June 30, 2017 with a \$2,522,302 decrease in cash and equivalents. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2017, the University's net cash applied to operating activities increased by \$6.2 million over the prior year. This was due to increases in payments to employees of \$9.2 million, payments to suppliers of \$.9 million and direct lending disbursements of \$.7 million outpacing a \$4.6 million increase in cash received. Net cash provided by non-capital financing activities increased approximately \$.8 million due to an increase in state appropriation.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

FINANCIAL ANALYSIS OF THE UNIVERSITY - Continued

Net cash applied to capital financing activities decreased \$2.7 million due to a decrease in capital asset purchases (\$4.5 million), a decrease in payments related to a service concession arrangement cancelation (\$.8 million), a decrease in state capital appropriations (\$1.9 million) and an increase in debt service payments (\$.7 million).

The slight increase in net cash provided by investing activities was due to an increase in interest received.

The University's liquidity increased very slightly during the year ended June 30, 2016 with a \$153,854 increase in cash and equivalents. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2016, the University's net cash applied to operating activities decreased by \$3.7 million over the prior year. This was due to an increase in cash received of \$4.3 million and a decrease in payments to suppliers of \$2.8 million outpacing an increase in payments to employees of \$3.4 million. Net cash provided by non-capital financing activities increased approximately \$.5 million due to an increase in state appropriation. Net cash applied to capital financing activities decreased \$21.4 million due to the decrease in proceeds received from the issuance of bonds (\$11.7 million) an increase in capital asset purchases (\$11.1 million) and an increase in payments related to a service concession arrangement cancelation (\$.8 million) offsetting increases in state appropriation (\$1.6 million) and a change in debt service reserve (\$.7 million). The slight increase in net cash provided by investing activities was due to an increase in interest received.

WESTFIELD STATE UNIVERSITY
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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

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, 2017, 2016 and 2015.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Operating revenues, net	\$ 90,365,084	\$ 86,425,432	\$ 82,436,707
Operating expenses	<u>122,357,678</u>	<u>113,669,882</u>	<u>109,032,651</u>
Operating loss	<u>(31,992,594)</u>	<u>(27,244,450)</u>	<u>(26,595,944)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth and 9C cut	35,049,389	33,425,461	31,982,967
Restricted state appropriations	187,314	26,022	94,599
Net investment income	369,874	355,923	310,674
Loss on disposal of assets	(11,012)	(12,912)	(6,474)
Other expenses	(812,199)	(381,258)	(438,770)
Capital appropriations	<u>7,023,049</u>	<u>16,450,315</u>	<u>8,164,696</u>
Non-operating revenues	<u>41,806,415</u>	<u>49,863,551</u>	<u>40,107,692</u>
Increase in net position	\$ <u>9,813,821</u>	\$ <u>22,619,101</u>	\$ <u>13,511,748</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 \$8.1 million decrease in net non-operating revenues during fiscal year 2017 is primarily attributable to the decrease in state capital appropriations in the amount of \$9.4 million offset by an increase in net state appropriation in the amount of \$1.6 million and an increase in interest expense of \$.4 million. The state capital appropriation decreased due to the recognition of revenue related to the Stevens Science and Innovation Center which was at the end of its state funding due to the completion of the building during the fiscal year.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2017

LOSS FROM OPERATIONS - Continued

The \$9.8 million increase in net non-operating revenues during fiscal year 2016 is primarily attributable to an increase in state capital appropriation in the amount of \$8.3 million combined with an increase in net state appropriation in the amount of \$1.4 million. The state capital appropriation increase was due to the recognition of revenue related to the Stevens Science and Innovation Center which was in progress at June 30, 2016.

CAPITAL ASSETS AND DEBT

The University's investment in capital assets, net of accumulated depreciation, as of June 30, 2017 and 2016 were \$103,744,693 and \$91,554,869, 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 \$12,189,824 or 13% during fiscal year ended June 30, 2017 and increased \$23,774,707 or 35% during fiscal year ended June 30, 2016. The increase during fiscal year ended June 30, 2017 and 2016 was due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2017 amounted to \$17,041,825 as compared to \$28,586,526 for the year ended June 30, 2016.

Major additions during 2017 include \$7.2 million in construction in progress for construction, furnishings and equipment costs related to the Stevens Science and Innovation Center, \$5.4 million in construction in progress for construction, furnishings and equipment costs related to the Catherine Dower Center for the Performing & Fine Arts, \$.6 million for the improvement of the baseball and softball fields and \$2.5 million in campus-wide equipment purchases.

Major additions during 2016 include \$25.8 million in construction in progress for construction, furnishings and equipment costs related to the Stevens Science and Innovation Center, \$.8 million in construction in progress for construction costs related to the entrance upgrades to the Horace Mann Center and \$.3 million for upgrades to the Woodward Center lighting system.

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)

Statements of Net Position

June 30, 2017

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

Statements of Net Position

June 30,

Assets and Deferred Outflow of Resources

	Westfield State University		Component Unit	
	<u>2017</u> University	2016 University	<u>2017</u> Foundation	2016 Foundation
Current Assets:				
Cash and equivalents	\$ 58,339,962	\$ 56,834,060	\$ 547,193	\$ 211,643
Cash held by State Treasurer	805,547	3,178,444	-	-
Deposits held by State Treasurer	1,590,140	2,296,544	-	-
Deposits held by MSCBA	395,839	1,344,742	-	-
Short-term investments	62,518	62,447	-	-
Accounts receivable, net	1,528,809	1,203,851	2,228,819	1,555,036
Due from Foundation	4,000	3,120	-	-
Perkins loans receivable	175,735	176,935	-	-
Other current assets	<u>83,867</u>	<u>67,655</u>	<u>19,432</u>	<u>15,631</u>
Total Current Assets	<u>62,986,417</u>	<u>65,167,798</u>	<u>2,795,444</u>	<u>1,782,310</u>
Non-Current Assets:				
Debt service reserve	1,103,732	1,102,602	-	-
Investments	-	-	7,142,445	6,192,514
Perkins loans receivable, net	410,216	457,677	-	-
Capital assets, net	<u>103,744,693</u>	<u>91,554,869</u>	<u>474,034</u>	<u>493,302</u>
Total Non-Current Assets	<u>105,258,641</u>	<u>93,115,148</u>	<u>7,616,479</u>	<u>6,685,816</u>
Deferred Outflows of Resources:				
Pension related, net	<u>11,806,289</u>	<u>11,184,930</u>	<u>-</u>	<u>-</u>
 Total Assets and Deferred Outflows of Resources	 <u>\$ 180,051,347</u>	 <u>\$ 169,467,876</u>	 <u>\$ 10,411,923</u>	 <u>\$ 8,468,126</u>

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

Liabilities, Deferred Inflows of Resources and Net Position

	Westfield State University		Component Unit	
	2017 <u>University</u>	2016 <u>University</u>	2017 <u>Foundation</u>	2016 <u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,006,744	\$ 3,202,315	\$ 27,140	\$ 8,784
Accrued salaries, wages and benefits	5,038,165	5,489,320	-	-
Compensated absences	4,737,693	4,729,060	-	-
Accrued workers' compensation	151,494	161,688	-	-
Due to University	-	-	4,000	3,120
Student deposits and unearned revenue	1,128,635	964,537	17,996	1,000
Deposits held for others	509,012	589,023	-	-
Line of credit	-	-	132,000	189,600
Assets held in custody for others	287,618	225,704	212,388	223,486
Current portion of capital lease obligations	160,115	95,905	-	-
Current portion of bonds payable	1,236,760	1,192,922	-	-
Other liabilities	<u>3,295</u>	<u>3,253</u>	<u>-</u>	<u>-</u>
Total Current Liabilities	<u>15,259,531</u>	<u>16,653,727</u>	<u>393,524</u>	<u>425,990</u>
Non-Current Liabilities:				
Compensated absences	1,662,767	1,559,569	-	-
Accrued workers' compensation	685,489	604,604	-	-
Grants refundable	731,060	665,328	-	-
Capital lease obligations	291,398	62,982	-	-
Bonds payable	22,894,832	24,131,552	-	-
Net pension liability	<u>30,460,744</u>	<u>30,111,590</u>	<u>-</u>	<u>-</u>
Total Non-Current Liabilities	<u>56,726,290</u>	<u>57,135,625</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>71,985,821</u>	<u>73,789,352</u>	<u>393,524</u>	<u>425,990</u>
Deferred Inflows of Resources:				
Service concession arrangements	6,000	12,000	-	-
Pension related, net	<u>3,467,580</u>	<u>888,399</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>3,473,580</u>	<u>900,399</u>	<u>-</u>	<u>-</u>
Net Position:				
Net investment in capital assets	80,531,023	68,412,112	474,034	493,302
Restricted for:				
Expendable	1,271,154	1,420,001	5,746,034	3,966,358
Non-expendable	-	-	4,022,617	3,828,541
Unrestricted	<u>22,789,769</u>	<u>24,946,012</u>	<u>(224,286)</u>	<u>(246,065)</u>
Total Net Position	<u>104,591,946</u>	<u>94,778,125</u>	<u>10,018,399</u>	<u>8,042,136</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 180,051,347</u>	<u>\$ 169,467,876</u>	<u>\$ 10,411,923</u>	<u>\$ 8,468,126</u>

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

Statements of Revenues, Expenses and Changes in Net Position

For the Years Ended June 30, 2017 and 2016

	2017 Westfield State University	2016 Westfield State University	2017 Component Unit- Foundation	2016 Component Unit- Foundation
Operating Revenues:				
Tuition and fees	\$ 54,007,683	\$ 51,693,910	\$ -	\$ -
Residence and dining fees	29,150,749	28,457,775	-	-
Less: scholarships and fellowships	<u>(10,220,586)</u>	<u>(10,277,457)</u>	-	-
Net tuition and fees	72,937,846	69,874,228	-	-
Federal grants and contracts	8,365,704	8,631,027	-	-
State grants and contracts	2,676,745	2,493,564	-	-
Private grants and contracts	1,129,450	783,646	2,556,610	2,343,887
Public service	497,632	569,168	-	-
Other sources	<u>4,757,707</u>	<u>4,073,799</u>	<u>88,868</u>	<u>91,092</u>
Total Operating Revenues	<u>90,365,084</u>	<u>86,425,432</u>	<u>2,645,478</u>	<u>2,434,979</u>
Operating Expenses:				
Instruction	41,743,652	38,912,843	-	-
Public service	410,625	467,132	-	-
Academic support	10,874,284	9,161,703	209,804	46,820
Student services	12,730,630	12,598,744	-	-
Institutional support	10,227,159	9,670,085	1,039,360	878,927
Operation and maintenance of plant	10,210,653	9,056,368	-	-
Scholarships and fellowships	2,595,264	2,395,789	185,021	188,633
Auxiliary operations	28,729,257	26,619,361	-	-
Depreciation	<u>4,836,154</u>	<u>4,787,857</u>	<u>19,268</u>	<u>19,269</u>
Total Operating Expenses	<u>122,357,678</u>	<u>113,669,882</u>	<u>1,453,453</u>	<u>1,133,649</u>
Operating (Loss) Income	<u>(31,992,594)</u>	<u>(27,244,450)</u>	<u>1,192,025</u>	<u>1,301,330</u>
Non-Operating Revenues (Expenses):				
State appropriations, net	35,049,389	33,425,461	-	-
Restricted state appropriations	187,314	26,022	-	-
Loss on disposal of assets	(11,012)	(12,912)	-	-
Investment income, net of expenses	369,874	355,923	789,939	19,040
Interest expense	<u>(812,199)</u>	<u>(381,258)</u>	<u>(5,701)</u>	<u>(7,769)</u>
Net Non-Operating Revenues	<u>34,783,366</u>	<u>33,413,236</u>	<u>784,238</u>	<u>11,271</u>
Increase in Net Position Before Other Revenues	2,790,772	6,168,786	1,976,263	1,312,601
Capital appropriations	<u>7,023,049</u>	<u>16,450,315</u>	-	-
Increase in Net Position	9,813,821	22,619,101	1,976,263	1,312,601
Net Position, at Beginning of Year	<u>94,778,125</u>	<u>72,159,024</u>	<u>8,042,136</u>	<u>6,729,535</u>
Net Position, at End of Year	<u>\$ 104,591,946</u>	<u>\$ 94,778,125</u>	<u>\$ 10,018,399</u>	<u>\$ 8,042,136</u>

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

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

Statements of Cash Flows

For the Years Ended June 30, 2017 and 2016

	Westfield State University	
	2017 <u>University</u>	2016 <u>University</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 44,705,752	\$ 42,415,647
Residence and dining fees	25,573,544	24,757,890
Grants and contracts	12,253,989	11,988,797
Payments to suppliers	(34,529,378)	(33,582,687)
Payments to employees	(70,831,487)	(61,657,460)
Direct lending receipts	31,166,476	30,432,307
Direct lending disbursements	(31,166,476)	(30,432,307)
Loans issued to students	(84,200)	(116,650)
Collections of loans to students	183,122	163,566
Other receipts	<u>4,966,476</u>	<u>4,482,747</u>
Net Cash Applied to Operating Activities	<u>(17,762,182)</u>	<u>(11,548,150)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriation	27,281,341	26,851,251
Tuition remitted to state	<u>(813,874)</u>	<u>(1,203,260)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>26,467,467</u>	<u>25,647,991</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations	10,757	1,913,575
Cancellation of service concession arrangement	-	(772,434)
Purchases of capital assets	(9,408,898)	(13,931,996)
Principal paid on capital leases	(193,038)	(120,271)
Interest paid on capital leases	(4,861)	(9,439)
Principal paid on bonds payable	(1,192,882)	(1,013,425)
Interest paid on bonds payable	(807,338)	(371,819)
(Increase) decrease in debt service reserve	<u>(1,130)</u>	<u>5,007</u>
Net Cash Applied to Capital Financing Activities	<u>(11,597,390)</u>	<u>(14,300,802)</u>
Cash Flows from Investing Activity:		
Interest income	<u>369,803</u>	<u>354,815</u>
Net (Decrease) Increase in Cash and Equivalents	(2,522,302)	153,854
Cash and Equivalents, Beginning of Year	<u>63,653,790</u>	<u>63,499,936</u>
Cash and Equivalents, End of Year	\$ <u>61,131,488</u>	\$ <u>63,653,790</u>

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

Statements of Cash Flows - Continued

For the Years Ended June 30, 2017 and 2016

	2017 Westfield State <u>University</u>	2016 Westfield State <u>University</u>
Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities:		
Operating loss	\$ (31,992,594)	\$ (27,244,450)
Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities:		
Depreciation	4,836,154	4,787,857
Fringe benefits provided by the State	8,769,236	7,803,492
Amortization of service concession arrangement	(6,000)	(326,123)
Bad debts	25,158	144,189
Changes in Assets and Liabilities:		
Accounts receivable	(413,040)	291,239
Due from Foundation	(880)	(232)
Loans receivable	111,585	61,486
Other current assets	(16,212)	(24,294)
Accounts payable and accrued liabilities	(1,325,707)	777,011
Accrued salaries, wages and benefits	(451,155)	173,946
Compensated absences	111,831	(189,711)
Accrued workers' compensation	70,691	(143,677)
Student deposits and unearned revenue	164,098	(164,776)
Deposits held	(80,011)	(1,992)
Assets held in custody for others	61,914	37,842
Grants refundable	65,732	(169,500)
Other liabilities	42	(66)
Net pension activity	<u>2,306,976</u>	<u>2,639,609</u>
Net Cash Applied to Operating Activities	<u>\$ (17,762,182)</u>	<u>\$ (11,548,150)</u>
Non-Cash Transactions:		
Fringe benefits paid by State	<u>\$ 8,769,236</u>	<u>\$ 7,803,492</u>
Acquisition of capital assets through capital leases	<u>\$ 485,664</u>	<u>\$ -</u>
Capital improvements provided by capital appropriations	<u>\$ 7,012,292</u>	<u>\$ 14,536,740</u>
Construction in progress included in accounts payable and accrued liabilities	<u>\$ 130,136</u>	<u>\$ 106,740</u>
Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 58,339,962	\$ 56,834,060
Cash held by State Treasurer	805,547	3,178,444
Deposits held by State Treasurer	1,590,140	2,296,544
Deposits held by MSCBA	<u>395,839</u>	<u>1,344,742</u>
Total	<u>\$ 61,131,488</u>	<u>\$ 63,653,790</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, 2017 and 2016

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, 2017 and 2016

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, 2017 and 2016

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, net pension liability, 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

Account 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, 2017 and 2016

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, 2017 and 2016

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, 2017. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2017. 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.

Student 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 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, 2017 and 2016

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

GASB Statement 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions 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

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

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

New Governmental Accounting Pronouncements - continued

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. As discussed in Note 17, management anticipates that implementation of this standard will require the restatement of balances as of July 1, 2017.

GASB Statement 83 – *Certain Asset Retirement Obligations* (“ARO’s”) is effective for periods beginning after June 15, 2018. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs and requires that recognition occur when the liability is both incurred and reasonably estimable. Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 85 – *Omnibus 2017* is effective for periods beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). Management has not completed its review of the requirements of this standard and its applicability.

GASB Statement 86 – *Certain Debt Extinguishment Issues* is effective for reporting periods beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and disclosures in the financial statements for debt that is defeased in substance. Management has not completed its review of the requirements of this standard.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 2 - **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 Treasurer of the Commonwealth of Massachusetts oversees the financial management of the Massachusetts Municipal Depository Trust ("MMDT"), an external investment pool for cities, towns and other state and local agencies within the Commonwealth. MMDT operates as a qualifying external investment pool and is valued by MMDT's management on amortized cost where the net asset value is \$1 per share. At June 30, 2017 and 2016, the University has \$58,952 and \$58,420, respectively, invested with MMDT and is included in cash and equivalents.

The University had a repurchase agreement with one of its financial institutions which ended during the year ended June 30, 2017. The fair value of the securities held at this institution at June 30, 2016 was approximately \$6,000,000. The University earned 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 \$58,339,962 and \$56,834,060, as compared to bank balances of \$59,107,264 and \$58,045,939 at June 30, 2017 and 2016, respectively. The differences between the carrying amount and the bank balances were attributed to deposits in-transit and outstanding checks.

In addition to Federal Deposit Insurance Corporation insurance, the University has deposits insured under Massachusetts Depositors Insurance Fund and through collateralization in a pool of eligible securities held by Berkshire Bank's Asset Management/Trust Group as custodian. Amounts remaining that are exposed to custodial risk at June 30, 2017 and 2016 were \$11,686,281 and \$5,750,446, respectively.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 3 - **Cash Held by the State Treasurer**

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled \$805,547 and \$3,178,444 at June 30, 2017 and 2016, respectively. 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 4 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2017 and 2016, 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, 2017 and 2016, the investments are stated at fair market value, have a maturity of less than one year, and have an unrated quality.

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Mutual Funds: Valued at the net asset value of the shares held by the University and the Foundation at year end.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - **Investments - Continued**

Fair Value Hierarchy - continued

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

At June 30, 2017 and 2016, all investments of the University and Foundation are categorized in Level 1 of the fair value hierarchy.

Foundation

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

	<u>2017</u>		<u>2016</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Investments:				
Stock Market Index Fund	\$ 3,068,633	\$ 2,697,128	\$ 2,606,635	\$ 2,652,076
Bond Market Index Fund	2,040,156	2,051,549	1,888,071	1,851,894
International Stock Market Index Fund	<u>2,033,656</u>	<u>1,988,474</u>	<u>1,697,808</u>	<u>1,938,896</u>
	<u>\$ 7,142,445</u>	<u>\$ 6,737,151</u>	<u>\$ 6,192,514</u>	<u>\$ 6,442,866</u>

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 4 - **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,:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 156,328	\$ 142,507
Investment expenses	(19,296)	(14,014)
Realized gains	1,696	(23,717)
Net unrealized gains	<u>651,211</u>	<u>(85,736)</u>
	<u>\$ 789,939</u>	<u>\$ 19,040</u>

Note 5 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Student accounts receivable	\$ 1,835,419	\$ 1,693,551
Grants receivable	148,866	230,957
Other receivables	<u>845,184</u>	<u>491,921</u>
	2,829,469	2,416,429
Less: allowance for doubtful accounts	<u>(1,300,660)</u>	<u>(1,212,578)</u>
	<u>\$ 1,528,809</u>	<u>\$ 1,203,851</u>

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 6 - **Perkins 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.

Loans receivable include the following at June 30,:

	<u>2017</u>	<u>2016</u>
Perkins loans receivable	\$ 1,040,255	\$ 1,151,840
Less: allowance for doubtful accounts	<u>(454,304)</u>	<u>(517,228)</u>
Total loans receivable, net	585,951	634,612
Less: amount due in one year	<u>(175,735)</u>	<u>(176,935)</u>
Long term loans receivable	<u>\$ 410,216</u>	<u>\$ 457,677</u>

The Federal Perkins Loan Program Extension Act of 2015 (the “Extension Act”), enacted on December 18, 2015, extended the Perkins Loan Program through September 30, 2017. The Extension Act states that new Perkins Loans cannot be disbursed to students after September 30, 2017. Students that received a fall semester Perkins loan disbursement before October 1, 2017 can receive a spring semester Perkins loan disbursement. The University is currently evaluating alternative methods of financial aid for students affected by the Extension Act for the 2018-19 academic year.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 7 - **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 deposits with. The bank holds deposits of approximately \$10,200,000 and \$6,000,000 as of June 30, 2017 and 2016, respectively.

Foundation

A board member is a principal in a firm that provided \$2,850 in legal services to the Foundation during the year ended June 30, 2016. There were no related party transactions during the year ended June 30, 2017.

The University provided use of its personnel to the Foundation without charge to assist with operations of the Foundation. During the years ended June 30, 2017 and 2016, the Foundation recognized revenue and related expense of \$115,000 and \$110,000, respectively, based on the fair value of the services provided. These amounts are included in private grants and contracts and also institutional expenses on the Statement of Revenues, Expenses and Changes in Net Position. The Foundation is not liable for compensated absences relating to the above University employees.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2017 is summarized as follows:

June 30, 2017						
	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>36,909,481</u>	<u>12,685,945</u>	-	<u>(1,588,258)</u>	<u>48,007,168</u>
Total		<u>38,133,343</u>	<u>12,685,945</u>	-	<u>(1,588,258)</u>	<u>49,231,030</u>
Depreciable:						
Buildings, including improvements	20-40	93,156,626	1,194,062	-	984,840	95,335,528
Land improvements	20	2,104,294	592,898	-	20,520	2,717,712
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	25,010,535	2,519,029	934,507	582,898	27,177,955
Library books	5	7,246,107	49,891	-	-	7,295,998
Vehicles	5	<u>1,461,817</u>	-	<u>246,272</u>	-	<u>1,215,545</u>
Total		<u>129,250,462</u>	<u>4,355,880</u>	<u>1,180,779</u>	<u>1,588,258</u>	<u>134,013,821</u>
Less accumulated depreciation:						
Buildings, including improvements		45,731,911	2,725,935	-	-	48,457,846
Land improvements		1,144,069	133,527	-	-	1,277,596
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		20,338,376	1,817,316	928,452	-	21,227,240
Library books		7,162,166	44,762	-	-	7,206,928
Vehicles		<u>1,181,331</u>	<u>114,614</u>	<u>236,480</u>	-	<u>1,059,465</u>
Total accumulated depreciation		<u>75,828,936</u>	<u>4,836,154</u>	<u>1,164,932</u>	-	<u>79,500,158</u>
Capital Assets, Net		<u>\$ 91,554,869</u>	<u>\$ 12,205,671</u>	<u>\$ 15,847</u>	<u>\$ -</u>	<u>\$ 103,744,693</u>

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 8 - **Capital Assets - Continued**

The University's capital asset activity for the year ended June 30, 2016 is summarized as follows:

	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	-	9,914,856	26,994,625	-	-	36,909,481
Total		<u>11,138,718</u>	<u>26,994,625</u>	<u>-</u>	<u>-</u>	<u>38,133,343</u>
Depreciable:						
Buildings, including improvements	20-40	92,857,582	299,044	-	-	93,156,626
Land improvements	20	2,104,294	-	-	-	2,104,294
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	24,647,338	1,219,877	856,680	-	25,010,535
Library books	5	7,206,947	39,160	-	-	7,246,107
Vehicles	5	1,427,997	33,820	-	-	1,461,817
Total		<u>128,515,241</u>	<u>1,591,901</u>	<u>856,680</u>	<u>-</u>	<u>129,250,462</u>
Less accumulated depreciation:						
Buildings, including improvements		43,011,027	2,720,884	-	-	45,731,911
Land improvements		1,039,473	104,596	-	-	1,144,069
Leasehold improvements		271,083	-	-	-	271,083
Equipment and furnishings		19,409,661	1,761,433	832,718	-	20,338,376
Library books		7,118,210	43,956	-	-	7,162,166
Vehicles		1,024,343	156,988	-	-	1,181,331
Total accumulated depreciation		<u>71,873,797</u>	<u>4,787,857</u>	<u>832,718</u>	<u>-</u>	<u>75,828,936</u>
Capital Assets, Net		<u>\$ 67,780,162</u>	<u>\$ 23,798,669</u>	<u>\$ 23,962</u>	<u>\$ -</u>	<u>\$ 91,554,869</u>

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 9 - **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,:

	<u>2017</u>	<u>2016</u>
Tuition and fees	\$ 1,108,892	\$ 921,194
Grants	<u>19,743</u>	<u>43,343</u>
Total student deposits and unearned revenue	<u>\$ 1,128,635</u>	<u>\$ 964,537</u>

Note 10 - **Deferred Inflows of Resources**

The University has entered into an agreement, categorized as service concession arrangements per GASB 60 *Accounting and Reporting for Service Concession Arrangements*, with certain vendors for the provision of beverages and related services. As part of these arrangements, the vendor provided the University with \$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 funds as deferred inflows of resources and will amortize the amounts into income over the life of the respective agreements. In June, 2016 the University terminated its agreement with its dining provider and paid \$772,434 which represented the unamortized portion of its service concessions arrangement. The University will recognize \$6,000 in revenue during the year ended June 30, 2018 relating to its beverage agreement.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 11 - **Line of Credit**

The Foundation has a demand line of credit allowing maximum borrowings of \$1,000,000. This note carries a variable interest rate with a minimum rate of 3.50%. At June 30, 2017 the interest rate on this line of credit was 3.50%. This line of credit expires December 31, 2017. Borrowings under the line of credit are secured by pledged securities.

Note 12 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2017 consist of:

	June 30, 2017				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases and bonds payable:					
Lease obligations	\$ 158,887	\$ 485,664	\$ 193,038	\$ 451,513	\$ 160,115
Bonds payable	22,840,918	-	1,033,978	21,806,940	1,083,349
Bonds premium	<u>2,483,556</u>	<u>-</u>	<u>158,904</u>	<u>2,324,652</u>	<u>153,411</u>
Total leases and bonds payable	<u>25,483,361</u>	<u>485,664</u>	<u>1,385,920</u>	<u>24,583,105</u>	<u>1,396,875</u>
Other long-term liabilities:					
Compensated absences	6,288,629	111,831	-	6,400,460	4,737,693
Workers' compensation	766,292	70,691	-	836,983	151,494
Grants refundable	665,328	65,732	-	731,060	-
Net pension liability	<u>30,111,590</u>	<u>349,154</u>	<u>-</u>	<u>30,460,744</u>	<u>-</u>
Total other long-term liabilities	<u>37,831,839</u>	<u>597,408</u>	<u>-</u>	<u>38,429,247</u>	<u>4,889,187</u>
Total	<u>\$ 63,315,200</u>	<u>\$ 1,083,072</u>	<u>\$ 1,385,920</u>	<u>\$ 63,012,352</u>	<u>\$ 6,286,062</u>

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Long-Term Liabilities - Continued**

Long-term liabilities at June 30, 2016 consist of:

	June 30, 2016				
	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Current</u> <u>Portion</u>
Leases and bonds payable:					
Lease obligations	\$ 279,158	\$ -	\$ 120,271	\$ 158,887	\$ 95,905
Bonds payable	23,653,743	-	812,825	22,840,918	1,034,018
Bonds premium	<u>2,684,156</u>	<u>-</u>	<u>200,600</u>	<u>2,483,556</u>	<u>158,904</u>
Total leases and bonds payable	<u>26,617,057</u>	<u>-</u>	<u>1,133,696</u>	<u>25,483,361</u>	<u>1,288,827</u>
Other long-term liabilities:					
Compensated absences	6,478,340	-	189,711	6,288,629	4,729,060
Workers' compensation	909,969	-	143,677	766,292	161,688
Grants refundable	834,828	-	169,500	665,328	-
Net pension liability	<u>16,195,411</u>	<u>13,916,179</u>	<u>-</u>	<u>30,111,590</u>	<u>-</u>
Total other long-term liabilities	<u>24,418,548</u>	<u>13,916,179</u>	<u>502,888</u>	<u>37,831,839</u>	<u>4,890,748</u>
Total	<u>\$ 51,035,605</u>	<u>\$ 13,916,179</u>	<u>\$ 1,636,584</u>	<u>\$ 63,315,200</u>	<u>\$ 6,179,575</u>

Bonds Payable

In December 2014, the University entered into a financing agreement with the 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, 2017 and 2016, the balance on the bond was \$11,361,671 and \$11,628,057, respectively.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Long-Term Liabilities - Continued**

Bonds Payable - continued

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, 2017 and 2016 the balance on the bond was \$7,409,390 and \$7,797,562, respectively.

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, 2017 and 2016 the balance on the bond was \$132,979 and \$146,277, respectively.

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, 2017 and 2016 the balance on the bond was \$3,286,644 and \$3,486,689, respectively.

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 (0.862% as of June 30, 2017). MHEFA requires that the University maintain a debt service reserve. At June 30, 2017 and 2016 the balance on the bond was \$1,940,908 and \$2,265,889, respectively.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Long-Term Liabilities - Continued**

Bonds Payable - continued

The University has a \$1,940,908 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 \$24,108 and \$34,189 at June 30, 2017 and 2016, respectively. As of June 30, 2017 and 2016, there is no outstanding balance on the letter of credit, respectively.

Maturities of the bonds payable subsequent to June 30, 2017 are as follows:

Years Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,236,760	\$ 926,072	\$ 2,162,832
2019	1,283,930	896,254	2,180,184
2020	1,331,179	865,967	2,197,146
2021	1,384,712	832,576	2,217,288
2022	1,445,441	796,496	2,241,937
2023-2027	5,662,422	3,328,977	8,991,399
2028-2032	5,423,294	2,079,426	7,502,720
2033-2037	2,306,108	1,301,250	3,607,358
2038-2042	2,781,195	726,250	3,507,445
2043-2044	<u>1,276,551</u>	<u>95,250</u>	<u>1,371,801</u>
	<u>\$ 24,131,592</u>	<u>\$ 11,848,518</u>	<u>\$ 35,980,110</u>

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 12 - **Long-Term Liabilities - Continued**

Capital Lease Obligations

The following schedule summarizes future minimum payments under non-cancelable capital leases as of June 30, 2017:

	<u>Principal</u>	<u>Imputed Interest</u>	<u>Total</u>
2018	\$ 160,115	\$ 1,423	\$ 161,538
2019	97,133	-	97,133
2020	97,133	-	97,133
2021	<u>97,132</u>	<u>-</u>	<u>97,132</u>
	<u>\$ 451,513</u>	<u>\$ 1,423</u>	<u>\$ 452,936</u>

The following is a summary of property held under capital lease as of June 30, 2017:

Equipment	\$ 1,135,367
Less: accumulated depreciation	<u>(621,562)</u>
	<u>\$ 513,805</u>

Note 13 - **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 \$2,604,000 and \$2,528,000 for the years ended June 30, 2017 and 2016, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 86% and 88% of annual total payroll for the University for the years ended June 30, 2017 and 2016, respectively.

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.

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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Pension - Continued**

Defined Benefit Plan Description - continued

The Massachusetts State Employee's Retirement System does not issue a stand-alone financial statement.

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
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **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

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

At June 30, 2017 and 2016, the University reported a liability of \$30,460,744 and \$30,111,590, respectively, for its proportionate share of the net pension liability related to its participation in SERS. The pension liability as of June 30, 2017, the reporting date, was measured as of June 30, 2016, 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, 2016 rolled forward to June 30, 2016. The net pension liability as of June 30, 2016, the reporting date, was measured as of June 30, 2015, 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, 2015 rolled forward to June 30, 2015.

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 2016 and 2015. The University's proportionate share was based on actual employer contributions to SERS for fiscal year 2016 and 2015 relative to total contributions of all participating employers for that fiscal year. At June 30, 2016 and 2015, the University's proportion was 0.220% and 0.264%, respectively.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Pension - Continued**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources - continued*

For the years ended June 30, 2017 and 2016, the University recognized a net pension expense of \$2,306,976 and \$2,639,609, respectively. The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30,:

	<u>2017</u>	<u>2016</u>
<u>Deferred Outflows of Resources</u>		
Contributions subsequent to the measurement date	\$ 1,947,416	\$ 1,586,274
Changes in plan actuarial assumptions	3,377,894	5,214,710
Changes in proportion due to internal allocation	2,921,541	3,788,742
Changes in proportion from Commonwealth	67,861	-
Differences between expected and actual experience	1,446,804	595,204
Differences between projected and actual earnings of pension plan investments	<u>2,044,773</u>	<u>-</u>
Total	<u>\$ 11,806,289</u>	<u>\$ 11,184,930</u>
<u>Deferred Inflows of Resources</u>		
Changes in proportion due to internal allocation	\$ 3,452,905	\$ 865,282
Changes in proportion from Commonwealth	<u>14,675</u>	<u>23,117</u>
Total	<u>\$ 3,467,580</u>	<u>\$ 888,399</u>

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Pension - Continued**

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

The University's contributions of \$1,947,416 and \$1,586,274 made during the fiscal years ending 2017 and 2016, respectively, subsequent to the measurement date will be recognized as a reduction of the net pension liability in each of the succeeding years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as increases (decreases) in pension expense as follows:

Years Ending <u>June 30,</u>	
2017	\$ 1,398,438
2018	1,398,438
2019	2,219,498
2020	1,225,349
2021	<u>149,570</u>
	<u>\$ 6,391,293</u>

Actuarial Assumptions

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

Measurement date	June 30, 2016	June 30, 2015
Inflation	3.00%	3.00%
Salary increases	4.00% to 9.00%	3.50% to 9.00%
Investment rate of return	7.50%	7.50%
Interest rate credited to annuity savings fund	3.50%	3.50%

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Pension - Continued**

Actuarial Assumptions - continued

For measurement dates June 30, 2016 and 2015, mortality rates were based on the pre-retirement of RP-2000 Employees table projected 20 years with Scale BB (gender distinct), and post-retirement of Healthy Annuitant table projected generationally with Scale BB (gender distinct). The actuarial assumptions used in the January 1, 2016 valuation rolled forward to June 30, 2016 and the calculation of the total pension liability at June 30, 2016 were consistent with the results of actuarial experience study performed as of January 1, 2016.

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, are summarized in the following table:

Asset Class	2016		2015	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	6.9%	40.0%	6.9%
Core Fixed Income	13.0%	1.6%	13.0%	2.4%
Private Equity	10.0%	8.7%	10.0%	8.5%
Real Estate	10.0%	4.6%	10.0%	6.5%
Value Added Fixed Income	10.0%	4.8%	10.0%	5.8%
Hedge Funds	9.0%	4.0%	9.0%	5.8%
Portfolio Completion Strategies	4.0%	3.6%	4.0%	5.5%
Timber / Natural Resources	4.0%	5.4%	4.0%	6.6%
Total	<u>100.0%</u>		<u>100.0%</u>	

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

Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 13 - **Pension - Continued**

Discount Rate

The discount rate used to measure the total pension liability was 7.50% and 8.00% for the years ended June 30, 2016 and 2015, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined 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.

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 7.50 percent for the years ended June 30, 2016 and 2015, 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 (6.50%)	June 30, 2017 Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 39,695,069	\$ 30,460,744	\$ 22,634,296
June 30, 2016		
1.00% Decrease (6.50%)	Discount Rate (7.50%)	1.00% Increase (8.50%)
\$ 40,931,531	\$ 30,111,589	\$ 20,779,240

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 14 - **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 2022. Total rent expense under these lease agreements was approximately \$1,714,000 and \$1,540,000 for the years ended June 30, 2017 and 2016, respectively.

Future minimum payments related to these leases are as follows:

Years Ending <u>June 30,</u>	
2018	\$ 1,802,610
2019	1,832,903
2020	1,759,382
2021	1,761,119
2022	<u>607,504</u>
Total	<u>\$ 7,763,518</u>

Note 15 - **Net Position**

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,:

	<u>2017</u>	<u>2016</u>
Restricted - expendable:		
Scholarships and fellowships	\$ 458,760	\$ 448,454
Loans	15,095	15,095
Capital projects	116,671	660,398
Grants	<u>680,628</u>	<u>296,054</u>
	<u>\$ 1,271,154</u>	<u>\$ 1,420,001</u>

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 15 - **Net Position - Continued**

Restricted Net Position - Continued

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, 2017 and 2016.

Unrestricted Net Position

The impact of the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, was as follows:

	<u>2017</u>	<u>2016</u>
Unrestricted net position:		
Undesignated	\$ 44,911,804	\$ 44,761,071
Effect of GASB 68 adjustments	<u>(22,122,035)</u>	<u>(19,815,059)</u>
Total Unrestricted net position:	<u>\$ 22,789,769</u>	<u>\$ 24,946,012</u>

Note 16 - **Operating Expenses**

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

	<u>2017</u>	<u>2016</u>
Compensation and benefits	\$ 81,616,019	\$ 71,571,830
Supplies and services	33,310,241	34,914,406
Depreciation	4,836,154	4,787,857
Scholarships and fellowships	<u>2,595,264</u>	<u>2,395,789</u>
	<u>\$ 122,357,678</u>	<u>\$ 113,669,882</u>

Note 17 - **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.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 17 - **Fringe Benefits - Continued**

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.

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 rates.

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, 2017, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 17 - **Fringe Benefits - Continued**

Group Insurance Commission - continued

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).

Other Employee Benefits

The employees of the College can elect to participate in two defined-contribution plans offered and administered by the Massachusetts Department of Higher Education - an IRC 403(b) Tax-Deferred Annuity Plan and an IRC 457 Deferred Compensation SMART Plan. Employees can contribute by payroll deduction a portion of before-tax salary into these plans up to certain limits. The College has no obligation to contribute to these Plans and no obligation for any future pay-outs.

Note 18 - **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

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 18 - **Commitments and Contingencies – Continued**

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 19 - **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*.

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

	<u>2017</u>	<u>2016</u>
Direct unrestricted appropriations	\$ 27,094,027	\$ 26,825,229
Add: Fringe benefits for benefited employees on the state payroll	8,769,236	7,803,492
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(813,874)</u>	<u>(1,203,260)</u>
Total unrestricted appropriations	35,049,389	33,425,461
Capital appropriations	7,023,049	16,450,315
Restricted appropriations	<u>187,314</u>	<u>26,022</u>
Total appropriations	<u>\$ 42,259,752</u>	<u>\$ 49,901,798</u>

No timing differences occurred where the University had additional revenue that was reported to MMARS after June 30, 2017 and 2016.

WESTFIELD STATE UNIVERSITY
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Notes to the Financial Statements - Continued

June 30, 2017 and 2016

Note 20 - **Pass-Through Grants**

The University distributed \$31,166,476 and \$30,432,307 as of June 30, 2017 and 2016, respectively, 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 21 - **Massachusetts State College Building Authority**

The 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 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 years ended June 30, 2017 and 2016 were \$11,487,929 and \$10,227,375, respectively. 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
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Schedules of Proportionate Share of the Net Pension Liability
(Unaudited)

Valuation date	January 1, 2016	January 1, 2015	January 1, 2014
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014
Proportion of the net collective pension liability	0.240%	0.289%	0.218%
Proportionate share of the collective net pension liability	\$ 30,460,744	\$ 30,111,590	\$ 16,195,411
Covered-employee payroll	\$ 16,780,213	\$ 15,939,644	\$ 16,181,450
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	181.53%	188.91%	100.09%
Plan fiduciary net position as a percentage of the plan's total pension liability	63.48%	67.87%	76.32%

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplemental information.

WESTFIELD STATE UNIVERSITY
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Schedules of Contributions (Unaudited)

For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,947,416	\$ 1,586,274	\$ 1,586,274
Contributions in relation to the contractually required contribution	<u>1,947,416</u>	<u>1,586,274</u>	<u>1,586,274</u>
Contribution excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 19,572,020	\$ 16,780,213	\$ 15,939,654
Contribution as a percentage of covered-employee payroll	9.95%	9.45%	10.39%

Notes:

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

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2015 and is intended to provide data for the most recent ten years

See accompanying notes to the required supplemental information.

WESTFIELD STATE UNIVERSITY
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Notes to the Required Supplementary Information
(Unaudited)

For the Year Ended June 30, 2016 and 2015

Note 1 - **Change in Assumptions**

Changes in assumptions about the discount rate from 8.0% to 7.50%, using different scales within mortality tables, and other inputs resulted in additional plan wide pension expense of \$2.33 billion dollars to be charged to income over an amortization period of 5.5 years beginning with the fiscal year ended June 30, 2016. Previously, 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 June 30, 2015. The unamortized portion of the change is reported as a deferred outflow of resources in the statements of net position. The University's proportionate share of the net pension liability and the results of changes in assumptions is 0.220%, 0.264% and .218%, respectively, as shown on the Schedules 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:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Changes in assumptions	\$6,345,724	\$6,345,724	\$ 222,510
Recognized in current year pension expense	<u>(2,967,830)</u>	<u>(1,131,014)</u>	<u>(40,456)</u>
Changes in assumptions	<u>\$3,377,894</u>	<u>\$5,214,710</u>	<u>\$ 182,054</u>

SUPPLEMENTAL INFORMATION

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

Schedules of Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

Assets

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and equivalents	\$ 7,467,090	\$ 7,820,069
Accounts receivable, net	27,068	165,022
Deposits held by State Treasurer	157,317	302,338
Other current assets	<u>2,110</u>	<u>6,932</u>
Total Assets	<u>\$ 7,653,585</u>	<u>\$ 8,294,361</u>

Liabilities and Net Position

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 181,482	\$ 273,766
Accrued employee compensation and benefits	422,933	537,773
Deposits held for others	514,000	559,100
Other liabilities	<u>976</u>	<u>1,426</u>
Total Current Liabilities	<u>1,119,391</u>	<u>1,372,065</u>
Noncurrent Liability:		
Accrued employee compensation and benefits	<u>54,237</u>	<u>54,741</u>
Total Liabilities	<u>1,173,628</u>	<u>1,426,806</u>
Net Position:		
Unrestricted	<u>6,479,957</u>	<u>6,867,555</u>
Total Liabilities and Net Position	<u>\$ 7,653,585</u>	<u>\$ 8,294,361</u>

WESTFIELD STATE UNIVERSITY
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Schedules of Revenues, Expenses and Changes in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenues:		
Room rent	\$ 18,309,722	\$ 18,221,528
Other sources	23,317	98,748
Deposits forfeited	119,751	76,606
Commissions - laundry	67,234	69,533
Commissions - vending	58,074	42,663
University support	<u>150,000</u>	<u>150,000</u>
Total Operating Revenues	<u>18,728,098</u>	<u>18,659,078</u>
Operating Expenses:		
Employee compensation	2,723,607	2,614,952
Energy costs	1,604,027	1,491,301
Pension and insurance	967,754	818,036
Special employees	787,818	755,235
Operational services	357,871	446,604
Scholarships	333,213	339,588
Repairs and maintenance	118,285	267,208
Facility operations supplies	320,786	350,327
Administrative	68,594	79,916
Equipment purchase	251,071	96,306
Equipment lease, rental and maintenance	29,725	31,939
Consultant services	44,444	53,864
Student travel	3,289	2,631
Employee related	17,283	11,576
Annual payment to the Massachusetts State College Building Authority	<u>11,487,929</u>	<u>10,227,375</u>
Total Operating Expenses	<u>19,115,696</u>	<u>17,586,858</u>
(Decrease) Increase in Net Position	<u>(387,598)</u>	<u>1,072,220</u>
Net Assets, Beginning of Year	<u>6,867,555</u>	<u>5,795,335</u>
Net Assets, End of Year	<u>\$ 6,479,957</u>	<u>\$ 6,867,555</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, 2017 and 2016, 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 the University's basic financial statements and have issued our report thereon dated October 12, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or 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 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 12, 2017