

Westfield State College

ANNUAL REPORT

Fiscal Year Ended: June 30, 2007



Westfield State College

Annual Report (audited)

Fiscal Year 2007
(July 1, 2006 – June 30, 2007)

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Westfield State College
(A Component Unit of the Commonwealth of Massachusetts)
ANNUAL REPORT
Years Ended June 30, 2007 and 2006

Table of Contents

	Page
Independent Auditors' Report	i
Management's Discussion and Analysis (Unaudited)	1-10
Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Net Assets	12
Statement of Cash Flows	13-14
Notes to Financial Statements	15-26
Supplemental information:	
Independent Auditors' Report on Accompanying Information	27
Building Authority Trust Fund Statement of Net Assets	28
Building Authority Trust Fund Statement of Revenues, Expenditures And Changes in Net Assets	29

Westfield State College
 (A Component Unit of the Commonwealth of Massachusetts)
Management’s Discussion and Analysis
 (UNAUDITED)

Introduction

This section of the Westfield State College annual financial report presents management’s discussion and analysis of the financial activities of Westfield State College for the fiscal year ended June 30, 2007, with comparative information for the years ended June 30, 2006 and 2005. For financial reporting purposes, Westfield State College’s reporting entity consists of Westfield State College (the College) and its discretely presented component unit, Westfield State College Foundation, Inc. (the Foundation). 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 College is a comprehensive public institution of higher learning with approximately 4,500 full time equivalent combined day and evening students. The campus is located in Westfield, Massachusetts and offers 23 academic undergraduate majors in both the traditional arts and sciences and in professional fields, including nearly 60 concentrations of study and many options for academic minors. There are also 25 distinct graduate degree 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 College to providing quality educational programs.

Westfield State College Foundation, Inc. is a not-for-profit corporation operated exclusively for charitable, scientific, and educational purposes for the benefit of Westfield State College, 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 the College to promote the general education of the people within the constituency served by the College.

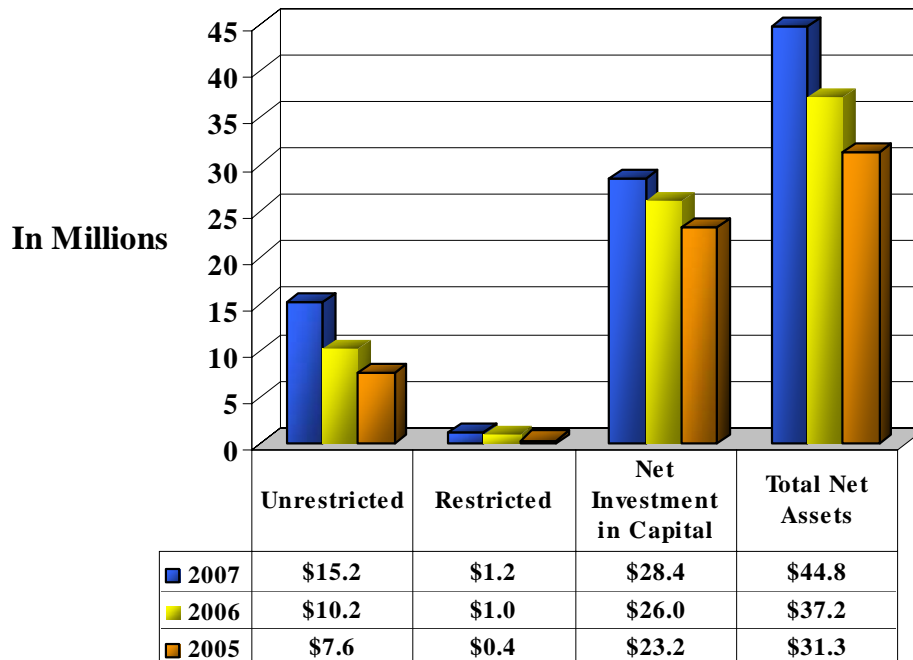
Listed below are the definitions of each entity that may be presented in this discussion and analysis.

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

Primary Institution Financial Highlights

Graphically displayed, the comparative net asset increases by category for the fiscal years ended June 30, 2007, 2006 and 2005 are shown below:

Comparison of Net Assets-Primary Institution



- The College's financial position improved significantly during the fiscal year ended June 30, 2007, with a \$7.6 million or 20.4% increase in total net assets. Net assets, which represent the residual interest in the College's assets after liabilities are deducted, increased to \$44.8 million from \$37.2 million in 2006. The College's financial position also improved significantly during the fiscal year ended June 30, 2006, with a \$5.9 million or 18.9% increase in total net assets, which increased to \$37.2 million from \$31.3 million in 2005.
- Expenses incurred during fiscal year 2007 totaled \$70.5 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$78.1 million resulting in an increase in net assets of \$7.6 million. Expenses incurred during fiscal year 2006 totaled \$64.9 million. Revenues from tuition and fees, state capital support and appropriations, grants, and other sources totaled \$70.8 million resulting in an increase in net assets of \$5.9 million as compared to an increase of \$.7 million for the year ended June 30, 2005.
- The increase in net assets during the fiscal year ended June 30, 2007 is attributable to the acquisition of major capital assets, along with the fact that significant increases in revenue during fiscal year ended June 30, 2007 more than offset increases in expense. The increase in net assets during the fiscal year ended June 30, 2006 is attributable to the acquisition of capital assets including the Synthetic field replacement project in the amount of \$2.5 million (in progress at June 30, 2006) and increases in revenue favorably offsetting the increase in expense.

Overview of the Financial Statements

Westfield State College'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 College and consolidate the activities into one total.

The Financial Statements:

The *Statement of Net Assets* presents the financial position of Westfield State College at the end of the fiscal year and includes all assets and liabilities of Westfield State College. The difference between total assets and total liabilities (net assets) is one indicator of the current financial position of Westfield State College, 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 College's results of operations and other non-operating revenues. This statement presents information that shows how Westfield State College's net assets changed during the most recent fiscal year.

The *Statement of Cash Flows* provides additional information about Westfield State College'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 11-14 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 15-26 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 College Building Authority trust fund. This supplementary information can be found on pages 28-29 of this financial report.

Financial Analysis of Westfield State College as a Whole

As previously noted, net assets may serve over time as a useful indicator of Westfield State College's financial position. Westfield State College's financial position remained strong with a combined (College and Foundation) net asset increase of \$8.1 million for the year ended June 30, 2007 as compared to a combined net asset increase of \$6.2 million as of June 30, 2006 and \$1.1 million as of June 30, 2005.

Westfield State College's Condensed Statement of Net Assets As of June 30, 2007, 2006 and 2005

	Primary Institution 2007	Primary Institution 2006	Primary Institution 2005	Component Unit- Foundation 2007	Component Unit- Foundation 2006	Component Unit- Foundation 2005
Current Assets	\$26,505,976	\$19,852,406	\$16,859,684	\$ 427,300	\$ 882,754	\$ 898,733
Non-current Assets						
Capital Assets, net	33,954,913	32,428,857	30,416,080	783,925	439,935	443,707
Other	<u>653,753</u>	<u>672,990</u>	<u>1,294,752</u>	<u>4,972,694</u>	<u>4,057,699</u>	<u>3,764,890</u>
Total Assets	<u>61,114,642</u>	<u>52,954,253</u>	<u>48,570,516</u>	<u>6,183,919</u>	<u>5,380,388</u>	<u>5,107,330</u>
Current Liabilities	8,802,807	7,430,182	7,475,176	294,747	287,066	277,740
Non-current Liabilities	<u>7,491,056</u>	<u>8,364,696</u>	<u>9,805,177</u>	<u>400,000</u>	<u>-</u>	<u>30,800</u>
Total Liabilities	<u>16,293,863</u>	<u>15,794,878</u>	<u>17,280,353</u>	<u>694,747</u>	<u>287,066</u>	<u>308,540</u>
Net Assets						
Invested in Capital Assets, net of related debt	28,372,303	26,021,258	23,227,302	783,925	409,135	351,307
Restricted: Nonexpendable				2,559,872	2,474,076	2,236,085
Restricted: Expendable	1,220,130	955,141	436,322	1,173,387	924,375	991,540
Unrestricted	<u>15,228,346</u>	<u>10,182,976</u>	<u>7,626,539</u>	<u>971,988</u>	<u>1,285,736</u>	<u>1,219,858</u>
Total Net Assets	<u>\$44,820,779</u>	<u>\$37,159,375</u>	<u>\$31,290,163</u>	<u>\$5,489,172</u>	<u>\$5,093,322</u>	<u>\$4,798,790</u>

Net assets invested in capital assets, net of related debt, represents Westfield State College'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 College's net assets (58% at June 30, 2007 and 63% at June 30, 2006), these capital assets are used to provide services to students, faculty and administration; consequently, these assets are not available for future spending. The \$2.7 million increase in net assets invested in capital assets as of June 30, 2007 and \$2.9 million increase as of June 30, 2006 reflects Westfield State College's continued development and renewal of its capital assets in accordance with its long-range plan.

An additional portion of Westfield State College's net assets, restricted expendable (5% at June 30, 2007 and 4% at June 30, 2006) represents scholarships, grants, and donations that are subject to external restrictions on how they must be used. Restricted nonexpendable net assets (5% at June 30, 2007 and 6% at June 30, 2006) primarily include Westfield State College's endowment funds. The remaining balance of unrestricted net assets (32% at June 30, 2007 and 27% at June 30, 2006) may be used to meet Westfield State College's ongoing obligations.

A review of Westfield State College's condensed statement of net assets at June 30, 2007, 2006 and 2005 shows that Westfield State College continues to build upon its strong financial foundation. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, 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.

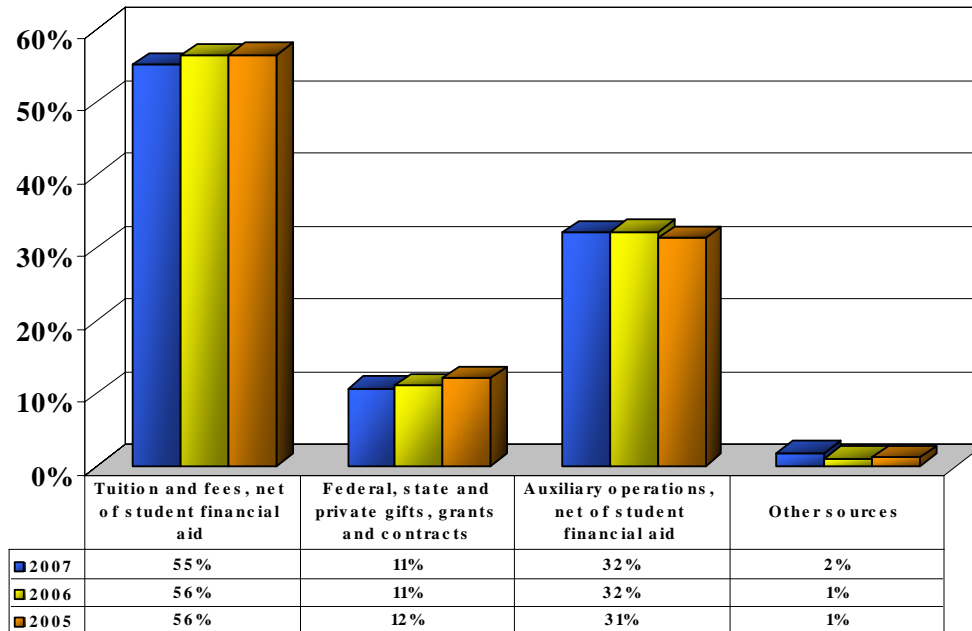
As of June 30, 2007, 2006 and 2005 all of Westfield State College's net asset categories have positive balances.

**Westfield State College's Condensed Statement of Revenues, Expenditures
And Changes in Net Assets
For the years ended June 30, 2007, 2006 and 2005**

	Primary Institution	Primary Institution	Primary Institution	Component Unit- Foundation	Component Unit- Foundation	Component Unit- Foundation
	2007	2006	2005	2007	2006	2005
Operating revenues:						
Tuition and fees	\$28,935,525	\$27,478,005	\$22,150,697			
Less: student financial aid	(2,508,571)	(2,365,666)	(2,230,657)			
Federal, state and private grants						
Auxiliary operations, net	15,647,980	14,374,644	11,228,199			
Other sources	<u>867,728</u>	<u>505,606</u>	<u>429,632</u>	\$ 30,450	\$ 37,984	\$ 41,468
Total operating revenues	48,022,207	44,623,302	35,902,509	30,450	37,984	41,468
Less: operating expenses	<u>70,320,393</u>	<u>64,749,051</u>	<u>57,689,512</u>	<u>587,492</u>	<u>412,721</u>	<u>321,164</u>
Operating loss	<u>(22,298,186)</u>	<u>(20,125,749)</u>	<u>(21,787,003)</u>	<u>(557,042)</u>	<u>(374,737)</u>	<u>(279,696)</u>
Non-operating revenue (expense):						
State appropriation, net	26,924,580	24,284,645	21,889,792			
Private gifts and grants				359,583	248,064	125,135
Net investment income	1,373,777	886,116	457,741	696,958	387,331	402,290
Interest on capital asset-related debt	<u>(225,294)</u>	<u>(171,264)</u>	<u>(174,765)</u>	<u>(33,918)</u>	<u>(8,653)</u>	<u>(5,629)</u>
Total non-operating revenue	<u>28,073,063</u>	<u>24,999,497</u>	<u>22,172,768</u>	<u>1,022,623</u>	<u>626,742</u>	<u>521,796</u>
Income before other revenues, Expenses, gains or losses	5,774,877	4,873,748	385,765	465,581	252,005	242,100
Related entity transfers	136,527	195,464	136,827	(136,527)	(195,464)	(136,827)
Additions to permanent endowment				66,796	237,991	290,847
State capital appropriations	<u>1,750,000</u>	<u>800,000</u>	<u>136,087</u>	-	-	-
Increase in net assets	7,661,404	5,869,212	658,679	395,850	294,532	396,120
Net assets-beginning of year	<u>37,159,375</u>	<u>31,290,163</u>	<u>30,631,484</u>	<u>5,093,322</u>	<u>4,798,790</u>	<u>4,402,670</u>
Net assets-end of year	<u>\$44,820,779</u>	<u>\$37,159,375</u>	<u>\$31,290,163</u>	<u>\$5,489,172</u>	<u>\$5,093,322</u>	<u>\$4,798,790</u>

The following is a graphic illustration of operating revenues by source, which were used to fund the College's operating activities for the years ended June 30, 2007, 2006 and 2005.

Operating Revenues by Source - Primary Institution



The College's operating revenues consist primarily of tuition and fee revenue and auxiliary operations. Tuition and fee revenue increased \$1.5 million or 5% during the fiscal year ended June 30, 2007 and increased \$5.3 million or 24% during the fiscal year ended June 30, 2006. The primary factor relating to the slight increase during fiscal year 2007 was a combined increase in general and student activity fees of \$293 per student, while the increase during fiscal year 2006 was related to an increase in general fees of \$800 per student. Higher enrollments for both fiscal years also contributed to the increases.

Tuition and fees received by the College include the following:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Tuition	\$8,210,290	\$8,080,058	\$7,231,560
Student Activity Fees:			
General fees	13,745,623	12,678,151	8,787,345
Student fees	914,287	774,322	669,460
Technology fees	5,736,215	5,621,054	5,171,597
Miscellaneous fees	<u>329,110</u>	<u>324,420</u>	<u>290,735</u>
Total	<u>\$28,935,525</u>	<u>\$27,478,005</u>	<u>\$22,150,697</u>

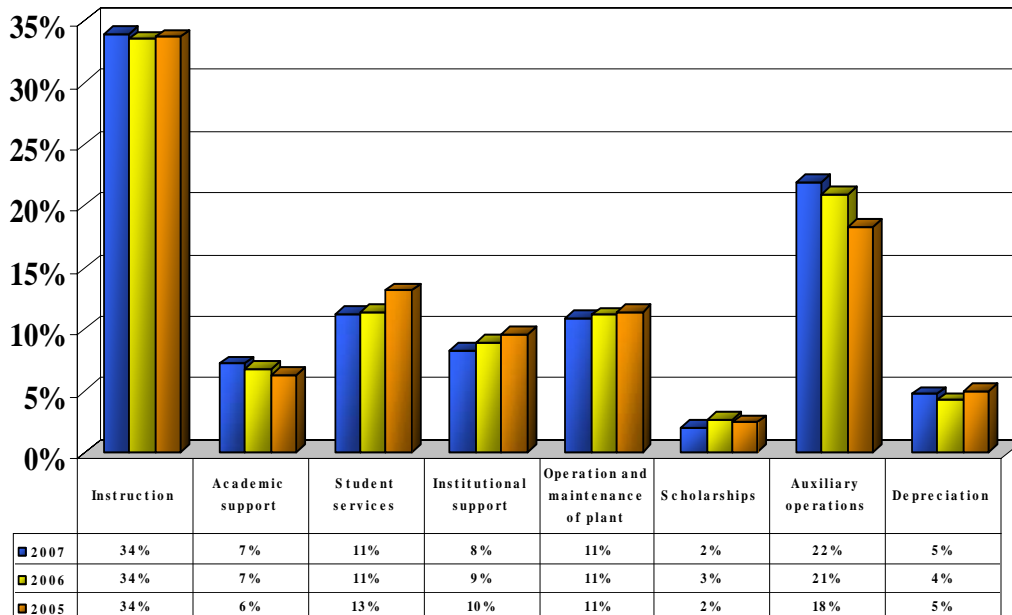
Auxiliary operations include the operation of the College's Building Authority trust fund and its food service. The revenue generated from these operations was \$15,647,980, \$14,374,644 and \$11,228,199 (which is net of scholarship allowances of \$1,473,288, \$1,330,687 and \$1,254,745) for the years ended June 30, 2007, 2006 and 2005, respectively. The increase in revenues for the year ended June 30, 2007 in the amount of \$1,273,336 or 9% is attributable to the increase in room and board charges. The increase in revenues of \$3,146,445 or 28% is attributable to the increase in room and board charges combined with the increase in revenues generated by the new residence hall in the amount of \$2.1 million for the year ended June 30, 2006.

Major grants and contracts received by Westfield State College for the years ended June 30, 2007, 2006 and 2005 included the following:

- U.S. Department of Education – Student Support Services \$252,203 (2007/2006) \$244,858 (2005)
- U.S. Department of Education – College Work Study \$368,333 (2007/2006/2005)
- U.S. Department of Education – SEOG \$295,448 (2007/2006/2005)

The following is a graphic illustration of operating expenses by function for the year ended June 30, 2007, 2006 and 2005.

Operating Expenses by Function - Primary Institution



A summary of the College's expenses by functional classification for the years ended June 30, 2007, 2006 and 2005 is as follows:

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Instruction	\$23,838,920	\$21,725,867	\$19,435,548
Public service	173,030	179,404	108,968
Academic support	5,078,378	4,403,833	3,611,210
Student services	7,933,822	7,359,495	7,578,934
Institutional support	5,840,751	5,819,213	5,513,539
Operation and maintenance of plant	7,664,631	7,221,295	6,596,400
Scholarships and fellowships	1,446,981	1,748,327	1,410,766
Auxiliary operations	15,002,986	13,544,795	10,537,406
Loss on disposal of assets	45,448	18,921	9,497
Depreciation	<u>3,295,446</u>	<u>2,727,901</u>	<u>2,887,244</u>
Total	<u>\$70,320,393</u>	<u>\$64,749,051</u>	<u>\$57,689,512</u>

The College's total operating expenses increased during fiscal year ended June 30, 2007 by \$5,571,342 or 8.6% primarily due to an increase in salaries resulting from the payment of retroactive salary and wage increases from a prior fiscal year combined with collective bargaining pay increases paid during the fiscal year ended June 30, 2007. Another major factor impacting the increase is the increase in fringe benefit costs resulting from an increase in fringe percentages from 27% during fiscal year ended June 30, 2006 to 31.28% during fiscal year ended June 30, 2007.

Also contributing to the increase were information technology costs and increases in part-time faculty expense.

During fiscal year ended June 30, 2006, the College's total operating expenses increased by \$7,059,539 or 12.2% primarily due to an increase in salaries resulting from the payment of retroactive salary and wage increases from a prior fiscal year combined with collective bargaining pay increases paid during the fiscal year. Other factors impacting the increase are increases in student scholarships, an increase in energy costs and an increase in the annual payment to the Massachusetts State College Building Authority for the debt on the new residence hall.

Westfield State College's Condensed Statement of Cash Flows
For the years ended June 30, 2007, 2006 and 2005

	Primary Institution 2007	Primary Institution 2006	Primary Institution 2005	Component Unit- Foundation 2007	Component Unit- Foundation 2006	Component Unit- Foundation 2005
Cash received from operating activities	\$61,117,895	\$56,214,873	\$45,818,517	\$30,450	\$37,984	\$41,468
Cash expended for operating activities	<u>(72,448,706)</u>	<u>(68,411,394)</u>	<u>(59,523,522)</u>	<u>(549,509)</u>	<u>(364,951)</u>	<u>(302,823)</u>
Net cash used by operating Activities	(11,330,811)	(12,196,521)	(13,705,005)	(519,059)	(326,967)	(261,355)
Net cash provided by non-capital financing activities	20,546,937	19,007,340	17,114,304	513,243	144,749	579,027
Net cash used by capital and related financing activities	(4,179,397)	(5,415,729)	(4,183,694)	(12,480)	(70,253)	(67,229)
Net cash provided (used) by investing activities	<u>1,371,005</u>	<u>6,796,550</u>	<u>283,073</u>	<u>36,174</u>	<u>123,699</u>	<u>(67,918)</u>
Net increase (decrease) in cash	6,407,734	8,191,640	(491,322)	(17,878)	(128,772)	182,525
Cash – beginning of year	<u>18,139,922</u>	<u>9,948,282</u>	<u>10,439,604</u>	<u>146,706</u>	<u>275,478</u>	<u>92,953</u>
Cash – end of year	<u>\$24,547,656</u>	<u>\$18,139,922</u>	<u>\$9,948,282</u>	<u>\$164,584</u>	<u>\$146,706</u>	<u>\$275,478</u>

Westfield State College's combined liquidity increased during the year ended June 30, 2007 with a \$6,425,612 increase in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2007, the College's cash used by operating activities decreased approximately \$900,000 over the prior year. This was due to an increase in cash received of \$4.9 million offset by increases in amounts paid of \$4.0 million. State appropriations increased by \$1.6 million during the current year, which resulted in the increase in net cash provided by noncapital financing activities. Cash used by capital and related financing activities decreased approximately \$1.2 million due to an increase in purchases of capital assets offset by an increase in state capital appropriations and a decrease in principal and interest paid. The decrease in cash provided by investing activities of \$5.4 million during the fiscal year ended June 30, 2007 was due to an increase in interest received which was more than offset by a decrease in proceeds from sales of investments due to the redemption during fiscal year ended June 30, 2006 of money from the Common Fund.

Westfield State College's combined liquidity increased during the year ended June 30, 2006 with an \$8,062,868 increase in cash. The following discussion amplifies the overview of cash flows presented above.

For the year ended June 30, 2006, the College's cash used by operating activities decreased approximately \$1.5 million over the prior year. This was due to an increase in cash received of \$10.4 million offset by increases in amounts paid of \$8.9 million. State appropriations increased by \$1.8 million during the current year, which resulted in the increase in net cash provided by noncapital financing activities. Cash used by capital and related financing activities increased approximately \$1.2 million due to an increase in purchases of capital assets, an increase in principal paid on bonds payable, an increase in state capital appropriations and a decrease in proceeds from capital debt. The increase in cash provided by investing activities of \$6.5 million during the fiscal year ended June 30, 2006 was due to an increase in interest received and an increase in proceeds from sales of investments due to the redemption of money from the Common Fund.

Loss from Operations

The following table presents the College's incurred losses from operations and its non-operating revenues for the fiscal years ended June 30, 2007, 2006 and 2005

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Tuition and fees	\$28,935,525	\$27,478,005	\$22,150,697
Other revenue, net of student financial aid	19,086,682	17,145,297	13,751,812
Operating expenses	<u>70,320,393</u>	<u>64,749,051</u>	<u>57,689,512</u>
Operating loss	<u>(22,298,186)</u>	<u>(20,125,749)</u>	<u>(21,787,003)</u>
Commonwealth direct appropriation, fringe benefits for Commonwealth employees, net of tuition remitted to the Commonwealth	26,924,580	24,284,645	21,889,792
Investment income	1,373,777	886,116	457,741
Interest on capital asset-related debt	(225,294)	(171,264)	(174,765)
Related entity transfers	136,527	195,464	136,827
State capital appropriation	<u>1,750,000</u>	<u>800,000</u>	<u>136,087</u>
Non-operating revenues	<u>29,959,590</u>	<u>25,994,961</u>	<u>22,445,682</u>
Increase in net assets	<u>\$ 7,661,404</u>	<u>\$ 5,869,212</u>	<u>\$ 658,679</u>

Due to the nature of public higher education, institutions incur a loss from operations. The Commonwealth's Board of Higher Education determines tuition while the College sets fees and other charges. The College, with the purpose of balancing educational and operational needs with tuition and fee revenue, approves budgets to mitigate losses after Commonwealth appropriations.

The \$4.0 million increase in non-operating revenues during fiscal year 2007 is primarily attributable to the increase in the Commonwealth's direct appropriation of \$1.0 million, an increase of \$1.0 million for fringe benefits recognized, and increases of \$.9 million in state capital appropriation and \$.5 million in investment income.

The \$3.5 million increase in non-operating revenues during fiscal year 2006 is primarily attributable to the increase in the Commonwealth's direct appropriation of \$2.0 million, an increase of \$.6 million for fringe benefits recognized, and increases of \$.7 million in state capital appropriation and \$.5 million in investment income.

Capital Assets and Debt of Westfield State College

Westfield State College's investment in capital assets, net of accumulated depreciation, as of June 30, 2007, 2006 and 2005 was \$34,738,838, \$32,868,792 and \$30,859,787, respectively. This investment in capital assets includes land, land improvements, buildings and improvements, furnishings and equipment, construction in progress, and library books. The capital asset increases of \$1.9 million or 6% during the fiscal year ended June 30, 2007 and \$2.0 million or 7% during the fiscal year ended June 30, 2006 were due to capital additions outpacing depreciation expense. Capital additions during fiscal year ended June 30, 2007 amounted to \$4,866,950 as compared to \$4,759,599 as of June 30, 2006, and \$4,211,587 as of June 30, 2005. Major additions during 2007 include the remaining costs associated with the replacement of the synthetic athletic field, construction of athletic playing fields and the installation of a new press box (\$1,266,000), the remaining costs of constructing an elevator in Bates Hall (\$494,000), building improvements and equipment installed in the Ely Campus Center for HVAC upgrades (\$556,000), building improvements to the Ely Campus Center subway area (\$180,000) and the 333 Building DGCE and SAS center areas (\$138,000), construction in progress (\$406,000) and additions to computer equipment (\$955,000).

Major additions during 2006 include the replacement of the synthetic athletic field (in progress at June 30th) (\$2,500,000), the construction of the elevator in Bates Hall (in progress at June 30th) (\$368,000), various building improvement projects (\$294,000) and the purchase of computers for faculty and staff (\$235,000).