ASSOCIATED STUDENTS BOOKSTORE

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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 fiscal years (FY) ended June 30, 2016, 2015 and 2014. 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, 2016, 2015 and 2014:

ASSETS	2016	2015	2014
Current Assets	$2,380,977	$2,615,877	$2,520,680
Noncurrent Assets	1,215,382	899,314	838,546
Capital Assets, net	1,181,618	1,233,459	1,275,866
Total assets	4,777,977	4,748,650	4,635,092
DEFERRED OUTFLOWS	25,776	33,211	-
LIABILITIES			
Current liabilities	360,481	390,921	360,921
Noncurrent liabilities	157,464	110,059	
Total liabilities	517,945	500,980	360,921
DEFERRED INFLOWS	42,036	116,664	-
NET POSITION			
Net investment in capital assets	1,181,618	1,233,459	1,275,866
Unrestricted	3,062,154	2,930,758	2,998,305
Total net position	$4,243,772	$4,164,217	$4,274,171

The Bookstore's overall net position increased in FY 2016 by $79,555 (1.9%) as nonoperating revenues outpaced expenses. There was a net position decrease of $109,954 (-2.6%) when comparing FY 2015 to FY 2014 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.

The excess of current assets over current liabilities of $2.0 million in FY 2016 and $2.2 million in FY 2015 reflects the continuing ability of WWU to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments.

Current assets consist primarily of cash and cash equivalents, short-term investments, inventory and accounts receivable, net. Total current assets decreased $234,900 (-9.0%) in FY 2016 primarily due to a combined decrease in cash and cash equivalents and short term investments along with a decrease in inventory that surpassed an increase in accounts receivable. Cash and cash equivalents combined with short term investments decreased $396,555 (-31.3%) in FY 2016 as a result of WWU optimizing the investment strategy of maximizing returns while ensuring liquidity needs and managing interest rate risk. An increase in textbook returns to publishers contributed to a $278,896 (81.5%) increase in accounts receivables and a $125,694 (-12.6%) decrease in inventory. FY 2015 total current assets increased $95,197 (3.8%) over FY 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%) in FY 2015 as WWU's investment strategy is to ensure liquidity needs while optimizing investment returns (see Note 2).

Total noncurrent assets, excluding capital assets, increased $316,068 (35.1%) during FY 2016 and $60,768 (7.2%) during FY 2015 due to increased long-term investments.

Capital assets decreased $51,841 (-4.2%) during FY 2016 and $42,407 (-3.3%) during FY 2015 as existing assets depreciated at a greater rate than new capital assets were acquired.

Total current liabilities in FY 2016 decreased $30,440 (-7.8%) due to a decrease in the total annual distribution payable to the ASWWU combined with a slight decrease in accounts payable. Total current liabilities increased $30,000 (8.3%) in FY 2015 from FY 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).

Deferred outflow decreased $7,435 (-22.4%) in FY 2016. Beginning in FY 2015, deferred outflows relating to pensions of $33,211 (100.0%) were recorded in accordance with GASB Statement No. 68. Deferred outflows related to pensions is primarily due to current year pension expenses that will be recognized in the next fiscal year (see Note 6).

Noncurrent liabilities increased $47,405 (43.1%) in FY 2016 as a result of an increase in the net pension liability. Noncurrent liabilities increased $110,059 (100.0%) during FY 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 non-operating.

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.

Non-operating 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 non-operating revenue.

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016, 2015 and 2014:

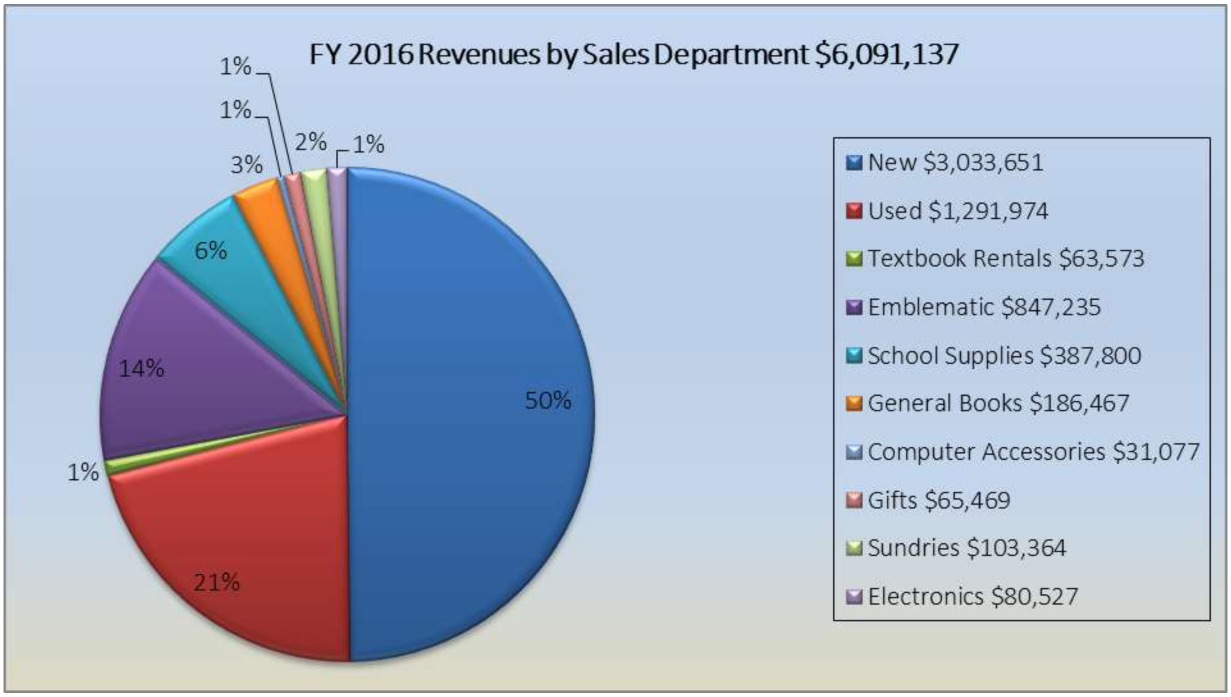
	2016	2015	2014
Sales, net of discounts	$6,091,137	$6,666,612	$6,857,195
Other operating revenues	37,127	61,757	62,909
Total operating revenue	6,128,264	6,728,369	$6,920,104
Operating expenses	6,027,521	6,564,485	6,707,201
Income from operations	100,743	163,884	212,903
Nonoperating (expenses) revenues	(21,188)	(59,769)	(86,305)
Changes in net position	79,555	104,115	126,598
Net position, beginning of year	4,164,217	4,274,171	4,147,573
Restatement	-	(214,069)	-
Net position, beginning of year as restated		4,060,102	
Net position, end of year	$4,243,772	$4,164,217	$4,274,171

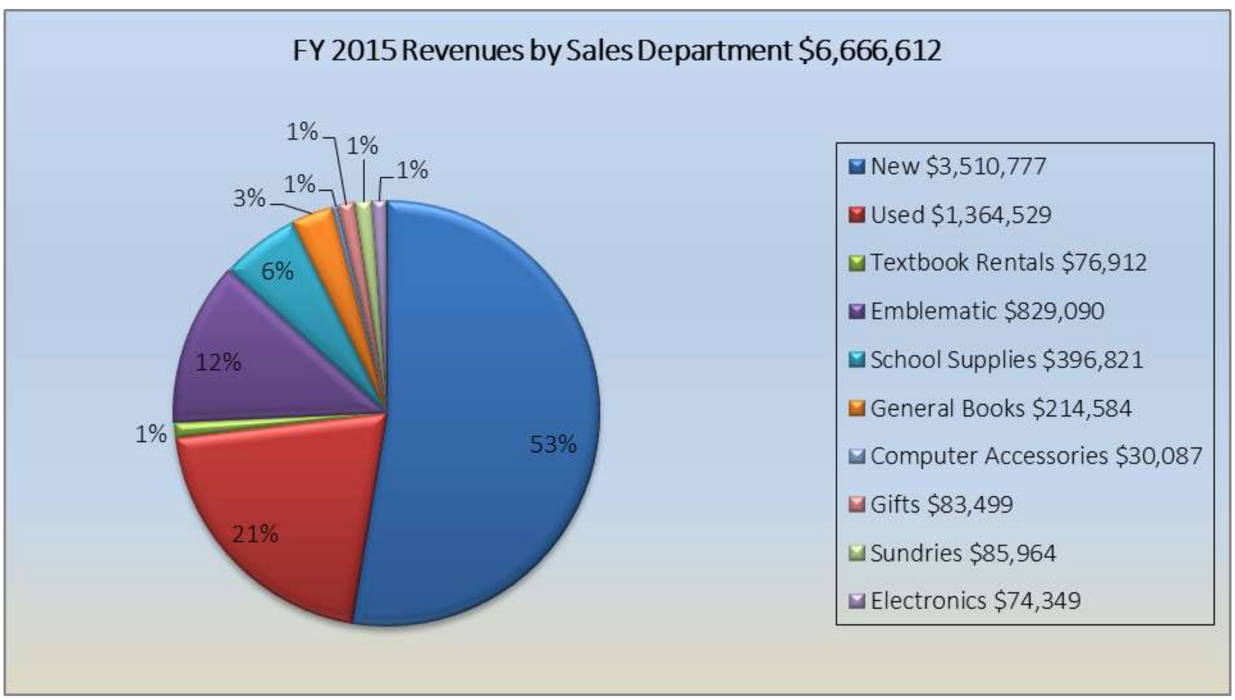
FY 2016 sales net of discounts decreased $575,475 (-8.6%) largely due to a decrease in course materials sales (see Revenues by Sales Department discussion). FY 2015 sales net of discounts decreased $190,583 (-2.8%) from FY 2014 primarily due to a reduction in the availability of used textbooks.

In FY 2016, cost of goods sold decreased $540,224 (-10.4%) from FY 2015 and decreased $73,418 (-1.4%) in FY 2015 from FY 2014 due to the overall merchandise sales variances (see Revenues Sales by Department discussion).

The gross margin percentage for FY 2016 increased to 23.6% compared to 22.1% in FY 2015 and 23.2% in FY 2014 (See Other Financial Information section). For FY 2016, gross margin percentage increased as cost of goods sold declined at a higher rate than the overall reduction to net sales. During FY 2015, gross margin percentage decreased slightly as cost of goods sold declined at a lower rate than the 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 2014-2015 was 26.1%. The level of textbook discount the Bookstore offers students continues to impact the Bookstore's gross margin.

The Bookstore maintained a 10% discount on new and used textbooks during FY 2016. Course material affordability to students is a priority for the Bookstore. This discount represented an approximate reduction of $492,743 in the cost of textbooks for WWU students who purchased their textbooks at the Bookstore. Approximately 14.5% of stores responding to the 2014-15 ICBA survey offered student discounts, with reported levels ranging from 5% to 10%. The average total value of discounts provided by college bookstores who offered discounts on course books to students was $409,214.





Revenues by Sales Department

Total new and used textbook sales declined to $4,325,625 in FY 2016. This represents a decrease of $549,681 (-11.3%) from FY 2015 sales of $4,875,306, primarily due to a decrease in the sales of new textbooks. FY 2015 total textbooks sales decreased $193,841 (-3.8%) from $5,069,147 in FY 2014 primarily due to a decrease in the sales of used textbooks.

New textbook sales decreased in FY 2016 to a total of $3,033,651, a decrease of $477,126 (-13.6%). The decrease followed an industry multi-year trend. Campus Bookstore Consulting noted in an independent analysis of the Bookstore that most university bookstores have experienced declining course material sales over the past four years. Students' options for obtaining course materials continue to expand with increased avenues for purchasing used textbooks, digital textbooks and rental textbooks along with an academic movement towards increased open source (free) course materials. A decrease in third-party in-store textbook rentals also contributed to the decrease in new textbook sales as these rentals are recorded as new textbooks (see Rafter discussion below). In FY 2015 new textbook sales increased to $3,510,777, an increase of $141,845 (4.2%) due to growth in classroom use of custom textbooks and digital components, along with continued growth in third party in-store textbook rentals (recorded as new textbook sales by the Bookstore.) New textbook margin percentage for FY 2016 was 11.9%, up from 10.0% in FY 2015.

Used textbooks sales declined at a lower rate in FY 2016 to $1,291,974, with a decrease of $72,555 (-5.3%) from FY 2015 sales of $1,364,529. The course materials department collaborated with WWU faculty to increase the adoption of course materials which could be sourced as used textbooks. Increased market competition for sourcing of used textbooks continued to impact availability and sales of used textbooks. FY 2015 sales declined $335,686 (-19.7%) from $1,700,215 in FY 2014 impacted by an increased use of new textbooks (see above) and a downturn in availability of used book inventory. Used textbook margin percentage for FY 2016 was 27.9%, down from FY 2015 margin of 28.2%. Used textbooks sales as a percent of total textbook sales increased to 29.9% (up two percentage points) from 28.0% in FY 2015.

New and used textbook sales accounted for 71.0% (-2.1%) of total Bookstore sales in FY 2016 down from 73.1% in FY 2015. The ICBA 2014-2015 survey average for bookstores reporting $5.0-$9.9 million sales volume was 64.0 % of total sales.

In FY 2016, Rafter, an affiliate company, phased out its third party in-store rental program contributing to a decrease in the availability of in-store rental titles and impacting total in-store Rafter rentals. Students rented 590 distinct course book titles through Rafter for a total of 3540 rentals, a decrease of 1209 (-25.5%) from 4,749 in FY 2015. The Bookstore directly offered 15 distinct course book titles for rent, down from 31 titles in 2015. The Bookstore offers for rent particular course book titles which will be used for multiple terms or years by WWU departments. Students rented 881 course books directly from the Bookstore, which was down 144 (-14.0%) from 1025 course books in FY 2015. Bookstore in-store rentals were affected by increasing competition in the textbook rental market along with an increase in market availability of used textbooks and digital textbooks.

FY 2016 revenue for the course books rented directly from the Bookstore (not from a third party) was $63,573 a decrease of $13,339 (-17.3%) from $76,912 in FY 2015 due in part to a reduction in distinct titles offered. FY 2015 revenue for the course books rented directly from the Bookstore was up $10,327 (15.5%) from $66,585 in FY 2014.

Emblematic sales of $847,235 increased $18,145 (2.2%) from FY 2015 sales of $829,090 due to an increase in the variety of emblematic products offered along with a decrease in discounts given. FY 2015 sales were up $19,538 (2.4%) from FY 2014 sales of $809,552 primarily due to sales increases of hats, women's fashions and insignia gifts.

School supplies sales were $387,800, a decrease of $9,021 (-2.3%) from FY 2015 sales of $396,821 due to sales decreases in school supplies, wire bounds, binders, and planners. FY 2015 sales decreased $25,766 (-6.1%) from FY 2014 sales of $422,587 due to a sales decreases in lab coats, school and art supplies.

General book sales were $186,467, a decrease of $28,117 (-13.1%) from FY 2015 sales of $214,584. The general book/non-emblematic gift department was without a buyer for six months of FY 2016 impacting the availability of new stock along with sales. FY 2015 sales increased $4,775 (2.3%) from FY 2014 sales of $209,809 due to an increase in the sales of stamps and movie tickets.

In FY 2016, the Software Department was renamed the Computer Accessories Department to reflect current items sold such as USB flash drives, mice, accessory cables, batteries for charging tablets and blue-tooth enabled devices. Sales increased slightly by $990 (3.3%) to $31,077 from FY 2015 sales of $30,087 boosted by sales of charging cables. In FY 2015 sales decreased $3,159 (-9.5%) from sales of $33,246 in 2014 as software companies changed sales and marketing strategies by offering free software to students and shifting software sales venues to focus on in-house sales.

Gift sales decreased to $65,469, down $18,030 (-21.6%) from 2015 sales of $83,499 due to decreased sales of jewelry and decorative gifts. For six months of FY 2016 the Bookstore was without a non-emblematic gift buyer and phased out the sale of silver jewelry. FY 2015 sales decreased $7,717 (-8.5%) from FY 2014 sales of $91,216. FY 2015 sales of non-emblematic gifts were affected by a shift in staff responsibilities for buying non-emblematic gift merchandise.

Sundries sales increased to $103,364 up $17,400 (20.2%) from FY 2015 sales of $85,964 primarily due to increased sales of backpacks and health & beauty products. FY 2015 sales were down $4,329 (-4.8%) from sales of $90,293 in FY 2014 impacted by an April 2014 ASWWU policy banning the sale of bottled water on campus.

Electronic sales of $80,527 were up $6,178 (8.3%) from FY 2015 sales of $74,349 due to increased sales of audio/video devices. FY 2015 sales were up $9,589 (14.8%) from FY 2014 sales of $64,760 due to the sales of phone cords and charging systems.

Expenses by Major Source

FY 2016 total operating expenses (excluding Cost of goods sold) were $1,375,385 and were nearly flat (up $3,260 or 0.2%) from FY 2015. FY 2015 total operating expenses (excluding Cost of goods sold) were down $69,298 (-4.8%) from FY 2014 due largely to a decrease in salaries and benefit expense as a result of vacancies.

FY 2016 salaries and benefits were up $33,681 (3.8%) primarily due to increased employee benefit costs. The employer share of health care increased for eligible employees from $662 to $840 per month and employer pension rates for retirement plans PERS 1, 2 & 3 increased from 9.21% to 11.18%. Accrued employee vacation leave increased substantially as well. Additionally classified employees received a wage increase of 3.0% and exempt employees received 4.0% (the Bookstore's General Manager is the only exempt employee in the store.)

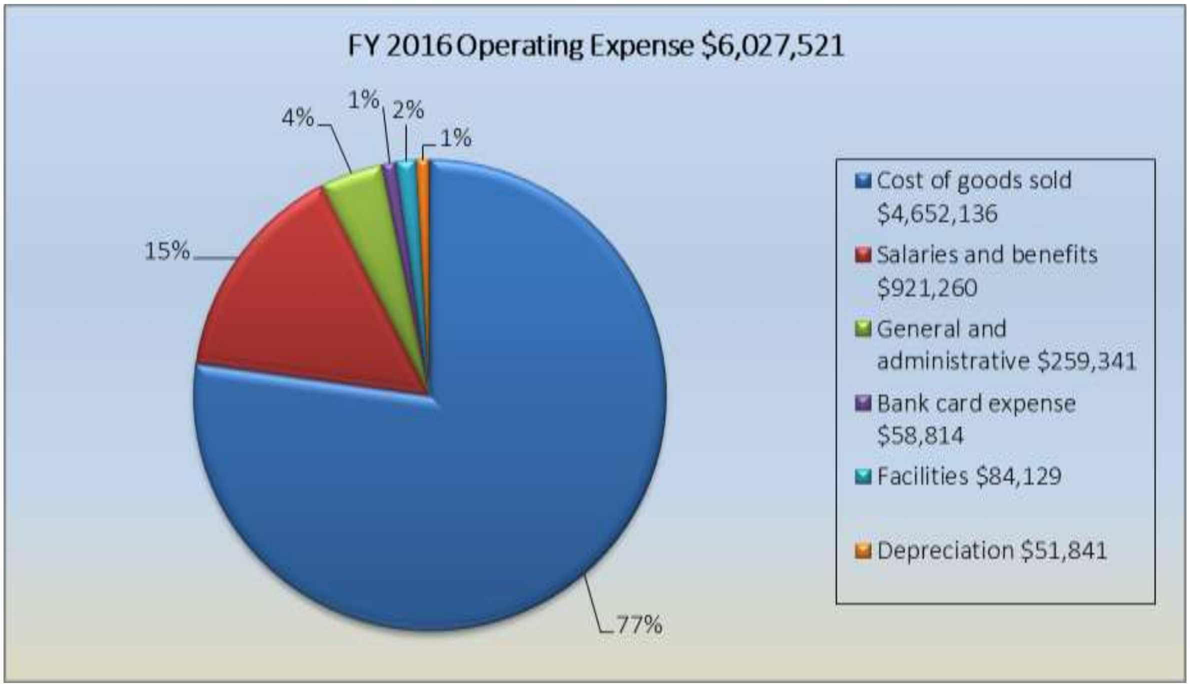
FY 2015 salaries and benefits were down $112,363 (-11.2%) from FY 2014 as the Bookstore experienced up to three staff vacancies over various parts of the fiscal year. This vacancy level continued into FY 2016.

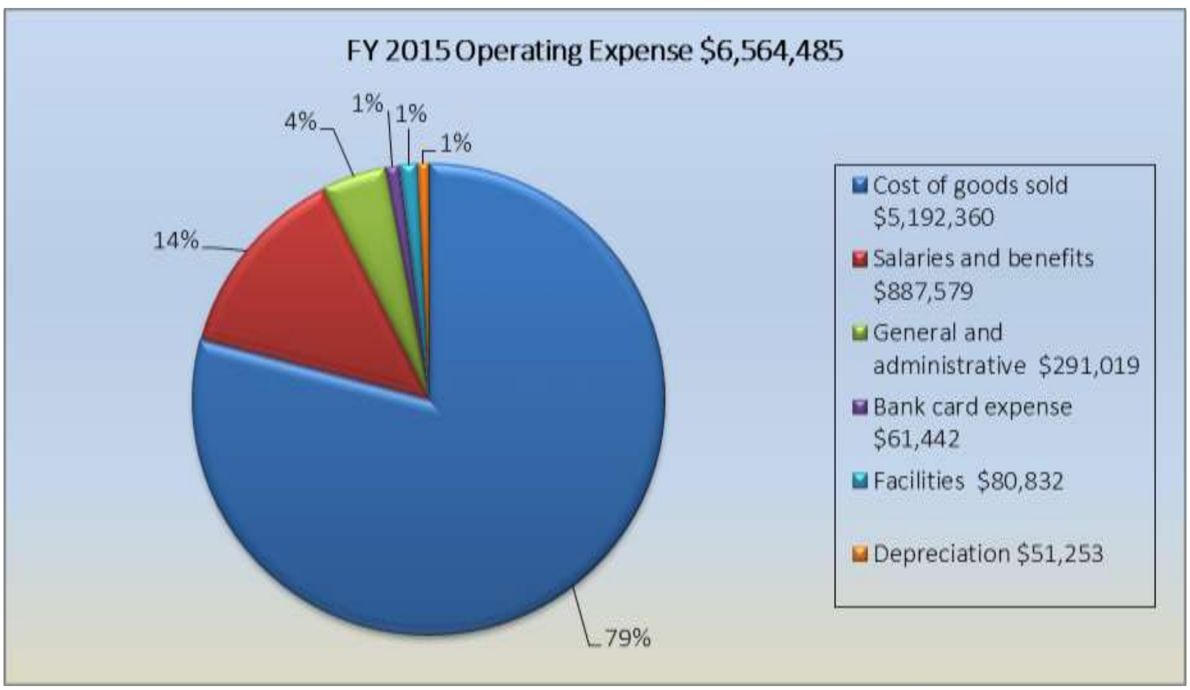
General and Administrative expenses decreased $31,678 (-10.9%) in FY 2016 impacted by decreased supplies & materials expense, advertising expense, administrative assessment fees and travel expense. General and Administrative expenses increased $24,864 (9.3%) in FY 2015 primarily due to an increase in 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 along with new desktop computers.

During FY 2016, facilities expense increased $3,297 (4.1%) from FY 2015 due to continued repair and maintenance projects. In FY 2015 facilities expense increased $22,303 (38.1%) from FY 2014 due to the continuation of repairs and maintenance projects started in FY 2014. These projects included resurfacing the retail stairways, conference room and staff breakroom floors. The staff breakroom and conference room were also painted.

Bank card expense decreased $2,628 (-4.3%) in FY 2016 primarily impacted by decreased net sales. FY 2015 bank card expense declined $3,334 (-5.1%) due in part to an 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 rather than using a credit/debit card for payment. This allows students to purchase their course materials before their financial aid is available. For the first time since the inception in FY 2012, student use of the "Charge It" program decreased during FY 2016.

Non-operating revenues (expenses) include distributions from the Bookstore to the ASWWU along with distributions to Athletics as part of a revenue sharing agreement (see Note 4). Total non-operating revenues (expenses) in FY 2016 decreased by $38,581 (-64.6%) due to a net reduction of $22,886 to the revenue sharing distributions along with an increase of $11,814 (36.7%) in the distribution from the ASWWU to the Bookstore. FY 2016 distribution included funding for seven new registers, seven new computers, two new tents for outdoor events, AS branded reusable totes, and Verba software fees. Verba Compete software facilitates comparison shopping on the Bookstore's ecommerce site and Verba Collect allows the Bookstore to communicate more effectively with faculty about required course materials. Total non-operating expenses in FY 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. FY 2015 distribution included funding for ten new signature capture machines, five new computers, AS branded reusable totes, optimization of the Bookstore's ecommerce site for mobile devices, and Verba software fees.





Economic Factors and Significant Events

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. The shift toward rentals, custom texts and digital course materials will continue to impact gross margin percentages, expenses and operating results.

On-line sales through the Bookstore web site continue to be a popular option for students, although trending down with net sales of $1,866,812 in FY 2016 (30.6% of total sales) compared with sales of $2,088,016 on-line in FY 2015 (31.3% of total sales.) FY 2014 on-line sales were $2,127,300 (31.0% of total sales.)

FY 2017 salary and benefit expenses are expected to be higher as a result of becoming fully staffed as well as salary increases that will take effect July 1, 2016. Classified employees received an across the board 1.8% wage increase and exempt staff received 2.5%. FY 2016 ended with four open positions that will be filled during FY 2017.

In FY 2016 students passed a referendum to increase the size and visibility of the Ethnic Student Center which is currently located in the adjacent Viking Union building. Exploration of expansion options indicate that the AS Bookstore could be part of the redistribution of space and the construction of new space within the current Viking Union/Bookstore complex footprint. While these changes are anticipated to have a positive change overall for the store since it would become more integrated with the student union, there would be a period of temporary relocation which may require adjustments in business operations to continue to serve the campus and maintain its viability.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University Associated Students Bookstore
July 1, 2014 through June 30, 2016

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, 2016 and 2015, 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 opinions 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bookstore, as of June 30, 2016 and 2015, 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, 2016 and 2015, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan 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 17, 2016 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.

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

November 17, 2016

Assets	2016	2015
Current assets		
Cash and cash equivalents (Note 2)	$287,298	$808,956
Investments (Note 2)	584,166	459,063
Receivables, net of allowance of $8,896 in 2016 and $15,585 in 2015 (Note 3)	620,919	342,023
Inventory	871,191	996,885
Prepaid expense	17,403	8,950
Total current assets	2,380,977	2,615,877
Noncurrent assets		
Investments (Note 2)	1,215,382	899,314
Capital assets, net (Note 5)	1,181,618	1,233,459
Total noncurrent assets	2,397,000	2,132,773
Total assets	4,777,977	4,748,650
Deferred Outflows		
Relating to pensions (Note 6)	25,776	33,211
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	283,351	290,905
Distribution payable to Associated Students of WWU	34,768	58,561
Distribution payable to WWU Athletics Department	42,362	41,455
Total current liabilities	360,481	390,921
Non current liabilities		
Pension liability (Note 6)	157,464	110,059
Total noncurrent liabilities	157,464	110,059
Total liabilities	517,945	500,980
Deferred Inflows		
Relating to pensions (Note 6)	42,036	116,664
Net Position		
Net investment in capital assets	1,181,618	1,233,459
Unrestricted	3,062,154	2,930,758
Total net position	$4,243,772	$4,164,217

See Notes to Financial Statements

	2016	2015
Operating Revenues		
Sales, net of discounts	$6,091,137	$6,666,612
Other operating revenue	37,127	61,757
Total Operating Revenue	6,128,264	6,728,369
Operating Expenses		
Cost of goods sold	4,652,136	5,192,360
Salaries and benefits	921,260	887,579
General and administrative expense	259,341	291,019
Facilities expense	84,129	80,832
Depreciation	51,841	51,253
Bank card expense	58,814	61,442
Total operating expenses	6,027,521	6,564,485
Income from operations	100,743	163,884
Nonoperating Revenues (Expenses)		
Investment income	11,928	8,047
Distribution from Associated Students of WWU	44,014	32,200
Distribution to Associated Students of WWU	(34,768)	(58,561)
Distribution to WWU Athletics Department	(42,362)	(41,455)
Total nonoperating (expenses) revenues	(21,188)	(59,769)
Increase in net position	79,555	104,115
Total Net Position, Beginning of Year	4,164,217	4,274,171
Restatement (Note 6)	-	(214,069)
Total Net Position, Beginning of Year as restated	-	4,060,102
Total Net Position, End of Year	$4,243,772	$4,164,217

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF CASH FLOWS

For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Cash received from students and other customers	$5,849,368	$6,871,020
Payments to employees	(922,454)	(920,061)
Payments to suppliers	(4,963,327)	(5,568,699)
Net cash provided by operating activities	(36,413)	382,260
Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	44,014	32,200
Distribution to WWU Athletics Department	(41,455)	(40,478)
Distribution to Associated Students of WWU	(58,561)	(101,597)
Net cash used in noncapital financing activities	(56,002)	(109,875)
Cash Flows from Investing Activities		
Investment income received	11,928	8,047
Net purchases of investments in internal pool	(441,171)	(248,509)
Net cash flows used by investing activities	(429,243)	(240,462)
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	-	(8,846)
Net cash used in capital and related financing activities	-	(8,846)
Net increase/(decrease) in cash and cash equivalents	(521,658)	23,077
Cash and cash equivalents, beginning of year	808,956	785,879
Cash and cash equivalents, end of year	$287,298	$808,956
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Income from operations	$100,743	$163,884
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	51,841	51,253
Net pension expense	(19,788)	(20,557)
Change in operating assets and liabilities		
Receivables	(278,896)	142,651
Accounts payable and accrued expenses	(7,554)	72,059
Prepaid expenses	(8,453)	(5,620)
Inventory	125,694	(21,410)
Net cash provided by operating activities	($36,413)	$382,260

See Notes to Financial Statements

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 course materials, 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, cash equivalents and investments at fair market 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 $8,896 and $15,585 at June 30, 2016 and 2015 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.

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.

Non-operating revenues. Non-operating 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.

Non-operating expenses. Non-operating 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 Services Assessment

WWU provides support to the Bookstore through cash management, accounting, human resources, 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 FY 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 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 FY 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), Commercial Paper 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). Commercial paper is rated A1+/P1 and US Treasury and Agency Securities are rated AA+/Aaa by Standard and Poors and Moody’s.

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.

Fair Value Measurement and Application

On July 1, 2015, the System adopted GASB Statement No. 72 “Fair Value Measurement and Application”. This Statement establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;

Level 3 - Unobservable inputs that are significant to the fair value measurement.

	Fair Value Measurements as of June 30, 2016 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$287,298	$ -	$ -	$287,298	0.003
Investments					
Commercial Paper	75,239	-	-	75,239	0.090
Certificates of deposit	112,976	-	-	112,976	2.565
U.S. Treasuries	567,218	-	-	567,218	1.858
U.S. Agencies	1,044,115	-	-	1,044,115	2.882
	$2,086,846	$ -	$ -	$2,086,846	

	Fair Value Measurements as of June 30, 2015 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		Weighted Average Maturity (in years)
Cash and Cash Equivalents	$808,956	$ -	$ -	$808,956	0.001
Investments					
Commercial Paper	-	-	-	-	
Certificates of deposit	115,326	-	-	115,326	1.033
U.S. Treasuries	381,296	-	-	381,296	1.085
U.S. Agencies	861,755	-	-	861,755	2.657
	$2,167,333	$ -	$ -	$2,167,333	

NOTE 3. RECEIVABLES

Receivables at June 30, 2016 and 2015 include:

	2016	2015
Credits due from publishers	$508,221	$ 236,955
Accounts receivable	112,698	105,068
	$620,919	$ 342,023

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during FY 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 and is continuing to be honored. There was a distribution payable of $34,768 in FY 2016, and $58,561 in FY 2015.

Beginning in FY 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, 2016 and 2015 were $42,362 and $41,455 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the FY years ended June 30, 2016 and 2015 was $51,841 and $51,253 respectively.

Following are the changes in building and equipment for the years ended June 30, 2016 and 2015:

	June 30, 2015	Additions	Reductions	June 30, 2016
Building improvements	$1,867,033	$ -	$ -	$1,867,033
Fixtures and equipment	453,122	-	-	453,122
	2,320,155	-	-	2,320,155
Less accumulated depreciation	(1,086,696)	(51,841)	-	(1,138,537)
Building Improvements and Equipment,	$1,233,459	($51,841)	$ -	$1,181,618

	June 30, 2014	Additions	Reductions	June 30, 2015
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,	$1,275,866	($42,407)	$ -	$1,233,459

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 2 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 $54,680, $45,088, and $51,750 to these plans in FY 2016, FY 2015 and FY 2014, respectively.

The Bookstore implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the FY 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 plans 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 FY year 2016:

Aggregate Pension Amounts -		PERS 2/3
Pension liabilities	$	(157,464)
Pension assets		-
Deferred outflows of resources related to pensions		25,776
Deferred inflows of resources related to pensions		(42,036)
Pension expense/expenditures		(19,788)

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 FY 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.

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 FY 2016 and FY 2015 are presented in Table in section C of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2014 with the results rolled forward to the June 30, 2015 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, 2014, 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 2014 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.

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, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 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, 2015, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	100%	

The inflation component used to create the above table is 2.20 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 FY year 2015 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, 2016 and 2015, the Bookstore reported $157,464 and $110,059 for its proportionate share of the collective net pension liability for PERS 2/3. The Bookstore's proportion for PERS 2/3 in FY 2016 was 0.004 percent, a decrease of 0.001 percent since the prior reporting period when its proportionate share was 0.005 percent. 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	$	460,433
Current Discount Rate	$	157,464
1% Increase	$	(74,508)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For FY 2016, the Bookstore recognized a PERS 2/3 pension expense of $(19,788) and $(20,557) thousand respectively. At June 30, 2016, 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	$ (15,491)	$ -
Changes of assumptions	(235)	-
Net Difference between projected and actual earnings on pension plan investments	-	(42,036)
Change in proportion	(3,457)	-
Contributions subsequent to the measurement date	44,959	-
Total	$ 25,776	$ (42,036)

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

PERS 2/3		
2016	$	10,740
2017	$	10,740
2018	$	10,740
2019	$	(9,464)
2020	$	-
Thereafter	$	-

TABLE 1: Required Contribution Rates

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

	Contribution Rates at June 30, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 2	6.12%	11.18%	$ 38,778	$ 33,918	$ 39,472
Plan 3	5.00-15.00% **	11.18% *	6,181	3,186	3,021

*Plan 3 defined benefit portion only.
**Variable from 5% to 15% based on rate selected by the member.
University contribution rate includes an administrative expense rate of 0.0018.

	Contribution Rates at June 30, 2015		Required Employer Contributions		
	Employee	University	FY 2015	FY 2014	FY 2013
PERS					
Plan 2	4.92%	9.21%	$ 33,918	$ 39,472	$ 31,069
Plan 3	5.00-15.00% **	9.21% *	3,186	3,021	2,094

*Plan 3 defined benefit portion only.
**Variable from 5% to 15% based on rate selected by the member.
University contribution rate includes an administrative expense rate of 0.0018.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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 1
*Measurement Date ended June 30 **

	2014	2015
Bookstore PERS 1 employers' proportion of the net pension liability	0.004749%	0.003721%
Bookstore PERS 1 employers' proportionate share of the net pension liability	$239,217	$194,664
Bookstore PERS 1 employers' covered-employee payroll	$0	$0
Bookstore PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

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	2015
Bookstore PERS 2/3 employers' proportion of the net pension liability	0.005445%	0.004407%
Bookstore PERS 2/3 employers' proportionate share of the net pension liability	$110,059	$157,464
Bookstore PERS 2/3 employers' covered-employee payroll	$469,996	$421,975
Bookstore PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.42%	37.32%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%

* As of June 30; this schedule is to be built prospectively until it contains ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30
Bookstore

Fiscal Year	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$ 19,690	$ 19,690	$ -	$ -	0.00%
2016	$ 20,396	$ 20,396	$ -	$ -	0.00%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

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
Bookstore

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	$ 45,761	$ 44,959	$ 803	$ 409,316	10.98%
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, 2016, 2015, 2014, 2013, and 2012

Assets	2016	2015	2014	2013	2012
Current assets	$2,380,977	$2,615,877	$2,520,680	$2,533,957	$2,583,960
Non-current assets	1,215,382	899,314	838,546	592,301	430,440
Capital Assets	1,181,618	1,233,459	1,275,866	1,327,887	1,365,618
Total assets	4,777,977	4,748,650	4,635,092	4,454,145	4,380,018
Deferred outflows	25,776	33,211			
Liabilities					
Accounts payable and accruals	283,351	290,905	218,846	219,108	213,996
Pension liability	157,464	110,059			
Due to other WWU departments	77,130	100,016	142,075	87,464	88,820
Total liabilities	517,945	500,980	360,921	306,572	302,816
Deferred inflows	42,036	116,664			
Total Net Position	$4,243,772	$4,164,217	$4,274,171	$4,147,573	$4,077,202
Current ratio (current assets/current liabilities)	6.60	6.69	6.98	8.27	8.53
Return on assets (change in net postion/total assets)	1.7%	-2.3% *	2.7%	1.6%	1.6%

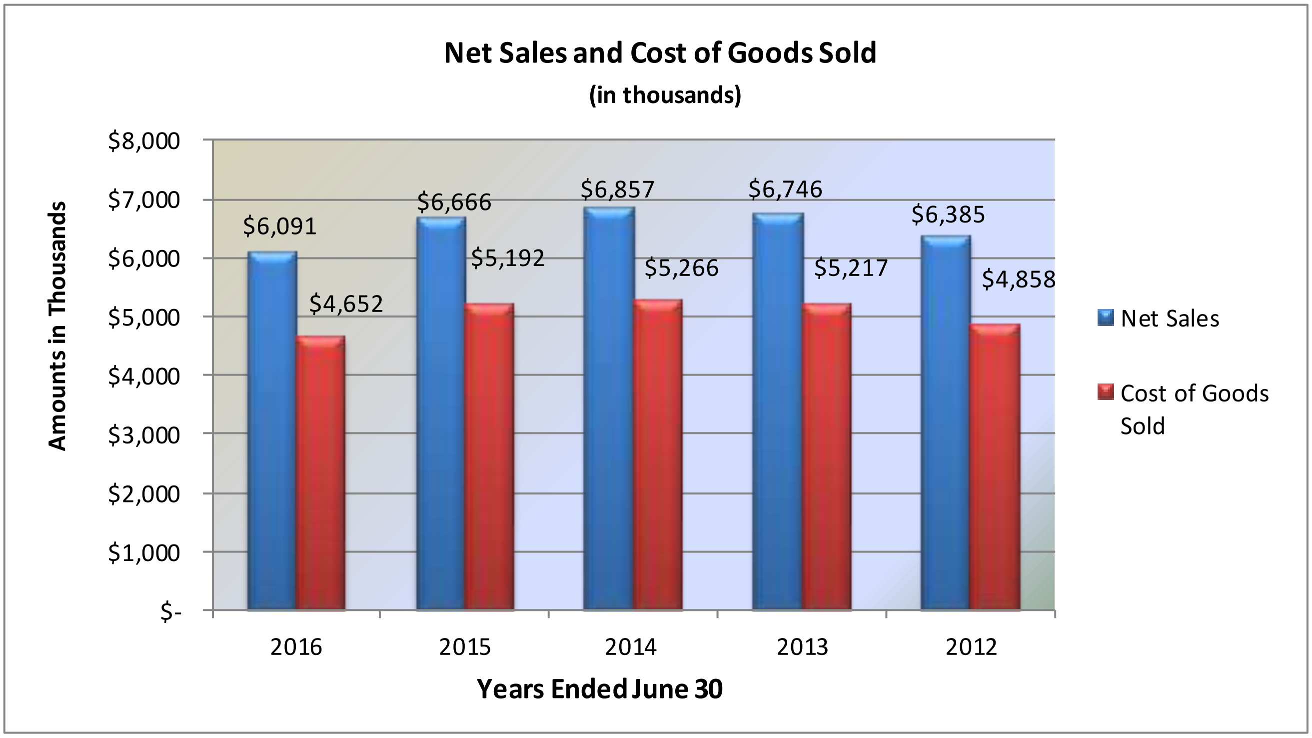
* During fiscal 2015, the Bookstore implemented GASB Statement No. 68 - Reporting for pensions - which required the Bookstore to recognize its share of the net pension liability of the defined benefit plans and restate fiscal 2015 beginning net position. This restatement caused the decrease in ROA.

FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2016, 2015 2014, 2013, and 2012

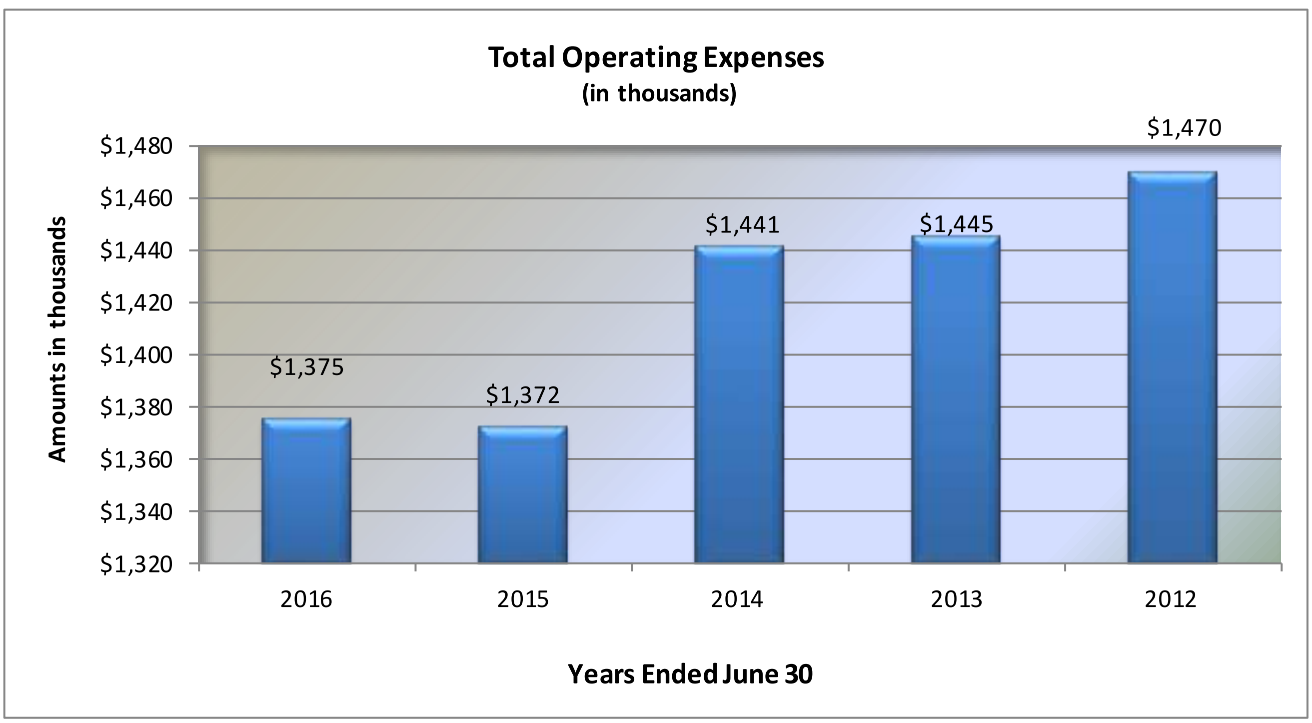
	2016	2015	2014	2013	2012
Net sales	$6,091,137	$6,666,612	$6,857,195	$6,745,860	$6,384,528
Cost of goods sold	(4,652,136)	(5,192,360)	(5,265,778)	(5,217,483) *	(4,858,228)
Gross profit	1,439,001	1,474,252	1,591,417	1,528,377	1,526,300
Other Operating Revenues	37,127	61,757	62,909	69,114	63,929
Operating expenses					
Salaries and benefits	921,260	887,579	999,942	1,003,125	984,520
General and administrative expense	259,341	291,019	266,155	256,220	295,263
Facilities expense	84,129	80,832	58,529	63,615	64,456
Depreciation	51,841	51,253	52,021	51,319	48,923
Bank card expense	58,814	61,442	64,776	70,428	77,303
Total operating expense	1,375,385	1,372,125	1,441,423	1,444,707	1,470,465
Income (loss) from operations	100,743	163,884	212,903	152,784	119,764
Nonoperating revenues (expenses)					
Investment income	11,928	8,047	5,770	5,051	5,804
Distribution from Associated Students of WWU	44,014	32,200	50,000	-	34,000
Distribution to Associated Students of WWU	(34,768)	(58,561)	(101,597)	(45,404)	(45,751)
Distribution to WWU Athletics Department	(42,362)	(41,455)	(40,478)	(42,060)	(43,069)
Total nonoperating revenues (expenses)	(21,188)	(59,769)	(86,305)	(82,413)	(49,016)
Increase (decrease) in net position	$79,555	$104,115	$126,598	$70,371	$70,748
Gross profit percentage					
(gross profit/net sales)	23.6%	22.1%	23.2%	22.7%	23.9%

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

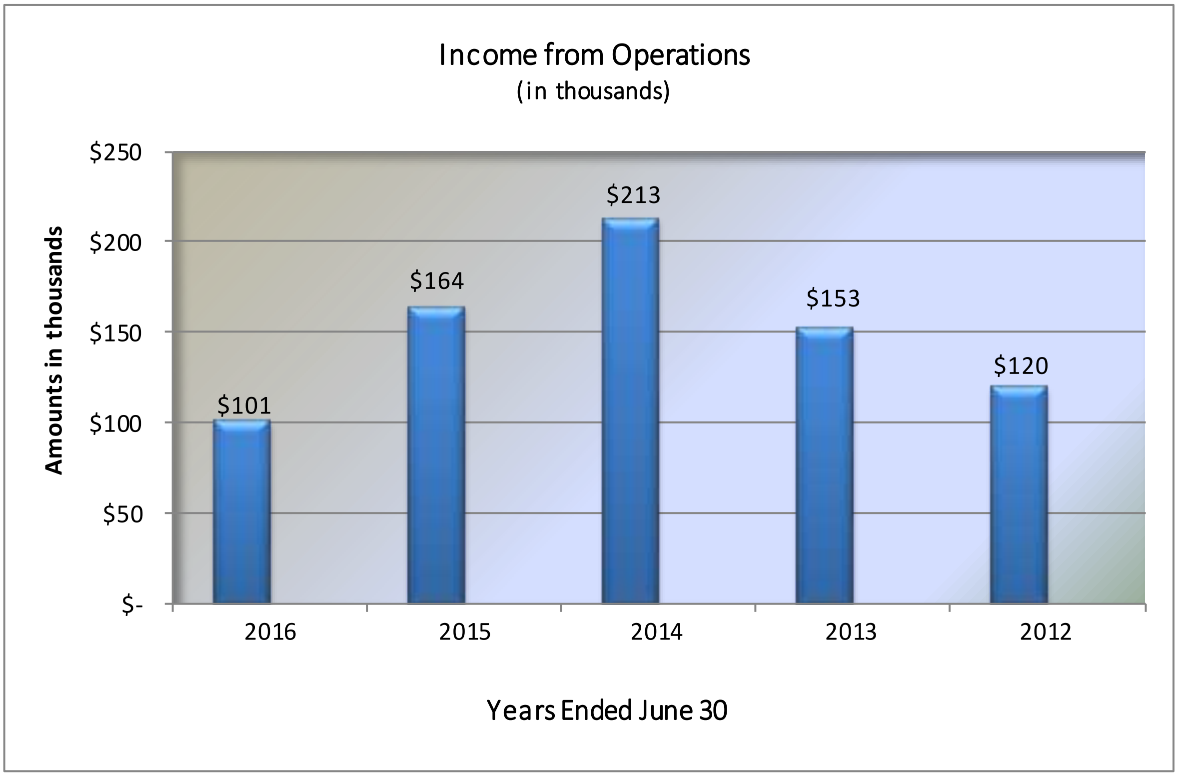
FIVE-YEAR NET SALES AND COST OF GOODS SOLD

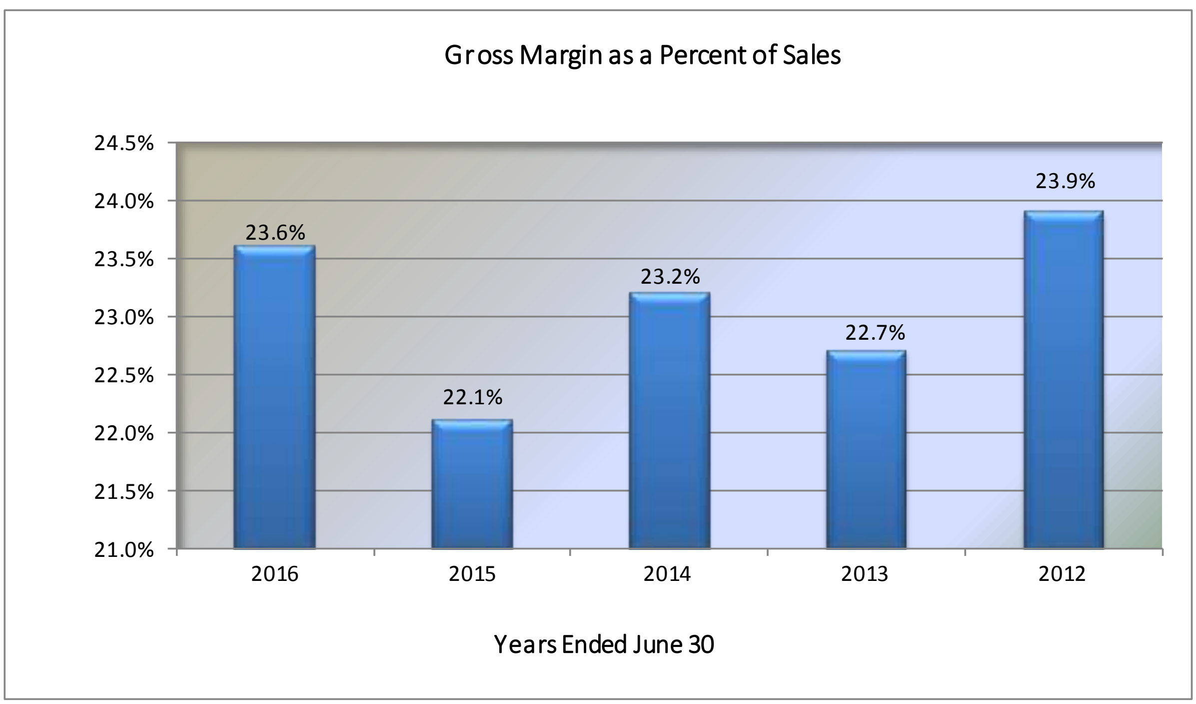


FIVE-YEAR TOTAL OPERATING EXPENSES



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





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