

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

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

JUNE 30, 2011

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

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

June 30, 2011 and 2010

C O N T E N T S

Independent Auditors' Report	1-2
Management's Discussion and Analysis (Unaudited)	3-15
Financial Statements:	
Statements of Net Assets	16
Statements of Revenues, Expenses and Changes in Net Assets	17
Statements of Cash Flows	18-19
Notes to the Financial Statements	20-41
Supplemental Information:	
Schedules of Net Assets - Building Authority Trust Fund Report (Unaudited)	42
Schedules of Revenues, Expenses, and Changes in Net Assets - Building Authority Trust Fund Report (Unaudited)	43
Supplemental Information:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44-45



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of net assets of Westfield State University (the "University") as of June 30, 2011 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the University as of June 30, 2010 were audited by other auditors whose report dated October 12, 2010 expressed an unqualified opinion on the financial statements. We also did not audit the financial statements of Westfield State Foundation, Inc. (the "Foundation") as of June 30, 2011 and 2010 as discussed in Note 1. The financial statements of this component unit were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the entity not audited by us included in the discretely presented component unit of the University, is based solely upon the report of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Westfield State University as of June 30, 2011, and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2011 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages three through 3-15 is not a required part of the financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

O'Connor & Drew, P.C.

Certified Public Accountants

October 12, 2011

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

Management’s Discussion and Analysis (Unaudited)

Introduction

This section of the Westfield State University annual financial report presents management’s discussion and analysis of the financial activities of Westfield State University for the fiscal year ended June 30, 2011, with comparative information for the years ended June 30, 2010 and 2009. For financial reporting purposes, Westfield State University’s reporting entity consists of Westfield State University and its discretely presented component unit, Westfield State Foundation, Inc.. Since this analysis is designed to focus on current activities, resulting changes and currently known facts, it should be read in conjunction with the basic financial statements and notes thereto. The financial statements, footnotes and this discussion are the responsibility of management.

Westfield State University is a comprehensive public institution of higher learning with approximately 5,350 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 32 undergraduate majors in both the traditional arts and sciences and in professional fields with over 60 options for discipline-specific or interdisciplinary minors and concentrations. There are also 36 graduate-level degree and certificate programs offered by the Division of Graduate and Continuing Education. This broad range of graduate programs and undergraduate majors, minors, and concentrations reflect the commitment of Westfield State University to providing quality educational programs.

Westfield State Foundation, Inc. is a not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes for the benefit of Westfield State University, including such activities as soliciting or receiving tangible property, rendering financial aid, promoting and supporting educational and other legal activities, and participating in any and all activities designed and carried on by Westfield State University to promote the general education of the people within the constituency served by Westfield State University.

Listed below are the definitions of each entity that may be presented in this discussion and analysis.

Westfield State University	
Overall financial activities of Westfield State University and its component unit, the Foundation	
Primary Institution (the “University”)	Component Unit (the “Foundation”)
Financial activities of Westfield State University	Financial activities of Westfield State Foundation, Inc.

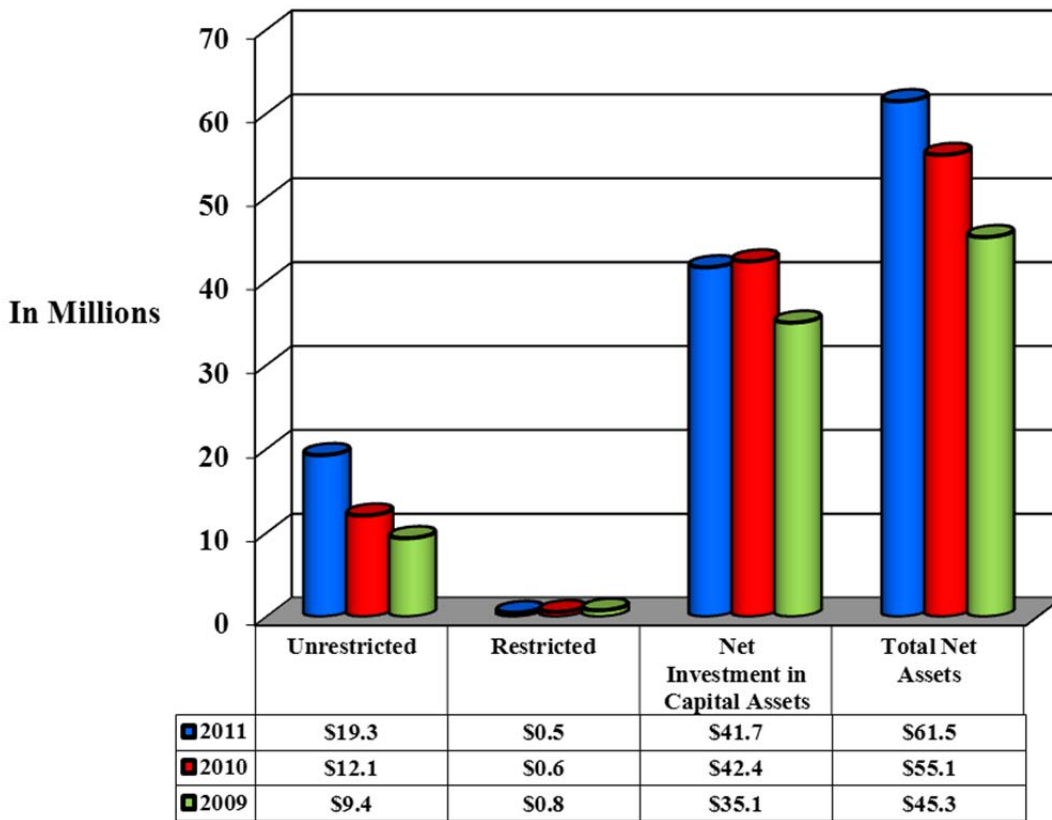
WESTFIELD STATE UNIVERSITY
 (an agency of the Commonwealth of Massachusetts)

Management’s Discussion and Analysis (Unaudited) - Continued

Primary Institution Financial Highlights

Graphically displayed, the comparative net asset increases by category for the fiscal years ended June 30, 2011, 2010 and 2009 are shown below:

Comparison of Net Assets-Primary Institution



- The University’s financial position improved significantly during the fiscal year ended June 30, 2011, with a \$6.4 million or 11.6% increase in total net assets. Net assets, which represent the residual interest in the University’s assets after liabilities are deducted, increased to \$61.5 million from \$55.1 million in 2010. The University’s financial position also improved during the fiscal year ended June 30, 2010, with a \$9.8 million or 21.6% increase in total net assets, (to \$55.1 million from \$45.3 million in 2009).

WESTFIELD STATE UNIVERSITY

(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Primary Institution Financial Highlights - Continued

- Expenses incurred during fiscal year 2011 totaled \$89.4 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$95.8 million resulting in an increase in net assets of \$6.4 million. Expenses incurred during fiscal year 2010 totaled \$86.2 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$96.0 million resulting in an increase in net assets of \$9.8 million as compared to a decrease of \$4.1 million for the year ended June 30, 2009.
- The increase in total net assets during the fiscal year ended June 30, 2011 is attributable to the fact that the increase in revenues more than offset the increase in operating expense. This increase is a result of a plan on the part of the University to have resources available to carry-forward into the next fiscal year since State Fiscal Stabilization Funds (ARRA) are not going to be available in fiscal year 2012. The increase in total net assets during the fiscal year ended June 30, 2010 was attributable primarily to the recognition of state capital appropriation revenue in the amount of \$8.3 million for the major building renovations to Ely Hall which were completed during fiscal year 2010.

Overview of the Financial Statements

Westfield State University's financial report includes three financial statements: the *Statement of Net Assets*, the *Statement of Revenues, Expenditures and Changes in Net Assets* and the *Statement of Cash Flows*. These financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) principles. The statements are designed to present all the activities of Westfield State University and consolidate the activities into one total.

The Financial Statements:

The *Statement of Net Assets* presents the financial position of Westfield State University at the end of the fiscal year and includes all assets and liabilities of Westfield State University. The difference between total assets and total liabilities (net assets) is one indicator of the current financial position of Westfield State University, while the change in net assets serves as a useful indicator of whether the financial position is improving or deteriorating.

The *Statement of Revenues, Expenditures, and Changes in Net Assets* presents Westfield State University's results of operations and other non-operating revenues. This statement presents information that shows how Westfield State University's net assets changed during the most recent fiscal year.

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

Management's Discussion and Analysis (Unaudited) - Continued

Overview of the Financial Statements - Continued

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

The financial statements can be found on pages 16-19 of this financial report.

Notes to the Financial Statements

The footnotes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 20-41 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 Westfield State University Building Authority trust fund. This supplementary information can be found on pages 42-43 of this financial report.

Financial Analysis of Westfield State University as a Whole

As previously noted, net assets may serve over time as a useful indicator of Westfield State University's financial position. Westfield State University's financial position increased during the year with a combined (University and Foundation) net asset increase of \$7.3 million for the year ended June 30, 2011 as compared to a combined net asset increase of \$9.8 million for the year ended June 30, 2010 and a \$5.5 million decrease for the year ended June 30, 2009.

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

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Westfield State University's Condensed Statements of Net Assets
As of June 30, 2011, 2010 and 2009

	Primary Institution			Component Unit-Foundation		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	2009 As Restated
Current Assets	\$ 36,164,922	\$ 26,145,662	\$ 23,081,962	\$ 601,191	\$ 493,066	\$ 442,078
Non-current Assets						
Capital Assets, net	47,386,394	46,151,877	39,093,238	838,905	1,116,682	1,125,201
Other	<u>1,245,427</u>	<u>796,892</u>	<u>780,012</u>	<u>4,452,276</u>	<u>3,283,592</u>	<u>3,328,967</u>
Total Assets	<u>84,796,743</u>	<u>73,094,431</u>	<u>62,955,212</u>	<u>5,892,372</u>	<u>4,893,340</u>	<u>4,896,246</u>
Current Liabilities	11,679,313	10,489,614	9,975,982	1,072,497	951,145	481,208
Non-current Liabilities	<u>11,559,845</u>	<u>7,483,956</u>	<u>7,702,330</u>	-	-	<u>468,000</u>
Total Liabilities	<u>23,239,158</u>	<u>17,973,570</u>	<u>17,678,312</u>	<u>1,072,497</u>	<u>951,145</u>	<u>949,208</u>
Net Assets						
Invested in Capital Assets, net of related debt	41,712,298	42,357,477	35,074,581	838,905	1,116,682	1,125,201
Restricted: Nonexpendable	-	-	-	2,958,716	2,882,165	2,837,946
Restricted: Expendable	505,307	624,749	785,962	1,858,735	1,309,798	724,992
Unrestricted	<u>19,339,980</u>	<u>12,138,635</u>	<u>9,416,357</u>	<u>(836,481)</u>	<u>(1,366,450)</u>	<u>(741,101)</u>
Total Net Assets	<u>\$ 61,557,585</u>	<u>\$ 55,120,861</u>	<u>\$ 45,276,900</u>	<u>\$ 4,819,875</u>	<u>\$ 3,942,195</u>	<u>\$ 3,947,038</u>

Net assets invested in capital assets, net of related debt, represents Westfield State University's capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets. By far the largest portion of Westfield State University's net assets (64% at June 30, 2011, 74% at June 30, 2010, and 73% at June 30, 2009), are net assets invested in capital assets which are buildings and equipment utilized by students, faculty and administration; consequently, these assets are not available for future spending. A slight decrease of \$.9 million in net assets invested in capital assets as of June 30, 2011 was realized due to depreciation expense outpacing fixed asset additions for fiscal year 2011. The \$7.3 million increase as of June 30, 2010 reflects Westfield State University's continued development and renewal of its capital assets in accordance with its long-range plan.

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

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

An additional portion of Westfield State University's net assets (4% at June 30, 2011, and 3% at June 30, 2010 and 2009), are restricted expendable which represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. Restricted nonexpendable net assets (4% at June 30, 2011, 5% at June 30, 2010, and 6% at June 30, 2009) primarily include Westfield State University's endowment funds. The remaining balance of unrestricted net assets (28% at June 30, 2011, and 18% at June 30, 2010 and 2009) may be used to meet Westfield State University's ongoing obligations.

A review of Westfield State University's condensed statements of net assets at June 30, 2011, 2010, and 2009 shows that Westfield State University continues to maintain its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, management of its endowment, conservative utilization of its debt, and adherence to its long range capital plan for the maintenance and replacement of the physical plant.

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

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

*Westfield State University's Condensed Statements of Revenues, Expenditures and Changes in Net Assets
For the years ended June 30, 2011, 2010 and 2009*

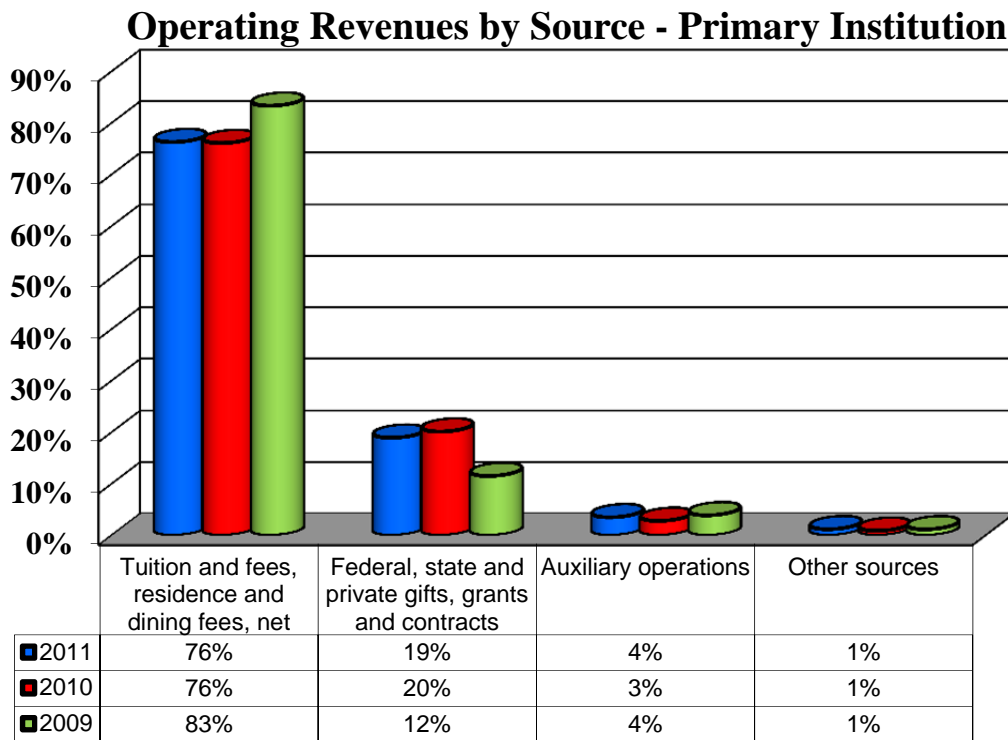
	<u>Primary Institution</u>			<u>Component Unit-Foundation</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	2009 As Restated
<u>Operating Revenues:</u>						
Tuition and fees	\$ 39,818,365	\$ 36,558,739	\$ 33,491,105			
Residence and dining fees	20,846,560	19,917,452	17,739,061			
Less: scholarships and fellowships	(7,854,008)	(519,355)	(4,969,620)			
Federal, state and private grants and contracts	13,112,352	13,218,709	6,401,758	\$ 445,780	\$ 874,491	\$ 699,767
Auxiliary operations	2,436,694	1,853,797	2,168,353			
Other sources	<u>836,244</u>	<u>594,304</u>	<u>659,911</u>	<u>64,550</u>	<u>67,228</u>	<u>50,774</u>
Total operating revenues	69,196,207	65,623,646	55,490,568	510,330	941,719	750,541
Less: operating expenses	<u>88,796,057</u>	<u>86,145,030</u>	<u>84,833,861</u>	<u>843,029</u>	<u>1,406,359</u>	<u>1,218,382</u>
Operating loss	<u>(19,599,850)</u>	<u>(20,521,384)</u>	<u>(29,343,293)</u>	<u>(332,699)</u>	<u>(464,640)</u>	<u>(467,841)</u>
<u>Non-operating revenue (expense):</u>						
State appropriation, net	25,389,047	21,305,571	24,677,747			
Net investment income (loss)	343,507	392,042	449,203	745,529	460,374	(967,646)
Other expenses	<u>(67,272)</u>	<u>(10,177)</u>	<u>(73,892)</u>	<u>(16,176)</u>	<u>(11,327)</u>	<u>(18,150)</u>
Total non-operating revenue	<u>25,665,282</u>	<u>21,687,436</u>	<u>25,053,058</u>	<u>729,353</u>	<u>449,047</u>	<u>(985,796)</u>
Income (loss) before other revenues, expenses, gains or losses	6,065,432	1,166,052	(4,290,235)	396,654	(15,593)	(1,453,637)
Related entity transfers	(481,026)	(10,750)	(16,689)	481,026	10,750	16,689
State capital appropriation	<u>852,318</u>	<u>8,688,659</u>	<u>199,182</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) increase in net assets	<u>6,436,724</u>	<u>9,843,961</u>	<u>(4,107,742)</u>	<u>877,680</u>	<u>(4,843)</u>	<u>(1,436,948)</u>
Net assets-beginning of year, as previously reported	55,120,861	45,276,900	49,384,642	3,942,195	4,117,005	5,553,953
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(169,967)</u>
Net assets- beginning of year, restated	<u>55,120,861</u>	<u>45,276,900</u>	<u>49,384,642</u>	<u>3,942,195</u>	<u>3,947,038</u>	<u>5,383,986</u>
Net assets-end of year	\$ <u>61,557,585</u>	\$ <u>55,120,861</u>	\$ <u>45,276,900</u>	\$ <u>4,819,875</u>	\$ <u>3,942,195</u>	\$ <u>3,947,038</u>

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

Management’s Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

The following is a graphic illustration of operating revenues by source, which were used to fund the University’s operating activities for the years ended June 30, 2011, 2010 and 2009.



The University’s operating revenues consist primarily of tuition and fee and residence and dining fee revenue. Tuition and fee revenue increased \$3.3 million or 9% during the fiscal year ended June 30, 2011 and increased \$3.1 million or 9% during the fiscal year ended June 30, 2010. The primary factors relating to the increase during fiscal year 2011 were an increase in the general fee of \$415 per student combined with higher student enrollment (\$2.6 million impact) and an increase in the Division of Graduate and Continuing Education tuition and fees of \$.6 million. For fiscal year ended June 30, 2010, a combined increase in general, technology and student activity fees of \$501 per student and higher student enrollment contributed to the increase.

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

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Tuition and fees received by the University include the following:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Tuition	\$ 9,716,318	\$ 9,175,682	\$ 8,949,168
Student Activity Fees:			
General fees	21,033,216	18,636,687	16,326,145
Student fees	1,079,144	1,054,394	1,032,915
Technology fees	7,275,251	7,107,888	6,456,571
Miscellaneous fees	<u>714,436</u>	<u>584,088</u>	<u>726,306</u>
Total	\$ <u>39,818,365</u>	\$ <u>36,558,739</u>	\$ <u>33,491,105</u>

Residence and dining fee revenue generated by the auxiliary operations of the University's food service provider and building authority trust funds was \$20,846,560, \$19,917,452, and \$17,739,061 for the years ended June 30, 2011, 2010 and 2009, respectively. The increase in revenues for the year ended June 30, 2011 in the amount of \$929,108 or 4.7% is attributable to the increases in residence fees of approximately \$.3 million and dining fees of approximately \$.7 million.

Major grants and contracts awarded to Westfield State University for the years ended June 30, 2011, 2010 and 2009 included the following:

- U.S. Department of Education – Student Support Services \$272,739 (in 2011) \$286,094 (in 2010) \$265,444 (in 2009)
- U.S. Department of Education – College Work Study \$368,333 (in 2011, 2010 and 2009)
- U.S. Department of Education – SEOG \$295,448 (in 2011, 2010 and 2009)
- U.S. Department of Justice – Westfield, Massachusetts Law Enforcement Training Program \$290,663 (in 2009)
- National Science Foundation – “Discovering the Art of Mathematics” \$149,971 (in 2009)

WESTFIELD STATE UNIVERSITY

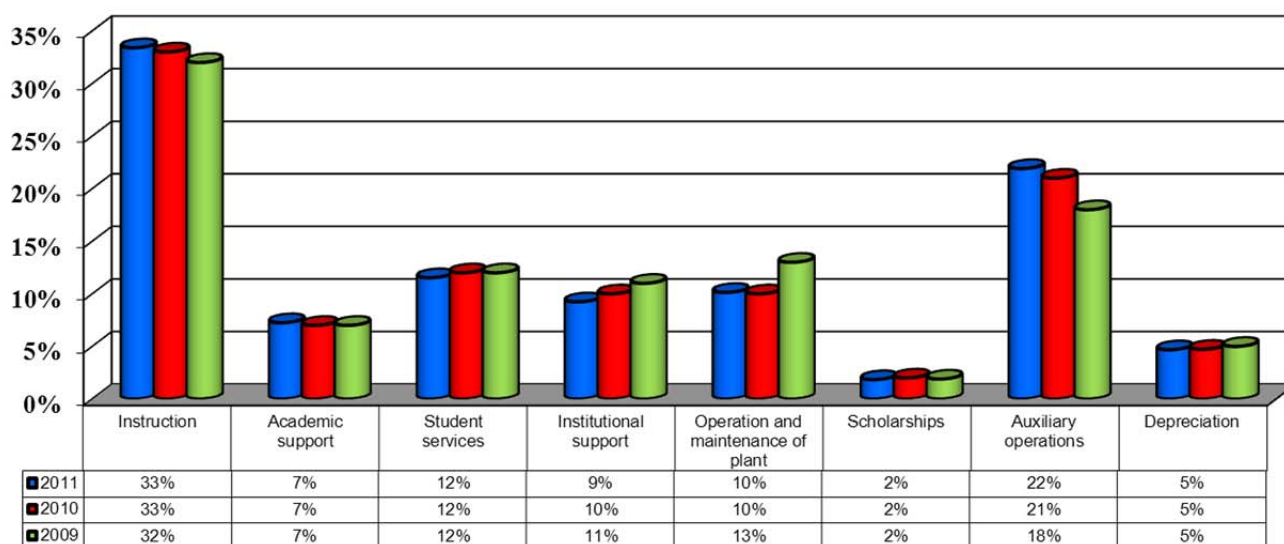
(an agency of the Commonwealth of Massachusetts)

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

The following is a graphic illustration of operating expenses by function for the years ended June 30, 2011, 2010, and 2009.

Operating Expenses by Function - Primary Institution



A summary of the University's expenses by functional classification for the years ended June 30, 2011, 2010, and 2009 is as follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Instruction	\$ 29,528,540	\$ 28,349,232	\$ 27,083,124
Public service	384,753	91,102	240,892
Academic support	6,412,455	6,180,954	6,147,053
Student services	10,197,395	10,123,349	10,609,113
Institutional support	8,168,980	8,323,181	9,117,915
Operation and maintenance of plant	8,959,572	8,993,950	10,866,553
Scholarships and fellowships	1,628,929	1,679,684	1,618,832
Auxiliary operations	19,374,795	17,861,051	15,141,431
Loss on disposal of assets	31,674	8,067	55,476
Depreciation	<u>4,108,964</u>	<u>4,534,460</u>	<u>3,953,472</u>
Total	\$ <u>88,796,057</u>	\$ <u>86,145,030</u>	\$ <u>84,833,861</u>

The University's total operating expenses increased slightly during fiscal year ended June 30, 2011 by \$2,651,027 or 3.1% as compared to a 1.5% increase for the fiscal year ended June 30, 2010.

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

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

*Westfield State University's Condensed Statements of Cash Flows
For the years ended June 30, 2011, 2010 and 2009*

	Primary Institution			Component Unit-Foundation		
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2011</u>	<u>2010</u>	2009 As Restated
Cash received from operating activities	\$ 94,847,203	\$ 86,196,098	\$ 74,578,362	\$ 64,550	\$ 67,228	\$ 50,774
Cash expenses for operating activities	(103,775,473)	(98,161,156)	(94,880,985)	(624,894)	(1,380,692)	(1,212,944)
Net cash applied to operating activities	(8,928,270)	(11,965,058)	(20,302,623)	(560,344)	(1,313,464)	(1,162,170)
Net cash provided by non-capital financing activities	18,713,086	16,692,154	19,720,170	981,542	806,969	686,240
Net cash provided by (applied to) capital financing activities	400,181	(2,819,363)	(6,081,636)	(49,776)	(11,327)	(18,150)
Net cash provided by (applied to) investing activities	<u>341,402</u>	<u>387,293</u>	<u>453,068</u>	<u>(217,027)</u>	<u>502,313</u>	<u>486,662</u>
Net increase (decrease) in cash	10,526,399	2,295,026	(6,211,021)	154,395	(15,509)	(7,418)
Cash - beginning of year	<u>23,944,298</u>	<u>21,649,272</u>	<u>27,860,293</u>	<u>189,996</u>	<u>205,505</u>	<u>212,923</u>
Cash - end of year	\$ <u>34,470,697</u>	\$ <u>23,944,298</u>	\$ <u>21,649,272</u>	\$ <u>344,391</u>	\$ <u>189,996</u>	\$ <u>205,505</u>

Westfield State University's combined liquidity increased significantly during the year ended June 30, 2011 with a \$10,680,794 increase in cash. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2011, the University's net cash applied to operating activities decreased by approximately \$3.0 million over the prior year. This was due to an increase in cash received of \$8.6 million offset by an increase in amounts paid of \$5.6 million. The increase in cash received and paid was partly due to an increase in direct lending receipts and disbursements of approximately \$3.5 million. Net cash provided by non-capital financing activities increased \$2.0 million due to the increase in state appropriation (\$2.5 million) offset by an increase in related entity transfers (\$.5 million). Net cash provided by capital and related financing activities increased approximately \$3.2 million mostly due to an increase in purchases of capital assets of \$1.4 million and an increase in proceeds from capital debt of \$4.6 million. The increase in capital debt was related to the bonds payable for Tim & Jeanne's Dining Commons renovation. The slight decrease in net cash provided by investing activities was due to a decrease in interest received.

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

Management's Discussion and Analysis (Unaudited) - Continued

Financial Analysis of Westfield State University as a Whole - Continued

Westfield State University's combined liquidity also increased during the year ended June 30, 2010 with a \$2,279,517 increase in cash. The following discussion amplifies the overview of cash flows presented above.

During the year ended June 30, 2010, the University's net cash applied to operating activities decreased by approximately \$8.3 million over the prior year. This was due to an increase in cash received of \$11.6 million offset by an increase in amounts paid of \$3.3 million. A large portion of the increase in cash received was due to the receipt of State Fiscal Stabilization Funds (ARRA) in the amount of \$4.3 million. Net cash provided by non-capital financing activities decreased \$3.0 million due to the decrease in state appropriation. Net cash applied to capital and related financing activities decreased approximately \$3.3 million due to a decrease in purchases of capital assets of \$2.5 million offset by increases in state capital appropriations of \$.2 million and decreases in principal and interest paid of \$.6 million. The slight decrease in net cash provided by investing activities was due to a decrease in interest received.

Loss from Operations

The following table presents the University's incurred losses from operations and its non-operating revenues for the fiscal years ended June 30, 2011, 2010 and 2009.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Operating revenues, net	\$ 69,196,207	\$ 65,623,646	\$ 55,490,568
Operating expenses	88,796,057	86,145,030	84,833,861
Operating loss	<u>(19,599,850)</u>	<u>(20,521,384)</u>	<u>(29,343,293)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	25,389,047	21,305,571	24,677,747
Net investment income	343,507	392,042	449,203
Other expenses	(67,272)	(10,177)	(73,892)
Capital appropriations	852,318	8,688,659	199,182
Related entity transfers	<u>(481,026)</u>	<u>(10,750)</u>	<u>(16,689)</u>
Non-operating revenues	<u>26,036,574</u>	<u>30,365,345</u>	<u>25,235,551</u>
Increase (decrease) in net assets	\$ <u>6,436,724</u>	\$ <u>9,843,961</u>	\$ <u>(4,107,742)</u>

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

Management's Discussion and Analysis (Unaudited) - Continued

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 \$4.3 million decrease in non-operating revenues during fiscal year 2011 is primarily attributable to the decrease in state capital appropriation of \$7.8 million. The difference is a net increase of \$3.5 million consisting of increases in both direct state appropriation and fringe benefits recognized of \$4.1 million offset by a combined increase in other expenses and related entity transfers of \$.6 million.

The \$5.1 million increase in non-operating revenues during fiscal year 2010 is primarily attributable to an increase state capital appropriation of \$8.3 million for major renovations to Ely Hall. The increase was offset by a decrease in direct state appropriation of \$4.1 million, \$.3 million decrease in fringe benefits recognized and a \$1.0 million decrease in tuition remitted to the Commonwealth.

Capital Assets and Debt of Westfield State University

Westfield State University's investment in capital assets, net of accumulated depreciation, as of June 30, 2011, 2010 and 2009 were \$48,225,299, \$47,268,559 and \$40,218,439, respectively. Investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. Capital assets increased by \$1.0 million or 2% during the fiscal year ended June 30, 2011 and increased \$7.1 million or 18% during the fiscal year ended June 30, 2010. These changes were due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2011 amounted to \$5,375,155 as compared to \$11,601,166 for the year ended June 30, 2010 and \$6,791,572 for the year ended June 30, 2009.

Major additions during 2011 include the completion of the Banacos Academic Center in Parenzo Hall (\$1.1 million), the installation of solar panels on Wilson and Bates (\$.5 million) and construction in progress (\$2.7 million) for upgrades to Tim & Jeanne's Dining Commons.

Major additions during 2010 include the major building improvements to Ely Hall (\$8,492,000), renovations to the pool in Ely Hall (\$381,000), leasehold improvements and furnishings for the modular building (\$343,000), renovations and furnishings for Juniper Park office relocations (\$267,000) and construction in progress (\$468,000) for Parenzo Hall construction of the Banacos Academic Center.

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

Statements of Net Assets

June 30,

Assets

	Primary <u>Government</u>		Component <u>Unit</u>	
	2011 <u>University</u>	2010 <u>University</u>	2011 <u>Foundation</u>	2010 <u>Foundation</u>
Current Assets:				
Cash and equivalents	\$ 29,186,095	\$ 22,424,244	\$ 344,391	\$ 189,996
Cash held by State Treasurer	1,493,123	356,905	-	-
Deposits held by State Treasurer	1,627,172	1,163,149	-	-
Deposits held by MSCBA	2,164,307	-	-	-
Short-term investments	56,832	54,727	7,346	5,541
Accounts receivable, net	577,217	680,215	232,267	287,003
Due from Foundation	130,877	-	-	-
Due from State for ARRA funding	118,724	801,548	-	-
Restricted accounts receivable	161,323	29,069	-	-
Loans receivable	185,638	202,667	-	-
Inventories and other assets	<u>463,614</u>	<u>433,138</u>	<u>17,187</u>	<u>10,526</u>
Total Current Assets	<u>36,164,922</u>	<u>26,145,662</u>	<u>601,191</u>	<u>493,066</u>
Noncurrent Assets:				
Debt service reserve	457,057	69,820	-	-
Investments	-	-	4,452,276	3,283,592
Loans receivable, net	739,008	727,072	-	-
Capital assets, net	47,386,394	46,151,877	838,905	1,116,682
Other assets	<u>49,362</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>48,631,821</u>	<u>46,948,769</u>	<u>5,291,181</u>	<u>4,400,274</u>
 Total Assets	 <u>\$ 84,796,743</u>	 <u>\$ 73,094,431</u>	 <u>\$ 5,892,372</u>	 <u>\$ 4,893,340</u>

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

Liabilities and Net Assets

	Primary Government		Component Unit	
	2011	2010	2011	2010
	<u>University</u>	<u>University</u>	<u>Foundation</u>	<u>Foundation</u>
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,189,126	\$ 1,964,229	\$ 44,940	\$ 95,437
Accrued salaries, wages and benefits	4,108,923	3,859,098	-	-
Compensated absences	2,504,734	2,487,787	-	-
Accrued workers' compensation	141,112	162,818	-	-
Due to University	-	-	130,877	-
Deferred tuition and other revenue	1,115,346	985,640	-	-
Deposits held	594,570	582,562	-	-
Line of Credit	-	-	434,400	468,000
Assets held in custody for others	552,447	177,994	213,710	217,741
Current portion of bonds payable	430,622	229,355	-	-
Other liabilities	<u>42,433</u>	<u>40,131</u>	<u>248,570</u>	<u>169,967</u>
Total Current Liabilities	<u>11,679,313</u>	<u>10,489,614</u>	<u>1,072,497</u>	<u>951,145</u>
Noncurrent Liabilities:				
Compensated absences	1,351,615	1,233,641	-	-
Accrued workers' compensation	656,129	755,022	-	-
Deferred tuition and other revenue	692,657	865,822	-	-
Grants refundable	994,606	994,606	-	-
Bonds payable	<u>7,864,838</u>	<u>3,634,865</u>	<u>-</u>	<u>-</u>
Total Noncurrent Liabilities	<u>11,559,845</u>	<u>7,483,956</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>23,239,158</u>	<u>17,973,570</u>	<u>1,072,497</u>	<u>951,145</u>
Net Assets:				
Invested in capital assets, net of related debt	41,712,298	42,357,477	838,905	1,116,682
Restricted for:				
Expendable	505,307	624,749	1,858,735	1,309,798
Non-expendable	-	-	2,958,716	2,882,165
Unrestricted	<u>19,339,980</u>	<u>12,138,635</u>	<u>(836,481)</u>	<u>(1,366,450)</u>
Total Net Assets	<u>61,557,585</u>	<u>55,120,861</u>	<u>4,819,875</u>	<u>3,942,195</u>
Total Liabilities and Net Assets	<u>\$ 84,796,743</u>	<u>\$ 73,094,431</u>	<u>\$ 5,892,372</u>	<u>\$ 4,893,340</u>

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

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30,

	2011 Primary <u>Institution</u>	2010 Primary <u>Institution</u>	2011 Component Unit- <u>Foundation</u>	2010 Component Unit- <u>Foundation</u>
Revenues:				
Operating Revenues:				
Tuition and fees	\$ 39,818,365	\$ 36,558,739	\$ -	\$ -
Residence and dining fees	20,846,560	19,917,452		
Less: scholarships and fellowships	<u>(7,854,008)</u>	<u>(6,519,355)</u>	-	-
Net tuition and fees	52,810,917	49,956,836	-	-
Federal grants and contracts	11,117,101	11,435,712	-	-
State grants and contracts	1,647,318	1,501,464	-	-
Private grants and contracts	347,933	281,533	445,780	874,491
Public service	358,975	92,518	-	-
Auxiliary operations	2,436,694	1,853,797	-	-
Other sources	<u>477,269</u>	<u>501,786</u>	<u>64,550</u>	<u>67,228</u>
Total Operating Revenues	<u>69,196,207</u>	<u>65,623,646</u>	<u>510,330</u>	<u>941,719</u>
Expenses:				
Operating Expenses:				
Instruction	29,528,540	28,349,232	-	-
Public service	384,753	91,102	-	-
Academic support	6,412,455	6,180,954	44,528	39,806
Student services	10,197,395	10,123,349	659	2,845
Institutional support	8,168,980	8,323,181	613,222	1,218,319
Operation and maintenance of plant	8,959,572	8,993,950	-	-
Scholarships and fellowships	1,628,929	1,679,684	114,776	136,870
Auxiliary operations	19,374,795	17,861,051	-	-
Loss on disposal of assets	31,674	8,067	64,353	-
Depreciation	<u>4,108,964</u>	<u>4,534,460</u>	<u>5,491</u>	<u>8,519</u>
Total Operating Expenses	<u>88,796,057</u>	<u>86,145,030</u>	<u>843,029</u>	<u>1,406,359</u>
Operating Loss	<u>(19,599,850)</u>	<u>(20,521,384)</u>	<u>(332,699)</u>	<u>(464,640)</u>
Non-operating Revenues (Expenses):				
State appropriation, net	25,389,047	21,305,571	-	-
Net investment income	343,507	392,042	745,529	460,374
Other	<u>(67,272)</u>	<u>(10,177)</u>	<u>(16,176)</u>	<u>(11,327)</u>
Net Non-operating Revenues	<u>25,665,282</u>	<u>21,687,436</u>	<u>729,353</u>	<u>449,047</u>
Income (Loss) Before Other Revenues (Expenses)	6,065,432	1,166,052	396,654	(15,593)
Capital appropriations	852,318	8,688,659	-	-
Related entity transfers	<u>(481,026)</u>	<u>(10,750)</u>	<u>481,026</u>	<u>10,750</u>
Total Increase (Decrease) in Net Assets	<u>6,436,724</u>	<u>9,843,961</u>	<u>877,680</u>	<u>(4,843)</u>
Net Assets, Beginning of Year	<u>55,120,861</u>	45,276,900	<u>3,942,195</u>	3,947,038
Net Assets, End of Year	<u>\$ 61,557,585</u>	<u>\$ 55,120,861</u>	<u>\$ 4,819,875</u>	<u>\$ 3,942,195</u>

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

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

Statements of Cash Flows

For the Years Ended June 30,

	Primary Government	
	2011	2010
	<u>University</u>	<u>University</u>
Cash Flows from Operating Activities:		
Tuition and fees	\$ 35,034,621	\$ 32,546,432
Residence and dining fees	17,862,037	17,440,097
Grants and contracts	13,922,487	12,340,227
Payments to suppliers	(27,941,741)	(26,933,049)
Payments to employees	(48,960,617)	(47,961,494)
Payments to students	(1,759,806)	(1,679,684)
Direct lending receipts	24,898,745	21,386,929
Direct lending disbursements	(24,898,745)	(21,386,929)
Loans issued to students	(214,564)	(200,000)
Collections of loans to students	170,818	221,151
Auxiliary operations	2,436,694	1,853,797
Other receipts	<u>521,801</u>	<u>407,465</u>
Net Cash Applied to Operating Activities	<u>(8,928,270)</u>	<u>(11,965,058)</u>
Cash Flows from Non-Capital Financing Activities:		
State appropriation	20,433,811	17,943,338
Tuition remitted to state	(1,239,699)	(1,240,434)
Related entity transfers	<u>(481,026)</u>	<u>(10,750)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>18,713,086</u>	<u>16,692,154</u>
Cash Flows from Capital Financing Activities:		
Capital appropriations	852,318	416,644
Proceeds from sale of bonds	4,631,400	-
Purchases of capital assets	(4,379,506)	(3,001,573)
Principal paid on capital leases	-	(7,770)
Interest paid on capital leases	-	(115)
Principal paid on bonds payable	(250,171)	(216,378)
Interest paid on bonds payable	(66,623)	(10,062)
Increase in debt service reserve	<u>(387,237)</u>	<u>(109)</u>
Net Cash Provided by (Applied to) Capital Financing Activities	<u>400,181</u>	<u>(2,819,363)</u>
Cash Flows from Investing Activities:		
Interest on investments	343,507	392,042
Purchases of investments	<u>(2,105)</u>	<u>(4,749)</u>
Net Cash Provided by Investing Activities	<u>341,402</u>	<u>387,293</u>
Net Increase in Cash and Equivalents	10,526,399	2,295,026
Cash and Equivalents, Beginning of Year	<u>23,944,298</u>	<u>21,649,272</u>
Cash and Equivalents, End of Year	<u>\$ 34,470,697</u>	<u>\$ 23,944,298</u>

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

Statements of Cash Flows - (Continued)

For the Years Ended June 30,

	Primary Government 2011 <u>University</u>	2010 University
Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	\$ (19,599,850)	\$ (20,521,384)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	4,108,964	4,534,460
Loss on disposal of assets	31,674	8,067
Fringe benefits provided by the State	6,194,935	4,602,667
Changes in Assets and Liabilities:		
Accounts receivable, net	102,998	(96,079)
Due from Foundation	(130,877)	-
Due from State for ARRA funding	682,824	(801,548)
Restricted accounts receivable	(132,254)	1,541
Loans receivable, net	5,093	(18,451)
Inventories and other assets	(30,476)	133,841
Accounts payable and accrued liabilities	(770,752)	(371,477)
Accrued salaries, wages and benefits	249,825	524,024
Compensated absences	134,921	15,852
Accrued workers' compensation	(120,599)	117,526
Deferred tuition and other revenue	(43,459)	(152,959)
Deposits held	12,008	29,588
Assets held in custody for others	374,453	6,695
Other liabilities	<u>2,302</u>	<u>22,579</u>
Net Cash Used by Operating Activities	<u>\$ (8,928,270)</u>	<u>\$ (11,965,058)</u>
Non-Cash Transactions:		
Fringe benefits paid by State	<u>\$ 6,194,935</u>	<u>\$ 4,602,667</u>
Construction in progress included in accounts payable and accrued liabilities	<u>\$ 995,649</u>	<u>\$ 327,578</u>
Acquisition of building improvements transferred from other state agency	<u>\$ -</u>	<u>\$ 8,272,015</u>
Cash and Equivalents, End of Year:		
Cash and equivalents	\$ 29,186,095	\$ 22,424,244
Cash held by State Treasurer	1,493,123	356,905
Deposits held by State Treasurer	1,627,172	1,163,149
Deposits held by MSCBA	<u>2,164,307</u>	<u>-</u>
Total	<u>\$ 34,470,697</u>	<u>\$ 23,944,298</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, 2011 and 2010

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 masters degrees in education, business and arts and sciences as well as conduct programs of continuing education. The University is accredited by the New England Association of Schools and Colleges.

On July 28, 2010, the Governor signed House Bill 4864-10, renaming Westfield State College to Westfield State University and creating a State University System for the nine Massachusetts State Colleges. The name change did not create any new programs or degrees.

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 offices in Westfield, Massachusetts.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. The accompanying statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues primarily include charges to students or others who enroll or directly benefit from services that are provided by a particular function. Items not meeting the definition of program revenues are instead reported as general revenue.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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

Basis of Presentation - Continued

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

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

Governments are also required to follow applicable pronouncements of the *Financial Accounting Standards Board (FASB)* issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the University has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, it has chosen not to do so.

Net Assets

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

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

Restricted - nonexpendable: Net assets subject to externally imposed conditions require the University to maintain them in perpetuity.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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

Net Assets - Continued

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

Unrestricted: All other categories of net assets. Unrestricted net assets may be designated by the actions of the University's Board of Trustees.

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

Use of Estimates

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

Trust Funds

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 considers all highly liquid debt instruments purchased with an original maturity date of three months or less to be cash equivalents.

Allowance for Doubtful Accounts

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

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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

Inventories

The University's inventories consist of plant operation and maintenance supplies and operating supplies, which are valued at the lower of cost (first-in, first-out and replacement cost methods) or market.

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, non-collection items with a unit cost of more than \$50,000 are capitalized. Library materials are generally expensed during the year. University capital assets, with the exception of land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives, which range from 3 to 40 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materiality extend assets lives are not capitalized.

Restricted Gifts

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

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 revenue, expenses and changes in net assets, or its cash flows.

Compensated Absences

Employees earn the right to be compensated during absences for vacation and sick leave. Accrued vacation is the amount earned by all eligible employees through June 30, 2011 and 2010. The accrued sick leave balance represents 20% of amounts earned by those employees with ten or more years of State service at June 30, 2011 and 2010. The University has discounted the accrued sick leave balance as of June 30, 2011 and 2010 based on actuarial calculations. Based on the actuarial tables and calculations used, the discount is \$1,175,249 and \$1,084,443 as of June 30, 2011 and 2010, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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

Compensated Absences - Continued

The discount rate at June 30, 2011 and 2010 was 5.67% and 5.45%, respectively. Upon retirement, these employees are entitled to receive payment for this accrued balance.

Funding of these amounts is anticipated to be part of the future annual appropriation process from the Commonwealth of Massachusetts.

Deposits and Deferred 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 deferred revenue are recorded as revenue as earned.

Deposits held by MSCBA

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

Deposits held by State Treasurer

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

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.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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

Income Tax Status

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

New Governmental Accounting Pronouncements

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is required for periods beginning after June 15, 2010 (fiscal year end June 2011). This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The initial distinction that it makes is identifying amounts that are considered non-spendable. It also provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Management of the University determined this Statement had no impact on the financial statements because of business type activities.

GASB 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011, establishes accounting requirements for arrangements between a transferor and operator in which (a) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public asset in exchange for significant consideration and (b) the operator collects and is compensated by fees from third parties. This statement applies only to arrangements meeting specific criteria determining whether a transferor retains control over the public asset. Management has not completed its review of the affects of implementation on the financial statements.

GASB 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements 14 and 34*, effective for periods beginning after June 15, 2012, modifies certain requirements for inclusion of component units in the financial reporting entity. Management of the University does not expect implementation to affect the financial statements.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

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

New Governmental Accounting Pronouncements - Continued

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance. Deferred outflows are the consumption of net assets and deferred inflows are the acquisition of net assets, applicable to future reporting periods. Net position is identified by Concepts Statement No. 4 as the residual of all other elements presented in a statement of financial position and requires the incorporation of deferred outflows and inflows into the required components of the residual measure and renaming that measure, known as net assets, as net position. Management is in the process of reviewing this statement and its potential affect upon their financial reporting but does not expect any material impact.

GASB 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement 53*, effective for periods beginning after June 15, 2011 provides clarification whether an effective hedging relationship continues after the replacement of the swap counterparty or swap counterparty's credit support provider and establishes criteria order to continue or discontinue hedge accounting and the resulting effects of recognition of the deferred outflows or inflows of resources as a component of investment income. Management expects this statement to have no affect on the financial statements.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

Note 2 - **Cash and Equivalents**

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

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - **Cash and Equivalents - Continued**

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

The University entered into a repurchase agreement for \$5,000,000 with one of their financial institutions in March 2009. The University has purchased an interest in specific securities that are issued by the United States Government, which are used as collateral. The fair value of the securities at June 30, 2011 and 2010 was approximately \$5,289,000 and \$5,158,000, respectively. The University will earn interest on their cash investment at prime rate minus 75 basis points.

The carrying amount of the University's bank deposits and deposits in trust depositories are \$29,186,095 and \$22,424,244 as compared to bank balances of \$29,951,424 and \$22,885,130 at June 30, 2011 and 2010, respectively. The differences between the carrying amount and the bank balances were caused by deposits in-transit and outstanding checks. Bank balances as of June 30, 2011 and 2010 in the amount of \$24,605,213 and \$17,669,534, respectively, at Peoples Bank and Berkshire Bank are insured by the Massachusetts Depositors Insurance Fund and are therefore not subject to custodial risk. Amounts remaining that may be exposed to custodial risk at June 30, 2011 and 2010 were \$5,288,549 and \$5,158,109, respectively.

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

Accounts payable, accrued salaries, wages and withholdings to be funded from state appropriated funds totaled \$1,493,123 and \$356,905 at June 30, 2011 and 2010, respectively. The University has recorded a comparable dollar amount of cash held by the State Treasurer for the benefit of the University, which was subsequently used to pay for such liabilities.

Note 4 - **Investments**

University

Short-term investments are categorized according to the level of risk assumed by the University. At June 30, 2011 and 2010, the entire balance of investments represents mutual funds that are held in safekeeping accounts in trust depositories in the name of the University and are uninsured. At June 30, 2011 and 2010, the investments are

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 4 - **Investments**

University - Continued

stated at fair market value, have a maturity of less than one year, and have an unrated quality. The University currently follows investment policies largely defined by the Commonwealth of Massachusetts, as well as internal University's investment policies.

Foundation

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

	<u>2011</u>		<u>2010</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
Short-term investments:				
Short-term Fund	\$ 7,346	\$ 7,347	\$ 5,541	\$ 7,203
Investments:				
Stock Market Index Fund	2,477,228	2,477,405	1,868,608	2,434,054
Bond Market Index Fund	1,152,055	1,111,577	1,111,406	1,068,814
International Stock Market Index Fund	<u>822,993</u>	<u>1,013,881</u>	<u>303,578</u>	<u>582,920</u>
	<u>\$ 4,459,622</u>	<u>\$ 4,610,210</u>	<u>\$ 3,289,133</u>	<u>\$ 4,092,991</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 92,259	\$ 92,923
Unrealized gain	<u>653,270</u>	<u>367,451</u>
	<u>\$ 745,529</u>	<u>\$ 460,374</u>

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 5 - **Accounts Receivable**

The composition of the University's accounts receivable at June 30, 2011 and 2010 is summarized as follows:

	<u>2011</u>	<u>2010</u>
Student accounts receivable	\$ 974,587	\$ 916,312
Grants receivable	167,069	294,380
Other receivables	<u>166,200</u>	<u>157,176</u>
	<u>1,307,856</u>	1,367,868
Less: allowance for doubtful accounts	<u>(730,639)</u>	<u>(687,653)</u>
	<u>\$ 577,217</u>	<u>\$ 680,215</u>

Note 6 - **Loans Receivable and Payable**

Loans receivable consist of the Federal Perkins Loan Program ("Perkins"). The Federal government provides the majority of the funds to support this program. Loan payments received from students made under this program may be re-loaned after collection. The portion of the Perkins program provided by the Federal government is refundable to the Federal government upon the termination of the University's participation in the program. Grants refundable at both June 30, 2011 and 2010 is \$994,606

Loans receivable include the following at June 30,:

	<u>2011</u>	<u>2010</u>
Perkins loans receivable	\$ 1,351,507	\$ 1,314,403
Less: allowance for doubtful accounts	<u>(426,861)</u>	<u>(384,664)</u>
Total loans receivable, net	924,646	929,739
Less: amount due in one year	<u>(185,638)</u>	<u>(202,667)</u>
Long term loans receivable	<u>\$ 739,008</u>	<u>\$ 727,072</u>

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 7 - **Related Party Transactions**

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

Certain Foundation Board members are also affiliated with insurance agencies that provide property coverage for the Foundation. Aggregate premiums paid for the year ended June 30, 2011 and 2010 were \$29,864 and \$24,480, respectively.

Note 8 - **Capital Assets**

Capital asset activity for the year ended June 30, 2011 is summarized as follows:

	Estimated lives (in years)	Beginning Balance	<u>University</u>			Ending Balance
			<u>Additions</u>	<u>Retirements</u>	<u>Reclassifications</u>	
Capital assets, not depreciable:						
Land	-	\$ 1,223,862	\$ -	\$ -	-	\$ 1,223,862
Construction-in-progress	-	<u>867,260</u>	<u>2,831,782</u>	-	<u>(601,037)</u>	<u>3,098,005</u>
Total		<u>2,091,122</u>	<u>2,831,782</u>	-	<u>(601,037)</u>	<u>4,321,867</u>
Depreciable:						
Buildings, including						
Improvements	20-40	65,923,671	1,784,045	-	601,037	68,308,753
Land improvements	20	1,914,655	-	-	-	1,914,655
Leasehold improvements	5	271,083	-	-	-	271,083
Equipment and furnishings	3-10	20,634,611	657,422	351,633	-	20,940,400
Library books	5	6,962,394	63,934	-	-	7,026,328
Vehicles	5	<u>863,026</u>	<u>37,972</u>	-	-	<u>900,998</u>
Total		<u>96,569,440</u>	<u>2,543,373</u>	<u>351,633</u>	<u>601,037</u>	<u>99,362,217</u>
Less accumulated depreciation:						
Buildings, including						
improvements		30,617,173	2,040,431	-	-	32,657,604
Land improvements		527,800	96,776	-	-	624,576
Leasehold improvements		54,217	54,217	-	-	108,434
Equipment and furnishings		13,738,183	1,798,800	319,959	-	15,217,024
Library books		6,809,151	73,130	-	-	6,882,281
Vehicles		<u>762,161</u>	<u>45,610</u>	-	-	<u>807,771</u>
Total accumulated depreciation		<u>52,508,685</u>	<u>4,108,964</u>	<u>319,959</u>	-	<u>56,297,690</u>
Capital Assets, Net		\$ <u>46,151,877</u>	\$ <u>1,266,191</u>	\$ <u>31,674</u>	\$ -	\$ <u>47,386,394</u>

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 8 - **Capital Assets - Continued**

Capital asset activity for the year ended June 30, 2010 is summarized as follows:

		<u>University</u>					
	Estimated lives (in years)	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance	
Capital assets, not depreciable:							
Land	-	\$ 1,223,862	\$ -	\$ -	\$ -	\$ 1,223,862	
Construction-in-progress	-	3,504,216	601,037	-	(3,237,993)	867,260	
Total		<u>4,728,078</u>	<u>601,037</u>	<u>-</u>	<u>(3,237,993)</u>	<u>2,091,122</u>	
Depreciable:							
Buildings, including							
Improvements	20-40	53,242,536	9,551,725	-	3,129,410	65,923,671	
Land improvements	20	1,829,339	85,316	-	-	1,914,655	
Leasehold improvements	5	-	237,868	-	33,215	271,083	
Equipment and furnishings	3-10	20,029,829	1,041,519	512,105	75,368	20,634,611	
Library books	5	6,878,693	83,701	-	-	6,962,394	
Vehicles	5	895,231	-	32,205	-	863,026	
Total		<u>82,875,628</u>	<u>11,000,129</u>	<u>544,310</u>	<u>3,237,993</u>	<u>96,569,440</u>	
Less accumulated depreciation:							
Buildings, including							
improvements		28,526,421	2,090,752	-	-	30,617,173	
Land improvements		431,024	96,776	-	-	527,800	
Leasehold improvements		-	54,217	-	-	54,217	
Equipment and furnishings		12,069,640	2,172,581	504,038	-	13,738,183	
Library books		6,734,226	74,925	-	-	6,809,151	
Vehicles		749,157	45,209	32,205	-	762,161	
Total accumulated depreciation		<u>48,510,468</u>	<u>4,534,460</u>	<u>536,243</u>	<u>-</u>	<u>52,508,685</u>	
Capital Assets, Net		<u>\$ 39,093,238</u>	<u>\$ 7,066,706</u>	<u>\$ 8,067</u>	<u>\$ -</u>	<u>\$ 46,151,877</u>	

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 9 - **Deferred Revenues**

Deferred revenues include tuition received in advance from students for summer courses commencing after June 30, the subsequent fall semester, and grant funds received in advance as well as contributions made by certain vendors. The University's food service operations are managed under agreement by an outside party. In accordance with certain amendments, in connection with improvements constructed for the University, the vendor has contributed \$2,315,000 since July 1997. Either party may terminate this agreement at any time, without cause, by providing sixty days written notice. In the event of termination, the unamortized portion is to be returned. At June 30, 2011 and 2010, the unamortized portion of these contributions are \$865,821 and \$1,038,987, respectively.

Deferred revenues of the University include the following each year at June 30:

	<u>2011</u>	<u>2010</u>
Tuition and fees	\$ 933,560	\$ 778,573
Vendor contributions	865,821	1,038,987
Grants	<u>8,622</u>	<u>33,902</u>
Total deferred revenue	<u>1,808,003</u>	1,851,462
Less: current portion	<u>(1,115,346)</u>	<u>(985,640)</u>
Long-term Deferred Revenue	\$ <u>692,657</u>	\$ <u>865,822</u>

Note 10 - **Line of Credit**

The Foundation has a \$1,000,000 line of credit with a bank, secured by certain investments. The balance outstanding on the line of credit was \$434,400 and \$468,000 at June 30, 2011 and 2010, respectively. The terms of the line of credit were modified in May 2010 to create a minimum interest rate of 3.50% for the interest-only payments that are paid monthly at a variable rate and require a quarterly principal payment of \$4,800 that commenced July 2010. At both June 30, 2011 and 2010, the rate was 3.50%. The line of credit is subject to an annual review by the bank. The next annual review will occur during November 2011, and the line of credit will expire on that date if not extended or renewed by the bank, at its discretion.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 11 - **Long-Term Liabilities**

Long-term liabilities at June 30, 2011 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases and bonds payable:					
Bonds payable	\$ <u>3,864,220</u>	\$ <u>4,681,411</u>	\$ <u>250,171</u>	\$ <u>8,295,460</u>	\$ <u>430,622</u>
Other long-term liabilities:					
Compensated absences	3,721,428	134,921	-	3,856,349	2,504,734
Workers' compensation	917,840	-	120,599	797,241	141,112
Deferred tuition and other revenue	1,851,462	129,707	173,166	1,808,003	1,115,346
Grants refundable	<u>994,606</u>	<u>-</u>	<u>-</u>	<u>994,606</u>	<u>-</u>
Total	\$ <u>11,349,556</u>	\$ <u>4,946,039</u>	\$ <u>543,936</u>	\$ <u>15,751,659</u>	\$ <u>4,191,814</u>

Long-term liabilities at June 30, 2010 consist of:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Leases, notes, and bonds payable:					
Lease obligations	\$ 7,770	\$ -	\$ 7,770	\$ -	\$ -
Bonds payable	<u>4,080,598</u>	<u>-</u>	<u>216,378</u>	<u>3,864,220</u>	<u>229,355</u>
Total leases and bonds payable	<u>4,088,368</u>	<u>-</u>	<u>224,148</u>	<u>3,864,220</u>	<u>229,355</u>
Other long-term liabilities:					
Compensated absences	3,705,576	15,852	-	3,721,428	2,487,787
Workers' compensation	800,314	117,526	-	917,840	162,818
Deferred tuition and other revenue	2,004,421	20,205	173,164	1,851,462	985,640
Grants refundable	<u>994,606</u>	<u>-</u>	<u>-</u>	<u>994,606</u>	<u>-</u>
Total	\$ <u>11,593,285</u>	\$ <u>153,583</u>	\$ <u>397,312</u>	\$ <u>11,349,556</u>	\$ <u>3,865,600</u>

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 11 - **Long-Term Liabilities - Continued**

Bonds Payable

In August 2002, the University borrowed \$5,816,000 in tax-exempt revenue bonds issue Series M-2 with the Massachusetts Health and Educational Facilities Authority (MHEFA). The Series M-2 bonds are payable in annual installments over the next eleven years with principal amounts ranging between approximately \$242,000 and \$435,000. Interest is payable monthly at a predetermined varying rate (0.217% as of June 30, 2011). MHEFA requires that the University maintain a debt service reserve. At June 30, 2011 and 2010, the debt service reserve fund was \$51,723 and \$69,820, respectively. At June 30, 2011 and 2010, the balance on the bond was \$3,634,844 and \$3,864,220, respectively.

In December 2010, the University entered into a financing agreement with the Massachusetts State College Building Authority (MSCBA) for an expansion of a dining facility. The source of financing for the project is based on the issuance of Project Revenue Bonds issued by MSCBA on behalf of the University (Series 2010A and 2010B). Through its agreements with MSCBA, the University has an agreement to repay this debt in semi-annual installments, starting May 1, 2011 and ending May 1, 2030, at an annual variable coupon rate averaging 5.5%. MSCBA requires that the University maintain a debt service reserve. At June 30, 2011, the debt reserve fund was \$405,334. At June 30, 2011, the balance on the bond was \$4,447,849.

During fiscal year 2011, 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 over the next sixteen years. Interest is payable semiannually at a fixed interest rate of 3.5%. MDFA requires no debt reserve. At June 30, 2011, the balance on the bond was \$212,767.

The University has a \$3,679,657 letter of credit agreement with Bank of America in support of the above MHEFA revenue bonds. Under the terms of the agreement, the University has pledged its right to receive continuing education tuition and fees, general fees, technical fees and miscellaneous fees as collateral to Bank of America. The agreement also places certain limits on the University with regard to incurring additional debt; requires the University to maintain a minimum amount of unrestricted cash and equivalents, and to maintain a debt service ratio and debt service reserve fund. Fees paid under the terms of the agreement were \$59,262 at June 30, 2011 and \$24,348 at June 30, 2010. As of June 30, 2011, there is no outstanding balance on the letter of credit.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 11 - **Long-Term Liabilities - Continued**

Bonds Payable - Continued

Maturities of the bonds payable subsequent to June 30, 2011 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 430,622	\$ 165,002	\$ 595,624
2013	450,671	158,885	609,556
2014	471,029	152,911	623,940
2015	494,162	145,058	639,220
2016	517,851	136,914	654,765
2017-2021	2,970,914	558,567	3,529,481
2022-2026	1,753,344	332,443	2,085,787
2027	<u>1,206,867</u>	<u>65,292</u>	<u>1,272,159</u>
	<u>\$ 8,295,460</u>	<u>\$ 1,715,072</u>	<u>\$ 10,010,532</u>

Note 12 - **Pollution Remediation**

In 2009, the University adopted GASB Statement No. 49 (“GASB 49”), *Accounting and Financial Reporting for Pollution Remediation Obligations*. The University has accrued a liability of approximately \$190,000 and \$285,000 at June 30, 2011 and 2010, respectively, related to an underground oil spill that is currently being remediated. The estimated liability is based on current operating costs associated with the engineering and design of the remediation, installation and removal, and overall monitoring. The University expects the cleanup and remediation to continue for one year and the annual monitoring and evaluation to continue for approximately seven years.

Note 13 - **Leases**

During fiscal year 2011, the University entered into a lease agreement for an apartment building to be used for student housing, expiring in July 2021. The University also leases office equipment under non-cancelable operating leases with various expiration dates through 2016. Total rent expense under these lease agreements is approximately \$1,279,000 and \$743,000 for the years ended June 30, 2011 and 2010, respectively.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 13 - **Leases - Continued**

Future minimum payments related to these leases are as follows:

2012	\$	1,694,217
2013		1,743,329
2014		1,337,276
2015		1,212,877
2016		1,239,944
2017-2021		5,923,070
2022		<u>104,893</u>
 Total	 \$	 <u>13,255,606</u>

Note 14 - **Restricted Net Assets**

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

	<u>2011</u>	<u>2010</u>
Restricted - expendable:		
Scholarships and fellowships	\$ 200,511	\$ 143,730
Loans	246,205	246,205
Capital projects	8,872	164,721
Other	<u>49,719</u>	<u>70,093</u>
	 \$ <u>505,307</u>	 \$ <u>624,749</u>

The Foundation's restricted - nonexpendable and expendable net assets consist of investments to be utilized for various scholarships and program support as of June 30, 2011 and 2010.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 15 - **Operating Expenses**

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

	<u>2011</u>	<u>2010</u>
Compensation and benefits	\$ 55,482,958	\$ 53,234,215
Supplies and services	27,543,532	26,688,604
Depreciation and amortization	4,140,638	4,542,527
Scholarships and fellowships	<u>1,628,929</u>	<u>1,679,684</u>
	<u>\$ 88,796,057</u>	<u>\$ 86,145,030</u>

Note 16 - **Retirement Plan**

The University participates in the Commonwealth's Fringe Benefit programs, including active employee and post-employment health insurance, unemployment, pension, and worker's compensation benefits. Health insurance and pension costs (described in the subsequent paragraph) for active employees and retirees are paid through a fringe benefit rate charged to the University by the Commonwealth and currently the liability is borne by the Commonwealth, as are any effects on net assets and the results of current year operations, due to the adoption of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions*.

The Commonwealth of Massachusetts is statutorily responsible for the pension benefit of the University employees who participate in the Massachusetts State Employees' Retirement System (the "Retirement System"). The Retirement System, a single employer defined benefit public employee retirement system, is administered by the Commonwealth. The retirement portion of employees paid through State Appropriation accounts are met by the Commonwealth. Such pension expense amounted to approximately \$1,028,000 and \$1,073,000 for the years ended June 30, 2011 and 2010, respectively. Employees, who contribute a percentage of their regular compensation, fund the annuity portion of the Retirement System. Annual covered payroll was approximately 88% of annual total payroll for the University in both 2011 and 2010.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 16 - **Retirement Plan - Continued**

The University also makes direct contributions on behalf of the employees at the same fringe benefit charge assessed by the Commonwealth. Retirement Benefits paid directly to the Commonwealth by the University on behalf of employees amounted to approximately \$755,000 and \$971,000 for the years ended June 30, 2011 and 2010, respectively. Employees contribute a percentage of their regular compensation to fund the annuity portion of the Retirement System. The overall 'fringe benefit charge' increased from 26.42% in 2010 to 31.82% in 2011. The retirement portion of the 'fringe rate' decreased from 6.16% in 2010 to 5.28% in 2011.

In addition to providing pension benefits, under Chapter 32A of the Massachusetts General Laws, the Commonwealth is required to provide certain health care and life insurance benefits for retired employees of the Commonwealth, housing authorities, redevelopment authorities, and certain other governmental agencies. Substantially all of the Commonwealth's employees may become eligible for these benefits if they reach retirement age while working for the Commonwealth. Eligible retirees are required to contribute a specified percentage of the health care benefit costs which is comparable to contributions required from employees. The Commonwealth is reimbursed for the cost of benefits to retirees of the eligible authorities and non-state agencies.

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

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

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 16 - **Retirement Plan - Continued**

The GIC is a quasi-independent state agency governed by an eleven member body (the “Commission”) appointed by the Governor. The GIC is located administratively within the Executive Office of Administration and Finance, and is responsible for providing health insurance and other benefits to the Commonwealth’s employees and retirees and their survivors and dependents. During the fiscal year ended June 30, 2011, the GIC provided health insurance for its members through indemnity, PPO, and HMO plans.

The GIC also administered carve-outs for pharmacy, mental health, and substance abuse benefits for certain of its health plans. In addition to health insurance, the GIC sponsors life insurance, long-term disability insurance (for active employees only), dental and vision coverage (for employees not covered by collective bargaining), retiree discount vision and dental plans, and a pre-tax health care spending account and dependent care assistance program (for active employees only).

Note 17 - **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 which 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.

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 17 - **Commitments and Contingencies - Continued**

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 standard tuition rate in effect at the time of the individual's enrollment at the University. The effect of the program cannot be determined as it is contingent on future tuition increases and the Program participants who attend the University.

Note 18 - **Massachusetts Management Accounting and Reporting System**

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

The College's state appropriation is composed of the following at June 30:

	<u>2011</u>	<u>2010</u>
Direct unrestricted appropriations	\$ 20,396,814	\$ 17,882,753
Add: Fringe benefits for benefited employees on the state payroll	6,194,935	4,602,667
Less: Day school tuition remitted to the state and included in tuition and fee revenue	<u>(1,239,699)</u>	<u>(1,240,434)</u>
Total unrestricted appropriations	25,352,050	21,244,986
Capital appropriations	852,318	8,688,659
Restricted appropriations	<u>36,997</u>	<u>60,585</u>
Total appropriations	<u>\$ 26,241,365</u>	<u>\$ 29,994,230</u>

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

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 19 - **Pass-Through Grants**

The College distributed \$24,898,745 and \$21,386,929 as of June 30, 2011 and 2010, respectively, for student loans through the U.S. Department of Education Federal direct lending program. These distributions and related funding sources are not included as expenses and revenues or as cash disbursements and cash receipts in the accompanying financial statements.

Note 20 - **Massachusetts State College Building Authority (Unaudited)**

The Massachusetts State College Building Authority (MSCBA) was created pursuant to Chapter 703 of the Acts of 1963 by the Commonwealth as a public instrumentality for the general purpose of providing dormitories, dining commons and other facilities primarily for use by students and staff of the nine state colleges of the Commonwealth.

The University is charged a semi-annual revenue assessment that is based on a certified occupancy report, the current rent schedule, and the design capacity for each of the residence halls. This revenue assessment is used by MSCBA to pay principal and interest due on its long-term debt obligations. These obligations may include the costs of periodic renovations and improvements to the residence halls. The Commonwealth guarantees these obligations. The Revenue Assessments for the residence halls for the year ended June 30, 2011 and 2010 were \$6,655,972 and \$6,264,556, respectively. All facilities and obligations of the MSCBA are included in the financial statements of the MSCBA.

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

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

Schedules of Net Assets
Dormitory Trust Fund Report (Unaudited)

June 30,

Assets

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and equivalents	\$ 4,457,389	\$ 3,908,286
Accounts receivable, net	11,589	18,351
Deposits held by State Treasurer	349,094	165,134
Commission receivable	<u>91</u>	<u>1,069</u>
Total Current Assets	<u>4,818,163</u>	<u>4,092,840</u>
Total Assets	<u>\$ 4,818,163</u>	<u>\$ 4,092,840</u>

Liabilities

Current Liabilities:		
Accounts payable and accrued liabilities	\$ 174,916	\$ 183,023
Accrued employee compensation and benefits	319,044	283,143
Deposits held	570,710	557,715
Other liabilities	<u>1,699</u>	<u>453</u>
Total Current Liabilities	<u>1,066,369</u>	<u>1,024,334</u>
Noncurrent Liabilities:		
Accrued liability for employee compensation and benefits	<u>43,046</u>	<u>37,411</u>
Total Noncurrent Liabilities	<u>43,046</u>	<u>37,411</u>
Total Liabilities	<u>1,109,415</u>	<u>1,061,745</u>
Net Assets:		
Unrestricted	<u>3,708,748</u>	<u>3,031,095</u>
Total Net Assets	<u>3,708,748</u>	<u>3,031,095</u>
Total Liabilities and Net Assets	<u>\$ 4,818,163</u>	<u>\$ 4,092,840</u>

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

Schedules of Revenues, Expenses and Changes in Net Assets
Dormitory Trust Fund Report (Unaudited)

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Revenues:		
Operating Revenues:		
Room rent	\$ 13,037,225	\$ 12,775,629
Infrastructure fees	262,400	260,850
Other sources	80,368	118,499
Deposits forfeited	64,377	69,990
Commissions - laundry	59,905	63,849
Commissions - vending	33,543	33,857
College support	<u>-</u>	<u>200,000</u>
Total Operating Revenues	<u>13,537,818</u>	<u>13,522,674</u>
Expenses:		
Operating Expenses:		
Employee compensation	2,011,699	1,963,693
Energy costs	1,525,695	1,463,571
Pension and insurance	672,543	561,122
Special employees	638,996	509,760
Operational services	344,049	498,388
Scholarships	288,000	240,000
Repairs and maintenance	257,589	250,093
Facility operations supplies	238,754	256,625
Administrative expenses	78,653	56,168
Equipment purchase	59,023	142,937
Equipment lease, rental and maintenance	29,496	17,615
Consultant services	25,500	18,165
Student travel	23,231	1,078
Employee related expenses	10,965	10,912
Annual payment to the Massachusetts State College Building Authority	<u>6,655,972</u>	<u>6,264,556</u>
Total Operating Expenses	<u>12,860,165</u>	<u>12,254,683</u>
Increase in Net Assets	<u>677,653</u>	<u>1,267,991</u>
Net Assets, Beginning of Year	<u>3,031,095</u>	<u>1,763,104</u>
Net Assets, End of Year	<u>\$ 3,708,748</u>	<u>\$ 3,031,095</u>



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

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

We have audited the financial statements of Westfield State University (an agency of the Commonwealth of Massachusetts) (the "University") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 12, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Trustees and management of the University, the Commonwealth of Massachusetts, and Federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

O'Connor & Drew, P.C.

Certified Public Accountants

October 12, 2011