



ASSOCIATED STUDENTS BOOKSTORE

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***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

Overview

Western Washington University Associated Students Bookstore (the Bookstore) has served the Western Washington University (WWU) campus community since 1910. Its purpose is to serve as an academic resource for the campus, integrating itself with the academic community and ensuring the availability of educational materials and related goods and services necessary for student success. The Bookstore aims to accomplish this service mission in an economically responsible manner by applying sound, efficient business practices. The Bookstore is operated in the format of a student cooperative; textbook prices reflect a student discount and net operating revenues support student programs. The Associated Students of Western Washington University (ASWWU) manage their net operating revenues and act in partnership with the administration through involvement in the development and recommendation of general policy guidelines.

The following discussion and analysis provides an overview of the financial position and activities of the Bookstore for the years ended June 30, 2015, 2014 and 2013. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The Bookstore's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

The statements are prepared in accordance with Governmental Accounting Standard Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Statement of Net Position

The Statement of Net Position presents the financial condition of the Bookstore at the end of the fiscal year and reports all assets and liabilities of the Bookstore.

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statements of Net Position as of June 30, 2015, 2014 and 2013:

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

ASSETS	2015	2014	2013
Current Assets	\$2,615,877	\$2,520,680	\$2,533,957
Noncurrent Assets	899,314	838,546	592,301
Capital Assets, net	<u>1,233,459</u>	<u>1,275,866</u>	<u>1,327,887</u>
Total assets	<u>4,748,650</u>	<u>4,635,092</u>	<u>4,454,145</u>
DEFERRED OUTFLOWS	33,211	-	-
LIABILITIES			
Current liabilities	390,921	360,921	306,572
Noncurrent liabilities	<u>110,059</u>	<u> </u>	<u> </u>
Total liabilities	<u>500,980</u>	<u>360,921</u>	<u>306,572</u>
DEFERRED INFLOWS	116,664	-	-
NET POSITION			
Net investment in capital assets	1,233,459	1,275,866	1,327,887
Unrestricted	<u>2,930,758</u>	<u>2,998,305</u>	<u>2,819,686</u>
Total net position	<u><u>\$4,164,217</u></u>	<u><u>\$4,274,171</u></u>	<u><u>\$4,147,573</u></u>

The Bookstore's net position decreased in fiscal 2015 by \$109,954 (-2.6%) largely due to the implementation of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions), which required the Bookstore to recognize its share of a net pension liability for the defined contribution pension plans offered to employees (see Notes 1 and 6). In addition, GASB Statement No. 68 required a restatement of beginning net position in the amount of \$214,069. There was a net position increase of \$126,598 (3.1%) when comparing fiscal 2014 to fiscal 2013 due to increased revenues.

Total current assets increased \$95,197 (3.8%) over fiscal 2014 largely due to investment management strategies combined with a decrease in accounts receivable and increase in inventory. Cash and cash equivalents and short term investments increased \$210,818 (19.9%) as WWU's investment strategy is to ensure liquidity needs while optimizing investment returns (see Note 2). A decrease in textbook returns to publishers contributed to a \$142,651 (-29.4%) decrease in accounts receivable as well as the increase to inventory. Fiscal 2014 total current assets decreased \$13,277 (-0.5%) over fiscal 2013 largely due to a decrease in cash and cash equivalents and short-term investments, combined with increases in accounts receivable and inventory. Fiscal 2014 short-term

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

investments decreased \$174,597 (-39.2%) from fiscal 2013 due an increase in long-term investments held as a result of shifting to longer duration investments.

Total noncurrent assets, excluding capital assets, increased \$60,768 (7.2%) during fiscal 2015 and \$246,245 (41.6%) during fiscal 2014 due to increased long-term investments as the Bookstore continues to build an appropriate level of operating reserves.

Capital assets decreased \$42,407 (-3.3%) during fiscal 2015 and \$52,021 (-3.9%) during fiscal 2014 as existing assets depreciated at a greater rate than new capital assets were acquired.

Total current liabilities increased \$30,000 (8.3%) in fiscal 2015 from fiscal 2014 due to an increase in accounts payable related to the timing of invoices offset by a decrease in the total annual distributions to the ASWWU and the WWU Athletics Department (see Note 4). Total current liabilities in fiscal 2014 increased \$54,349 (17.7%) primarily due to an increase in the distribution payable to the ASWWU.

Beginning in fiscal 2015, deferred outflows relating to pensions of \$33,211 (100.0%) were recorded in accordance with GASB Statement No. 68. The deferred outflows related to pensions is primarily due to current year pension expenses that will be recognized in fiscal 2016 (see Note 6).

Noncurrent liabilities increased \$110,059 (100.0%) during fiscal 2015 in accordance with GASB Statement No. 68, which requires the Bookstore to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (see Note 6).

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The statement presents the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students.

Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues and expenses are monies received or expended for which goods and services are not provided. Under GASB reporting principles, investment income is classified as nonoperating revenue.

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal years ended June 30, 2015, 2014 and 2013:

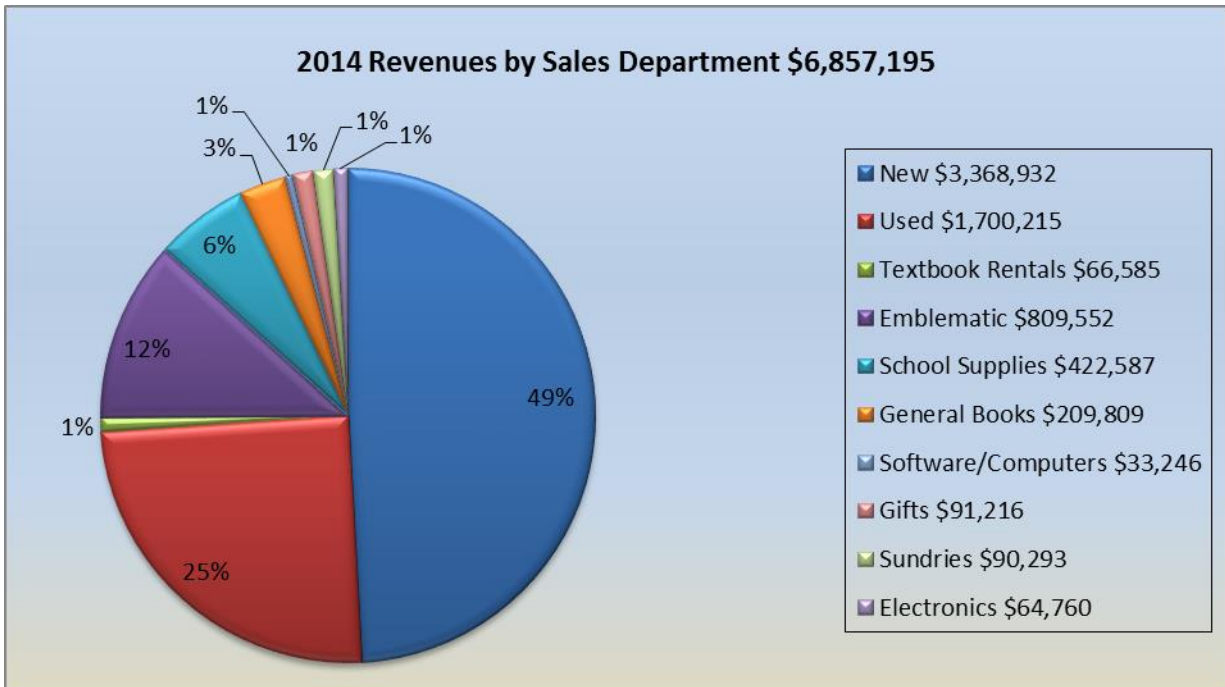
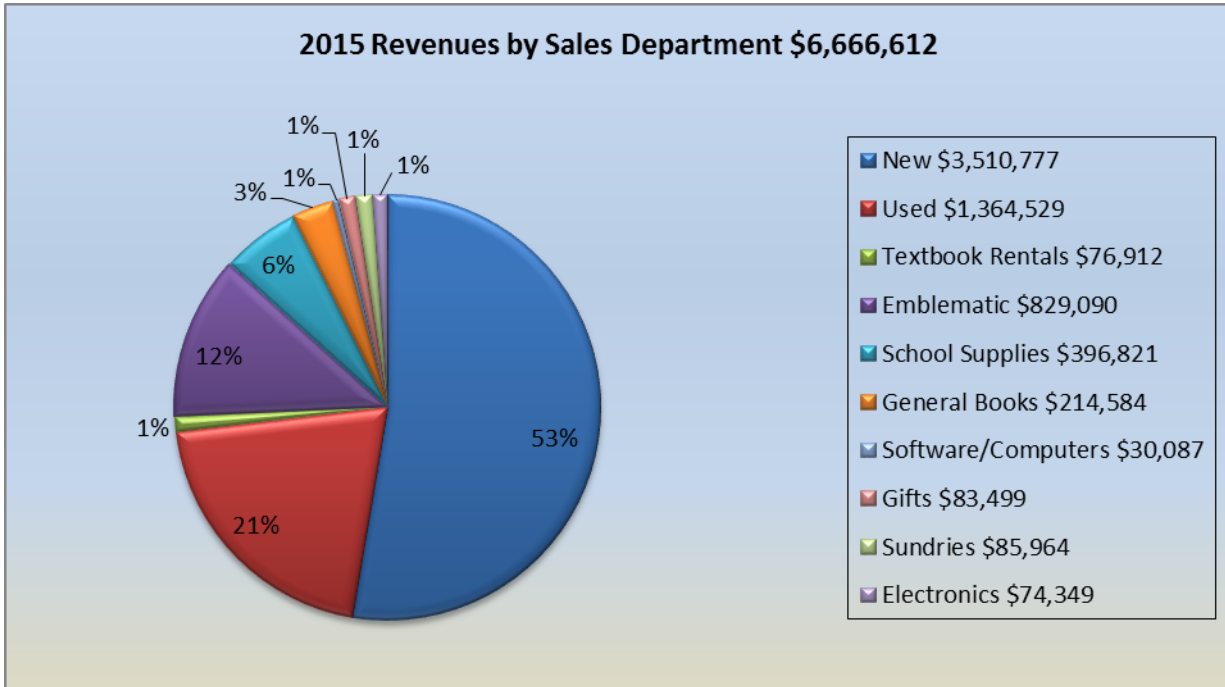
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Sales, net of discounts	\$6,666,612	\$6,857,195	\$6,745,860
Cost of goods sold	<u>(5,192,360)</u>	<u>(5,265,778)</u>	<u>(5,217,483)</u>
Gross margin	1,474,252	1,591,417	\$1,528,377
Other operating revenues	61,757	62,909	69,114
Operating expenses	<u>1,372,125</u>	<u>1,441,423</u>	<u>1,444,707</u>
Income (loss) from operations	163,884	212,903	152,784
Nonoperating (expenses) revenues	<u>(59,769)</u>	<u>(86,305)</u>	<u>(82,413)</u>
Changes in net position	104,115	126,598	70,371
Net position, beginning of year	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>4,077,202</u>
Restatement	<u>(214,069)</u>		
Net position, beginning of year as restated	<u>4,060,102</u>		
Net position, end of year	<u><u>\$4,164,217</u></u>	<u><u>\$4,274,171</u></u>	<u><u>\$4,147,573</u></u>

Fiscal 2015 sales net of discounts decreased \$190,583 (-2.8%) from fiscal 2014 primarily due to a reduction in the availability of used textbooks (see revenues by sales department discussion below). Net sales increased in fiscal 2014 compared to fiscal 2013 by \$111,335 (1.7%) largely due to increases in the sales of course materials and school supplies.

In fiscal 2015, cost of goods sold decreased \$73,418 (-1.4%) from fiscal 2014 and increased \$48,295 (0.9%) in fiscal 2014 from fiscal 2013 due to the overall merchandise sales variances (see Revenues by Department discussion).

The gross margin percentage for fiscal 2015 decreased to 22.1% compared to 23.2% in fiscal 2014 and 22.7% in fiscal 2013. In fiscal 2015, gross margin percentage decreased slightly as cost of goods sold declined at a lower rate than reduction in net sales. The average gross margin percentage for bookstores reporting \$5.0-\$9.9 Million Sales Volume in the Independent College Bookstore Association (ICBA) survey for 2013-2014 was 24.3%. The level of textbook discount the Bookstore offers students also continues to impact the Bookstore's gross margin.

The Bookstore maintained a 10% discount on new and used textbooks during fiscal 2015. This discount represented an approximate reduction of \$489,609 in the cost of textbooks for WWU students who purchased their textbooks at the Bookstore. In the ICBA survey for 2013-2014 the average total value of discounts provided by college bookstores who offered discounts on course books to students was \$301,510.



Revenues by Sales Department

Total textbook sales declined to \$4,875,306 in fiscal 2015. This represents a decrease of -3.8% from fiscal year 2014 sales of \$5,069,147 largely due to a decrease in the sales of used textbooks. Fiscal 2014 total textbooks sales increased 1.2% from \$5,006,568 in fiscal 2013 primarily due to an increase in the sales of used textbooks.

New textbook sales increased in fiscal 2015 to a total of \$3,510,777, an increase of \$141,845 (4.2%) due to continued growth in classroom use of custom textbooks and digital components, along with continued growth in third party in-store textbook rentals. Fiscal 2014 sales were nearly flat with sales of \$3,368,932, an increase of \$16,134 (0.5%) from \$3,352,798 in fiscal 2013. New textbook margin percentage for fiscal 2015 was 10.0%, down from 10.6% in fiscal 2014.

Used textbooks sales declined in fiscal 2015 to \$1,364,529, which was down \$335,686 (-19.7%) from fiscal 2014 sales of \$1,700,215. This reduction was due to the increased use of new textbooks (see above) and a downturn in availability of used book inventory. Fiscal 2014 sales were up \$46,445 (2.8%) from \$1,653,770 in fiscal 2013 due to adequate availability of inventory. Used textbook margin percentage for fiscal 2015 was 28.2%, down from fiscal 2014 margin of 30.2%. Used textbooks sales as a percent of total textbook sales were decreased to 28.0% (-5.5%) from 33.5% in fiscal 2014.

New and used textbook sales accounted for 73.1% of total Bookstore sales in fiscal 2015. This percentage was nearly flat with a -0.6% change from 74.9% in fiscal 2014. The ICBA 2013-2014 survey average for bookstores reporting \$5.0-\$9.9 million sales volume was 65.2% of total sales.

The Bookstore continued to support course material options for students by offering rental opportunities directly from the Bookstore and through Rafter, an affiliate company. In fiscal 2015, students rented 857 distinct course book titles through Rafter for a total of 4,749, an increase of 230 (5.1%) course books from 4,519 course books rented in fiscal 2014. The Bookstore directly offered 31 distinct course book titles for rent, up from 20 titles in 2014. Students rented 1025 course books directly from the Bookstore, which was down 27 (-2.6%) from 1052 course books in fiscal 2014.

Fiscal 2015 revenue for the course books rented directly from the Bookstore was \$76,912, an increase of \$10,327 (15.5%) from \$66,585 in fiscal 2014. Fiscal 2014 revenue for the course books rented directly from the Bookstore was up \$37,573 (129.5%) from \$29,012 in fiscal 2013.

Emblematic sales of \$829,090 were up \$19,538 (2.4%) from fiscal 2014 sales of \$809,552 due to sales increases of hats, women's fashions and insignia gifts. Fiscal 2014 sales decreased \$31,641 (-3.8%) from fiscal 2013 sales of \$841,193 due to difficulties in getting products from one of the Bookstore's primary vendors.

School supplies sales fell to \$396,821, a decrease of \$25,766 (-6.1%) from fiscal 2014 sales of \$422,587 due to a sales reduction in lab coats, school and art supplies. Fiscal 2014 sales increased \$55,902 (15.2%) from fiscal 2013 sales of \$366,685 due to a new WWU policy requiring lab coats for chemistry lab courses which caused lab coat sales to increase from \$150 in fiscal 2013 to \$35,312 in fiscal 2014.

General books sales increased slightly to \$214,584, an increase of \$4,775 (2.3%) from fiscal 2014 sales of \$209,809 due to an increase in the sales of stamps and movie tickets. The Bookstore served WWU students and the campus community by offering convenience items such as stamps and movie tickets along with trending items such as journals and book accessories. Fiscal 2014 sales were up \$15,942 (8.2%) from fiscal 2013 sales of \$193,867 due to the sale of quick study guides.

Software sales declined in fiscal 2015 to \$30,087, a decrease of \$3,159 (-9.5%) from sales of \$33,246 in 2014. Fiscal 2014 sales were down \$43,791 (-56.8%) from sales of \$77,037 in fiscal 2013. Beginning in fiscal 2013, students started receiving free on-line access to Microsoft software. Companies such as Microsoft and Adobe continued to change sales and marketing strategies for software further impacting the Bookstore's decline in software sales.

Gift sales decreased to \$83,499, down \$7,717 (-8.5%) from fiscal 2014 sales of \$91,216. Fiscal 2015 sales of non-emblematic gifts were affected by a shift in staff responsibilities for buying non-emblematic gift merchandise. Fiscal 2014 sales were up \$2,675 (3.0%) from fiscal 2013 sales of \$88,541. The increase in fiscal 2014 is due to sales of non-emblematic drinkware, scarves and headwear.

Sundries sales decreased to \$85,964, down \$4,329 (-4.8%) from sales of \$90,293 in fiscal 2014. Fiscal 2014 was up \$4,007 (4.6%) from \$86,286 in fiscal 2013. Sundries sales were impacted by an April 2014 ASWWU policy banning the sale of bottled water on campus.

Electronic sales continued to grow substantially with sales of \$74,349 which were up \$9,589 (14.8%) from fiscal 2014 sales of \$64,760 due to the sales of phone cords and charging systems. Fiscal 2014 sales were up \$8,089 (14.3%) from \$56,671 in fiscal 2013. In fiscal 2014, the sales of small electronic devices such as headphones and ear buds increased to \$41,713 from \$33,430 in fiscal 2013 at the same time the sale of calculators remained flat.

Expenses by Major Source

Fiscal 2015 total operating expenses were down \$69,298 (-4.8%) from fiscal 2014 due largely to a decrease in salaries and benefits. Fiscal 2014 total operating expenses were nearly flat, down \$3,284 (-0.2%) from fiscal 2013.

Fiscal 2015 salaries and benefits were down \$112,363 (-11.2%) from fiscal 2014 as the Bookstore experienced up to three staff vacancies over various parts of the fiscal year as well as reduced employer health care expenses. Salaries and benefits were down \$3,183 (-0.3%) when comparing fiscal 2014 to fiscal 2013.

General and Administrative expenses increased \$24,864 (9.3%) in fiscal 2015 primarily due to an increase in equipment purchases \$18,414 (136%). The equipment purchased included ten new signature capture machines with the capacity to allow the cash registers to read Euro, MasterCard and Visa (EMV) payment cards also known as chip cards. The new signature capture machines will allow the Bookstore to become EMV compliant. The Bookstore also purchased four new desktop computers in an ongoing effort to replace outdated staff computers. General and Administrative expenses increased \$9,935 (3.9%) in fiscal 2014 due to increased purchased computer services and administrative assessment fees.

Facilities expense increased \$22,303 (38.1%) from fiscal 2014 due to the continuation of repairs and maintenance projects started in fiscal 2014. These projects included resurfacing the retail stairways, conference room and staff breakroom floors. The staff breakroom and conference rooms were also painted. Fiscal 2014 facilities expenses decreased \$5,086 (-8.0%) from fiscal 2013 as a number of facilities projects were initiated in fiscal 2014 that were completed in fiscal 2015.

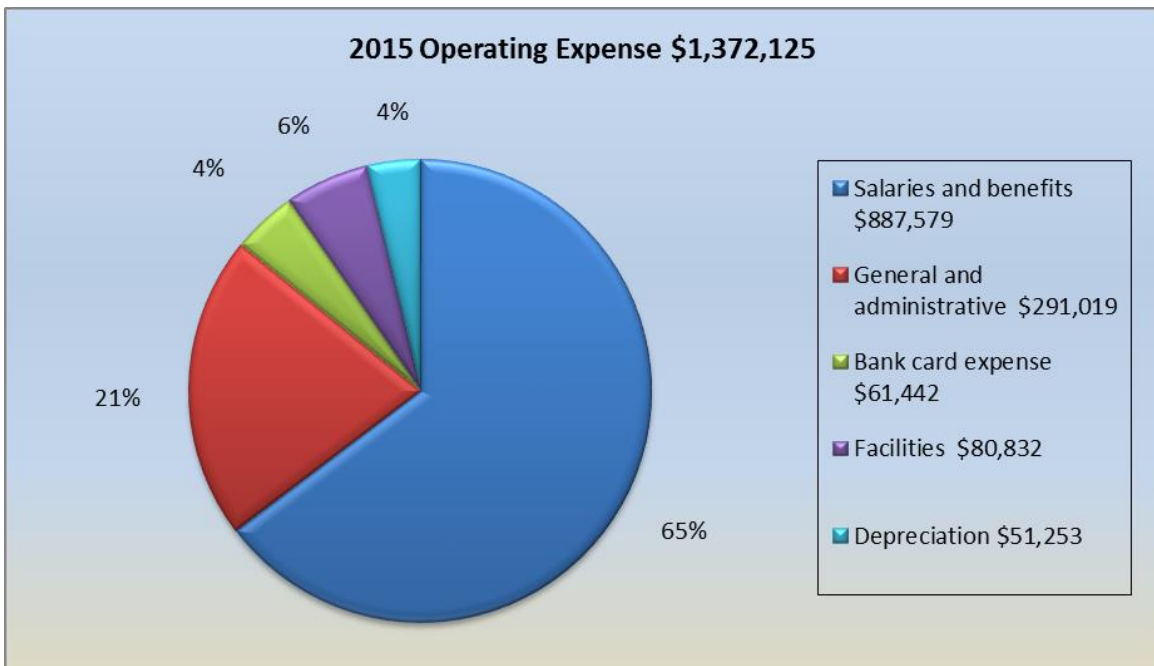
Bank card expense declined \$3,334 (-5.1%) in fiscal 2015 and \$5,652 (-8.0%) in fiscal 2014 due to the increased use of the "Charge It" program. The "Charge It" program allows students to charge up to \$600 per quarter of Bookstore purchases to their student accounts. This allows students to purchase their course materials before

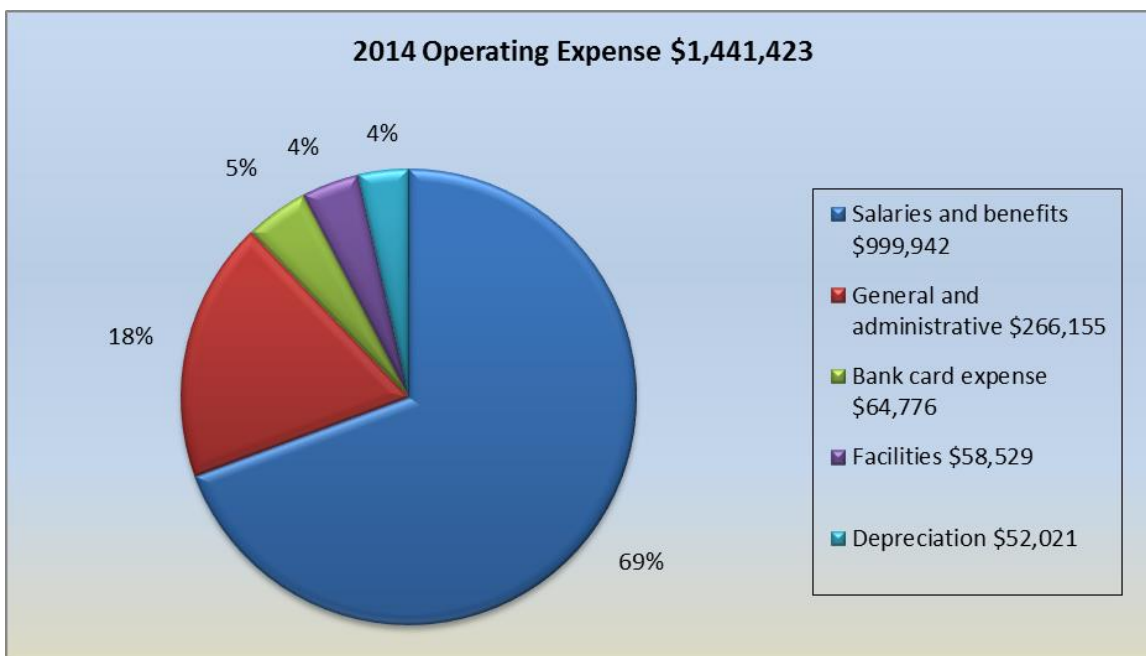
***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2015 and 2014

their financial aid is available. Students continued to charge an increased amount of Bookstore purchases to their student accounts rather than using a credit card.

Nonoperating (expenses) revenues include distributions from the Bookstore to the ASWWU along with distributions to Athletics as part of a revenue sharing agreement (see Note 4). Total nonoperating (expenses) revenues in fiscal 2015 decreased by \$26,536 (-30.7%) due to a net reduction of \$42,059 to the revenue sharing distributions. There was also a decrease of \$17,800 (-35.6%) in the distribution from the ASWWU to the Bookstore. Total nonoperating expenses in fiscal 2014 increased \$3,892 (4.7%) primarily due to a \$50,000 distribution from the ASWWU to the Bookstore, offset by a \$56,193 (123.8%) increase in the distribution from the Bookstore to the ASWU.





Economic Factors and Significant Events

Fiscal 2016 expenses will include an increase in salaries and benefits. Employees received a 3.0% wage increase effective July 1, 2015. At the same time, employer health care benefit costs increased for eligible employees from \$662 per month to \$840 per month and employer pension rates for retirement plans PERS 1, 2 & 3 increased from 9.21% to 11.18%. In fiscal 2017, employees are scheduled to receive a 1.8% wage increase.

The Bookstore is continuing to provide course materials in various formats as faculty and students adopt to alternative formats and delivery methods, with the goal of providing options at different price points. As is evident in the fiscal 2015 results, the shift toward rentals, custom texts and digital course materials will continue to impact what have been historical gross margin percentages, expenses and operating results.

On-line sales through the Bookstore web site continue to be a popular option for students. Although sales were down slightly from last year trending with net sales numbers students purchased \$2,088,016 on-line in fiscal 2015, which was 31.3% of total sales compared with \$2,127,300 in fiscal 2014, which was 31.0% of total sales. Fiscal 2013 students purchased \$1,861,347 which was 27.6% of total sales.



Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Trustees
Western Washington University Associated Students Bookstore
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Associated Students Bookstore (the Bookstore), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Bookstore's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bookstore's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bookstore's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Students Bookstore, as of June 30, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Associated Students Bookstore, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2015 and 2014, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, the Bookstore adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bookstore's basic financial statements as a whole. The Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Bookstore's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Bookstore's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Jan M. Jutte". The signature is written in a cursive style with a large initial "J" and "M".

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

November 16, 2015

***ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF NET POSITION***

June 30, 2015 and 2014

Assets	2015	2014
Current assets		
Cash and cash equivalents (Note 2)	\$808,956	\$785,879
Investments (Note 2)	459,063	271,322
Receivables, net of allowance of \$15,585 in 2015 and \$9,965 in 2014 (Note 3)	342,023	484,674
Inventory	996,885	975,475
Prepaid expense	8,950	3,330
Total current assets	<u>2,615,877</u>	<u>2,520,680</u>
Noncurrent assets		
Investments (Note 2)	899,314	838,546
Capital assets, net (Note 5)	1,233,459	1,275,866
Total noncurrent assets	<u>2,132,773</u>	<u>2,114,412</u>
Total assets	<u>4,748,650</u>	<u>4,635,092</u>
Deferred Outflows		
Relating to pensions (Note 6)	33,211	-
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	290,905	218,846
Distribution payable to Associated Students of WWU	58,561	101,597
Distribution payable to WWU Athletics Department	41,455	40,478
Total current liabilities	<u>390,921</u>	<u>360,921</u>
Non current liabilities		
Pension liability	110,059	-
Total noncurrent liabilities	<u>110,059</u>	<u>-</u>
Total liabilities	<u>500,980</u>	<u>360,921</u>
Deferred Inflows		
Relating to pensions (Note 6)	116,664	-
Net Position		
Net investment in capital assets	1,233,459	1,275,866
Unrestricted	2,930,758	2,998,305
Total net position	<u>\$4,164,217</u>	<u>\$4,274,171</u>

ASSOCIATED STUDENTS BOOKSTORE**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***June 30, 2015 and 2014*

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Sales, net of discounts	\$6,666,612	\$6,857,195
Cost of goods sold	<u>(5,192,360)</u>	<u>(5,265,778)</u>
Gross margin	1,474,252	1,591,417
Other Operating Revenues	61,757	62,909
Operating Expenses		
Salaries and benefits	887,579	999,942
General and administrative expense	291,019	266,155
Facilities expense	80,832	58,529
Depreciation	51,253	52,021
Bank card expense	<u>61,442</u>	<u>64,776</u>
Total operating expenses	<u>1,372,125</u>	<u>1,441,423</u>
Income from operations	163,884	212,903
Nonoperating Revenues (Expenses)		
Investment income	8,047	5,770
Distribution from Associated Students of WWU	32,200	50,000
Distribution to Associated Students of WWU	(58,561)	(101,597)
Distribution to WWU Athletics Department	<u>(41,455)</u>	<u>(40,478)</u>
Total nonoperating (expenses) revenues	<u>(59,769)</u>	<u>(86,305)</u>
Increase in net position	104,115	126,598
Total Net Position, Beginning of Year	4,274,171	4,147,573
Restatement (Note 6)	<u>(214,069)</u>	
Total Net Position, Beginning of Year as restated	<u>4,060,102</u>	
Total Net Position, End of Year	<u><u>\$4,164,217</u></u>	<u><u>\$4,274,171</u></u>

***ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF CASH FLOWS***

June 30, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities		
Cash received from students and other customers	\$6,871,020	\$6,825,784
Payments to employees	(920,061)	(988,880)
Payments to suppliers	(5,568,699)	(5,697,427)
Net cash provided by operating activities	<u>382,260</u>	<u>139,477</u>
Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	32,200	50,000
Distribution to WWU Athletics Department	(40,478)	(42,060)
Distribution to Associated Students of WWU	(101,597)	(45,404)
Net cash used in noncapital financing activities	<u>(109,875)</u>	<u>(37,464)</u>
Cash Flows from Investing Activities		
Investment income received	8,047	5,770
Net sales of investments in internal pool	(248,509)	(71,648)
Net cash flows used by investing activities	<u>(240,462)</u>	<u>(65,878)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(8,846)	-
Net cash used in capital and related financing activities	<u>(8,846)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	23,077	36,135
Cash and cash equivalents, beginning of year	785,879	749,744
Cash and cash equivalents, end of year	<u><u>\$808,956</u></u>	<u><u>\$785,879</u></u>
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Income from operations	\$163,884	\$212,903
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	51,253	52,021
Net pension expense	(20,557)	-
Change in operating assets and liabilities		
Receivables	142,651	(94,320)
Accounts payable and accrued expenses	72,059	(262)
Prepaid expenses	(5,620)	2,762
Inventory	(21,410)	(33,627)
Net cash provided by operating activities	<u><u>\$382,260</u></u>	<u><u>\$139,477</u></u>

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self supporting, auxiliary enterprise of Western Washington University (WWU). The Associated Students of Western Washington University (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of textbooks, supplies and general merchandise.

Financial Statements Presentation

These financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). The statements are special purpose reports reflecting the net position, results of operations, and cash flows of the Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations or changes in net position of WWU.

Basis of Accounting

The Bookstore's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Cash, Cash Equivalents and Investments

WWU records all cash and cash equivalents at cost. Investments held by WWU are recorded at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Bookstore records their share of cash, cash equivalents and investments in the same relation as WWU's investment pool itself. Investment income is allocated to the Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$15,585 and \$9,965 at June 30, 2015 and 2014 respectively, is adequate. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on the WWU's property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

Net Position

The Bookstore's net positions are classified as follows:

Net investment in capital assets. This category represents the Bookstore's total investment in capital assets.

Restricted, expendable. This category represents net position restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

Unrestricted. This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Nonoperating revenues. Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as investment income.

Operating expenses. Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

Nonoperating expenses. Nonoperating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

WWU, and the Bookstore as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Administrative Assessment

WWU provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

Restatement

During fiscal 2015, the Bookstore adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". Statement No. 68 requires that the Bookstore record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

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of the earliest period presented. The amount of restatement to the beginning FY 15 net position was \$214,069. The net pension liability information is provided to the Bookstore by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed the Bookstore to restate fiscal 2015 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The Bookstore's operating cash is part of the WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

	2015	Weighted Average Maturity (in years)	2014	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$808,956	0.001	\$785,879	0.001
Investments				
Certificates of deposit	115,326	1.033	109,766	2.033
U.S. Treasuries	381,296	2.410	90,898	1.085
U.S. Agencies	861,755	1.614	909,204	2.657
	<u>\$2,167,333</u>		<u>\$1,895,747</u>	

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

NOTE 3. RECEIVABLES

Receivables at June 30, 2015 and 2014 include:

	<u>2015</u>	<u>2014</u>
Credits due from publishers	\$236,955	\$377,877
Accounts receivable	105,068	106,797
	<u>\$342,023</u>	<u>\$484,674</u>

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement was extended until June 30, 2015. There was a distribution of \$58,561 in fiscal 2015, and \$101,597 in fiscal 2014.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2015 and 2014 were \$41,455 and \$40,478 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2015 and 2014 was \$51,253 and \$52,021 respectively.

Following are the changes in building and equipment for the years ended June 30, 2015 and 2014:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	444,276	8,846	-	453,122
	2,311,309	8,846	-	2,320,155
Less accumulated depreciation	(1,035,443)	(51,253)	-	(1,086,696)
Building Improvements and Equipment, net	<u>\$1,275,866</u>	<u>(\$42,407)</u>	<u>\$0</u>	<u>\$1,233,459</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2014</u>
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	459,368	-	(15,092)	444,276
	2,326,401	-	(15,092)	2,311,309
Less accumulated depreciation	(998,514)	(52,021)	15,092	(1,035,443)
Building Improvements and Equipment, net	<u>\$1,327,887</u>	<u>(\$52,021)</u>	<u>\$0</u>	<u>\$1,275,866</u>

NOTE 6. PENSION PLANS

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

Bookstore employees in eligible positions are participants in WWURP and PERS plans 2 and 3. The Bookstore contributes to PERS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The Bookstore contributed \$45,088, \$51,750 and \$50,066 to these plans in fiscal 2015, 2014 and 2013, respectively.

The Bookstore implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the fiscal year 2015 financial reporting. The Bookstore's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

In accordance with Statement No. 68, the Bookstore has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed; investment gains and losses are recognized as incurred; and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the Bookstore, for fiscal year 2014:

Aggregate Pension Amounts - PERS 2/3	
Pension liabilities	\$ (110,059)
Pension assets	-
Deferred outflows of resources related to pensions	33,211
Deferred inflows of resources related to pensions	(116,664)
Pension expense/expenditures	(20,557)

Investments

The Washington State Investment Board (WSIB) has been authorized by statute as having investment management responsibility for the pension funds. The WSIB manages retirement fund assets to maximize return at a prudent level of risk.

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.

The DRS administered systems that the Bookstore offers its employees are comprised of one defined benefit pension plan and one defined benefit/defined contribution plan. Below are the DRS plans that the Bookstore offers its employees:

- Public Employees' Retirement System (PERS)
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

Administration of the PERS plans is funded by an employer rate of 0.18 percent of employee salaries.

The DRS prepares a stand-alone financial report that is compliant with the requirements of Statement 67 of the Governmental Accounting Standards Board. Copies of the report may be obtained by contacting the Washington State Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration/annual-report/>.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During fiscal year ending June 30, 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

Public Employees' Retirement System Plan 3

Plan Description

The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

PERS members who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Investment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return.
- Standard deviation of the annual return.
- Correlations between the annual returns of each asset class with every other asset class.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

***ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2015 and 2014

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, the Bookstore reported \$110,059 for its proportionate share of the collective net pension liability for PERS 2/3. The Bookstore's proportion for PERS 2/3 was 0.005 percent, a decrease of 0.0001 percent since the prior reporting period. The proportions are based on the Bookstore's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the Bookstore as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 2/3	
Bookstore's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 459,080
Current Discount Rate	\$ 110,059
1% Increase	\$ (156,528)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.
For the year ended June 30, 2014, the Bookstore recognized a PERS 2/3 pension expense of \$(20,557) thousand. At June 30, 2014, PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Bookstore PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	116,664
Change in proportion	(3,894)	-
Contributions subsequent to the measurement date	37,105	-
Total	\$ 33,211	\$ 116,664

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

**ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2015 and 2014

PERS 2/3		
2015	\$	(865)
2016	\$	(865)
2017	\$	(865)
2018	\$	(865)
2019	\$	(433)
Thereafter	\$	-

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer (University)				Employee		
	Plan 1	Plan 2	Plan 3		Plan 1	Plan 2	Plan 3
PERS							
State agencies, local governmental units	9.03%	4.98%	4.98%	*	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	0.00%	4.05%	4.05%				
Total	9.21%	9.21%	9.21%				

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

N/A indicates data not applicable.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS

WWU funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. WWU is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

RSI

REQUIRED SUPPLEMENTARY INFORMATION

***ASSOCIATED STUDENTS BOOKSTORE
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability	
Public Employees' Retirement System (PERS) Plan 2/3	
Measurement Date ended June 30 *	
	2014
Bookstore PERS 2/3 employers' proportion of the net pension liability	0.005445%
Bookstore PERS 2/3 employers' proportionate share of the net pension liability	\$110,059
Bookstore PERS 2/3 employers' covered-employee payroll	\$469,996
Bookstore PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.42%
Plan fiduciary net position as a percentage of the total pension liability	93.29%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.	

***ASSOCIATED STUDENTS BOOKSTORE
REQUIRED SUPPLEMENTARY INFORMATION***

June 30, 2015 and 2014

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30 <i>Bookstore</i>					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$ 38,864	\$ 37,105	\$ 1,759	\$ 421,975	8.79%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

Notes:
These schedules will be built prospectively until they contain ten years of data.

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OTHER INFORMATION

**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION
Years ended June 30, 2015, 2014, 2013, 2012, and 2011**

Assets	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Current assets	\$2,615,877	\$2,520,680	\$2,533,957	\$2,583,960	\$2,238,423
Non-current assets	899,314	838,546	592,301	430,440	518,356
Capital Assets	<u>1,233,459</u>	<u>1,275,866</u>	<u>1,327,887</u>	<u>1,365,618</u>	<u>1,414,541</u>
Total assets	<u>4,748,650</u>	<u>4,635,092</u>	<u>4,454,145</u>	<u>4,380,018</u>	<u>4,171,320</u>
Deferred outflows	33,211				
Liabilities					
Accounts payable and accruals	290,905	218,846	219,108	213,996	89,112
Pension liability	110,059				
Due to other WWU departments	<u>100,016</u>	<u>142,075</u>	<u>87,464</u>	<u>88,820</u>	<u>75,754</u>
Total liabilities	<u>500,980</u>	<u>360,921</u>	<u>306,572</u>	<u>302,816</u>	<u>164,866</u>
Deferred inflows	116,664				
Total Net Position	<u>\$4,164,217</u>	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>\$4,077,202</u>	<u>\$4,006,454</u>
Current ratio (current assets/current liabilities)	6.69	6.98	8.27	8.53	13.58
Return on assets (change in net position/total assets)	-2.3% *	2.7%	1.6%	1.6%	1.4%

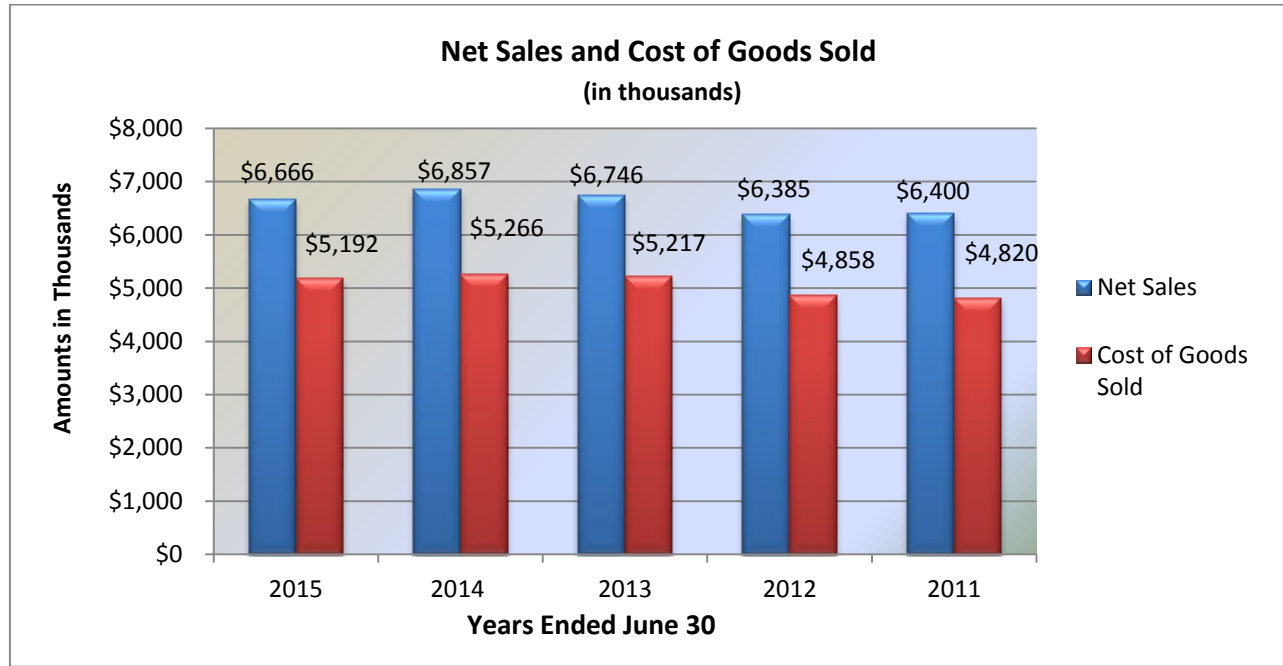
* During fiscal 2015, the Bookstore implemented GASB Statement No. 68 - Reporting for pensions - which required the Bookstore to recognize its share of the net pension liability of the defined benefit plans and restate fiscal 2015 beginning net position. This restatement caused the decrease in ROA.

FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2015, 2014 2013, 2012, and 2011

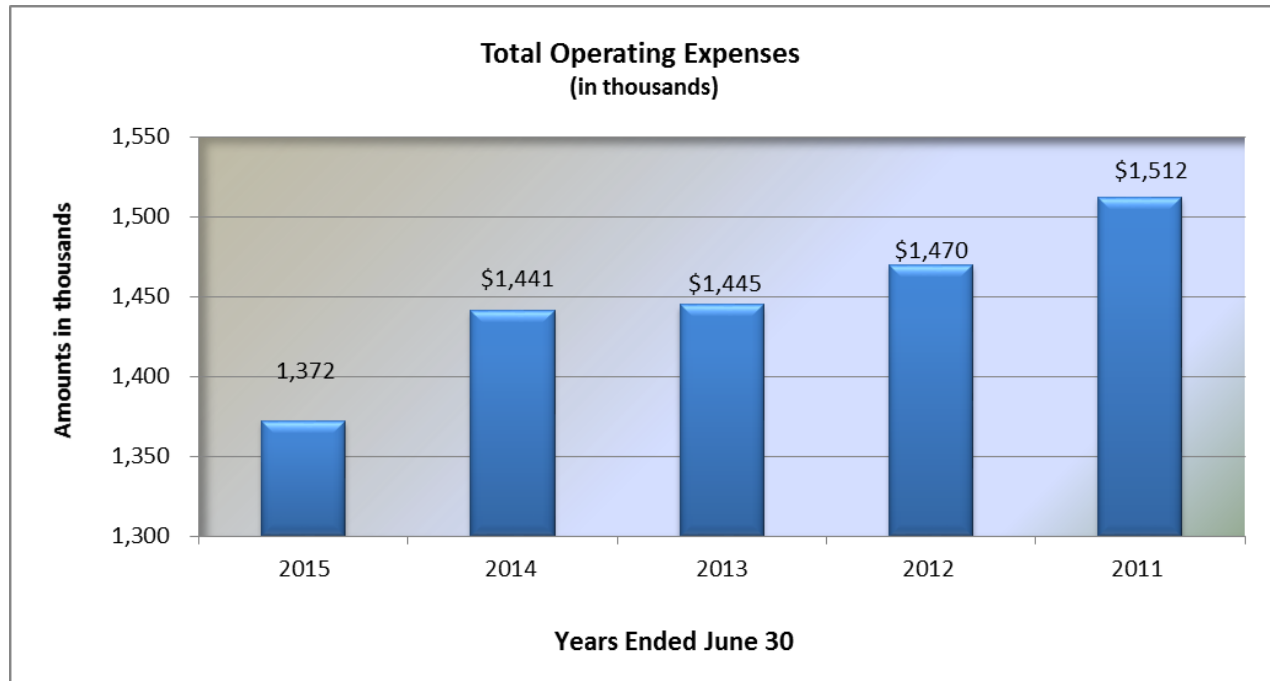
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net sales	\$6,666,612	\$6,857,195	\$6,745,860	\$6,384,528	\$6,399,545
Cost of goods sold	<u>(5,192,360)</u>	<u>(5,265,778)</u>	<u>(5,217,483) *</u>	<u>(4,858,228)</u>	<u>(4,819,995)</u>
Gross profit	1,474,252	1,591,417	1,528,377	1,526,300	1,579,550
Other Operating Revenues	61,757	62,909	69,114	63,929	61,686
Operating expenses					
Salaries and benefits	887,579	999,942	1,003,125	984,520	1,035,613
General and administrative expense	291,019	266,155	256,220	295,263	244,883
Facilities expense	80,832	58,529	63,615	64,456	89,687
Depreciation	51,253	52,021	51,319	48,923	48,789
Bank card expense	<u>61,442</u>	<u>64,776</u>	<u>70,428</u>	<u>77,303</u>	<u>92,925</u>
Total operating expense	<u>1,372,125</u>	<u>1,441,423</u>	<u>1,444,707</u>	<u>1,470,465</u>	<u>1,511,897</u>
Income (loss) from operations	163,884	212,903	152,784	119,764	129,339
Nonoperating revenues (expenses)					
Investment income	8,047	5,770	5,051	5,804	6,619
Distribution from Associated Students of WWU	32,200	50,000	-	34,000	-
Distribution to Associated Students of WWU	(58,561)	(101,597)	(45,404)	(45,751)	(35,202)
Distribution to WWU Athletics Department	<u>(41,455)</u>	<u>(40,478)</u>	<u>(42,060)</u>	<u>(43,069)</u>	<u>(40,552)</u>
Total nonoperating revenues (expenses)	<u>(59,769)</u>	<u>(86,305)</u>	<u>(82,413)</u>	<u>(49,016)</u>	<u>(69,135)</u>
Increase (decrease) in net assets	<u>\$104,115</u>	<u>\$126,598</u>	<u>\$70,371</u>	<u>\$70,748</u>	<u>\$60,204</u>
Gross profit percentage					
(gross profit/net sales)	22.1%	23.2%	22.7%	23.9%	24.7%

* Beginning with fiscal 2013, freight out costs for returned merchandise are included in costs of goods sold rather than an operating expense.

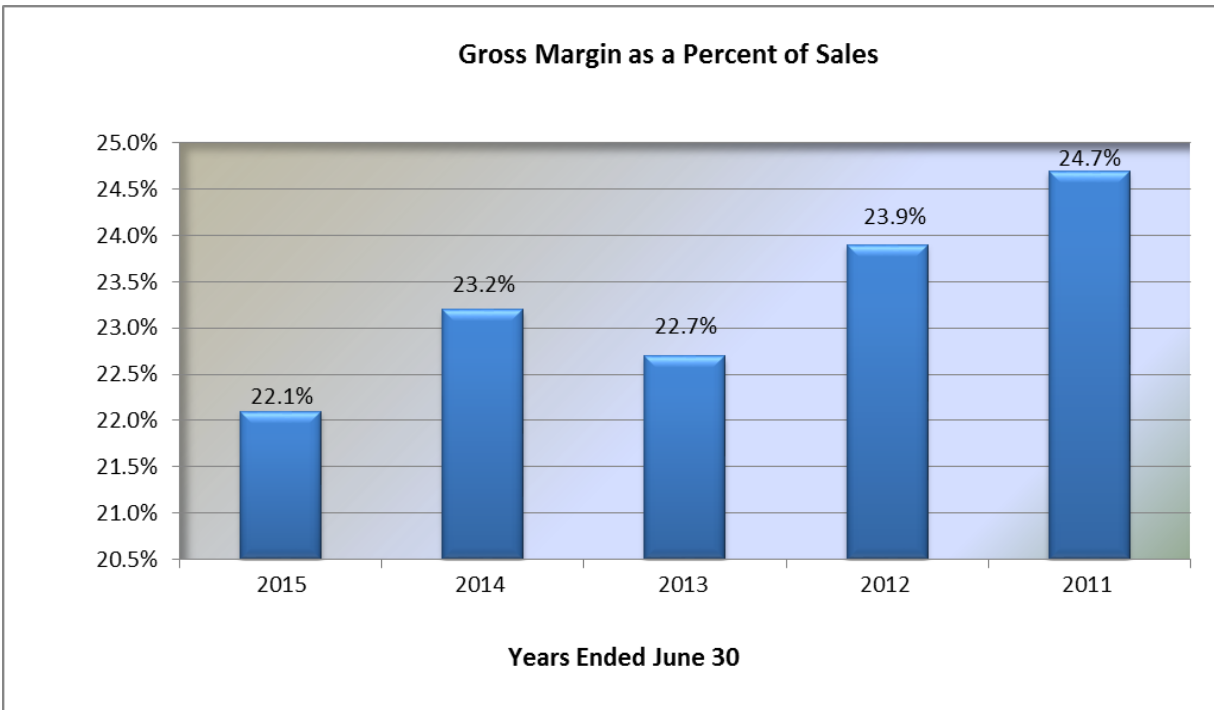
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



**FIVE-YEAR INCOME FROM OPERATIONS AND
GROSS MARGIN AS PERCENTAGE OF SALES**



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