



HOUSING AND DINING SYSTEM

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Overview

Western Washington University's Housing and Dining System (the System) consists of University Residences, University Dining Services and Viking Union/Student Activities. University Residences maintains over a million square feet of living space - home to 4,000 students. Nine residential communities consist of sixteen residence halls and one apartment complex. Residence halls are equipped with laundry facilities, computer labs, study areas, community kitchens, TV lounges, game rooms, bicycle storage, 24-hour security, and staffed service desks. Western's campus is a 20-minute walk from end to end, so no matter where students live their classes and activities are nearby. University Dining Services includes several main dining commons, multiple retail eateries and provides catering services for the campus. The Viking Union/Student Activities includes facilities on and off the Bellingham campus for gathering, study, dining and recreation.

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 2019, 2018 and 2017. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

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

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

Statement of Net Position

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

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

Below is a condensed view of the Statement of Net Position as of June 30, 2019, 2018 and 2017:

(Dollars in Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017 Restated</u>
Assets			
Current assets	\$9,371	\$8,001	\$9,276
Noncurrent assets	14,017	39,508	10,004
Capital assets, net	<u>133,555</u>	<u>110,507</u>	<u>101,511</u>
Total assets	156,943	158,016	120,791
Deferred outflows	1,316	1,287	1,170
Liabilities			
Current liabilities	11,776	10,817	7,581
Noncurrent liabilities	<u>65,527</u>	<u>70,891</u>	<u>40,479</u>
Total liabilities	77,303	81,708	48,060
Deferred inflows	1,704	811	126
Net Position			
Net investment in capital assets	69,323	65,919	64,484
Restricted, expendable	3,501	3,426	3,381
Unrestricted	<u>6,428</u>	<u>7,438</u>	<u>5,910</u>
Total net position	<u>\$79,252</u>	<u>\$76,783</u>	<u>\$73,775</u>

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets decreased \$1.07 million (0.7%) in fiscal year (FY) 2019 and increased \$37.2 million (30.8%) in FY 2018.

Total Cash and Investments decreased \$24.3 million (-53.2%) primarily due to the spending of the remaining bond funds. During FY 2018, the System issued \$33.7 million in revenue bonds to fund a new Multicultural Center and renovations to certain residence halls. The allocation of unrestricted cash and investments between current and noncurrent is governed by Western Washington University's (WWU) investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk. In FY 2019, unrestricted cash and cash equivalents increased \$2.2 million (131.3%) as WWU shifted maturing investments into the Local Government Investment Pool (LGIP) (see Note 2). These funds were then available for operational spending. Restricted investments declined \$23 million (-77%) as bond proceeds were expended for major renovations. Total Cash and Investments increased \$28.4 million (163%) in FY2018 primarily due to the investment of unspent bond proceeds.

Depreciable and non-depreciable capital assets increased \$23.0 million (20.9%) and \$9.0 million (8.9%) in FY 2019 and FY 2018, respectively, due primarily to increases in construction-in-progress of the Multicultural Center and residence halls renovations (e.g. Buchanan Towers) combined with other capital additions (see Note 3).

Major projects not completed in FY 2018 were still in process in FY 2019: New Residence Hall, Buchanan Towers renovation, and Multicultural Student Center addition. Major projects completed during FY2018 were: Gamma renovation and Carver food service addition.

Current liabilities exceed current assets by \$2,405,145 in FY 2019 and by \$2,816,673 in FY 2018 as a result of increased payables for renovation and capital projects. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities increased \$958,763 (8.9%) in FY 2019 due to an increase in accounts payable and a decrease in bond interest payable. Current liabilities increased \$3,235,868 (42.7%) in FY 2018 due to the impact of payables related to renovations and bonds payable.

Total noncurrent liabilities decreased \$5,363,722 (-7.6%) in FY 2019 primarily due to a \$4.8 million reduction in bonds payable along with decreases to the Net Pension and OPEB liabilities of \$493,570 (-9.7%). Total noncurrent liabilities increased \$30,411,593 (75.1%) during FY 2018 due primarily to the increase in bonds payable combined with decreases in pension and other postemployment benefits (OPEB). The OPEB and pension liabilities decreased \$597,554 (-10.6%). During FY 2018, the System adopted and implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other Than Pensions" (see Note 7).

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. The implementation of GASB statement No. 75 OPEB (see Note 8) in FY 2018 required the System to include its share of University's unfunded OPEB liability and to restate the FY 2017 net position by \$3,608,394. Total net position increased \$2,469,049 (3.2%) in FY 2019 due to an increase in net investment in capital assets. Total net position increased \$3,007,751 (4.1%) in FY 2018 due to increases in net investment in capital assets and unrestricted net assets

Net investment in capital assets increased in FY 2019 \$3,403,890 (5.2%) primarily due to a reduction in bonds payable from principal payments. Net investment in capital assets increased in \$1,434,814 (2.2%) in FY2018 due to the capitalization of the Gamma and Carver projects.

Unrestricted net position decreased \$1,009,993 (-13.6%) in FY2019 due to increased spending on operations and capital. Unrestricted net position increased \$1,527,343 (25.8%) in FY2018 as the growth in revenue outpaced expenses.

Statement of Revenues, Expenses and Changes in Net Position

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

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

**HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2019 and 2018

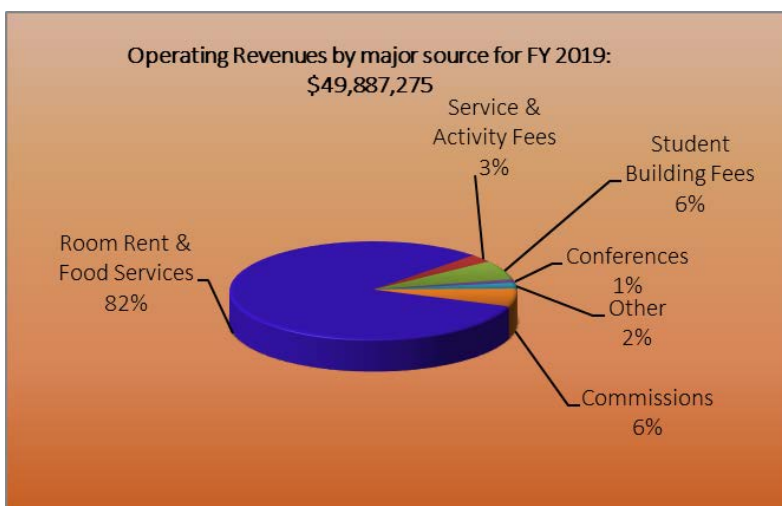
expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

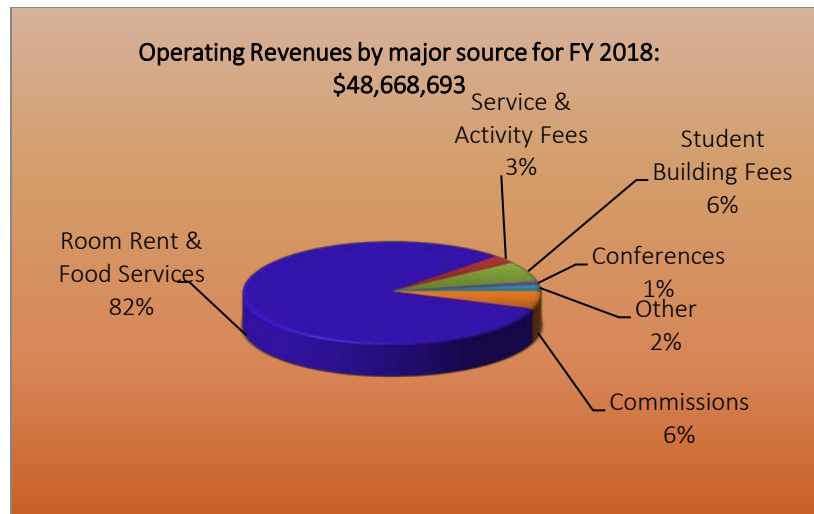
Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the FY years ended June 30, 2019, 2018, and 2017:

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u> <u>Restated</u>
Operating revenues	\$49,887	\$48,669	\$44,028
Operating expenses	<u>(45,870)</u>	<u>(44,482)</u>	<u>(40,613)</u>
Income from operations	4,017	4,187	3,415
Nonoperating revenues	963	894	478
Nonoperating expenses	<u>(2,511)</u>	<u>(2,073)</u>	<u>(1,816)</u>
Increase in Net Position	2,469	3,008	2,076
Net Position, Beginning of year	76,783	73,775	75,308
Restatement	-	-	<u>(3,608)</u>
Net Position, Beginning of year , as restated	<u>76,783</u>	<u>73,775</u>	<u>71,700</u>
Net Position, End of year	<u><u>\$79,252</u></u>	<u><u>\$76,783</u></u>	<u><u>\$73,775</u></u>

Total operating revenue increased for FY 2019 primarily influenced by increases to room rent and food services and commission revenues.





Room rent and food service revenues increased \$929,592 (2.3%) in FY 2019 due to the combination of a 4.5% rate increase and a 1.97% occupancy decrease. Room rent and food service revenues increased \$2,138,553 (5.7%) in FY 2018 due to a 6.0% rate increase and 1.35% occupancy increase.

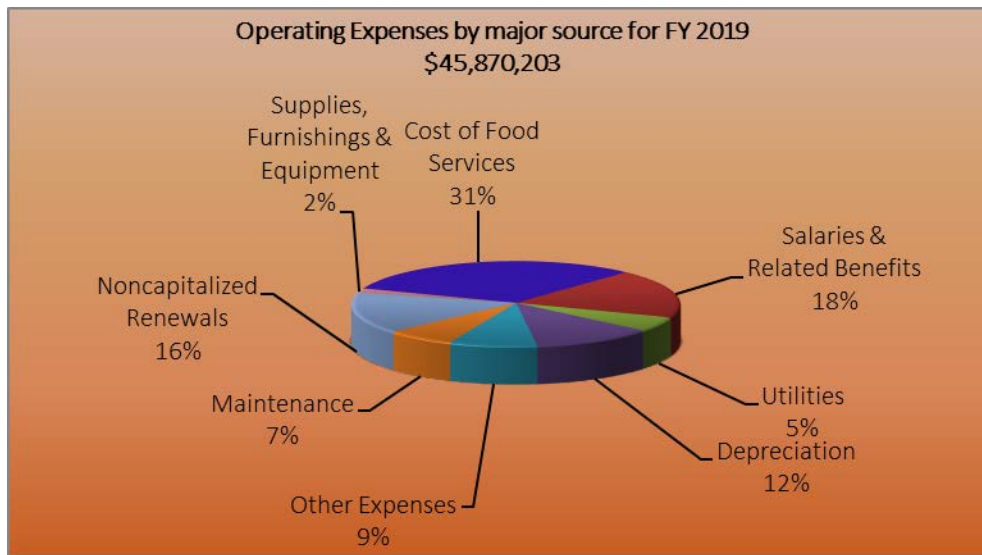
Student building fee revenue increased \$62,108 or 2.0% in FY 2019 due to enrollment growth. Student building fee revenue increased \$1,327,712 (74.0%) in FY 2018 due to collections from the new \$30 per quarter Multicultural Center Fee which began Fall 2017.

Conference revenue decreased \$13,715 (-2.2%) in FY 2019 due to reduced bookings. Conference revenue increased \$274,422 (80.4%) in FY 2018 due to additional conference bookings.

Viking Union revenue increased \$51,748 (11.0%) in FY 2019 due to increases in recycle center and Lakewood revenues. Viking Union revenue increased \$41,686 (9.7%) in FY 2018 due to increases in interest earnings, AS chargebacks and facility use.

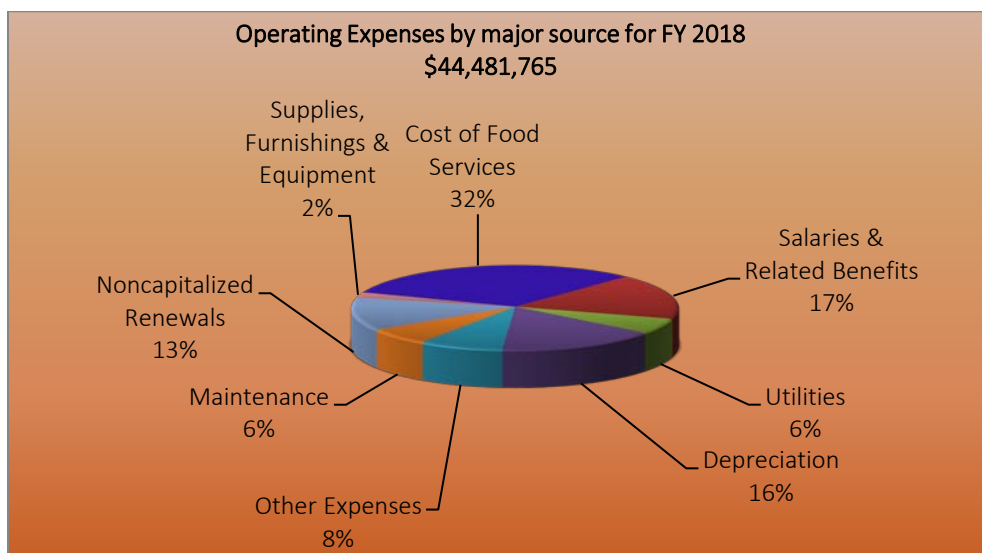
Commission revenue increased \$183,780 (6.7%) in FY 2019 due to the scheduled contracted guarantee increase with the Systems food service provider Aramark. Commission revenue increased \$819,743 (42.6%) FY 2018 primarily due to the comparative impact of a FY 2017 one-time adjustment.

Fees, penalties, and other income decreased \$19,183 (-6.5%) in FY 2019 primarily due to reductions in key replacement charges and interdepartmental support. Fees, penalties, and other income increased \$5,656 (1.9%) in FY 2018 due to a slight increase in other income.



Overall operating expenses for FY 2019 increased \$1,388,438 (3.1%) and \$3,868,943 (9.5%) for FY 2018 due primarily to an increase in non-capitalized renewals and replacements.

Cost of food services for FY 2019 increased \$371,544 (2.6%) due to the effect of a 4.68% board price increase offset by an occupancy decrease of 1.97%. Cost of food services for FY 2018 increased \$650,780 (4.9%) due to the effect of a 5.25% board rate increase, and an occupancy increase of 1.35%.



Salaries and benefits expense increased \$739,457 (9.5%) in FY 2019 and \$828,085 (11.9%) in FY 2018 as all employees received compensation increases combined with an increase to the minimum wage. FY 2019 and FY 2018 charges related to GASB statements No. 68, 73 and 75 totaled \$212,561 and \$155,838 respectively.

***HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2019 and 2018

Utilities expense decreased \$110,773 (-4.2%) in FY 2019 primarily due to a reduction in natural gas expenditures. Utilities expense decreased \$4,940 (-0.2%) in FY 2018 due to slight decreases in electricity and heating (natural gas).

Repairs and maintenance expense for FY 2019 increased \$282,381 (9.9%) due to increases in repair projects coupled with an increase in Facilities Maintenance's recharge rate. The Facilities Maintenance recharge rate increased variably across the maintenance crafts. Repairs and maintenance expense for FY 2018 decreased \$108,387 (-3.7%) due to several larger FY 2018 repair projects categorized as Noncapitalized renewals & replacements.

Furniture and Equipment expense for FY 2019 decreased \$252,761 (-41.8%) due to reduced student room furniture expenditures. Furniture and Equipment expense increased \$365,820 (153%) in FY 2018 primarily due to increased room chair purchases and the purchase of the housing management software.

Depreciation expense decreased \$1,544,762 (-22.1%) in FY 2019 due to scheduled depreciation on existing assets. Depreciation expense for FY 2018 increased \$344,762 (5.2%) due to the increase in capitalized assets.

WWU's administrative services assessment fee (included in institutional services) increased \$6,447 (0.37%) in FY 2019 and increased \$268,213 (18.0%) in FY 2018. The rate charged against the System revenues (less food service contract) was 5.775% both years.

Other expenses increased \$145,880 (14.1%) in FY 2019 primarily influenced by an increase in leased apartment rental expense. Other expenses increased \$154,015 (17.5%) in FY 2018 primarily due to costs associated with the FY 2018 bond issues.

Non-operating expenses (interest & amortization) for FY 2019 increased \$437,408 (21.1%) due to increased bond interest expense. Non-operating expenses (interest & amortization) for FY 2018 increased \$256,529 (14.1%) due to the increase in bond interest expense. (See Note 4).

Non-Operating revenue for FY 2019 increased \$68,560 (7.7%) primarily due to increased bond proceeds investment income. Non-Operating revenue for FY 2018 increased \$416,547 (87.2%) influenced primarily by increased investment income from bond proceeds and a capital contribution from the Bookstore.

Economic Factors and Significant Events

WWU's fall quarter of FY 2019 enrollment headcount of 15,094 represents a 0.84% increase over fall quarter of FY 2018 enrollment. Management addresses housing demand independent of enrollment through room capacity practices such as adding or reducing the number of beds in a room. Opening occupancy for fall 2019 is expected to be slightly higher than that of fall 2018 due primarily to an increase in the number of students choosing to continue living on campus from the prior year.

The System's auxiliary capital plan, shared with WWU's Board of Trustees in December 2018 and January 2019, addresses future development and renovation needs of the System, and has been informed by the results of an extensive facility condition assessment. Late Summer/early Fall 2019 will see the completion of the Buchanan Towers and Multicultural Center renovations which were financed by \$33,680,000 in bonds issued March 2018.

A thorough Housing & Dining Development Assessment, being performed by architectural consultants, will be completed in FY 2020 and will provide comprehensive analysis and assessment of the System that will identify programs, amenities, facility renovations, additions, repurposing and replacements, and financing options. Viking Union management worked with architectural consultants to develop concept options for further long-term renewal and/or additions to the Viking Union complex. These long-range development efforts will be the basis of the revised System capital plan.

Construction for the addition of an approximately 400-bed on-campus residence hall begins August 2019 and, coupled with the removal Highland Hall, will provide a net increase of 264 beds. The project will be funded by revenue bonds issued September 2019. The facility is planned to open September 2021.

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



**Office of the Washington State Auditor
Pat McCarthy**

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 15, 2019

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (System), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the System'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 System's preparation and fair presentation of the financial statements in order to design audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 Housing and Dining System, as of June 30, 2019 and 2018, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Housing and Dining System, a department of the University are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2019 and 2018, the 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 required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The Other Information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 15, 2019, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Pat McCarthy".

Pat McCarthy

State Auditor

Olympia, WA

HOUSING AND DINING SYSTEM
STATEMENT OF NET POSITION

June 30, 2019 and 2018

Assets	2019	2018
Current assets		
Cash and cash equivalents (Note 2)	\$3,879,273	\$1,677,194
Investments (Note 2)	3,549,745	4,599,549
Accounts receivable, net of allowance of \$43,903 and \$99,417 in 2019 and 2018, respectively	388,606	340,593
Interest receivable	94,760	115,446
Other receivables	1,458,496	1,267,807
Total current assets	<u>9,370,880</u>	<u>8,000,589</u>
Noncurrent assets		
Restricted investments (Note 2)	6,838,822	29,971,571
Investments (Note 2)	7,178,020	9,535,766
Nondepreciable capital assets (Note 3)	42,076,981	14,198,347
Depreciable capital assets, net (Note 3)	91,478,348	96,308,356
Total noncurrent assets	<u>147,572,171</u>	<u>150,014,040</u>
Total assets	<u>156,943,051</u>	<u>158,014,628</u>
 Deferred Outflows		
Deferred loss on bond refunding	731,976	890,179
Related to pension (Note 6)	366,872	320,660
Related to OPEB (Note 7)	217,016	76,169
Total deferred outflows	<u>1,315,864</u>	<u>1,287,008</u>
 Liabilities		
Current liabilities		
Accounts payable	4,926,957	4,255,130
Accrued expenses	327,134	294,449
Residents' housing deposits	1,235,812	1,277,858
Unearned revenues	250,427	263,433
Bonds interest payable	635,695	921,392
Current portion of bonds payable (Note 4)	4,400,000	3,805,000
Total current liabilities	<u>11,776,025</u>	<u>10,817,262</u>
Noncurrent liabilities		
Compensated Absences	392,652	370,592
Bonds payable, less current portion (Note 4)	60,564,301	65,456,513
Net pension liability (Note 4, 6)	1,289,682	1,486,191
Net OPEB Liability (Note 7)	3,279,944	3,577,005
Total noncurrent liabilities	<u>65,526,579</u>	<u>70,890,301</u>
Total liabilities	<u>77,302,604</u>	<u>81,707,563</u>
 Deferred Inflows		
Related to pension (Note 6)	452,893	318,489
Related to OPEB (Note 7)	1,251,306	492,520
Total deferred inflows	<u>1,704,199</u>	<u>811,009</u>
 Net Position		
Net investment in capital assets	69,323,004	65,919,114
Restricted, expendable	3,501,309	3,426,159
Unrestricted	6,427,799	7,437,791
Total net position	<u>\$79,252,112</u>	<u>\$76,783,064</u>

HOUSING AND DINING SYSTEM
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

For the Years Ended
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenues		
Room rent and food services	\$40,889,046	\$39,959,454
Service and activity fees	1,340,198	1,323,752
Student building fees	3,182,432	3,120,325
Conferences	601,924	615,640
Viking Union income	522,106	470,358
Rent	147,970	140,163
Commissions	2,926,500	2,742,720
Fees, penalties, and other income	277,098	296,281
Total operating revenue	<u>49,887,275</u>	<u>48,668,693</u>
Operating Expenses		
Cost of food services	14,427,152	14,055,608
Salaries and related benefits	8,509,594	7,770,136
Utilities	2,516,303	2,627,076
Repairs and maintenance	3,122,057	2,839,675
Communications	217,164	198,995
Insurance	518,928	469,325
Supplies	379,807	337,463
Furniture and equipment	352,468	605,230
Institutional services	2,021,269	1,963,871
Depreciation	5,449,490	6,994,253
Noncapitalized renewals and replacements	7,174,136	5,584,177
Other	1,181,836	1,035,956
Total operating expenses	<u>45,870,203</u>	<u>44,481,765</u>
Income from operations	<u>4,017,072</u>	<u>4,186,928</u>
Nonoperating Revenues (Expenses)		
Investment income	683,620	424,813
Build America Bonds interest subsidy	279,283	284,735
Other Capital Contribution	-	184,795
Interest expense	(2,842,958)	(2,352,618)
Amortization of bond discounts and premiums	332,032	279,099
Total nonoperating (expenses) revenues	<u>(1,548,024)</u>	<u>(1,179,176)</u>
Increase in net position	<u>2,469,048</u>	<u>3,007,751</u>
Net Position, Beginning of Year	<u>76,783,064</u>	<u>73,775,313</u>
Net Position, End of Year	<u><u>\$79,252,112</u></u>	<u><u>\$76,783,064</u></u>

HOUSING AND DINING SYSTEM
STATEMENT OF CASH FLOWS

For the Years Ended
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	49,593,521	\$48,889,851
Cash paid to employees	(8,271,775)	(7,582,909)
Cash paid to suppliers	<u>(32,014,750)</u>	<u>(29,626,802)</u>
Net cash flows provided by operating activities	9,306,996	11,680,140
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	-	46,690,611
Interest earned on bond proceeds	4,942	176,375
Capital Contribution	-	184,795
Payment of long-term debt	(3,806,977)	(15,067,177)
Interest payments	(3,128,655)	(1,921,943)
Build America Bonds interest subsidy	279,283	284,735
Purchase of capital assets	<u>(27,693,172)</u>	<u>(13,801,063)</u>
Net cash flows (used in) by capital and related financing activities	(34,344,579)	16,546,334
Cash Flows from Investing Activities		
Investment income received	699,364	153,949
Net proceeds (purchase) of restricted investments	23,132,749	(26,841,348)
Net proceeds (purchase) of investments	<u>3,407,550</u>	<u>(1,922,131)</u>
Net cash flows (used in) provided by investing activities	<u>27,239,663</u>	<u>(28,609,530)</u>
Net change in cash and cash equivalents	2,202,080	(383,056)
Cash and Cash Equivalents, Beginning of Year	<u>1,677,193</u>	<u>2,060,249</u>
Cash and Cash Equivalents, End of Year	<u><u>\$3,879,273</u></u>	<u><u>\$1,677,193</u></u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	4,017,072	4,186,928
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	5,449,490	6,994,253
Loss on disposal of fixed asset	14,684	-
Change in operating assets and liabilities		
Accounts receivable	(48,013)	(63,275)
Other receivables	(190,689)	310,062
Accounts payable	(118,314)	90,574
Accrued salaries and benefits	25,258	31,389
Residents' housing deposits	(42,046)	(37,142)
Pension and OPEB related deferred outflows and inflows of resources	212,559	155,837
Unearned revenue	<u>(13,006)</u>	<u>11,515</u>
Cash flows from operating activities	<u><u>\$9,306,996</u></u>	<u><u>\$11,680,141</u></u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	<u><u>\$819,628</u></u>	<u><u>\$2,188,593</u></u>

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Financial Statement Presentation

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

Basis of Accounting

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

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

Capital Assets

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

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

Compensated Absences

The accrued leave balances as of June 30, 2019 and 2018 are \$392,652 and \$370,592, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For

reporting purposes, the entire balance of accrued leave is considered a noncurrent liability as more leave is accrued than used.

Deferred Outflows of resources and Deferred Inflows of resources.

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

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

Unearned Revenue

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

Net Pension Liability

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

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

Restatement of Net Position

During FY 2018, the System adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". Statement No. 75 requires that the System record in its statements its proportional share of the University's net OPEB liability and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 2017 net position was \$3,608,394. This was due to recording the total OPEB liability of \$3,663,726 and a \$55,332 deferred outflow. The total OPEB liability information is provided to the University by the Office of Financial Management (OFM) and the Office of State Actuary (OSA). Although this liability is an accumulative of years prior to FY 2017, the information provided by OFM and OSA only allowed the System to restate the FY 2017 beginning net position.

Net Position

The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.
- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities.

Classification of Revenues and Expenses

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

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

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

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

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

Premiums/Discounts

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

Administrative Assessment

WWU provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was \$1,764,574 and \$1,758,127 which was 5.775% of revenues (less food service contract) for the years ending June 30, 2019 and 2018, respectively.

Tax Exemptions

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

Estimates

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System's operating cash is part of WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP), Commercial Paper and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Commercial paper is rated A1+/P1 and US Treasury and Agency Securities are rated AA+/Aaa by Standard and Poors and Moody's.

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

Fair Value Measurement and Application

Fair Value Measurement and Application establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

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

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

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

The System's restricted investments of \$6,838,822 and \$29,971,571 in FY 2019 and FY 2018 respectively are restricted for unspent bond proceeds and renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities and cash equivalents.

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

Fair Value Measurements as of June 30, 2019 using:					
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$3,879,273	\$ -	\$ -	\$3,879,273	0.003
Investments					
Certificates of deposit - restricted	1,608,913	-	-	1,608,913	1.241
U.S. Agencies - restricted	-	1,529,483	-	1,529,483	4.104
Bond Inv. Cash & Cash Equivalents	2,700,996	-	-	2,700,996	0.003
Bond Inv. US Treasuries	-	999,430	-	999,430	0.041
Certificates of deposit	677,996	-	-	677,996	0.532
Corporate	1,022,785	-	-	1,022,785	1.837
U.S. Treasuries	-	2,541,837	-	2,541,837	1.049
U.S. Agencies	-	6,485,147	-	6,485,147	2.040
	<u>\$9,889,963</u>	<u>\$11,555,897</u>	<u>\$ -</u>	<u>\$21,445,860</u>	

Fair Value Measurements as of June 30, 2018 using:					
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$1,677,194	\$ -	\$ -	\$1,677,194	0.003
Investments					
Certificates of deposit - restricted	1,608,913	-	-	1,608,913	2.241
U.S. Treasuries - restricted	-	1,128,707	-	1,128,707	0.679
U.S. Agencies - restricted	-	385,655	-	385,655	1.321
Bond Inv. Cash & Cash Equivalents	4,728,475	-	-	4,728,475	0.003
Bond Inv. US Treasuries	-	17,622,070	-	17,622,070	0.366
Bond Inv. US Agencies	-	4,497,750	-	4,497,750	0.794
Certificates of deposit	682,878	-	-	682,878	1.532
Commercial Paper	170,331	-	-	170,331	0.227
Corporate	1,004,879	-	-	1,004,879	2.819
U.S. Treasuries	-	5,250,704	-	5,250,704	0.672
U.S. Agencies	-	7,026,523	-	7,026,523	2.213
	<u>\$9,872,670</u>	<u>\$35,911,409</u>	<u>\$ -</u>	<u>\$45,784,079</u>	

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2019 and 2018 was \$5,449,490 and \$6,994,252, respectively.

Following are the changes in capital assets for the year ended June 30, 2019:

Description	June 30, 2018	Additions	Reductions	June 30, 2019
Non-depreciable capital assets				
Construction in progress	\$14,198,347	\$27,878,633	-	\$42,076,981
Total non-depreciable capital assets	14,198,347	27,878,633	-	42,076,981
Depreciable capital assets				
Buildings	136,125,120	-	-	136,125,120
Buildings improvements	33,917,366	488,089	-	34,405,455
Furniture, fixtures, and equipment	8,164,384	146,078	(113,805)	8,196,657
Infrastructure	4,492,564	-	-	4,492,564
Total depreciable capital assets	182,699,434	634,167	(113,805)	183,219,796
Less Accumulated Depreciation				
Buildings	61,720,221	3,292,528	-	65,012,750
Buildings improvements	15,823,136	1,599,807	-	17,422,942
Furniture, fixtures, and equipment	6,583,767	465,522	(99,121)	6,950,168
Infrastructure	2,263,954	91,633	-	2,355,587
Total accumulated depreciation	86,391,077	5,449,490	(99,121)	91,741,448
Capital assets, net	110,506,703	\$23,063,310	(14,684)	\$133,555,329

Following are the changes in capital assets for the year ended June 30, 2018:

Description	June 30, 2017	Additions	Reductions	June 30, 2018
Non-depreciable capital assets				
Construction in progress	\$8,912,369	\$13,389,456	(\$8,103,480)	\$14,198,347
Total non-depreciable capital assets	8,912,369	13,389,456	(8,103,480)	14,198,347
Depreciable capital assets				
Buildings	125,754,087	10,371,033	-	136,125,120
Buildings improvements	33,917,366	-	-	33,917,366
Furniture, fixtures, and equipment	7,831,738	332,646	-	8,164,384
Infrastructure	4,492,564	-	-	4,492,564
Total depreciable capital assets	171,995,755	10,703,679	-	182,699,434
Less Accumulated Depreciation				
Buildings	57,066,801	4,653,420	-	61,720,221
Buildings improvements	14,096,701	1,726,435	-	15,823,136
Furniture, fixtures, and equipment	6,073,701	510,066	-	6,583,767
Infrastructure	2,159,622	104,331	-	2,263,954
Total accumulated depreciation	79,396,825	6,994,252	-	86,391,077
Capital assets, net	\$101,511,299	\$17,098,883	(\$8,103,480)	\$110,506,703

NOTE 4. NON-CURRENT LIABILITIES

BONDS:

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

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

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Series 2018B Housing and Dining Revenue Bonds (original issue price of \$33,680,000) with interest rates ranging from 3.0% to 4.0% and principal payments due in annual amounts ranging from \$895,000 to \$2,050,000 through April 1, 2043. The Series 2018B bonds have an aggregate face value of \$33,265,000 at June 30, 2019 which is reported net of the unamortized original issues premium of \$994,734.	\$34,259,734	\$ 34,747,725
Series 2018A Housing and Dining Revenue and Refunding Bonds (original issue price of \$10,695,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from \$350,000 to \$985,000 through April 1, 2034. The Series 2018A bonds have an aggregate face value of \$10,695,000 at June 30, 2019 which is reported net of the unamortized original issues premium of \$1,035,035.	11,730,035	11,856,271
Series 2015 Housing and Dining Refunding Bonds (original issue price of \$13,435,000) with an interest rate of 5.0% and principal payments due in annual amounts ranging from \$1,130,000 to \$1,530,000 through October 31, 2026. The Series 2015 bonds have an aggregate face value of \$9,240,000 at June 30, 2019 which is reported net of the unamortized original issues premium of \$863,294.	10,103,294	11,423,376
Series 2012 Revenue and Refunding Bonds (original issue price of \$9,205,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from \$790,000 to \$980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of \$4,395,000 at June 30, 2019 which is reported net of the unamortized original issues premium of \$109,915.	4,504,915	5,417,133
Series 2009 A & B Housing and Dining Revenue Bonds (original issue price of \$12,835,000). Final principal payment was made in April 2019.	-	360,000
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of \$17,225,000) with an interest rate of 5.5%, and principal payments due in annual amounts that range from \$720,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$4,350,000 at June 30, 2019, which is reported net of the unamortized original issue premium of \$16,323.	4,366,323	5,457,008
	<u>64,964,300</u>	<u>69,261,513</u>
Less current portion	<u>(4,400,000)</u>	<u>(3,805,000)</u>
	<u>\$60,564,300</u>	<u>\$65,456,513</u>

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

Following are the changes in non-current liabilities for the year ended June 30, 2019:

Non-current Liabilities	June 30, 2018	Additions	Reductions	June 30, 2019	Current Portion
BONDS PAYABLE					
Series 2018B Revenue Bonds	\$33,680,000	-	(\$415,000)	\$33,265,000	\$895,000
Series 2018A Refunding Bonds	10,695,000	-	-	10,695,000	350,000
Series 2015 Refunding Bonds	10,330,000	-	(1,090,000)	9,240,000	1,130,000
Series 2012 Refunding Bonds	5,255,000	-	(860,000)	4,395,000	875,000
Series 2009 Revenue Bonds	360,000	-	(360,000)	-	-
Series 1998 Junior Lien Revenue Refunding	5,430,000	-	(1,080,000)	4,350,000	1,150,000
	65,750,000	-	(3,805,000)	61,945,000	4,400,000
Plus unamortized premium	3,511,513	-	(492,212)	3,019,301	-
Less unamortized discount	-	-	-	-	-
Total Bonds Payable	69,261,513	-	(4,297,212)	64,964,301	4,400,000
Compensated Absences	370,592	22,060	-	392,652	-
Pension Liabilities	1,486,191	-	(196,509)	1,289,682	-
OPEB Liability	3,577,005	-	(297,061)	3,279,944	-
Total Non-current liabilities	\$74,695,302	\$22,060	(\$4,790,782)	69,926,579	\$4,400,000

Following are the changes in non-current liabilities for the year ended June 30, 2018:

Non-current Liabilities	June 30, 2017	Additions	Reductions	June 30, 2018	Current Portion
BONDS PAYABLE					
Series 2018B Revenue Bonds	\$ -	\$33,680,000	-	\$33,680,000	\$415,000
Series 2018A Refunding Bonds	-	10,695,000	-	10,695,000	-
Series 2015 Refunding Bonds	\$11,400,000	\$ -	(\$1,070,000)	\$10,330,000	\$1,090,000
Series 2012 Refunding Bonds	6,095,000	-	(840,000)	5,255,000	860,000
Series 2009 Revenue Bonds	12,180,000	-	(11,820,000)	360,000	360,000
Series 1998 Junior Lien Revenue Refunding	6,460,000	-	(1,030,000)	5,430,000	1,080,000
	36,135,000	44,375,000	(14,760,000)	65,750,000	3,805,000
Plus unamortized premium	1,597,103	2,315,611	(401,201)	3,511,513	-
Less unamortized discount	-	-	-	-	-
Total Bonds Payable	37,732,103	46,690,611	(15,161,201)	69,261,513	3,805,000
Compensated Absences	370,855	(263)	-	370,592	-
Pension Liabilities	1,997,024	-	(510,833)	1,486,191	-
OPEB Liability	3,663,726	(86,721)	-	3,577,005	-
Total Non-current liabilities	43,763,708	46,603,627	(\$15,672,034)	74,695,302	\$3,805,000

Total interest incurred on bonds payable for the years ended June 30, 2019 and June 30, 2018 was \$2,842,958 and \$2,352,618, respectively.

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	4,400,000	2,498,031	6,898,031
2021	4,600,000	2,296,031	6,896,031
2022	4,825,000	2,080,156	6,905,156
2023	4,415,000	1,874,156	6,289,156
2024	3,770,000	1,692,531	5,462,531
2025-2029	12,560,000	6,371,405	18,931,405
2030-2034	11,510,000	4,208,781	15,718,781
2035-2039	8,130,000	2,524,050	10,654,050
2040-2044	7,735,000	788,800	8,523,800
	<u>61,945,000</u>	<u>24,333,941</u>	<u>\$86,278,941</u>
Plus unamortized premiums	<u>3,019,301</u>		
	<u>\$64,964,301</u>		

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2019 and 2018, these commitments totaled \$10,227,525 and \$33,265,116 respectively, for all funds.

NOTE 6. PENSION PLANS

WWU offers four contributory pension plans: 1) the Washington State Public Employees' Retirement System (PERS) plans, 2) the Washington State Teachers Retirement System (TRS) plans, 3) the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan and 4) the Western Washington University Retirement plan (WWURP).

Housing and Dining employees in eligible positions are participants in the PERS and WWURP plans. PERS is a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Department of Retirement Systems (DRS). WWURP is a single-employer defined contribution plan with a supplemental defined benefit plan component privately administered by WWU.

Housing and Dining's proportionate share of WWU's share of the total net unfunded liabilities associated with the defined-benefit pension plans administered by the DRS was \$926,264 as of June 30, 2019 and \$1,217,122 as of June 30, 2018. The liability associated with the defined-benefit pension plan administered by WWU was \$363,419 as of June 30, 2019 and \$269,069 as of June 30, 2018. The total pension expense recorded by the System related to both the DRS and University plans was \$154,647 and \$9,613 for the years ended June 30, 2019 and 2018 respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION:

Public Employees' Retirement System

PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). 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 include higher education employees not participating in other higher education retirement programs.

VESTING AND BENEFITS PROVIDED:

PERS Plan 1

PERS Plan 1 provides retirement, disability, and death benefits to eligible members. This plan is closed to new entrants. All members are vested after the completion of five years of eligible service. The monthly benefit is 2.0% of the average final compensation (AFC) for each year of service credit, up to a maximum of 60.0%. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

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. 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. Other benefits include duty and nonduty disability payments and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

PERS Plan 2/3

PERS 2/3 provides retirement, disability and death benefits. PERS Plan 2 members are vested after completing five years of eligible service. 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. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Defined Retirement benefits are determined as 2.0% of the member's AFC times the member's years of service for Plan 2 and 1.0% of the AFC times the member's years of service for Plan 3. The AFC is the average of the member's 60 highest paid consecutive months. There is no cap on years of service credit.

Members are eligible for normal retirement at the age of 65 with five years of service. Members have the option to retire early with reduced benefits. Members may elect to receive an optional cost of living allowance

(COLA) amount based on the Consumer Price Index, capped at 3 percent annually. Other benefits include duty and nonduty disability payments and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

FIDUCIARY NET POSITION:

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. These 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.

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. 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 system and plan was funded by an employer rate of 0.18% 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/>.

ACTUARIAL ASSUMPTIONS:

Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on University's auxiliary units. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on Housing & Dining's financial statements.

The total pension liability for each of the plans was determined using the most recent actuarial valuation completed by the Washington State Office of the State Actuary (OSA). WWU's 2018 pension liability is based on the OSA valuation performed as of June 30, 2016, with the results rolled forward to the measurement date of June 30, 2017. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource

GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study. The following actuarial assumptions have been applied to all prior periods included in the measurement:

- **Inflation:** 2.75% total economic inflation; 3. 50% salary inflation
- **Salary Increases:** salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.40%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member's lifetime.

OSA selected a 7.40% long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets 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

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

The 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, 2017 are summarized in the following table:

2019 - Measurement date 2018		
Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	100%	

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

DISCOUNT RATE:

The discount rate used to measure the total pension liabilities was 7.40 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 7.40 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 7.40 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 and TRS 2/3 employers whose rates include a component for the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liabilities). Based on those assumptions, the various pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability for each plan.

SENSITIVITY OF THE NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE:

The following table presents Housing & Dining's net pension liability position by plan calculated using the discount rate of 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% point lower (6.40%) or 1.0% point higher (8.40%) than the current rate.

Discount Rate Sensitivity - Net Pension Liability			
(\$ in thousands)			
Plan	2019		
	1% Decrease	Current	1% Increase
	6.4%	Discount Rate	8.4%
	7.4%		
PERS 1	\$ 764	\$ 622	\$ 499
PERS 2/3	1,392	304	(587)

EMPLOYER CONTRIBUTION RATES:

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates.

Required Contribution Rates

The required contribution rates expressed as a percentage of current year covered payroll are shown below. The University and the employees made the required contributions.

	Contribution Rates					
	7/1/2017 thru 6/30/2018		7/1/2018 thru 8/31/2018		9/1/2018 thru 6/30/2019	
	Employee	University	Employee	University	Employee	University
PERS						
Plan 2	7.38%	12.70%	7.38%	12.70%	7.41%	12.83%
Plan 3	5.00-15.00% **	12.70% *	5.00-15.00% **	12.70% *	5.00-15.00% **	12.83% *

PERS 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability (UAAL)

*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.

The University's required contributions for the years ending June 30 are as follows:

	Required Contributions	
	FY 2018	FY 2019
PERS		
Plan 2	\$ 189,435	\$ 207,228
Plan 3	44,426	50,093

HOUSING & DINING PROPORTIONATE SHARE AND AGGREGATED BALANCES:

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the System as of June 30, 2019 and 2018 was June 30, 2018 and 2017 (one year in arrears.) Employer contributions received and processed by the DRS during the measurement date fiscal year have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their fiscal year ended June 30 Schedules of Employer and Non-employer Allocations. Housing & Dining's proportional share of

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

WWU's share from DRS of the aggregated balance of net pension liabilities as of June 30, 2019 and June 30, 2018 is presented in the table below.

Proportionate Share of WWU's share	PERS 1	PERS 2/3
2019	4.5073%	4.7109%
2018	4.2084%	4.4807%

Aggregate Pension Amounts			
	PERS 1	PERS 2/3	Total
Net Pension Liability June 30, 2019	\$ 622,041	\$ 304,222	\$ 926,264
Net Pension Liability June 30, 2018	626,778	590,344	1,217,122

PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES:

The tables below summarize Housing & Dining's expense, deferred outflows of resources and deferred inflows of resources related to the DRS pension plans, together with the related future year impacts to pension expense from amortization of those deferred amounts. Note that deferred outflows of resources related to the Housing & Dining's contributions subsequent to the measurement date are recognized as a reduction of the net pension liability in the following year, and are not amortized to pension expense.

Proportionate Share of Pension Expense			
	PERS 1	PERS 2/3	Total
Year Ended June 30, 2019	\$ 85,144	\$ 43,688	\$ 128,833
Year Ended June 30, 2018	(2,637)	84,328	81,691

Amounts reported as deferred outflows of resources, exclusive of contributions subsequent to the measurement date, and deferred inflows of resources will be recognized in pension expense in future periods as follows:

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

Deferred Outflows of Resources			
2019	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	\$ -	\$ 37,290	\$ 37,290
Changes of assumptions	-	3,559	\$ 3,559
Change in proportion	-	10,016	\$ 10,016
Contributions subsequent to the measurement date	102,045	155,276	\$ 257,321
TOTAL	\$ 102,045	\$ 206,141	\$ 308,186

Deferred Inflows of Resources			
2019	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	\$ -	\$ 53,264	\$ 53,264
Change in assumptions	-	86,579	\$ 86,580
Net difference between projected and actual earnings on pension plan investments	24,720	186,685	\$ 211,405
Change in proportion	-	16,454	\$ 16,454
TOTAL	\$ 24,720	\$ 342,981	\$ 367,702

Amortization of Deferred Outflows and Deferred Inflows of Resources			
YEAR	PERS 1	PERS 2/3	Total
2020	\$ 1,081	\$ (24,392)	\$ (23,311)
2021	\$ (5,404)	\$ (63,328)	\$ (68,733)
2022	\$ (16,215)	\$ (116,853)	\$ (133,068)
2023	\$ (4,182)	\$ (44,899)	\$ (49,081)
2024	\$ -	\$ (18,247)	\$ (18,247)
Thereafter	\$ -	\$ (24,398)	\$ (24,398)
TOTAL	\$ (24,720)	\$ (292,116)	\$ (316,836)

Deferred Outflows of Resources			
2018	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	\$ -	\$ 59,816	\$ 59,816
Changes of assumptions	-	6,271	6,271
Change in proportion	-	20,713	20,713
Contributions subsequent to the measurement date	88,551	145,309	233,860
TOTAL	\$ 88,551	\$ 232,109	\$ 320,660

Deferred Inflows of Resources			
2018	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	\$ -	\$ 19,415	\$ 19,415
Net difference between projected and actual earnings on pension plan investments	23,390	157,372	180,762
Change in proportion	-	17,627	17,627
TOTAL	\$ 23,390	\$ 194,414	\$ 217,804

PLANS ADMINISTERED BY WESTERN WASHINGTON UNIVERSITY

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. The number of participants in the WWURP as of June 30, 2019 and 2018 was 1,187 and 1,139 respectively.

FUNDING POLICY:

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches 100% of the employee contributions. All required employer and employee contributions have been made and the

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

breakdown of the Housing & Dining’s proportional share of the WWURP contributions are included in the table below for the years ended June 30.

	<u>2019</u>	<u>2018</u>
Contributions made by:		
Employees	\$ 108,919	\$ 99,293
University	108,952	99,295

Western Washington University Supplemental Retirement Plan (WWUSRP)

PLAN DESCRIPTION:

WWUSRP, the supplemental component of the WWURP plan, is a defined benefit plan administered by WWU and operates in tandem with the WWURP defined contribution pension plan to supplement the expected defined-contribution retirement savings accumulated under the WWURP. The plan covers faculty and certain other positions. The WWUSRP, the supplemental component of the WWURP, was closed to new entrants as of July 1, 2011.

PLAN MEMBERSHIP:

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

WWUSRP	Number of Participating Members			
	Inactive Members (Or Beneficiaries)	Inactive Members Entitled To But Not	Active Members	Total Members
	Currently Receiving Benefits	Yet Receiving Benefits		
2018	63	21	562	646
2016	48	1	646	695

This same census data was used for both the FY 2019 and FY 2018 Total Pension Liability actuarial valuations.

VESTING AND BENEFITS PROVIDED:

This supplemental component payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. This supplemental component is financed on a pay-as-you-go basis. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

WWSRP retirement benefits provisions are contained in RCW 28B.10.400, et. seq. which assigns the authority to establish and amend benefit provisions to the Western Washington University Board of Regents. 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 is the excess of one-twelfth of 2.0% of the member's average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of 50.0% of the member's average annual salary) over an assumed annuity benefit.

Assumed income must be calculated by an independent actuary, and represents a theoretical amount of monthly income that would have been generated if actual employee and WWU contributions to the WWURP had been allocated equally between fixed and variable dollar annuities. When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. The System's proportional share of the total University benefit payments made during the fiscal years ended June 30, 2019 and 2018 were \$5,643 and \$4,876 respectively.

ACTUARIAL ASSUMPTIONS:

Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on the University's auxiliary units. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on Housing & Dining's financial statements.

The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2019, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- **Inflation:** 2.75%
- **Salary Increases:** 3.50%
- **Discount Rate:** 3.50%

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, 2016 valuation were based on the results of the April 2016 Experience Study Report.

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index.

The following presents Housing & Dining's proportional share of the pension liability for the WWUSRP for WWU as an employer, calculated using the discount rate of 3.50%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1.0% point lower (2.50%) or 1.0% point higher (4.50%) than the current rate.

WWUSRP	
Total Pension Liability	
Discount Rate Sensitivity	
1% Decrease: 2.50%	\$414,336
Current Discount Rate: 3.50%	\$363,419
1% Increase: 4.50%	\$320,930

Material assumption changes during the measurement period included first, updating the GASB Statement No. 73 discount rate from 3.87% to 3.50% (decreased the TPL), and secondly, the CREF Stock Account returned about 5% for FY 2019, which is lower than the assumed return of 6.50%. Lower than expected returns on TIAA and CREF investments lead to greater supplemental benefits.

TOTAL PENSION LIABILITY (TPL):

Assets set aside to pay WWUSRP benefits are not held in a qualified trust as defined by GASB. A qualified trust requires that contributions from employers be irrevocable, dedicated to providing pension benefits to plan members, and are legally protected from creditors of the employer and plan administrator. As a result, Housing & Dining reports the total WWUSRP pension liability. This is different from the DRS plans (PERS, TRS, and LEOFF2), which have trusted assets and, therefore, are reported as a net pension liability.

Schedule of Changes in Total Pension Liability

Beginning Balance - June 30,2017		\$ 350,077
Service Cost	\$ 32,133	
Interest	36,493	
Differences Between Expected and Actual Experience	(97,401)	
Changes in Assumptions	(35,708)	
Benefits Payments	(16,524)	
Net Change in Total Pension Liability FY 18		<u>(81,008)</u>
Balance as of June 30,2018		269,069
Service Cost	8,558	
Interest	12,813	
Differences Between Expected and Actual Experience	35,674	
Changes in Assumptions	43,828	
Benefits Payments	(6,523)	
Net Change in Total Pension Liability FY 19		<u>94,350</u>
Ending Balance - June 30,2019		<u>\$ 363,419</u>

Housing & Dining's proportionate share of the WWUSRP pension expense for the fiscal years ended June 30, 2019 and 2018 was \$ 25,814 and \$ (72,078) respectively.

DEFERRED INFLOWS OF RESOURCES:

The tables below summarize Housing & Dining’s deferred outflows and inflows of resources related to the WWUSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts:

Deferred Outflows of Resources		
	2019	2018
Difference between expected and actual experience	\$ 26,332	\$ -
Changes of assumptions	32,354	-
TOTAL	\$ 58,686	\$ -

Deferred Inflows of Resources		
	2019	2018
Difference between expected and actual experience	\$ 61,293	\$ 72,421
Changes of assumptions	23,899	28,265
TOTAL	\$ 85,192	\$ 100,686

Amortization of Deferred Outflows and Deferred Inflows of Resources

Year	
2019	\$ (10,135)
2020	(10,135)
2021	(10,135)
2022	(5,672)
2023	4,718
Thereafter	4,852
TOTAL	\$ (26,506)

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION:

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

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

The health care premiums for active employees, which are paid by the agency during employees’ working careers, subsidize the “underpayments” of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an “explicit subsidy”). For fiscal years 2019 and 2018, this amount is the lesser of \$150 or 50% of the plan premium per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

OPEB implicit and explicit subsidies as well as administrative costs are funded by required contributions made by participating employers. State agency contributions are made on behalf of all active, health care eligible employees, regardless of enrollment status. Based on the funding practice, the allocation method used to determine proportionate share is each agency’s percentage of the state’s total active, health care eligible employee headcount. As of June 2018 and 2017, the total University’s headcount percentage membership in the PEBB plan consisted of the following:

OPEB Plan Participants				
	Active	Retirees	Retirees	Total
FYE	Employees	Receiving Benefits	Not Receiving Benefits	Participants
2017	1992	683	97	2772
2018	2016	727	97	2840

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary (OSA) calculated the total OPEB actuarial accrued liability of the State of Washington at January 1, 2017.

ACTUARIAL ASSUMPTIONS:

Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on the University’s auxiliary units. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on Housing & Dining’s financial statements.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement period:

- **Inflation:** 2.75%
- **Salary Increases:** 3.50% including service-based salary increases
- **Health Care Trend Rates:** Initial rate of 8.00% adjusting to 4.50% in 2080
- **Post-retirement Participation:** 65.00%
- **Spouse Coverage:** 45.00%

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 100.0% 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.

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75, the January 1, 2017 actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017 valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan's service cost, assumed interest, and the expected benefit payments.

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index. A discount rate of 3.58% was used for the June 30, 2017 measurement date and 3.87% for the June 30, 2018 measurement date.

The following presents Housing & Dining's proportional share of the total University OPEB liability, calculated using the discount rate of 3.87%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

Total OPEB Liability	
Discount Rate Sensitivity	
1% Decrease	\$3,954,840
Current Discount Rate - 3.87%	\$3,279,943
1% Increase	\$2,753,377

The following represents the total OPEB liability of Housing & Dining calculated using the health care trend rates of 8.00% decreasing to 4.50%, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (7.00% decreasing to 3.50%) or 1 percentage point higher (9.00% decreasing to 5.50%) than the current rate:

Total OPEB Liability	
Health Care Cost	
Trend Rate Sensitivity	
1% Decrease	\$2,692,515
Current Discount Rate - 8.00%	\$3,279,943
1% Increase	\$4,061,110

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019 and 2018

TOTAL OPEB LIABILITY:

As of June 30, 2019 and 2018, components of the proportionate share calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for Housing & Dining are represented in the following table:

FY19 Proportionate Share of WWU's share		3.973147%
FY18 Proportionate Share of WWU's share		3.802895%
Schedule of Changes in Total OPEB Liability		
Total OPEB Liability	2019	2018
Service cost	\$133,241	\$90,045
Interest	91,602	42,178
Changes of benefit terms	-	-
Differences between expected & actual experience	83,615	-
Changes in assumptions	(583,308)	(205,746)
Benefit payments	(38,688)	(21,495)
Change in Proportionate share	16,475	8,297
Other	-	-
Net Change in Total OPEB Liability	(\$297,061)	(\$86,721)
Total OPEB Liability - Beginning	\$3,577,005	\$3,663,726
Total OPEB Liability - Ending	3,279,944	\$3,577,005

Housing & Dining's proportionate share of OPEB expense for the fiscal years ended June 30, 2019 and 2018 were \$381,100 and \$ 441,571 respectively.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

The tables below summarize Housing & Dining's deferred outflows and inflows of resources related to OPEB, together with the related future year impacts to expense from amortization of those deferred amounts:

Deferred Outflows of Resources			
	2019		2018
Change in proportion	42,402	\$	19,560
Difference between expected and actual experience	114,391		
Transactions subsequent to the measurement date	60,223		56,608
TOTAL	\$ 217,016	\$	76,169

Deferred Inflows of Resources			
	2019		2018
Changes of assumptions	\$1,251,306		\$492,520
TOTAL	\$ 1,251,306	\$	492,520

Amortization of Deferred Outflows and Deferred Inflows of Resources			
Year			
2020	\$	(144,603)	
2021		(144,603)	
2022		(144,603)	
2023		(144,603)	
2024		(144,603)	
Thereafter		(371,498)	
TOTAL	\$	(1,094,513)	

NOTE 8. SUBSEQUENT EVENT

On August 23, 2019, the Board of Trustees of Western Washington University approved resolution number 2019-04 authorizing the issuance and sale of Housing and Dining System revenue bonds in the principal amount not to exceed \$75,000,000 with a maximum interest rate of 4.5%

RSI

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date ended June 30 *					
	2014	2015	2016	2017	2018
Housing & Dining System PERS 1 employers' proportion of the net pension liability	0.016016%	0.014712%	0.014101%	0.013209%	0.013928%
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability	\$1,157,409	\$769,578	\$757,281	\$626,778	\$622,041
Housing & Dining System PERS 1 employers' covered-employee payroll	\$1,668,417	\$1,607,762	\$1,657,525	\$1,608,185	\$1,826,650
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.37%	56.37%	43.13%	38.97%	34.05%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%	63.22%
* 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.

**HOUSING AND DINING SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 2019 and 2018

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *					
	2014	2015	2016	2017	2018
Housing & Dining PERS 2/3 employers' proportionate share of the net pension liability	0.017383%	0.017106%	0.017670%	0.016991%	0.017818%
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability	\$351,380	\$611,214	\$889,666	\$590,345	\$304,222
Housing & Dining System PERS 2/3 employers' covered-employee payroll	\$1,496,262	\$1,516,820	\$1,681,103	\$1,666,293	\$1,876,389
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	39.49%	52.92%	35.43%	16.21%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%	95.77%
* This schedule is to be built prospectively until it contains ten years of data.					

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

Cost Sharing Employer Plans

Schedule of Housing and Dining System’s Proportionate Share of the WWUSRP Total Pension Liability

Schedule of WWU's Total Pension Liability				
WWUSRP - Housing & Dining				
Fiscal Year ended June 30*				
<i>(dollars in thousands)</i>				
	2016	2017	2018	2019
WWUSRP total pension liability	\$379	\$350	\$269	\$363
WWU URP employers' covered-employee payroll	\$467	\$486	\$500	\$499
WWUSRP total pension liability as a percentage of its covered-employee payroll	81.07%	71.99%	53.81%	72.81%
*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 <i>Housing and Dining System</i>									
Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	UAAL Contributions related to covered payroll of employees Participating in PERS plan 2/3	Total Contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$67,849	\$6,987	\$60,862	\$67,849	\$0	\$62,902	\$1,544,860	\$1,607,762	4.22%
2016	\$79,994	\$1,725	\$78,269	\$79,994	\$0	\$56,705	\$1,600,821	\$1,657,525	4.83%
2017	\$79,456	\$0	\$79,456	\$79,456	\$0	\$43,181	\$1,565,004	\$1,608,185	4.94%
2018	\$93,100	\$0	\$93,100	\$93,100	\$0	\$31,355	\$1,795,295	\$1,826,650	5.10%
2019	\$102,045	\$0	\$102,045	\$102,045	\$0	\$4,506	\$1,330,922	\$1,335,428	7.64%
2020									
2021									
2022									
2023									
2024									

Notes:
This schedule 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 <i>Housing and Dining System</i>					
Fiscal Year	Contractually Required Contributions	Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$83,163	\$83,163	\$0	\$1,547,592	5.37%
2016	\$105,012	\$105,012	\$0	\$1,681,103	6.25%
2017	\$106,724	\$106,724	\$0	\$1,666,293	6.40%
2018	\$140,761	\$140,761	\$0	\$1,876,389	7.50%
2019	\$155,276	\$155,276	\$0	\$1,370,045	11.33%
2020					
2021					
2022					
2023					
2024					

Notes:
This schedule will be built prospectively until they contain ten years of data.

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Schedule of Contributions						
WWUSRP Plan - Housing & Dining						
Fiscal Year Ended June 30						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2016	\$91,087	\$91,087	\$ -	\$466,976	19.51%	
2017	113,948	113,948	-	486,293	23.43%	
2018	99,295	99,295	-	500,066	19.86%	
2019	108,952	108,952	-	499,123	21.83%	
2020						
2021						
2022						
2023						
2024						
2025						

Notes:
This schedule will be built prospectively until they contain ten years of data.

OPEB INFORMATION

Cost Sharing Healthcare Plans

Schedule of Housing & Dining System's Change in Total OPEB Liability

Schedule of Housing and Dining System Changes in Total OPEB Liability		
Fiscal Year ended June 30 *		
	2018	2019
Total OPEB Liability-Beginning	\$3,663,726	\$3,577,005
Service Cost	\$90,045	\$133,243
Interest	\$42,178	\$91,602
Differences between expected and actual experience	\$0	\$83,615
Changes in assumptions	-\$205,746	-\$583,308
Benefits payments	-\$21,495	-\$38,688
Change in Proportionate share	\$8,297	\$16,475
Total OPEB liability-ending	<u>\$3,577,005</u>	<u>\$3,279,944</u>
Housing and Dining System employers' covered-employee payroll	\$3,257,555	\$3,567,358
Housing and Dining employers' proportionate share of total OPEB liability as a percentage of its covered-employee payroll	109.81%	91.94%
*This schedule is to be built prospectively until it contains ten years of data.		

OPEB INFORMATION

Cost Sharing Healthcare Plans
Schedule of Contributions

Schedule of Contributions Health Care - OPEB Fiscal Year Ended June 30 <i>Housing and Dining System</i>					
Fiscal Year	Contributions in relation to the			Covered-employee payroll	Contributions as a percentage of covered-employee payroll
	Contractually Required Contributions	Contractually Required Contributions	Contribution deficiency (excess)		
2018	\$56,608	\$56,608	\$0	\$3,257,555	1.74%
2019	\$60,223	\$60,223	\$0	\$3,567,358	1.69%
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					

Notes:
This schedule will be built prospectively until they contain ten years of data.

OTHER INFORMATION

**SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2019**

(Unaudited)

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	\$11,913	\$11,465	\$11,025	\$10,570
Single room/single occupancy	\$13,134	\$12,686	\$12,246	\$11,791
Double room/single occupancy (super single)	\$13,843	\$13,395	\$12,955	\$12,500
Triple room/triple occupancy	\$10,425	\$9,977	\$9,537	\$9,082

APARTMENTS

	Double with	Super Single	Family Rate
	2/bedroom	1/bedroom	
Apartment only Academic Year Contracts			
Birnam Wood - 2 Bedroom Units	\$3,780	\$7,545	\$15,114

**SCHEDULE OF OCCUPANCY
Year Ended June 30, 2019**

(Unaudited)

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	<u>Designed (1)</u>	<u>Operating (2)</u>		<u>Designed Capacity</u>	<u>Operating Capacity</u>
Fall 2018	4,275	4,144	4,107	96.1%	99.1%
Winter 2019	4,275	4,144	3,869	90.5%	93.4%
Spring 2019	<u>4,275</u>	<u>4,144</u>	<u>3,634</u>	<u>85.0%</u>	<u>87.7%</u>
Average	4,275	4,144	3,870	90.5%	93.4%

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

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

SCHEDULE OF INSURANCE COVERAGE FY 2019

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

- Repair or replacement cost coverage for all scheduled buildings for “all risk” of direct physical loss or damage, including earthquake and flood.
- The policy limit is \$500,000,000 per occurrence, with an aggregate limit of \$100,000,000 for earthquake and flood damage, and \$100,000,000 sub-limit for business interruption. There is a \$250,000 deductible per occurrence that increases to 3% of the value of damaged property subject to a \$250,000 minimum for earthquake and flood damage.
- Equipment breakdown insurance (a.k.a. boiler and machinery insurance) – State of Washington Program, \$200,000,000 property damage limit subject to a \$5,000 deductible on covered equipment.
- Third-party bodily injury and property damage liability insurance – State funded self-insurance liability program (SILP), \$10,000,000 per occurrence limit, with a commercial excess liability insurance policy above, and zero deductible.

The Housing and Dining System’s property insurance in effect at June 30, 2019 is summarized as follows:

	<u>Insured Value</u>
Ridgeway Residences and Commons	\$110,271,392
Fairhaven Residences and Commons	85,928,245
Buchanan Towers	62,117,562
Edens Hall and Edens Hall North	39,849,470
Viking Union, Additions and Commons	70,325,931
Birnam Wood Residences	60,978,545
Nash Hall	34,009,652
Mathes Hall	33,341,763
Higginson Hall	22,299,938
Commissary	20,769,989
Highland Hall	10,076,196
<u>Lakewood Student Center</u>	<u>2,826,491</u>
Building Insured Values	\$552,795,174
<u>Insured Contents</u>	<u>\$ 15,238,761</u>
Total System Values	\$568,033,935

EXPENDED FOR PLANT FACILITIES FY 2019 and FY 2018

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

	2019	2018
Capitalized Projects		
VU Multicultural Center	14,429,986	6,011,194
Buchanan Towers Renov	11,329,149	7,378,264
New Residence Planning	2,119,499	
Gamma Renovation		1,951,805
Other capitalizable	610,007	320,301
	<u>\$28,488,641</u>	<u>\$16,846,118</u>
Non-Capitalized Projects		
ADA Upgrades	621	10,930
Bathroom & Shower renovations	15,108	114,484
Stormwater & Site Drainage	27,148	
Painting	80,491	279,112
Equipment	18,894	31,170
Viking Union Projects	267,012	165,321
Fire Safety / Safety Corrections	230,547	201,647
Other Residence Planning	244,335	868,806
Plumbing, heating and electrical	278,273	207,358
Access Control	486,893	171,741
Network & WiFi projects	11,063	
Furniture & Carpet	665,541	260,956
Other	731,138	491,072
Roof Repair/Recoat/Replace	1,727,454	162,922
Moisture intrusion & Foundations		1,083,425
Deck Repair & Replacement		1,464,314
Birnam Wood Moisture Mitigation	59,279	
Carver Dining Addition	51,336	1,184,554
Comprehensive UR Bldg Audit	47,180	
Birnam Wood Balcony & Deck Rep/Rplcmt	2,231,821	
Facility Condition Audit		70,920
	<u>\$7,174,136</u>	<u>\$5,584,177</u>

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