HOUSING AND DINING SYSTEM

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Overview

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

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 2017, 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.

Using the Financial Statements

The System's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

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

Statement of Net Position

The Statement of Net Position presents the financial condition of the System at the end of the fiscal years (FY) and reports all assets and liabilities of the System.

The amounts in this statement represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. The difference between assets and deferred outflows less liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the System.

Below is a condensed view of the Statement of Net Position as of June 30, 2017, 2016 and 2015:

(Dollars in Thousands)

	2017	2016 Restated	2015
Assets			
Current assets	$9,276	$8,571	$11,584
Noncurrent assets	10,004	13,190	10,506
Capital assets, net	101,511	100,363	100,253
Total assets	120,791	122,124	122,343
Deferred outflows			
Deferred loss on bonds	705	842	995
Due to pension	375	245	155
Total deferred outflows	1,080	1,087	1,150
Liabilities			
Current liabilities	7,952	7,710	8,054
Noncurrent liabilities	36,402	39,980	43,108
Total liabilities	44,354	47,690	51,162
Deferred inflows			
Due to pension	126	213	517
Net Position			
Net investment in capital assets	64,484	59,969	56,638
Restricted, expendable	3,381	3,361	3,314
Unrestricted	9,526	11,978	11,862
Total net position	$77,391	$75,308	$71,814

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets decreased $1.3 million (-1.1%) in fiscal year (FY) 2017 and decreased $219,391 (-0.2%) during FY 2016.

Total Cash and Investments decreased $3.1 million (-14.7%) during FY 2017 (see Note 4) due to increased spending on operations and capital assets. Current assets consist primarily of cash and cash equivalents, short-term investments and accounts receivable, net. The allocation of cash and investments between current and noncurrent is governed by the university's investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk. Current assets increased $705,406 (8.2%) during FY 2017 due to slight increases in short-term investments and unbilled receivables. Total current assets decreased $3,012,868 (-26.0%) during FY 2016 due to a combined decrease in cash and cash equivalents and a switch from short term to long-term investments as a result of WWU optimizing the investment policy strategy.

Total noncurrent assets, excluding capital, decreased $3,186,642 (-24.2%) in FY 2017 due to long-term investments being converted to cash for increased capital projects and operations spending. Total noncurrent assets, excluding capital increased $2,683,802 (25.5%) in FY 2016 due to an increase in long term investments necessary to implement planned capital projects.

Depreciable and non-depreciable capital assets increased in FY 2017 by $1,148,585 (1.1%) primarily due to an increase in construction in progress. Depreciable and non-depreciable capital assets increased slightly in FY 2016 by $109,675 (0.1%) as additions outpaced accumulated depreciation (See Note 3).

The major project completed during FY 2017 was the Nash mechanical room upgrade. Major projects completed during FY 2016 were the Ridgeway Kappa renovation and sprinkler addition and the Nash renovation.

The excess of current assets over current liabilities of $1,324,192 in FY 2017 and $861,136 in FY 2016 reflects the continuing ability of the System to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities increased $242,351 in FY 2017 (3.1%) due primarily to increases in current bonds payable and accounts payable. Current liabilities decreased $343,896 (-4.3%) in FY 2016 due to a decrease in accounts payable.

During FY 2017, the System implemented GASB Statement No. 73 which required a restatement of $378,594 in previously reported FY 2016 noncurrent net pension obligations (see Note 1). Total noncurrent liabilities decreased $3,335,590 (-7.0%) during FY 2017 primarily due to a decrease in long term debt offset with a slight increase in the net pension obligation. Total noncurrent liabilities decreased $3,472,657(-6.8%) during FY 2016 due to a decrease in long-term debt (scheduled bond principal payments) combined with an increased in the restated net pension liability.

Total net position increased $2,083,464 (2.8%) in FY 2017 and $3,493,671 (4.9%) in FY 2016 due to an increase in net investment in capital assets combined with a decrease in unrestricted net position.

Net investment in capital assets increased in FY 2017 by $4,515,692 (7.5%) primarily due to the reduction in bonds payable combined with a $1,148,585 increased in capital assets, net. Net investment in capital assets increased in FY 2016 by $3,329,925 (5.9%) due primarily to the capitalization of the Ridgeway Kappa and Nash projects.

Unrestricted net position decreased $2,452,228 (-20.5%) due to increased spending on operations and capital. During FY 2016, unrestricted net position increased slightly by $116,818 (1.0%).

Statement of Revenues, Expenses and Changes in Net Position

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

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

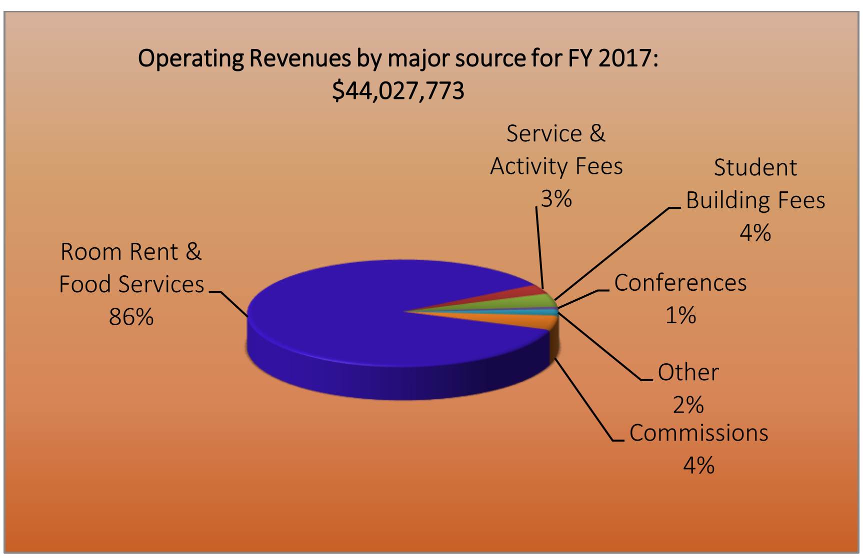
Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond costs.

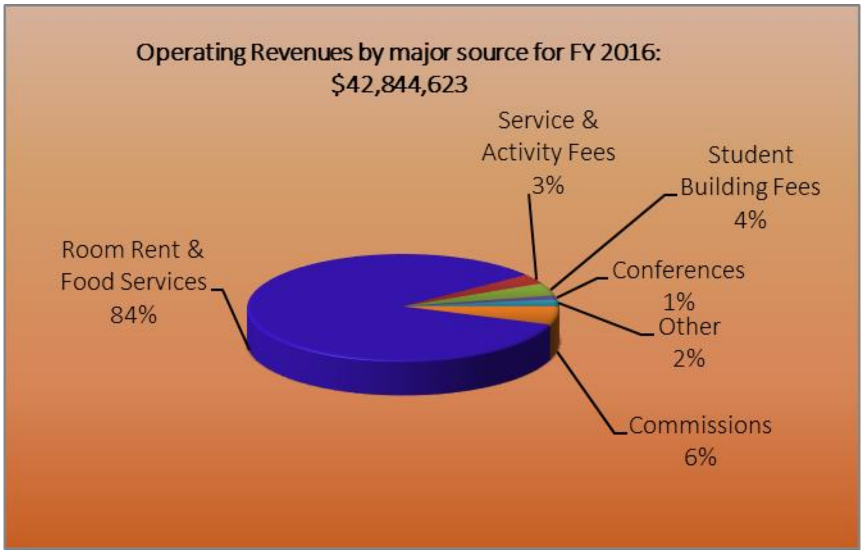
Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the FY years ended June 30, 2017, 2016 and 2015:

(Dollars in thousands)

	2017	2016 Restated	2015
Operating revenues	$44,028	$42,844	$41,881
Operating expenses	(40,605)	(38,728)	(35,357)
Income from operations	3,423	4,116	6,524
Nonoperating revenues	477	1,316	531
Nonoperating expenses	(1,817)	(1,938)	(2,537)
Increase in Net Position	2,083	3,494	4,518
Net Position, Beginning of year	75,308	71,814	69,060
Restatement	-	-	(1,764)
Net Position, Beginning of year , as restated	-	71,814	67,296
Net Position, End of year	$77,391	$75,308	$71,814

Total operating revenue increased for FY 2017 primarily influenced by an increase to the room and board rate.





Room rent and food service revenues increased $1,727,216 (4.8%) in FY 2017 due to a 4.0% rate increase and 1.5% occupancy increase. Room rent and food service revenues increased $638,162 (1.8%) in FY 2016 due to the combination of a 3.0% rate increase and a 1.3% decline in on-campus housing occupancy.

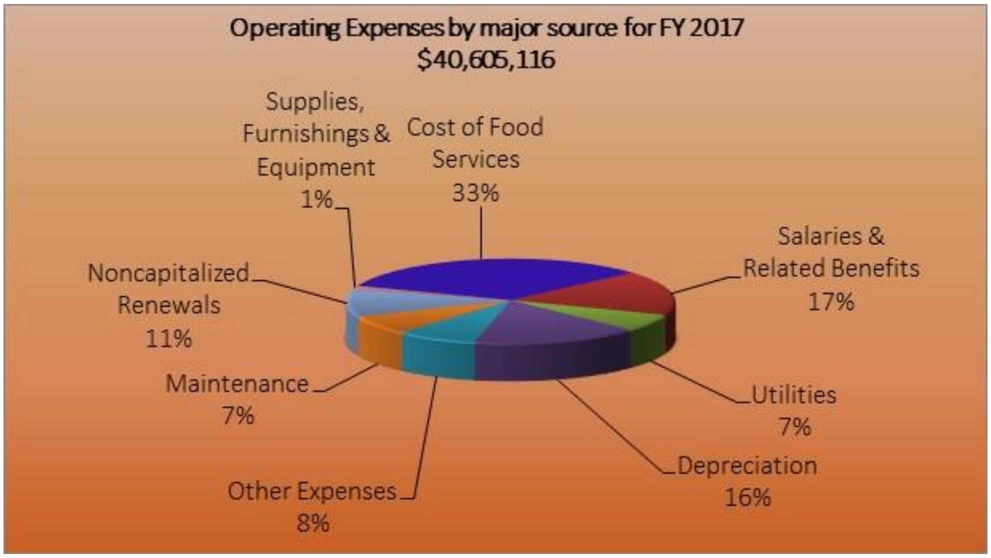
Student building fee revenue increased $157,280 (9.6%) in FY 2017 due to a $4 per quarter or 10.0% increase in the fee (from $39 to $43.) Student building fee revenue increased $14,678 (0.9%) in FY 2016 due to a slight increase in matriculating student enrollment. There was no change in the $39 per quarter mandatory student building fee for FY 2016.

Conference revenue decreased $199,366 (-36.9%) in FY 2017 and $46,299 (-7.9%) in FY 2016 due to reduced bookings.

Viking Union revenue increased $25,407 (6.3%) in FY 2017 due primarily to an increase in recycle center revenue. Viking Union revenue increased $37,328 (10.2%) in FY 2016 due to combination of service fee increases and increased event services.

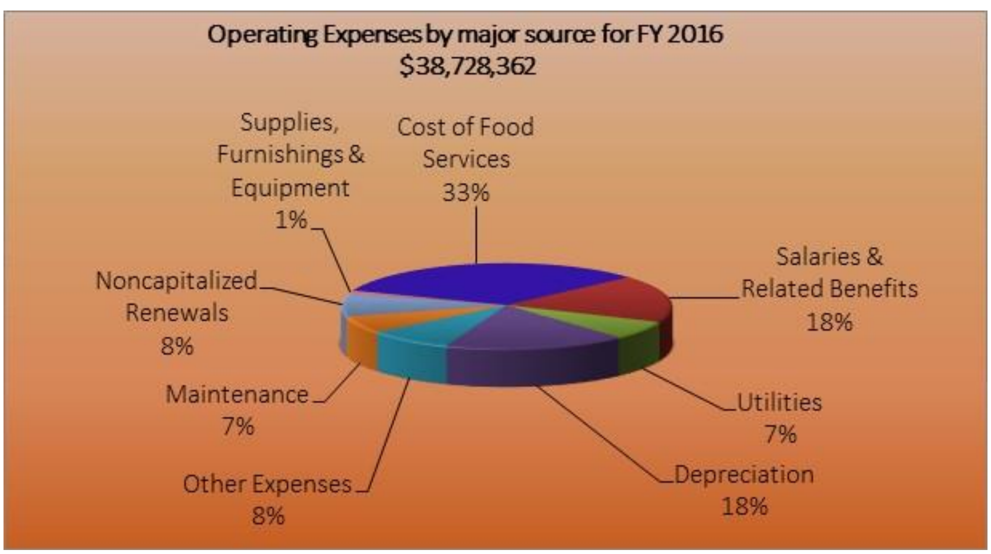
Commission revenue decreased $477,446 (-19.9%) in FY 2017 due to a one-time adjustment to the contracted dining commission level. Commission revenue increased $254,885 (11.9%) in FY 2016 due to increased dining commissions per the WWU-Aramark Agreement. (See Note 6).

Fees, penalties, and other income decreased $56,487 (-16.3%) in FY 2017 primarily due to a reduction in other income (surplus sale proceeds.) Fees, penalties, and other income increased $47,722 (15.9%) in FY 2016 primarily due to the combination of a $14,300 (-6.6%) decline in fee/penalty income and a $60,000 increase in surplus sales proceeds. The FY 2016 decrease of $14,300 in fee/penalty income was due to the net result of an increase in late fee revenue combined with a decrease in other fees, such as cleaning, damage and deposit forfeit charges.



Overall operating expenses for FY 2017 increased $1,876,754 (4.8%) and $3,371,879 (9.5%) for FY 2016 due primarily to an increase in non-capitalized renewals and replacements.

Cost of food services for FY 2017 increased $647,123 (5.1%) due to the effect of a 4.6% rate increase and an increase in occupancy (students on resident dining plans). Cost of food services for FY 2016 increased $293,162 (2.4%), the net effect of a 3.5% rate increase and a slight decline in resident dining charges



Salaries and benefits expense for FY 2017 decreased $12,470 (-0.2%) primarily due to the decrease in GASB Statement No. 73 pension liability reporting net against the increase in wages and benefits coupled with a decrease in wage buyout expenses. Salaries and benefits expense for FY 2016 increased $477,497 (7.4%) primarily due to the required restatement as the System adopted GASB Statement No. 73 pension liability reporting coupled with increases in salaries and other benefit expenses (see Note 1). During FY 2016, all staff received compensation increases and classified staff received step increases. Also during FY 2016, health care premiums increased $2,136 per covered employee as well as a nearly 2.0% rate increase in certain defined benefit retirement plans.

Utilities expense decreased $7,876 (-0.3%) in FY 2017 due to slight decreases in electricity, water, and refuse disposal expenses. Utilities expense increased $88,928 (3.5%) in FY 2016 due to increases in all utilities except electricity and cable TV.

Repairs and maintenance expense for FY 2017 increased $421,303 (16.7%) due to an approximately 4.8% increase in the recharge rate and an increase in planned and reactive maintenance. Repairs and maintenance expense for FY 2016 increased $101,633 (4.2%) due primarily to a rate increase in the recharge rate.

Depreciation expense decreased $183,354 (-2.7%) in FY 2017 due to scheduled depreciation on existing assets. Depreciation expense increased in FY 2016 by $85,445 (1.3%) due to the addition of completed renovations.

WWU's administrative services assessment fee (included in institutional services) decreased 55,108 (-3.6%) in FY2017 and increased $7,707 (0.5%) in FY 2016. The rate charged against the System revenues (less food service contract) was 5.5% for both years.

Other expenses increased $45,788 (5.5%) in FY 2017 influenced primarily by increases in tax expense and bad debt expense. Other expenses slightly increased $7,549 (0.9%) in FY 2016.

Non-operating expenses (interest & amortization) for FY 2017 decreased $121,923 (-6.3%) due to reduced bond interest expense. Non-operating expenses (interest & amortization) for FY 2016 decreased $598,333 (-23.6%) due to reduced bond interest expense. (See Note 4).

Non-Operating revenue for FY 2017 decreased $838,527 (-63.7%) due to a reduction in comparative capital contribution. Non-Operating revenue for FY 2016 increased $785,071 (147.8%) due to an addition of other capital contributions for the development of a planned student services facility. (See Note 6).

Economic Factors and Significant Events

WWU's Fall quarter of FY 2017 enrollment headcount of 14,582 represents a 1.1 % increase over Fall quarter of FY 2016 enrollment. The average annual FY 2016 enrollment was slightly higher (1.2%) than FY 2015. Management will address housing demand independent of enrollment through room capacity practices, such as adding or reducing the number beds in a room.

The System's auxiliary capital plan, shared with WWU's Board of Trustees in December 2016, incorporates renewal and renovation projects identified in the facility condition assessment. These projects address all the System's major building components and subcomponents and may total approximately $200 million over the next ten years.

Planning for the addition of on-campus student apartment housing has been put on hold pending alignment of the System's capital and facilities plan with the University's strategic and enrollment plans, which are under development. Opening occupancy for Fall 2017 is expected to exceed that of Fall 2016 due to increased university enrollment.

A bond issuance is planned for winter 2018 to fund the expansion of the Viking Union for the Multicultural Center, housing renovation projects, and the advance refunding of the 2009B bonds.

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

STATEMENT OF NET POSITION

June 30, 2017 and 2016

Assets	2017	2016 Restated
Current assets		
Cash and cash equivalents (Note 2)	$2,060,249	$2,353,709
Investments (Note 2)	5,340,048	4,869,308
Accounts receivable, net of allowance of $77,418 and $51,280 in 2017 and 2016, respectively	277,318	216,468
Interest receivable	20,957	83,234
Other receivables	1,577,869	1,048,315
Total current assets	9,276,441	8,571,034
Noncurrent assets		
Restricted investments (Note 2)	3,130,223	3,059,204
Investments (Note 2)	6,873,136	10,130,797
Nondepreciable capital assets (Note 3)	8,912,369	2,366,990
Depreciable capital assets, net (Note 3)	92,598,930	97,995,724
Total noncurrent assets	111,514,658	113,552,715
Total assets	120,791,099	122,123,749
Deferred Outflows		
Deferred loss on bond refunding	705,104	842,385
Related to pension (Note 7)	375,208	245,087
Total deferred outflows	1,080,312	1,087,472
Liabilities		
Current liabilities		
Accounts payable	1,975,955	1,887,748
Accrued expenses	633,659	598,897
Residents' housing deposits	1,315,000	1,265,605
Unearned revenues	251,918	267,367
Bonds interest payable	490,717	520,281
Current portion of bonds payable (Note 4)	3,285,000	3,170,000
Total current liabilities	7,952,249	7,709,898
Noncurrent liabilities		
Bonds payable, less current portion (Note 4)	34,447,103	38,066,491
Net pension liability (Note 4, 7)	1,954,646	1,913,199
Total noncurrent liabilities	36,401,749	39,979,690
Total liabilities	44,353,998	47,689,588
Deferred Inflows		
Related to pension (Note 7)	126,001	213,685
Total deferred inflows	126,001	213,685
Net Position		
Net investment in capital assets	64,484,300	59,968,608
Restricted, expendable	3,380,565	3,360,564
Unrestricted	9,526,547	11,978,776
Total net position	$77,391,412	$75,307,948

See Notes to Financial Statements

	2017	2016 Restated
Operating Revenues		
Room rent and food services	$37,820,901	$36,093,685
Service and activity fees	1,300,396	1,298,129
Student building fees	1,792,613	1,635,332
Conferences	341,218	540,584
Viking Union income	428,672	403,265
Rent	130,372	126,093
Commissions	1,922,977	2,400,423
Fees, penalties, and other income	290,625	347,112
Total operating revenue	44,027,774	42,844,623
Operating Expenses		
Cost of food services	13,404,829	12,757,706
Salaries and related benefits	6,934,346	6,946,816
Utilities	2,632,016	2,639,892
Repairs and maintenance	2,948,062	2,526,759
Communications	203,057	228,903
Insurance	468,810	398,839
Supplies	315,376	278,710
Furniture and equipment	239,410	246,933
Institutional services	1,666,105	1,748,889
Depreciation	6,649,491	6,832,845
Noncapitalized renewals and replacements	4,261,674	3,285,919
Other	881,941	836,152
Total operating expenses	40,605,117	38,728,363
Income from operations	3,422,657	4,116,260
Nonoperating Revenues (Expenses)		
Investment income	180,739	178,610
Build America Bonds interest subsidy	290,732	296,114
Other Capital Contribution	6,325	841,600
Interest expense	(2,012,596)	(2,149,163)
Amortization of bond discounts and premiums	195,607	210,250
Total nonoperating (expenses) revenues	(1,339,193)	(622,589)
Increase in net position	2,083,464	3,493,671
Net Position, Beginning of Year	75,307,948	71,814,277
Net Position, End of Year	$77,391,412	$75,307,948

	2017	2016 Restated
Cash Flows from Operating Activities		
Cash received from students and other customers	43,471,316	$42,613,638
Cash paid to employees	(7,076,986)	(6,970,064)
Cash paid to suppliers	(26,800,433)	(24,964,176)
Net cash flows provided by operating activities	9,593,897	10,679,398
Cash Flows from Capital and Related Financing Activities		
Capital Contribution	6,325	841,600
Payment of long-term debt	(3,171,501)	(3,008,155)
Interest payments	(2,042,160)	(2,198,121)
Build America Bonds interest subsidy	290,732	296,114
Purchase of capital assets	(7,929,671)	(7,327,804)
Net cash flows (used in) by capital and related financing activities	(12,846,275)	(11,396,366)
Cash Flows from Investing Activities		
Investment income received	243,016	153,229
Net (loss) proceeds of restricted investments	(71,019)	(10,978)
Net purchases of investments	2,786,921	(3,737,928)
Net cash flows (used in) provided by investing activities	2,958,918	(3,595,677)
Net change in cash and cash equivalents	(293,460)	(4,312,645)
Cash and Cash Equivalents, Beginning of Year	2,353,709	6,666,354
Cash and Cash Equivalents, End of Year	$2,060,249	$2,353,709
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	3,422,657	4,116,260
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	6,649,491	6,832,845
Net pension expense	(176,358)	11,084
Change in operating assets and liabilities		
Accounts receivable	(60,850)	(14,708)
Other receivables	(529,554)	(198,665)
Inventory	-	2,236
Accounts payable	220,847	(17,710)
Accrued salaries and benefits	33,718	(34,332)
Residents' housing deposits	49,395	(4,326)
Deferred revenue	(15,449)	(13,286)
Cash flows from operating activities	$9,593,897	$10,679,398
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	($131,596)	($385,284)

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Cash, Cash Equivalents, and Investments
WWU records all cash, cash equivalents and investments at fair value. To maximize investment income, WWU combines funds from all departments into an investment pool. The System records their share of cash, cash equivalents and investments in the same relation as WWU’s investment pool itself. Investment income is allocated to the System in proportion to its average balance in the investment pool.

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

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

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

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

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

Unearned Revenue
Summer quarter, which is the first quarter of WWU’s FY year, begins shortly before June 30. Room and board charges related to FY year 2018 are recorded as unearned revenue.

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

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

Restatement of Net Pension Obligations
During FY 2017, WWU adopted GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB statements 67 and 68.” Statement No. 73 requires that the System record in its statements the net position of the earliest period presented. The Benefits Expense and the Net Pension Obligations amounts for FY 2016 increased by $378,594. The net pension liability information is provided to the System by the Office of State Actuaries. The information provided only allowed the System to restate FY 2016. Restatement of an earlier period was not practical; therefore, FY 2015 information has not been adjusted for comparative presentation.

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

Net Position
The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.

- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities. The

System has internally designated $10,784,753 and $10,784,753 of this balance at June 30, 2017 and 2016, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenues and Expenses

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

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

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

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

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

Premiums/Discounts

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

Administrative Assessment

WWU provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was $1,489,914 and $1,545,022, which was 5.5% of revenues (less food service contract) for the years ending June 30, 2017 and 2016, respectively.

Tax Exemptions

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

Estimates

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System's operating cash is part of WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP), Commercial Paper and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance

Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Commercial paper is rated A1+/P1 and US Treasury and Agency Securities are rated AA+/Aaa by Standard and Poors and Moody's.

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

Fair Value Measurement and Application

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

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

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;
Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities;
Level 3 - Unobservable inputs that are significant to the fair value measurement.

The System's restricted investments of $3,130,223 and $3,059,204 in FY 2017 and FY 2016 respectively are restricted for renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities.

	Fair Value Measurements as of June 30, 2017 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$2,060,249	$ -	$ -	$2,060,249	0.003
Investments					
Certificates of deposit - restricted	1,608,913	-	-	1,608,913	3.241
U.S. Treasuries - restricted	-	1,521,310	-	1,521,310	0.874
Certificates of deposit	562,785	-	-	562,785	2.532
Commercial Paper	1,125,201	-	-	1,125,201	0.045
U.S. Treasuries	-	2,802,071	-	2,802,071	1.688
U.S. Agencies	-	7,723,128	-	7,723,128	1.805
	$5,357,148	$ 12,046,509.00	$ -	$17,403,657	

	Fair Value Measurements as of June 30, 2016 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$2,353,709	$ -	$ -	$2,353,709	0.003
Investments					
Certificates of deposit - restricted	1,521,563	-	-	1,521,563	0.238
U.S. Treasuries - restricted	-	1,537,641	-	1,537,641	1.874
Certificates of deposit	941,708	-	-	941,708	2.565
Commercial Paper	627,154	-	-	627,154	0.090
U.S. Treasuries	-	4,728,033	-	4,728,033	1.858
U.S. Agencies	-	8,703,210	-	8,703,210	2.882
	$5,444,134	$ 14,968,884.00	$ -	$20,413,018	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2017 and 2016 was $6,649,491 and $6,832,845, respectively.

Following are the changes in capital assets for the year ended June 30, 2017:

Description	June 30, 2016	Additions	Reductions	June 30, 2017
Non-depreciable capital assets				
Construction in progress	$2,366,990	7,172,205	(626,826)	$8,912,369
Total non-depreciable capital assets	2,366,990	7,172,205	(626,826)	8,912,369
Depreciable capital assets				
Buildings	124,942,019	812,068		125,754,087
Buildings improvements	33,917,366			33,917,366
Furniture, fixtures, and equipment	7,418,945	450,355	(37,562)	7,831,738
Infrastructure	4,492,564			4,492,564
Total depreciable capital assets	170,770,894	1,262,423	(37,562)	171,995,755
Less Accumulated Depreciation				
Buildings	52,979,557	4,087,244		57,066,801
Buildings improvements	12,297,723	1,798,978		14,096,701
Furniture, fixtures, and equipment	5,444,556	666,707	(37,562)	6,073,701
Infrastructure	2,053,334	106,288		2,159,622
Total accumulated depreciation	72,775,170	6,659,217	(37,562)	79,396,825
Capital assets, net	$100,362,714	$1,775,411	(626,826)	101,511,299

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

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

NOTE 4. NON-CURRENT LIABILITIES

BONDS:

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

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

	June 30, 2017	June 30, 2016
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 $11,400,000 at June 30, 2017 which is reported net of the unamortized original issues premium of $1,334,914.	$12,734,914	$ 14,036,430
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 $6,095,000 at June 30, 2017 which is reported net of the unamortized original issues premium of $222,027.	6,317,027	7,194,394
Series 2009 A & B Housing and Dining Revenue Bonds (original issue price of $12,835,000) with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from $295,000 to $1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of $12,180,000 at June 30, 2017 which is reported net of the unamortized original issue premium of $0.	12,180,000	12,515,000
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of $17,225,000) with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from $825,000 to $1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of $6,460,000 at June 30, 2017, which is reported net of the unamortized original issue premium of $40,162.	6,500,162	7,490,667
	37,732,103	41,236,491
Less current portion	(3,285,000)	(3,170,000)
	$34,447,103	$38,066,491

Following are the changes in non-current liabilities for the year ended June 30, 2017:

Non-current Liabilities	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
BONDS PAYABLE					
Series 2015 Refunding Bonds	$12,450,000	$ -	($1,050,000)	$11,400,000	$1,070,000
Series 2012 Refunding Bonds	6,905,000	-	(810,000)	6,095,000	840,000
Series 2009 Revenue Bonds	12,515,000	-	(335,000)	12,180,000	345,000
Series 1998 Junior Lien Revenue Refunding	7,435,000	-	(975,000)	6,460,000	1,030,000
	39,305,000	-	(3,170,000)	36,135,000	3,285,000
Plus unamortized premium	1,931,491	-	(334,388)	1,597,103	-
Less unamortized discount	-	-	-	-	-
Total Bonds Payable	41,236,491	-	(3,504,388)	37,732,103	3,285,000
Pension Obligation	1,913,199	41,447		1,954,646	-
Total Non-current liabilities	$ 43,149,690	$ 41,447	$ (3,504,388)	$ 39,686,749	$ 3,285,000

Following are the changes in non-current liabilities for the year ended June 30, 2016:

Non-current Liabilities	June 30, 2015	Additions	Reductions	June 30, 2016	Current Portion
BONDS PAYABLE					
Series 2015 Refunding Bonds	$13,435,000	$ -	($985,000)	$12,450,000	$1,050,000
Series 2012 Refunding Bonds	7,690,000	-	(785,000)	6,905,000	810,000
Series 2009 Revenue Bonds	12,835,000	-	(320,000)	12,515,000	335,000
Series 1998 Junior Lien Revenue Refunding	8,355,000	-	(920,000)	7,435,000	975,000
	42,315,000	-	(3,010,000)	39,305,000	3,170,000
Plus unamortized premium	2,294,662	-	(363,171)	1,931,491	-
Less unamortized discount	-	-	-	-	-
Total Bonds Payable	44,609,662	-	(3,373,171)	41,236,491	3,170,000
Pension Obligation	1,508,789	404,410		1,913,199	-
Total Non-current liabilities	$ 46,118,451	$ 404,410	$ (3,373,171)	$ 43,149,690	$ 3,170,000

Total interest incurred on bonds payable for the years ended June 30, 2017 and June 30, 2016 was $2,012,596 and $2,149,163, respectively.

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

	Principal	Interest	Total
2018	3,285,000	1,921,943	5,206,943
2019	3,390,000	1,797,112	5,187,112
2020	3,530,000	1,656,290	5,186,290
2021	3,710,000	1,473,627	5,183,627
2022	3,905,000	1,277,439	5,182,439
2023-2027	11,520,000	4,127,870	15,647,870
2028-2032	4,620,000	1,832,580	6,452,580
2033-2034	2,175,000	243,460	2,418,460
	36,135,000	14,330,321	$50,465,321
Plus unamortized premiums	1,597,103		
	$37,732,103		

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2017 and 2016, these commitments totaled $11,370,731 and $10,040,364 respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

In FY 2012 Aramark contracted with WWU to manage the dining services provided by the System. As part of this contract, Aramark agreed to provide a contribution totaling $7,314,000 to the System as a financial commitment for the acquisition of capital and non-capital assets. $0 and $238,592 of that amount was used in FY 2017 and FY 2016 respectively.

NOTE 7. PENSION PLANS

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 2 and the Western Washington University Retirement Plan (WWURP).

As employees of WWU, the full-time System employees are participants in WWURP and PERS. The System contributes to PERS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The System contributed approximately $301,538, $277,777 and $235,373 to these plans in FY 2017, FY 2016 and FY 2015 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

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

In accordance with Statement No. 68, the System has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.
The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the System, for fiscal year 2017:

Housing & Dining	
Aggregate Pension Amounts - PERS 1, 2 & 3	
Pension liabilities	(1,604,567)
Pension assets	-
Deferred outflows of resources related to pensions	375,208
Deferred inflows of resources related to pensions	(29,369)
Pension expense/expenditures	(43,842)

The following table represents the aggregate pension amounts for the WWURP plan subject to the requirements of GASB Statement No. 73 for Housing & Dining, for FY 2017.

Aggregate Pension Amounts WWURP - Housing & Dining	
Pension liabilities	($350,077)
Pension assets	-
Deferred outflows of resources related to pensions	-
Deferred inflows of resources related to pensions	($96,632)
Pension expense/expenditures	$68,115

Investments

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

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

Department of Retirement Systems

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

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

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

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

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

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

Higher Education

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

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

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

Funding Policy

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

Supplemental Component

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

This supplemental defined benefit plan component is subject to the reporting requirements of GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68."

Benefits Provided. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The monthly amount of benefits payable at the time of retirement exceeds one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of fifty percent of the member's average annual Salary) over an assumed annuity benefit. The supplemental component was closed to new entrants as of July 1, 2011.

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

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

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016, measurement date.

Plan Membership. Membership of the total Western Washington University Retirement Plan consisted of the following at June 30, the date of the latest actuarial valuation for the plan.

Number of Participating Members				
WWURP	Inactive Members (Or Beneficiaries) Currently Receivng Benefits	Inactive Members Entitled To But Not Yet Receivng Benefits	Active Members	Total Members
2016	48	1	646	695
2015	40		775	815

This data is not available at the auxiliary level.

Change in Total Pension Liability/(Asset) The following table presents the change in total pension liability/(asset) of the Higher Education supplemental Retirement Plan WWURP at June 30,2017, the latest measurement date:

Schedule of Changes in Total Pension Liability WWURP - Housing & Dining	
Total Pension Liability	**2017**
Service cost	$5,193
Interest	4,136
Changes of benefit terms	-
Differences between expected & actual experience	(25,933)
Changes in assumptions	(10,448)
Benefit payments	(1,465)
Other	-
Net Change in Total Pension Liability	**($28,517)**
Total Pension Liability - Beginning	**$378,594**
Total Pension Liability - Ending	**$350,077**

Aggregate Pension Amounts WWURP - Housing & Dining	
Pension liabilities	($350,077)
Pension assets	-
Deferred outflows of resources related to pensions	-
Deferred inflows of resources related to pensions	($96,632)
Pension expense/expenditures	$68,115

Sensitivity of the Total Pension Liability/Asset to changes in the Discount Rate. The following presents the total pension liability of WWU-Housing & Dining 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.

WWURP-Housing & Dining	
Total Pension Liability (Asset) Interest Rate Sensitivity	
1% Decrease	$399,812
Current Discount Rate	$350,077
1% Increase	$308,626

WWURP-H & D	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$68,880
Changes of assumptions	-	27,752
Net Difference between projected and actual earnings on pension plan investments	-	-
Change in proportion	-	-
Contributions subsequent to the measurement date	-	-
Total	$ -	$96,632

Amount 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:

WWURP-H & D	
2018	($16,952)
2019	(16,952)
2020	(16,952)
2021	(16,952)
2022	(16,952)
Thereafter	(11,874)

Public Employees' Retirement System Plan 3

Plan Description

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

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

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

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

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

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

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

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

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

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

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

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

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

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

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

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

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

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

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

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

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

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for FY 2017 and FY 2016 are presented in Table form later in this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015 with the results rolled forward to the June 30, 2016 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

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

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

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

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire fifty-year measurement period.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the following table:

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

The inflation component used to create the above table is 2.20 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the 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, 2017 and 2016, the System reported $714,901 and $923,390 respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of $889,666 and $611,215 were reported for PERS 2/3 in 2017 and 2016 respectively. The System's proportion for PERS 1 in FY 2017 was .0133 percent, a decrease of 0.0043 percent since the prior reporting period when its proportionate share was 0.0176 percent. The System's proportion for PERS 2/3 in FY 2017 was 0.0177 percent, an increase of 0.0006 percent since the prior reporting period when its proportionate share was 0.0171 percent. The proportions are based on the System's contributions to the pension plan relative to the contributions of all participating employers.

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

PERS 1 The System's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$862,098
Current Discount Rate	$714,901
1% Increase	$588,228

PERS 2/3 The System's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$1,638,035
Current Discount Rate	$889,666
1% Increase	($463,122)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended June 30, 2017 and 2016, the System recognized a PERS 1 pension expense of $(4,201) and $(322,964) respectively; a pension expense of $225,994 and $(44,546) was recognized for PERS 2/3 in 2017 and 2016 respectively. At June 30, 2017, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Housing and Dining System PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$0	$0
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	18,000	-
Change in proportion	-	-
Contributions subsequent to the measurement date	103,561	-
Total	$121,561	$0

Housing and Dining System PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$47,374	$ (29,369)
Changes of assumptions	9,195	-
Net Difference between projected and actual earnings on pension plan investments	108,869	-
Change in proportion	(1,308)	-
Contributions subsequent to the measurement date	89,516	-
Total	$253,647	$ (29,369)

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

PERS 1	
2017	($4,432)
2018	($4,432)
2019	$16,531
2020	$10,333
2021	-
Thereafter	-

PERS 2/3	
2017	$14,720
2018	$13,451
2019	$104,728
2020	$60,601
2021	-
Thereafter	-

TABLE 1: Required Contribution Rates

Required contribution rates expressed as a percentage of current year covered payroll are shown below. The University Housing and Dining System and the employees made the required contributions. The System's required contributions for the year ending June 30 are as follows:

	Contribution Rates at June 30, 2017		Required Employer Contributions		
	Employee	University	FY 2017	FY 2016	FY 2015
PERS					
Plan 1	6.00%	11.18%	$0	$1,725	$6,987
Plan 2	6.12%	11.18%	152,637	154,228	122,129
Plan 3	5.00-15.00% **	11.18% *	33,543	29,053	20,387

*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, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 1	6.00%	11.18%	$6,987	$11,393	$8,644
Plan 2	6.12%	11.18%	122,129	117,045	85,559
Plan 3	5.00-15.00% **	11.18% *	20,387	18,617	17,321

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

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

NOTE 9. SUBSEQUENT EVENT

On October 13, 2017. The Board of Trustee of Western Washington University approved resolution number 2017-10 authorizing the issuance and sale of Housing and Dining System revenue and refunding bonds in the principal amount not to exceed $52,540,000 in one or more series for the purpose of making capital improvements and refunding certain outstanding Housing and Dining System.

RSI

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

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

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

	2014	2015	2016
Housing & Dining System PERS 1 employers' proportion of the net pension liability	0.016016%	0.014991%	0.014101%
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability	$1,157,409	$923,390	$714,901
Housing & Dining System PERS 1 employers' covered-employee payroll	$1,668,417	$1,638,193	$1,657,519
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.37%	56.37%	43.13%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%

* 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

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

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

	2014	2015	2016
Housing & Dining PERS 2/3 employers' proportion of the net pension liability	0.017383%	0.017453%	0.017670%
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability	$351,380	$611,215	$889,666
Housing & Dining System PERS 2/3 employers' covered-employee payroll	$1,496,262	$1,547,592	$1,681,103
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	39.49%	52.92%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%

* 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.

Cost Sharing Employer Plans

Schedule of Housing and Dining System's Proportionate Share of the WWURP Total Pension Liability

Schedule of WWU's Total Pension Liability
WWURP - Housing & Dining
Fiscal Year ended June 30*
(dollars in thousands)

	2016	2017
WWU URP total pension liability	$379	$350
WWU URP employers' covered-employee payroll	$467	$486
WWU URP total pension liability as a percentage of its covered-employee payroll	81.07%	71.99%

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of Participating in PERS plan 1	UAAL Contributions related to covered payroll of employees Participating in PERS plan 2/3	Total Contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$ 70,271	$ 6,987	$ 63,284	$ 70,271	$ -	$ 64,093	$ 1,574,100	$ 1,638,193	4.29%
2016	$ 81,299	$ 1,725	$ 79,574	$ 81,299	$ -	$ 56,704	$ 1,600,815	$ 1,657,519	4.90%
2017	$ 79,456	$ -	$ 79,456	$ 79,456	$ -	$ 43,181	$ 1,565,004	$ 1,608,185	4.94%
2018									
2019									
2020									
2021									
2022									
2023									
2024									

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contributi deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$ 79,233	$ 79,233	$ -	$ 1,547,592	5.12%
2016	$ 103,708	$ 103,708	$ -	$ 1,681,103	6.17%
2017	$ 103,777	$ 103,777	$ -	$ 1,666,293	6.23%
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

Schedule of Contributions
WWURP Plan - Housing & Dining
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
2016	$91,087	$91,087	$0	$466,976	19.51%
2017	$113,948	$113,948	$0	$486,293	23.43%
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					

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

OTHER INFORMATION

SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2017

(Unaudited)

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	$10,755.00	$10,350.00	$9,952.00	$9,542.00
Single room/single occupancy	11,858.00	11,453.00	11,055.00	10,645.00
Double room/single occupancy (super single)	12,495.00	12,090.00	11,692.00	11,282.00
Triple room/triple occupancy	9,412.00	9,007.00	8,609.00	8,199.00

APARTMENTS

	Double with 2/bedroom	Super single 1/bedroom	Family rate
Apartment only Academic Year Contracts			
Birnam Wood - 2 bedroom units	$3,414.00	$6,813.00	$13,644.00

SCHEDULE OF OCCUPANCY

Year Ended June 30, 2017

(Unaudited)

	OCCUPANCY CAPACITY		ACTUAL	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed (1)	Operating (2)	OCCUPANCY	Designed Capacity	Operating Capacity
Fall 2016	4,166	4,050	4,001	96.0%	98.8%
Winter 2017	4,166	4,050	3,842	92.2%	94.9%
Spring 2017	4,166	4,050	3,689	88.6%	91.1%
Average	4,166	4,050	3,844	92.3%	94.9%

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

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

SCHEDULE OF INSURANCE COVERAGE FY 2017

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

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

- The policy limit is $500,000,000 per occurrence, with an aggregate limit of $100,000,000 for earthquake and flood damage. There is a $250,000 deductible per occurrence that increases to 3% of the value of damaged property subject to a $250,000 minimum for earthquake and flood damage.

- Equipment breakdown insurance (a.k.a. boiler and machinery insurance) – State of Washington Program, $150,000,000 property damage limit subject to a $5,000 deductible on covered equipment.

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

The Housing and Dining System's property insurance in effect at June 30, 2017 is summarized as follows:

		Insured Value
Ridgeway Residences and Commons		$106,377,959
Fairhaven Residences and Commons		82,894,312
Buchanan Towers		59,924,331
Edens Hall and Edens Hall North		38,442,475
Viking Union, Additions and Commons		67,842,882
Birnam Wood Residences		58,825,531
Nash Hall		32,808,848
Mathes Hall		32,164,541
Higginson Hall		21,512,578
Commissary		20,036,648
Highland Hall		9,720,428
Lakewood Student Center		2,726,694
	Building Insured Values	$533,277,227
	Insured Contents	15,238,761
	Total System Values	$548,515,988

EXPENDED FOR PLANT FACILITIES FY 2017 and FY 2016

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

	2017	2016
Capitalized Projects		
Gamma Renovation	$5,057,937	$1,172,871
New Residence Planning	659,998	122,167
Carver Dining Addition	644,888	
VU Ethnic Student Center	593,799	131,208
Buchanan Towers Kitchen & Bath Renov	269,127	626,825
Other capitalizable	131,700	203,937
Kappa Sprinklers & Renovation		2,661,734
Nash Fire Sprinklers & Renovation		2,016,283
	$7,357,449	$6,935,025
Non-Capitalized Projects		
Nash Mechanical Room	$1,123,541	$ -
Moisture intrustion & Foundations	806,564	878,364
Furniture & Carpet	492,276	40,231
Stormwater & Site Drainage	356,447	138,714
Other	337,286	223,744
Fire Safety / Safety Corrections	329,909	117,058
Painting	310,312	277,302
Plumbing, heating and electrical	244,294	593,771
Viking Union Projects	49,423	69,733
Network & WiFi projects	5,898	95,686
Equipment	35,329	15,893
Building Envelope Renovation	74,505	
Roof Repair/Recoat/Replace	47,852	557,612
Bathroom & Shower renovations	36,922	26,537
Facility Condition Audit	5,972	249,581
Media Installations	4,776	576
ADA Upgrades	369	1,117
	$4,261,674	$3,285,919

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