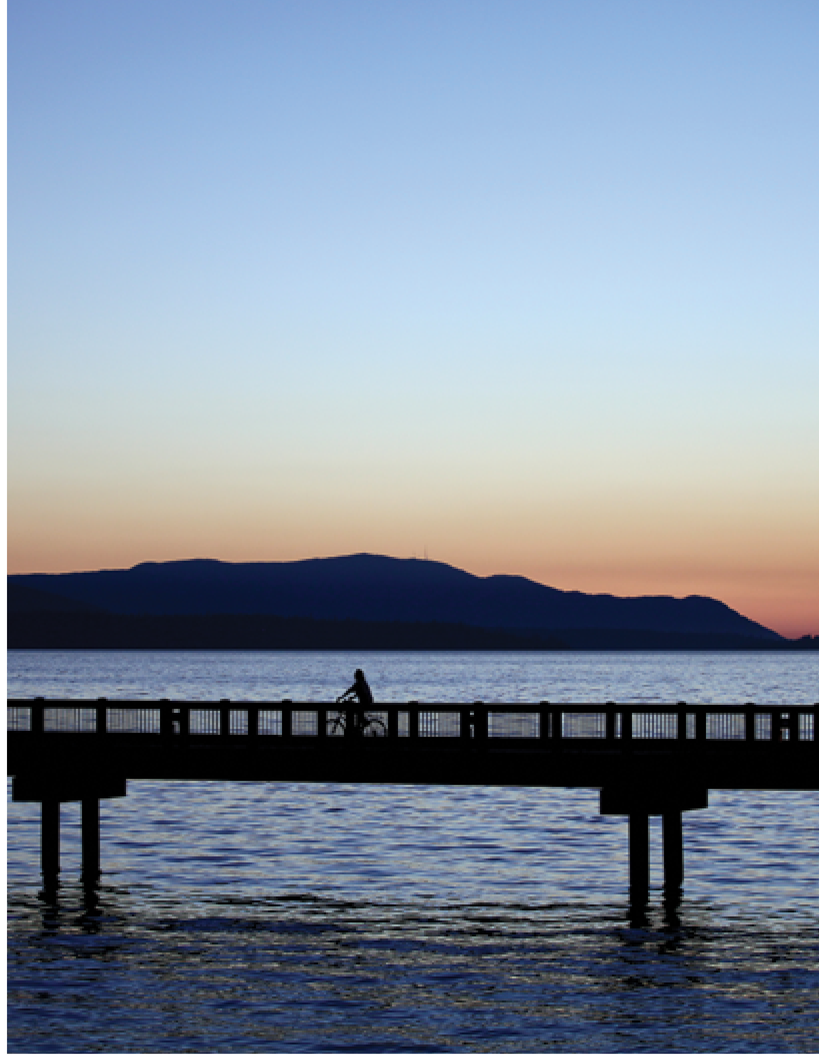
FINANCIAL REPORT 2016

WESTERN
WASHINGTON UNIVERSITY




WWU
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FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

November 17, 2016

Sue Sharpe, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Chair Sharpe:

We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of WWU are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statement for the year ended June 30, 2016. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statement. Western Washington University is recognized nationwide as a premier public comprehensive university. WWU is ranked #2 for top public schools and #18 in regional university for the western region by US News and World Report and is one of the 100 best values in public colleges according to Kiplinger's Personal Finance. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand".

Sincerely,

Sabah Randhawa

Sabah Randhawa
President

Richard Van Den Hul
Vice President for Business and Financial Affairs

**as of Independent Auditors report*

OVERVIEW

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (WWU) for the years ended June 30, 2016 and 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

WWU is one of six public, four-year institutions of higher education in the state of Washington. WWU is governed by a Board of eight Trustees, which has broad responsibilities to supervise, coordinate, manage and regulate WWU as provided by State law. Trustees are appointed by the Governor for a term of six years, except a student Trustee who is appointed to a one-year term.

As a comprehensive regional university, WWU offers undergraduate and graduate degrees in over 160 academic programs in its eight colleges. WWU is nationally recognized for providing excellent education at an affordable cost, with Forbes and Kiplinger magazines ranking Western as a top value in education. WWU was established in 1893 and currently has approximately 15,000 full-time and part-time students. Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities. WWU is the second largest employer in Whatcom County.

Using the Financial Statement

WWU's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statement. The Statement of Net Position provides information about WWU at a moment in time, the June 30 fiscal year end. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about WWU's activities and operations during the fiscal year. The financial statement, in conjunction with the Notes to the Financial Statement, provides a comprehensive way to assess WWU's financial health.

WWU's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. WWU's component unit, the Western Washington University Foundation (Foundation), is a separate legal entity and reports its financial results under Financial Accounting Standards Board (FASB) principles. The Foundation's financial statements are reported separately within this report.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

Significant actions which occurred during the fiscal year include the following (discussed in further detail on the following pages):

- Increased overall financial position by $14.8 million largely due to the Carver Academic Renovation project
- State appropriations used for operations increased $12.8 million (25.9%)
- Capital appropriations increased $16.5 million (235.4%)
- Salaries and benefits expenses increased $17.4 million (9.9%)
- Tuition and fees revenue increased $2.3 million (1.6%)

Statement of Net Position

The Statement of Net Position presents the financial condition of WWU at the end of the last three fiscal years and reports all assets, deferred outflows, liabilities and deferred inflows of WWU.

A summarized comparison of WWU's assets, liabilities and net position as of June 30, 2016, 2015 and 2014, follows:

	2016	2015	2014
		(Dollars in thousands)	
Assets			
Current assets	$52,199	$75,910	$69,672
Noncurrent assets	104,041	76,399	74,821
Capital assets, net	438,075	427,626	433,147
Total assets	594,315	$579,935	$577,640
Deferred outflows	7,589	5,080	1,641
Liabilities			
Current Liabilities	41,023	38,388	34,869
Noncurrent Liabilities	109,891	104,710	82,740
Total liabilities	150,914	143,098	117,609
Deferred inflows	4,751	10,464	
Total net position	$446,239	$431,453	$461,672

Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable, net. Current assets decreased $23.7 million (-31.2%) in fiscal year (FY) 2016 over FY 2015 due primarily to a decrease in cash and cash equivalents and short-term investments offset by an increase in Funds with State Treasurer. Cash and cash equivalents combined with short-term investments decreased $28.4 million (-44.4%) as a result of optimizing the investment policy strategy to maximize returns while ensuring liquidity needs and managing interest rate risk. Funds with State Treasurer increased $3.3 million (153.0%) in FY 2016 over FY 2015, as the funding appropriated for the Carver Academic Renovation in the 2015-2017 biennium will be spent in FY 2017 (see Note 5). Current assets increased $6.2 million (9.0%) in FY 2015 over FY 2014 largely due to an increase in short term investments offset by a decrease in Funds with the State Treasurer. Short term investments increased $8.9 million (61.0%) in FY 2015 following WWU's investment strategy to ensure liquidity needs while optimizing investment returns. The FY 2015 decrease in Funds with the State Treasurer is due to increased spending of the Permanent Fund on various capital projects.

The FY 2016 increase of $27.6 million (36.2%) and the FY 2015 increase of $1.6 million (2.1%) in noncurrent assets (excluding capital assets) is primarily attributable to increases in long-term investments.

Liabilities

The excess of current assets over current liabilities of $11.2 million in FY 2016 and $37.5 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 and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities increased by $2.6 million (6.9%) in FY 2016 largely due to an increase in Accounts payable and accrued liabilities offset by decreases in deposits held and unearned revenue. The increase in accounts payable and accrued expenses is due to the Moore v. Health Care Authority (HCA) invoice combined with capital related invoices. During FY 2016, the Washington State Supreme Court issued an order giving final approval to the settlement in Moore v. Health Care Authority, a lawsuit against the state regarding health insurance for part-time employees. WWU's share of this settlement was $1.1 million (the total settlement amount state-wide was $80 million). Current liabilities increased $3.5 million (10.1%) in FY 2015, which (apart from the accounts payable increase related to timing of payments) is attributable to higher unearned revenue.

Long-term liabilities increased $5.2 million (4.9%) in FY 2016 due to a $9.9 million increase to the net pension obligation offset by a $4.7 million decrease in the current portion of bonds payable. Long-term liabilities increased $22.0 million (26.6%) during FY 2015 due to an increase of $26.2 million in the net pension obligation, offset by a $4.3 million decrease in bonds and notes payable. The increase in the net pension obligation is due to the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27. This statement requires WWU to include as a long-term liability its share of the actuarially calculated net pension liability for the retirement plans administered through a trust by the State of Washington Department of Retirement Systems (DRS).

Net Position

The difference between assets, deferred outflows, liabilities and deferred inflows is net position. The change in net position measures whether the overall financial condition has improved or deteriorated during the year and is driven by the difference between revenues and expenses. During FY 2016, WWU's net position increased by $14.8 million (3.4%) over FY 2015 due largely to increases in capital revenues. The FY 2015 decrease of $30.2 million (-6.6%) in net position when compared to FY 2014 is primarily due to the implementation of GASB Statement No. 68, which required a restatement to FY 2015 beginning net positions to give a retroactive effect to the standard (see Note 1). The net position is reported in the following categories:

Net Investment in Capital Assets – WWU's total investments in property, plant equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted:

- Pensions consists of net pension assets related to the defined benefit retirement plans that are legally or contractually restricted.
- Nonexpendable consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- Expendable are resources which WWU is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.

Unrestricted – All remaining funds available to the institution for any purpose, although these are often internally designated for specific purposes..

WWU's net position as of June 30, 2016, 2015 and 2014 are summarized as follows:

	2016	2015 *(Dollars in thousands)*	2014
Net Position			
Net investment in capital assets	$370,840	$355,929	$357,384
Restricted:			
Pensions	574	753	
Nonexpendable	4,652	4,631	4,631
Expendable	27,193	23,869	25,943
Unrestriced	42,980	46,271	73,714
Total net position	$446,239	$431,453	$461,672

Net investment in capital assets increased $14.9 million (4.2%) during FY 2016 due to an overall increase in capital assets of $35.2 million (4.7%) offset by a $25.1 million (0.7%) increase in depreciation and a $4.3 million (-2.5%) decrease in debt. Net investment in capital assets decreased by $1.5 million (-0.4%) during FY 2015 due to a $19.2 million increase in capital assets, a $24.7 million increase in depreciation and a $4.3 million decrease in debt.

Highlights of FY 2016 capital asset activities:

- The Carver Academic Renovation - $22.2 million of the estimated $80 million project was spent during FY 2016
- Capital buildings and building improvements increased $18.1 million due to the completion of various residence hall projects and academic building projects
- Long-term debt used to purchase capital assets decreased $4.7 million due to principal payments and amortizations

Restricted nonexpendable includes donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. During FY 2016, WWU received $21 thousand in additional restricted gifts and $0 during FY 2015.

Restricted expendable net position increased $3.3 million (13.9%) during FY 2016 due to the decreased spending of the Permanent Fund (Funds with State Treasurer) on capital projects. Restricted expendable net position decreased $2.1 million (-8.0%) during FY 2015 primarily due to spending $1.8 million of the Permanent Fund (Funds with the State Treasurer) on various capital projects.

Unrestricted net position decreased $3.3 million (-7.1%) due primarily to the continued recognition of the net pension obligations and $1.1 million for WWU's share of the Moore v. HCA state lawsuit settlement, combined with reserve spending and an investment earnings decrease in unrestricted endowments. Unrestricted net position decreased $27.4 million (-37.2%) in FY 2015 largely due to the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions. GASB Statement No. 68 requires WWU to include a net pension liability of its share of the State's actuarially calculated total net pension liability (See Notes 1 & 19).

Capital Assets and Related Debt

During FY 2016 and FY 2015, $32.2 million and $15.8 million (excluding library materials and equipment) respectively, were expended on capital improvements compared to $14.9 million in FY 2014. Of the $32.2 million in capital improvements during FY 2016, $22.2 million was expended on the Carver Academic Renovation project, $1.6 million was spent on classroom and laboratory upgrades, $1.4 million on parking lot upgrades and other building renovations, and $6.9 million on Housing and Dining residence buildings (See Note 9).

Specific projects completed or underway in FY 2016 include:

Carver Academic Renovation The estimated $80.4 million addition of 41,977 square feet will provide additional general classroom seats as well as dedicated lab and instructional spaces. The consolidation and growth of student activities and conferences will also be serviced in the refurbished 2,600 seat event space. Funding was provided in the 2015-2017 capital request.

Classroom & Laboratory Upgrades WWU has maintained a continuous renovation program over many years to upgrade General University classrooms and general use lab spaces. The $3.9 million program was completed during FY 2016 and has ensured that General University learning space is up-to-date, offers a high level of relevant technology and is adaptable to accommodate various learning modalities. This project was funded using Permanent Funds and state capital appropriations.

North Campus Utility Upgrade A $2.5 million project was completed in FY 2016 to upgrade the existing north campus 4,160 volt electrical distribution system to a looped 12,470 volt system pursuant to the 2001 Utilities Master Plan. The previous distribution system was a radial feed network and failure in a critical location would have caused an outage that lasted days instead of hours for the affected buildings. Buildings connected to the north campus system are Old Main, Mathes Hall, Nash Hall, Higginson Hall and Edens Halls (both North and South).

Performing Arts Exterior Upgrade The $2.1 million project, completed during FY 2016, repaired and replaced the exterior cladding and roof systems of the Performing Arts Center which had deteriorated to the point where they were adversely impacting the building occupants (the College of Fine and Performing Arts faculty, staff and students).

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position present WWU's results of operating and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

A condensed comparison of WWU's revenues, expenses and changes in net position for the years ended June 30, 2016, 2015 and 2014 follows:

	2016	2015	2014
		(Dollars in thousands)	
Operating revenues	$211,303	$206,970	$200,594
Operating expenses	298,121	278,397	268,756
Operating loss	(86,818)	(71,427)	(68,162)
State appropriations revenue	62,469	49,623	52,028
Other nonoperating revenues	16,385	16,836	17,369
Nonoperating expenses	(3,165)	(3,487)	(3,554)
(Loss) income before other revenues	(11,129)	(8,455)	(2,319)
Other revenues	25,915	9,782	6,138
Increase in net position	14,786	1,327	3,819
Net position, beginning of year	431,453	461,672	457,853
Restatement		(31,546)	
Net position, end of year	$446,239	$431,453	$461,672

WWU relies primarily on student tuition and fees and state appropriations as revenue sources to support operations.

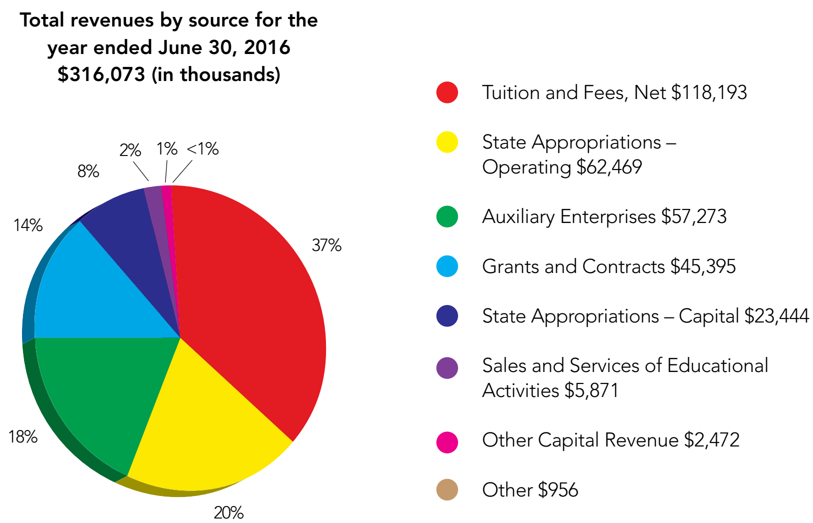
Student tuition and fees, which includes tuition fees and mandatory fees (such as Service and Activity Fee and Health Service Fee) increased slightly by $2.3 million (1.6%) during FY 2016 compared to $4.1 million (2.9%) during FY 2015. While the Washington State Legislature provides the Board of Trustees with tuition setting authority for non-resident undergraduate, resident graduate, and non-resident graduate students, WWU no longer has tuition setting authority for resident undergraduate students. During FY 2016, WWU reduced its resident undergraduate tuition by 5% and had no tuition increase for this student category in FY 2015. The FY 2016 overall student tuition and fees increased due to a rise in the headcount of all student classifications combined with other various fee rate increases. Enrollment increased to an average annual headcount of 14,753 in FY 2016 compared to 14,452 in FY 2015 and 14,316 students in FY 2014. Net tuition revenue (student tuition and fees less scholarship allowances) increased 1.7% in FY 2016, 1.98% in FY 2015 and 2.8% in FY 2014. To assist with tuition, WWU provided $29.3 million and $29.0 million in scholarship allowances in FY 2016 and FY 2015 respectively.

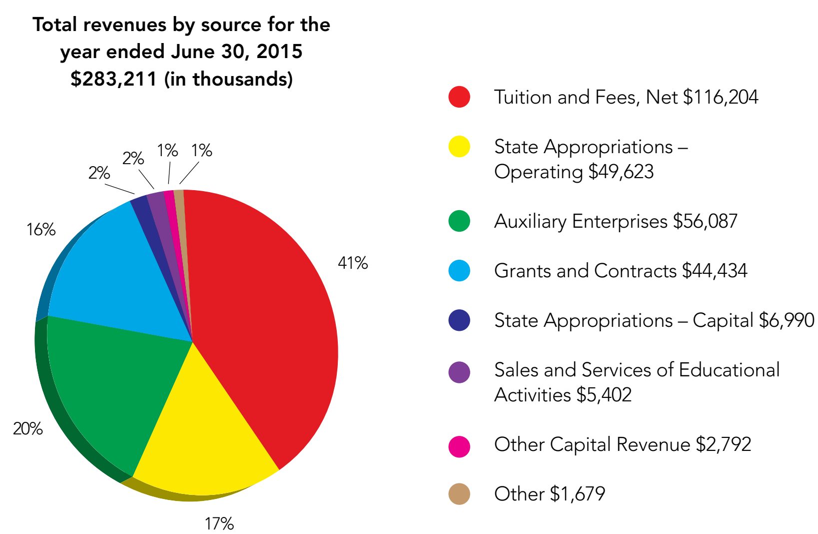
During FY 2016 the state legislature provided additional funding to offset the 5% FY 2016 resident undergraduate tuition reduction, accounting for the $12.8 million (25.9%) increase in state appropriations used for operations (which includes capital appropriations used for operations). During FY 2015, state appropriations used for operations (which includes capital appropriations used for operations) decreased by $2.4 million (-4.6%) due to a slight decrease in state support for anticipated health care cost reductions. WWU's state supported budgeted enrollments (FTE) were 11,762 for FY 2016, 2015 and 2014 while the actual average FTE was 12,852 for FY 2016, 12,565 for both FY 2015 and FY 2014. The differences of 1,090 in FY 2016 and 803 in FY 2015 and FY 2014 non-budgeted FTE were not supported by State dollars.

Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and WWU is entitled to receive the cash. In FY 2016, capital appropriations increased $16.5 million (235.4%) when compared to FY 2015 due to expenditures related to the Carver Academic Renovation project. FY 2015 capital appropriations increased $4.4 million (174.1%) when compared to FY 2014 due to expenditures related to building improvements.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund (see Note 5) and capital contributions received. The decrease of $321 thousand (-11.5%) is primarily due to a decrease in investment earnings on the Permanent Funds held by the State Treasurer's office. Other capital revenue is also related to WWU's Dining Services contract, which provided for a $7.3 million contribution for dining facilities for renovations and improvements over a 10 year contractual period. The FY 2015 decrease of $699 thousand (-20.0%) is due to lower capital contributions and reduced Permanent Fund investment earnings

The following graphs illustrate revenues by source for the years ended June 30, 2016 and 2015:





WWU's FY 2016 and FY 2015 operating expenses increased $19.7 million (7.1%) and $9.6 million (3.6%), respectively, primarily due to increases in salaries and benefits.

Salaries and wages increased $9.5 million (6.9%) in FY 2016, as all staff received compensation increases and classified staff received step increases. Salaries and wages increased $9.3 million (7.2%) in FY 2015, as faculty and professional staff received compensation increases and classified staff received step increases. The increase of $7.8 million (20.7%) in benefits expense during FY 2016 is primarily due to a $2,136 per employee increase in health care premiums and a 2.0% - 3.0% rate increase in certain WWU defined benefit plans. The decrease of $2.2 million in FY 2015 (-5.4%) in benefits is attributed primarily to a $1,212 per employee reduction in health care premiums.

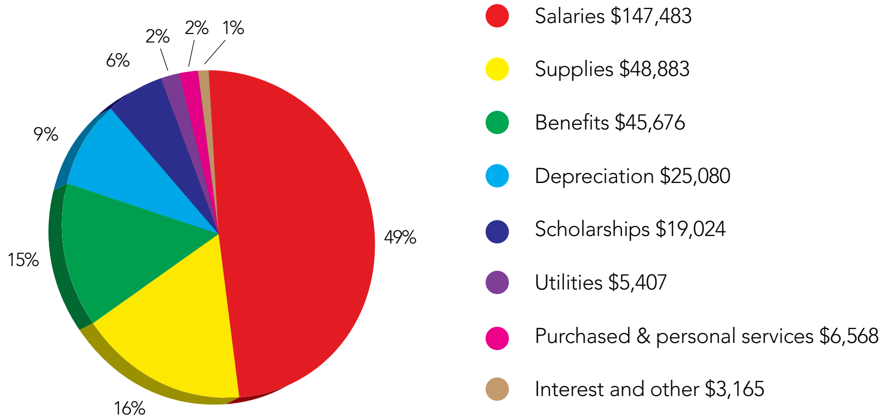
WWU places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing financial aid and fee waivers awarded by WWU, increased slightly by $992 thousand (5.5%) to $19.0 million during FY 2016 from $18.0 million during FY 2015, an increase of $542 thousand (3.1%) from FY 2014.

Supplies and materials increased $1.0 million (2.1%) during FY 2016 due to an increase in onetime expenses of $2.4 million combined with a decrease in operational expenses of $1.3 million. During FY 2016, WWU was charged $1.1 million for its share of the Moore v. HCA state lawsuit. Also during FY 2016, the Karen W. Morse Hall (Chemistry Building) sustained $1.3 million in extensive damages due to a fire. Supplies and materials increased $1.6 million (3.4%) during FY 2015 due to increased maintenance and repair, technology purchases and expenses related to Dining Services.

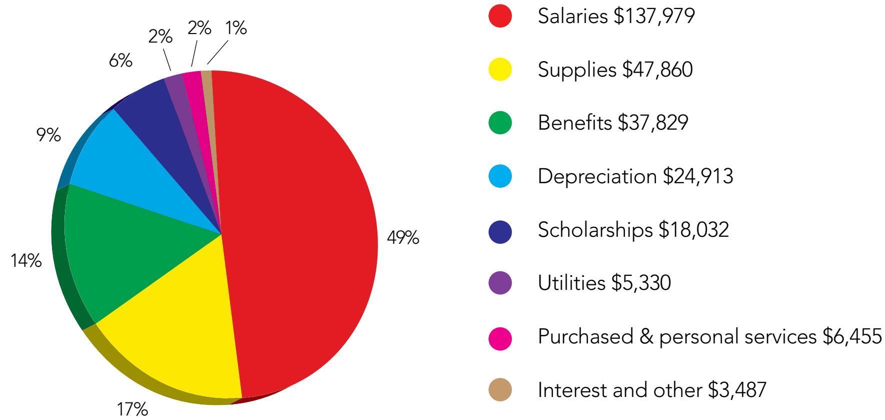
Depreciation expense increased $168 thousand (0.7%) during FY 2016 and increased $522 thousand (2.1%) during FY 2015 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2016 and 2015:

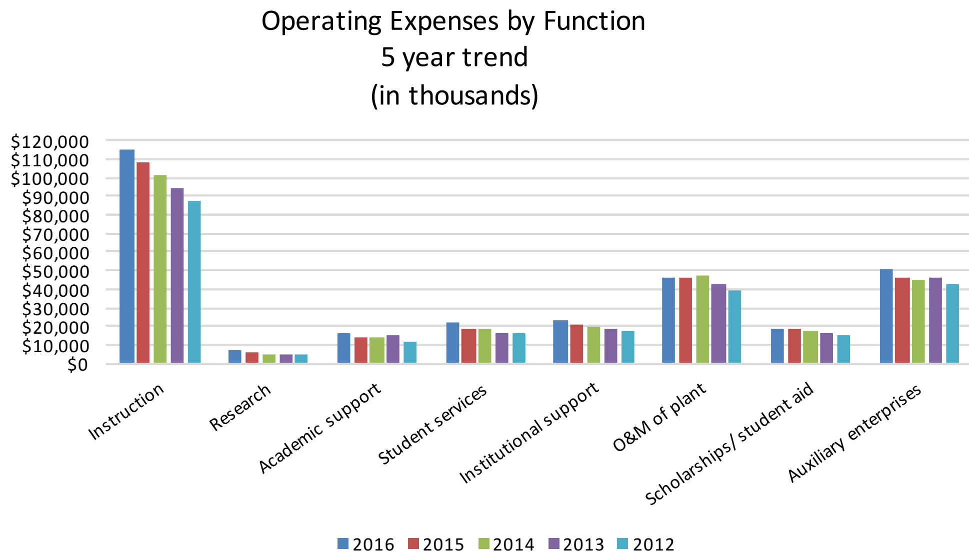
Total Expenses by Natural Classification for the year ended June 30, 2016 $301,286 (in thousands)



Total Expenses by Natural Classification for the year ended June 30, 2015 $281,884 (in thousands)



The following graph illustrate expenses by natural classification for the years ended June 30, 2016, 2015, 2014, 2013, 2012:



Operating Loss

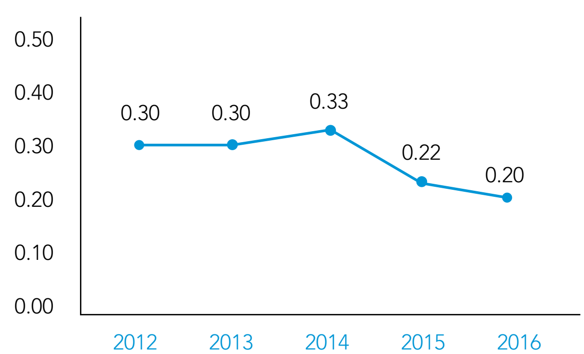
WWU's operating losses were $86.8 million in FY 2016, an increase of $15.4 million (21.6%) from FY 2015, and $71.4 million (4.8%) in FY 2015, an increase of $3.3 million from FY 2014. GASB Statement No. 34 requires that State appropriations and Federal Pell grants be classified as non-operating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating losses would have been $8.4 million in FY 2016 and $6.2 million in FY 2015.

Financial Indicators

The financial indicators presented below represent a few of the standard ratios used in higher education. The ratios summarize the performance of WWU over a 5 year period. The information provided in WWU's Statement of Net Position and the Statement of Changes in Revenue, Expense and Net Position (not including the Foundation) are used for the calculations. The downturn in FY 2015 ratios is attributed to the adoption of GASB Statement No. 68, which resulted in a $31.5 million beginning net position restatement.

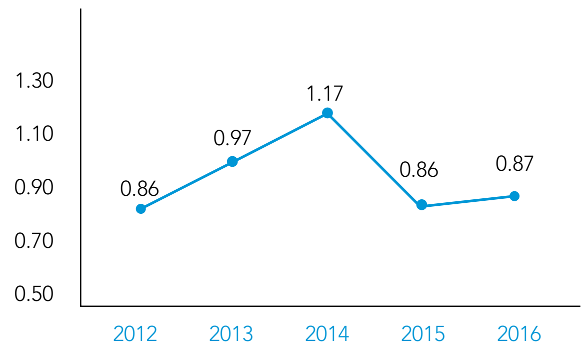
Primary Reserve Ratio

This ratio measures the financial strength of WWU by comparing expendable net position to total expenses. A ratio of .40 or better is advisable from various studies to give the institution the flexibility to transform an enterprise over the long-term and provide sufficient expendable resources to continue operations for approximately 120 days without any additional revenue or support in the event of a catastrophe. The .20 ratio indicates WWU has 2.0 months or roughly 60 days of expendable resources to cover operations. The change in this ratio to .20 in FY 2016 from .22 in FY 2015 is due to the decrease in unrestricted net position as WWU incurred some onetime expenses. The change in FY 2015 to .22 from .33 in FY 2014 is due to the restatement of unrestricted net position from GASB Statement No. 68 (see Note 1).



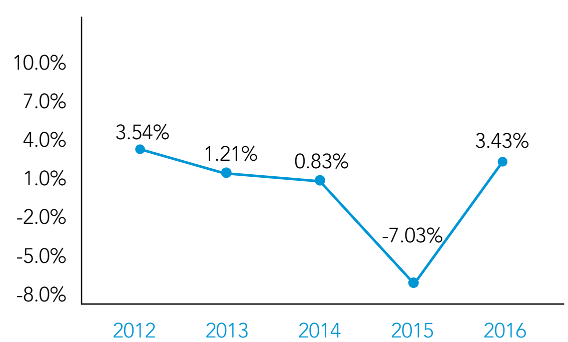
Viability Ratio

The Viability ratio measures the ability of the institution to liquidate debt from its expendable resources. A ratio of 1:1 or greater is recommended by various studies and indicates existing debt could be repaid from expendable resources available today. The change to .87 in FY 2016 from .86 in FY 2015 is due to the increase in total net position, largely from the Carver Academic Renovation project. The change to .86 in FY 2015 from 1.17 in FY 2014 is due to the restatement of beginning FY 2015 net position as required by GASB Statement No. 68 (see Note 1).



Return on Net Position

This ratio shows whether the institution is better off financially than it was in previous years. This ratio is better applied over an extended period so that results over the long-term plans are measured. A decline in this ratio may be appropriate and even warranted if it reflects a strategy or policy changes at the state level. The change in this ratio to 3.43% during FY 2016 from -7.03% in FY 2015 is due to the increase in net position, largely due to increased capital appropriations for the Carver Academic Renovation project. The FY 2015 ratio of -7.03% is due to the restatement of beginning FY 2015 net position due to GASB Statement No. 68 (see Note 1).



Economic Factors That Will Affect the Future

WWU staff will receive compensation increases (funded by the state) and market adjustments in FY 2017. The current contract with the United Faculty of Western Washington (UFWW) expires September 15, 2020. Any compensation increases resulting from the new faculty contract may not be fully funded by the state based on WWU's budgetary request.

WWU received capital funding from the state for the Carver Academic renovation project. This project is estimated to be $80.4 million and will increase WWU's net investment in capital assets over the 2015/2017 biennium.

The state of Washington continues to address the requirement of the Supreme Court's 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to sufficiently fund basic education. Progress was made during the 2013-15 biennium but did not satisfy the court. The ruling, scheduled for full implementation in 2018, may have in impact on state appropriations for higher education.

GASB Statement No. 73 will affect financial reporting related to the University Retirement Plan's (URP) supplemental component (see Footnote 19) with the inclusion of this net pension obligation to the Statement of Net Position. The Office of State Actuary has valued the liability at $21 million as of June 30, 2015. GASB Statement No. 74 addresses the liability associated with Other Post-Employment Benefits (OPEB) offered to retirees. The financial impact of this statement is uncertain at this time.

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University
July 1, 2014 through June 30, 2016

Board of Trustees
Western Washington University
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Western Washington University (the University), 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 University'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 did not audit the financial statements of the Western Washington University Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 University'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 University'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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Western Washington University, as of June 30, 2016 and 2015, and the respective changes in financial position, and where applicable, 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, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016 and 2015, the changes in its financial position, or where applicable, 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 the schedules of the University's proportionate share of the net pension liability and schedules of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements as a whole. The President's Letter of Transmittal and the Board of Trustees and Administrative Officers are presented for purposes of additional analysis and are 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 University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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 University's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY

STATE AUDITOR

OLYMPIA, WA

November 17, 2016

Statement of Net Position

June 30, 2016 and 2015

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$14,963,839	$40,457,830
Investments (Note 4)	20,643,604	23,533,163
Funds with State Treasurer (Note 5)	5,512,163	2,181,948
Interest receivable	981,475	880,854
Accounts receivable, net (Note 6)	7,890,503	6,728,559
Pledged gift receivable from the Foundation (Note 24)	150,000	50,000
Prepaid expenses	588,769	368,479
Inventories (Note 8)	1,468,306	1,708,771
Total current assets	52,198,659	75,909,604
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	330,478	868,090
Restricted investments (Note 4)	18,818,716	9,146,990
Investments (Note 4)	70,616,677	53,998,181
Due from State Treasurer	5,331,556	3,013,269
Student loans receivable, net (Note 7)	7,729,177	7,823,192
Pledged gift receivable from the Foundation (Note 24)	640,180	786,709
Non-depreciable capital assets (Note 9)	45,367,391	34,044,525
Depreciable capital assets, net (Note 9)	392,707,552	393,581,786
Restricted net pension	574,521	752,620
Other assets	-	9,813
Total noncurrent assets	542,116,248	504,025,175
Total assets	594,314,907	579,934,779
Deferred outflows		
Deferred loss on bond refunding	1,312,922	1,431,421
Relating to pension (Note 19)	6,275,890	3,648,257
Total deferred outflows	7,588,812	5,079,678
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	17,591,802	14,233,367
Deposits payable	2,176,218	2,846,662
Unearned revenues	7,823,335	8,523,978
Compensated absences (Note 11)	8,487,206	8,145,435
Current portion of bonds and notes payable (Notes 12,13,15)	4,358,577	4,253,347
Current portion of net pension obligations (Note 15,19)	310,000	376,000
Deposits held in custody for others	275,920	9,364
Total current liabilities	41,023,058	38,388,153
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	64,189,549	68,875,382
Long-term net pension obligations (Note 15,19)	45,700,733	35,834,188
Total noncurrent liabilities	109,890,282	104,709,570
Total Liabilities	150,913,340	143,097,723
Deferred inflows		
Relating to pension (Note 19)	4,751,286	10,464,227
Total deferred inflows	4,751,286	10,464,227
Net Position		
Net investment in capital assets	370,839,739	355,929,003
Restricted for:		
Pensions	574,521	752,620
Nonexpendable: scholarships and professorships	4,651,757	4,631,296
Expendable:		
Instruction and research	2,253,700	2,433,444
Loans	14,066,303	14,092,075
Capital Projects	10,872,863	7,343,490
Unrestricted	42,980,210	46,270,579
Total net position	$446,239,093	$431,452,507

See accompanying notes to the financial statements

Foundation Statement of Financial Position

June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$623,558	$16,715
Unconditional promises to give, net	5,372,298	4,819,533
Investments:		
Operating investment pool	14,013,463	12,796,975
Endowment investment pool	66,009,952	66,910,165
Endowment real estate held for investment	2,811,600	2,811,600
Annuity and life income investments	1,933,985	2,226,760
Real property	750,380	160,000
Total investments	85,519,380	84,905,500
Other assets	507,232	316,500
Property and equipment, net	518,144	531,392
Total Assets	92,540,612	90,589,640
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	169,419	311,156
Due to Western Washington University	200,785	214,888
Gift payable to Western Washington University, net	790,180	836,709
Annuity and life income obligations	606,598	938,351
Deferred revenue from life estate	416,434	
Investments held in trust for Western Washington University	11,445,280	12,516,601
Contingent obligation to Northwest Indian College Foundation	1,209,675	1,269,609
Total Liabilities	14,838,371	16,087,314
Net Assets		
Unrestricted	14,877,065	16,066,143
Temporarily restricted	19,092,065	20,717,974
Permanently restricted	43,733,111	37,718,209
Total Net Assets	77,702,241	74,502,326
Total Liabilities and Net Assets	$92,540,612	$90,589,640

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2016 and 2015

	2016	2015
Operating Revenues		
Student tuition and fees	$147,574,484	$145,246,475
Less scholarship allowances	(29,381,240)	(29,042,676)
Net student tuition and fees	118,193,244	116,203,799
Federal grants and contracts	6,802,053	6,910,295
State and local grants and contracts	19,007,109	18,579,094
Nongovernmental grants and contracts	3,657,551	3,347,378
Sales and services of educational activities	5,871,459	5,401,957
Interest earned on loans to students	183,533	207,772
Other operating revenue	315,137	232,656
Auxiliary enterprises	64,223,571	62,931,583
Less scholarship allowances	(6,950,206)	(6,845,019)
Net auxiliary enterprises	57,273,365	56,086,564
Total operating revenues	211,303,451	206,969,515
Operating Expenses		
Salaries and wages	147,482,500	137,978,506
Benefits	45,676,322	37,828,906
Scholarships and fellowships	19,023,856	18,031,770
Utilities	5,407,290	5,329,942
Supplies and materials	48,883,074	47,861,095
Purchased services	6,568,393	6,454,566
Depreciation	25,079,964	24,912,316
Total operating expenses	298,121,399	278,397,101
Operating loss	(86,817,948)	(71,427,586)
Nonoperating Revenues (Expenses)		
State appropriations	62,469,383	49,623,384
Federal Pell grant revenue	15,928,096	15,597,411
Investment income	1,023,615	921,794
Interest on indebtedness	(3,164,726)	(3,486,933)
Gain (loss) on endowments	(572,048)	290,833
Nonoperating rental property expense/income	4,902	26,015
Total nonoperating revenues (expenses)	75,689,222	62,972,504
Income (Loss) before other revenues	(11,128,726)	(8,455,082)
Other Revenues		
Capital appropriations	23,443,759	6,989,901
Other capital revenue	2,471,553	2,792,384
Total other revenues	25,915,312	9,782,285
Increase in net position	14,786,586	1,327,203
Net position, beginning of year	431,452,507	461,671,507
Restatement (Note 1)		(31,546,203)
Net position, beginning of year, as restated		430,125,304
Net position end of year	$446,239,093	$431,452,507

Foundation Statement of Activities

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Support and Revenue:				
Contributions	$730,573	$3,896,262	$5,748,619	$10,375,454
In-kind services and facilities provided by				
Western Washington University	3,019,639			3,019,639
Interest and dividends	503,707	735,747		1,239,454
Net realized and unrealized gains on investments	(322,911)	(1,921,812)		(2,244,723)
Return on annuity and life income investments		(21,859)	(48,844)	(70,703)
Change in valuation of annuity and life income obligations		16,626	315,127	331,753
Administrative fees	907,918			907,918
Fundraising events and other	608,654	621,761		1,230,415
Total support and revenue before net assets released from restrictions	5,447,580	3,326,725	6,014,902	14,789,207
Net assets released from restrictions	5,962,322	(5,962,322)		
Funding of underwater endowments	(1,009,688)	1,009,688		
Total Support and Revenue	10,400,214	(1,625,909)	6,014,902	14,789,207
Expenses:				
Program services and grants	7,541,692			7,541,692
Management and general in-kind	1,544,069			1,544,069
Management and general - other	285,738			285,738
Fundraising - in-kind	1,475,570			1,475,570
Fundraising - other	742,223			742,223
Total Expenses	11,589,292			11,589,292
Change in Net Assets	(1,189,078)	(1,625,909)	6,014,902	3,199,915
Net Assets, beginning of year, restated	16,066,143	20,717,974	37,718,209	74,502,326
Net Assets, end of year	$14,877,065	$19,092,065	$43,733,111	$77,702,241

Foundation Statement of Activities

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Support and Revenue:				
Contributions	$329,033	$3,747,899	$8,236,528	$12,313,460
In-kind services and facilities provided by				
Western Washington University	2,996,763			2,996,763
Interest and dividends	449,112	657,756		1,106,868
Net realized and unrealized gains on investments	164,303	839,049		1,003,352
Return on annuity and life income investments		(14,133)	(107,330)	(121,463)
Change in valuation of annuity and life income obligations		136,422	41,971	178,393
Administrative fees	867,266			867,266
Fundraising events and other	123,184	560,095		683,279
Total support and revenue before net assets released from restrictions	4,929,661	5,927,088	8,171,169	19,027,918
Net assets released from restrictions	5,404,793	(5,404,793)		
Recovery of underwater endowments	(221,649)	221,649		
Total Support and Revenue	10,112,805	743,944	8,171,169	19,027,918
Expenses:				
Program services and grants	6,121,637			6,121,637
Management and general in-kind	1,534,766			1,534,766
Management and general - other	259,445			259,445
Fundraising in-kind	1,461,997			1,461,997
Fundraising - other	945,959			945,959
Total Expenses	10,323,804			10,323,804
Change in Net Assets	(210,999)	743,944	8,171,169	8,704,114
Net Assets, beginning of year, restated	16,277,142	19,974,030	29,547,040	65,798,212
Net Assets, end of year	$16,066,143	$20,717,974	$37,718,209	$74,502,326

Statement of Cash Flows

	2016	2015
Cash Flows from Operating Activities		
Student tuition and fees	$116,282,109	$116,590,318
Grants and contracts	28,996,027	28,386,479
Payments to vendors	(79,029,465)	(77,040,768)
Payments to employees for salaries and benefits	(190,636,180)	(174,137,225)
Loans issued to students	(827,288)	(1,749,488)
Collection of loans to students	1,587,021	1,794,303
Sales of auxiliary enterprises	56,766,723	56,120,146
Sales and services of educational activities	6,277,989	5,767,561
Interest received on loans to students	498,670	440,428
Net cash used by operating activities	(60,084,394)	(43,828,246)
Cash Flows from Noncapital Financing Activities		
State appropriations	61,910,331	49,839,384
Direct Lending proceeds	67,806,312	68,414,963
Direct Lending disbursements	(68,193,854)	(68,411,942)
Federal Pell grant receipts	15,928,096	15,597,411
Net cash provided by noncapital financing activities	77,450,885	65,439,816
Cash Flows from Investing Activities		
Purchases of investments	(64,230,746)	(21,525,591)
Proceeds from sales of investments	40,255,406	11,642,410
Interest received on investments	935,436	794,640
Net cash (used)/provided by investing activities	(23,039,904)	(9,088,541)
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	1,761,658	13,480,923
Capital appropriations	21,684,524	6,952,781
Other capital (expense)/revenue	(3,330,215)	1,826,094
Contributions and gifts in-kind	2,471,553	2,884,018
Proceeds from disposal of capital assets	23,377	27,651
Purchases of capital assets	(33,532,271)	(18,169,034)
Principal paid on capital debt	(6,316,518)	(19,662,286)
Interest paid on capital debt	(3,125,200)	(1,223,929)
Other activities	4,902	26,015
Net cash used by capital and related financing activities	(20,358,190)	(13,857,767)
Net increase/(decrease) in cash and cash eqivalents	(26,031,603)	(1,334,738)
Cash and cash equivalents, beginning of year	41,325,920	42,660,658
Cash and cash equivalents, end of year	$15,294,317	$41,325,920

Reconciliation of Operating Loss to Net Cash used by Operating Activities

	2016	2015
Operating loss	($86,817,948)	($71,427,586)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	25,079,964	24,912,316
Net pension expense	(1,594,999)	(1,411,525)
Gain on disposal of fixed assets	16,189	(23,284)
Changes in assets and liabilities:		
Funds with the State Treasurer		
Accounts receivable	(1,115,415)	(124,456)
Student loans receivable	94,015	98,110
Inventories	240,465	(253,285)
Prepaid expenses	(220,290)	(23,616)
Accounts payable and accrued expenses	1,375,774	1,525,665
Deferred revenue	(700,643)	315,672
Student and other deposits	(670,445)	239,023
Deposits held in custody	654,099	(5,534)
Compensated absences	341,771	176,802
Net pension obligation expense	3,233,069	2,173,452
Net cash used by operating activities	($60,084,394)	($43,828,246)
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	$4,539,503	$3,306,864

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Western Washington University (WWU) is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. These financial statements summarize all the fund types of WWU including agency funds. The University's financial activity is included in the general purpose financial statements of the State of Washington.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Western Washington University Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt entity. The Board of Directors is self–perpetuating and consists of 31 members. WWU has an agreement with the Foundation to design and implement such programs and procedures so as to persuade continuous and special philanthropic support for the benefit of WWU. In exchange, WWU provides the Foundation with office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, and payroll and purchasing functions. Although WWU does not control the timing or amount of receipts from the Foundation, the majority of the resources or income the Foundation holds and invests is restricted for the activities of WWU by the donors. The Foundation's activity is reported in separate financial statement because of the difference in its reporting model as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, Revenue Recognition, and ASC 958-205, *Presentation of Financial Statement*. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in WWU's financial statement for these differences; however, significant note disclosures (see Note 2) to the Foundation's financial statement have been incorporated into WWU's notes to the financial statement.

The Foundation's financial statement can be obtained by contacting the Foundation at (360) 650-3408.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by GASB. WWU has special purpose reports reflecting the net position, results of operations and cash flows for certain auxiliary units: Housing and Dinning System, Wade King Recreational Center and Associated Students 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 the financial position, results of operations, or changes in net position of WWU. The auxiliary unit financial statements can be obtained by contacting Western Washington University at (360) 650-3675.

Basis of Accounting

For financial reporting purposes, WWU is considered a special-purpose government engaged only in business-type activities. Accordingly, WWU'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. All intra-agency transactions have been eliminated.

New Accounting Pronouncements

On July 1, 2013, WWU adopted GASB Statement No. 67 "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25". The requirements of this Statement improves financial reporting primarily through enhanced note disclosures and schedules of required supplementary information presented by the pension plans that are within its scope. The new information enhances the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year.

The contribution schedule provides measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates, when such rates are determined. In that circumstance, also provides information about whether employers and non-employer contributing entities, if applicable, are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments informs financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due.

As Statement No. 67 sets the standards for the retirement plans to follow which are held at the state level, there is no impact to WWU's statements.

On July 1, 2013, WWU adopted GASB Statement No. 66 "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62". The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

On July 2, 2013, WWU adopted GASB Statement No. 70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees". The requirements of this Statement enhances comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also enhances the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement augments the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees.

On July 1, 2014, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by WWU to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. 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 required to be 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. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

On July 1, 2014, WWU adopted GASB Statement No. 69 "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

On July 1, 2014, WWU adopted GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

On July 1, 2015, WWU adopted GASB Statement No. 72 "Fair Value Measurement and Application". This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Any necessary adjustments to note disclosures have been made.

On July 1, 2015, WWU adopted GASB Statement No. 79, "Certain External Investment Pools and Pool Participants". This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. Because WWU is a participant in an external investment pool that is in compliance with amortized cost criteria and measures all of its investments at amortized costs, there is no impact to WWU's statements.

On July 1, 2015, WWU adopted GASB Statement no. 76 "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments". The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP

OTHER ACCOUNTING POLICIES

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund WWU operations are classified as current assets along with operating funds invested in the LGIP. Cash, cash equivalents, and investments that represent unspent bond proceeds or are held with the intent to fund capital projects are classified as noncurrent assets. Endowment investments are also classified as noncurrent assets. WWU records all cash, cash equivalents and investments at fair market value.

WWU combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, commercial paper, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to WWU's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market value.

Capital Assets

Capital assets are defined as assets with an initial individual cost of $5,000 or more, or $1 million or more for intangible assets, and an estimate useful life in excess of one year. Capital assets consist of buildings, furniture, equipment, and intangible assets recorded at cost or, if donated, at their estimated fair value at the date of donation. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest expense incurred during capital construction is capitalized as part of the building cost. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

Deferred outflows of resources and deferred inflows or resources.

WWU classifies gains on retirement of debt as deferred inflows of resources 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.

Changes in net pension liability not included in pension expense are reported a 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 outflows of resources.

Bond Premiums/Discounts

Bond premiums/discounts are deferred and 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.

Net pension obligations

WWU 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.

Unearned revenues

Unearned revenues occur when revenues have been collected for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but relate to services to be provided in the following fiscal year.

Restatement of Net Position

During FY 2015, WWU 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 15 net position was $31.5 million. The amount of the net pension liability is $24.1 million at June 30, 2015. The net pension liability information is provided to WWU by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed WWU to restate FY 15 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

Net Position

WWU's net position is classified as follows:

Net investment in capital assets

This represents WWU's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net position described below.

Restricted net position, expendable
Restricted expendable include resources in which WWU is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net position, nonexpendable
Nonexpendable restricted consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net position
Unrestricted represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of WWU, and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide goods and service for students, faculty and staff.

Classification of Revenues and Expenses

WWU has classified its revenues 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: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

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

Nonoperating revenues
Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income.

Nonoperating expenses
Non-operating expenses include costs related to financing or investing activities such as interest on indebtedness.

Other Revenues
Other revenues include activities that have the characteristics of non-exchange transactions, such as state capital appropriations and gifts to endowments.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by WWU, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or non-operating revenues in WWU's financial Statement. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, WWU has recorded a scholarship discount and allowance.

Tax Exemption

WWU 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.

Reclassifications

Certain accounts in the prior year financial statement may have been reclassified for comparative purposes to conform to the presentation in the current year financial statement.

2. COMPONENT UNIT

The Western Washington University Foundation (the Foundation) is a discretely presented component unit of WWU. The language in the Foundation's bylaws satisfies the "direct benefit" criterion, and the "entitlement/ability to access" criterion is met due to the Foundation's history of supporting WWU. The "significance" criterion is met because the combined resources used by WWU activities and the restricted resources held by the Foundation are deemed to be significant to WWU, regardless of the extent to which those resources may be used for "in-kind".

The Foundation presents information about its financial position and activities according to the following three classes of net position, depending on the existence and nature of donor restrictions:

Unrestricted net assets
Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.

Temporarily restricted net assets
Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets
Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by the donors, earnings from such funds may be either unrestricted or temporarily restricted.

3. CASH AND CASH EQUIVALENTS

WWU combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated to the departments on a proportional basis. The internal investment pool is comprised of cash and cash equivalents and investments.

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investment Pool (LGIP).

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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. According to LGIP's current investment policy, it is "managed to meet the portfolio maturity, quality, diversification and liquidity requirements set forth in GASB 79 for external investment pools who wish to measure, for financial reporting purposes, all of its investments at amortized cost".

At June 30, 2016 and 2015, the carrying amount of cash and cash equivalents is $15,294,317 and $41,325,921, respectively. These balances include restricted cash and cash equivalents of $330,478 and $868,090 in Recreation Center renewal and replacement funds at June 30, 2016 and 2015, respectively. The carrying amount of cash and cash equivalents approximates the market value.

4. INVESTMENTS

Investments include internally pooled cash operating funds, renewal and replacement funds, unspent bond proceeds, and University endowment funds.

WWU pooled investments consisted of $6,000,000 and $6,036,447 in certificates of deposit (CDs), $3,995,980 and $0 in commercial paper and $85,577,524 and $65,076,050 in U.S. Treasury and Agency securities at June 30, 2016 and 2015, respectively.

The Housing and Dining System Renewal and Replacement fund held $3,059,203 and $3,048,225 as of June 30, 2016 and 2015, respectively. This was separately invested in CDs and U.S. Treasury securities.

University endowment funds are held and managed by the Western Washington University Foundation (the Foundation). The endowment funds are invested in accordance with the Foundation policy under the direction of the Foundation Finance and Audit Committee (the Committee). The committee is responsible for reviewing and defining investment policy, monitoring investment performance, and recommending managers to oversee the investment of the portfolio. The Committee reviews and updates its investment policy every three years.

As of June 30, 2016, WWU's Endowment funds are comprised of $6,341,405 in donor restricted and unrestricted funds and $5,103,875 in Quasi-endowments. As of June 30, 2015, the balances were $6,797,881 and $5,718,720 respectively.

Credit (Quality) Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Statutory and policy constraints with regard to the types of instruments available for investment limit WWU's exposure to this risk. Instruments available for investment include obligations of the US Treasury and agency securities, commercial paper and CDs. The CDs held in the internal investment pool are insured by the Federal Deposit Insurance Company (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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, WWU will not be able to recover the value of the investment. As of June 30, 2016 WWU had $91,175,048 in US Treasury and Agency securities and commercial paper held in custody by Wells Fargo in WWU's name.

Interest Rate Risk

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 5 years from the date of purchase.

Endowment funds are invested under the Foundation Investment Policy guidelines. These guidelines include the primary objective of achieving long-term growth, while using prudent investing practices and do not limit investment maturities as a means to managing interest rate exposure.

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. WWU's operating investment policy limits per issuer holdings to 5%, with the exception of U.S. Treasuries (100%), U.S. Agencies (35% per agency), and CDs (10% per bank). The Endowment Investment Policy limits the endowment fixed income investments to no more than 5% of the portfolio for a single issuer, with the exception of U.S. government and agency securities.

Fair Value Measurement and Application

On July 1, 2015, WWU 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; or
- Level 3 - Unobservable inputs that are significant to the fair value measurement.

At June 30, 2016, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value Measurements 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)
WWU Investment Pool:					
Cash & Cash Equivalents	$15,294,317			$15,294,317	0.0003
Commercial Paper	3,995,980			3,995,980	0.0900
Time Certificates of Deposits (CDs)	6,000,000			6,000,000	2.5650
U.S. Treasuries	30,124,658			30,124,658	1.8580
U.S. Agencies	55,452,866			55,452,866	2.8820
WWU Endowment Funds:					
Cash & cash equivalents	107,276			107,276	n/a
Fixed income investments:					n/a
U.S. Treasuries		106,558		106,558	13.300
U.S. Agencies		239,755		239,755	4.100
Other fixed income		1,690,282		1,690,282	n/a
Equity investments		6,631,273		6,631,273	n/a
Real estate			469,800	469,800	n/a
Alternative investments		2,200,336		2,200,336	n/a
Other Investments:					
Renewal and Replacement Time CDs	1,521,563			1,521,563	0.238
Renewal and Replacement U.S. Treasuries	1,537,640			1,537,640	1.874
Miscellaneous			1,010	1,010	n/a
TOTAL CASH AND INVESTMENTS	$114,034,300	$10,868,204	$470,810	$125,373,314	

At June 30, 2015, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value Measurements 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)
WWU Investment Pool:					
Cash & Cash Equivalents	$41,325,921			$41,325,921	0.001
Time Certificates of Deposits (CDs)	6,036,447			6,036,447	1.033
U.S. Treasuries	19,963,300			19,963,300	24.100
U.S. Agencies	45,112,750			45,112,750	1.614
WWU Endowment Funds:					
Cash & cash equivalents	12,360			12,360	
Fixed income investments:					
U.S. Treasuries		126,019		126,019	12.200
U.S. Agencies		283,543		283,543	4.500
Other fixed income		1,883,013		1,883,013	n/a
Equity investments		7,349,402		7,349,402	n/a
Real estate			506,592	506,592	n/a
Alternative investments		2,355,672		2,355,672	n/a
Other Investments:					
Renewal and Replacement Time CDs	1,521,563			1,521,563	1.241
Renewal and Replacement U.S. Agencies	1,526,662			1,526,662	2.877
Miscellaneous			1,010	1,010	n/a
TOTAL CASH AND INVESTMENTS	$115,499,003	$11,997,649	$507,602	$128,004,254	

5. FUNDS WITH STATE TREASURER

This account represents WWU's share of net earnings of the State of Washington Normal School Permanent Fund and the building fee portion of tuition (as appropriated by the state), reduced by expenditures for capital projects and debt service incurred over the years. The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres granted by the United States government for state normal schools and are managed by the State Department of Natural Resources.

WWU's combined earnings and distributions on the fund for the years ending June 30, 2016 and 2015 are $2,471,553 and $2,681,519, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2016 and 2015, the major components of accounts receivable are as follows:

	2016	2015
Student tuition and fees	$3,896,114	$3,144,781
Federal, State and private grants and contracts	3,046,733	2,402,842
Auxiliary enterprises and other operating activities	1,522,041	2,204,145
Total accounts receivable	8,464,888	7,751,768
Less allowance for doubtful accounts	(574,385)	(1,023,209)
Accounts receivable, net	$7,890,503	$6,728,559

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2016 and 2015, student loans receivable are as follows:

	2016	2015
Federal Perkins student loans	$8,511,549	$8,641,008
Other long-term loans	41,478	26,386
Institutional loans	39,872	54,232
Total student loans	8,592,899	8,721,626
Less allowance for doubtful accounts	(863,722)	(898,434)
Student loans receivable, net	$7,729,177	$7,823,192

8. INVENTORIES

At June 30, 2016 and 2015, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

	Valuation Method	2016	2015
Location			
Bookstore	Retail	$871,191	$996,885
Central Stores	Average Cost	7,441	24,784
Facilities Maintenance	FIFO	351,488	231,020
Lock Shop	FIFO		189,685
Other inventory	FIFO	238,186	266,397
Total inventory		$1,468,306	$1,708,771

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2016 and 2015 was $25,079,964 and $24,912,316, respectively.

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

	6/30/2015	Additions	Reductions	6/30/2016
Non-depreciable Capital Assets				
Land	$12,049,317			$12,049,317
Construction in progress	21,995,208	25,631,154	14,308,288	33,318,074
Total non-depreciable capital assets	$34,044,525	$25,631,154	$14,308,288	$45,367,391
Depreciable Capital Assets				
Infrastructure	$52,945,934	$2,506,463		$55,452,397
Buildings	417,424,123	18,073,282		435,497,405
Furniture, fixtures and equipment	42,615,174	3,179,271	383,483	45,410,962
Library materials, art collection	53,514,910	156,224		53,671,134
Improvements	144,792,045	330,056		145,122,101
Total depreciable capital assets	711,292,186	24,245,296	383,483	735,153,999
Less Accumulated Depreciation				
Infrastructure	28,716,375	1,410,498		30,126,873
Buildings	165,160,568	11,575,405		176,735,973
Furniture, fixtures and equipment	32,504,674	3,647,679	343,917	35,808,436
Library materials, art collection	44,914,462	1,393,242		46,307,704
Improvements	46,414,321	7,053,140		53,467,461
Total accumulated depreciation	317,710,400	25,079,964	343,917	342,446,447
Capital Assets, Net of depreciation	$393,581,786	($834,668)	$39,566	$392,707,552

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

	6/30/2014	Additions	Reductions	6/30/2015
Non-depreciable Capital Assets				
Land	$12,049,317			$12,049,317
Construction in progress	9,801,678	12,773,280	579,750	21,995,208
Total non-depreciable capital assets	$21,850,995	12,773,280	579,750	$34,044,525
Depreciable Capital Assets				
Infrastructure	$52,945,934			$52,945,934
Buildings	415,152,405	2,271,718		417,424,123
Furniture, fixtures and equipment	39,252,724	3,544,226	181,776	42,615,174
Library materials, art collection	53,309,434	205,476		53,514,910
Improvements	143,610,344	1,181,701		144,792,045
Total depreciable capital assets	704,270,841	7,203,121	181,776	711,292,186
Less Accumulated Depreciation				
Infrastructure	27,389,858	1,326,517		28,716,375
Buildings	154,105,368	11,055,200		165,160,568
Furniture, fixtures and equipment	29,161,522	3,520,358	177,206	32,504,674
Library materials, art collection	43,419,019	1,495,443		44,914,462
Improvements	38,899,523	7,514,798		46,414,321
Total accumulated depreciation	292,975,290	24,912,316	177,206	317,710,400
Capital Assets, Net of depreciation	$411,295,551	($17,709,195)	$4,570	$393,581,786

10. ART COLLECTIONS

WWU has several collections of art that it does not capitalize. The Outdoor Sculpture Collection is a public art collection displayed throughout the entire campus. There are also collections of 19th and 20th century prints and drawings, the Whittington Collection of Asian Ceramics, and the Chair Collection. These collections adhere to WWU's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. WWU's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2016 and 2015 are $8,487,206 and $8,145,435, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, WWU began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post-retirement medical expense reimbursement account available to professional staff employees of WWU. The VEBA-MEP enables WWU to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf. Funds deposited into a VEBA-MEP account, as well as the earnings on the accounts, are not subject to federal income or social security taxes. During FY 2016 and FY 2015, $96,551 and $190,390, respectively, were contributed to VEBA accounts by WWU on behalf of employees.

12. NOTES PAYABLE

WWU finances certain land and equipment purchases through certificates of participation issued by the Washington State Treasurer. WWU's debt service requirements for these agreements for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest
2017	$438,577	$153,434
2018	439,971	123,808
2019	369,167	112,103
2020	379,375	98,139
2021	394,594	84,765
2022-2026	1,575,000	207,000
2027-2031	170,000	8,500
	$3,766,684	
Plus unamortized premium	266,040	
Total	$4,032,724	$787,749

13. BONDS PAYABLE

Bonds payable consist of revenue bonds issued by WWU for Housing and Dining System facilities and the Wade King Student Recreation Center. Bonds outstanding are shown on the following page.

Housing and Dining Revenue Bonds

As specified in Master Resolution 97-09, the Housing and Dining System (the System) Revenue Fund is used to pay operating expenses, principal and interest, fund debt service reserve accounts required in subsequent series resolutions, pay the renewal and replacement fund and, if desired, retire debt in the open market. Net revenues are pledged to equal at least 125% of debt service. The System has funded a reserve account for debt service, and maintains a renewal and replacement fund equal to at least 5% of outstanding bonds.

The Housing and Dining System has the following outstanding bond issues:

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.

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.

Series 2009 A & B Housing and Dining Revenue Bonds with (original issue price of $12,835,000) 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.

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.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued $24,385,000 in Revenue and Refunding Bonds, Series 2012, on April 30 2012. The bonds bear interest rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face value of $22,960,000 at June 30, 2016, which is reported net of the unamortized original issue premium of $318,912.

The debt service requirements for the revenue/refunding bonds for the next five years and thereafter are as follows:

	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue and Refunding Bonds	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**
2017	$3,170,000	$2,042,160	$750,000	$882,600
2018	3,285,000	1,921,943	770,000	860,100
2019	3,390,000	1,797,112	795,000	837,000
2020	3,530,000	1,656,290	815,000	813,150
2021	3,710,000	1,473,627	845,000	784,625
2022-2026	14,625,000	4,843,279	4,715,000	3,430,450
2027-2031	4,405,000	2,158,550	5,740,000	2,413,000
2032-2036	3,190,000	479,520	6,965,000	1,170,600
2037			1,565,000	62,600
Total	39,305,000	16,372,481	22,960,000	11,254,125
Unamortized premium/ (discount)	1,931,491		318,912	
Total	$41,236,491	$16,372,481	$23,278,912	$11,254,125

14. PLEDGED REVENUES

WWU has pledged certain revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Source of Revenue Pledged	Total Future Revenues Pledged *	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Housing and Dining revenues, net of operating expenses	$55,677,481	Housing and Dining bonds issued in 1998, 2009,2012, 2015	Construction and renovation of student housing projects	2034	43.7%
Student Recreation Center gross revenues	$34,214,125	Student Recreation Center bonds issued in 2012	Construction of the Student Recreation Center	2037	35.1%

* Total future principal and interest payments on debt

15. LONG-TERM LIABILITIES

Following are the changes in long-term liabilities for the years ended June 30, 2016 and 2015:

	6/30/15	Additions/ Amortization	Retirements	6/30/16	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	$68,639,316	($25,743)	$4,098,171	$64,515,402	$3,920,000
Notes payable	4,489,413	1,761,658	2,218,347	4,032,724	438,577
Net pension obligation	36,210,188	10,044,476	243,931	46,010,733	310,000
Total long term liabilities	$109,338,917	$11,780,391	$6,560,449	$114,558,859	$4,668,577

	6/30/14	Additions/ Amortization	Retirements	6/30/15	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	$72,442,043	$15,341,649	$19,144,376	$68,639,316	$3,735,000
Notes payable	4,961,400	45,923	517,910	4,489,413	518,347
Net pension obligation	9,965,408	26,520,328	275,548	36,210,188	376,000
Total long term liabilities	$87,368,851	$41,907,900	$19,937,834	$109,338,917	$4,629,347

16. LEASES

WWU leases facilities for off-campus office and educational spaces under a variety of agreements. WWU also finances certain equipment through non-cancelable operating leases. At June 30, 2016, future payments under these operating leases are as follows:

Fiscal Year	Lease Payment
2017	$288,423
2018	316,125
2019	262,449
2020	252,822
2021	148,982
Total minimum lease payments	$1,268,801

17. DEFERRED COMPENSATION

WWU, through the State of Washington, offers its employees a Deferred Compensation Plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until future years.

The State of Washington administers the plan on behalf of WWU's employees. WWU does not have legal access to the funds.

18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications which include salaries, employee benefits, goods and services, and other similar categories.

Operating expenses by functional classification for the years ended June 30, 2016 and 2015 are as follows:

Operating Expenses	2016	2015
Instruction	$114,629,717	$108,020,837
Research	6,880,393	6,096,508
Academic Support	15,814,084	13,661,804
Student Services	21,556,626	19,149,372
Institutional Support	23,395,748	20,515,752
Operation and Maintenance of Plant	46,515,457	46,229,209
Scholarships and other student aid	19,023,856	18,031,770
Auxiliary enterprise expenditures	50,305,518	46,691,849
Total operating expenses	$298,121,399	$278,397,101

19. 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).

WWU contributes to PERS, TRS and LEOFF 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 these plans.

The payroll for WWU employees covered by PERS is $37,969,543 and $34,580,645, the payroll covered by TRS is $966,210 and $898,552, the payroll covered by WWURP is $82,872,741 and $78,790,919, and the payroll by LEOFF is $942,741 and $969,083 for the years ended June 30, 2016 and 2015, respectively.

WWU implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. WWU'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, WWU 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, 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 WWU, for fiscal year 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	($30,638,804)
Pension assets	$574,521
Deferred outflows of resources related to pensions	$6,275,890
Deferred inflows of resources related to pensions	($4,751,286)
Pension expense/expenditures	($1,594,999)

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 WWU offers its employees are comprised of five defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that WWU offers its employee:

- **Public Employees' Retirement System (PERS)**
  Plan 1 - defined benefit
  Plan 2 - defined benefit
  Plan 3 - defined benefit/defined contribution

- **Teachers' Retirement System (TRS)**
  Plan 1 - defined benefit
  Plan 2 - defined benefit
  Plan 3 – defined benefit/defined contribution

- **Law Enforcement Officers' and Fire Fighters'** Retirement System (LEOFF)
  Plan 2 - defined benefit

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, TRS, and, LEOFF, systems and plans was 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.

The WWURP contributions for the years ending June 30, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Employee	$6,895,777	$6,676,394	$6,221,794
University	$6,888,097	$6,676,724	$6,219,353

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date.

WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

WWU received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2016. The previous evaluation was performed in 2013. The Unfunded Actuarial Accrued Liability (UAL) calculated as of July 1, 2015 and 2013 was $20,953,000 and $17,924,000 respectively, and is amortized over an 11 year period.

The Annual Required Contribution (ARC) of $2,963,000 consists of amortization of the UAL ($2,118,000), normal cost (or current cost) ($787,000) and interest. The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 4.0% and projected salary increases of 3.75%. Approximately $82,872,741 and $78,790,919 of WWU's payroll were covered under this plan during fiscal 2016 and fiscal 2015, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2016:

Balance as of June 30, 2014	$9,965,408
Annual Required Contribution FY15	2,449,000
Payments to Beneficiaries FY15	(275,548)
Balance as of June 30, 2015	12,138,860
Annual Required Contribution FY16	3,477,000
Payments to Beneficiaries FY16	(243,931)
Balance as of June 30, 2016	$15,371,929

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.

Teachers' Retirement System Plan 3

Plan Description

The Teachers' Retirement System (TRS) 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 TRS Plan descriptions.

TRS 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 chapter41.34 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 TRS Plan 3.

TRS 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, TRS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings.

Members in TRS 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 TRS-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 fiscal years 2016 and 2015 are presented in Table 1 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%
Inverstment 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 Real 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 fiscal 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, WWU reported $16.48 and $16.13 million respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of $13.33 and $7.42 million were reported for PERS 2/3 in 2016 and 2015 respectively. WWU's proportion for PERS 1 in FY16 was 0.315 percent, a decrease of 0.005 percent since the prior reporting period when its proportionate share was 0.320 percent. WWU's proportion for PERS 2/3 in FY16 was 0.373 percent, an increase of 0.006 percent since the prior reporting period when its proportionate share was 0.367 percent. The proportions are based on WWU'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 WWU 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 Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$20,067,746
Current Discount Rate	$16,482,713
1% Increase	$13,399,913

PERS 2/3 Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$38,986,085
Current Discount Rate	$13,332,898
1% Increase	($6,308,786)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ending June 30, 2016 and 2015, WWU recognized a PERS 1 pension expense of $(766) and $610 thousand respectively; a pension expense of $(881) thousand and $(1.90) million 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:

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		613,197
Change in proportion		288,587
Contributions subsequent to the measurement date	128,029	
Total	$128,029	$901,784

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$1,417,291	$
Changes of assumptions	21,482	
Net Difference between projected and actual earnings on pension plan investments		3,559,252
Change in proportion	316,299	
Contributions subsequent to the measurement date	4,044,052	
Total	$5,799,124	$3,559,252

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

PERS 1	
2016	($349,501)
2017	($349,501)
2018	($349,501)
2019	$146,717
2020	
Thereafter	

PERS 2/3	
2016	($909,382)
2017	($909,382)
2018	($909,386)
2019	$801,374
2020	
Thereafter	

Teachers' Retirement System

Plan Description.

The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

TRS 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 defined benefit plan with a defined contribution component. 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.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996 are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

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

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

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age 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) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (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.

TRS Plan 2 retirement benefits 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. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

TRS 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 TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS 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.
TRS 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. The methods used to determine the contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

Required contribution rates for fiscal years 2016 and 2015 are presented in Table 1 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%
Inverstment 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 Real 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 fiscal 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 TRS Plan 2/3, whose rates include a component for the TRS 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, WWU reported $689 and $485 thousand respectively for its proportionate share of the collective net pension liability for TRS 1; a net pension liability of $134 and $35 thousand were reported for TRS 2/3 in 2016 and 2015 respectively. WWU's proportion for TRS 1 in FY16 was 0.022 percent, an increase of 0.006 percent since the prior reporting period when its proportionate share was 0.016 percent. WWU's proportion for TRS 2/3 in FY16 was 0.016 percent, an increase of 0.005 percent since the prior reporting period when its proportionate share was 0.011 percent. The proportions are based on WWU'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 WWU 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.

TRS 1 Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$866,687
Current Discount Rate	$689,451
1% Increase	$537,043

TRS 2/3 Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$565,881
Current Discount Rate	$133,743
1% Increase	($187,516)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ending June 30, 2016 and 2015, WWU recognized a TRS 1 pension expense of $179 and $57 thousand respectively; a pension expense of $(26) and $(51) thousand was recognized for TRS 2/3 in 2016 and 2015 respectively. At June 30, 2016, TRS 1 and TRS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TRS 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		51,031
Change in proportion		
Contributions subsequent to the measurement date	7,056	
Total	$ 7,056	$51,031

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$21,171	$
Changes of assumptions	116	
Net Difference between projected and actual earnings on pension plan investments		51,888
Change in proportion	64,716	
Contributions subsequent to the measurement date	118,250	
Total	$204,253	$51,888

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

TRS 1	
2016	($19,792)
2017	($19,792)
2018	($19,792)
2019	$8,346
2020	
Thereafter	

TRS 2/3	
2016	($6,160)
2017	($6,160)
2018	($6,161)
2019	$23,209
2020	$7,076
Thereafter	

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description.
The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first in-

cluded effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system, comprised of two separate defined benefit plans. LEOFF members who joined the system on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided.
LEOFF Plan 2 provides retirement, disability, and death benefits to eligible members.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months. Members who retire prior to the age of 53 receive reduced benefits. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3 percent annually.

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

Contributions.
LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine the contribution requirements are established under state statute.

Members in LEOFF Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2014, the state contributed $55.6 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal years 2016 and 2015 are presented in Table 1 of this note.

The following information applies to WWU as a LEOFF 2 employer.

Actuarial Assumptions. The total net pension asset 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%
Inverstment 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 Real 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 fiscal 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. 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, WWU reported $575 and $753 thousand for its proportionate share of the collective net pension asset for LEOFF 2. WWU's proportion for LEOFF 2 in FY16 was 0.056 percent, a decrease of 0.001 percent since the prior reporting period when its proportionate share was 0.057 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the employers' 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.

	LEOFF 2 Employer's proportionate share of Net Pension Liability (Asset)
1% Decrease	$575,344
Current Discount Rate	($574,520)
1% Increase	($1,439,836)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ending June 30, 2016 and 2015, WWU recognized a LEOFF 2 pension expense of $(101) and $(125) thousand respectively. At June 30, 2016, LEOFF 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 50,309	$
Changes of assumptions	1,515	
Net Difference between projected and actual earnings on pension plan investments		187,331
Change in proportion	4,277	
Contributions subsequent to the measurement date	81,330	
Total	$137,431	$187,331

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

LEOFF 2	
2016	($57,261)
2017	($57,261)
2018	($57,262)
2019	$40,859
2020	$10,789
Thereafter	$2,161

TABLE 1: Required Contribution Rates

The required contribution rates expressed as a percentage of current year covered payroll are shown below. The University and the employees made the required contributions. The University's required contributions for the years ended 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%	$128,029	$124,718	$158,768
Plan 2	6.12%	11.18%	3,152,047	2,457,501	2,255,523
Plan 3	5.00-15.00% **	11.18% *	892,005	684,236	609,624
TRS					
Plan 1	6.00%	13.13%	$7,056	$15,275	$12,603
Plan 2	5.95%	13.13%	4,996	4,103	3,771
Plan 3	5.00-15.00% **	13.13% *	113,254	77,221	44,148
LEOFF					
Plan 2	8.41%	8.59%	$81,330	$85,058	$81,399

* 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%	$124,718	$158,768	$135,129
Plan 2	4.92%	9.21%	2,457,501	2,255,523	1,722,744
Plan 3	5.00-15.00% **	9.21% *	684,236	609,624	435,385
TRS					
Plan 1	6.00%	10.39%	$15,275	$12,603	$9,735
Plan 2	4.96%	10.39%	4,103	3,771	2,993
Plan 3	5.00-15.00% **	10.39% *	77,221	44,148	23,355
LEOFF					
Plan 2	8.41%	8.59%	$85,058	$81,399	$72,330

* 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.

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

During the 2008 fiscal year, WWU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* OPEB are those provided to retired employees beyond those provided by their pension plans. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB expense in the year in which such benefits are earned by the member. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels and, as a result, the net OPEB obligation is recorded in the State of Washington comprehensive annual financial report which is available from:

Office of Financial Management, Insurance Building, PO Box 43113, Olympia, Washington 98504-3113.

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors.

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal 2016, this amount is the lesser of $150 or 50% of the plan premium per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary (OSA) calculated the total OPEB actuarial accrued liability of the State of Washington at January 1, 2015 to be $10.9 billion.

OSA calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in WWU's financial statement.

WWU was billed and paid approximately $19.5 million for active and retiree health care expense during fiscal 2016 and $15.2 million during fiscal 2015.

21. RISK MANAGEMENT

WWU participates in the State of Washington Self-Insurance Liability Program (SILP). Premiums to the State are based on a formula for allocating costs to participating state agencies, including higher education institutions, based on an independent actuarial study of the state's projected liabilities. WWU also maintains various commercially obtained liability insurance policies that provide coverage for certain exclusions under the SILP.

WWU participates in the State's L&I Workers Compensation Insurance Program for all employees.

In addition, WWU purchases "all risk" buildings, contents and business interruption insurance for the Housing and Dining System, Wade King Student Recreation Center, Viking Union Complex, and other auxiliaries through its participation in the State of Washington Alliant Property Insurance Program (APIP). At a minimum, coverage is maintained in accordance with applicable Master Bond Resolutions.

WWU has been named in tort claims and lawsuits. While the final outcome of these matters cannot be predicted with certainty, it is WWU's opinion that the ultimate liability will not materially affect the financial statement, and that WWU's liability insurance programs are adequate to pay all defense and settlement expenses related to these tort claims and lawsuits.

22. COMMITMENTS

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2016 and 2015 are:

	2016	2015
Operating	$8,455,348	$6,733,514
Research	1,102,912	1,028,028
Capital projects	57,655,732	7,300,369
Total commitments	$67,213,992	$15,061,911

23. JOINT VENTURE

In FY 2010, WWU participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c) (3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of WWU Board of Trustees appointed by WWU Board of Trustees, the President of WWU, a member of the Commission of the Port of Bellingham appointed by the Commission of the Port, the Executive Director of the Port of Bellingham, and a fifth board member who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or educational institutions to become members under such terms and conditions as they determine. The purpose of this joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on WWU's Statement of Net Position. During FY 2014, WWU transferred $723 thousand in land and $524 thousand in buildings, net to the WCDC to facilitate WWU development on the waterfront.

24. FOUNDATION PLEDGED GIFT RECEIVABLE

In April 2012, WWU received a $1.0 million unconditional pledged gift from the Foundation for the purpose of the design and construction of the Harrington Field project to be located on WWU's campus. The pledged gift to WWU is recorded at its net present value, with the discount amortized over the 8 year payment schedule using the straight line method. The remaining pledge is expected to be paid as follows:

For the year ending June 30,

2017	$150,000
2018	150,000
2019	250,000
2020	250,000
	800,000
Less present value discount (0.71%)	(9,820)
Pledged gift receivable from the Foundation, net	$790,180

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30 *
(dollars in thousands)

	2014	2015
WWU PERS 1 employers' proportion of the net pension liability	0.32%	0.315%
WWU PERS 1 employers' proportionate share of the net pension liability	$16,130	$16,483
WWU PERS 1 emoployers' covered-employee payroll	$1,754	$1,347
WWU PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	919.51%	1223.45%
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.

Schedule of WWU's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date ended June 30 *
(dollars in thousands)

	2014	2015
WWU PERS 2/3 employers' proportion of the net pension liability	0.367%	0.373%
WWU PERS 2/3 employers' proportionate share of the net pension liability	$7,421	$13,333
WWU PERS 2/3 emoployers' covered-employee payroll	$31,601	$33,088
WWU PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	40.30%
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 WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30 *
(dollars in thousands)

	2014	2015
WWU TRS 1 employers' proportion of the net pension liability	0.016%	0.022%
WWU TRS 1 employers' proportionate share of the net pension liability	$485	$689
WWU TRS 1 emoployers' covered-employee payroll	$128	$147
WWU TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	379.92%	468.97%
Plan fiduciary net position as a percentage of the total pension liability	68.77%	65.70%

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

Schedule of WWU's Proportionate Share of the Net Pension Liability
Teachers' Retirement System (TRS) Plan 2/3
Measurement Date ended June 30 *
(dollars in thousands)

	2014	2015
WWU TRS 2/3 employers' proportion of the net pension liability	0.011%	0.016%
WWU TRS 2/3 employers' proportionate share of the net pension liability	$35	$134
WWU TRS 2/3 emoployers' covered-employee payroll	$470	$742
WWU TRS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.55%	18.01%
Plan fiduciary net position as a percentage of the total pension liability	96.81%	92.48%

* 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 WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30 *
(dollars in thousands)

	2014	2015
WWU LEOFF 2 employers' proportion of the net pension liability	0.057%	0.056%
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset)	($753)	($575)
WWU LEOFF 2 emoployers' covered-employee payroll	$948	$974
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(79.43%)	(58.97%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%	111.67%

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

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

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

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	$124,080	$124,718	($637)	$1,347,236	9.26%
2016	$146,896	$128,029	$18,867	$1,313,918	9.74%
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

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	$3,047,368	$3,141,737	($94,369)	$33,087,603	9.50%
2016	$4,147,009	$4,044,052	$102,957	$37,093,105	10.90%
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
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30

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	$15,275	$15,275		$147,013	10.39%
2016	$5,087	$7,056	($1,969)	$38,746	18.21%
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
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30

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	$77,145	$81,324	($4,179)	$742,495	10.95%
2016	$118,192	$118,250	($58)	$900,164	13.14%
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
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended June 30

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	$83,684	$85,058	($1,374)	$974,206	8.73%
2016	$81,176	$81,330	($154)	$945,010	8.61%
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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