



Board of Trustees

Audit Committee

October 11, 2023

2:00 p.m.

President's Boardroom, Horace Mann Center

A live stream of the meeting for public viewing will also take place at the following link: <https://www.westfield.ma.edu/live>

- | | |
|---|----------------------------------|
| 1. Call to Order | Committee Chair Jasmin |
| 2. Approval of Minutes | |
| a. June 13, 2023 | Committee Chair Jasmin |
| 3. Items for Action | |
| a. Motion – FY23 Audit Report | WithumSmith + Brown |
| 4. Items for Discussion | |
| a. Internal Audit Report: Student Accounts/Bursar | Boston Consortium Internal Audit |
| b. Internal Audit Update: Grants Office | Boston Consortium Internal Audit |
| 5. Items for Information | |
| a. External Audit Update: Payment Card Industry Data Security Standards (PCI-DSS) | Alan Blair |
| b. External Audit Update (State Auditor): Cybersecurity Awareness Training | Alan Blair |
| c. Compliance Survey Update (Dept. of Veterans Affairs): VA Beneficiary Records | Stephen Taksar/Robert Vigneault |
| d. Enterprise Risk Management (ERM) Update | Stephen Taksar/Tom Kettle |

Attachment(s):

- a. Minutes 6-13-23 (Draft)
- b. Motion – FY23 Audit Report
- c. FY23 Audit Report (Required Communication)
- d. FY23 Audit Report (Draft)
- e. Internal Audit Report, Student Accounts, Bursar
- f. Internal Audit Update, Grants Office
- g. External Audit Update, Payment Card Industry Data Security Standards (PCI-DSS)
- h. External Audit Update (State Auditor), Cybersecurity Awareness Training
- i. Compliance Survey Update (Dept. of Veterans Affairs), VA Beneficiary Records
- j. Compliance Survey Update (Dept. of Veterans Affairs), VA Beneficiary Records (Report)



Board of Trustees

Audit Committee

June 13, 2023

Minutes

Tilia Fantasia Student Lounge, Woodward Center

A live stream of the meeting for public viewing also took place on YouTube.

MEMBERS PRESENT: Committee Chair Theresa Jasmin, Vice Chair William Reichelt, Secretary Dr. Gloria Williams, Trustee George Gilmer, and Board Chair Dr. Robert Martin, ex-officio member

TRUSTEE GUESTS PRESENT: Trustees Melissa Alvarado, Madeline Landrau, Chris Montemayor, Ali Salehi, and Chloe Sanfacon

Also present and participating were Westfield State University President Dr. Linda Thompson, Administration and Finance Vice President Stephen Taksar, Assoc. Vice President Lisa Freeman, Director of Emergency Preparedness and Response Thomas Kettle, as well as Dave Dilulis and Ryan Sheehan from WithumSmith & Brown, PC.

The meeting was called to order at 11:11 AM by Committee Chair Jasmin and it was announced the meeting was being livestreamed and recorded.

MOTION made by Trustee Reichelt, seconded by Trustee Williams, to approve the minutes of the April 25, 2023, meeting. There being no discussion, **Motion passed unanimously.**

Annual Review of Audit Committee Charter. Proposed changes to the charter were reviewed. The University intends to create a conflict-of-interest policy, which the Audit Committee will oversee. This policy will be separate from the Governance and Nomination Committee's oversight of conflict-of-interest, as the Governance and Nomination Committee's oversight pertains to the Board of Trustees only.

MOTION made by Trustee Williams, seconded by Trustee Reichelt, to approve and adopt the Westfield State University Board of Trustees amended Audit Committee Charter, as presented. There being no discussion, **Motion passed unanimously.**

Financial Audit Services for FY23 Planning. WithumSmith and Brown reviewed the planning presentation for FY23 financial audit services. Student Trustee, Daniel Currier, will need to abstain from any discussion and vote pertaining to FY23 financial audit services. Trustee Currier is an intern at WithumSmith and Brown. He will not be working on the audit for Westfield State University or Westfield State Foundation.

Risk Management Update. The Board of Trustees' role and responsibilities in Enterprise Risk Management (ERM) were reviewed. Cabinet is responsible for bringing the top 10 institutional risks to the University to the Board. The Board, through the Audit Committee, is responsible for follow-up and making sure the risks

are being addressed and progress is being made. Once the risks have been identified, it is anticipated the Committee will focus on 2-4 risks at a time with regular reporting.

FY23 Internal Audit Update. A written statement from the Boston Consortium was read, providing an update on the internal audit of Student Accounts/Bursar. The audit should be finished by mid-August and presented to the Audit Committee at the next scheduled meeting in October. This is a pilot program, with an additional audit to be completed this fiscal year.

Next Internal Audit. The focus of the second audit of the pilot program with the Boston Consortium was discussed. It was proposed that the focus of the second audit should be on grants. This audit will begin in the fall. After completion of the second audit, the Committee will reevaluate the effectiveness of the pilot program and whether to continue to hire external auditors or move this function internally.

MOTION made by Trustee Reichelt, seconded by Trustee Martin, to engage with Boston Consortium Group for an audit of grants to begin in the fall semester of 2023. There being no discussion, **Motion passed unanimously.**

There being no other business,

MOTION made by Trustee Gilmer, seconded by Trustee Reichelt, to adjourn. **Motion passed unanimously.**

Meeting adjourned at 12:12 PM.

Attachments presented at this meeting:

- a. Draft Minutes of Minutes 4-25-23 (Draft)
- b. Motion – Annual Review of Audit Committee Charter
- c. Annual Review of Audit Committee Charter (Draft)
- d. Financial Audit Services for FY23 (Planning Presentation)
- e. Risk Management Update
- f. Next Internal Audit
- g. Motion – Engage Internal Audit of Grants

Secretary's Certificate

I hereby certify that the foregoing is a true and correct copy of the approved minutes of the Westfield State University Board of Trustees Audit Committee meeting held on June 13, 2023.

Madeline Landrau, Secretary

Date



Board of Trustees

October 11, 2023

MOTION

The Audit Committee recommends approval to the full Board:

To accept the annual report for fiscal year ending June 30, 2023, as prepared by the university's Administration and Finance Division and to authorize the submission of this report to the State Comptroller's Office, the Massachusetts Department of Higher Education, and the State Auditor's Office, as required by the Massachusetts Department of Higher Education. This annual report includes the Westfield State University FY23 Financial Statements, audited by WithumSmith and Brown, P.C.

Westfield State University

October 11, 2023

Required Communications

AUDITOR'S RESPONSIBILITY UNDER GAAS

We have a responsibility to conduct our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

In carrying out this responsibility, we planned and performed the audit to obtain reasonable – not absolute – assurance about whether the basic financial statements are free of material misstatement, whether caused by error or fraud.

- We issued an unmodified opinion on the financial statements.

An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion.

- No material weaknesses/significant deficiencies were noted within the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters

Required Communications - Continued

AUDITORS' RESPONSIBILITY UNDER GAAS - continued

We are responsible for communicating significant matters related to the financial statement audit that are, in our professional judgement, relevant to the responsibilities of those charged with governance.

We applied certain limited procedures (such as inquiry of management and comparing for consistency) to the Required Supplementary Information that supplements the financial statements.

Required Communications - Continued

INDEPENDENCE

We are aware of a relationship between Daniel Currier, a Withum intern from June to August 2023, and the University where Daniel is a Student Trustee.

- Upon knowledge of the relationship, Withum and Daniel discussed with the State Ethics Commission who advised that Daniel abstain from any voting matters relating to the audit
- Ethics Commission noted that no additional disclosure is required
- While at Withum, Daniel did not work on any aspects of the University or Westfield State Foundation audits

Based on the factors above, we are independent with respect to the University within the meaning of the pronouncements of the Independence Standards Board, Government Auditing Standards, and under Rule 101 of the AICPA Code of Professional Conduct.

Required Communications - Continued

INDEPENDENCE – continued

No management advisory services were performed by Withum.

Withum assisted in the non-attest services noted below, however, these activities do not impact our independence. These non-attest services were supervised and approved by Lisa Freeman, AVP of Finance

- Assistance with the preparation of the financial statements
- Assistance with the maintenance and calculation of GASB 87, *Leases*, right of use assets and liabilities
- Assistance with the maintenance and calculation of GASB 96, *SBITA*, right of use assets and liabilities
- Related to the single audit which is in process:
 - Assistance with preparation of the financial statements and SEFA
 - Assistance with the preparation of the Data Collection Form

Required Communications - Continued

MANAGEMENT'S RESPONSIBILITY

Selection and use of appropriate accounting policies – Significant policies are found in Note 1

- GASB 96, SBITA, was implemented effective July 1, 2022
 - The impact of this adoption is disclosed in Note 2 of the financial statements and illustrated on the next slide
- Application of existing policies were not changed during the current year

Selection and use of appropriate accounting estimates – Based on management's knowledge and experience about past and current events and assumptions about future events

- Allowance for doubtful accounts
- Estimating depreciation and depreciable lives of capital assets
- Useful lives of right of use assets and liabilities relating to Leases and SBITAs
- Accrued expenses
- Determining net pension and OPEB liabilities

Required Communications - Continued

MANAGEMENT'S RESPONSIBILITY – continued

Accounting for significant and unusual transactions – unusual or significant transactions reported in the current year include:

- \$1.9 million was released from the debt service fund held by the MSCBA to reduce the amount paid for MSCBA lease obligations
- Recording of ROU asset and liability related to SBITAs for implementation of GASB 96:

| | <u>ROU Asset</u> | <u>SBITA Liability</u> |
|-----------------------------------|-------------------|------------------------|
| 7/1/2022 | \$ 756,767 | \$ 756,767 |
| SBITA Additions | 398,661 | 398,661 |
| Amortization/Principal Reductions | (298,382) | (320,424) |
| 6/30/2023 | <u>\$ 857,046</u> | <u>\$ 835,004</u> |

No transactions entered into during the year for which there is a lack of authoritative guidance or consensus

All significant transactions have been recognized in the financial statements in the proper period

Required Communications - Continued

SIGNIFICANT COMMUNICATIONS, FINDINGS OR ISSUES

There were NO:

- Disagreements with management
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit
- Audit adjustments or uncorrected misstatements
- Other findings or issues that are significant or relevant to be communicated to those charged with governance

Consultations with other accountants/auditors:

- Consulted with the auditors for the Massachusetts State Employee's Retirement Plan and State Retiree's Benefit Trust

Significant written communications between the auditor and management include:

- Engagement letter
- Management representation letter – to be signed following Board approval

Required Communications - Continued

FINANCIAL STATEMENT FRAUD RISKS

No pervasive financial statement fraud risks were identified

Specific Risks Presumed by Auditing Standards

- Risk of misstatement relating to revenue recognition
- Risk of management override of controls
 - Journal entries and adjustments
 - Significant accounting estimates

Organization specific risks

- Management's ability to make significant accounting estimates and the assumptions included in those estimates
- New significant or unusual transactions not properly recognized and recorded
- Related party transactions

Other Matters

Discussion of Financial Statements

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

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

JUNE 30, 2023

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

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

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Westfield State University:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit, Westfield State University (the "University"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the University adopted new accounting guidance, GASB Statement Number 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 and *Government Auditing Standards*, 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 Information

Our audits were conducted for the purpose of forming opinions on the University's basic financial statements. The supplemental schedules listed in the accompanying table of contents, which are the responsibility of management, 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 11, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

October 11, 2023

DRAFT

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

Management's Discussion and Analysis (Unaudited)

June 30, 2023 and 2022

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, 2023. 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 4,200 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers undergraduate majors in both the traditional arts and sciences and in professional fields with multiple options for discipline-specific or interdisciplinary minors and concentrations. The University also offers several graduate-level degree and certificate programs. 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 increased significantly during the fiscal year ended June 30, 2023, with a \$22.2 million or 35.3% increase in total net position. Net position, which represents the residual interest in the University's assets and deferred outflows after liabilities and deferred inflows of resources are deducted, increased to \$85.1 million in 2023. The increase was largely related to the recognition of state capital appropriation revenue in the amount of \$9.4 million for the Parenzo renovation project, \$8.8 million in pension and OPEB expense reductions, and approximately \$4.0 million in salary and fringe savings due to vacant positions and savings on fringe. General budget underspending combined with greater than budgeted revenues also contributed to the positive financial position in fiscal year 2023.
- Expenses incurred during fiscal year 2023 totaled \$121.4 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$143.6 million resulting in an increase in net position of \$22.2 million.
- In May 2020, GASB issued Statement 96 *Subscription-Based Information Technology Arrangements (SBITAs)*. This statement is effective for fiscal years beginning after June 15, 2022. During the fiscal year June 30, 2023, the University implemented GASB 96. With the new reporting change, upon implementation, the University recognized \$756,767 in right of use software assets and SBITA liabilities on their statement of net position.

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Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023 and 2022

GASB No. 68 – Accounting and Financial Reporting For Pensions and GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, established standards for how governmental employers (and other entities) that contribute to state and local pension plans report liabilities and plan details on their financial statements. GASB 68 and its required disclosures were implemented in fiscal year 2015. GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense related to OPEB. The tables below show the financial statement impact of GASB 68 and GASB 75 in fiscal year 2023:

| | <u>Pension</u> | <u>OPEB</u> | <u>Total</u> |
|--|------------------------|------------------------|------------------------|
| Statement of Net Position (Balance Sheet) | | | |
| Deferred outflows (like an Asset) | \$ 3,507,319 | \$ 5,079,631 | \$ 8,586,950 |
| Net liability (Non-Current Liability) | (22,479,727) | (28,290,524) | (50,770,251) |
| Deferred inflows (like a Liability) | (10,960,845) | (36,773,586) | (47,734,431) |
| Net position | <u>\$ (29,933,253)</u> | <u>\$ (59,984,479)</u> | <u>\$ (89,917,732)</u> |
| Statement of Revenues and Expenses | | | |
| Pension expense, net of subsequent contributions | \$ (2,896,521) | \$ - | \$ (2,896,521) |
| OPEB expense, net of subsequent contributions | - | (5,903,572) | (5,903,572) |
| Total | <u>\$ (2,896,521)</u> | <u>\$ (5,903,572)</u> | <u>\$ (8,800,093)</u> |

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

June 30, 2023 and 2022

GASB No. 68 – Accounting and Financial Reporting For Pensions and GASB No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions - Continued

The required reporting of the pension and OPEB liability on the financial statements of the University reduced the unrestricted net position as follows:

Effect of GASB 68 and GASB 75 on Unrestricted Net Position

| | <u>Without Pension/OPEB</u> | <u>Pension/ OPEB Adjustment</u> | <u>With Pension/OPEB</u> |
|--|---------------------------------|-------------------------------------|------------------------------|
| Unrestricted net position, June 30, 2022 | \$ 72,865,390 | \$ (98,717,825) | \$ (25,852,435) |
| Change in unrestricted net position for 2023 | <u>(11,440,984)</u> | <u>8,800,093</u> | <u>(2,640,891)</u> |
| Unrestricted net position, June 30, 2023 | <u>\$ 61,424,406</u> | <u>\$ (89,917,732)</u> | <u>\$ (28,493,326)</u> |

The combined impact of the pension and OPEB liabilities for fiscal year 2023 is a reduction in unrestricted net position of \$89.9 million.

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 *Statement of Net Position*, the *Statement of Revenues, Expenses and Changes in Net Position* and the *Statement of Cash Flows*.

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

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

June 30, 2023 and 2022

Overview of the Financial Statements - Continued

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 its relationship with the University. Complete financial statements for the Foundation can be obtained from its administrative office in Westfield, Massachusetts.

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

The *Statement of Revenues, Expenses & Changes in Net Position* presents the University's results of operations and other non-operating revenues, and how the University's net position changed during the most recent fiscal year.

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

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

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 21-47 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 57-58 of this financial report.

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

June 30, 2023 and 2022

Financial Analysis of the University

The University's total net position for fiscal year 2023 increased by \$22.2 million or 35.3%. A summary of the University's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, is presented below:

| <u>Assets</u> | <u>2023</u> | <u>2022*</u> |
|---|-----------------------|-----------------------|
| Current Assets | \$ 82,218,821 | \$ 90,956,152 |
| Capital Assets, net | 236,148,647 | 218,664,968 |
| Other Non-current assets | 4,802,668 | 5,454,399 |
| Total Assets | <u>323,170,136</u> | <u>315,075,519</u> |
| Deferred Outflows of Resources | 10,699,369 | 18,100,939 |
| Total Assets and Deferred Outflows | <u>\$ 333,869,505</u> | <u>\$ 333,176,458</u> |
| <u>Liabilities</u> | | |
| Current Liabilities | \$ 25,945,437 | \$ 24,710,995 |
| Non-current Liabilities | 174,519,017 | 190,359,602 |
| Total Liabilities | <u>200,464,454</u> | <u>215,070,597</u> |
| Deferred Inflows of Resources | <u>48,283,616</u> | <u>55,170,277</u> |
| <u>Net Position</u> | | |
| Investment in Capital Assets, net | 110,809,699 | 87,635,910 |
| Restricted: Expendable | 2,805,062 | 1,152,109 |
| Unrestricted | (28,493,326) | (25,852,435) |
| Total Net Position | <u>85,121,435</u> | <u>62,935,584</u> |
| Total Liabilities, Deferred Inflows and Net Position | <u>\$ 333,869,505</u> | <u>\$ 333,176,458</u> |

** The assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net assets for the year ended June 30, 2022 do not reflect the implementation of GASB 96, Subscription-Based Information Technology Arrangements (SBITAs), which was adopted as of July 1, 2022.*

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

June 30, 2023 and 2022

Financial Analysis of the University – Continued

Total assets in fiscal year 2023 increased by \$8.1 million or 2.6% over the prior year due to an increase in capital assets (\$17.5 million) and investments (\$2.5 million) offset by decreases in cash and equivalents (\$11.7 million) and other assets (\$0.2 million). Total liabilities in fiscal year 2023 decreased by \$14.6 million or 6.8% over the prior year due to a decrease in net pension and net OPEB liabilities (\$9.3 million), net decreases in notes and bonds payable and lease liabilities (\$6.7 million) offset by an increase in other liabilities of \$0.6 million and an increases in SBITA (GASB 96) liability of \$0.8 million. The \$7.4 million decrease in deferred outflows of resources and the \$6.9 million decrease in deferred inflows of resources was mainly due to the adjustments related to the fiscal year 2023 pension and OPEB activity.

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

| <u>Operating Revenues</u> | <u>2023</u> | <u>2022*</u> |
|--|----------------------|----------------------|
| Tuition and fees | \$ 49,258,184 | \$ 49,972,964 |
| Residence and dining fees | 23,811,504 | 21,508,596 |
| Less: scholarships and fellowships | (12,706,931) | (10,975,319) |
| Federal, state, and private grants | 17,080,596 | 13,299,863 |
| Other sources | 2,314,064 | 1,808,703 |
| Total Operating Revenues | <u>79,757,417</u> | <u>75,614,807</u> |
| <u>Operating Expenses</u> | | |
| Compensation and benefits | 80,303,871 | 80,820,501 |
| Supplies and services | 27,021,456 | 23,531,943 |
| Depreciation | 12,013,067 | 11,208,763 |
| Scholarships | 4,799,701 | 10,875,532 |
| GASB 68 pension expense, net of subsequent contributions | (2,896,521) | (2,055,384) |
| GASB 75 OPEB expense, net of subsequent contributions | (5,903,572) | (2,839,986) |
| Total Operating Expenses | <u>115,338,002</u> | <u>121,541,369</u> |
| <u>Non-Operating Revenues (Expenses):</u> | | |
| State appropriations, net | \$ 48,107,868 | \$ 46,984,608 |
| Federal grants | 377,637 | 15,049,297 |
| Other revenue - MSCBA | 2,119,553 | 610,518 |
| Net investment income | 2,227,388 | (2,718,759) |
| Loss on disposal of assets | (9,033) | (10,275) |
| Interest expense | (6,075,873) | (6,184,496) |
| Total Net Non-Operating Revenues | <u>46,747,540</u> | <u>53,730,893</u> |
| State capital appropriations | <u>11,018,896</u> | <u>4,552,867</u> |
| Increase in net position | <u>\$ 22,185,851</u> | <u>\$ 12,357,198</u> |

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

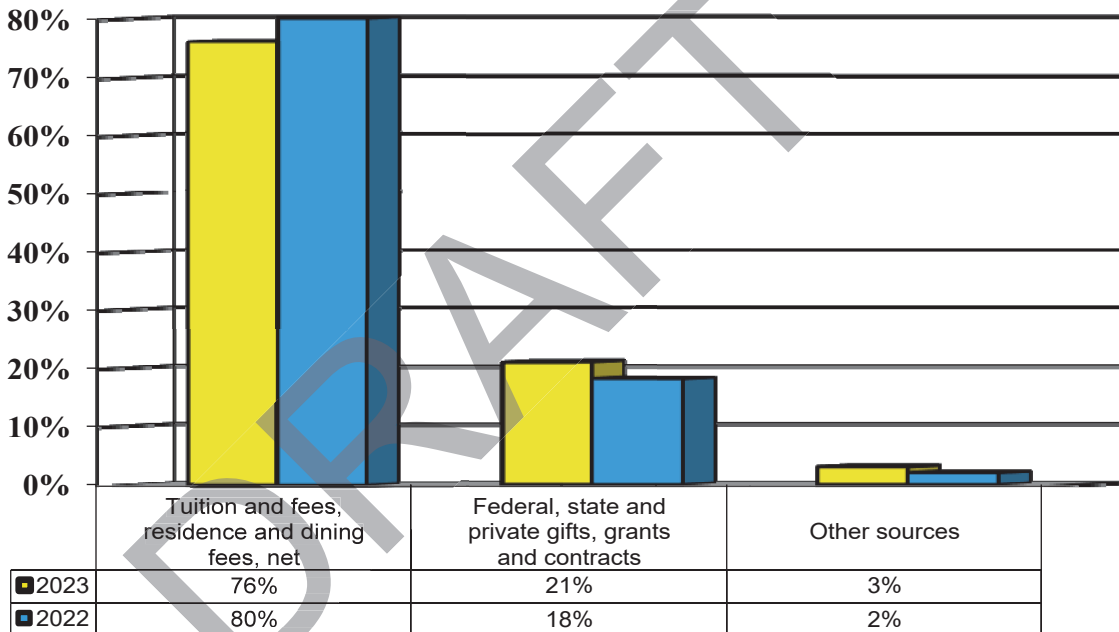
Management’s Discussion and Analysis (Unaudited) - Continued

June 30, 2023 and 2022

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, 2023 and 2022.

Operating Revenues by Source



The University’s operating revenues consist primarily of tuition and fee revenues and residence and dining fee revenues. Tuition and fees revenue decreased \$0.7 million or 1.4% during the fiscal year ended June 30, 2023. The decrease was due to an enrollment decline of 233 students (\$2.5 million impact) offset by an increase in graduate and continuing education tuition and fees (\$0.4 million), an increase in other fee revenue (\$0.3 million) and an increase in fee revenue generated from fiscal year 2023 mandatory fee increases (\$1.1 million).

Residence and dining fee revenue generated by the auxiliary operations of the University’s food service and building authority trust funds was \$23,811,504 and \$21,508,596, for the years ended June 30, 2023 and 2022. The increase in revenues for the year ended June 30, 2023 in the amount of \$2,302,908 or 10.7%, is the result of the yearly increase in residence and dining fees.

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

June 30, 2023 and 2022

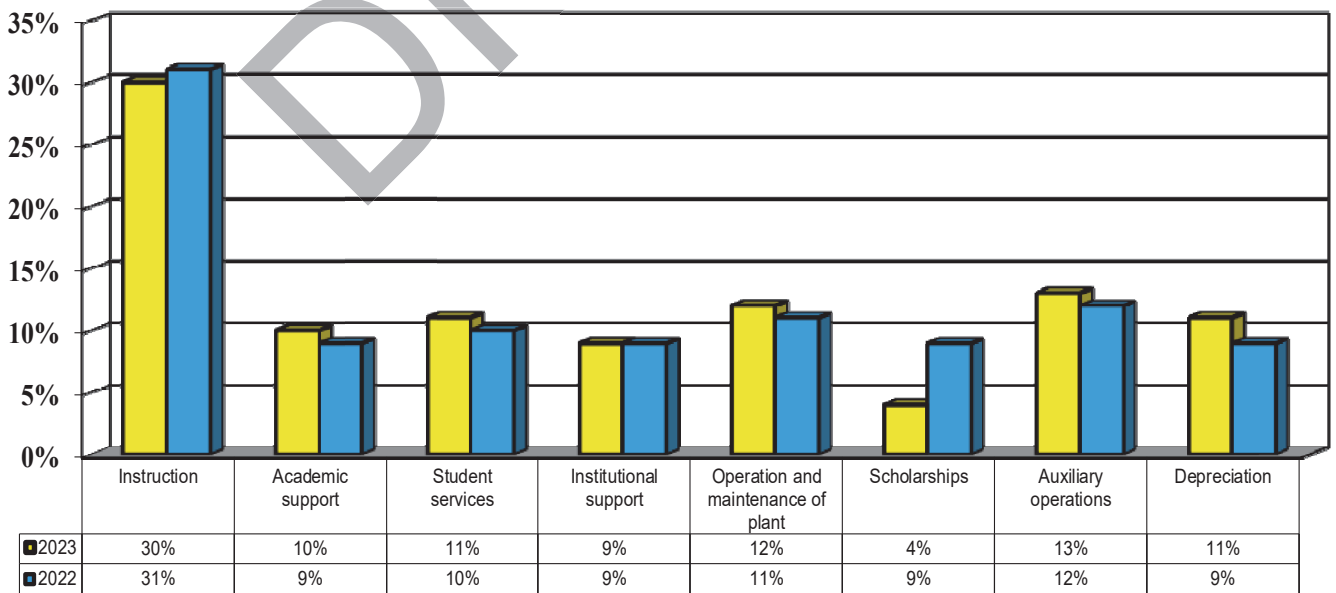
Financial Analysis of the University - Continued

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

| | <u>2023</u> | <u>2022</u> |
|--------------------------|----------------------|---------------|
| Tuition | \$ 16,435,145 | \$ 16,147,861 |
| Student Fees: | | |
| General fees | 28,458,857 | 29,649,610 |
| Student activity fees | 1,387,919 | 1,019,677 |
| Capital improvement fees | 298,290 | 321,620 |
| Technology fees | 2,379,164 | 2,550,116 |
| Miscellaneous fees | 298,809 | 284,080 |
| Total | \$ 49,258,184 | \$ 49,972,964 |

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, 2023 and 2022.

Operating Expenses by Function



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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023 and 2022

Financial Analysis of the University - Continued

A summary of the University's expenses by functional classification for the years ended June 30, 2023 and 2022 is as follows:

| | <u>2023</u> | <u>2022*</u> |
|------------------------------------|-----------------------|-----------------------|
| Instruction | \$ 34,868,104 | \$ 37,241,933 |
| Public service | 542,662 | 314,857 |
| Academic support | 11,152,822 | 10,664,859 |
| Student services | 12,792,533 | 12,754,482 |
| Institutional support | 10,665,658 | 10,327,307 |
| Operation and maintenance of plant | 13,164,934 | 13,609,893 |
| Scholarships and fellowships | 4,799,701 | 10,875,532 |
| Auxiliary operations | 15,338,521 | 14,543,743 |
| Depreciation and amortization | 12,013,067 | 11,208,763 |
| Total | <u>\$ 115,338,002</u> | <u>\$ 121,541,369</u> |

The University's total operating expenses decreased during fiscal year ended June 30, 2023 by \$6.2 million or 5.1%. The decrease in fiscal year 2023 is attributable to several factors, the most significant of which are: a scholarship expense decrease of \$6.1 million mostly from Federal HEERF funds which were not available in fiscal year 2023, compensation and fringe net decrease of \$0.5 million and an OPEB and pension expense decrease of \$3.9 million, offset by an increase in depreciation and amortization expense of \$0.8 million, a \$0.3 million increase in utilities, a \$0.6 million increase in food and beverage costs from dining operations, an increase in grant expenses of \$2.0 million and a \$0.6 million increase in other operating expenses.

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

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| Cash received from operating activities | \$ 80,467,968 | \$ 72,121,799 |
| Cash expenses for operating activities | (99,509,387) | (99,660,108) |
| Net cash applied to operating activities | (19,041,419) | (27,538,309) |
| Net cash provided by non-capital financing activities | 35,652,808 | 52,868,725 |
| Net cash applied to capital financing activities | (28,109,060) | (12,884,565) |
| Net cash (applied to) provided by investing activities | (237,807) | 109,350 |
| Net (decrease) increase in cash and equivalents | (11,735,478) | 12,555,201 |
| Cash and equivalents - beginning of year | 72,133,580 | 59,578,379 |
| Cash and equivalents - end of year | <u>\$ 60,398,102</u> | <u>\$ 72,133,580</u> |

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

June 30, 2023 and 2022

Financial Analysis of the University - Continued

The University's liquidity decreased during the year ended June 30, 2023 with an \$11,735,478 decrease in cash and equivalents. The following discussion further amplifies the overview of cash flows presented above.

During the year ended June 30, 2023, the University's net cash applied to operating activities decreased by \$8.5 million over the prior year. This was due to an increase in cash received of \$8.3 million and a decrease in payments made of \$0.2 million. Net cash provided by non-capital financing activities decreased by \$17.2 million due to a decrease in federal grant funding (HEERF and FEMA) of \$17.5 million and an increase in state appropriation of \$0.3 million. Net cash applied to capital financing activities increased by \$15.2 million due to an increase in purchases of capital assets of \$12.2 million (the University's fiscal year 2023 payment for Parenzo Hall was \$15.5 million), a decrease in state capital appropriation of \$0.4 million, a decrease in proceeds from sale of bonds of \$1.4 million and an increase in debt payments of \$1.2 million. The \$0.3 million decrease in net cash provided by investing activities was due to an increase in purchase of investments of \$2.4 million offset by an increase in proceeds from the sales of investments of \$1.8 million and an increase in interest income of \$0.3 million.

Loss from Operations

The following table presents the University's incurred losses from operations and its net non-operating revenues for the fiscal years ended June 30, 2023, and 2022.

| | <u>2023</u> | <u>2022*</u> |
|--|-----------------------------|-----------------------------|
| Operating revenues, net | \$ 79,757,417 | \$ 75,614,807 |
| Operating expenses | <u>(115,338,002)</u> | <u>(121,541,369)</u> |
| Operating loss | <u>(35,580,585)</u> | <u>(45,926,562)</u> |
| Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth | 48,107,868 | 46,984,608 |
| Net investment income | 2,227,388 | (2,718,759) |
| Loss on disposal of assets | (9,033) | (10,275) |
| Other revenues | 2,497,190 | 15,659,815 |
| Other expenses | (6,075,873) | (6,184,496) |
| Capital appropriations | <u>11,018,896</u> | <u>4,552,867</u> |
| Net non-operating revenues | <u>57,766,436</u> | <u>58,283,760</u> |
| Increase in net position | <u>\$ 22,185,851</u> | <u>\$ 12,357,198</u> |

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

June 30, 2023 and 2022

Loss from Operations – Continued

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 \$0.5 million decrease in net non-operating revenues during fiscal year 2023 is attributable to an increase in net investment income of \$5.0 million combined with an increase in net state appropriation of \$1.1 million and an increase in state capital appropriation of \$6.5 million offset by a decrease in other revenues of \$13.2 million (mainly HEERF funding) and a decrease in other expenses of \$0.1 million.

Capital Assets

A summarized comparison of the University's capital asset categories at June 30, 2023 and 2022 is as follows:

| | <u>2023</u> | <u>2022 (Restated)</u> |
|--------------------------------|-----------------------|------------------------|
| Land and improvements | \$ 7,982,420 | \$ 7,982,420 |
| Construction-in-progress | 35,604,547 | 22,926,166 |
| Building and improvements | 151,208,698 | 147,234,241 |
| Infrastructure improvements | 11,552,831 | - |
| Software arrangements | 1,155,428 | 756,767 |
| Equipment and furnishings | 23,986,325 | 24,801,954 |
| Library books | 7,500,672 | 7,472,985 |
| Vehicles | 1,085,396 | 1,085,396 |
| Leased equipment | 1,096,451 | 1,096,451 |
| Leased real estate | 112,402,898 | 112,402,898 |
| Total | <u>353,575,666</u> | <u>325,759,278</u> |
| Less: accumulated depreciation | <u>(117,427,019)</u> | <u>(106,337,543)</u> |
| Capital assets, net | <u>\$ 236,148,647</u> | <u>\$ 219,421,735</u> |

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023 and 2022

Capital Assets – Continued

As of June 30, 2023, the University's investment in capital assets, net of accumulated depreciation and amortization, was \$236,148,647. Investment in capital assets includes land, land improvements, buildings and improvements, infrastructure improvements, furnishings and equipment, construction in progress, library books, software arrangements, and right of use leased equipment and real estate. Capital assets increased by \$16.7 million or 7.6% during fiscal year ended June 30, 2023. The increase was the result of capital additions outpacing depreciation expense.

Capital additions during fiscal year ended June 30, 2023 amounted to \$28,749,012.

Major additions include \$25.3 million in construction in progress for the renovation of Parenzo Hall and the installation of sprinklers in Wilson Hall of \$1.6 million. Other additions include \$0.6 million for replacement of the dishwasher in the dining commons, \$0.6 million in other building upgrades, \$0.3 million in HVAC upgrades and \$0.3 million in GASB96 software arrangement assets.

Looking Ahead

The President has carried forward the major goals in the current campus strategic plan and reports on progress regularly with the Board of Trustees at each quarterly meeting. The University is also moving forward with new initiatives to support revenue growth and design thinking innovation programs to foster new ideas and strategies to move the campus forward. The development of the next strategic plan (FY25-29) is underway.

Institutional priorities for FY24 are Enrollment and Economic Health. Enrollment stability remains an ongoing challenge at the University and the ability to adapt to changing enrollment patterns will be critical for Westfield's success. A 3-year Glide Path strategy has been developed to allow more time for program development and revenue enhancements which relies on a combination of financial strategies to stabilize campus resources. FY24 will be year two of the Glide Path Plan.

It is expected that new investments in recruitment and marketing will be made to support various enrollment and retention initiatives moving forward.

The 10-year accreditation process is nearly completed with a final report from NECHE expected this fall. The campus visit by the accreditation team occurred in March 2023.

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

Management's Discussion and Analysis (Unaudited) - Continued

June 30, 2023 and 2022

Looking Ahead - Continued

The Commonwealth of Massachusetts will be allocating additional resources as required by the Fair Share Amendment which passed as a ballot issue in November 2022. Final decisions on campus funding are not yet confirmed but it is anticipated that funding will be allocated for capital needs and financial aid. The new tax is expected to generate over \$1B per year for higher education and transportation.

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.

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

Statement of Net Position

June 30, 2023

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

Statement of Net Position

June 30, 2023

Assets and Deferred Outflow of Resources

| | <u>Westfield State University</u> | <u>Component Unit</u> |
|---|---------------------------------------|---------------------------|
| Current Assets: | | |
| Cash and equivalents | \$ 54,124,627 | \$ 2,252,897 |
| Cash held by State Treasurer | 2,958,043 | - |
| Deposits held by State Treasurer | 2,685,015 | - |
| Deposits held by MSCBA | 630,417 | - |
| Short-term investments | 19,263,540 | - |
| Accounts receivable, net | 2,394,510 | 150,134 |
| Perkins loans receivable, net | 51,273 | - |
| Other current assets | <u>111,396</u> | <u>32,542</u> |
| Total Current Assets | <u>82,218,821</u> | <u>2,435,573</u> |
| Non-Current Assets: | | |
| Debt service reserve | 602,055 | - |
| Investments | 4,130,638 | 15,860,334 |
| Perkins loans receivable, net | 69,975 | - |
| Capital assets, net | <u>236,148,647</u> | <u>397,666</u> |
| Total Non-Current Assets | <u>240,951,315</u> | <u>16,258,000</u> |
| Total Assets | <u>323,170,136</u> | <u>18,693,573</u> |
| Deferred Outflows of Resources: | | |
| Loss on bond refunding | 2,112,419 | - |
| Pension related | 3,507,319 | - |
| OPEB related | <u>5,079,631</u> | <u>-</u> |
| Total Deferred Outflows of Resources | <u>10,699,369</u> | <u>-</u> |

Total Assets and Deferred Outflows of Resources

\$ 333,869,505

\$ 18,693,573

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

Liabilities, Deferred Inflows of Resources and Net Position

| | <u>Westfield State University</u> | <u>Component Unit</u> |
|--|---------------------------------------|---------------------------|
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 3,143,603 | \$ 1,882 |
| Accrued salaries, wages and benefits | 5,734,033 | - |
| Compensated absences | 4,765,008 | - |
| Accrued workers' compensation | 202,412 | - |
| Student deposits and unearned revenue | 3,826,503 | 25,545 |
| Current portion of notes payable | 85,300 | - |
| Current portion of bonds payable | 1,345,795 | - |
| Current portion of SBITA liability | 385,965 | - |
| Current portion of lease liability | 5,588,663 | - |
| Other liabilities | <u>868,155</u> | <u>298,791</u> |
| Total Current Liabilities | <u>25,945,437</u> | <u>326,218</u> |
| Non-Current Liabilities: | | |
| Compensated absences, net of current portion | 2,175,962 | - |
| Accrued workers' compensation, net of current portion | 1,520,618 | - |
| Grants refundable | 171,489 | - |
| Notes payable, net of current portion | 88,098 | - |
| Bonds payable, net of current portion | 19,927,320 | - |
| SBITA liability, net of current portion | 449,039 | - |
| Lease liability, net of current portion | 99,416,240 | - |
| Net pension liability | 22,479,727 | - |
| Net OPEB liability | <u>28,290,524</u> | <u>-</u> |
| Total Non-Current Liabilities | <u>174,519,017</u> | <u>-</u> |
| Total Liabilities | <u>200,464,454</u> | <u>326,218</u> |
| Deferred Inflows of Resources: | | |
| Gain on bond refunding | 195,326 | - |
| Gain on lease modification | 353,859 | - |
| Pension related | 10,960,845 | - |
| OPEB related | <u>36,773,586</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>48,283,616</u> | <u>-</u> |
| Net Position: | | |
| Net investment in capital assets | 110,809,699 | 397,666 |
| Restricted for: | | |
| Expendable | 2,805,062 | 9,787,857 |
| Non-expendable | - | 7,970,867 |
| Unrestricted | <u>(28,493,326)</u> | <u>210,965</u> |
| Total Net Position | <u>85,121,435</u> | <u>18,367,355</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 333,869,505</u> | <u>\$ 18,693,573</u> |

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2023

| | <u>Westfield State University</u> | <u>Component Unit Foundation</u> |
|---|---------------------------------------|--------------------------------------|
| Operating Revenues: | | |
| Tuition and fees | \$ 49,258,184 | \$ - |
| Residence and dining fees | 23,811,504 | - |
| Less: scholarships and fellowships | <u>(12,706,931)</u> | <u>-</u> |
| Net tuition and fees | 60,362,757 | - |
| Federal grants and contracts | 8,183,422 | - |
| State grants and contracts | 7,740,921 | - |
| Private grants and contracts | 1,156,253 | 2,200,302 |
| Public service | 562,076 | - |
| Other sources | <u>1,751,988</u> | <u>55,782</u> |
| Total Operating Revenues | <u>79,757,417</u> | <u>2,256,084</u> |
| Operating Expenses: | | |
| Instruction | 34,868,104 | - |
| Public service | 542,662 | - |
| Academic support | 11,152,822 | 36,068 |
| Student services | 12,792,533 | - |
| Institutional support | 10,665,658 | 727,987 |
| Operation and maintenance of plant | 13,164,934 | - |
| Scholarships and fellowships | 4,799,701 | 844,365 |
| Auxiliary operations | 15,338,521 | - |
| Depreciation and amortization | <u>12,013,067</u> | <u>9,755</u> |
| Total Operating Expenses | <u>115,338,002</u> | <u>1,618,175</u> |
| Operating (Loss) Income | <u>(35,580,585)</u> | <u>637,909</u> |
| Non-Operating Revenues (Expenses): | | |
| State appropriations, net | 48,107,868 | - |
| Federal grants | 377,637 | - |
| Other revenue - MSCBA | 2,119,553 | - |
| Loss on disposal of capital assets | (9,033) | - |
| Investment income, net of expenses | 2,227,388 | 1,616,644 |
| Interest expense | <u>(6,075,873)</u> | <u>-</u> |
| Net Non-Operating Revenues | <u>46,747,540</u> | <u>1,616,644</u> |
| Increase in Net Position Before Other Revenues | 11,166,955 | 2,254,553 |
| Capital appropriations | <u>11,018,896</u> | <u>-</u> |
| Increase in Net Position | 22,185,851 | 2,254,553 |
| Net Position, at Beginning of Year | <u>62,935,584</u> | <u>16,112,802</u> |
| Net Position, at End of Year | <u>\$ 85,121,435</u> | <u>\$ 18,367,355</u> |

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

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

Statement of Cash Flows

For the Year Ended June 30, 2023

| | <u>Westfield State University</u> |
|--|---------------------------------------|
| Cash Flows from Operating Activities: | |
| Tuition and fees | \$ 41,753,600 |
| Residence and dining fees | 19,181,913 |
| Grants and contracts | 17,398,179 |
| Payments to suppliers | (28,400,133) |
| Payments to employees | (66,309,553) |
| Payments to students | (4,799,701) |
| Collections of loans to students | 51,274 |
| Other receipts | <u>2,083,002</u> |
| Net Cash Applied to Operating Activities | <u>(19,041,419)</u> |
| Cash Flows from Non-Capital Financing Activities: | |
| State appropriation | 35,424,405 |
| Tuition remitted to state | (1,040,829) |
| Federal grants | <u>1,269,232</u> |
| Net Cash Provided by Non-Capital Financing Activities | <u>35,652,808</u> |
| Cash Flows from Capital Financing Activities: | |
| Capital appropriations | 843,835 |
| Purchases of capital assets | (18,136,418) |
| Principal paid on notes payable | (82,590) |
| Interest paid on notes payable | (8,398) |
| Principal paid on SBITA liability | (320,424) |
| Interest paid on SBITA liability | (34,846) |
| Principal paid on bonds payable and lease liability | (4,408,348) |
| Interest paid on bonds payable and lease liability | (6,081,692) |
| Receipts from debt service reserve | <u>119,821</u> |
| Net Cash Applied to Capital Financing Activities | <u>(28,109,060)</u> |
| Cash Flows from Investing Activity: | |
| Proceeds from sales of investments | 8,049,223 |
| Purchase of investments | (9,190,857) |
| Interest income | <u>903,827</u> |
| Net Cash Applied to Investing Activities | <u>(237,807)</u> |
| Net Decrease in Cash and Equivalents | (11,735,478) |
| Cash and Equivalents, Beginning of Year | <u>72,133,580</u> |
| Cash and Equivalents, End of Year | \$ <u>60,398,102</u> |

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

Statement of Cash Flows - Continued

For the Year Ended June 30, 2023

| | <u>Westfield State University</u> |
|---|---------------------------------------|
| Reconciliation of Net Operating Loss to Net Cash Applied to Operating Activities: | |
| Operating loss | \$ (35,580,585) |
| Adjustments to Reconcile Net Operating Loss to Net Cash Applied to Operating Activities: | |
| Depreciation | 12,013,067 |
| Fringe benefits provided by the State | 13,724,292 |
| Bad debts | 26,710 |
| Changes in Assets and Liabilities: | |
| Accounts receivable | (949,599) |
| Perkins loans receivable | 88,069 |
| Other current assets | (57,817) |
| Accounts payable and accrued liabilities | (1,151,914) |
| Accrued salaries, wages and benefits | (353,241) |
| Compensated absences | 403,369 |
| Accrued workers' compensation | (412) |
| Student deposits and unearned revenue | 1,564,698 |
| Grants refundable | (95,906) |
| Other liabilities | 127,943 |
| Net pension activity | (2,896,521) |
| Net OPEB activity | <u>(5,903,572)</u> |
| Net Cash Applied to Operating Activities | <u>\$ (19,041,419)</u> |
| Non-Cash Transactions: | |
| Fringe benefits paid by State | <u>\$ 13,724,292</u> |
| Capital improvements provided by capital appropriations | <u>\$ 9,365,699</u> |
| Capital additions acquired through SBITAs | <u>\$ 398,661</u> |
| Construction in progress included in accounts payable and accrued liabilities | <u>\$ 848,234</u> |
| Change in deferred revenue related to capital appropriations | <u>\$ 809,362</u> |
| MSCBA lease payments paid through grants | <u>\$ 2,119,553</u> |
| Investment income from amortization of deferred inflows of lease modification | <u>\$ (36,924)</u> |
| Cash and Equivalents, End of Year: | |
| Cash and equivalents | \$ 54,124,627 |
| Cash held by State Treasurer | 2,958,043 |
| Deposits held by State Treasurer | 2,685,015 |
| Deposits held by MSCBA | <u>630,417</u> |
| Total | <u>\$ 60,398,102</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, 2023

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 Commission of Higher Education.

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 University's policy for defining operating activities in the statement of revenues, expenses are those that generally result from exchange transactions such as the payment received for services and payment made for the purchase of goods and services. Certain other transactions are reported as non-operating activities. These non-operating activities include the University's operating and capital appropriations from the Commonwealth of Massachusetts (the "Commonwealth"), net investment income, gifts and interest expense.

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 statements of net position, revenues and expenses, changes in net position, and cash flows on a combined University-wide basis.

Net Position

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

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

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

Restricted - expendable: Net position whose use is subject to externally imposed conditions or by law 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 or categorized as net investment in capital assets. 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.

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 requires 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 and OPEB liabilities, 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 Building Authority ("MSCBA"), which are short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

Allowance for Doubtful Accounts

Accounts and pledges 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.

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 statements of revenues, expenses and changes in net position. 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;

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June 30, 2023

- 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 state's capitalization policy, only those items with a unit cost of more than \$50,000 are capitalized. Library materials are generally expenses 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. Leased and subscription-based information technology arrangement assets are amortized over the shorter of the lease/subscription term or useful life of the underlying asset. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Amortization of leasehold improvements and leased assets is included within depreciation expense.

Restricted Gifts

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

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, 2023. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of state service at June 30, 2023. Upon retirement, those employees are entitled to receive payment for this accrued balance. Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

Deposits and Unearned Revenue

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

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Notes to the Financial Statements - Continued
June 30, 2023

Deposits Held by State Treasurer

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

Deposits Held by MSCBA

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

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.

Post-employment Benefits Other Than Pensions ("OPEB")

For purposes of measuring the University's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Retirees' Benefit Trust ("SRBT") and additions to/deductions from SRBT's fiduciary net position have been determined on the same basis as they are reported by SRBT. For this purpose, SRBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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 also exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

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June 30, 2023

Future Governmental Accounting Pronouncements

GASB Statement 99 – *Omnibus 2022* has multiple effective dates. The objective of this statement is to clarify reporting requirements for financial guarantees and derivative investments (which is effective for reporting periods after June 15, 2023).

GASB Statement 100 – *Accounting Changes and Error Corrections – an amendment of GASB 62* is effective for reporting periods beginning after June 15, 2023. The objective of this statement is to provide consistency for changes in accounting principles, accounting estimates, and the reporting entity and corrections of errors.

GASB Statement 101 – *Compensated Absences* is effective for reporting periods beginning after December 15, 2023. The objective of this statement is to update the recognition and measurement for compensated absences.

Management has not completed its review of the requirements of these standards and their applicability.

Note 2 - **Implementation of Newly Effective Accounting Standard**

As of July 1, 2022, the University implemented GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. GASB 96 enhances the consistency for SBITA activities and establishes the requirement to recognize a right of use asset and liability for SBITAs.

There was no change to net position as of July 1, 2022, upon the implementation of GASB 96 since the adjustment for the right to use assets – SBITAs of \$756,767 was completely offset by the adjustment for the SBITA liability. The right of use assets and liability for SBITAs was previously \$0 as of July 1, 2022.

Note 3 - **Cash and Equivalents**

The carrying amount of the University's bank deposits and deposits in trust depositories is \$54,124,627 as compared to bank balances of \$55,256,191 at June 30, 2023. 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 through collateralization in a pool of eligible securities held by Berkshire Bank's Asset Management/Trust Group as custodian totaling \$41,473,406 at June 30, 2023. Amounts remaining that are exposed to custodial risk at June 30, 2023 were \$13,032,785.

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

Accounts payable, accrued salaries, wages and withholdings to be funded from state-appropriated funds totaled \$2,958,043 at June 30, 2023. 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.

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Note 5 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2023, the entire balance of investments are held in trust depository accounts in the name of the University and are uninsured. At June 30, 2023, the investments are stated at fair value.

At June 30, 2023, the fair value of the University's investments in debt securities by contractual maturities is as follows:

| June 30, 2023 Investment Maturity in Years | | | | | |
|--|---------------|--------------|--------------|------|------|
| Investment Type: | Fair Value | Less than 1 | 1-5 | 6-10 | > 10 |
| Corporate bonds | \$ 4,483,185 | \$ 1,225,532 | \$ 3,257,653 | \$ - | \$ - |
| U.S. Treasuries | 1,948,126 | 1,075,142 | 872,984 | - | - |
| Government Agencies | 176,544 | 176,544 | - | - | - |
| Total fixed income | 6,607,855 | \$ 2,477,218 | \$ 4,130,638 | \$ - | \$ - |
| Equity securities | 16,786,323 | | | | |
| Total investments | \$ 23,394,178 | | | | |

At June 30, 2023, the University's U.S. Treasury Notes and Government Securities and corporate debt securities credit quality ratings are as follows:

| | Fair Value | Quality Ratings | | | | | | | | |
|---------------------|--------------|-----------------|--------------|--------------|------------|------------|------------|------|--------------|-----------|
| | | BBB- | BBB | BBB+ | A- | A | A+ | AA- | AAA | Not Rated |
| Corporate bonds | \$ 4,483,185 | \$ 185,963 | \$ 1,267,173 | \$ 1,351,879 | \$ 946,941 | \$ 498,778 | \$ 232,452 | \$ - | \$ - | \$ - |
| U.S. Treasuries | 1,948,126 | - | - | - | - | - | - | - | 1,948,126 | - |
| Government Agencies | 176,544 | - | - | - | - | - | - | - | 176,544 | - |
| Totals | \$ 6,607,855 | \$ 185,963 | \$ 1,267,173 | \$ 1,351,879 | \$ 946,941 | \$ 498,778 | \$ 232,452 | \$ - | \$ 2,124,670 | \$ - |

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, 2023.

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Mutual funds and common stock are valued at daily closing prices as reported by the fund and are deemed to be actively traded. U.S. Treasuries and U.S. Government obligations are valued using quoted prices, documented trade history in the security, and pricing models maximizing the use of observable inputs. These securities are classified as Level 1.

Corporate bonds are valued either by using pricing models maximizing the use of observable inputs for similar securities or valued by the investment manager. These securities are classified as level 2.

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 University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

| | June 30, 2023 | | | |
|-------------------------------|---------------|--------------|---------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds: | | | | |
| International equities | \$ 794,813 | \$ - | \$ - | \$ 794,813 |
| U.S. Treasuries | 1,137,776 | - | - | 1,137,776 |
| International emerging | 1,230,079 | - | - | 1,230,079 |
| Domestic Large Blend equities | 1,584,319 | - | - | 1,584,319 |
| Small and Mid Cap equities | 1,969,846 | - | - | 1,969,846 |
| Total mutual funds | 6,716,833 | - | - | 6,716,833 |
| U.S. Treasuries | 1,948,126 | - | - | 1,948,126 |
| Government Agencies | 176,544 | - | - | 176,544 |
| Common stocks | 10,069,490 | - | - | 10,069,490 |
| Corporate bonds | - | 4,483,185 | - | 4,483,185 |
| Total investment assets | \$ 18,910,993 | \$ 4,483,185 | \$ - | \$ 23,394,178 |

Foundation

Investments of the Foundation at June 30, 2023 are categorized as Level 1 investments and are valued at quoted prices of the shares held in an active market:

| | |
|---------------------------------------|----------------------|
| Stock Market Index Fund | \$ 7,348,176 |
| Bond Market Index Fund | 4,341,270 |
| International Stock Market Index Fund | 4,170,888 |
| | <u>\$ 15,860,334</u> |

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June 30, 2023

Note 6 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2023 is summarized as follows:

| | |
|---------------------------------------|---------------------|
| Student accounts receivable | \$ 2,674,875 |
| Grants receivable | 1,515,528 |
| Other receivables | <u>327,166</u> |
| | 4,517,569 |
| Less: allowance for doubtful accounts | <u>(2,123,059)</u> |
| | <u>\$ 2,394,510</u> |

Note 7 - **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. The portion of the Perkins program provided by the Federal Government, identified as grants refundable on the statements 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, 2023:

| | |
|---------------------------------------|------------------|
| Perkins loans receivable | \$ 142,364 |
| Less: allowance for doubtful accounts | <u>(21,116)</u> |
| Total loans receivable, net | 121,248 |
| Less: amount due in one year | <u>(51,273)</u> |
| Long term loans receivable | <u>\$ 69,975</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. No further extensions were granted for the program as of the date of issuance of these financial statements.

Note 8 - **Related Party Transactions**

University

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

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Note 9 - **Capital Assets**

The University's capital asset activity for the year ended June 30, 2023 is summarized as follows:

| | Estimated lives (in years) | (Restated) Beginning Balance | Additions | Retirements | Reclassifications | Ending Balance |
|-----------------------------------|----------------------------------|------------------------------------|---------------|-------------|-------------------|-------------------|
| Capital assets, not depreciable: | | | | | | |
| Land | - | \$ 1,223,862 | \$ - | \$ - | \$ - | \$ 1,223,862 |
| Construction-in-progress | - | 22,926,166 | 26,099,836 | - | (13,421,455) | 35,604,547 |
| Total | | 24,150,028 | 26,099,836 | - | (13,421,455) | 36,828,409 |
| Depreciable: | | | | | | |
| Buildings, including improvements | 20-40 | 146,963,158 | 2,058,115 | - | 1,916,342 | 150,937,615 |
| Infrastructure improvements | 40 | - | 47,718 | - | 11,505,113 | 11,552,831 |
| Land improvements | 20 | 6,758,558 | - | - | - | 6,758,558 |
| Leasehold improvements | 5 | 271,083 | - | - | - | 271,083 |
| Equipment and furnishings | 3-10 | 24,801,954 | 116,995 | 932,624 | - | 23,986,325 |
| Library books | 5 | 7,472,985 | 27,687 | - | - | 7,500,672 |
| Vehicles | 5 | 1,085,396 | - | - | - | 1,085,396 |
| Software arrangements | 3-5 | 756,767 | 398,661 | - | - | 1,155,428 |
| Leased equipment | 5-7 | 1,096,451 | - | - | - | 1,096,451 |
| Leased real estate | 8-24 | 112,402,898 | - | - | - | 112,402,898 |
| Total | | 301,609,250 | 2,649,176 | 932,624 | 13,421,455 | 316,747,257 |
| Less accumulated depreciation: | | | | | | |
| Buildings, including improvements | | 69,160,773 | 4,210,883 | - | - | 73,371,656 |
| Infrastructure improvements | | - | 288,821 | - | - | 288,821 |
| Land improvements | | 2,389,337 | 282,548 | - | - | 2,671,885 |
| Leasehold improvements | | 271,083 | - | - | - | 271,083 |
| Equipment and furnishings | | 20,066,592 | 807,202 | 923,591 | - | 19,950,203 |
| Library books | | 7,423,705 | 30,660 | - | - | 7,454,365 |
| Vehicles | | 1,061,556 | 20,819 | - | - | 1,082,375 |
| Software arrangements | | - | 298,382 | - | - | 298,382 |
| Leased equipment | | 110,035 | 219,290 | - | - | 329,325 |
| Leased real estate | | 5,854,462 | 5,854,462 | - | - | 11,708,924 |
| Total accumulated depreciation | | 106,337,543 | 12,013,067 | 923,591 | - | 117,427,019 |
| Capital Assets, Net | | \$ 219,421,735 | \$ 16,735,945 | \$ 9,033 | \$ - | \$ 236,148,647 |

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June 30, 2023

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

Student deposits and unearned revenue includes tuition received in advance from students for summer courses commencing after June 30, the subsequent fall semester, state capital appropriations, and grant funds received in advance. Student deposits and unearned revenue of the University include the following as of June 30, 2023:

| | |
|---|----------------------------|
| Tuition and fees | \$ 1,881,994 |
| State capital appropriations | 375,601 |
| Grants | <u>1,568,908</u> |
| Total student deposits and unearned revenue | <u>\$ 3,826,503</u> |

Note 11 - **Line of Credit**

The Foundation has a demand line of credit allowing maximum borrowings of \$500,000. Interest on the note is charged at the prime rate minus 0.5% (8.00% at June 30, 2023).

Note 12 - **Long-Term Liabilities**

Leases, SBITA, notes and bond payables at June 30, 2023 consist of:

| | (Restated) Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|--------------------------------------|------------------------------------|---------------------|----------------------|-----------------------|----------------------|
| Leases notes and bonds payable: | | | | | |
| Notes payable | \$ 255,988 | \$ - | \$ 82,590 | \$ 173,398 | \$ 85,300 |
| SBITA liability | 756,767 | 398,661 | 320,424 | 835,004 | 385,965 |
| Lease liability | 110,464,139 | - | 5,459,236 | 105,004,903 | 5,588,663 |
| Bonds payable | 22,032,520 | - | 1,068,665 | 20,963,855 | 1,272,170 |
| Bonds premium | 400,286 | - | 91,026 | 309,260 | 73,625 |
| Total leases notes and bonds payable | <u>133,909,700</u> | <u>398,661</u> | <u>7,021,941</u> | <u>127,286,420</u> | <u>7,405,723</u> |
| Other long-term liabilities: | | | | | |
| Compensated absences | 6,537,601 | 403,369 | - | 6,940,970 | 4,765,008 |
| Workers' compensation | 1,723,442 | - | 412 | 1,723,030 | 202,412 |
| Grants refundable | 267,395 | - | 95,906 | 171,489 | - |
| Net pension liability | 21,788,225 | 691,502 | - | 22,479,727 | - |
| Net OPEB liability | 38,255,065 | - | 9,964,541 | 28,290,524 | - |
| Total other long-term liabilities | <u>68,571,728</u> | <u>1,094,871</u> | <u>10,060,859</u> | <u>59,605,740</u> | <u>4,967,420</u> |
| Total | <u>\$ 202,481,428</u> | <u>\$ 1,493,532</u> | <u>\$ 17,082,800</u> | <u>\$ 186,892,160</u> | <u>\$ 12,373,143</u> |

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MSCBA Bonds Payable

On July 1, 2020 the University's MSCBA Series 2010A, 2010B, 2012A, 2014B, 2019C bonds were partially refunded as part of the MSCBA's Refunding Revenue Bonds Series 2020A. The purpose of the issuance was to provide budgetary relief for fiscal years 2021 and 2022 to the University. The refunding resulted in an economic loss of approximately \$2,060,000 and a deferred loss of approximately \$2,414,000. The first principal payment is due on May 1, 2024, and the final payment is due on May 1, 2044 with an interest rate that ranges from 1.04% to 3.07%. Total principal related to 2020A partial refunding was \$12,095,901. At June 30, 2023 the outstanding amounts related to all MSCBA bond series was \$21,219,923 and is included in the project related bond payable amounts described below.

Science Center Building:

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 and 2020A). 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 which totaled \$499,440 for the year ended June 30, 2023. At June 30, 2023, the balance on these bonds related to this project was \$12,255,977.

Ely Hall:

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, 2019C, and 2020A). In fiscal year 2020 the 2012A bond was partially refunded with the Series 2019C bonds resulting in an economic gain of \$414,303 and a deferred gain of \$260,434. As disclosed above, in July 2020 both the Series 2012A and 2019C bonds were partially refunded with the Series 2020A bonds. Through its agreements with MSCBA, the University is to repay this debt in semi-annual installments, starting May 1, 2020 and ending May 1, 2044, at an annual variable coupon rate averaging 2.2%. A debt service reserve fund is not required under this financing arrangement. At June 30, 2023, the balance on these bonds related to this project was \$5,055,888.

Dining Facility:

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, 2010B, and 2020A). As disclosed above, in July 2020 the Series 2010A and 2010B bonds were partially refunded with the Series 2020A bonds. Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2044, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve which totaled \$102,615 for the year ended June 30, 2023. At June 30, 2023, the balance on these bonds was \$2,616,163.

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June 30, 2023

Dining Facility Equipment Replacement and Installation:

In February 2022, the University entered into a financing agreement with the MSCBA for the replacement of equipment in the 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 2022A). Through its agreements with MSCBA, the University will repay this debt in semi-annual installments, starting November 1, 2022 and ending May 1, 2032, at an annual coupon rate of 5.0%. MSCBA does not require that the University maintain a debt service reserve. At June 30, 2023, the balance on these bonds was \$1,291,895.

Other Bonds Payable

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, 2023, the balance on these bonds was \$53,192.

Future Maturities of Bonds Payable

Maturities of the bonds payable subsequent to June 30, 2023 are as follows:

| Years Ended June 30, | Principal | Interest | Total |
|-------------------------|----------------------|---------------------|----------------------|
| 2024 | \$ 1,272,170 | \$ 656,438 | \$ 1,928,608 |
| 2025 | 1,314,795 | 612,625 | 1,927,420 |
| 2026 | 1,367,178 | 566,019 | 1,933,197 |
| 2027 | 1,421,849 | 514,938 | 1,936,787 |
| 2028 | 1,262,631 | 460,928 | 1,723,559 |
| 2029-2033 | 6,299,472 | 1,590,263 | 7,889,735 |
| 2034-2038 | 3,955,000 | 933,280 | 4,888,280 |
| 2039-2043 | 3,380,760 | 418,138 | 3,798,898 |
| 2044 | 690,000 | 21,197 | 711,197 |
| | <u>\$ 20,963,855</u> | <u>\$ 5,773,826</u> | <u>\$ 26,737,681</u> |

Future Maturities of Notes Payable

The following schedule summarizes future minimum annual payments under non-cancelable notes payable as of June 30, 2023:

| Years Ended June 30, | Principal | Interest | Total |
|-------------------------|-------------------|-----------------|-------------------|
| 2024 | \$ 85,300 | \$ 5,689 | \$ 90,989 |
| 2025 | <u>88,098</u> | <u>2,890</u> | <u>90,988</u> |
| | <u>\$ 173,398</u> | <u>\$ 8,579</u> | <u>\$ 181,977</u> |

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The University entered into finance purchase agreements for equipment. The notes payable require annual payments ranging from \$20,737 to \$70,250 with interest rates ranging from 3.19% to 3.53%

Note 13 - **Lease Liability**

A summary of the University's leases at June 30, 2023 is as follows:

| <u>Description</u> | <u>Expiration Date</u> | <u>Payment Amount</u> | <u>Rate Type</u> | <u>Interest Rate</u> | <u>Lease Liability</u> |
|-------------------------------|------------------------|-----------------------|------------------|----------------------|------------------------|
| Equipment Leases | Various | \$5,112 - \$10,337 | IBR | 5.00% | \$ 794,866 |
| MSCBA-04A-New Hall | 5/1/2043 | Varies | Implicit Rate | 3.11% | 28,498,199 |
| MSCBA-04A-Renewal | 5/1/2041 | Varies | Implicit Rate | 2.86% | 366,418 |
| MSCBA-06A-Renewal (2006) | 5/1/2033 | Varies | Implicit Rate | 2.10% | 888,406 |
| MSCBA-06A-Renewal (2007) | 5/1/2033 | Varies | Implicit Rate | 2.21% | 1,894,575 |
| MSCBA-08A-Renewal (20) | 5/1/2042 | Varies | Implicit Rate | 3.64% | 442,032 |
| MSCBA-08A-Renewal (30) | 5/1/2042 | Varies | Implicit Rate | 3.10% | 2,314,283 |
| MSCBA-09A-Renewal | 5/1/2042 | Varies | Implicit Rate | 3.71% | 1,230,691 |
| MSCBA-09C-Renewal | 5/1/2041 | Varies | Implicit Rate | 5.01% | 2,530,247 |
| MSCBA-10B-Renewal | 5/1/2041 | Varies | Implicit Rate | 5.22% | 1,239,975 |
| MSCBA-12A-Renewal | 5/1/2041 | Varies | Implicit Rate | 2.49% | 1,349,653 |
| MSCBA-12A-University Hall | 5/1/2044 | Varies | Implicit Rate | 4.01% | 46,863,645 |
| MSCBA-12C-Renewal | 5/1/2032 | Varies | Implicit Rate | 4.25% | 2,379,028 |
| MSCBA-14A-Davis | 5/1/2043 | Varies | Implicit Rate | 3.17% | 1,546,787 |
| MSCBA-14C-Dickinson | 5/1/2039 | Varies | Implicit Rate | 4.75% | 4,880,420 |
| MSCBA-15A-Davis | 5/1/2036 | Varies | Implicit Rate | 4.46% | 4,441,949 |
| MSCBA-99A-Pooled Debt Service | 5/1/2028 | Varies | Implicit Rate | 35.61% | 3,343,729 |
| | | | | | <u>\$ 105,004,903</u> |

Equipment Leases

In July 2019, the University entered into a seven-year lease agreement for equipment. Payments of \$5,243 are due monthly. There are no options to renew the lease or purchase the leased equipment. The University did not make payments for the lease other than the monthly payments for the year ended June 30, 2023.

In January 2022, the University entered into a five-year lease agreement for equipment. Payments of \$5,112 are due monthly. There are no options to renew the lease or purchase the leased equipment. The University did not make payments for the lease other than the monthly payments for the year ended June 30, 2023.

In April 2022, the University entered into a five-year lease agreement for equipment. Payments of \$10,337 are due monthly. There are no options to renew the lease or purchase the leased equipment. The University did not make payments for the lease other than the monthly payments for the year ended June 30, 2023.

The University's incremental borrowing rate ("IBR") for a transaction with similar attributes was used to discount the lease payments to recognize the intangible right to use this asset and the associated lease liability.

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MSCBA

The land on which the residence hall resides is leased by the Massachusetts State College Building Authority (“MSCBA”) from the Commonwealth of Massachusetts. MSCBA has issued bonds to construct and refurbish the University’s residence halls. The residence halls and the associated liabilities are reflected on the financial statements of MSCBA. MSCBA leases the residence halls to the University.

According to an agreement between the Commonwealth of Massachusetts and the University, the University is responsible for reimbursing MSCBA for debt service payments of the bonds that MSCBA has issued for the residence halls and operating costs for the residence halls incurred by MSCBA.

The lease terms are completed when the final bond payment is made. Final payment for all bonds is scheduled for May, 2044. If MSCBA refunds the bonds, any cost savings are passed through to the University. For the year ended June 30, 2022, \$2.9 million of the bonds were refunded. The difference in the lease liability due to the refunding was recognized as deferred outflow of resources.

Payments to MSCBA are due in semi-annual installments that coincide with the fall and spring academic semesters. For the year ended June 30, 2023, debt service payments related to leases paid by the University was \$10,654,685 and other payments of \$1,591,106.

At June 30, 2023, the total amount of the right of use lease assets and accumulated amortization for leases were \$113,499,349 and \$12,038,249, respectively.

Annual requirements to amortize the lease liability and related interest subsequent to June 30, 2023 are as follows:

| <u>Years Ended</u> <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------------|-----------------------|----------------------|-----------------------|
| 2024 | \$ 5,588,663 | \$ 5,171,511 | \$ 10,760,174 |
| 2025 | 5,872,450 | 4,870,920 | 10,743,370 |
| 2026 | 6,204,806 | 4,521,976 | 10,726,782 |
| 2027 | 6,468,823 | 4,108,678 | 10,577,501 |
| 2028 | 6,986,204 | 3,594,344 | 10,580,548 |
| 2029-2033 | 27,375,405 | 11,647,210 | 39,022,615 |
| 2034-2038 | 25,042,559 | 6,676,849 | 31,719,408 |
| 2039-2043 | 20,864,695 | 1,968,473 | 22,833,168 |
| 2044 | 601,298 | 22,288 | 623,586 |
| | <u>\$ 105,004,903</u> | <u>\$ 42,582,249</u> | <u>\$ 147,587,152</u> |

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Note 14 - **Subscription-Based Information Technology Arrangements**

The University has entered into subscription-based information technology arrangements (SBITAs) for various software products which were initiated in fiscal years ended ranging from June 30, 2021 to 2023. These agreements have expiration dates ranging from August 2024 to December 2026 and have annual payments ranging from \$23,062 to \$127,270. An IBR of 5% was used to discount all SBITA arrangement payments to recognize the intangible right to use this asset and the associated SBITA liability. There were no payments made for additional services not included in the annual SBITA payments. The University has no options to renew these agreements and there is no option to purchase the software products.

At June 30, 2023, the total amount of the SBITA right of use assets and accumulated amortization for SBITAs were \$1,155,428 and \$298,382, respectively.

Annual requirements to amortize the SBITA liability and related interest subsequent to June 30, 2023 are as follows:

| Years Ended | | | | |
|-------------|-------------------|------------------|-------------------|--|
| June 30, | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2024 | \$ 385,965 | \$ 32,618 | \$ 418,583 | |
| 2025 | 307,691 | 22,974 | 330,665 | |
| 2026 | 141,348 | 7,232 | 148,580 | |
| | <u>\$ 835,004</u> | <u>\$ 62,824</u> | <u>\$ 897,828</u> | |

Note 15 - **Pension**

Defined Benefit Plan Description

Certain employees of the University participate in a cost-sharing multiple-employer defined benefit pension plan - the Massachusetts State Employees' Retirement System - 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.

The Massachusetts State Employees' Retirement System does not issue stand-alone financial statements. Additional information regarding the Plan is contained in the Commonwealth's financial statements, which is available on-line from the Office of State Comptroller's website.

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

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member's age, length of creditable service, group creditable service, and group classification. The authority for amending these provisions rests with the Massachusetts State Legislature (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 are not eligible for retirement until they have reached 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.

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

| Hire Date | Percent of Compensation |
|---------------------|--|
| 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 |
| 7/1/2001 to present | 11% of regular compensation (for teacher hired after 7/1/01 and those accepting provisions of Chapter 114 of the Acts of 2000) |
| 1979 to present | An additional 2% of regular compensation in excess of \$30,000 except for teachers subject to Chapter 114 of the Acts of 2000 |

The Commonwealth does not require the University to contribute funding from its local trust funds for employees paid by state appropriations. Pension funding for employees paid from state appropriations are made through a benefit charge assessed by the Commonwealth. Such pension contributions amounted to approximately \$5,802,000 and \$5,556,000 for the years ended June 30, 2023 and 2022, respectively.

For employees covered by SERS but not paid from state appropriations, the University is required to contribute at an actuarially determined rate. The rate was 16.70% and 16.11% of annual covered payroll for the years ended June 30, 2023 and 2022. The University contributed \$2,086,906 and \$2,274,638 for the years ended June 30, 2023 and 2022, respectively, equal to 100% of the required contributions for each year. Annual covered payroll was approximately 91% and 89% of total related payroll for the years ended 2023 and 2022, respectively.

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Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the University reported a liability of \$22,479,727 for its proportionate share of the net pension liability related to its participation in SERS. The net pension liability as of June 30, 2023, the reporting date, was measured as of June 30, 2022, 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, 2022 rolled forward to June 30, 2022.

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 2023. The Commonwealth's proportionate share was based on actual employer contributions to the SERS for fiscal year 2023 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the University's proportion was 0.162%.

For the year ended June 30, 2023, the University recognized a pension expense credit of \$(809,615). The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at June 30, 2023:

Deferred Outflows of Resources Related to Pension

| | |
|--|---------------------|
| Contributions subsequent to the measurement date | \$ 2,086,906 |
| Differences between expected and actual experience | 559,192 |
| Changes in proportion from Commonwealth | 1,538 |
| Change in plan actuarial assumptions | 618,903 |
| Changes in proportion due to internal allocation | <u>240,780</u> |
| Total | <u>\$ 3,507,319</u> |

Deferred Inflows of Resources Related to Pension

| | |
|---|----------------------|
| Changes in proportion due to internal allocation | \$ 9,902,806 |
| Changes in proportion from Commonwealth | 60,807 |
| Differences between expected and actual experience | 877,391 |
| Differences between projected and actual earnings of pension plan investments | <u>119,841</u> |
| Total | <u>\$ 10,960,845</u> |

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The University's contributions of \$2,086,906 made during the year ended June 30, 2023, 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> | |
| 2024 | \$ (2,126,971) |
| 2025 | (2,518,821) |
| 2026 | (3,225,331) |
| 2027 | (991,080) |
| 2028 | (678,229) |
| | <u>\$ (9,540,432)</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, 2022 |
| Inflation | 2.50% |
| Salary increases | 4.00% to 9.00% |
| Investment rate of return | 7.00% |
| Interest rate credited to annuity savings fund | 3.50% |
| Cost of living increase | 3.00% |

For measurement date June 30, 2022, mortality rates were based on:

- Pre-retirement - reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 set forward 1 year for females.
- Post-retirement - reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 set forward 1 year for females.
- Disability - reflects the post-retirement mortality described above, set forward 1 year.

Experience studies were performed as follows:

- Dated February 27, 2014 and encompasses the period January 1, 2006 to December 31, 2011, updated to reflect actual experience from 2012 through 2020 for post-retirement mortality.

The 2023 pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of January 1, 2022 and rolled forward to June 30, 2022.

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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 weighing the expected future rates of return by the target asset allocation percentage.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------------------------|-------------------|--|
| Global Equity | 38.0% | 4.2% |
| Portfolio Completion Strategies | 10.0% | 2.7% |
| Core Fixed Income | 15.0% | 0.5% |
| Private Equity | 15.0% | 7.3% |
| Real Estate | 10.0% | 3.3% |
| Value Added Fixed Income | 8.0% | 3.7% |
| Timber/Natural Resources | 4.0% | 3.9% |
| | | |
| Total | 100.0% | |

Discount Rate

The discount rate used to measure the total pension liability was 7.00% at June 30, 2023. 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 pension plan's fiduciary 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 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.

| June 30, 2023 | | |
|---------------------------|--------------------------|---------------------------|
| Current | | |
| 1.00% Decrease (6.00%) | Discount Rate (7.00%) | 1.00% Increase (8.00)% |
| \$ 31,004,661 | \$ 22,479,727 | \$ 15,266,394 |

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Note 16 - **OPEB**

Plan Description

As an agency of the Commonwealth, certain employees of the University participate in the Commonwealth's single-employer defined benefit-OPEB plan - the State Retirees' Benefit Trust ("SRBT"). Benefits are managed by the Group Insurance Commission ("GIC") and investments are managed by the Pension Reserves Investment Management ("PRIM") Board. The GIC has representation on the Board of Trustees of the State Retirees' Benefits Trust ("Trustees").

The SRBT is set up solely to pay for OPEB benefits and the cost to administer those benefits. It can only be revoked when all such health care and other non-pension benefits, current and future, have been paid or defeased. The GIC administers benefit payments, while the Trustees are responsible for investment decisions.

Management of the SRBT is vested with the Trustees, which consists of seven members including the Secretary of Administration and Finance (or their designee), the Executive Director of the GIC (or their designee), the Executive Director of PERAC (or their designee), the State Treasurer (or their designee), the Comptroller (or a designee), one person appointed by the Governor, and one person appointed by the State Treasurer. These members elect one person to serve as chair of the board.

The SRBT does not issue stand-alone audited financial statements but is reflected as a fiduciary fund in the Commonwealth's audited financial statements.

Benefits Provided

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 are comparable to contributions required from employees. Dental and vision coverage may be purchased by these groups with no subsidy from the Commonwealth.

Contributions

Employer and employee contribution rates are set by MGL. The Commonwealth recognizes its share of the costs on an actuarial basis. As of June 30, 2023 and as of the valuation date (January 1, 2022), participants contributed 10% to 20% of premium costs, depending on the date of hire and whether the participants' status is active, retired, or survivor. As part of the fiscal year 2010 General Appropriation Act, all active employees pay an additional 5% of premium costs. The Massachusetts General Laws governing employer contributions to SRBT determine whether entities are billed for OPEB costs. Consequently, SRBT developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). The University is required to contribute based on Massachusetts General Laws; the rate was 7.28% of annual covered payroll for the fiscal year ended June 30, 2023.

The University contributed \$909,454 for the fiscal year ended June 30, 2023, equal to 100% of the required contribution for the year.

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OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2023, the University reported a liability of \$28,290,524 for its proportionate share of the net OPEB liability related to its participation in SRBT. The net OPEB liability as of June 30, 2023, was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022. The University's proportion of the net OPEB liability was based on its share of the Commonwealth's collective OPEB amounts allocated on the basis of an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner based on the University's share of total covered payroll for the fiscal year 2022. The University's proportionate share was based on the actual employer contributions to the SRBT for fiscal year 2022 relative to total contributions of all participating employers for the fiscal year. At June 30, 2023, the University's proportion was 0.212%.

For the year ended June 30, 2023, the University recognized an OPEB expense credit of \$(4,657,096). The University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources at June 30, 2023:

Deferred Outflows of Resources Related to OPEB

| | |
|--|---------------------|
| Contributions subsequent to the measurement date | \$ 909,454 |
| Changes in proportion from Commonwealth | 12,998 |
| Differences between expected and actual experience | 520,792 |
| Changes of assumptions | 2,083,690 |
| Changes in proportion due to internal allocation | 1,509,692 |
| Net differences between projected and actual earnings on OPEB plan investments | <u>43,005</u> |
| Total deferred outflows related to OPEB | <u>\$ 5,079,631</u> |

Deferred Inflows of Resources Related to OPEB

| | |
|--|----------------------|
| Differences between expected and actual experience | \$ 4,683,803 |
| Changes in proportion from Commonwealth | 139,713 |
| Changes in proportion due to internal allocation | 21,711,130 |
| Changes in OPEB plan actuarial assumptions | <u>10,238,940</u> |
| Total deferred inflows related to OPEB | <u>\$ 36,773,586</u> |

The University's contributions of \$909,454 made during the fiscal year ending 2023, reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in each of the succeeding years.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as increases (decreases) in OPEB expense as follows:

| Years Ending | |
|-----------------|------------------------|
| <u>June 30,</u> | |
| 2024 | \$ (7,729,486) |
| 2025 | (7,686,457) |
| 2026 | (7,523,213) |
| 2027 | (7,332,529) |
| 2028 | <u>(2,331,724)</u> |
| | <u>\$ (32,603,409)</u> |

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|---|
| Measurement date | June 30, 2022 |
| Inflation | 2.50% |
| Salary increases | 4.0% per year |
| Investment rate of return | 7.00%, net of OPEB plan investment expense, including inflation |
| Health care cost trend rates | Developed based on the most recent published GAO-Getzen trend rate model, version 2022_f4. Medicare and non-medicare benefits range from 3.94% to 9.11% |

The mortality rate was in accordance with RP 2014 Blue Collar Mortality Table projected with scale MP-2020 with females set forward one year.

The participation rates are actuarially assumed as below:

- 100% of all retirees who currently have health care coverage are assumed to elect coverage at retirement.
- Retirees who currently elect to waive their coverage are assumed to remain uncovered in the future.
- 35% of employees currently opting out of active employee health coverage are assumed to elect to enroll in retiree coverage.
- 85% of current and future vested terminated participants will elect health care benefits at age 55, or current age if later.
- 100% of spouses are assumed to elect to continue coverage after the retiree's death.

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

| | <u>Retirement Age</u> | |
|-----------|-----------------------|----------------|
| | <u>Under 65</u> | <u>Age 65+</u> |
| Indemnity | 28.0% | 96.0% |
| POS/PPO | 62.0% | 0.0% |
| HMO | 10.0% | 4.0% |

The actuarial assumptions used in the January 1, 2022 valuations were based on the results of an actuarial experience study for the periods ranging July 1, 2020 through December 31, 2021, depending upon the criteria being evaluated.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. The SRBT is required to invest in the PRIT Fund. Consequently, information about SRBT's target asset allocation and long-term expected real rate of return as of June 30, 2023 and 2022 are the same as discussed in the pension footnote.

Discount Rate

The discount rate used to measure the total OPEB liability for 2023 was 4.30%. This rate was based on a blend of the Bond Buyer Index rate (3.54%) as of the measurement date and the expected rate of return. The OPEB plan's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Based on the stated assumptions and the projection of cash flows, the Plan's Fiduciary Net Position and future contributions were not sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on OPEB plan investments of 7.00% was applied to projected benefit payments through year 2042 and the municipal bond rate was applied to all remaining future years to determine the total OPEB liability.

Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

| | June 30, 2023 | | |
|--------------------|----------------|------------------------|----------------|
| | 1.00% Decrease | Current | 1.00% Increase |
| | 3.30% | Discount Rate 4.30% | 5.30% |
| Net OPEB Liability | \$ 33,003,949 | \$ 28,290,524 | \$ 24,418,789 |

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Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

| | June 30, 2023 | | |
|----|----------------|---------------------------------------|----------------|
| | 1.00% Decrease | Current Healthcare Cost Trend Rate | 1.00% Increase |
| | (B) | (A) | (C) |
| \$ | 23,715,557 | \$ 28,290,524 | \$ 34,081,883 |

- (A) - Current healthcare cost trend rate, as disclosed in the actuarial assumptions
 (B) - 1-percentage decrease in current healthcare cost trend rate, as disclosed in the actuarial assumptions
 (C) - 1-percentage increase in current healthcare cost trend rate, as disclosed in the actuarial assumptions

Note 17 - **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, 2023:

Restricted - expendable:

| | |
|------------------------------|---------------------|
| Scholarships and fellowships | \$ 988,612 |
| Loans | 15,095 |
| Capital projects | 118,870 |
| Grants | <u>1,682,485</u> |
| | <u>\$ 2,805,062</u> |

The Foundation's restricted - nonexpendable and expendable net position consists of investments to be utilized for various scholarships and program support as of June 30, 2023.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Financial Statements - Continued
June 30, 2023

Note 18 - **Operating Expenses**

The University's operating expenses, on a natural classification basis, are comprised of the following at June 30, 2023:

| | |
|-------------------------------|-----------------------|
| Compensation and benefits | \$ 71,503,778 |
| Supplies and services | 27,021,456 |
| Depreciation and amortization | 12,013,067 |
| Scholarships and fellowships | <u>4,799,701</u> |
| | <u>\$ 115,338,002</u> |

Note 19 - **Other Fringe Benefits**

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

Group Insurance Commission

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.

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 number of municipalities as an agent multiple-employer program, accounted for as an agency fund activity of the Commonwealth, not the University.

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 it 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, 2023, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans. The GIC also administers carve-outs for pharmacy, mental health, and substance abuse benefits for certain 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 pretax health care spending account and dependent care assistance program (for active employees only).

Other Retirement Plans

The employees of the University 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 University has no obligation to contribute to these plans and no obligation for any future payout.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Financial Statements - Continued
June 30, 2023

Note 20 - **Commitments and Contingencies**

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

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

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

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

The University participates in the various programs administered by the Commonwealth for property, general liability, automobile liability, and workers' compensation. The Commonwealth is self-insured for employees' workers' compensation, casualty, theft, tort claims, and other losses. Such losses, including estimates of amounts incurred but not reported, are obligations of the Commonwealth. For workers' compensation, the Commonwealth assumes the full risk of claims filed under a program managed by the Human Resources Division. For personal injury or property damages, Massachusetts General Laws limit the risk assumed by the Commonwealth to \$100,000 per occurrence, in most circumstances.

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

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

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Financial Statements - Continued
June 30, 2023

The University's state appropriations are composed of the following at June 30, 2023:

| | |
|---|----------------------|
| Direct unrestricted appropriations | \$ 35,424,405 |
| Add: Fringe benefits for benefited employees on the state payroll | 13,724,292 |
| Less: Day school tuition remitted to the state and included in tuition and fee revenue | <u>(1,040,829)</u> |
| Total unrestricted appropriations | 48,107,868 |
| Capital appropriations | <u>11,018,896</u> |
| Total appropriations | <u>\$ 59,126,764</u> |

No timing differences occurred where the University had additional revenue that was reported to MMARS for the year ended June 30, 2023 (unaudited).

Note 22 - **Pass-Through Grants**

The University distributed \$25,151,702 as of June 30, 2023 for student loans through the U.S. Department of Education Federal Direct Lending Program. These distributions and related funding sources are not included as expenses and revenues, or as cash disbursements and cash receipts in the accompanying financial statements.

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

MSCBA was created pursuant to Chapter 703 of the Act of 1963 of the Commonwealth as a public instrumentality for the general purpose of providing residence halls and other facilities for use by students of the state universities of the Commonwealth, as well as major construction projects on their campuses.

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, as well as debt service on instruments issued by MSCBA for dormitory and other major construction projects for the University. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations and certain MSCBA operating costs.

These obligations may include the costs of periodic renovations and improvements to the residence halls, as well as other major construction performed on campus, which has included athletic field construction and repair.

The portions of the semi-annual Revenue Assessments paid to the MSCBA by the University for building leases mainly for residence halls, related maintenance, insurance, other costs, historical pooled obligations and other major renovations and improvements for the University for the year ended June 30, 2023 was \$10,503,483, net of release of debt service reserve funds of \$1,742,308. The debt portion of these payments for building leases are accounted for under GASB 87 and are included within these financial statements within capital assets as right to use assets, net of amortization and offset by a lease liability.

**REQUIRED SUPPLEMENTARY
INFORMATION**

DRAFT

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

Schedule of Proportionate Share of Net Pension Liability (Unaudited)

Massachusetts State Employees' Retirement System

| Year ended | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 | June 30, 2014 |
| Valuation date | January 1, 2022 | January 1, 2021 | January 1, 2019 | January 1, 2019 | January 1, 2018 | January 1, 2017 | January 1, 2016 | January 1, 2015 | January 1, 2014 | January 1, 2014 |
| Proportion of the collective net pension liability | 0.162% | 0.209% | 0.257% | 0.256% | 0.265% | 0.249% | 0.240% | 0.289% | 0.218% | |
| Proportionate share of the collective net pension liability | \$ 22,479,727 | \$ 21,788,225 | \$ 44,175,215 | \$ 37,463,840 | \$ 35,031,695 | \$ 31,945,217 | \$ 30,460,744 | \$ 30,111,590 | \$ 16,195,411 | |
| University's covered payroll | \$ 14,119,417 | \$ 16,940,771 | \$ 19,760,703 | \$ 21,138,607 | \$ 20,555,229 | \$ 19,572,020 | \$ 16,780,213 | \$ 15,939,654 | \$ 16,181,450 | |
| University's proportionate share of the net pension liability as a percentage of its covered payroll | 159.21% | 128.61% | 223.55% | 177.23% | 170.43% | 163.22% | 181.53% | 188.91% | 100.09% | |
| Plan fiduciary net position as a percentage of the total pension liability | 71.05% | 77.54% | 62.48% | 66.28% | 67.91% | 67.21% | 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, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - Pension (Unaudited)

Massachusetts State Employees' Retirement System

For the Years Ended June 30,

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contribution | \$ 2,086,906 | \$ 2,274,638 | \$ 2,483,517 | \$ 2,782,307 | \$ 2,549,316 | \$ 2,421,406 | \$ 1,947,416 | \$ 1,586,274 | \$ 1,656,130 |
| Contributions in relation to the statutorily required contribution | (2,086,906) | (2,274,638) | (2,483,517) | (2,782,307) | (2,549,316) | (2,421,406) | (1,947,416) | (1,586,274) | (1,656,130) |
| Contribution (excess)/deficit | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| University's covered payroll | \$ 12,486,443 | \$ 14,119,417 | \$ 16,940,771 | \$ 19,760,703 | \$ 21,138,607 | \$ 20,555,229 | \$ 19,572,020 | \$ 16,780,213 | \$ 15,939,654 |
| Contribution as a percentage of covered payroll | 16.70% | 16.11% | 14.66% | 14.08% | 12.06% | 11.78% | 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, 2014 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Required Supplementary Information - Pension (Unaudited)
For the Year Ended June 30, 2023

Note 1 - **Change in Plan Actuarial and Assumptions**

Measurement date – June 30, 2022

The inflation rate of return changed from 3.00% to 2.50%.

Measurement date – June 30, 2021

The investment rate of return changed from 7.15% to 7.00%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rates were changed as follows:

- Pre-retirement mortality reflects RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020, set forward 1 year for females
- Post-retirement mortality reflects RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020, set forward 1 year for females
- For disabled retirees, mortality reflects the post-retirement mortality described above, set forward 1 year.

Measurement Date – June 30, 2020

The investment rate of return changed from 7.25% to 7.15%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement Date – June 30, 2019

The investment rate of return changed from 7.35% to 7.25%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

Measurement date – June 30, 2018

The investment rate of return changed from 7.50% to 7.35%. In conjunction with the investment rate of return changing, the discount rate was also changed to mirror the new investment rate of return.

The mortality rate assumptions were changed as follows:

- Disabled members – the amount reflects the same assumptions as for superannuation retirees, but with an age set forward of one year

Measurement date – June 30, 2017

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Employees Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct) to RP-2014 Blue Collar Healthy Annuitant Table projected generationally with Scale MP-2016 and set forward 1 year for females
- Disability – did not change

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Required Supplementary Information - Pension (Unaudited) - Continued
For the Year Ended June 30, 2022

Measurement date – June 30, 2016

The assumption for salary increases changed from a range of 3.5% to 9.0% depending on group and length of service to a range of 4.0% to 9.0% depending on group and length of service.

Chapter 176 of the Acts of 2011 created a one-time election for eligible members of the Optional Retirement Plan (“ORP”) to transfer to the SERS and purchase service for the period while members of the ORP. As a result, the total pension liability of SERS increased by approximately 400 million as of June 30, 2016.

Measurement date – June 30, 2015

The discount rate to calculate the pension liability decreased from 8.0% to 7.5%

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

The mortality rates were changed as follows:

- Pre-retirement – was changed from RP-2000 Employees table projected 20 years with Scale AA (gender distinct) to RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Post-retirement – was changed from RP-2000 Healthy Annuitant table projected 15 years with Scale AA (gender distinct) to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct)
- Disability – was changed from RP-2000 table projected 5 years with Scale AA (gender distinct) set forward three years for males to RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2015 (gender distinct)

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

Schedule of Proportionate Share of Net OPEB Liability (Unaudited)

Massachusetts State Retirees' Benefit Trust

| Year ended | June 30, 2023 | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Measurement date | June 30, 2022 | June 30, 2021 | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2017 |
| Valuation date | January 1, 2022 | January 1, 2021 | January 1, 2020 | January 1, 2019 | January 1, 2018 | January 1, 2017 | January 1, 2017 |
| Proportion of the collective net OPEB liability | 0.212% | 0.239% | 0.275% | 0.404% | 0.433% | 0.433% | 0.373% |
| Proportionate share of the collective net OPEB liability | \$ 28,290,524 | \$ 38,255,065 | \$ 56,843,150 | \$ 70,625,670 | \$ 76,656,042 | \$ 62,133,611 | \$ 62,133,611 |
| University's covered payroll | \$ 14,119,417 | \$ 16,940,771 | \$ 19,760,703 | \$ 21,138,607 | \$ 20,555,229 | \$ 19,572,020 | \$ 19,572,020 |
| University's proportionate share of the net OPEB liability as a percentage of its covered payroll | 200.37% | 225.82% | 287.66% | 334.11% | 372.93% | 317.46% | 317.46% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 13.00% | 10.70% | 6.40% | 6.96% | 6.01% | 5.39% | 5.39% |

Notes:

The GASB pronouncement requiring the presentation of the information on this schedule became effective for years beginning after June 15, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

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

Schedule of Contributions - OPEB (Unaudited)

Massachusetts State Retirees' Benefit Trust

For the Years Ended June 30,

| | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Statutorily required contribution | \$ 909,454 | \$ 1,080,253 | \$ 1,304,124 | \$ 1,441,304 | \$ 1,858,947 | \$ 1,833,293 |
| Contributions in relation to the statutorily required contribution | <u>(909,454)</u> | <u>(1,080,253)</u> | <u>(1,304,124)</u> | <u>(1,441,304)</u> | <u>(1,858,947)</u> | <u>(1,833,293)</u> |
| Contribution (excess)/deficit | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| University's covered payroll | \$ 12,496,443 | \$ 14,119,417 | \$ 16,940,771 | \$ 19,760,703 | \$ 21,138,607 | \$ 20,555,240 |
| Contribution as a percentage of covered payroll | 7.28% | 7.65% | 7.70% | 7.29% | 8.79% | 8.92% |

Notes:

Employers participating in the Massachusetts State Retirees' Benefit Trust 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, 2017 and is intended to provide data for the most recent ten years.

See accompanying notes to the required supplementary information.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Required Supplementary Information – OPEB (Unaudited)
June 30, 2023

Note 1 - **Change in Plan Assumptions**

Fiscal year June 30, 2023

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2022_f4. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Discount Rate

The discount rate was increased to 4.30% (based upon a blend of the Bond Buyer Index rate (3.54%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2022

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated reflect lower-than-expected FY22 rates, driven primarily by an increase in expected Pharmacy Benefits Manager rebates.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 2021_b. The healthcare trend rates were updated to reflect short-term expectations based on a review of the Commonwealth's historical trend rates.

Change in Investment Rate

The investment rate of return decreased from 7.15% to 7.00%.

Change in Mortality Rates

The mortality projection scale was updated from MP-2016 to MP-2020.

Change in Discount Rate

The discount rate was increased to 2.77% (based upon a blend of the Bond Buyer Index rate (2.16%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2021

Assumptions:

Change in per capita claims costs

Per capita claims costs were updated based on the changes in the underlying claims and benefit provisions.

Change in medical trend rates

The medical trend rates were updated based on the SOA-Getzen trend rate model version 20920_b, the impact of the discontinuation of the ACA Health Insurer Fee and Excise Tax.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Required Supplementary Information - OPEB (Unaudited) - Continued
June 30, 2023

Change in Investment Rate

The investment rate of return decreased from 7.25% to 7.15%.

Change in Salary Scale

The salary scale assumption was updated from a constant 4% assumption to rates that vary by years of service and group classification, consistent with SERS.

Change in Discount Rate

The discount rate was decreased to 2.28% (based upon a blend of the Bond Buyer Index rate (2.21%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2020

Fiscal year June 30, 2020

Assumptions:

Change in Inflation

The inflation rate decreased from 3.0% to 2.5%.

Change in Salary Assumptions

Salary decreased from 4.5% to 4.0%.

Change in Investment Rate

The investment rate of return decreased from 7.35% to 7.25%.

Change in Trend on Future Costs

The healthcare trend rate decreased from 8.0% to 7.5%, which affects the high-cost excise tax.

Change in Discount Rate

The discount rate was decreased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.51%) as of the measurement date as required by GASB Statement 74.

Fiscal year June 30, 2019

Assumptions:

Change in Trend on Future Costs

The original healthcare trend rate decreased from 8.5% to 8.0%, which impact the high cost excise tax.

Change in Mortality Rates

The following mortality assumption changes were made in the January 1, 2018 Actuarial Valuation:

- Disabled members – would reflect the same assumptions as for superannuation retirees, but with an age set forward of one year

Change in Discount Rate

The discount rate was increased to 3.95% (based upon a blend of the Bond Buyer Index rate (3.87%) as of the measurement date as required by GASB Statement 74.

WESTFIELD STATE UNIVERSITY
(an agency of the Commonwealth of Massachusetts)
Notes to the Required Supplementary Information - OPEB (Unaudited) - Continued
June 30, 2023

Fiscal year June 30, 2018

Assumptions:

Change in Discount Rate

The discount rate was increased to 3.63% (based upon a blend of the Bond Buyer Index rate (3.58%) as of the measurement date as required by GASB Statement 74. The June 30, 2016 discount rate was calculated to be 2.80%.

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SUPPLEMENTAL INFORMATION

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

Schedule of Net Position
Dormitory Trust Fund Report (Unaudited)

As of June 30, 2023

| | Assets | |
|--|---------------|------------------|
| Current Assets: | | |
| Cash and equivalents | \$ | 5,419,444 |
| Accounts receivable, net | | 17,269 |
| Deposits held by State Treasurer | | 265,640 |
| Other current assets | | 624 |
| Total Assets | \$ | 5,702,977 |
| Liabilities and Net Position | | |
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ | 174,216 |
| Accrued employee compensation and benefits | | 364,051 |
| Deposits held for others | | 1,851 |
| Total Current Liabilities | | 540,118 |
| Noncurrent Liability: | | |
| Accrued liability for employee compensation and benefits | | 36,104 |
| Total Liabilities | | 576,222 |
| Net Position: | | |
| Unrestricted | | 5,126,755 |
| Total Liabilities and Net Position | \$ | 5,702,977 |

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

Schedule of Revenues, Expenses and Changes in Net Position
Dormitory Trust Fund Report (Unaudited)

For the Year Ended June 30, 2023

| | |
|--|----------------------------|
| Operating Revenues: | |
| Room rent | \$ 15,136,469 |
| Less: Resident Assistant room waivers | (415,000) |
| Other sources | 38,730 |
| Deposits forfeited | 72,800 |
| Commissions - vending | <u>22,032</u> |
| Total Operating Revenues | <u>14,855,031</u> |
| Operating Expenses: | |
| Employee compensation | 1,957,145 |
| Energy costs | 1,906,512 |
| Pension and insurance | 774,773 |
| Special employees | 55,292 |
| Operational services | 414,775 |
| Scholarships and Resident Assistant board waivers | 722,905 |
| Repairs and maintenance | 11,454 |
| Facility operations supplies | 203,503 |
| Administrative | 87,286 |
| Equipment purchase | 44,426 |
| Equipment lease, rental and maintenance | 154,229 |
| Consultant services | 6,079 |
| Employee related | 5,812 |
| Information technology expenses | 136,391 |
| Annual payment to the Massachusetts State College Building Authority, net of debt service reserve applied of \$1,742,308 | <u>10,503,483</u> |
| Total Operating Expenses | <u>16,984,065</u> |
| Excess of Expenses over Revenues Before Transfers | <u>(2,129,034)</u> |
| Operating Transfers In: | |
| University support | <u>2,129,034</u> |
| Increase in Net Position | - |
| Net Position, Beginning of Year | <u>5,126,755</u> |
| Net Position, End of Year | <u>\$ 5,126,755</u> |

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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:

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 the business-type activities of Westfield State University (the "University"), and its discretely presented major component unit, as of and for the year ended June 30, 2023, 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 11, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

October 11, 2023

DRAFT

Westfield STATE UNIVERSITY

INTERNAL AUDIT REPORT STUDENT BURSAR AUDIT

Final

October 11, 2023

To:

Member of the Audit Committee

From:

Samantha Spezeski, *Director of Internal Audit*
Mike Santolucito, *Assistant Director of Internal Audit*

Distribution:

Nicole Baginski, *Director of Student Accounts*
Stephen Taksar, *Vice President of Administration and Finance*
Lisa Freeman, *Associate Vice President of Finance*

THE BOSTON CONSORTIUM 
FOR HIGHER EDUCATION
Shared Internal Audit Services

Babson College, Bentley University, Berklee College of Music, Brandeis University,
Emerson College, Rhode Island School of Design, Suffolk University, Wheaton College

Executive Summary

Background

The Office of the Bursar provides services and resources that students and their families need to fund and pay for education at Westfield State University. The responsibilities of the Office of the Bursar include but are not limited to maintaining student accounts, applying charges, crediting payments, refunding overpayments, tracking course overloads, processing IRS 1098T and assisting students when questions arise. The department uses Banner as their system of record.

The Office of Internal Audit is a shared function provided by the Boston Consortium for Higher Education. One of the goals of this shared function is to share best practices among the member schools. In this spirit, Internal Audit may document and compare policies and procedures for the Bursar review at the institutions that share this internal audit function.

Audit Objectives and Scope

The objective of the audit was to analyze and to assess the effectiveness of controls over the student bursar processes. Our audit techniques included interviews, data analysis, the review of documentation in support of transactions, and physical observations of processes.

The following controls/processes were reviewed:

- Billing Accuracy
- Charge/Reversal approvals
- Accounts Receivable aging
- SAFO compliance
- Student payment/refund process
- 1098T processing and Calculation
- Overload charges
- Credit balances
- Student bill collection
- Billing from other departments (Residence Life, Financial aid, etc.)

Conclusion

Controls over processes and procedures in the Office of the Bursar appear to be functioning as designed, but opportunities for improvement exist. Specifically:

- The Institution has a formal process for running exception reporting on billing rules before courses are offered to students, but Internal Audit found some incorrect billing rules for Graduate and Continuing Education (CGCE).
- There is a lack of communication between Residence Life and the Bursar regarding whether student accounts are in good standing before allowing them to move on campus or upgrade rooms.

Executive Summary (Cont'd)

- International students are still paying full tuition and fees with cash. This poses a safety and security risk as the student travels from their home country with substantial amounts of cash.
- For non CGCE students, refund policy exceptions are inconsistently applied and not documented when exceptions to the policy occur.
- University IT is lacking a data warehouse setup resulting in an inability to run historic Banner reports for the Bursar and other departments.

Additionally, attached to this report is a memo outlining other observations that do not require Management responses as there is little risk from an internal controls perspective. These observations represent common operational practices in the higher education industry from both public and private institutions and benchmarked Westfield State's processes, specifically related to the Bursar function.

The courtesies and cooperation extended by the employees of the Office of the Bursar and the Finance Office during the review were sincerely appreciated. If you have any comments, questions or suggestions with respect to this review, please contact the Director of Internal Audit, Samantha Spezeski at 781-296-7824.

Audit Observations

1.) Inaccurate CGCE Billing Rules

During our testwork over tuition and fees related to graduate students in the Graduate and Continuing Education (CGCE) program, a few errors were identified related to incorrect billing rules. As a result, the students were undercharged.

Internal Audit notes that there is a process in place for running exception reporting for billing rules before the course is offered for registration, but it appears this step was missed or performed incorrectly for the errors found.

Recommendation:

Management should ensure that course creators are following all necessary steps to determine that course billing rules are correct before allowing students to register for courses.

Management Response:

Management agrees with this recommendation. Due to high staff turnover and training challenges, existing error reports were not consistently run and reviewed to ensure courses were accurately set up. Course builders in the Registrar's Office will receive training on running the reports before registration begins to identify and correct errors in a timely manner. Additionally, a review process of assessed tuition and fees for all CGCE programs will be implemented in order to validate all billing rules and charges at the start of each semester. Currently, the Student Accounts office relies heavily on the technical expertise of the Registrar's office. A funding request of \$20,000 for Banner training on rate table structure and supporting processes will be made in October 2023 to include Student Accounts, Registrar, and Financial Aid Offices

Audit Observations (Cont'd)

2.) Communication and Clarification of Roles Between Departments

Communication between Residence Life and the Bursar needs improvement. At times, students are allowed to move on campus even if their account is flagged as they owe outstanding money to the institution and should not be allowed to move on campus per policy. Additionally, students are also allowed to upgrade dorm rooms, but there is no coordination between departments to check if the student is in good standing and has no holds.

Allowing students to incur more debt or upgrade when they are not eligible is not good practice for any party involved. The departments try their best to track this, but many are falling through the cracks.

Recommendation:

Management should ensure that communication and the clarification of roles between Residence Life and the Bursar are clear and sufficient. This will ensure that University policies are being followed and all departments are operating with the same information.

Management Response:

Management agrees with this recommendation. An initial meeting between The Director of Student Accounts and the new Director of Residential Life has been scheduled to discuss issues surrounding improving communications. Scheduled monthly meetings beginning September 22, 2023, between Student Accounts and Residential Life (along with other departments such as Financial Aid and the Registrar's office) will take place in an effort to improve communication and internal processes. Going forward, when students request room upgrades or complete housing agreements requesting to move on campus, Residential Life will consult with Student Accounts, in advance, to ensure the student has payment arrangements in place.

Audit Observations (Cont'd)

3.) Student Cash Payments

Westfield accepts cash for all payments with no limitation. As a result, some international students travel from their home countries to campus with substantial amounts of cash, which could pose not only a security but safety risk for students anytime throughout their journey. Most institutions have gone cash free on campus, as there is a risk to accepting cash in any setting. Specific to international students, most institutions require tuition and fee payments be made through an international wire service to prevent this from occurring. Westfield has implemented the same service, which has cut down on the number of cash paying students, but it is not required.

Recommendation:

Management should consider requiring all international students to use the wire service to pay for tuition and fees instead of paying in cash in person. Further, Management should discuss cash free options for all payments on campus.

Management Response:

Management agrees with this recommendation, however, our records indicate that the number of cash payments received from international students has been minimal. The University began a partnership with TransferMate, a global payments technology firm, in 2021 to improve the payment options for international students. Since adding this service, the University has significantly reduced the number of cash payments made in person. Furthermore, TouchNet (our student payment processor) accepts all major credit cards, even if the student has an international address.

Additionally, student bills are due well in advance of the semester beginning and in advance of the student leaving their home country. The University's International Programs Office has a mandatory pre-arrival orientation for all students each semester. During this orientation, students are instructed not to bring cash with them and are provided with TransferMate's payment instructions. Students are also personally called by a staff member in the International Programs Office to reiterate these instructions.

Management will consider cash free options for all payments on campus after assessing the viability and having internal discussions with the appropriate departments and campus leadership.

Audit Observations (Cont'd)

4.) Inconsistent Application of Policies

The University has a refund policy that follows a schedule of when a student drops a course. This policy is inconsistently applied for non CGCE students, as the Registrar gives leniency during weeks 1 and 2 and gives 100% refund, not in line with policy.

Recommendation:

Management should ensure that policies are being followed. Any deviation from policy should be documented to note a sufficient reason. If policy does not reflect true practice, then it should be changed.

Management Response:

Management agrees with this recommendation. In collaboration with the VP of Enrollment Management and Student Affairs and Vice President for Administration and Finance, the University's Withdrawal Refund Policy 0160 will be reviewed and updated along with our internal processes. The Registrar, Admissions and CARE Center offices will be reminded that any policy exceptions will require a documented reason and written approval.

Audit Observations (Cont'd)

5.) Banner Reporting

During the audit, Westfield IT informed Internal Audit that they have no way to pull reports based upon historic data from Banner. They said they do not have the capability so they can only pull real-time or snapshot data of previous backups of the system. This is specifically due to a lack of a data warehouse. Without this capability, any exception reporting at the end of a term would be impossible. Instead, someone would have to complete this task manually, which would not be a viable practice.

Recommendation:

Management should work with IT to determine how they can obtain the capability of running historic reports on Banner.

Management Response:

Management agrees with this recommendation. Student billing accounts and registration data are constantly changing, and our existing reports pull real-time data. The University is in the process of changing our report writing software and a data warehouse solution is being explored. The Office of Institutional Research is also exploring the ability to obtain snapshots of data from our database at integral times during the semester. We intend to include the need for extracting historical data in the scope of work for our Banner training request identified in Audit Observation #1.

Addendum

THE BOSTON CONSORTIUM



FOR HIGHER EDUCATION

Shared Internal Audit Services

BABSON COLLEGE, BENTLEY UNIVERSITY, BERKLEE COLLEGE OF MUSIC, BRANDEIS UNIVERSITY,
EMERSON COLLEGE, RHODE ISLAND SCHOOL OF DESIGN, SUFFOLK UNIVERSITY, WHEATON COLLEGE

To: Nicole Baginski, *Director of Student Accounts*

From: Samantha Spezeski, *Director of Internal Audit*

CC: Stephen Taksar, *Vice President of Administration and Finance*
Lisa Freeman, *Associate Vice President of Finance*

Subject: Student Bursar Internal Audit 2023-21-O

The shared Internal Audit Services for the Boston Consortium for Higher Education has additional observations that do not require Management responses as there is little risk from an internal controls perspective. These observations represent common operational practices in the higher education industry from both public and private institutions and benchmarked Westfield State's processes, specifically related to the Bursar function.

Paid in Full:

Westfield allows students to start the semester without being paid in full. The University gives students a grace period to pay their semester invoices, including when a student registers late. This can overlap into the semester and requires a lot of time for the Bursar to track down payments after the fact. In line with common practice, invoices should be paid or on a payment plan before the semester begins. Payment should always be due before the first day of classes in cases where a student registers late.

Payment Plans:

Students on payment plans that miss a payment after the initial payment are allowed to stay enrolled in the University. They are assessed late fees and holds are put onto accounts to prevent them from registering from a future semester. Common practice among peer institutions is to drop students if they miss any payment on the payment plan to prevent receivable increases.

Department Structure:

Student Financial Aid disburses financial aid to student accounts however, the Bursar is tasked with sending email notifications that disbursement amounts are posted on accounts and receives inquires related to federal loan disbursements. The Bursar is not well versed as to the particulars of all charges, which is why it is forwarded to the Financial Aid Department. From a customer service and common practice perspective, most higher education institutions have combined Student Financial Aid, Bursar, Registrar departments, into one department.

Addendum (Cont'd)

Low Overload Charges:

Overload charges are defined at Westfield as additional charges assessed to students for each additional credit taken over 18 credit hours. Each credit over 18 credits is assessed at a \$70 per credit fee. This amount is exceptionally low when benchmarked to other public higher education institutions. Most Massachusetts state schools are charging from \$450-\$850 extra per credit for in-state students and more for out-of-state students for overload charges.

Additionally, most institutions that have lower charges for overload also define overload at a lower level (below 18 credits) than those who charge more. Westfield Management should perform an analysis to determine how many classes students are taking each semester and if raising the overload limit and dollar amount would help translate into higher revenues.



To: Mark St. Sauveur, *Director, Office of Grants and Sponsored Programs*
From: Samantha Spezeski, *Director of Internal Audit*
CC: Brian Jennings, *Associate Provost*
David Caruso, *Chief Academic Officer / Interim Provost*
Stephen Taksar, *Vice President of Administration and Finance*
Lisa Freeman, *Associate Vice President of Finance*
Date: September 22, 2023
Subject: Grant Pre/Post Award Review 2024-2-O

The shared Internal Audit Services for the Boston Consortium for Higher Education has scheduled an audit of grant pre and post award processes. In preparation for this review, we held an entrance conference with Westfield University Management on September 22, 2023. We anticipate our field work to begin shortly and we have already requested some preliminary documentation including policies and procedures.

Objectives and Scope

The objective of the audit is to analyze and to assess the effectiveness of controls over grant pre and post award processes. Our audit techniques typically include but are not limited to interviews, data analysis, the review of documentation in support of transactions, and physical observations of processes and assets.

Specific Scope According to the Participation Agreement:

Pre/Post Award Processes and Controls:

- Proposals
- Reporting structure
- Deadlines and timing
- Budget creation
- IDS rates
- Award acceptance
- Award setup
- Inter-Department communication
- Authorized signers
- Record retention
- Close out procedures
- Problematic Principal Investigators (PI's)
- Payables/Receivables/Aging
- Deliverables
- Authorized signers
- Department staff responsibilities
- Programmatic reporting

One of the initiatives of this shared function is to share best practices and gain some economies of scale by completing similar audits across the institutions that share the Internal Audit function. While this is not always possible, it is our objective to include this audit in a future best practice advisory.

Audit Results and Timeframes

We will discuss findings with appropriate personnel during the course of the audit. We will make recommendations and work with the responsible personnel to identify corrective action(s) to be taken by management to address the issue(s). At the conclusion of our field work, we will hold a structured exit conference to discuss aspects of the audit and our observations. We expect that a draft report would be

issued shortly after the exit conference and you will have time to draft your responses for the final report to be distributed at the following Audit Committee meeting.

We appreciate the time that you and your staff will be giving us throughout the audit. If you have any questions, suggestions or concerns with respect to this audit, please feel free to call me at (781) 296-7824. Thank you in advance for your assistance.

OFFICE OF INFORMATION AND INSTRUCTIONAL TECHNOLOGY

To: Audit Committee, Board of Trustees

From: Alan R. Blair,
Chief Information Officer
Chief Information Security Officer

Office of Information and Instructional Technology

Date: October 11, 2023

RE: PCI Assessment Overview

Over the past several years, the Office of Information and Instructional Technology (OIT) has been working diligently to remain Payment Card Industry Data Security Standard (PCI-DSS) compliant. The most significant challenge in this endeavor is the ever changing and evolving requirements of the PCI Security Standards Council.

In 2015, we found ourselves in a position where the new standards were published but not effective until 2016. ITS requested to be held to the 2016 standard during our assessment. This led to 38 sub requirement failures and 5 major requirement failures. After the final report was published, ITS put in place an action plan to mitigate the risks associated with the failures. Because of that action plan, we were able to reduce the sub requirement failures to 3 and major requirement failures to 2 during the 2016 assessment. Prioritization of other projects, funding and time constraints were the major contributing factors to ITS not being able to mitigate the remaining failures. Again, in 2016, we put an action plan in place to mitigate the remaining risks. As a result of the remainder of the that action plan and gaining a head start on the new requirements published by the PCI Security Standards Council in 2016, we were able to mitigate all risks and pass all requirements for the first time in 2017 and successfully adhere to that standard again in 2018 -2022. The new PCI-DSS standards were released in Q1 2023 and take full effect in 2025. OIT requested to be assessed in alignment with the new standards. We are pleased to report that we are 100% compliant with those new standards. Additionally, because of our efforts to provide a more secure and scalable billing system, we have been able to eliminate all of the risks associated with our older billing system.

The challenges we face in the next year are an ever-increasing threat landscape, the lack of human resources on our information security team and the new PCI-DSS standards that we will need to review and adapt our process and procedures to so that we can remain compliant.

| PCI Requirement | | 2015 Result | 2016 Result | 2017 - 2023 Result |
|-----------------|--|-------------|-------------|--------------------|
| 1 | Install and Maintain a Firewall Configuration | PASS | PASS | PASS |
| 2 | Do Not Use Vendor Supplied Defaults for System passwords and other Security Parameters | PASS | PASS | PASS |
| 3 | Protect Stored Data (Electronic) | PASS | PASS | PASS |
| 4 | Encrypt Transmission of Cardholder and Sensitive Information across Public Networks | PASS | PASS | PASS |
| 5 | Use and Regularly Update Anti-Virus Software | PASS | PASS | PASS |
| 6 | Develop and Maintain Secure Systems and Applications | PASS | PASS | PASS |
| 7 | Restrict Access to Data by Business Need-To-Know | PASS | PASS | PASS |
| 8 | Assign Unique ID to Each Person with Computer Access | FAIL | PASS | PASS |
| 9 | Restrict Physical Access to Cardholder Data | FAIL | PASS | PASS |
| 10 | Track and Monitor All Access to Network Resources and Cardholder Data | FAIL | PASS | PASS |
| 11 | Regularly Test Security Systems and Processes | FAIL | FAIL | PASS |
| 12 | Maintain a Policy that Addresses Information Security for Employees and Contractors | FAIL | FAIL | PASS |



DIANA DIZOGLIO
AUDITOR

The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, ROOM 230
BOSTON, MASSACHUSETTS 02133

TEL (617) 727-2075
FAX (617) 727-3014

July 12, 2023

Dr. Linda Thompson, President
Westfield State University
577 Western Avenue
Westfield, MA 01086

Cybersecurity Awareness Training Audit Notification Letter

Dear President Thompson,

Your agency is included in our upcoming performance audit, which will evaluate Westfield State University's compliance with the Executive Office of Technology Services and Security's (EOTSS's) Information Security Risk Management Standard IS.010 through the completion of cybersecurity awareness training for the period July 1, 2021 through April 30, 2023. Pursuant to our governing statute, Chapter 11, Section 12, of the Massachusetts General Laws, our audit covers multiple entities' compliance with EOTSS's cybersecurity awareness training standards. We will contact other state departments and agencies that are required to comply with EOTSS's policies and procedures related to cybersecurity awareness training.

The purpose of this audit is to determine whether employees have completed their cybersecurity awareness training annually and whether new employees have completed their initial cybersecurity awareness training within 30 days of hire.

Our audit will be conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), commonly referred to as the "Yellow Book," which are produced in the United States by the Government Accountability Office (GAO).

To the extent possible, we request that the following documents and information be made available to us in an electronic format so we can commence our audit work:

- A list of all employees from July 1, 2021 through April 30, 2023
- Policies and procedures relating to cybersecurity awareness training or relevant information.

Documents and information can be sent to Nicholas Juzyca (nicholas.juzyca@sao.state.ma.us). We respectfully ask that all requested records and information be made available to us within 72 hours of the date of the request.

Please note that once we have received a list of employees (as requested above), we will create a sample of employees for whom we will request to see cybersecurity awareness training completion evidence.

We expect that our multi-agency audit will be completed in approximately 12 months' time, after which we will issue a final report. Prior to report issuance, we will disseminate a draft report and we will discuss audit results with your agency.

Best Regards,



Diana DiZoglio
Auditor of the Commonwealth

Staff Contact:

Nicholas Juzyca
Field Auditor I – IT Audits
Office of the State Auditor
1 Winter Street
9th Floor
Boston, MA 02108
(857) 242-5451
nicholas.juzyca@sao.state.ma.us

cc: Noe Ortega, Commissioner, Massachusetts Department of Higher Education
Thomas Myers, General Counsel, EOTSS
Ali Salehi, Chair, Board of Trustees, Westfield State University



DEPARTMENT OF VETERANS AFFAIRS
Veterans Benefits Administration
Education Service
Washington, D.C. 20420

August 4, 2023

Robert Vigneault
Veterans Certifying Official
Westfield State University
577 Western Avenue, Ely Building
Westfield, MA 01086

Facility Code: 1-1-8132-21

Dear Robert Vigneault:

Your facility is scheduled to participate in the Department of Veterans Affairs (VA) 2023 fiscal year compliance survey of VA beneficiary records. The Department of Veteran Affairs will be conducting an education compliance survey visit on August 17, 2023 at 9:00 AM EST.

WHAT IS THE PURPOSE OF A COMPLIANCE SURVEY?

A compliance survey is conducted to ensure that approved programs adhere to all applicable provisions of Title 38 United States Code (USC) administered by the Department of Veteran's Affairs (VA). The compliance survey review also allows the VA to identify discrepancies and assist schools and training facility officials to better understand their responsibilities and the procedural requirements of the VA.

WHAT THIS MEANS TO YOU

An entrance interview will be conducted with the designated Certifying Official(s) prior to the beginning of the survey to discuss the purpose of the survey and procedures used.

After The review, we will meet with you again. We will discuss in detail the survey results including any discrepancies found. Additionally, we will answer questions you may have and provide assistance.

Please inform the President/Director of your facility of our compliance survey visit. They may join us at any time if they wish.

WHAT NEEDS TO BE PROVIDED?

A detailed checklist is attached to this letter to assist you while gathering the documents required for the visit. Please review the checklist carefully. Additional forms have also been attached for you to fill out and return in preparation for the scheduled site visit.

This documentation must be prepared and available prior to the commencement of the site visit. It is highly encouraged that this documentation be provided electronically. *Failure to provide the required documentation may result in discrepant findings.* Please ensure that all documents are clearly labeled and arranged per the instructions found in the attached document labeled "SCO Salesforce Upload Instructions".

During the compliance survey, the survey specialist will need a workspace in a private location to review the records.

VA'S AUTHORITY TO VIEW RECORDS

VA has the authority to request and review VA beneficiary and non-VA beneficiary records. Reference is found in 38 United States Code (USC) [3690](#) and 38 Code of Federal Regulations (CFR) [21.4209](#).

Under these authorities the VA has the right to examine all records the reviewer deems necessary to confirm the facility is compliant with all VA laws and regulations. The attachments provide further explanation for the VA's authority to review and maintain copies of student records.

NOTE: Providing records to an authorized VA official does not violate the Family Educational Rights and Privacy Act (FERPA).

IF YOU NEED HELP

If you have any questions regarding this letter or have any questions during the compliance survey process, please contact me via phone at Enter Phone Number or via email at Enter Email Address. If you have questions or concerns regarding the survey after the on-site visit has been conducted, please copy SGCComplianceSurveys@va.gov and info@saintgeorgeconsulting.com to ensure a prompt response.

Sincerely,

Tamara Kapper

Education Compliance Survey Specialist

Enclosures:

- Copy of Compliance Survey Notification Letter
- Compliance Survey Student List
- Records Checklist – to be signed by SCO
- School Procedures Questionnaire – to be signed by SCO
- Statement of Compliance with Principles of Excellence – to be signed by SCO
- VA Form 22-102015 - Statement of Assurance of Compliance with 85% Enrollment Ratios – to be signed by SCO (*Must provide even if 35% Exemption Waiver has been approved.*)
- VA Form 22-102015a – Statement of Assurance of Compliance with 85% Enrollment Ratios (cont'd) – to be signed by SCO (*Must provide even if 35% Exemption Waiver has been approved.*)
- VA's Authority to View Records
- VA Form 22-1919 - Conflicting Interests Certification for Proprietary Schools (Required for all Proprietary schools)
- VA Form 22-8794 – Designation of Certifying Official (*Applicable if there are changes to SCO staff*)
- SCO Salesforce Upload Instructions



DEPARTMENT OF VETERAN AFFAIRS
Veterans Benefits Administration
Education Service
Washington, D.C. 20420

08/19/2023

Robert Vigneault
Veterans Certifying Official
Westfield State University
577 Western Avenue
Westfield, MA 01086

Facility Code: 1-1-8132-21

Dear Robert Vigneault,

A compliance survey was recently conducted on August 17-18, 2023, at your institution. Thank you for the kindness and cooperation you extended to me during the survey process. Attached you will find the narrative report of the survey findings, including any discrepancies found during the visit. This attachment will provide more specific information concerning the individual discrepancies.

If you have questions or require assistance with any VA regulations or requirements, please contact the Education Liaison Representative for your state by email at VBABUFELRSpringField@VA.GOV or contact the Education Hotline at 888-GIBILL-1 (888-442-4551), or [Ask VA](#) .

Sincerely,

Tamara Kapper

Tamara Kapper
Education Compliance Survey Specialist - Contractor
Saint George Consulting, LLC
+1 404-319-1160
tamara.kapper@va.gov

Enclosure: Narrative Report

**Narrative Report
Compliance Survey**

Westfield State University

577 Western Avenue
Westfield, MA 01086

Facility Code: 1-1-8132-21

I. GENERAL

The purpose of a Compliance Survey is to ensure that approved programs are compliant with all applicable provisions of Title 38, United States Code (USC) § 3693 administered by VA.

A routine Compliance Survey was conducted onsite at Westfield State University (referred to throughout as the ETI) by Education Compliance Survey Specialist-Contractor (ECSS-C) Tamara Kapper. The official notification of the survey was delivered via email to Robert Vigneault on August 4, 2023. An entrance briefing was held on August 17, 2023 and an exit briefing was held on August 18, 2023 with ETI officials.

Date of Last Approval: The date of last substantive approval action found in WEAMS was May 26, 2022. This date is within the 24-month limitation.

Student Sampling: The Active Student Count was 261. In accordance with the AC&L FY21 Compliance Survey Strategy and Guidance, the initial sample size was 20 VA beneficiaries and 2 randomly selected non-VA beneficiary records. The sample distribution was based on the available records and included 0 - Chapter 30 records, 16 - Chapter 33 records, 2 - Chapter 35 records, and 2 - Chapter 1606 records. There were no Chapter 30 students records available for review. Two Chapter 33 Yellow Ribbon students' records were reviewed.

Two (2) Non-VA student files were reviewed to verify that the cost of tuition and fees for VA beneficiaries was not greater than the charges for similarly circumstanced students. The findings were consistent with the VA beneficiary records. No issues were identified.

Prior Compliance Survey Information: The compliance survey conducted in FY18 covered through August 9, 2018, and was on-site; the survey was reviewed and found to have the following discrepancies:

- Line 6, the facility failed to accurately and promptly report enrollment, and tuition and fees.

Current Survey: The review period for this routine, on-site Compliance Survey covered the period September 5, 2018 – June 30, 2023.

ETI Information: Westfield State University is an accredited, public, Institution of Higher Learning (IHL).

Per the Web Enabled Approval Management System (WEAMS) the ETI has two School Certifying Officials (SCOs). During the Compliance Survey the list of SCOs on WEAMS was reviewed and was found to be accurate. The SCO filed a new Form 22-8794 for the Compliance Survey which was reviewed and confirmed there were no changes.

Prior Credit (38 CFR 21.4253, 21.4254, 21.4263): Prior credit was reviewed, and credit was granted where appropriate. Westfield State University requires all students to provide official transcripts and military training records

Narrative Report Compliance Survey

for evaluation. Evaluation is sent to the admissions office to determine if training is equivalent and granted. Military experience is evaluated by the Veterans Services Office. The degree audit report and transcript do reflect transfer credit granted. The ETI was found to be within compliance standards.

GI Bill® Feedback Tool: The GI Bill® Feedback Tool system was reviewed prior to conducting the Compliance Survey and no complaints were found in the current review period.

Entrance Briefing: The entrance briefing was conducted on-site on August 17, 2023. The following individuals attended this briefing:

| | Name | Title | SCO |
|---|------------------|------------------------------|---------|
| 1 | Robert Vigneault | Veterans Certifying Official | Primary |
| 2 | Justin Marques | Veterans Services Assistant | Primary |

During the Entrance Briefing, the following was discussed:

- ECSS-C discussed the purpose, scope, and methodology of the survey
- SCO guided ECSS-C in the layout of the student records

II. DISCREPANCIES (VA FORM 22-1934: AREAS OF REVIEW)

The following discrepancies were found within areas of review enumerated in VA Form 22-1934.

Line 6: THE FACILITY ACCURATELY AND PROMPTLY REPORTED ENROLLMENT, TUITION AND FEES, LESSONS SERVICED, FLIGHT TRAINING HOURS OR APP/OJT HOURS (38 CFR 21.4203(e)(f)(g), 21.4204, 21.7156, 21.9735)

Facts: The following VA beneficiary had no second certification filed for one term.

In the case of F (5422) Ch. 33

SCHOOL CERTIFIED

09/02/21 THRU 12/22/2021, 12 Credits Dist., \$5,569.50

No Second Certification for the term was submitted.

Evaluation: School Certifying Official error. The error appeared to be oversight by the SCO.

Recommendation: ECSS-C explained the importance of filing a second certification for Chapter 33 VA beneficiaries.

Narrative Report Compliance Survey

III. SUMMARY

Exit Briefing: An exit briefing was conducted on-site on August 18, 2023. The following individuals attended this briefing:

| | Name | Title | SCO |
|---|------------------|------------------------------|---------|
| 1 | Robert Vigneault | Veterans Certifying Official | Primary |
| 2 | Justin Marques | Veterans Services Assistant | Primary |

During the Exit Briefing the following was discussed:

- ECSS-C explained the process of the survey
- ECSS-C discussed any findings and allowed for SCO(s) to clarify upon any findings
- ECSS-C thanked the SCO(s) for their hospitality and the cleanliness of the records

Additional Assistance Provided: No additional assistance was provided.

Beneficiary Interviews: This is not applicable for this ETI.

Review of 85/15 Compliance and 35% Exemption Waiver (38 CFR 21.4201(d)): The ETI has a 35% Exemption. The Exemption covers all programs effective 08/26/2022. As such, 85/15 documents were not collected or reviewed for this compliance survey.

Enrollment Limits: The State Approving Agency has not established any enrollment limits in the Notice of Approval at this time for this ETI. The ETI was found to be within compliance standards.

Repeat Discrepancies and/or Issues: While repeat discrepancies were found, they were occasional and deemed clerical. As a result, no further action has been taken.

Review of Advertising Materials: The ETI's advertising was reviewed (social media, ETI website, and catalog). At the conclusion of the review, no misleading nor deceptive advertisings were found. The ETI was found to be within compliance standards.

Power of Attorney and Non-assignability of Benefits (38 CFR 21.4146, 21.9680): ETIs and training establishments are prohibited from negotiating VA educational assistance benefit payments. All student payments were issued to personal accounts by direct deposit. There were no paper checks issued. An inquiry was made by the ECSS-C and the SCO stated the ETI did not have Power of Attorney for any VA beneficiary. The ETI was found to be within compliance standards.

Independent Study (38 CFR 21.4267): The ETI is approved for independent study and was found to be within compliance standards.

Practical Training (38 CFR 21.4265): The ETI is approved for practical training. The ETI was found to be within compliance standards.

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Cooperative Courses and Farm Cooperative Courses (38 CFR 21.4233, 21.4257, 21.4264): The ETI is not approved for cooperative courses. The ETI was found to be within compliance standards.

Two-Year Period of Operation for Branches (38 CFR 21.4251): This is not applicable to this ETI.

Tutorial Assistance (38 CFR 21.4236, 21.9685): The ETI does not have any participants in the Tutorial Assistance program through the Department of Veterans Affairs. The ETI was found to be within compliance standards.

Owner/Officer Restriction and Conflicting Interests Certification (38 CFR 21.4005, 21.4202(c), 21.5001, 21.7305, 21.7805, 21.9770): The ETI is a public institution and therefore this certification is not applicable.

Contractual Arrangements (38 CFR 21.4233(e)): The ETI does not offer any courses under contract. The ETI was found to be within compliance standards.

Advance Pay (38 CFR 21.4203, 21.9715): The ETI is not approved to receive advance pay checks for delivery to students. The ETI was found to be within compliance standards.

Nonduplication of Benefits (38 CFR 21.4020, 21.4022, 21.5022, 21.5023, 21.7143, 21.7642, 21.9690): No duplication of benefits was found during this survey. The ETI is compliant.

Yellow Ribbon (38 CFR 21.4254(c)): The ETI does participate in the Yellow Ribbon (YR) program. The YR contract was reviewed. The ETI was found to be within compliance standards and is paying their half of tuition and fees.

Recruiting Practices (38 U.S.C. 3696(d)(1)): The ECSS-C reviewed the School Procedures Questionnaire and other available documents and found no evidence of fraudulent or unduly aggressive recruiting practices. The ETI was found to be within compliance standards.

School Certifying Official (SCO) Beneficiaries: CFR §21.9675(d) states the VA will not pay benefits for courses certified to the VA by the individual taking the course: VA systems were reviewed to identify if any SCOs have utilized VA benefits at Westfield State University and it was found that no SCOs have utilized VA benefits at the ETI. The ETI was found to be within compliance standards.

Review of Public Law 115-48 (Colmery Act)- Priority Enrollment: The ETI does not offer priority enrollment. The ETI was found to be within compliance standards.

Review of Annual Reporting Fees: PL 111-377 (Section 204) states that any reporting fee paid to an educational institute shall be utilized by such institution or committee solely for the making of certifications or for otherwise supporting programs for Veterans. The funds are generally used to fund Veterans programs such as Veteran and Memorial Day ceremonies, office supplies, break room supplies, and graduation supplies. The ETI was found to be within compliance standards.

PL 115-48 (section 304) states that if an ETI receives reporting fees for 100 or more eligible students, then the reporting fees paid to the ETI cannot be used for, or merged with, the ETI's general fund. The ETI has received a payment for more than 100 students, and maintains a separate fund account. The ETI was found to be within compliance standards.

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GI Bill® Trademark: In accordance with Executive Order 13607(f), The ETI's usage of the trademarked phrase "GI Bill" was reviewed (social media, ETI website, and catalog). The ETI was found to be within compliance standards.

Public Law 116-315, Section 1018: The ETI was found to be within compliance standards.

Principles of Excellence (PoE): The ETI does participate in Principles of Excellence. A signed statement of compliance was collected during this compliance visit. The ETI was found to be within compliance standards.

Determination of Expanded Survey: Of the 20 beneficiary records reviewed, there were a total of 1 record with errors, with 0 of them being overpayment errors.

Since there was neither a $\geq 30\%$ overpayment error rate nor a $\geq 50\%$ overall error rate, an expansion is not necessary under the provisions of M22-4 Part X, Chapter 5.01.

Recommendation for Future Compliance Survey: It is recommended this ETI be resurveyed as required by Title 38, U.S.C § 3693.

Compliance Survey Close-out Notice: Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of additional statements in this report concerning your ETI's specific practices and procedures cannot be construed as acceptance, approval, or endorsement of those specific practices and procedures by the Department of Veterans Affairs. The successful completion of this Compliance Survey does not relieve your ETI of its obligation to comply with all statutory and regulatory provisions governing USC Title 38 Veterans Benefits programs.

This Compliance Survey Narrative was completed on August 19, 2023 by Tamara Kapper.

Tamara Kapper

Tamara Kapper
Education Compliance Survey Specialist - Contractor
Saint George Consulting