HOUSING AND DINING SYSTEM

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Overview

Western Washington University's Housing and Dining System (the System) maintains over a million square feet of living space - home to 4,000 students. Nine residential communities consist of sixteen residence halls and one apartment complex. Residence halls are all equipped with laundry facilities, computer labs, study areas, community kitchens, TV lounges, game rooms, bicycle storage, 24-hour security, and staffed service desks. Western's campus is a 20-minute walk from end to end, so no matter where students live their classes and activities are nearby.

The following discussion and analysis provides an overview of the financial position and activities of the System for the years 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 System's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The System's 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 System at the end of the fiscal years (FY) and reports all assets and liabilities of the System.

The amounts in this statement represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. 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 System.

Below is a condensed view of the Statement of Net Position as of June 30, 2016, 2015 and 2014:

(Dollars in Thousands)

	2016	2015	2014
Assets			
Current Assets	$8,571	$11,584	$9,326
Noncurrent assets	13,190	10,506	9,737
Capital assets, net	100,363	100,253	100,362
Total assets	122,124	122,343	119,425
Deferred Outflows			
Deferred loss on bonds	842	995	1,173
Due to Pension	245	155	-
Total deferred outflows	1,087	1,150	1,173
Liabilities			
Current liabilities	7,710	8,054	6,887
Noncurrent liabilities	39,601	43,108	44,651
Total liabilities	47,311	51,162	51,538
Deferred Inflows			
Due to Pension	213	517	-
Net Position			
Net investment in capital assets	59,969	56,638	53,850
Restricted, expendable	3,361	3,314	3,289
Unrestricted	12,357	11,862	11,921
Total net position	$75,687	$71,814	$69,060

Current assets consist primarily of cash and cash equivalents, short-term investments and accounts receivable, net. Total current assets decreased $3,012,868 (-26.0%) during FY 2016 due to a combined decrease in cash and cash equivalents and short term investments as a result of WWU optimizing the investment policy strategy to maximize returns while ensuring liquidity needs and managing interest rate risk. Total current assets increased $2,258,110 (24.2%) during FY 2015 due to an increase in cash and cash equivalents from operating activities and short-term investments. The increase in short-term investments was due to WWU's investment strategy to ensure liquidity needs while optimizing investment returns (See Note 2).

Total noncurrent assets, excluding capital increased $2,683,802 (25.5%) in FY 2016 due to an increase in long term investments necessary to implement planned capital projects. Total noncurrent assets, excluding capital assets, increased $769,865 (7.9%) in FY 2015 due primarily to an increase in long-term investments.

Depreciable and non-depreciable capital assets increased slightly in FY 2016: $109,675 (0.1%) and decreased minimally in FY 2015 by $109,249 (-0.1%) due to accumulated depreciation (See Note 3).

Major projects completed during FY 2016 were the Ridgeway Kappa renovation and sprinkler addition and the Nash renovation. The major project completed during FY 2015 was the Buchanan Towers mechanical room. This project allowed the mechanical room to comply with codes and WWU standards.

The excess of current assets over current liabilities of $861,136 in FY 2016 and $3.5 million in FY 2015 reflects the continuing ability of the System to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities decreased $343,896 (-4.3%) in FY 2016 due to a decrease in accounts payable. Current liabilities increased $1,167,291 (17.0%) in FY 2015 due to an increase in accounts payable from the timing of invoice payments.

Total noncurrent liabilities decreased $3,507,355 (-8.1%) during FY 2016 due to a decrease in long-term debt (scheduled bond principal payments). Total noncurrent liabilities decreased $1,542,593 (-3.5%) during FY 2015 due to a reduction in long-term debt from scheduled principal payments combined with an increase in the net pension liability. The FY 2015 increase of $1,508,789 (100.0%) in the net pension liability is due to the System adopting GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An amendment of GASB Statement No. 27. This statement requires the System to record its share of the actuarially calculated net pension liability of the defined benefit pension plans (see Note 7).

Total net position increased $3,872,265 (5.4%) in FY 2016 due to an increase in net investment in capital assets. Total net position increased $2,753,918 (4.0%) in FY 2015 over FY 2014 due to an increase in net investment in capital assets.

Net investment in capital assets increased in FY 2016 by $3,329,925 (5.9%) due primarily to the capitalization of the Ridgeway Kappa and Nash projects. Net investment in capital assets increased in FY 2015 by $2,788,947 (5.2%), primarily due to a decrease in bonds payable from scheduled principal payments.

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 presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the System's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

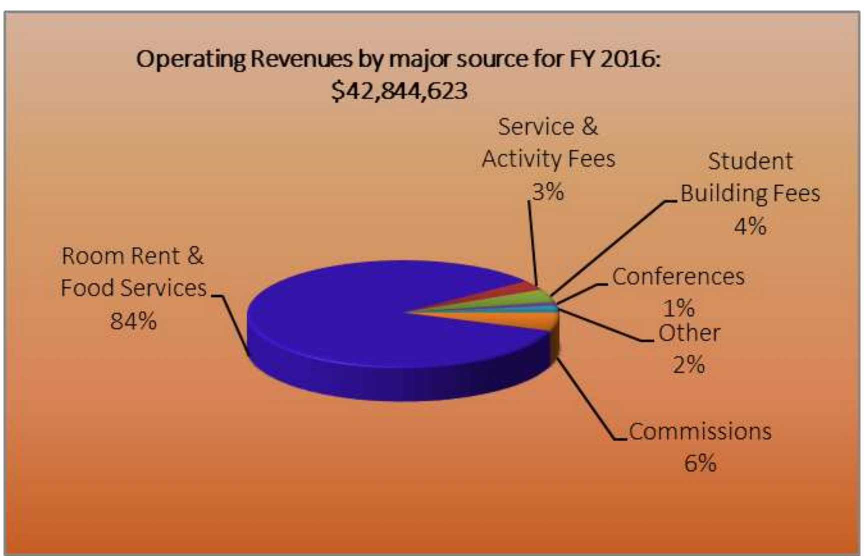
In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

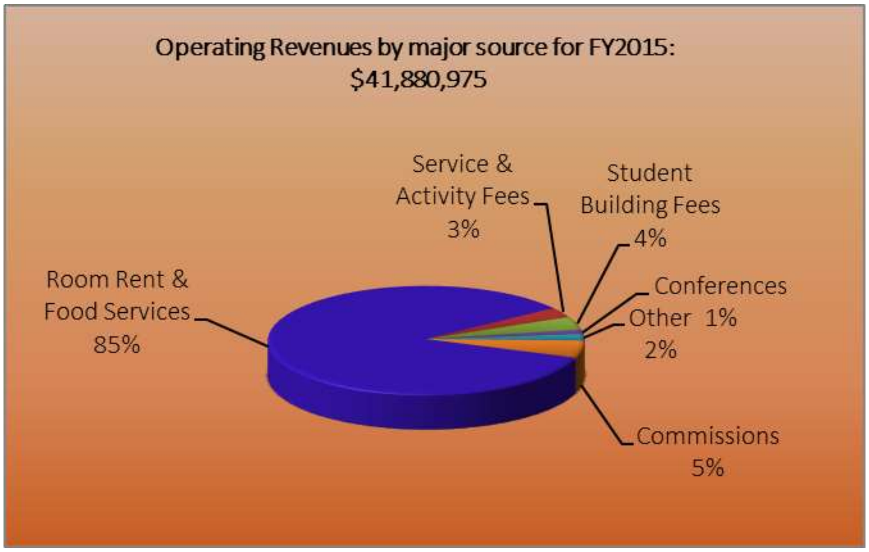
Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the FY years ended June 30, 2016, 2015 and 2014:

(Dollars in thousands)

	2016	2015	2014
Operating Revenues	$42,845	$41,881	$40,582
Operating Expenses	(38,350)	(35,357)	(35,135)
Income from operations	4,495	6,524	5,447
Nonoperating Revenues	1,316	531	1,155
Nonoperating Expenses	(1,938)	(2,537)	(2,471)
Increase in Net Position	3,873	4,518	4,131
Net Position, Beginning of year	71,814	69,060	64,929
Restatement	-	(1,764)	-
Net Position, Beginning of year , as restated	-	67,296	-
Net Position, End of year	$75,687	$71,814	$69,060

Total operating revenue increased for FY 2016 primarily influenced by an increase to the room and board rate.





The System's largest revenue source is room rent and food services totaling $36,093,685 (84.2%) of the System's operating revenue compared to $35,455,523 (84.7%) in FY 2015.

Room rent and food service revenues increased $638,162 (1.8%) in FY 2016 due to the combination of a 3.0% rate increase and a 1.3% decline in on-campus housing occupancy. Room rent and food service revenues increased $905,463 (2.6%) in FY 2015 over 2014 due to a 4.0% rate increase coupled with a slight decrease of -1.4% in residence hall occupancy.

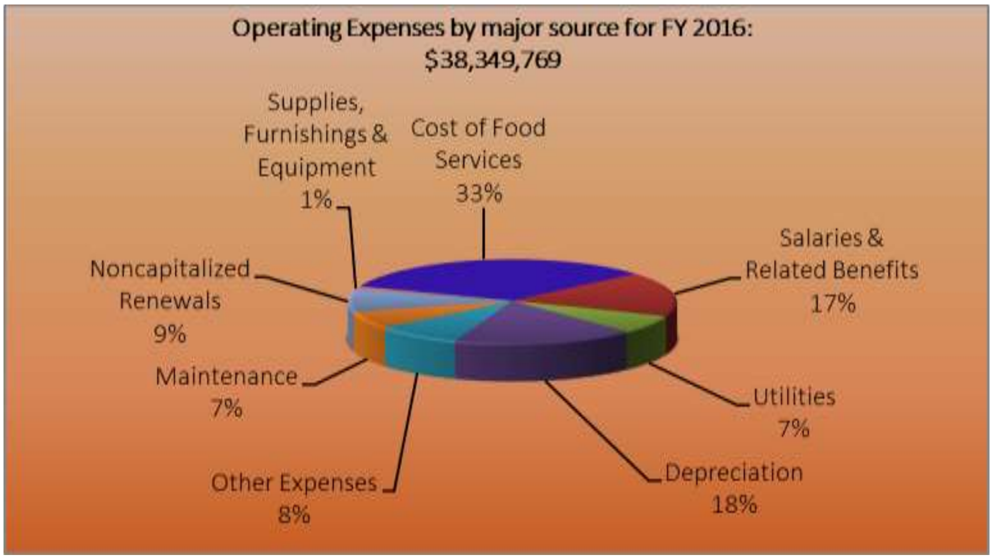
Student building fee revenue increased $14,678 (0.9%) in FY 2016 due to a slight increase in matriculating student enrollment. Student building fee revenue increased $13,517 (0.8%) in FY 2015 due to slight changes in enrollment. There was no change in the $39 per quarter mandatory student building fee for FY 2016 or FY 2015.

Conference revenue decreased $46,299 (-7.9%) in FY 2016 due to reduced bookings. Conference revenue increased $43,663 (8.0%) in FY 2015 due to a rate increase and increased bookings.

Viking Union revenue increased $37,328 (10.2%) in FY 2016 due to combination of service fee increases and increased event services. Viking Union revenue increased $6,528 (1.8%) in FY 2015 primarily due to increased facility and services use.

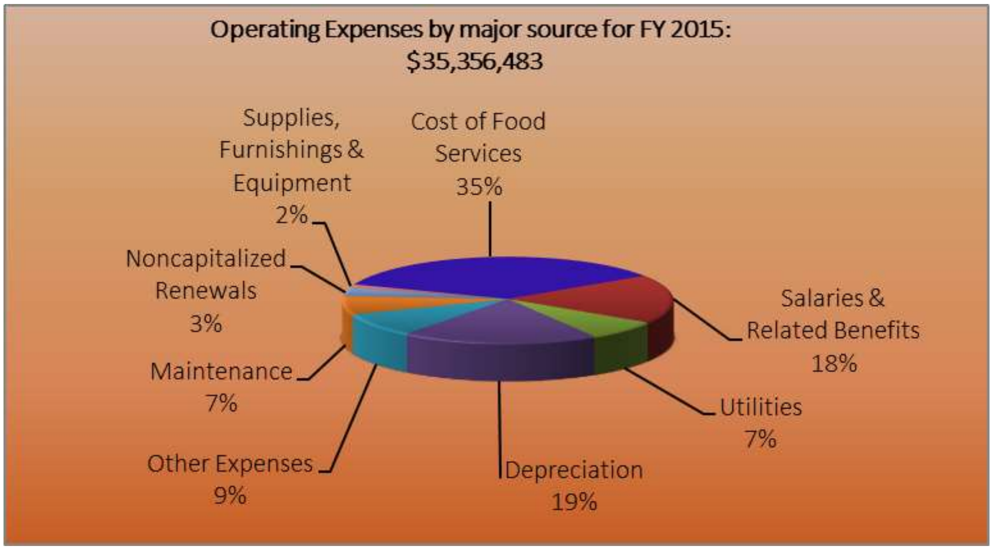
Commission revenue increased $254,885 (11.9%) due to increased dining commissions per the WWU-Aramark Agreement. Commission revenue increased $146,976 (7.4%) in FY 2015 primarily due to increased dining commissions received from Aramark, the Dining Services contractor (See Note 6).

Fees, penalties, and other income increased $47,722 (15.9%) in FY 2016 primarily due to the combination of a $14,300 (-6.6%) decline in fee/penalty income and a $60,000 increase in surplus sales proceeds. The FY 2016 decrease of $14,300 in fee/penalty income was due to the net result of an increase in late fee revenue combined with a decrease in other fees, such as cleaning, damage and deposit forfeit charges. Fees, penalties, and other income increased $166,381 (125.1%) in FY 2015 primarily influenced by the recurring annual departmental transfer that was recorded as a reduction to revenue in FY 2014.



Overall operating expenses for FY 2016 increased $2,993,286 (8.5%) due primarily to an increase in non-capitalized renewals and replacements. Overall operating expenses for FY 2015 increased $221,834 (0.6%) over FY 2014, due to an increase in depreciation and slight increases in food services, salaries, and repairs and maintenance.

Cost of food services for FY 2016 increased $293,162 (2.4%), the net effect of a 3.5% rate increase and a slight decline in resident dining charges. Cost of food services for FY 2015 increased $360,103 (3.0%) over FY 2014 due to a rate increase.



Salaries and benefits expense for FY 2016 increased $98,903 (1.5%), with increases in salaries and benefits expenses somewhat offset by a reduction in the net pension liability adjustment. During FY 2016, all staff received compensation increases and classified staff received step increases. Also during FY 2016, health care premiums increased $2,136 per covered employee as well as a nearly 2.0% rate increase in certain defined benefit retirement plans. Salaries and benefits expense for FY 2015 increased $142,671 (2.3%) due to the combination of classified staff wage increases, filling of vacant positions and a decrease to the employer's share of health care costs.

Utilities expense increased $88,928 (3.5%) in FY 2016 due to increases in all utilities except electricity and cable TV. Utilities expense for FY 2015 increased $28,919 (1.1%) with the net increase due primarily to water/sewer increases.

Repairs and maintenance expense for FY 2016 increased $101,633 (4.2%) due primarily to labor rate increases. Repairs and maintenance expense for FY 2015 increased $626,483 (34.8%), as more expenses met this classification rather than being categorized as non-capitalized renewals and replacements. There was also a 4.0% increase in the Facilities Management recharge rate.

Depreciation expense increased in FY 2016 and 2015 by $85,445 (1.3%) and $309,497 (4.8%) respectively due to the addition of completed renovations.

WWU's administrative services assessment fee (included in institutional services) increased $7,707 (0.5%) in FY 2016 and $194,895 (14.5%) in FY 2015. The rate charged against the System revenues (less food service contract) was 5.5% for both years, an increase from 5.0% in FY 2014.

Other expenses slightly increased $7,549 (0.9%) in FY 2016. Other expenses increased $202,451 (32.3%) in FY 2015 primarily influenced by the recurring annual departmental transfer that was recorded as an expense in FY 2015 and a reduction to revenue in FY 2014.

Non-operating expenses (interest & amortization) for FY 2016 decreased $598,333 (-23.6%) due to reduced bond interest expense. Non-operating expenses (interest & amortization) for FY 2015 increased $65,904 (2.7%) due to increased bond cost amortization related to the issuance of revenue and refunding bonds (See Note 4).

Non-Operating revenue for FY 2016 increased $785,071 (147.8%) due to an addition of other capital contributions for the development of a planned student services facility. Non-Operating revenue for FY 2015 decreased $623,602 (-54.0%) due to a reduction in other capital contributions (See Note 6).

Economic Factors and Significant Events

WWU's Fall quarter of FY 2016 enrollment headcount of 14,425 represents a 1.2% increase over Fall quarter of FY 2015 enrollment. The average annual FY 2015 enrollment was slightly higher (1.5%) than FY 2014. Management will address housing demand independent of enrollment through room capacity practices, such as adding or reducing the number beds in a room for example.

The System's auxiliary capital plan for University Residences, shared with WWU's Board of Trustees in December 2014, identifies major projects including the final phases of the fire sprinkler installations and major upgrades for residential structures and living spaces. A significant facilities condition assessment has concluded, and the results will be incorporated into the capital planning efforts.

A consultant study was completed to assess and confirm the level of demand for particular on-campus housing styles, and planning has begun for the addition of on-campus student apartment housing, which is planned for a September 2018 opening. The consultant study indicated strong demand for single bedroom apartment suites (e.g. four single bedrooms per suite) with kitchen facilities located on campus, in spite of two similar new private apartment developments near campus opening in fall 2016 and fall 2017.

A bond issue is anticipated for Spring 2017 for this project as well as the addition to the Viking Union/Bookstore Complex of space for the Ethnic Student Center and Multicultural Services. In FY 2016 students passed a referendum to increase the size and visibility of the Ethnic Student Center which is currently located in the Viking Union building. This new space along with additional space for Multicultural Services will be funded in partnership with other Housing & Dining System and University funding sources.

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2010) to guide the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System exceeded the minimum requirements established within these principles. The Board periodically reviews the principles to ensure ongoing compliance.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University Housing and Dining System
July 1, 2014 through June 30, 2016

Board of Trustees
Western Washington University Housing and Dining System
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (Housing and Dining), 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 Housing and Dining'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 Western Washington University Housing and Dining System'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 Housing and Dining'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 Housing and Dining System, 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 Housing and Dining System, 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 Housing and Dining. 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 Housing and Dining'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 Housing and Dining'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 Housing and Dining's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

November 17, 2016

HOUSING AND DINING SYSTEM
STATEMENT OF NET POSITION *June 30, 2016 and 2015*

Assets	2016	2015
Current assets		
Cash and cash equivalents (Note 2)	$2,353,709	$6,666,354
Investments (Note 2)	4,869,308	3,806,049
Accounts receivable, net of allowance of $51,280 and $99,428 in 2016 and 2015, respectively	216,468	201,760
Interest receivable	83,234	57,853
Other receivables	1,048,315	849,650
Inventory	-	2,236
Total current assets	8,571,034	11,583,902
Noncurrent assets		
Restricted investments (Note 2)	3,059,204	3,048,225
Investments (Note 2)	10,130,797	7,456,128
Depreciable capital assets, net (Note 3)	97,995,724	92,778,304
Nondepreciable capital assets (Note 3)	2,366,990	7,474,735
Other assets	-	1,846
Total noncurrent assets	113,552,715	110,759,238
Total assets	122,123,749	122,343,140
Deferred Outflows		
Deferred loss on bond refunding	842,385	995,306
Related to pension (Note 7)	245,087	155,269
Total deferred outflows	1,087,472	1,150,575
Liabilities		
Current liabilities		
Accounts payable	1,887,748	2,288,606
Accrued expenses	598,897	635,365
Residents' housing deposits	1,265,605	1,269,931
Unearned revenues	267,367	280,653
Bonds interest payable	520,281	569,239
Current portion of bonds payable (Note 4)	3,170,000	3,010,000
Total current liabilities	7,709,898	8,053,794
Noncurrent liabilities		
Bonds payable, less current portion (Note 4)	38,066,491	41,599,662
Net pension liability (Note 7)	1,534,605	1,508,789
Total noncurrent liabilities	39,601,096	43,108,451
Total liabilities	47,310,994	51,162,245
Deferred Inflows		
Related to pension (Note 7)	213,685	517,193
Total deferred inflows	213,685	517,193
Net Position		
Net investment in capital assets	59,968,608	56,638,683
Restricted, expendable	3,360,564	3,313,637
Unrestricted	12,357,370	11,861,957
Total net position	$75,686,542	$71,814,277

	2016	2015
Operating Revenues		
Room rent and food services	$36,093,685	$35,455,523
Service and activity fees	1,298,129	1,285,318
Student building fees	1,635,332	1,620,654
Conferences	540,584	586,883
Viking Union income	403,265	365,937
Rent	126,093	121,732
Commissions	2,400,423	2,145,538
Fees, penalties, and other income	347,112	299,390
Total operating revenue	42,844,623	41,880,975
Operating Expenses		
Cost of food services	12,757,706	12,464,544
Salaries and related benefits	6,568,222	6,469,319
Utilities	2,639,892	2,550,964
Repairs and maintenance	2,526,759	2,425,126
Communications	228,903	229,537
Insurance	398,839	315,645
Supplies	278,710	274,654
Furniture and equipment	246,933	211,212
Institutional services	1,748,889	1,719,902
Depreciation	6,832,845	6,747,400
Noncapitalized renewals and replacements	3,285,919	1,119,577
Other	836,152	828,603
Total operating expenses	38,349,769	35,356,483
Income from operations	4,494,854	6,524,492
Nonoperating Revenues (Expenses)		
Investment income	178,610	124,909
Build America Bonds interest subsidy	296,114	295,479
Other Capital Contribution	841,600	110,865
Interest expense	(2,149,163)	(2,400,442)
Amortization of bond discounts and premiums	210,250	(136,804)
Total nonoperating (expenses) revenues	(622,589)	(2,005,993)
Increase in net position	3,872,265	4,518,499
Net Position, Beginning of Year	71,814,277	69,060,359
Restatement (Note 1)		(1,764,581)
Net Position, Beginning of Year, as restated	-	67,295,778
Net Position, End of Year	$75,686,542	$71,814,277

See Notes to Financial Statements

	2016	2015
Cash Flows from Operating Activities		
Cash received from students and other customers	$42,613,638	$41,683,102
Cash paid to employees	(6,970,064)	(6,343,642)
Cash paid to suppliers	(24,964,176)	(21,850,218)
Net cash flows provided by operating activities	10,679,398	13,489,242
Cash Flows from Capital and Related Financing Activities		
Capital Contribution	841,600	-
Payment of long-term debt	(3,008,155)	(3,033,010)
Interest payments	(2,198,121)	(2,361,314)
Build America Bonds interest subsidy	296,114	295,479
Purchase of capital assets	(7,327,804)	(5,630,029)
Net cash flows (used in) by capital and related financing activities	(11,396,366)	(10,728,874)
Cash Flows from Investing Activities		
Investment income received	153,229	98,790
Net (loss) proceeds of restricted investments	(10,978)	2,547
Net purchases of investments	(3,737,928)	(2,418,496)
Net cash flows (used in) provided by investing activities	(3,595,677)	(2,317,159)
Net change in cash and cash equivalents	(4,312,645)	443,209
Cash and Cash Equivalents, Beginning of Year	6,666,354	6,223,145
Cash and Cash Equivalents, End of Year	$2,353,709	$6,666,354
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	4,494,854	6,524,492
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	6,832,845	6,747,400
Net pension expense	(367,510)	106,132
Loss on disposal of fixed asset	-	4,569
Change in operating assets and liabilities		
Accounts receivable	(14,708)	(67,726)
Other receivables	(198,665)	(76,531)
Inventory	2,236	(432)
Accounts payable	(17,710)	285,409
Accrued salaries and benefits	(34,332)	19,545
Residents' housing deposits	(4,326)	(10,774)
Deferred revenue	(13,286)	(42,843)
Cash flows from operating activities	$10,679,398	$13,489,241
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	($385,284)	$901,826

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Housing and Dining System (the System) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The System operates residence halls and dining commons, an apartment complex, the Commissary/Warehouse, the Viking Union Complex and Lakewood Recreational Facility. These operations are located on or near WWU campus.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles (GAAP) and follow guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations, and cash flows of the System. The 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 System'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 System 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 System in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are primarily from students of WWU and are unsecured. The System considers all accounts past due when they remain unpaid after their due dates. An allowance based on historical collection rates is established for recognizing potential bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

Inventory consists of snack and sundry items and is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

The capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. The basis of valuation for assets purchased or constructed is cost. The costs of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and building improvements, 20 to 25 years for infrastructure and other improvements, and 5 to 7 years for furniture, fixtures, and equipment.

Deferred Outflows of resources and Deferred Inflows of resources.
The System classifies gains on retirement of debt as deferred inflows and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

Change in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflow of resources.

Unearned Revenue
Summer quarter, which is the first quarter of WWU's FY year, begins shortly before June 30. Room and board charges related to FY year 2017 are recorded as unearned revenue.

Net Pension Liability
The System records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high- quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the measurement period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Restatement of Net Position
During FY 2015, the System adopted GASB Statement No. 68 - Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27. Statement No. 68 requires that WWU 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 2015 net position was $1,764,581 million. The amount of the net pension liability is $1,508,789 million. The net pension liability information is provided to the System by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed the System to restate FY 2015 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

Net Position

The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.
- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities. The System has internally designated $10,784,753 and $11,561,531 and of this balance at June 30, 2016 and 2015, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenues and Expenses

The System has classified its revenue and expenses as either operating or non-operating according to the following criteria:

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

Operating expenses. Operating expenses are those incurred in daily operations such as salaries and wages, benefits, utilities and supplies.

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

Non-operating expenses. Non-operating expenses include costs related to financing or investing activities such as interest on indebtedness and amortization of bond costs.

Premiums/Discounts

Bond premiums and discounts are amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Position net of the face amount of bonds payable.

Administrative Assessment

WWU provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was $1,545,022 and $1,537,315, which was 5.5% of revenues (less food service contract) for the years ending June 30, 2016 and 2015, respectively.

Tax Exemptions

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

Estimates

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System's operating cash is part of 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 three 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.

The System's restricted investments of $3,059,204 and $3,048,225 in FY 2016 and FY 2015 respectively are restricted for renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities.

	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	$2,353,709	$ -	$ -	$2,353,709	0.003
Investments					
Certificates of deposit - restricted	1,521,563	-	-	1,521,563	0.238
U.S. Treasuries - restricted	1,537,641	-	-	1,537,641	1.874
Certificates of deposit	941,708	-	-	941,708	2.565
Commercial Paper	627,154	-	-	627,154	0.090
U.S. Treasuries	4,728,033	-	-	4,728,033	1.858
U.S. Agencies	8,703,210	-	-	8,703,210	2.882
	$20,413,018	$ -	$ -	$20,413,018	

	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	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$6,666,354	$ -	$ -	$6,666,354	0.001
Investments					
Certificates of deposit - restricted	1,521,563	-	-	1,521,563	1.033
U.S. Agencies - restricted	1,526,662	-	-	1,526,662	1.614
Certificates of deposit	956,046	-	-	956,046	1.033
U.S. Treasuries	3,161,631	-	-	3,161,631	2.410
U.S. Agencies	7,144,500	-	-	7,144,500	1.614
	$20,976,756	$ -	$ -	$20,976,756	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2016 and 2015 was $6,832,845 and $6,747,400, respectively.

Following are the changes in capital assets for the year ended June 30, 2016:

Description	June 30, 2015	Additions	Reductions	June 30, 2016
Non-depreciable capital assets				
Construction in progress	$7,474,735	$2,257,008	($7,364,753)	$2,366,990
Total non-depreciable capital assets	7,474,735	2,257,008	(7,364,753)	2,366,990
Depreciable capital assets				
Buildings	112,899,248	12,042,771		124,942,019
Buildings improvements	33,917,366			33,917,366
Furniture, fixtures, and equipment	7,445,677	7,494	(34,226)	7,418,945
Infrastructure	4,492,564			4,492,564
Total depreciable capital assets	158,754,855	12,050,265	(34,226)	170,770,894
Less Accumulated Depreciation				
Buildings	49,199,658	3,779,899		52,979,557
Buildings improvements	10,471,062	1,826,661		12,297,723
Furniture, fixtures, and equipment	4,360,722	1,118,060	(34,226)	5,444,556
Infrastructure	1,945,109	108,225		2,053,334
Total accumulated depreciation	65,976,551	6,832,845	(34,226)	72,775,170
Capital assets, net	$100,253,039	$7,474,428	(7,364,753)	$100,362,714

Following are the changes in capital assets for the year ended June 30, 2015:

Description	June 30, 2014	Additions	Reductions	June 30, 2015
Non-depreciable capital assets				
Construction in progress	$1,913,902	$5,878,522	($317,689)	$7,474,735
Total non-depreciable capital assets	1,913,902	5,878,522	(317,689)	7,474,735
Depreciable capital assets				
Buildings	112,122,143	777,105		112,899,248
Buildings improvements	33,917,366			33,917,366
Furniture, fixtures, and equipment	7,157,942	304,782	(17,047)	7,445,677
Infrastructure	4,492,564			4,492,564
Total depreciable capital assets	157,690,015	1,081,887	(17,047)	158,754,855
Accumulated Depreciation				
Buildings	45,554,788	3,644,870		49,199,658
Buildings improvements	8,585,154	1,885,908		10,471,062
Furniture, fixtures, and equipment	3,274,814	1,098,386	(12,478)	4,360,722
Infrastructure	1,826,873	118,236		1,945,109
Total accumulated depreciation	59,241,629	6,747,400	(12,478)	65,976,551
Capital assets, net	$100,362,288	$213,009	($4,569)	$100,253,039

NOTE 4. BONDS PAYABLE

In accordance with bond covenants, a Renewal and Replacement (R&R) Fund has been established to pay extraordinary operating and maintenance expenses; to make capital replacements, expansions, additions, repairs and renewals of the System; and to pay bond principal and interest to the extent other funds are not legally available. The balance of the R&R Fund must equal at least 5% of the principal balance of outstanding bonds.

Bond covenants also require that the System pledge net revenue (as defined) in each fiscal year at least equal to the greater of (i)125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (ii) amounts required to be deposited during such fiscal year from net revenues into debt service and reserve funds established for outstanding bonds and into the R&R Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

On March 4, 2015, the System issued at par $13,435,000 Revenue and Refunding Bonds Series 2015. The purpose of the bonds was the refunding of then-outstanding Revenue Bonds Series 2005 and 2006 with a combined principal balance of $15,935,000. The refunded series 2005 and 2006 bonds carried interest rates of 3.75% to 4.5%. Management expects the refunding will provide a net present value savings of approximately $1,034,389 in debt service over the life of the new bonds and loss on defeasance of $511,154. The amount required to refund the 2005 and 2006 bonds remaining plus a refunding premium and underwriter's discount (total of $15,455,988) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely by June 1, 2015.

	June 30, 2016	June 30, 2015
Series 2015 Housing and Dining Refunding Bonds (original issue price of $13,435,000) with interest rates ranging from 2.0% to 5.0% and principal payments due in annual amounts ranging from $985,000 to $1,530,000 through October 31, 2026. The Series 2015 bonds have an aggregate face value of $12,450,000 at June 30, 2016 which is reported net of the unamortized original issues premium of $1,586,430.	$14,036,430	$ 15,292,291
Series 2012 Revenue and Refunding Bonds (original issue price of $9,205,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from $750,000 to $980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of $6,905,000 at June 30, 2016 which is reported net of the unamortized original issues premium of $289,394.	7,194,394	8,053,976
Series 2009 A & B Housing and Dining Revenue Bonds (original issue price of $12,835,000) with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from $295,000 to $1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of $12,515,000 at June 30, 2016 which is reported net of the unamortized original issue premium of $0.	12,515,000	12,835,000
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of $17,225,000) with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from $825,000 to $1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of $7,435,000 at June 30, 2016, which is reported net of the unamortized original issue premium of $55,667.	7,490,667	8,428,395
	41,236,491	44,609,662
Less current portion	(3,170,000)	(3,010,000)
	$38,066,491	$41,599,662

Following are the changes in long-term liabilities for the year ended June 30, 2016:

Bonds Payable	June 30, 2015	Additions	Reductions	June 30, 2016	Current Portion
Series 2015 Refunding Bonds	$13,435,000	$ -	($985,000)	$12,450,000	$1,050,000
Series 2012 Refunding Bonds	7,690,000	-	(785,000)	6,905,000	810,000
Series 2009 Revenue Bonds	12,835,000	-	(320,000)	12,515,000	335,000
Series 1998 Junior Lien Revenue Refunding	8,355,000	-	(920,000)	7,435,000	975,000
	42,315,000	-	(3,010,000)	39,305,000	3,170,000
Plus unamortized premium	$2,294,662	$ -	($363,171)	$1,931,491	$ -
Less unamortized discount	-	-	-	-	-
Total Long-term liabilities	$44,609,662	$ -	($3,373,171)	$41,236,491	$3,170,000

Following are the changes in long-term liabilities for the year ended June 30, 2015:

Bonds Payable	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion
Series 2015 Refunding Bonds	$ -	$13,435,000	$ -	$13,435,000	$985,000
Series 2012 Refunding Bonds	8,455,000	-	(765,000)	7,690,000	785,000
Series 2009 Revenue Bonds	13,145,000	-	(310,000)	12,835,000	320,000
Series 2006 Revenue Bonds	6,690,000	-	(6,690,000)	-	-
Series 2005 Refunding Bonds	9,685,000	-	(9,685,000)	-	-
Series 1998 Junior Lien Revenue Refunding	9,230,000	-	(875,000)	8,355,000	920,000
	47,205,000	13,435,000	(18,325,000)	42,315,000	3,010,000
Plus unamortized premium	$564,188	$1,932,994	($202,520)	$2,294,662	$ -
Less unamortized discount	(83,144)	-	83,144	-	-
Total Long-term liabilities	$47,686,044	$15,367,994	($18,444,376)	$44,609,662	$3,010,000

Total interest incurred on bonds payable for the years ended June 30, 2016 and June 30, 2015 was $2,149,163 and $2,400,442, respectively.

The principal and interest maturities of bonds payable for years ending June 30 are as follows:

	Principal	Interest	Total
2017	$3,170,000	$2,042,160	$5,212,160
2018	3,285,000	1,921,943	5,206,943
2019	3,390,000	1,797,112	5,187,112
2020	3,530,000	1,656,290	5,186,290
2021	3,710,000	1,473,627	5,183,627
2022-2026	14,625,000	4,843,279	19,468,279
2027-2031	4,405,000	2,158,550	6,563,550
2032-2034	3,190,000	479,520	3,669,520
	39,305,000	16,372,481	$55,677,481
Plus unamortized premiums	1,931,491		
	$41,236,491		

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2016 and 2015, these commitments totaled $10,031,636 and $5,570,055 respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

In FY 2012 Aramark contracted with WWU to manage the dining services provided by the System. As part of this contract, Aramark agreed to provide a contribution totaling $7,314,000 to the System as a financial commitment for the acquisition of capital and non-capital assets. $238,592 and $110,865 of that amount was used in FY 2016 and FY 2015 respectively.

NOTE 7. 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).

As employees of WWU, the full-time System employees are participants in WWURP and PERS. The System 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 System contributed approximately $277,777, $235,373 and $226,642 to these plans in FY 2016,FY 2015 and FY 2014 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

The System implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the FY 2015 financial reporting. The System'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 System 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 System, for FY 2016:

Aggregate Pension Amounts - PERS 1, 2 & 3	
Pension liabilities	$ (1,534,605)
Pension assets	-
Deferred outflows of resources related to pensions	245,087
Deferred inflows of resources related to pensions	(213,685)
Pension expense/expenditures	(367,510)

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 System offers its employees are comprised of two defined benefit pension plans and one defined benefit/defined contribution plan. Below are the DRS plans that the System offers its employees:

- Public Employees' Retirement System (PERS)
  Plan 1 – defined benefit
  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 System 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 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional COLA amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

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 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in PERS Plan 1 and 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 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 System reported $923,390 and $1,157,409 respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of $611,215 and $351,380 were reported for PERS 2/3 in 2016 and 2015 respectively. The System's proportion for PERS 1 in FY 2016 was .018 percent, a decrease of 0.005 percent since the prior reporting period when its proportionate share was 0.023 percent. The System's proportion for PERS 2/3 in FY 2016 was 0.0171 percent, a decrease of 0.0003 percent since the prior reporting period when its proportionate share was 0.0174 percent. The proportions are based on the System'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 System 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 1 The System's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	1,124,230
Current Discount Rate	$	923,390
1% Increase	$	750,686

PERS 2/3 The System's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	1,787,224
Current Discount Rate	$	611,215
1% Increase	$	(289,211)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended June 30, 2016 and 2015, the System recognized a PERS 1 pension expense of $(322,964) and $192,558 respectively; a pension expense of $(44,546) and $(86,426) was recognized for PERS 2/3 in 2016 and 2015 respectively. At June 30, 2016, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Housing and Dining System PERS 1	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	-	(50,520)
Change in proportion	-	-
Contributions subsequent to the measurement date	1,725	-
Total	$ 1,725	$ (50,520)

Housing and Dining System PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 48,518	$ -
Changes of assumptions	735	-
Net Difference between projected and actual earnings on pension plan investments	-	(163,165)
Change in proportion	10,828	-
Contributions subsequent to the measurement date	183,281	-
Total	$ 243,362	$ (163,165)

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 1		
2016	$	19,580
2017	$	19,580
2018	$	19,580
2019	$	(8,219)
2020	$	-
Thereafter	$	-

PERS 2/3		
2016	$	41,688
2017	$	41,688
2018	$	41,688
2019	$	(36,737)
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 1	6.00%	11.18%	$ 1,725	$ 6,987	$ 11,393
Plan 2	6.12%	11.18%	154,228	122,129	117,045
Plan 3	5.00-15.00% **	11.18% *	29,053	20,387	18,617

*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 1	6.00%	9.21%	$ 6,987	$ 11,393	$ 8,644
Plan 2	4.92%	9.21%	122,129	117,045	85,559
Plan 3	5.00-15.00% **	9.21% *	20,387	18,617	17,321

*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 8. 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 actuarial accrued liability (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 System's financial statements.

RSI

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Housing and Dining System's Proportionate Share of the Net Pension Liability

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date ended June 30 *

	2014	2015
Housing & Dining System PERS 1 employers' proportion of the net pension liability	0.022976%	0.017652%
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability	$1,157,409	$923,390
Housing & Dining System PERS 1 employers' covered-employee payroll	$126,034	$75,861
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	918.33%	1217.21%
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

Schedules of Housing and Dining System's Proportionate Share of the Net Pension Liability

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date ended June 30 *

	2014	2015
Housing & Dining PERS 2/3 employers' proportion of the net pension liability	0.017383%	0.017106%
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability	$351,380	$611,215
Housing & Dining System PERS 2/3 employers' covered-employee payroll	$1,489,616	$1,598,588
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.59%	38.23%
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
Schedule of Contributions

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

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	$ 6,987	$ 6,987	$ (0)	$ 75,861	9.21%
2016	$ 1,790	$ 1,725	$ 65	$ 16,008	10.78%
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
Schedule of Contributions

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 2/3
Fiscal Year Ended June 30
Housing and Dining System

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	$ 147,230	$ 144,025	$ 3,205	$ 1,598,588	9.01%
2016	$ 192,833	$ 183,281	$ 9,551	$ 1,724,800	10.63%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

OTHER INFORMATION

SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2016

(Unaudited)

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	$10,342	$9,952	$9,570	$9,176
Single room/single occupancy	$11,403	$11,013	$10,631	$10,237
Double room/single occupancy (super single)	$12,014	$11,624	$11,242	$10,848
Triple room/triple occupancy	$9,050	$8,660	$8,278	$7,884

APARTMENTS

	Double with 2/bedroom	Super Single 1/bedroom	Family Rate
Apartment only Academic Year Contracts			
Birnam Wood - 2 Bedroom Units	$3,282	$6,552	$13,119

SCHEDULE OF OCCUPANCY
Year Ended June 30, 2016

(Unaudited)

	OCCUPANCY CAPACITY		ACTUAL	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed (1)	Operating (2)	OCCUPANCY	Designed Capacity	Operating Capacity
Fall 2015	4,152	4,038	3,958	95.3%	98.0%
Winter 2016	4,152	4,038	3,776	90.9%	93.5%
Spring 2016	4,152	4,038	3,627	87.4%	89.8%
Average	4,152	4,038	3,787	91.2%	93.8%

(1) Designed capacity is the number of students for which the Housing and Dining System was originally constructed and subsequently remodeled to accommodate.

(2) Operating capacity is the number of students that can effectively be accomodated in an academic quarter based on housing policies in effect for that quarter.

SCHEDULE OF INSURANCE COVERAGE FY 2016

WWU purchases buildings, contents and business interruption insurance for the Housing and Dining System through its participation in the State of Washington Master Property Insurance Program. The Housing and Dining System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from insured property and is included in the policy limits with a $32,500,000 sub-limit. Other highlights of insurance coverage are as follows:

- Replacement cost coverage for all scheduled buildings for "all risk" of direct physical loss or damage, including earthquake and flood.

- The policy limit is $100,000,000 per occurrence, with an aggregate limit of $100,000,000 for earthquake and flood damage. There is a $250,000 deductible per occurrence that increases to 3% of the value of damaged property subject to a $250,000 minimum for earthquake and flood damage.

- Boiler and machinery insurance – State of Washington Program, $50,000,000 per accident, $5,000 deductible on insured objects and $50,000 deductible for property damage.

- Third-party bodily injury and property damage liability insurance – State funded self-insurance liability program, $10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The Housing and Dining System's property insurance in effect at June 30, 2016 is summarized as follows:

		Insured Value
Ridgeway Residences and Commons		$88,927,296
Fairhaven Residences and Commons		57,379,780
Buchanan Towers		42,491,149
Edens Hall and Edens Hall North		31,936,501
Viking Union, Additions and Commons		43,473,390
Birnam Wood Residences		38,472,864
Nash Hall		27,101,911
Mathes Hall		26,569,678
Higginson Hall		18,233,445
Commissary		11,463,762
Highland Hall		8,081,773
Lakewood Student Center		2,107,383
	Building Insured Values	396,238,932
	Insured Contents	15,238,761
	Total System Values	$411,477,693

EXPENDED FOR PLANT FACILITIES FY 2016 and FY 2015

Expenditures by the System to maintain and improve its facilities are listed below. Some of these projects are capitalized and increase the value of the System's buildings. Others are costs to maintain the buildings and infrastructure and are expensed.

	2016	2015
Capitalized Projects		
Kappa Sprinklers & Renovation	$2,661,734	$2,756,857
Nash Fire Sprinklers & Renovation	2,016,283	3,119,753
Gamma Renovation	1,172,871	-
Buchanan Towers Kitchen & Bath Renov	626,825	-
Other capitalizable	203,937	1,911
New Residence Planning	122,167	-
Buchanan Towers Mechanical Room	-	459,416
VU Ethnic Student Center	131,208	-
	$6,935,025	$6,337,938
Non-Capitalized Projects		
Moisture intrustion & Foundations	$878,364	$23,011
Plumbing, heating and electrical	593,771	43,089
Roof Repair/Recoat/Replace	557,612	41,678
Painting	277,302	263,712
Facility Condition Audit	249,581	-
Other	223,744	136,365
Stormwater & Site Drainage	138,714	79,983
Fire Safety / Safety Corrections	117,058	72,934
Network & WiFi projects	95,686	23,410
Viking Union Projects	69,733	7,202
Furniture & Carpet	40,231	255,133
Bathroom & Shower renovations	26,537	99,466
Equipment	15,893	26,438
ADA Upgrades	1,117	349
Media Installations	576	-
Door Replacements	-	46,808
	$3,285,919	$1,119,577

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