*WADE KING STUDENT RECREATION CENTER*

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## *WADE KING STUDENT RECREATION CENTER*
## *MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2017 and 2016*

### Overview
Western Washington University Wade King Student Recreation Center (the Recreation Center) is a state of the art open recreation fitness and wellness facility that has been created and shaped by the vision and support of Western Washington University (WWU) students. The Recreation Center was one of the nation's first recreation centers designed to meet Leadership in Energy and Environmental Design (LEED).

The following discussion and analysis provides an overview of the financial position and activities of the Recreation Center for the fiscal 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 Recreation Center's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

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

### Statement of Net Position
The Statement of Net Position presents the financial condition of the Recreation Center at the end of the fiscal year (FY) and report all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount owed to vendors and other parties. 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 Recreation Center.

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

| | 2017 | 2016 Restated | 2015 |
|---|---|---|---|
| **Assets** | | | |
| Current assets | $713,038 | $548,058 | $690,260 |
| Noncurrent assets | 3,216,251 | 3,109,892 | 2,771,684 |
| Capital assets, net | 21,144,605 | 22,078,488 | 22,941,211 |
| Total assets | 25,073,894 | 25,736,438 | 26,403,155 |
| **Deferred Outflows** | 424,311 | 430,183 | 450,643 |
| **Liabilities** | | | |
| Current liabilities | 1,207,693 | 1,263,539 | 1,195,236 |
| Noncurrent liabilities | 22,062,073 | 22,697,472 | 23,600,069 |
| Total liabilities | 23,269,766 | 23,961,011 | 24,795,305 |
| **Deferred Inflows** | 32,660 | 54,556 | 104,519 |
| **Net Position** | | | |
| Net investment in capital assets | (983,121) | (794,833) | (652,329) |
| Restricted for system renewal and replacements | 2,623,964 | 2,437,157 | 2,334,830 |
| Unrestricted | 554,936 | 508,730 | 271,473 |
| Total net position | $2,195,779 | $2,151,054 | $1,953,974 |

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets decreased $662,544 (-2.6%) in fiscal year (FY) 2017 and decreased $666,717 (-2.5%) during FY 2016.

Total Cash and Investments increased $263,952 (7.4%) during FY 2017 (see Note 4) primarily due to increases to both long-term and short-term investments. 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. Total current assets increased $164,980 (30.1%) during FY 2017 primarily due to increases in cash and cash equivalents and short-term investments, plus a small increase in accounts receivable. Total current assets decreased $142,202 (-20.6%) during FY 2016 due to a combined decrease in cash and cash equivalents and short term investments as a result of WWU optimizing the investment policy strategy to maximize returns while ensuring liquidity needs and managing interest rate risk. The receivable from the Foundation did not change in FY 2017 but did decrease in FY 2016 by $11,169 (-99.7%) due to the purchase of equipment out of the Wade King Foundation fund. The Recreation Center is no longer receiving an annual contribution to this Foundation fund.

Total noncurrent assets, excluding net capital assets, increased $106,359 (3.4%) and $338,208 (12.2%) during FY 2017 and FY 2016, respectively, primarily due to an increase in restricted long-term investments.

During FY 2017, net capital assets decreased $960,270 (-4.3%) due to depreciation of $971,743 offset with an increase in capital fitness equipment of $11,473. FY 2016 saw new capital assets decrease by $862,723 (-3.8%) due to depreciation of $956,449 offset with an increase in capital fitness equipment of $93,726.

Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year. Current liabilities decreased $55,846 (-4.4%) in FY 2017 due to reduced accounts payable and unearned revenue balances offset by an increase in the current portion of the bonds payable. In FY 2016 current liabilities increased $68,303 (5.7%) primarily due to increased accounts payable and accrued expenses from invoices relating to equipment purchases.

Non-current liabilities (see Note 4) decreased $635,399 (-2.8%) in FY 2017 and $902,597 (-3.8%) in FY 2016. The decrease in FY 2017 was primarily due to the scheduled debt service principal payment of $750,000 offset by an increase of $159,723 in the net pension liability recognition. The decrease in non-current liabilities in FY 2016 was due to the scheduled debt service principal payment of $725,000 and a decrease of $126,854 in the net pension liability recognition. During FY 2015, the Recreation Center adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions. This statement requires the Recreation Center to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (See note 5). During FY 2017, the Recreation Center 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. This adoption of GASB 73 also affected the net pension liability recognition for both FY 2016 and FY 2017 (See note 5).

The difference between assets and deferred outflows less 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. In FY 2017 total net position increased by $44,725 (2.1%) while in FY 2016, total net position increased $197,080 (10.1%).

Net investment in capital assets increased (as a negative) by $188,288 (23.7%) in FY 2017 and by $142,504 (21.8%) in FY 2016 as the Recreation Center facility is depreciating at a faster rate than the related debt is repaid.

Restricted for system renewals and replacements increased to $186,807 (7.7%) in FY 2017 and by $102,327 (4.4%) in FY 2016 as contributions to this fund exceeded expenditures. Funds for renewal and replacement are set aside according to the capital and maintenance plan required by the debt covenants. These funds are classified as restricted on the Statement of Net Position.

## 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 Recreation Center'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 goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided 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 premium.

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

| | 2017 | 2016 Restated | 2015 |
|---|---|---|---|
| Operating revenues | $ 4,645,130 | $ 4,607,259 | $ 4,525,656 |
| Operating expenses | (3,752,291) | (3,537,749) | (3,520,079) |
| Income from operations | 892,839 | 1,069,510 | 1,005,577 |
| Nonoperating revenues | 35,141 | 31,325 | 17,885 |
| Nonoperating expenses | (883,255) | (903,755) | (928,743) |
| Increase in net position | 44,725 | 197,080 | 94,719 |
| Net position, beginning of year | 2,151,054 | 1,953,974 | 2,236,801 |
| Restatement | - | - | (377,546) |
| Net position, beginning of year restated | 2,151,054 | 1,953,974 | 1,859,255 |
| Net position, end of year | $ 2,195,779 | $ 2,151,054 | $ 1,953,974 |

## Revenues

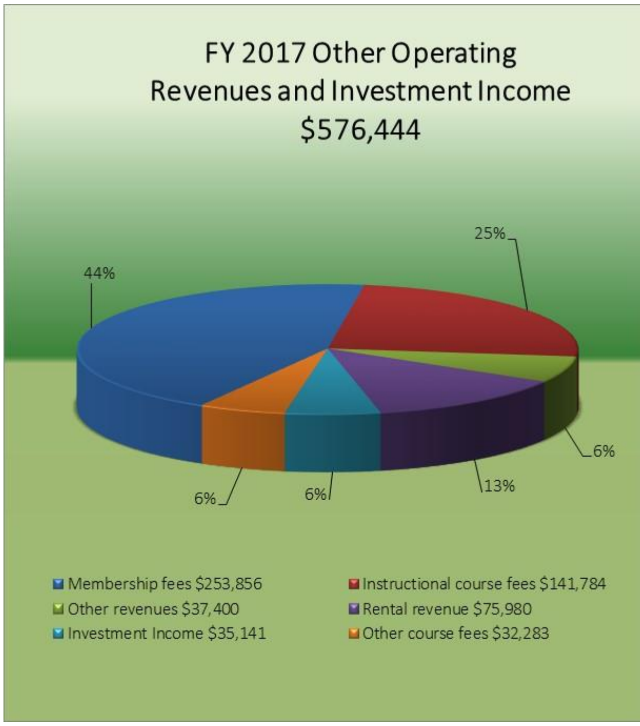
The Recreation Center's largest source of revenue is a $99 per quarter mandatory service and activity (S&A) fee entitled the "Student Recreation Fee" for use of the facility for those students taking six or more credits on WWU's main campus. The revenue, which is net of an RCW required 3.5% allocation to an institutional financial aid fund (See Note 1) increased slightly by $7,062 (0.17%) during FY 2017. Even though there was no fee increase, the academic yearly average (AYA) of students taking 6 or more credits increased to 13,455 from 13,431 in FY 2016. The AYA does not include summer term. S&A revenue increased during FY 2016 by $28,988 (0.7%) when compared to FY 2015 due to higher AYA of students.

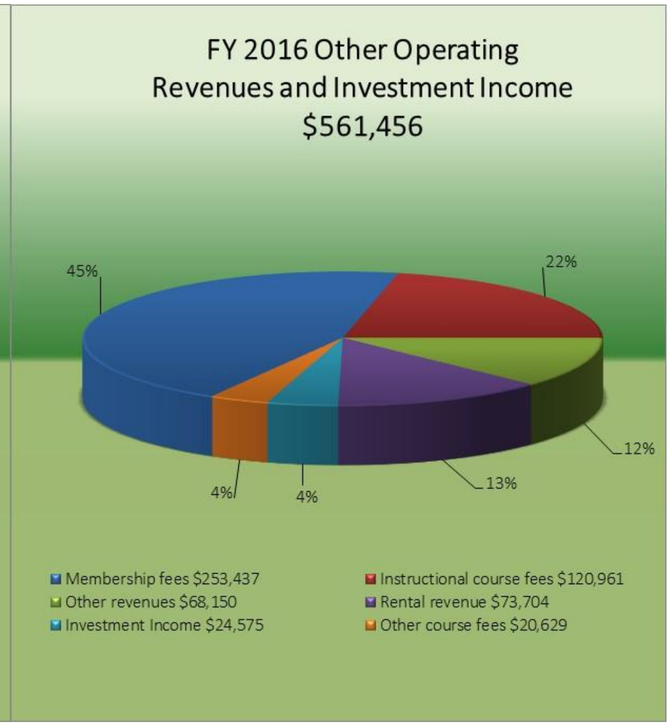
Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. Voluntary memberships were nearly a mirror image of the previous fiscal year with only an increase of $419 (0.17%) in FY 2017 when compared to FY 2016. These same memberships increased by $26,988 (11.9%) in FY 2016 when compared to FY 2015 as a result of groups displaced by the Carver Academic Renovation project who had been paying to utilize that facility.

Instructional course fees increased during FY 2017 by $20,823 (17.2%) due to increased programming in aquatics, fitness and Faculty/Staff Wellness. These course fees increased in 2016 by $12,840 (11.9%) due to the addition of the Faculty/Staff Wellness programs.

In FY 2017, rental revenue was on par with a slight increase of $2,276 (3.1%). This revenue increased $8,188 (12.5%) in FY 2016 as a result of additional groups utilizing the Recreation Center that were displaced by the Carver Academic Renovation project, particularly Extended Education.

The significant increase in aquatic programming (swim lessons) caused the category of other course revenue fees to rise $11,654 (56.5%) in FY 2017. Other course revenue fees, which also include summer sport camps, saw a small decrease of $1,151 (-5.3%) during FY 2016 due to lower camp registrations.




**Expenses**

The largest category of expenses for the Recreation Center is student and staff salaries and benefits expense. Salaries and benefits comprised 48.0% of the total operating expenses in FY 2017 compared to 42.0% in FY 2016. The increase of $316,756 (21.5%) is due to the change in the net pension expense recognition as required by GASB Statement No. 68 and GASB Statement No. 73 (see Note 5). The decrease of $95,861 (-6.1%) in FY 2016 is due to the required restatement as the Recreation Center adopted GASB Statement No. 73 pension liability reporting (see note 1) and GASB 68 pension adjustments combined with salary increases for professional and classified staff. Also during FY 2016 health care premiums increased $2,136 per eligible employee and a nearly 2.0% rate increase in certain defined benefit pension plans.

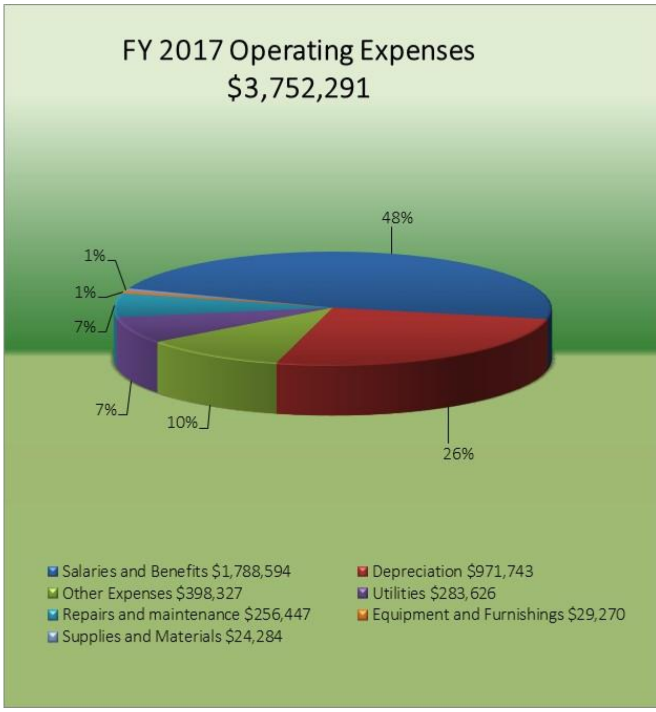
Total utility expense in FY 2017 was $283,626, a $2,886 (-1.0%) decrease from FY 2016. This slight decrease can be directly attributed to less use of electricity in FY 2017. Utility expenses in FY 2016 were $286,512, a $4,884 (1.7%) increase from FY 2015. This increase was due to a larger use of water/sewer offset by lower electricity consumption.

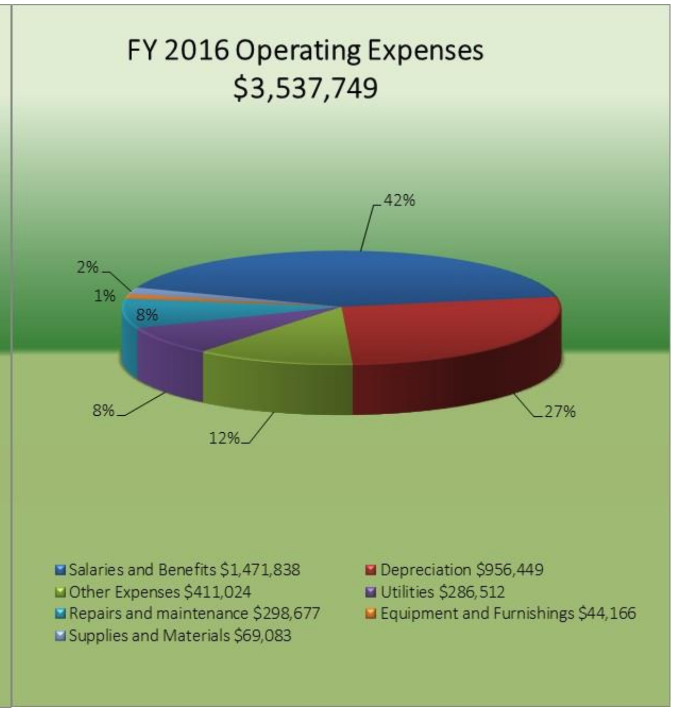
Repairs and maintenance decreased by $42,230 (-14.1%) in FY 2017 due to fewer maintenance projects and repairs. In FY 2016 repairs and maintenance increased by $138,448 (86.4%) when compared to FY 2015 due to lighting upgrades and pool repairs.

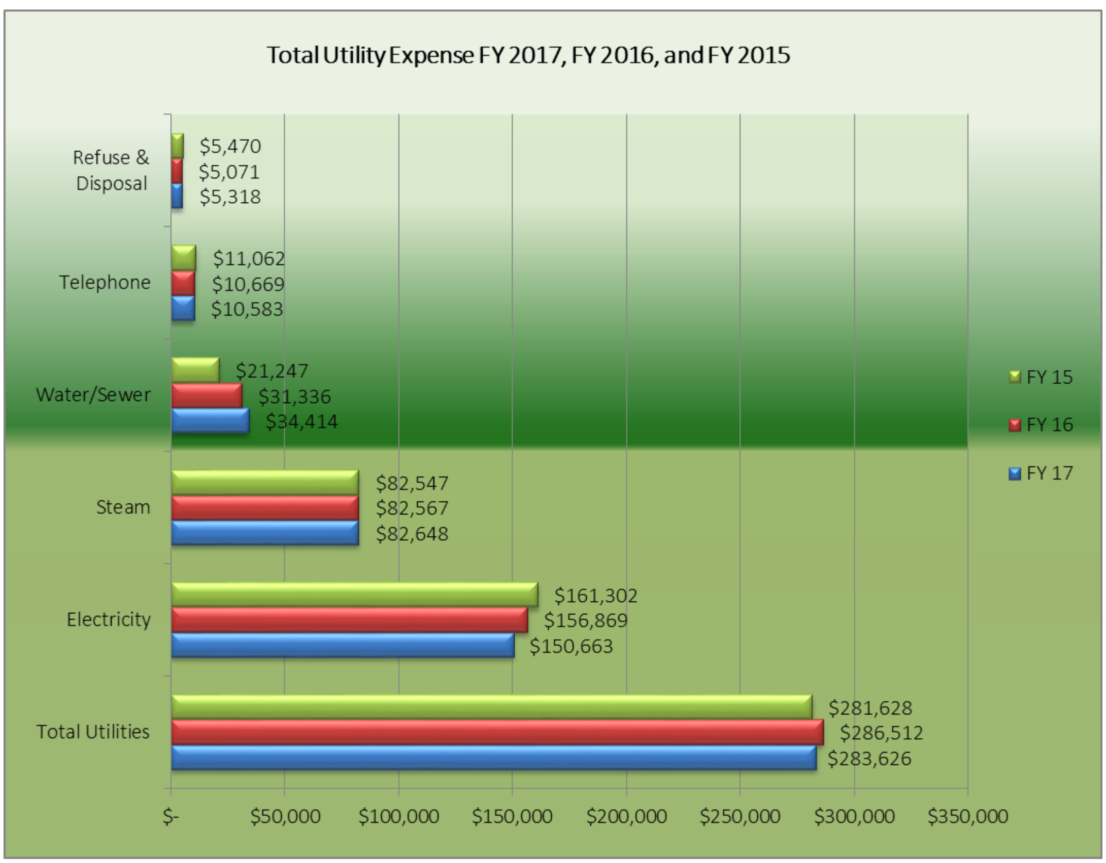
The Recreation Center has an equipment replacement plan that budgets $100,000 per year in equipment replacement and refurbishment. The Recreation Center spent $29,270 in FY 2017 for non-capital equipment. This was a $14,896 (-33.7%) decrease when compared to FY 2016. The anticipated budget spending of $100,000 did not occur in FY 2017
and thus will be reflected in the next fiscal year. During FY 2016, the Recreation Center spent $44,166 to maintain its equipment needs. This was a decrease of $7,763 (-14.9%) from FY 2015.

In FY 2017, supplies and materials decreased significantly. There was a $44,799 (-64.8%) decrease from FY 2016 due to adequate supplies purchased in the previous fiscal year. In FY 2016 supplies and materials increased $6,924 (11.1%) from FY 2015 due to demand on office supplies.

WWU's administrative services assessment (ASA) fee increased by $282 (0.11%) in FY 2017. In FY 2016 the ASA fee increased by $4,058 (1.7%). The rate charged against the Recreation Center revenues was 5.5% for both FY 2017 and FY 2016.



## Reserve Funds

Bond Covenants require an annual addition to the renewal and replacement (R&R) reserve based on management's assessment of the funding level necessary to maintain the facility over the long term. Management reaffirmed the Facilities Management lifecycle maintenance plan for major maintenance and building repair and increased the annual contribution to $250,000 beginning in FY 2009 to meet anticipated building maintenance and repairs expenses. As planned, $250,000 was placed into the R&R reserve for FY 2017, FY 2016, and FY 2015. Various maintenance projects over the course of FY 2017 reduced the reserve amount by $82,977. At June 30, 2017, the total restricted and unrestricted R&R balance was $2,861,391. The restricted funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in FY 2005 for unforeseen or extraordinary expenses. The reserve acts as an emergency fund for unplanned repairs, insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance or for the purchase of new equipment. No funds were used in FY 2017 and FY 2016 for any purchases. In FY 2015, $7,081 was spent on non-capital equipment. The Recreation Center transferred $260,000 to the Team Rooms project expansion of the Harrington Field in FY 2015. Sport clubs, Intramural Teams and Athletics share this facility. Contributions to this reserve in the past three years include $100,000 in FY 2017, $75,000 in FY 2016 and $100,000 in FY 2015. At June 30, 2016 the Operating Reserve balance was $701,214.

The King family made an annual donation of $50,000 over the first seven years of their gift commitment, totaling $350,000. Their annual contribution to the Recreation Center was restructured in FY 2011 as an estate gift. This Foundation reserve fund is dedicated to maintaining the quality of the facility and its programs, and supports students directly as well. In FY 2017 $0 was spent on capital and non-capital equipment. $11,169 was spent in FY 2016 and $2,709 was spent in FY 2015 on non-capital equipment to improve the weight and fitness areas. Portions of the donations have been used in the past for youth programming scholarships and certain equipment upgrades.

## Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for FY 2017, 2016, and 2015 were 2.85, 2.84, and 2.80, respectively. Bond covenants require a debt service ratio of at least 1.25. This ratio is calculated by dividing total operating revenues and investment income by the actual annual debt service paid during the fiscal year on the outstanding revenue bonds. The debt services amounts for FY 2017, FY 2016 and FY 2015 were $1,632,600, $1,629,350, and $1,625,350, respectively.

## Utilization Rates

Total number of visits have increased, but utilization as a percentage of students enrolled has decreased with 12,043 (89.5%) of the estimated 13,455 AYA enrolled students using the facility during the course of FY 2017. This utilization rate was lower than the 12,187 (90.7 %) of the estimated 13,431 AYA enrolled students who utilized the recreation center in FY 2016 as well as down from the 13,016 (98.1%) of the 13,269 AYA who utilized the recreation center in FY 2015. AYA does not include summer term. Utilization information is recorded in the Recreation Center's software system when students present their membership cards upon entry to the facility. Visits by members and non-members totaled 446,826 during FY 2017, compared with 425,180 during FY 2016 and 414,199 in FY 2015. The highest number of visits in a given day exceeded 3,300 in FY 2017, which is an increase from the 2,900 in FY 2016 and 3,000 in FY 2015.

### Economic Factors That Will Affect the Future

The groups that have been displaced by the Carver Academic renovation project will vacate the Recreation Center in the Fall of 2017. The absence of these groups will have an economic impact on the memberships and rental revenue for the Recreation Center in FY 2018. Memberships and interdepartmental rental will drop in the upcoming fiscal year. The Recreation Center has budgeted approximately $100,000 for fitness equipment during FY 2018. This is congruent with the equipment replacement schedule that was set forth at the start of the Recreation Center.

# Office of the Washington State Auditor
# Pat McCarthy

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 27, 2017

Board of Trustees
Western Washington University Wade King Student Recreation Center
Bellingham, Washington

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Wade King Student Recreation Center, Whatcom County, Washington, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Recreation Center's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Recreation Center'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 Recreation Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Wade King Student Recreation Center, as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Matter of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Wade King Student Recreation, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that are attributable to the transactions of the Recreation Center. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2017 and 2016 and changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

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

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 27, 2017, on our consideration of the Recreation Center'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 Recreation Center's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

| Assets | 2017 | 2016 Restated |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents (Note 2) | $177,753 | $156,557 |
| Investments (Note 2) | 459,743 | 323,346 |
| Accounts receivable, net of allowance of $7,728 in 2017 and $6,074 in 2016 | 72,573 | 65,165 |
| Receivable from Western Washington University Foundation, net | 34 | 34 |
| Inventory | 2,935 | 2,956 |
| Total current assets | 713,038 | 548,058 |
| Noncurrent assets | | |
| Investments (Note 2) | 591,726 | 672,735 |
| Restricted cash and cash equivalents (Note 2) | 378,790 | 330,478 |
| Restricted investments (Note 2) | 2,245,735 | 2,106,679 |
| Capital assets, net (Note 3) | 21,144,605 | 22,078,488 |
| Total noncurrent assets | 24,360,856 | 25,188,380 |
| Total assets | 25,073,894 | 25,736,438 |
| **Deferred Outflows** | | |
| Relating to pensions (Note 5) | 48,247 | 24,592 |
| Deferred loss on bond refunding | 376,064 | 405,591 |
| | 424,311 | 430,183 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | 6,702 | 72,957 |
| Accrued wages and benefits | 164,231 | 162,440 |
| Unearned revenue | 123,410 | 131,042 |
| Interest payable | 143,350 | 147,100 |
| Current portion of bonds payable (Note 4) | 770,000 | 750,000 |
| Total current liabilities | 1,207,693 | 1,263,539 |
| Noncurrent liabilities | | |
| Net pension liability (Note 4, 5) | 328,283 | 168,560 |
| Bonds payable, less current portion (Note 4) | 21,733,790 | 22,528,912 |
| Total noncurrent liabilities | 22,062,073 | 22,697,472 |
| Total liabilities | 23,269,766 | 23,961,011 |
| **Deferred Inflows** | | |
| Relating to pensions (Note 5) | 32,660 | 54,556 |
| Total deferred inflows | 32,660 | 54,556 |
| **Net Position** | | |
| Net investment in capital assets | (983,121) | (794,833) |
| Restricted for system renewals and replacements | 2,623,964 | 2,437,157 |
| Unrestricted | 554,936 | 508,730 |
| Total net position | $2,195,779 | $2,151,054 |



*See Notes to Financial Statements*

| | 2017 | 2016 |
|---|---|---|
| **Operating Revenues** | | |
| Service and activity fees, net of mandatory transfer | $4,077,440 | $4,070,378 |
| Staff, faculty and alumni membership fees | 253,856 | 253,437 |
| Instructional course fees | 141,784 | 120,961 |
| Other course fees | 32,283 | 20,629 |
| Rental revenue | 75,980 | 73,704 |
| Other revenues | 63,787 | 68,150 |
| Total operating revenues | 4,645,130 | 4,607,259 |
| **Operating Expenses** | | |
| Salaries and benefits | 1,788,594 | 1,471,838 |
| Depreciation | 971,743 | 956,449 |
| Utilities | 283,626 | 286,512 |
| Repairs and maintenance | 256,447 | 298,677 |
| Equipment and furnishings | 29,270 | 44,166 |
| Supplies and materials | 24,284 | 69,083 |
| Administrative assessment | 250,017 | 249,735 |
| Insurance | 32,903 | 25,381 |
| Other | 115,407 | 135,908 |
| Total operating expenses | 3,752,291 | 3,537,749 |
| Income from operations | 892,839 | 1,069,510 |
| **Nonoperating Revenues (Expenses)** | | |
| Investment income | 35,141 | 24,575 |
| Gift income | - | 6,750 |
| Interest expense | (878,850) | (898,975) |
| Amortization of bond premiums | (4,405) | (4,780) |
| Total nonoperating revenues (expenses) | (848,114) | (872,430) |
| Increase in net position | 44,725 | 197,080 |
| **Net Position, Beginning of Year** | 2,151,054 | 1,953,974 |
| **Net Position, End of Year** | $2,195,779 | $2,151,054 |



*See Notes to Financial Statements*

| | 2017 | 2016 Restated |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash received from students and other customers | $4,630,089 | $4,595,035 |
| Payments to employees | (1,672,631) | (1,669,426) |
| Payments to suppliers | (1,058,187) | (1,040,746) |
| Net cash flows provided by operating activities | 1,899,271 | 1,884,863 |
| **Cash Flows from Noncapital Financing Activities** | | |
| Gift Income from the Foundation | - | 17,919 |
| Net cash flows provided by(used in) noncapital activities | - | 17,919 |
| **Cash Flows from Investing Activities** | | |
| Net purchases of investments in internal investment pool | (194,444) | (976,169) |
| Investment income received | 35,141 | 24,575 |
| Net cash flows (used in)/provided by investing activities | (159,303) | (951,594) |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Purchases of equipment | (37,860) | (93,726) |
| Interest paid on capital debt | (882,600) | (904,349) |
| Principal paid on capital debt | (750,000) | (725,000) |
| Net cash used in capital and related financing | (1,670,460) | (1,723,075) |
| Net (decrease)/increase in cash and cash equivalents | 69,508 | (771,887) |
| Cash and cash equivalents, beginning of year | 487,035 | 1,258,922 |
| Cash and cash equivalents, end of year | $556,543 | $487,035 |
| **Reconciliation of Operating Income to Net Cash Provided to Operating Activities** | | |
| Income from operations | $892,839 | $1,069,510 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Depreciation | 971,743 | 956,449 |
| Net pension expense | 114,172 | (186,881) |
| Change in operating assets and liabilities | | |
| Accounts receivable | (7,408) | (3,106) |
| Accounts payable, accrued expenses, salaries and benefits | (64,463) | 57,797 |
| Unearned revenue | (7,632) | (9,118) |
| Inventory | 21 | 212 |
| Net cash flows provided by operating activities | $1,899,272 | $1,884,863 |



*See Notes to Financial Statements*

## NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

### Organization

The Western Washington University Wade King Student Recreation Center (the Recreation Center) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of WWU. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, an injury rehabilitation room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on WWU's main campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. Prior to FY 2011, Wade King's parents, Frank and Mary King, pledged a lifetime gift of $50,000 per year to the Western Washington University Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center requests funds from the Western Washington University Foundation when expenditures are incurred. This gift has been restructured to an estate gift.

### Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the 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 Recreation Center. These 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 Recreational Center'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 Recreation Center records their share of cash, cash equivalents and investments in the same relation as WWU investment pool itself. Investment income is allocated to the Recreation Center in proportion to its average balance in the investment pool.

### Inventory

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

Accounts Receivable

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of $7,728 and $6,074 at June 30, 2017 and 2016 respectively, is adequate.

Capital Assets, Net

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

Deferred Outflows of Resources and Deferred Inflows of Resources

The Recreation Center classifies losses on retirement of debt 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 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 outflows of resources.

Unearned Revenue

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. The majority of cash received for service and activity fees related to summer session in FY 2018 are recorded as unearned revenue until the following fiscal year when the revenue is earned.

Net Pension Liability

The Recreation Center's net pension liability is 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 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, the Recreation Center 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 Recreation Center record in its statements the net pension liability associated with the defined benefit of the university's retirement plan (WWURP) and to restate the net position of the earliest period presented (see Note 5). The benefits Expense and the Net Pension obligations amounts for FY 2016 increased by $141,042. The net pension liability information is provided to WWU by the office of State Actuaries. The information provided only allowed the Recreation Center 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 2016, change in methodology of PERS1 UAAL allocation to the Recreation Center resulted in a reduction in pension expense in the amount of $431,494. During FY 2015, the Recreation Center adopted GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Adoption of this statement required the Recreation Center to restate the earliest period presented however, the information provided by the Office of State Actuary (OSA) only allowed the Recreation Center to restate the beginning FY 2015 net position. This restatement resulted in a reduction to net position in the amount of $377,546.

Net Position

The Recreation Center's net position is classified as follows:

*Net investment in capital assets.* This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets as well as unamortized bond issue costs. The deficit in this net position relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

*Restricted for system renewals and replacements*. Restricted net position represent resources restricted in accordance with bond covenants for system renewals and replacements. Restricted assets are used in accordance with their requirements and where both unrestricted and restricted resources are available for use, unrestricted resources are used first and restricted resources only when the specific use arises.

*Unrestricted net position*. Unrestricted net position represent resources derived from operations and investing activities along with operating reserves established for future replacement of assets.

Classification of Revenues and Expenses

The Recreation Center has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as service and activity fees charged to students, staff, faculty, and alumni membership fees, and instructional course fees. Operating expenses are those costs incurred in daily operations, such as salaries, utilities, and depreciation.

Non-operating revenue includes activities that have the characteristics of non-exchange transactions, such as investment and gift income. Non-operating expenses include costs related to financing or investing activities such as interest on indebtedness.

*Student Recreation Center Fee, net of mandatory transfer*
Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees into an institutional financial aid fund. The revenue shown on these statements is net of the 3.5% transfer.

This fund is only to be used to fund short- or long-term loans and grants to students in need. Service and activity fee revenue is reported net of this transfer.

Bond Premiums
Bond premiums are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums are presented as an increase of the face amount of bonds payable.

Administrative Assessment
WWU provides support to the Recreation Center through cash and bond debt management, accounting, purchasing and disbursing services, risk management, human resources and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was $250,017 and $249,735 for years ended June 30, 2017 and 2016, respectively, and is based on 5.5% of revenues.

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

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

## NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Interest Rate and Credit Risk
The Recreation Center'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 Recreation Center 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 Recreation Center's investment in WWU's pool includes $2,623,964 restricted for renewals and replacements.

| | Fair Value Measurements as of June 30, 2017 using: | | | | |
|---|---|---|---|---|---|
| | 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 | $556,543 | $ - | $ - | $556,543 | 0.003 |
| Investments | | | | | |
| Commercial Paper | 303,771 | - | - | 303,771 | 0.045 |
| Certificates of deposit | 151,935 | - | - | 151,935 | 2.532 |
| U.S. Treasuries | - | 2,085,020 | - | 2,085,020 | 1.688 |
| U.S. Agencies | - | 756,478 | - | 756,478 | 1.805 |
| | $1,012,249 | $ 2,841,498.00 | $ - | $3,853,747 | |

| | Fair Value Measurements as of June 30, 2016 using: | | | | |
|---|---|---|---|---|---|
| | 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 | $487,035 | $ - | $ - | $487,035 | 0.003 |
| Investments | | | | | |
| Commercial Paper | 129,726.00 | - | - | 129,726 | 0.090 |
| Certificates of deposit | 194,791 | - | - | 194,791 | 2.565 |
| U.S. Treasuries | - | 977,900 | - | 977,990 | 1.858 |
| U.S. Agencies | - | 1,800,253 | - | 1,800,253 | 2.882 |
| | $811,552 | $ 2,778,153.00 | $ - | $3,589,795 | |

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2017 and 2016 was $971,743 and $956,449, respectively.

Following are the changes in capital assets for the years ended June 30, 2017 and 2016:

| | June 30, 2016 | Additions | Reductions | June 30, 2017 |
|---|---|---|---|---|
| Depreciable | | | | |
| Building | 27,947,761 | - | - | 27,947,761 |
| Equipment | 494,024 | 37,860 | (58,833) | 473,051 |
| Improvements | 3,357,078 | - | - | 3,357,078 |
| | 31,798,863 | 37,860 | (58,833) | 31,777,890 |
| Less accumulated depreciation | (9,720,375) | (971,743) | 58,833 | (10,633,285) |
| Capital assets, net | $22,078,488 | ($933,883) | $ - | 21,144,605 |

| | June 30, 2015 | Additions | Reductions | June 30, 2016 |
|---|---|---|---|---|
| Depreciable | | | | |
| Building | 27,947,761 | - | - | 27,947,761 |
| Equipment | 406,260 | 93,726 | (5,962) | 494,024 |
| Improvements | 3,357,078 | - | - | 3,357,078 |
| | 31,711,099 | 93,726 | (5,962) | 31,798,863 |
| Less accumulated depreciation | (8,769,888) | (956,449) | 5,962 | (9,720,375) |
| Capital assets, net | $22,941,211 | ($862,723) | $ - | $22,078,488 |

## NOTE 4. NON-CURRENT LIABILITIES

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 amount of $22,210,000 and $22,960,000 at June 30, 2017 and 2016, which is reported net of the unamortized original issue premium of $293,790 and $318,912 respectively.

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years and thereafter are as follows:

| | Principal | Interest | Payment |
|---|---|---|---|
| 2018 | $770,000.00 | $860,100.00 | $1,630,100.00 |
| 2019 | 795,000 | 837,000 | 1,632,000 |
| 2020 | 815,000 | 813,150 | 1,628,150 |
| 2021 | 845,000 | 784,625 | 1,629,625 |
| 2022 | 870,000 | 755,050 | 1,625,050 |
| 2023-2027 | 4,905,000 | 3,246,200 | 8,151,200 |
| 2028-2032 | 5,965,000 | 2,183,400 | 8,148,400 |
| 2033-2037 | 7,245,000 | 892,000 | 8,137,000 |
| | 22,210,000 | 10,371,525 | 32,581,525 |
| Plus unamortized premium | 293,790 | | |
| Total | $22,503,790.00 | $10,371,525.00 | $32,581,525.00 |

Following are the changes in non-current liabilities:

| Non-current Liabilities | Beginning Bal 6/30/2016 | Additions/ Amortizations | Decreasess/ Retirements | Ending Balance 6/30/2017 | Current Portion |
|---|---|---|---|---|---|
| BONDS PAYABLE: | | | | | |
| Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of $293,790 and $318,912 at June 30, 2017 and 2016 respectively. | $23,278,912 | ($25,122) | ($750,000) | $22,503,790 | $770,000 |
| PENSION OBLIGATION | 168,560 | - | 159,723 | 328,283 | - |
| Total Non-current Liabilities | $23,447,472 | ($25,122) | ($590,277) | $22,832,073 | $770,000 |

| Non-current Liabilities | Beginning Bal 6/30/2015 | Additions/ Amortizations | Decreasess/ Retirements | Ending Balance 6/30/2016 | Current Portion |
|---|---|---|---|---|---|
| BONDS PAYABLE: | | | | | |
| Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of $318,912 and $344,655 at June 30, 2016 and 2015 respectively. | $24,029,655 | ($25,743) | ($725,000) | $23,278,912 | $750,000 |
| PENSION OBLIGATION | 295,414 | -126,854 | - | 168,560 | - |
| Total Non-current Liabilities | $24,325,069 | ($152,597) | ($725,000) | $23,447,472 | $750,000 |

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center.

The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees. The bond covenants require that the Recreation Center transfer monies each year to an account held as restricted net position for renewals and replacements of the facilities.

## NOTE 5. PENSION PLAN

### 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).

Recreation Center employees in eligible positions are participants in WWURP, PERS plans 2 and 3, and TRS plan 1. The Recreation Center contributes to PERS and TRS 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 Recreation Center contributed $64,948, $69,207, and $62,298 to these plans in FY 2017, FY 2016, and FY 2015, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

The Recreation Center implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the FY 2015 financial reporting. The Recreation Center'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 Recreation Center has elected to use the prior fiscal year end as the measurement date for reporting net pension liabilities.

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

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the Recreation Center, for FY 2017:

| Rec Center | |
|---|---|
| **Aggregate Pension Amounts - All State Plans** | |
| Pension liabilities | (224,030) |
| Pension assets | - |
| Deferred outflows of resources related to pensions | 48,247 |
| Deferred inflows of resources related to pensions | (3,883) |
| Pension expense/expenditures | 26,901 |

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 73 for the Recreation Center, for FY 2017:

| Aggregate Pension Amounts WWURP - Rec Center | |
|---|---|
| Pension liabilities | ($104,253) |
| Pension assets | - |
| Deferred outflows of resources related to pensions | - |
| Deferred inflows of resources related to pensions | ($28,777) |
| Pension expense/expenditures | ($8,012) |

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

- Public Employees' Retirement System (PERS)
  Plan 1 - defined benefit (UAAL Plan 2 & 3 participation is included in Plan 1)
  Plan 2 - defined benefit
  Plan 3 - defined benefit/defined contribution

- Teachers' Retirement System (TRS)
  Plan 1 - 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 and TRS systems and 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 component of the WWURP plan is a defined benefit plan. The payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. Western Washington University 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<br>WWURP - Rec Center | |
|---|---|
| **Total Pension Liability** | **2017** |
| Service cost | $6,700 |
| Interest | 5,336 |
| Changes of benefit terms | - |
| Differences between expected & actual expe | (33,456) |
| Changes in assumptions | (13,479) |
| Benefit payments | (1,890) |
| Other | 0 |
| **Net Change in Total Pension Liability** | **($36,789)** |
| **Total Pension Liability - Beginning** | **$141,042** |
| **Total Pension Liability - Ending** | **$104,253** |

| Aggregate Pension Amounts<br>WWURP - Rec Center | |
|---|---|
| Pension liabilities | ($104,253) |
| Pension assets | - |
| Deferred outflows of resources related to pensions | - |
| Deferred inflows of resources related to pensions | ($28,777) |
| Pension expense/expenditures | ($8,012) |

***Sensitivity of the Total Pension Liability/(Asset) to Changes in the Discount Rate.*** The following presents the total pension liability of WWU-Rec Center 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-Rec Center<br>Total Pension Liability (Asset)<br>Interest Rate Sensitivity | |
|---|---|
| 1% Decrease | $119,064 |
| Current Discount Rate | $104,253 |
| 1% Increase | $91,909 |

| WWURP-Rec Center | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ - | $20,513 |
| Changes of assumptions | - | 8,264 |
| Net Difference between projected and actual earnings on pension plan investments | - | - |
| Change in proportion | - | - |
| Contributions subsequent to the measurement date | - | - |
| Total | $ - | $28,777 |

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

| WWURP-Rec Center | |
|---|---|
| 2018 | ($5,048) |
| 2019 | (5,048) |
| 2020 | (5,048) |
| 2021 | (5,048) |
| 2022 | (5,048) |
| Thereafter | (3,536) |

## Public Employees' Retirement System Plan 3

*Plan Description*

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

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

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

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

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

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

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

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

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

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

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

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

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

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

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

PERS Plan 3 members have the option to retire early with reduced benefits.
PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

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

Each biennium, the state Pension Funding Council adopts Plan 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 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, 2015, 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 Recreation Center reported $90,018 and $131,878 respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of $117,616 and $106,676 were reported for PERS 2/3 in 2017 and 2016 respectively. The Recreation Center's proportion for PERS 1 in FY 2017 was 0.001676 percent, a decrease of 0.00066 percent since the prior reporting period when its proportionate share was 0.002521 percent. The Recreation Center's proportion for PERS 2/3 in FY 2017 was 0.002336 percent, a decrease of 0.00065 percent since the prior reporting period when its proportionate share was 0.002986 percent. The proportions are based on the Recreation Center'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 Recreation Center 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<br>Rec Center's proportionate share of Net Pension Liability (Asset) | |
|---|---|
| 1% Decrease | $108,552 |
| Current Discount Rate | $90,018 |
| 1% Increase | $74,067 |

| PERS 2/3<br>Rec Center's proportionate share of Net Pension Liability (Asset) | |
|---|---|
| 1% Decrease | $216,552 |
| Current Discount Rate | $117,616 |
| 1% Increase | ($61,226) |

***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 Recreation Center recognized a PERS 1 pension expense of $(44,128) and $0 respectively; a pension expense of $(1,533) and $(4,678) 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:

| Rec Center 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 | 2,266 | - |
| Change in proportion | - | - |
| Contributions subsequent to the measurement date | 13,661 | - |
| Total | $15,928 | $ - |

| Rec Center PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $6,263 | $ (3,883) |
| Changes of assumptions | 1,216 | - |
| Net Difference between projected and actual earnings on pension plan investments | 14,393 | - |
| Change in proportion | (2,068) | - |
| Contributions subsequent to the measurement date | 11,834 | - |
| Total | $31,637 | $ (3,883) |

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 | ($558) |
| 2018 | ($558) |
| 2019 | $2,082 |
| 2020 | $1,301 |
| 2021 | - |
| Thereafter | - |

| PERS 2/3 | |
|---|---|
| 2017 | $1,802 |
| 2018 | $1,646 |
| 2019 | $12,819 |
| 2020 | $7,418 |
| 2021 | - |
| 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.*** TRS 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 FY 2017 and FY 2016 are presented in Table 1 in section C of this note.

***Actuarial Assumptions.*** The total pension liability was determined by an actuarial valuation as of June 30, 2014 with the results rolled forward to the June 30, 2015 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report.

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the following table:

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

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

There were no material changes in assumptions, benefit terms or method changes for the FY 2015 reporting period.

***Discount Rate.*** The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including 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, 2017 and 2016, the Recreation Center reported $16,399 and $352,336 respectively for its proportionate share of the collective net pension liability for TRS 1. The Recreation Center's proportion for TRS 1 in FY 2017 was 0.00048 percent, a decrease of 0.0164 percent since the prior reporting period when its proportionate share was .01112 percent. The proportions are based on the Recreation Center'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 Recreation Center 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<br>Rec Center's proportionate share<br>of Net Pension Liability (Asset) | |
|---|---|
| 1% Decrease | $20,159 |
| Current Discount Rate | $16,399 |
| 1% Increase | $13,160 |

***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 Recreation Center recognized a TRS 1 pension expense of $(358,931) and $108,249 respectively. At June 30, 2017, TRS 1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Rec Center 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 | 520 | - |
| Change in proportion | - | - |
| Contributions subsequent to the measurement date | 162 | - |
| Total | $682 | $ - |

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:

| TRS 1 | |
|---|---|
| 2017 | ($134) |
| 2018 | ($134) |
| 2019 | $487 |
| 2020 | $302 |
| 2021 | - |
| Thereafter | - |

C. TABLE 1: Required Contribution Rates

Required contribution rates expressed as a percentage of current year covered payroll are shown below. The University Rec Center and the employees made the required contributions. The Rec Center'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 2 | 6.12% | 11.18% | 24,333 | 23,586 | 17,766 |
| Plan 3 | 5.00-15.00% ** | 11.18% * | 7,006 | 644 | 7,371 |
| TRS | | | | | |
| Plan 1 | 6.00% | 13.13% | $0 | $794 | $7,806 |

*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 2 | 6.12% | 11.18% | 23,586 | 17,766 | 16,846 |
| Plan 3 | 5.00-15.00% ** | 11.18% * | 644 | 7,371 | 6,161 |
| **TRS** | | | | | |
| Plan 1 | 6.00% | 13.13% | $794 | $7,806 | $6,129 |

*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 6. 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 is not recorded on the Recreation Center's financial statements.

RSI

REQUIRED SUPPLEMENTARY INFORMATION

## PENSION PLAN INFORMATION

### Cost Sharing Employer Plans

Schedule of Recreation Center's Proportionate Share of the Net Pension Liability

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

| | **2014** | **2015** | **2016** |
|---|---|---|---|
| Recreation Center PERS 1 employers' proportion of the net pension liability | 0.002365% | 0.002381% | 0.001825% |
| Recreation Center PERS 1 employers' proportionate share of the net pension liability | $129,519 | $131,878 | $90,018 |
| Recreation Center PERS 1 employers' covered-employee payroll | $246,340 | $260,213 | $214,479 |
| Recreation Center PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll | 52.58% | 50.68% | 41.97% |
| 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 Recreation Center's Proportionate Share of the Net Pension Liability

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

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Recreation Center PERS 2/3 employers' proportion of the net pension liability | 0.003045% | 0.003078% | 0.002336% |
| Recreation Center PERS 2/3 employers' proportionate share of the net pension liability | $59,589 | $106,676 | $117,616 |
| Recreation Center PERS 2/3 employers' covered-employee payroll | $262,066 | $272,962 | $222,246 |
| Recreation Center PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll | 22.74% | 39.08% | 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.

PENSION PLAN INFORMATION

## Cost Sharing Employer Plans

Schedule of Recreation Center's Proportionate Share of the Net Pension Liability

**Schedule of Recreation Center Proportionate Share of the Net Pension Liability**
**Teacher's Retirement System (TRS) Plan 1**
*Measurement Date ended June 30 **

| | 2014 | 2015 | 2016 |
|---|---|---|---|
| Recreation Center TRS 1 employers' proportion of the net pension liability | 0.006602% | 0.003428% | 0.000259% |
| Recreation Center TRS 1 employers' proportionate share of the net pension liability | $235,825 | 352,337 | $16,399 |
| Recreation Center TRS 1 employers' covered-employee payroll | $239,778 | $140,113 | $11,715 |
| Recreation Center TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll | 98.35% | 251.47% | 139.99% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.77% | 65.70% | 62.07% |

* 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 Recreation Center's Proportionate Share of WWURP Total Pension Liability

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

| | 2016 | 2017 |
|---|---|---|
| WWU URP total pension liability | $141 | $104 |
| WWU URP employers' covered-employee payroll | $386 | $368 |
| WWU URP total pension liability as a percentage of its covered-employee payroll | 36.50% | 28.30% |

* 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**
*Recreation Center*

| Fiscal Year | Contractually Required Contributions | Contributions related to covered payroll of employees Participating in PERS plan 1 | UAAL Contributions related to covered payroll of 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 | $ 11,162 | $ - | $ 11,162 | $ 11,162 | $ - | $ 10,181 | $ 250,032 | $ 260,213 | 4.29% |
| 2016 | $ 10,520 | $ - | $ 10,520 | 10,520 | $ - | $ 7,337 | $ 207,141 | $ 214,479 | 4.90% |
| 2017 | $ 13,361 | $ - | $ 13,361 | $ 13,361 | $ - | $ 7,261 | $ 263,158 | $ 270,419 | 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**
*Recreation Center*

| 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 | $ 13,975 | $ 13,975 | $ - | $ 272,962 | 5.12% |
| 2016 | $ 13,710 | $ 13,710 | $ - | $ 222,246 | 6.17% |
| 2017 | $ 17,450 | $ 17,450 | $ - | $ 280,190 | 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**
**Teachers' Retirement System (TRS) Plan 1**
**Fiscal Year Ended June 30**
*Recreation Center*

| Fiscal Year | Contractually Required Contributions | Contributions related to covered payroll of employees Participating in TRS plan 1 | UAAL Contributions related to covered payroll of employees Participating in TRS plan 2/3 | Contributions in relation to the Actuarially Determined Contributions | Contribution deficiency (excess) | Covered payroll of employees participating in TRS 1 | Covered payroll of employees participating in TRS 2/3 | Total Covered-employee payroll | Contributions as a percentage of covered-employee payroll |
|---|---|---|---|---|---|---|---|---|---|
| 2015 | $ 7,806 | $ 7,806 | $ - | $ 7,806 | $ - | $ 23,157 | $ 116,956 | $ 140,113 | 5.57% |
| 2016 | $ 794 | $ 794 | $ - | $ 794 | $ - | $ 483 | $ 11,231 | $ 11,715 | 6.78% |
| 2017 | - | | | - | $ - | | | $ - | 0.00% |
| 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 - Recreation Center**
**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 | $34,311 | $34,311 | $0 | $386,442 | 8.88% |
| 2017 | $33,934 | $33,934 | $0 | $368,328 | 9.21% |
| 2018 | | | | | |
| 2019 | | | | | |
| 2020 | | | | | |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |
| 2025 | | | | | |

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