

**WESTERN WASHINGTON UNIVERSITY
BOARD OF TRUSTEES
AGENDA**

THURSDAY, December 8, 2016

Location: OM 340

Time: 3:00 p.m.

1. **CALL TO ORDER**
3:00 – 3:05

2. **PUBLIC-PRIVATE PARTNERSHIPS AND
COLLABORATIONS: AN EXPLORATION** 3:05 – 5:00
 - Joint session with the Foundation Board of Directors

FRIDAY, December 9, 2016

Location: Old Main 340

Time: 8:00 a.m.

1. **CALL TO ORDER, APPROVAL OF MINUTES**
8:00 – 8:05
 - Board of Trustees Meeting, October 13, 14, 2016

2. **PUBLIC COMMENT**
8:05 – 8:15

3. **BOARD CHAIR**
8:15 – 8:25

4. **UNIVERSITY PRESIDENT**
8:25 – 8:35

5. **RECOGNITIONS AND INTRODUCTIONS**
8:35 – 8:45
 - Antonia M. Allen, Director of Internal Audit
 - Cezar O. Mesquita, Director of Admissions

6. **FACULTY SENATE**

8:45 – 8:55

7. **ASSOCIATED STUDENTS**

8:55 – 9:05

ACTION ITEMS

8. **CONSENT ITEMS**

9:05 – 9:10

- Construction Contract for Cyclic Renewal to Elevators, PW705A
- Consultant Contract for Design Services for Ethnic Student Center/Multi-Cultural Services, PW698
- Request for Extension - Emergency Rule Change to Chapter 516-21 WAC, Student Rights and Responsibilities Code
- Approval of Fall Quarter Degrees

BREAK: 10 Minutes

DISCUSSION ITEMS

9. **HOUSING AND DINING SYSTEM LONG TERM CAPITAL PLAN UPDATE**

9:20 – 9:40

Presentation: Eileen Coughlin, Sr. Vice President, VP for Enrollment & Student Services
Discussion

10. **OLYMPIA UPDATE**

9:40 – 10:00

Presentation: Becca Kenna-Schenk, Government Relations Director
Discussion

11. **INSTITUTE FOR ENERGY STUDIES – COLLABORATION IN ACTION**

10:00 – 10:35

Presentation: Andy Bunn, Professor, Environmental Science
Manca Valum, Sr. Director of Advancement for Strategic Initiatives
Discussion

12. **PUBLIC-PRIVATE COLLABORATION: WESTERN'S SOFTBALL FIELD**

10:35 – 11:10

Presentation: Richard Van Den Hul, Vice President for Business and Financial Affairs
Mark Brovak, Sr. Director & Chief Operating Officer
Discussion

13. **AUDIT COMMITTEE REPORT**

11:10 – 11:20

Presentation: Trustee Earl Overstreet, Chair, Board of Trustees Audit Committee

14. BOARD GOVERNANCE COMMITTEE REPORT

11:20 – 11:30 Presentation: Trustee Chase Franklin, Chair, Board Governance Committee

15. INFORMATION ITEMS

11:30 – 11:40

- a. Academic Affairs Report
- b. Quarterly Grant Report
- c. Admissions and Enrollment Report
- d. Capital Program Report
- e. Office of the Internal Auditor 2015 – 2016 Annual Report
- f. University Advancement Report
- g. University Relations and Community Development Report
- h. 2015-16 University Financial Report
- i. 2016 Housing & Dining System Financial Report
- j. 2016 AS Bookstore Financial Report
- k. 2016 Wade King Student Recreation Center Financial Report
- l. Student Right to Know/Clery Act

16. DATE FOR NEXT REGULAR MEETING: February 9, 10 2017

17. EXECUTIVE SESSION MAY BE HELD TO DISCUSS PERSONNEL, REAL ESTATE AND LEGAL ISSUES AS AUTHORIZED IN RCW 42.30.110.

18. ADJOURNMENT

1. CALL TO ORDER

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa
DATE: December 9, 2016
SUBJECT: **Approval of the Minutes**
PURPOSE: Action Items

Purpose of Submittal:

Approval of the Board of Trustees Meeting Minutes.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following minutes:

- Approval of the Minutes of the Board of Trustees Meeting, October 13 & 14, 2016

Supporting Information:

Minutes of October 13, 2016
Minutes of October 14, 2016

**Western Washington University
Board of Trustees
Meeting Minutes
Thursday, October 13, 2016**

1. CALL TO ORDER

Board Chair Sue Sharpe called the regular meeting of the Board of Trustees of Western Washington University to order at 1:00 p.m., in the Boardroom, Old Main 340, in Bellingham, WA.

Board of Trustees

Sue Sharpe, Chair
Chase Franklin, Vice-Chair
John Meyer, Secretary
Karen Lee
Betti Fujikado
Mo West
Earl Overstreet
Abigail Ramos

Western Washington University

Sabah Randhawa, President
Eileen Coughlin, Senior VP, Vice President for Enrollment and Student Services
Richard Van Den Hul, Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Steve Swan, Vice President for University Relations and Community Development
Brian Burton, Associate Vice President of Academic Affairs
Stephanie Cheng, Associated Students President
Kristen Larson, Faculty Senate President
Rob Olson, Assistant Attorney General
Paul Cocke, Director of University Communications
Paul Dunn, Senior Executive Assistant to the President
Barbara Sandoval, Assistant to the President and Secretary to the Board of Trustees
Rayne Rambo, Assistant Secretary to the Board of Trustees

2. APPROVAL OF MINUTES

There were no changes to the draft minutes as distributed.

MOTION 10-01-2016: Trustee Lee moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following minutes:

- Board of Trustees Meeting August 18, 2016
- Board of Trustees Special Meeting August 19, 2016

The motion passed.

3. UNIVERSITY PRESIDENT

President Randhawa updated the Board regarding events on campus to kick off the new academic year including Opening Convocation, faculty and staff award recipients, Student Convocation and "Painting Bellingham Blue", was a huge success. President Randhawa provided updates from the 2016 Council of Presidents Retreat noting that the meeting allowed for a discussion of the long term issues for higher education in Washington. One of the highest priorities across the state is how to retain faculty and staff on campuses and student success. President Randhawa said he is looking forward to connecting with the president of University of Washington and the president of Washington State University, who through land grants now have a campus in Everett and to better build those relationships and partner with them.

President Randhawa said that the Accreditation Board for Engineering and Technology (ABET) made a campus visit for the transition from Engineering Technology to Engineering. He noted that three programs are being evaluated in the Engineering and Design Program, electrical engineering, manufacturing engineering, plastics and composites engineering. President Randhawa stated that we will not know the outcome of the accreditation visit until July or August 2017 when the commission meets, but there were no issues during the visit.

President Randhawa reported that City of Bellingham discussions regarding the waterfront project have continued. Leadership at Harcourt Development made a presentation to the City of Bellingham, Port of Bellingham leadership and Western and planning seems to be moving forward. President Randhawa said he is most excited about the potential economic development and the university's partnerships with the city and port as the waterfront development continues to move ahead.

President Randhawa reported that the 2017-19 capital projects includes a request for the renovation of the Environmental Science Building. This is a fifty-six million dollar request and is well positioned to move forward. This is the first step in a long process.

Robert M. Gates, former United States Secretary of Defense and Director, Central Intelligence Agency will be the featured guest for the Bellingham Leadership Forum luncheon. President Randhawa thanked Trustee Meyer for securing the speaker.

Trustees inquired about recent visits with legislators around the state and asked how that process has gone. President Randhawa stated that everyone seemed to be in good spirits, adding that there were good conversations, and he appreciated the legislator's understanding of the value that Western adds to higher education and our graduates add to the state of Washington.

Trustee Sharpe complimented President Randhawa on the high level of engagement he has had with the community and that he is sending a positive message and representing the University well.

Chair Sharpe announced a 10 minute break at 3:23 pm. The board returned and reconvened the meeting at 3:40 pm

4. JOINT SESSION WITH THE ASSOCIATED STUDENT BOARD OF DIRECTORS- SHARING AND ALIGNING 2016-17 PRIORITIES

Trustee Sharpe welcomed the Associated Students (AS) Board of Directors and Faculty Senate President, Kristen Larson, for a joint conversation about 2016-17 priorities, opportunities and challenges and how we can collectively support and align efforts to ensure Western's success in achieving its mission to serve the people of Washington. Trustee Sharpe said that the Presidential search and selection process prepared Western for where we are today. She noted that a lot of time was spent listening collectively to the needs and priorities for Western and creating a shared vision

of Westerns future. Trustee Sharpe said that the process validated Western's commitment to student success, student centered learning, access, affordability, advancement of diversity, equity, and inclusion, and our commitment to shared governance.

President Randhawa initiated the discussion acknowledging the importance of a collective conversation, the interest of the trustees in getting to know the institution more broadly and hearing what key constituents of the university are thinking about. He said that the upcoming strategic planning process will be an opportunity to collectively reflect, question, and think about the future and to understand Western, the history, the people, and their diverse and rich perspectives. He noted that the initial process has been guided by the many conversation he has had with the trustees, the search committee, and the community during the Presidential search process. President Randhawa said that the conversations were framed by three questions from Trustee Fujikado, what is Westerns place in society, what is the place of Westerns graduates in society, and what is our North Star going forward? He said that things to consider include how we increase student success, how do we increase our impact in the region and beyond, how we build and sustain a more inclusive and diverse community of students, scholars, administrators, and staff as we move forward in the year.

Trustee Franklin inquired about initiatives that came out of the joint meeting last spring with the AS Board and the Faculty Senate president. Trustee Lee stated that they did not have any goals that were specific, but rather a commitment to increased understanding and communication. She said that the idea of having an annual joint meeting with the AS Board was one of the ideas that came out of the initial meeting. Trustee Franklin reflected on the moment when trustees realized how big a challenge it is for the AS Board to engage in the university governance structure due to the number of committees needing student representation.

Associated Students President Stephanie Cheng addressed the four goals that the AS Board created during their retreat held prior to the start of the academic year. Alex Lavalee, VP for Student Activities described the first goal: increased outreach and communication with the student body. Lavalee explained that it is difficult to reach new students to let them know about resources on campus. He explained that AS Activities has created a new Facebook page called WWU Up keep that provides updates to keep students up to date on activities related to the Associated Students. Lavalee explained he is working toward understanding what information is accessible to student, how students prefer to take in information, and how to communicate and reach mass numbers of people. He said that the AS will also continue to build relationships with student publications such as, the AS Review and Western Front and use polls within the newly created videos to gather information about how students feel about a range of topics.

AS Vice President for Student Life, Wayne Rocque, presented the second goal: registering as many offices as possible with the Office of Sustainability. This goal helps to create and foster a culture of sustainability on Westerns campus. He said that it is also important to ensure that the AS is as sustainable as possible in order to set an example for the rest of the university.

AS Vice-President for Academics, Erick Yanzon, presented the third goal: more collaboration within the AS offices and external offices on campus. Yanzon's explained that this goal is to host collaborative events to determine what some common goals are within student groups and then share this information and provide feedback.

AS Vice President Government Affairs, Bryce Hammer, presented the fourth goal: restructuring of the Associated Students. Hammer said this goal works towards re-building the Student Senate, creating more balance between event planning, advocacy, programming, attending meetings and maintaining office hours. This will create more transparency, allowing students will have better access.

Faculty Senate President, Kristen Larson, stated that making governance more sustainable is a similar goal for the Faculty Senate. Larson has created a new blog to help with outreach within her constituency. She said that the Senate wants to facilitate the student connection to faculty governance more clearly, attempting to pick committees that are most important for student representation. Larson also said that having multiple students on important committees, rather than just one student and making minutes from other committees available so students are informed and can weigh in on those issues. Larson said that the Faculty Senate Executive Council has identified five priorities for this academic year, (1) changes to the General University Requirements program, (2) campus climate in and out of the classroom, (3) increased access for students in high demand majors, (4) extended education and Western's obligation to the state of Washington to ensure a quality experience is being met in all of the satellite locations, and (5) issues related to non-tenure track faculty. Larson stated that students choose Western for what happens beyond the classroom; the opportunity to work on independent projects, to work in the community, and to be engaged in the process. This is work done by tenure and tenure-track faculty, not the non-tenure track faculty. Larson finished by saying that after hearing President Randhawa's opening remarks from Opening Convocation, the faculty are looking forward to participating in the strategic planning process and are grateful for shared governance.

Trustee Overstreet thanked the Associated Students for attending the meeting and shared his astonishment at what tasks and responsibilities the Associated Students board takes on in the Academic year.

Trustee Fujikado observed that the discussion today was centered around what the Associated Students board will do which raises the bar and that is impressive. She added that it is refreshing to know that issues and priorities have been identified and students are being pro-active in addressing them.

The meeting adjourned at 5:01 p.m.

**Western Washington University
Board of Trustees
Meeting Minutes
Friday, October 14, 2016**

1. CALL TO ORDER

Board Chair Sue Sharpe called the regular meeting of the Board of Trustees of Western Washington University to order at 9:03 a.m., in the Boardroom, Old Main 340, in Bellingham, WA.

Board of Trustees

Sue Sharpe, Chair
Chase Franklin, Vice-Chair
John Meyer, Secretary
Betti Fujikado
Earl Overstreet

Absent

Karen Lee
Mo West
Abigail Ramos

Western Washington University

Sabah Randhawa, President
Eileen Coughlin, Senior VP, Vice President for Enrollment and Student Services
Richard Van Den Hul, Vice President for Business and Financial Affairs
Stephanie Bowers, Vice President for University Advancement
Steve Swan, Vice President for University Relations and Community Development
Brian Burton, Associate Vice President of Academic Affairs
Stephanie Cheng, Associated Students President
Kristen Larson, Faculty Senate President
Rob Olson, Assistant Attorney General
Paul Cocke, Director of University Communications
Paul Dunn, Senior Executive Assistant to the President
Barbara Sandoval, Assistant to the President and Secretary to the Board of Trustees
Rayne Rambo, Assistant Secretary to the Board of Trustees

Breakfast with the 2016 Introductions and Convocation Winners

Steven Garfinkle, Outstanding Faculty Leadership Award Recipient
Jeannine Woelkers, Outstanding Classified Staff Award Recipient
Lisa Rosenberg, Professional Staff Organization Award Recipient
Trula Nicholas, Diversity Achievement Award Recipient
Joseph Trimble, Diversity Achievement Award Recipient
James Hearne, Carl H. Simpson Bridging Award Recipient
Pete Elich, Philip E. Sharpe Jr., Community Engagement Award Recipient
Sue Sullivan, Morse Hall Fire Restoration Team Award Representative

2. PUBLIC COMMENT

As per Amended RCW 28B.35.110, the Board of Trustees provided time for public comment. One person signed up to testify before the Board and Chair Sharpe gave her the opportunity to address the Board regarding collective bargaining for classified staff that are members of the Public Schools Employees Union.

3. BOARD CHAIR REPORT

Trustee Sharpe thanked the Associated Students Board President, Stephanie Cheng and Faculty Senate President, Kristen Larson for the time spent together in the Thursday joint session. Trustee Sharpe stated that it was a very informative session and provided insight into some of the issues and challenges shared governance are facing this academic year. The board appreciated the opportunity to share our joint commitment to supporting and advancing Western under our new leader, President Randhawa and his team.

Trustee Sharpe reported that the board held a work session in August that focused on board governance, assessment, and presidential success. The board discussed issues facing Higher Education and how the board can best help the new President and his team, advance the goals of Western and its role in the state of Washington.

Trustee Sharpe shared that the larger national strategic issues include, student access and success, affordability, and advancing equity, diversity and inclusion, campus safety, financial sustainability, the importance of academic quality, and building the partnerships needed for the future. She said these issues were all identified in the presidential search process and are held as priorities at Western adding that these topics will be the framework by which we think about Western moving forward. Trustee Sharpe also addressed the issue of campus safety. She mentioned the recent front page interview with President Randhawa in the Bellingham Herald. She read from the article quoting President Randhawa, "safety is more than just physically safety, part of it is when we bring students that they really feel at home and they are physically, emotional, and psychologically secure in their new home." Sharpe finished by saying that the quote really captures what we are all here to do.

4. FACULTY SENATE

Faculty Senate President, Kristin Larson addressed the board and reported that Academic Coordinating Commission (ACC) is assessing the General University Requirements, (GUR) process and is currently reviewing a report from the task force. The task force from last academic year was asked to bring forward models that are successful nationwide and determine how some features of those models might be implemented into our own GUR program.

The University Planning Research Council (UPRC) will be working towards structuring the strategic planning initiative which will include representation across campus and possibly charging a sub-committee with regards to the biennium budget.

5. ASSOCIATED STUDENTS

Associated Students President, Stephanie Cheng informed the board that she has been working with Provost Carbajal and Dean Francisco Rios to select two students to participate on the search committee for the Senior Vice-President for Enrollment and Student Services position noting that they have now been identified. She reported that the Associated Students Board meetings have begun and everyone is in full swing. Cheng addressed the issue of voter registration, voting, and the legislative agenda on campus. She stated that as a university we are very committed to our motto, "Active Minds Changing Lives, so it is important to encourage students to vote in this very important election. Cheng said it is important that we remind students that we all make choices in all the things we do, and voting is one of those things.

6. ENROLLMENT REPORTS AND TRENDS

President Randhawa introduced Senior Vice President Eileen Coughlin to present the Enrollment Report.

Vice President Coughlin said that the materials and presentation on enrollment were intended to provide a background on Western's enrollment planning process along with an enrollment report for fall 2016. She noted that in recent year's enrollment planning at Western has been focused on shaping enrollment relative to changing needs in the State of Washington, while keeping total enrollment on campus about the same. In addition, Western has moved to a net tuition revenue model in shaping undergraduate enrollment with non-resident students which has allowed investments that support resident students.

Coughlin said that during this period of time, shaping enrollment has been reflected in academic changes such as moving to a full Engineering program, growing Computer Science and responding to an increase in areas such as Kinesiology. In addition, the demand in STEM fields has grown significantly and led to a strong decision package request for the next biennium. Coughlin said that these changes are all a part of shaping enrollment to meet the needs of the State of Washington.

Vice President Coughlin said that the Faculty Senate has been actively involved in supporting these directions through the University Planning and Resources Council. In addition, faculty governance advises Admissions through the Senate Recruitment, Admissions and Support Committee (RASC), and also through representation on an advisory committee to the Vice President of Enrollment and Student Services. Coughlin said that the advisory committee led campus wide conversations that included students, about the needs of undergraduates who are increasingly low income, first generation, and underrepresented in higher education. In addition to these efforts, the Faculty Senate has been working on climate in the classroom, together with evaluating enrollment philosophy and approaches to Extended Education. She added that the University has also been increasing active enrollment in distance sites - the most exciting of which is the new Poulsbo partnership - reflecting the work of key academic leaders in response to direct legislative interest and support.

Coughlin said that the future of enrollment at Western is an important part of the upcoming review of the University's strategic plan under President Randhawa. This commitment is focused on inclusive excellence with diverse and globally prepared students.

Trustees inquired as to the strategic difference between the word objective and planning, asking if the university has an objective with respect to how enrollment should increase and decrease or if the university has a planning outlook that mostly reacts to demand within a plans ability to react. Coughlin responded by explaining that Western has been clear with the legislature that Western will not grow if the legislature is not going to invest. She said that the planning of total enrollment and off campus enrollment has grown because that is where the legislature has invested. Coughlin said that the shaping of enrollment are in response to changing demographics, first generation, low income and diverse students coming through the pipeline adding that Western is well prepared both in terms of the experience that student are having and our ability to attract students to come to Western. She explained that his is particularly important due to Western's location from Seattle, and important because low income, first generation students are comparing the University of Washington that has higher tuition but students can live at home to Western with lower tuition, but students must move away from the Seattle area. Coughlin said that the total cost of education is strained when you have to move away.

Trustee Franklin asked what would happen if the state said there is adequate funding to double the rate of the increase in enrollment. Would that be something Western could respond to? Coughlin stated that it would depend upon the amount of increase. She said that we already see the strain in the sciences with a lack of lab space and capacity. Western continues working to catch up with the demand adding that the STEM proposal for the next state budget to support growth in Computer Science and Engineering is a perfect example of the demand for growth.

President Randhawa added that as we think about the long term in strategic planning, it is worth asking if the state is really serious about the 2023 stated goal that states that every adult in Washington age twenty-five to forty-four will have at least a high school diploma and of those adults 70% of the same population have a post-secondary credential. Randhawa stated that understanding what Westerns contribution can be to help the state meet their objective and what the implications are is important.

Coughlin added that we need to assess quality, ask what Western wants to be, how that quality reflects how much Western grows and whether or not that can be managed. All of those questions are part of the strategic planning process. Coughlin explained that Western has lost some of its position in recruitment and yield within freshman admissions adding that the trend has become challenging due to the rise of students with greater need. Coughlin added that there are some institutions with greater scholarship dollars and Western has looked into investments for next fall that will help with this. Trustee Meyer inquired if this explains why there is a higher percentage of admittances to applications? Coughlin responded that when your yield goes down it takes a greater number of admits to reach the same number in enrollment. She said when Western invested another half a million dollars in tuition waivers in 2013, our yield was higher the following year

Chair Sharpe announced a break at 10:17 am. The board returned and reconvened the meeting at 10:32 am

7. STRATEGIC PLANNING PROCESS

President Randhawa provided an overview and national context for Western's strategic planning process starting this fall. The core topics of strategic planning include diversity, student success, student access, financial sustainability, and affordability. President Randhawa said these are topics where a lot has been said over the last decade, but nationally the needle has not moved.

He said the task is to not so much to see what no one has yet seen, but to think of what no one has thought about that everyone else sees.

President Randhawa referenced trend analysis charts that provides a snap shot of how Western compares to other state institutions and gives Western a sense of direction. These comparisons will provide information for conversations during the strategic planning process.

In terms of the process, President Randhawa reported that he has asked Brent Carbajal, Chief Academic Officer of the University and John Bowers, Chair, Faculty Senate, University Planning and Resources Counsel to co-chair a group that will lead the strategic planning process. The charge to the group is taking stock of where we are, our environment and what we can forecast about our environment going forward, assessing the educational workforce needs in the state of Washington and the region, recognizing the support from the state, but that the state support is not going to advance us in excellence going forward. He said that the support to sustain the core education enterprise is critical and we should do everything we can to position Western for maximum support from the state. President Randhawa stated the importance of creating a strategic plan that it is aspirational enough to make a convincing case for investment in Western in terms of private philanthropy, organizations, and industry. He finished by stating "What is Western's place in the world, what is the place of our graduates in the world, and what is our North Star moving forward."

Trustee Sharpe inquired about a timeline for the strategic plan. President Randhawa stated that it takes time, but a complete draft would be completed by the end of the academic year giving us the summer to work with external constituents and outside influences. He expects that in late winter/spring 2017/18 we will start working on a business plan allowing time for the strategic plan to develop and the 2017-19 state budget to be shaped as well.

8. AUDIT COMMITTEE REPORT

Trustee Overstreet reported that the Audit Committee is committed to the function of the committee which includes integrity, efficiency, and risk management. There is a financial component to each of these characteristics. Over the course of the next academic year there will be opportunities to share this information with the board and the campus community. Reporting on activities of the Audit Committee, Trustee Overstreet said there was a State Auditor entrance conference reporting on upcoming financial statement and accountability audits. Also the committee received a report from Business and Financial Affairs on semi-annual internal controls and the draft 2015-16 annual report. He said there was also a report from internal audit on their activities. There was also a report from President Randhawa regarding internal audit administrative structure. In President Randhawa's presentation he recommended changing internal audit administrative reporting from the Assistant Vice President of Business and Financial Affairs to the Vice President of Business of Financial Affairs. President Randhawa also recommended that while we have identified multiple types of engagements that might be done by internal audit, audit, consultative, and investigative, that the type of engagement be included in the approved schedule and any changes to those types of engagements be approved by the audit committee. The audit committee concurred with President Randhawa's recommendations. Finally, Trustee Overstreet advised the board that a search is underway for a Director of Internal Audit. He said that four finalists have been identified and those finalists are undergoing campus interviews in the near future.

9. BOARD GOVERNANCE COMMITTEE

Trustee Franklin reported that the Board Governance Committee would be selecting trustees to attend the upcoming Association of Governing Boards Conference being held in Dallas, Texas. It was also reported that the Board Governance Committee was working towards clarifying the term, “fiduciary responsibility” in their statement of expectations. The committee seeks to play an active role and will work to help guide future board meeting agendas to support the president and align around key issues including, diversity, equity and inclusion. He said that the joint session that was held on Thursday of this two day meeting was a direct example of this work. And the combined boards were able to highlight these topics in their joint session.

10. BOARD OF TRUSTEE WEBPAGE OVERVIEW

Barbara Sandoval, Assistant to the President/Secretary to the Board of Trustees, gave an overview of the Board of Trustees website. The goal of the most recent changes was to make the website more current and allow trustees to access information more efficiently.

11. INFORMATION ITEMS

a. Academic Affairs Report

Provost Brent Carbajal provided a written report regarding the University’s Freshman Interest Groups (FIG) Update.

b. Capital Program Report

Vice President Rich Van Den Hul provided a written report on the University’s capital projects.

c. University Advancement Report

Vice President Stephanie Bowers provided a written report on the University’s advancement and engagement.

d. University Relations and Community Development Report

Vice President Steve Swan provided a written report on the recent activities of University Relations and Community Development.

12. DATE FOR NEXT REGULAR MEETING

December 8 & 9, 2016 in Bellingham

13. The meeting adjourned at 11:14 am.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Sabah Randhawa, President

DATE: December 9, 2016

SUBJECT: **Public Comment Period**

PURPOSE: Information Item

Purpose of Submittal:

RCW 28B.35.110 requires that the governing boards of regional universities provide for public comment at meetings and follow procedures for open public meetings in the Open Public Meetings Act.

Persons wishing to comment will sign in between 7:45 – 7:55 a.m. the day of the Board of Trustees meeting. The signup sheet will be given to the Board Chair at 8:00 a.m.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Sue Sharpe, Chair, Board of Trustees
DATE: December 9, 2016
SUBJECT: **Board Chair Report**
PURPOSE: Information Item

Purpose of Submittal:

Board Chair Sue Sharpe will report to members of the Board and President Randhawa and his staff on topics related to the Board of Trustees.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Sabah Randhawa, President

DATE: December 9, 2016

SUBJECT: **President's Report**

PURPOSE: Information Item

Purpose of Submittal:

President Randhawa will present brief reflections on issues of interest to the Board.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa
DATE: December 9, 2016
SUBJECT: **Recognitions and Introductions**
PURPOSE: Information Item

Vice President Richard Van Den Hul and Sr. Vice President Eileen Coughlin will introduce the following people who are beginning their service with the University.

- Antonia M. Allen, Director of Internal Audit
- Cezar O. Mesquite, Director of Admissions

Antonia M. Allen, Director of Internal Audit

Antonia Allen was hired as the Director of Internal Audit following a national search, and will begin at Western on January 3, 2017.

Allen is a certified public accountant, certified internal auditor, and a certified information systems auditor.

Allen has a bachelor's degree in Accounting from Oregon State University. She is now the chief audit executive for the Oregon Department of Forestry. In that position she is responsible for planning, directing and coordinating a comprehensive department-wide internal audit program.

Previously, she worked for six years as an Internal Audit supervisor for the Oregon University System (OUS), supervising internal auditors and conducting a variety of audit and assurance engagements at OUS's seven universities. She also has additional work experience as an internal auditor in healthcare and transportation, as well as experience as a budget analyst, accountant and external auditor. The Office of the Internal Auditor reports functionally to the Audit Committee of the WWU Board of Trustees and administratively to the Vice President for Business and Financial Affairs.

The Office of the Internal Auditor is committed to assisting Western's management and staff in achieving their oversight, operating and management responsibilities through independent reviews designed to evaluate and promote the system of internal controls established by management.

Cezar O. Mesquite, Director of Admissions

Cezar Mesquita was hired as the Director of Admission following a national search and began here at Western on November 1st. He comes to us from the University of Idaho in Moscow, where he served as Director of Admissions since 2012.

Cezar has a bachelor's degree in Spanish with minors in International Affairs, French, and Portuguese from the University of Nebraska. He obtained his master's degree in Latin American Studies from the University of Alabama.

After spending 2 years as Interim Executive Director of the Latin American Education Foundation in Denver, Colorado he began his Higher Ed career as Assistant Director of Admissions at the University of Denver, becoming the Interim Director of Admission and then served there as Director for Diversity Enrollment.

From there it was on to Crete, Nebraska where he was not only the Director of Admissions, but also the Assistant Women's Soccer Coach at Doane College. Cezar went on to the College of Wooster, in Wooster, Ohio serving as the Director of Admission and then to Antioch College in Yellow Springs, Ohio before crossing back over to the University of Idaho on his way here to Bellingham. He's finally made it to a salt water town!

The activities of the Admissions Office include enrollment planning with University leadership; undergraduate student recruitment; written, virtual, and oral presentation of Western's story, academic programs, university resources, student life, and admissions procedures; undergraduate application processing and selection; collaboration with high schools, community colleges, community organizations, etc.; coordination of transfer articulation and policy development; and non-departmental new student scholarship selection.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa on behalf of the Faculty Senate
DATE: Friday, December 9, 2016
SUBJECT: Faculty Senate
PURPOSE: Information Item

Kristen Larson, Faculty Senate President, will brief the Board on recent activities of the Faculty Senate.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa on behalf of the Associated Students
DATE: December 9th 2016
SUBJECT: **Associated Students**
PURPOSE: Associated Students Report

Purpose of Submittal:

AS President, Stephanie Cheng, will brief the Board of Trustees on current activities of the Associated Students.

- 1) ASWWU State Legislative Agenda has been completed and is attached. They will be down in Olympia Lobbying on January 16th 2017.
- 2) Campus Climate:
 - There was a protest on campus by different groups, and there was a letter by the Blue Group, the Undocumented Student Group on campus.
 - One of the protests was while Governor Inslee was on campus and was about the Dakota Access Pipeline and the Standing Rock Sioux Tribe. The AS Board has created a Resolution on this and it is attached.
 - There have been numerous demonstrations by groups across campus related to the recent Presidential Election.

Students would really benefit from hearing from the Board of Trustees about what their stance is on these items.

- 3) The AS combined with the Office of Sustainability is working on moving to Wind Power for Western's electricity needs by participating in the Green Power Purchase Program. The AS Board has also signed a resolution on this and it is attached.

Tuition

The ASWWU believes that long term tuition policy needs to be implemented for the security and longevity of affordable, accessible, quality higher education in Washington state. We believe that education should be treated as a spectrum from early learning to higher education, and should be funded as such. We request that lawmakers ensure students have continued access to education in Washington State. We advocate for the following:

- A tuition freeze to prevent any increases, with state funding to cover necessary backfills, restoring state investment in higher education to pre-recession levels this biennium. While reducing tuition does benefit the students of Washington State, it should not come at the expense of financial aid programs or be subsidized by graduate or out of state tuition.
- Fully funding the State Need Grant, in order to offer direct support to the communities who need it most.
- A permanent decoupling of Services and Activities fees from tuition to maintain student autonomy and ensure funding for critical services. If tuition continues to decrease, or freeze, student accessibility-related services will be negatively impacted. In the past two bienniums, S&A fees were temporarily decoupled from tuition to prevent these negative impacts.

Revenue

The ASWWU recognizes that decreasing tuition and fully funding financial aid are critical issues for students. The lack of funding for higher education disproportionately affects marginalized communities, including people of color, first generation students, and more.

Therefore, we recommend these financially feasible, less regressive sources of revenue, which push Washington State towards equity, both in tax policy and in higher education.

We advocate for the following:

- Closing the extracted fuel exemption
 - Implementing a capital gains tax
 - Limiting the real estate excise tax exemptions
 - Increasing the estate tax
 - Closing the first time mortgage lenders tax loophole
 - Instituting a tax on lottery winnings.
- We request that revenue from these sources and others, such as the tax on cannabis, are dedicated to higher education to ensure the continuity of State funding for universities and to prevent cuts to higher education like those that happened during the last recession.

Student Success

The ASWWU recognizes that student services at WWU are overburdened; this lack of access affects all of campus but has a disproportionate effect on the recruitment and retention of marginalized communities. We advocate for increased funding for the WWU Counseling Center, disAbility Resources Services, Academic Advising Center, Tutoring Center, and resources for students experiencing homelessness. These demands stem from the following:

- The WWU Counseling Center cannot meet the current demand; students are often pushed off campus, have to wait long periods of time to see a counselor, or face other barriers to receiving support.
- The amount of students requesting disability resources has grown 77% since 2009. The currently underfunded system causes many to go without accommodations for far too long.
- The demand for academic advising has increased significantly without adequate increases in resources, reducing the overall capacity and quality of the services.
- Demand for tutoring services has increased by nearly 200% in the past six years without adequate increases in resources to accommodate the need.
- No-cost services for students who are currently experiencing homelessness are needed so that a students' primary needs like housing and food are no longer a barrier to accessing higher education.

Support for Survivors

The ASWWU is concerned about the vastly under-reported instances of sexual violence on our campus. We strongly believe that with increased funding at the state level, more students will be able to access support and create a healthier campus and community environment. Additionally, this support will help students who are survivors of sexual or domestic violence complete their education with fewer roadblocks.

We advocate for:

- Specialized personnel, resources, and staff training to better equip the university to respond to sexual violence and involved parties.
- The development and implementation of a mandatory training program for all university faculty, staff, and administration.
- Clarification of both the reporting process and available support services for survivors of sexual and domestic violence at the university level and beyond.
- Legislative direction to the Washington Student Achievement Council in regards to assessing the effectiveness of current codes of conduct at Washington State universities that deal with sexual harassment and sexual assault in accordance with RCW 28B.110.030.

Student Trustee

The ASWWU recognizes that universities are designed to serve the students they educate and students should be represented in all areas of the university business. The Student Trustee is one of the most important roles a student can fill, as it operates at the highest level of university management. We advocate for:

- Given the full voting rights that are afforded to the other trustees, as they are currently barred from in RCW 28B.50.102
- Democratically elected by the student body they are meant to represent. Allowing students to tangibly engage with the appointments of student trustees will foster a stronger connection between the students and the Student Trustee.

Voter Rights and Access

The ASWWU believes that voting is a right and recognizes that many communities do not have the access they need in order for this to be true. We believe the following recommendations will increase the amount of students and young people participating in elections.

- Implementing the Washington Voting Rights Act to address the systemic exclusion of marginalized identities, especially people of color, from the political process.
- Extending the voter registration deadline to allow more time for students to register to vote, as well as allowing in-person registration on election day.
- Allowing 16-year-olds and 17-year-olds to preregister to vote at the Department of Licensing as part of the Motor Voter system.
- Requiring landlords to provide a voter registration form to a new residential tenant when the lease is signed.
- Automatic voter registration instituted at state funded departments, agencies and institutions.
- Increasing access for voters with disabilities by allowing people who are unable to sign their ballots to do a voter registration affidavit only once.
- Eliminating the poll tax by including prepaid postage on ballot return envelopes. This barrier, while it may seem small, is large not only in impact but in implication.

Civics Education

The ASWWU recognizes the integral role that the K-12 system in Washington state plays in preparing students not just for higher education but to be engaged in the state's economy and democracy. We advocate for the following:

- Teaching students to consider social issues in relation to the public good, use democratic decision making processes, and connect critical thinking content to current issues.



Associated Students of Western Washington University
Board of Directors

A Resolution Standing in Solidarity with the Standing Rock Sioux Tribe
November 2016

WHEREAS, the Standing Rock Sioux Tribe, a federally recognized tribe located in North and South Dakota, has determined that the proposed route of the Dakota Access oil pipeline creates a potential threat to the only source of drinking water for their people; and,

WHEREAS, Dakota Access originally considered two possible routes of construction: a northern route near Bismarck, North Dakota, a predominately white town, and the southern route that would take the pipeline to the border of the Standing Rock Sioux Indian reservation and chose the latter; and,

WHEREAS, the proposed pipeline would carry as many as 570,000 barrels of hydraulically-fractured crude oil per day for more than 1,170 miles from the Bakken oil fields of North Dakota to Illinois, passing over sensitive landscapes including Treaty-protected land containing recognized cultural resources, and run across or beneath 209 rivers, creeks and tributaries, including the Missouri River; and,

WHEREAS, in July 2016, the U.S. Army Corps of Engineers issued a permit allowing construction of the fracked oil pipeline without Tribal consultation or meaningful environmental review as required by federal law; and,

WHEREAS, on August 31, 2016, a lawsuit was filed against the U.S. Army Corps of Engineers for not consulting the Standing Rock Sioux or other parties that would be affected; and,

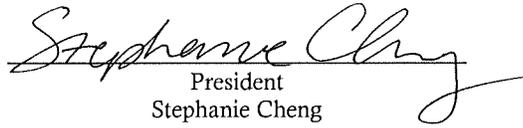
WHEREAS, on October 9, 2016, a federal appeals court rejected a bid by the Standing Rock Sioux Tribe to permanently halt construction of the Dakota Access Pipeline, allowing construction to continue on private lands; and,

WHEREAS, the Standing Rock Sioux Tribal Council led by Tribal Chairman David Archambault II called on Tribal nations and Indigenous people around the world to issue resolutions in support of the Standing Rock Sioux and the Sacred Stone Camp; and,

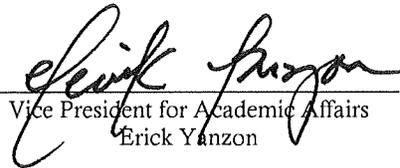
WHEREAS, the Associated Students of Western Washington University understand the importance of historical and current struggles of indigenous populations and honoring their contributions symbolized by the Resolution Recognizing Indigenous Peoples Day on October 5, 2016; and,

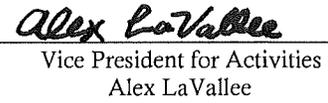
BE IT RESOLVED, the Associated Students of Western Washington University support the efforts of the Standing Rock Sioux Tribe to preserve Native burial grounds, to maintain cultural heritage and to preserve Treaty Rights against the harmful transport of fossil fuels across vulnerable and protected lands.

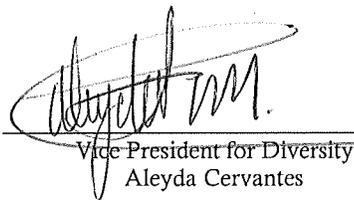
BE IT ALSO RESOLVED, the Associated Students of Western Washington University stand in solidarity with the Standing Rock Sioux Tribe in opposition of the construction of the Dakota Access pipeline.

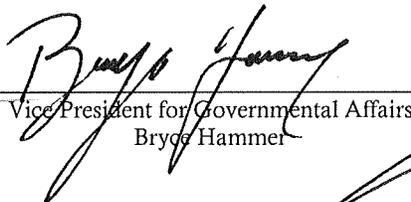

President
Stephanie Cheng

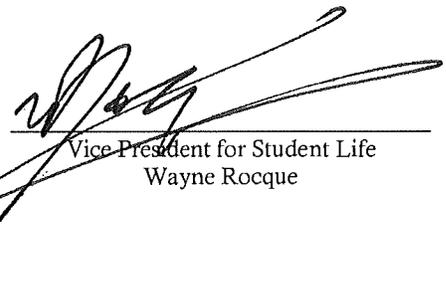

Vice President for Business & Operations
Mary Moeller


Vice President for Academic Affairs
Erick Yanzon


Vice President for Activities
Alex LaVallee


Vice President for Diversity
Aleyda Cervantes


Vice President for Governmental Affairs
Bryce Hammer


Vice President for Student Life
Wayne Rocque



Associated Students of Western Washington University
Board of Directors

A Resolution Regarding Wind Energy at WWU
November 2016

WHEREAS, climate change is a paramount issue our generation faces; and,

WHEREAS, environmental justice is critical in addressing climate change; and,

WHEREAS, leading climate advocates project implementing wind energy to be critical in addressing climate change¹; and,

WHEREAS, leading social justice advocates have called for a just transition to renewable energies; and,

WHEREAS, Western Washington University resolved in its 2010 Climate Action Plan to achieve net carbon neutrality by 2050 (IPCC, 2009); and,

WHEREAS, the Sustainable Action Fund is used to buy Renewable Energy Credits to offset Western's carbon emissions; and,

WHEREAS, the Associated Students supports the Sustainable Action Fund Committee shifting the current REC purchase from to the Green Power Plan, amounting in \$50,000 per quarter, in order to pay for the premium rate schedule.; and,

WHEREAS, Western has an immediate opportunity to receive all power from Puget Sound Energy via the Green Power Purchase Program; and,

WHEREAS, this Program is projected to cut campus carbon emissions by one-third once implemented; and,

BE IT RESOLVED, the Associated Students of Western Washington University strongly recommend the University agree to participate in the Green Power Purchase Program in order to cut campus carbon emissions by one-third

.

¹ . Abraham, John. "Wind Energy Is a Key Climate Change Solution." *The Guardian*. Guardian News and Media, 10 Dec. 2015. Web. 14 Nov. 2016. Dr John Abraham is a professor of thermal sciences. He researches in climate monitoring and renewable energy generation for the developing world. His energy development work has extended to Africa, South America and Asia

BE IT ALSO RESOLVED, the Associated Students of Western Washington University highly recommend the implementation of targeted hiring programs for frontline communities and communities most affected by climate change for the building of this wind farm in order to fulfill the necessity of a just and equitable transition to renewable energy.

President
Stephanie Cheng

Vice President for Business & Operations
Mary Moeller

Vice President for Academic Affairs
Eric Yanzon

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**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa

DATE: December 9, 2016

SUBJECT: **Consent Items**

PURPOSE: Action Items

Purpose of Submittal:

Approval of the university recommendations provided on the consent item agenda.

Proposed Motion(s):

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following consent items:

- Construction Contract for Cyclic Renewal to Elevators, PW705A
- Consultant Contract for Design Services for Ethnic Student Center/Multi-Cultural Services, PW698
- Request for Extension – Emergency Rule Change to Chapter 516-21 WAC, Student Rights and Responsibilities Code
- Approval of Fall Quarter Degrees

Supporting Information:

Materials supporting the consent item agenda are attached.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa by Vice President Richard Van Den Hul
DATE: December 9, 2016
SUBJECT: **Construction Contract for Cyclic Renewal to Elevators, PW705A**
PURPOSE: Action Item

Purpose of Submittal:

Award a construction contract for the Cyclic Renewal to Elevators, PW705A. Contract award following Board action. Construction to start December 30, 2016.

Proposed Motion:

MOVED that the Board of Trustees of Western Washington University, upon the recommendation of the President, award a contract to R. C. Zeigler Co. Inc., Carnation, WA, for the amount of \$926,689 pre-tax (base bid, plus alternate 1) for the construction contract to construct the Cyclic Renewal of Elevators.

Supporting Information:

Base bid includes upgrading two elevators in Parks Hall to current code and safety standards, including increasing ventilation in elevator machine rooms. Alternates included: Add Wilson Library West elevator (excluding cab finishes); add interior cab finishes in Parks Hall elevators (not accepted).

This project was advertised for competitive bidding on October 27, 2016 with the bid opening held at 3:00 PM on November 18, 2016. Three bids were received by the University (see below bid summary). Elevator Consulting Services, Seattle, WA, prepared the plans and specifications for this project. Project award of the contract is also contingent on the approval of the contractor's Responsibility Criteria submittal.

BID SUMMARY

Job: Cyclic Renewal to Elevators
Date: November 18, 2016

Alternate

No.	Description & Bid Item	Zeigler	16d LLC	Dawson
	Base Bid: Parks Hall two elevators	\$ 577,344	\$ 684,471	\$ 707,000
1	Add Wilson Library West elevator	\$ 349,345	\$ 358,000	\$ 390,000
2	Add interior cab finishes Parks Hall	\$ 44,977	\$ 39,000	\$ 47,300
Base Bid plus Alternate One:		\$ 926,689	\$ 1,042,471	\$ 1,097,000

Source of Funding: State Building Construction Account – Appropriated
WWU Capital Projects Account – Appropriated

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa by Vice President Richard Van Den Hul

DATE: December 9, 2016

SUBJECT: **Consultant Contract for Design Services for
Ethnic Student Center/Multi-Cultural Services, PW698**

PURPOSE: Action Item

Purpose of Submittal:

Approval of a consultant contract for Design Services for Ethnic Student Center/Multi-Cultural Services, PW698. Award following Board action. Services to start in December 2016.

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the President, award a consultant contract to Opsis Architecture LLP, Portland, OR, for a fee of \$2,158,215 pre-tax (including reimbursables), to provide Design Services for the construction of Ethnic Student Center/Multi-Cultural Services, PW698.

Supporting Information:

Opsis Architecture LLP was selected from four teams responding to the Request for Qualifications (RFQ). The firms responding to the RFQ included:

Opsis Architecture LLP, Portland, OR*
GGLO Design, Seattle, WA*
Rolluda Architects, Seattle, WA*
DiMella Shaffer, Seattle, WA

The consultant selection committee was composed of the following members:

Eric Alexander, Associate Dean of Students / Viking Union Director
Lafayette Baker, Assistant Director, Ethnic Student Center
Linda Beckman, Budget Director, Enrollment and Student Services
Aleyda Cervantes Gutierrez, AS Vice President for Diversity
Greg McBride, Assistant Director, Viking Union - Facilities
Sherrie Montgomery, Project Manager, Facilities Development and Capital Budget
Abby Ramos, AS Resource and Outreach Programs Director / Student Trustee
Ed Simpson, Assistant Director, Facilities Development & Capital Budget

Opsis Architecture LLP was recommended following review of all firms' proposals and interviews of the top three scoring submittals (* firm selected for interviews). In addition to the interview with the committee, the three firms also participated in a 30-minute discussion with students in the Ethnic Student Center. Student feedback on the discussions was shared with the committee as part of the scoring process.

Sources of Funding:

- New Ethnic Student Center/Multicultural Center student fee
- Viking Union operating budget (annual savings from prior bond refunding)
- University, Enrollment and Student Services Division, and Associated Students reserves and/or operating funds
- State Minor Capital Funds (request pending)

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa

DATE: December 9, 2016

SUBJECT: **Consent Items**

PURPOSE: Action Items

Purpose of Submittal:

Approval of the university recommendations provided on the consent item agenda.

Proposed Motion(s):

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following consent item:

Extension of the emergency rule change to Chapter 516-21 WAC, Student Rights and Responsibilities Code

Supporting Information:

Text of the emergency rules was provided for the August Board meeting. An extension of the emergency rules (120 days per RCW 34.05.350(2)) is being sought to allow the permanent rules to be presented for consideration at the February meeting of the Board of Trustees.

Following the Board's approval of the emergency rules in August, the University worked to finalize the permanent code. During the fall, stakeholder meetings were held to gather feedback, as required by University policy. The final hearing that allows for public comment could not be scheduled until January 25, due in part to requirements of the office of the Code Reviser. The current emergency rules are set to expire in early January.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa by Provost Brent Carbajal
DATE: December 9, 2016
SUBJECT: Approval of Fall Quarter Degrees
PURPOSE: Action Item

Purpose of Submittal:

Board of Trustees responsibility to approve awarding of degrees

Proposed Motion:

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the faculty and subject to the completion of any unmet requirements, approves awarding undergraduate and graduate degrees to the candidates listed in the files of the Registrar and Graduate Dean, for Fall Quarter 2016, effective December 10, 2016.

Supporting Information:

Lists on file with the Registrar and Graduate Dean.

<i>Students</i>	<i>December 2016</i>	<i>Comparison: December 2015</i>
<i>Undergraduates</i>	696	632
<i>Masters</i>	33	33

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa by Senior Vice President Eileen Coughlin

DATE: December 9, 2016

SUBJECT: **Housing & Dining System Capital Plan**

PURPOSE: Discussion

Purpose of Submittal:

To provide the Board of Trustees with information regarding the capital plan for Western's housing and dining facilities. This is the regular every two-year update of the Ten Year Capital Plan as required by the Housing & Dining System's internal Guiding Principles. While the Capital Plan does not require action by the Board, individual projects will be brought to the Board for approval for contracts and/or bonding approval as required.

The ten-year fiscal projections include plans for a combination of cash and bonds to fund the Viking Union remodel for expanded Ethnic Student Center/Multicultural Services space, a significant level of University Residences facilities renovations, along with the consideration of a potential new apartment-style residence hall.

Supporting Information:

Appendix A: Guiding Principles

Appendix B: Occupancy Demand and Assumptions

Appendix C: List of Planned Facilities Renovation Projects

Appendix D: Ten-Year Capital Fiscal Plan and Assumptions

Housing & Dining System Capital Plan December 2016 Update

The “Housing & Dining System” is a bonding auxiliary entity that encompasses all University Residences and Dining Facilities as well as the Viking Union and its associated properties - Lakewood on Lake Whatcom and Viqueen Lodge at Sinclair Island.

This Ten-Year Capital Plan report responds to “Principle D” of the Board of Trustees Guiding Principles for the Western Washington University Housing and Dining System, adopted in 1994 and last revised October 2010. Per the Principles, capital plan updates are provided to the Board every two years. The Housing and Dining System Capital Plan was last presented to the Board of Trustees at the December 2014. In addition, subsequent reports on the System’s financing and long-range plans have been shared with the Board, with the most recent in April and June 2016 as planning efforts continued for the Viking Union Expansion for the Ethnic Student Center/Multicultural Services, a long-range University Residences renovation plan, and consideration of a new apartment-style residence.

The capital plan meets four goals:

- 1) Provide campus housing to support Western’s current enrollment
- 2) Meet or exceed the Board of Trustees fiscal principles
- 3) Invest in infrastructure to ensure longevity, health and safety
- 4) Respond to changing student demographics, needs and programmatic expectations

Guiding Principles (Appendix A)

The System continues to meet and/or exceed the Guiding Principles. Occupancy remains strong, and reserve fund balances and debt coverage ratios are at planned levels to support the projects currently in place and being discussed for the next 10+ years.

Occupancy (Appendix B)

The supply of campus housing beds continues to meet demand from current enrollment levels for traditional style housing. Fall 2016 occupancy was 42 persons or 1% higher than last Fall. Forward planning assumptions consider:

- Renewal practices that reward earlier sign-ups and commitment
- Off-campus housing developments
- Continued commitment to housing all freshmen
- Allowance for some decline in occupancy during spring/summer renovations and the potential opening of new beds

Housing & Dining System Capital Plan Initiatives

The Ten-Year Capital Plan provides a draft fiscal framework for proposed and potential investments in the Housing & Dining System. Three major initiatives are modeled in the fiscal projections within this Ten-Year Capital Plan which shows the System’s capacity for cash and debt funded projects:

I. Viking Union Renovation for Expanded Ethnic Student Center/Multicultural Space

A student fee initiative of up to \$30 per quarter passed Spring 2016, and was subsequently approved by the Board of Trustees authorizing the collection of funds beginning Fall 2017, to remodel the Viking Union/Bookstore complex to create expanded space for the Ethnic Student Center and Multicultural Programs. Initial projections use a project cost of \$18.9 million with \$15.9 million of that being revenue bond funded. Financing assumptions include a partnership of funding from other auxiliary and institutional reserves and operating funds as presented to the Board in June 2016.

Approval to begin design with Opsis Architecture of Portland is being requested by Business and Financial Affairs at this December Board meeting. Schematic design will begin in early January.

II. University Residences Facility Renovations

Meng Analysis performed a comprehensive Facilities Condition Assessment (FCA), indicating a broad spectrum of work necessary to maintain the structural and programmatic integrity of system facilities.

The consultants categorized work into:

- “Observed deficiencies” for work that is known to be high priority
- “Planned renovations” based on industry lifecycle expectations, and
- “Opportunities” or enhancements for program or energy cost benefits

The consultants identified approximately \$153 million in “observed deficiencies” which are addressed in this Capital Plan. The amount of investment needed in this category is due to the fact that many of our residence halls were built in the same era.

This Capital Plan prioritizes those “observed deficiencies” within the earlier years and considers efficiencies and economies of scale when scheduling additional work along with those elements. The projects identified for potential investment over the next ten years total \$204 million. This may require consideration of a higher room and board rate increase in Fall 2017, dedicated to investment in the System’s infrastructure.

Details of the comprehensive facilities condition assessment are continually being refined and incorporated into the financing capacity modeling. Annual estimated expenditures included in this Capital Plan report are projections of identified projects that can be modified as warranted over time.

Refer to Appendix C for a Ten-Year List of Facilities Renovation Projects

III. Potential New Apartment-Style Residence Hall

A demand analysis by Brailsford & Dunlavey in FY16 indicated strong demand for private bedroom apartment-style housing on campus, even with consideration of the new off campus student-focused apartment construction in Bellingham. The University has just concluded schematic design for a potential 200 bed apartment building just north of Buchanan Towers along South College Drive across from Harrington Field. The project would include single rooms within mostly quad apartment suite configurations with a two baths, a kitchen, and living space.

The cost estimate at this stage is over \$40 million. Mahlum Architecture and the GC/CM Contractor Exxel Pacific have been reviewing the project, including programmatic components and construction means and methods, to look for value engineering options and to ensure cost estimates are valid before moving forward to the design phase. The addition of the apartment-style residence hall is still under evaluation and if we proceed, construction could start in June 2017 with opening in Fall 2018.

Housing & Dining System Capital Plan Financing Capacity

The University retains a third-party financial advisor, Public Financial Management [PFM] Financial Advisors of Seattle. PFM has been working with the University to assess the Housing & Dining System's capacity to implement the three initiatives described above:

- Expansion of the Viking Union for Ethnic Student Center and Multicultural space at nearly \$19 million
- Facility renovations over the next ten years of approximately \$204 million
- A potential new apartment-style residence at approximately \$40 million

This extensive plan makes prudent assumptions and makes careful use of debt financing and reserve resources while maintaining compliance with the Board's Guiding Principles for debt service coverage ratios, reserves, and annual maintenance expenditures in order to achieve System goals yet retain a margin of flexibility and capacity going forward.

Prior to moving forward with the apartment-style residence, University leadership will continue to evaluate the amount of debt in the Housing & Dining System as it relates to the University's overall capacity and flexibility.

Please refer to Appendix D for a Ten-Year Preliminary Scope of Financial Feasibility and Capacity prepared by PFM, our Financial Advisors. Fiscal assumptions in this version of the plan include:

- A debt service coverage ratio ranging between 2.04 and 1.42. Required minimums are 1.25:1 per bond covenant and 1.40:1 per WWU financing principles.
 - Bond terms and true interest costs:
 - VU Expansion for ESC/MC – 4.3% over 25 year term, issue in 2017
 - Facility Renovation projects – 5% over 25 year terms, multiple debt issues beginning 2018 and every other year through 2026
 - Potential new apartment-style residence – 4.5% over 30 year term, issue in 2017
- Note: These rates reflect a late November 2016 market "cushion" of 75 basis points

- Room and board rate increases of 4% per year with the exception of fiscal 2018 at 6.5%.
- Average annual occupancy of 92%, with some assumed revenue reduction to accommodate larger renovation projects
- Increases to the existing Viking Union Student Building Fee ranging from 2% to 3.5% every three years on average for inflation in VU operating and maintenance costs

Appendix A

Guiding Principles

	PRINCIPLE	PERFORMANCE STANDARDS	RECENT LEVEL
A.	A healthy operating fund balance is important to ensure adequate funds are available to respond to extraordinary expenses.	<ol style="list-style-type: none"> On average, the planned operating fund balance should be \$1.4 million. The fund balance would be replenished to \$1.4 million dollars within 36 months after utilization of the fund. 	\$2,712,268 as of June 30, 2016
B.	The repair and replacement reserve balance shall serve two purposes: First, to meet the expectation of the bond covenants, and second, to increase the system's flexibility for funding future building.	<ol style="list-style-type: none"> Reserves will meet the 5% requirements set forth in the bond covenants. Reserves will be maintained to increase flexibility for future building based on the capital plan. 	\$14,145,317 as of June 30, 2016 27% of the outstanding bond principle balance.
C.	Annual, planned, major maintenance expenditures are necessary to ensure quality living environments and protection of plant assets.	<ol style="list-style-type: none"> Annual level of budgeted expenditures for non-operating repairs and replacements (non-operating maintenance projects) will be targeted at 12% based on the latest 3-year average of non-operating expenditures compared to operating revenue. The Life Cycle Maintenance program will continue to be developed and will become a key management tool for scheduling non-operating maintenance projects. 	<p>The level at June 30, 2016 was 22% based on the latest 3-year average of operating revenue.</p> <p>Development of the Life Cycle Maintenance program is complete and the system is in use.</p>
D.	Planning for the short term and long term is necessary in order to most effectively use the system's capital.	Biennially, the Housing and Dining System capital plan will be updated, including a review of determined needs and priorities and revised 10-year financial projections.	Update to be presented to Board December 2016.
E.	Adequate revenues must be available to fund ongoing operations and System debt service.	Maintain a goal of 1.40:1 for debt service coverage. At times the ratio may drop to 1.25:1 provided this is fiscally advantageous to the System and that the ratio is brought to 1.40:1 within 3 years. The mandatory debt coverage ratio per Bond Covenants is 1.25:1.	Debt service ratio of 2.27:-:1 in fiscal 2016 using the method of calculation required by the Bond Covenants and State.
F.	Consistent room occupancy is necessary for a financially healthy housing and dining system.	Occupancy will be evaluated annually and trends kept of the break-even occupancy and actual occupancy. Actual occupancy is targeted at 90%.	Average annual occupancy for fiscal 2016 was 93.8%.

Appendix B

Occupancy and Rate Assumptions

- Demand projections & ability to manage system occupancy
 - Continue to guarantee housing to new freshmen and transfer students.
 - Demand projections take into account first-year class sizes and projected Washington high school graduation rates staying steady for the next 10 years.
 - The fiscal plan is based on current enrollment levels
 - Considers the flexibility for managing housing demand fluctuations specific space assignments (e.g. super singles, triples, space for students returning to campus and others on a space available basis.)

- Residence Hall room and board rate increases
 - Western is currently planning rate increases that average 4% per year, with the exception of Fall 2017 with a possible 6.5% to address necessary investments in infrastructure.

Note: All other 4-year public institutions in Washington have average room and board rates higher than Western. The comparable rates were presented at the April Board of Trustees meeting and demonstrated that the closest competitor has a comparable rate of 5.9% greater than Western.

- Apartment demand and rates
 - Local Bellingham apartment rental rates have increased approximately 4% over the past two years, and vacancy rates are slightly higher the same time period, partly due to off campus development. Demand for Birnam Wood double occupancy apartments remains strong.

APPENDIX C -- LIST OF PLANNED FACILITIES RENOVATION PROJECTS

1A. Housing (North Campus Communities)		TOTALS (in Millions)
Mathes	Roof, wall, balcony, window, door, renovation (interior finishes, plumbing, electrical, fire alarm renewals), heating ventilation air conditioning upgrades, elevator modernization.	15.9
Nash	Roof, wall, balcony, window, door, renovation (interior finishes, plumbing, electrical, fire alarm renewals), heating ventilation air conditioning upgrades.	11.1
Edens / Higginson	Roof, wall, balcony, window, door, renovation (interior finishes, plumbing, electrical, fire alarm renewals), heating ventilation air conditioning upgrades, elevator modernization.	10.3
1B. Housing (Ridge Campus Communities)		
SHADO	Roof, wall, balcony, window, door, renovation (interior finishes, plumbing, electrical, fire alarm renewals), heating ventilation air conditioning upgrades, seismic retrofits.	21.0
Kappa	Roof, wall, balcony, window, door, seismic retrofits.	2.2
Beta / Gamma	Roof, wall, balcony, window, renovation (interior finishes, plumbing, electrical renewals), heating ventilation air conditioning upgrades, seismic retrofits.	9.0
1C. Housing (South Campus Communities)		
Fairhaven	Roof, wall, balcony, window, door, renovation (interior finishes, plumbing, electrical, fire alarm renewals).	30.2
Buchanan Towers	Roof, wall, window, door, renovation (interior finishes, plumbing, electrical renewals).	27.2
Birnam Wood	Drainage, roof, wall, balcony, window, door.	10.7
Sub-Total Housing =		137.6
2. Dining		
Viking Commons, Ridge Commons, Fairhaven Commons	Roof, wall, balcony, window, door, renovation (interior finishes, plumbing, electrical, fire alarm / sprinkler renewals), heating ventilation air conditioning upgrades, elevator modernization.	23.5
3. Warehouse / Tenant Usage		
Commissary	Drainage, roof, wall, window, door, renovation (interior finishes, plumbing, electrical renewals), heating ventilation air conditioning upgrades.	9.7
4. Multiple Building Projects (Phased)		
Student Enhancements	Modernize student public area spaces, furniture refurbishment / replacement (public areas & student rooms).	6.8
Life Safety	Electronic access control with duress lockdown capability, mass notification, seismic retrofit, emergency responder, carbon monoxide.	21.8
Energy Cost Reduction	Reduce utility costs.	2.1
Dining Equipment	Planned renewals.	2.9
Sub-Total Multiple Building Projects =		33.6
TOTAL 10-YEAR BUDGET AMOUNT =		204.4

APPENDIX D

Western Washington University - Housing & Dining System
 Preliminary Scope of Financial Feasibility and Capacity
 11-30-16

This Preliminary Capital Plan includes the possibility of a new 200 bed Apartment-Style Residence Hall (Bonds issued in Current Year 2017)

	Actual	Current Year Budget/Plan	10-Year Capital Plan Timeframe										Total for 10 Years
	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2018-2027
Beginning Fund Balance	\$14,875,167	\$14,135,653	\$68,045,424	\$27,954,238	\$8,387,772	\$17,055,659	\$8,964,594	\$20,504,128	\$9,494,773	\$29,560,881	\$10,059,262	\$21,676,031	\$68,045,424
Net Revenues Available for Debt Service and Capital	11,430,969	10,667,810	15,475,677	16,876,415	17,772,446	18,693,666	19,377,795	20,402,605	21,161,115	22,133,773	23,041,055	24,084,979	199,019,527
Annual Debt Service Payments													
Existing Debt Service	5,208,122	5,212,160	5,206,943	5,187,112	5,186,290	5,183,627	5,182,439	4,556,226	3,737,814	3,001,660	2,990,140	1,362,030	41,594,281
New Debt Service: VU Expansion for ESC/MC Space ⁽¹⁾			636,517	1,081,500	1,079,750	1,082,250	1,083,750	1,084,250	1,083,750	1,082,250	1,079,750	1,081,250	10,375,017
New Debt Service: New Apartment-Style Residence Hall ⁽²⁾			1,743,042	2,306,500	2,311,250	2,314,750	2,317,000	2,263,000	2,595,500	2,595,250	2,593,000	2,593,750	23,633,042
New Debt Service: Housing Renovations ⁽³⁾				2,891,242	2,891,242	4,612,236	4,612,236	6,477,974	6,477,974	8,910,380	8,910,380	10,014,045	55,797,708
Total Annual Debt Service Payments	5,208,122	5,212,160	7,586,502	11,466,354	11,468,532	13,192,863	13,195,425	14,381,450	13,895,038	15,589,540	15,573,270	15,051,075	131,400,048
Additional Funds Available													
Bond Proceeds		55,865,000	39,950,000		23,780,000		25,780,000		33,610,000		15,250,000		138,370,000
Grant for VU Expansion ESC/MC Space (State Minor Cap Request)		2,000,000											0
Transfer from other Funds for VU Expansion ESC/MC Space (Various Reserves)		1,015,000											0
Planned Capital Expenditures (may shift between years shown to some degree)													
Capital Expenditure - VU Expansion ESC/MC			18,880,000										18,880,000
Capital Expenditure - New Apt Style Residence Hall			40,000,000										40,000,000
Capital Expenditure - Housing FCA Renovations	6,962,360	10,425,880	29,050,361	24,976,528	21,416,027	13,591,868	20,422,836	17,030,510	20,809,970	26,045,852	11,101,017	20,059,444	204,504,413
Total Capital Expenditures	6,962,360	10,425,880	87,930,361	24,976,528	21,416,027	13,591,868	20,422,836	17,030,510	20,809,970	26,045,852	11,101,017	20,059,444	263,384,413
Ending Fund Balance	\$14,135,653	\$68,045,424	\$27,954,238	\$8,387,772	\$17,055,659	\$8,964,594	\$20,504,128	\$9,494,773	\$29,560,881	\$10,059,262	\$21,676,031	\$10,650,490	\$10,650,490
Debt Service Coverage													
	2.19	2.05	2.04	1.47	1.55	1.42	1.47	1.42	1.52	1.42	1.48	1.60	1.54
													On Average
Operating Expenditures	28,597,894	30,262,488	31,520,462	33,075,148	34,240,399	35,382,201	36,429,725	37,507,068	38,616,198	39,755,638	40,926,507	42,132,352	
Operating Reserve Minimum - 90 Days of O&M	7,150,000	7,566,000	7,881,000	8,269,000	8,561,000	8,846,000	9,108,000	9,377,000	9,655,000	9,939,000	10,232,000	10,534,000	
5% of outstanding bonds in reserve at beginning of FY (Required by Bond Covenant)	2,115,750	1,965,250	4,454,750	6,311,200	6,061,260	7,012,716	6,712,490	7,711,421	7,387,218	8,786,253	8,457,121	8,889,021	

(1) Assumes 4.30% true interest cost for 25 year Viking Union Expansion for Ethnic Student Center/Multicultural Center bonds (\$15.8 million)

(2) Assumes 4.50% true interest cost for 30 year new 200 Bed Apartment-Style Residence Hall bonds (\$40 million)

(3) Assumes 5% true interest cost for 25 year housing renovations bonds

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa by Steve Swan, V.P. for University Relations and Community Development

DATE: December 9, 2016

SUBJECT: **Olympia Update**

PURPOSE: Discussion Item

Purpose of Submittal:

Becca Kenna-Schenk, Director of Government Relations, will give an update on the upcoming 2017 legislative session.

Supporting Information: **State Relations**

The 2017 Legislative Session is scheduled to begin on Monday, January 9th and conclude on April 23rd. The Legislature is tasked with adopting the state's 2017-19 biennial operating, capital and transportation budgets during the 105-day session. The Legislature must also address the "McCleary obligation" in 2017 based on a 2012 court ruling that the state is not meeting its paramount constitutional duty to amply fund basic K-12 education. The Legislature has not adopted biennial operating budgets within the specified 105-day regular session since the 2009 session. In recent history, biennial budgets have been adopted during "special sessions" of the Legislature, often not being enacted until late-June or early-July, and there is a possibility of a delayed budget enactment again in 2017.

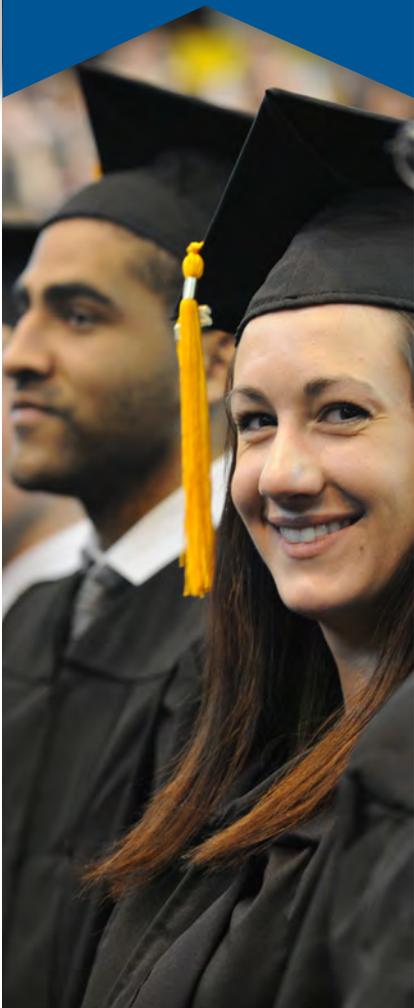
The State Government Relations team continues to prepare for the 2017 Legislative Session by working to build support for the University's budget priorities among policymakers and their staff. In addition to Western's specific budget requests, the government relations team is actively promoting a sector-wide legislative agenda called "Washington Competes" in collaboration with the State's other five public baccalaureate institutions to increase overall support for public higher education in the upcoming session.

Tentative dates have been set for WWU engagement during the 2017 Legislative Session for the following events:

January 16 th	Associated Students' Western Lobby Day
January 24 th	Council of Presidents' Legislative Reception
February 2 nd	Trustee & Regent Day
February 20 th	Associated Students' Ethnic Students Day
March 9 th or March 14 th	Alumni Day



15,574 students
2,888 new freshmen
1,141 new transfer students
95 percent undergrads
88 percent residents of Washington
25 percent students of color
33 percent first generation students
82 percent freshman retention rate
65 percent of freshmen who start at Western graduate within four years
99 percent of classes taught by faculty, not graduate assistants



WESTERN WASHINGTON UNIVERSITY

2017 Legislative Priorities

As a publicly purposed university, Western’s mission is to serve the people of the state of Washington. Western, along with Washington’s other colleges and universities, strongly supports “Washington Competes,” a proposal to maintain the state’s competitive edge by bolstering degree production, student success and educational quality.

Critical Compensation Adjustments (\$14.9 million)

Higher education is a mission-driven and talent-based enterprise competing in a national marketplace. Consequently, the ability to fulfill our mission—our commitment to Washington as a proudly public university—and the ability to provide the highest quality instruction, research and services requires competitive compensation. This request includes funding an amount equivalent to a 4 percent per year increase for all employees.

Support the Success of All Western Students (\$5.8 million)

Western requests \$5.8 million per biennium to target core support programs that help ensure student success and provide an equitable, inclusive learning environment.

Significant increases in student demand have limited Western’s ability to offer key support services such as academic advising, tutoring, mental health services and support for students with disabilities. Specifically, Western will invest in:

- Proactive Advising, Tutoring and Peer Mentoring
- Mental Health Support
- Support Services for Students with Disabilities
- Destination Graduation: College Completion for Returning Adults
- Targeted Support for Entry-Level Math Courses

Western also strives to create a welcoming and supportive academic environment by improving multicultural services and creating more diverse educational experiences. This plan includes increasing outreach and recruitment to diverse communities to improve access to higher education and increasing student peer mentors for under-represented students, following Western’s successful Compass 2 Campus model.

Reduce Bottlenecks in STEM Degree Programs (\$2.7 million)

Western requests \$2.7 million per biennium to address bottlenecks in STEM degree programs. This plan will increase capacity in entry-level courses in Math, Physics and Chemistry that are required for STEM majors, and accommodate an additional 100 STEM students per year. This investment will reduce time to degree by an average of two academic quarters—saving students and families thousands in tuition costs.

Address the State’s Teacher Shortage (\$6.4 million)

Western requests \$6.4 million per biennium to address the state’s teacher shortage by preparing an additional 250 teachers each year in the areas of greatest need: STEM Secondary Education, Special Education, Early Childhood Education and Elementary Education. These new enrollments would be distributed across Western’s existing locations in Bellingham, Everett and Seattle. Western’s proposal also includes a retention plan for beginning teachers, as well as a “second-chance” option to reintroduce and support teachers who are returning to the profession.

WESTERN WASHINGTON UNIVERSITY

2017 Capital Project Priorities

Western's capital requests for the 2017-19 biennium would create hundreds of jobs and generate as much as \$6.3 million in anticipated tax revenue to local governments.

Priority #1: Sciences Building (\$56.2 million)

Western's 43-year-old Sciences Building requires significant upgrades to its mechanical systems and to address costly inefficiencies. The project will also accommodate the growing interest in STEM degrees, which have surged 70 percent since 2008. The university can no longer continue to perform at current levels without new space devoted to science instruction. The two-phase project will include a modest addition to the Sciences Building followed by a major renovation to the existing structure, ultimately accommodating 90 to 100 new bachelor's and graduate degrees in high-demand fields each year. The building will become a university hub for STEM cross-disciplinary studies and house interdisciplinary science institutes such as the Advanced Materials and Engineering Center (AMSEC), the Institute for Energy Studies, the Institute for Watershed Studies, and the Institute of Environmental Toxicology. The project will eliminate the building's maintenance backlog of \$8.4 million and extend the building's useful life by at least 40 years.



Priority #2: Classroom and Lab Upgrades (\$6.65 million)

Renovate 27 classrooms and labs in 7 university buildings to meet current program needs and address the surge in STEM and other high-demand course enrollments.

Priority #3: Access Control/Security Upgrades (\$7.2 million)

Provide centralized lock-down capability, expand electronic control to all exterior doors of major academic buildings and enable full functionality of Western's fire alarm system.

Priority #4: Disability Resource Services at Haggard Hall (\$2.7 million)

Move the Disability Resource Services office from the Old Main administrative building to Western's library, located at the center of campus.

Other Capital Priorities

- **Support Services Facility – Phase 1 (\$9.95 million):** Create new space for administrative functions that don't require being located on campus, where space is extremely limited.
- **Elevator Preservation Safety/ADA Upgrades (\$6.7 million):** Bring 29 of Western's oldest and least safe elevators up to code, including meeting ADA requirements.
- **Waterfront Land Acquisition (\$4.5 million):** Purchase six acres to address capacity constraints and enable community partnerships.
- **Southcentral Campus Roadway Revisions (\$2 million):** Create a safer area for pedestrians and bicyclists coming to campus from the south.
- **Heating System and Carbon Reduction & Energy Efficiency Improvements Predesign (\$415,000):** Explore the feasibility of adopting a hot water distribution system for central campus heat, a project that may save costs and reduce energy consumption.

Washington Competes: A Sector-wide Agenda for Higher Education Growth and Completion

In 2017, state policy makers have an opportunity to build on recent investments in order to serve more students and strengthen the state's competitive advantage by increasing investment in Washington's college and university systems. Because higher education is a public good, everyone benefits when there are more college graduates.

Postsecondary education is essential to being competitive in today's global economy. Washington's economic vitality hinges on a strong and vibrant education system that includes early learning, K-12, and higher education. Increasing the number of individuals with a postsecondary credential reduces reliance on social support programs and ensures that Washington families are not left behind.

Current Challenges:

Unmet Workforce Demands – A skilled and educated workforce is the foundation of a prosperous economy. According to the Washington Roundtable, there will be 740,000 job openings in Washington in the next five years. Yet as identified in the WSAC's Roadmap report, only 51% of adults currently possess a postsecondary credential. Our state's colleges and universities are key to creating a local pipeline for Washingtonians to fill these jobs.

Degree Attainment – Washingtonians ages 25 to 34 are projected to be the first generation in history with lower educational attainment than their parents. Many have some college credit but have not completed a degree. At the same time, a growing number of Washington students come from groups that have been historically underserved by higher education. Ensuring the academic success of these students requires strategies and investment in proven student success initiatives.

Competing for Excellence – Providing quality education requires access to talented and dedicated faculty and staff. Yet Washington's colleges and universities face an increasingly competitive national marketplace to attract and retain top-notch educators.

The Path Forward:

Addressing our educational and economic challenges requires increased state investment to improve student access and degree completion, preserve affordability, and maintain the high quality of our colleges and universities. Washington's colleges and universities request funding to bolster certificate and degree production, student success, and educational quality.

Degrees to meet demand: Address state needs through targeted investments

- ◆ Expand capacity to support student completion in the areas they pursue. This includes enrollments that fill skill gaps in high-demand fields such as STEM, teacher preparation, health care, and priority workforce programs.
- ◆ Reduce bottlenecks in high-demand and priority workforce programs and courses, and improve student time to degree or credential.
- ◆ Ensure that graduates have the breadth of knowledge, aptitudes, and experiences enabling them to adapt to a changing economy and workforce. The workforce of tomorrow will need to be more nimble and flexible than before – the core skills that the humanities can provide lay the groundwork for a lifetime of learning and reinvention – of business, of themselves.

Student success: Ensure that students have the resources to graduate

- ◆ Invest in proven strategies that retain students and lead to degree completion.
- ◆ Strengthen pathways for historically underserved populations, transfer students, veterans, and adult learners.
- ◆ Fully fund the State Need Grant to permit more students to attend college and reduce student debt loads.

High impact credentials: Ensure that all students excel in today's competitive labor market

- ◆ Provide an educational experience that equips students with knowledge, skills, and experiences that translate from the classroom to the workplace.
- ◆ Invest in competitive compensation for faculty and staff in order to attract and retain quality educators.

Each year, Washington's 50 public and private colleges and universities together award 71,000 credentials to students in all 39 counties. However, we need to produce more to meet the state's growing economic needs and to ensure that Washingtonians are not left behind. We are ready to build on nationally-recognized programs to increase the multi-billion dollar economic impact that our colleges and universities have on the state's economy, as well as to enhance the economic well-being of all Washington residents.

WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa on behalf of Provost Brent Carbajal

DATE: December 9, 2016

SUBJECT: **Institute for Energy Studies – Collaboration in Action**

PURPOSE: Discussion Item

Purpose of Submittal:

In this interactive session, Professor Andy Bunn, Founding Director, Institute for Energy Studies and Manca Valum, Senior Director of Advancement for Strategic Initiatives will discuss the establishment of the Institute for Energy Studies and the public-private collaboration that has supported program development. Dr. Joel Swisher, Director, Institute for Energy Studies will be available to answer questions related to the current status of private sector partnerships and program development.

Background:

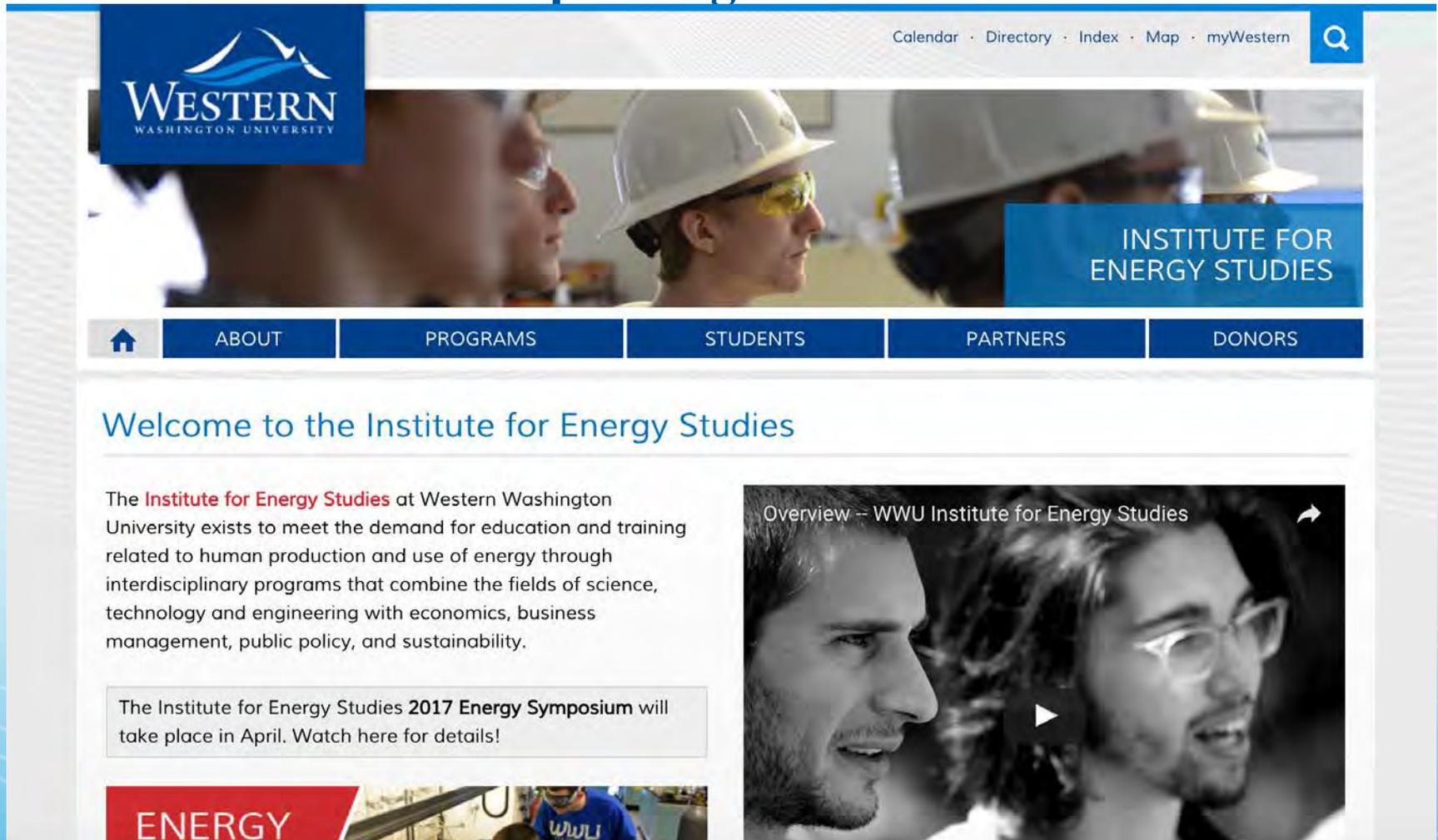
Founded in 2012 under the guidance of faculty and deans from three colleges (Huxley College, the College of Business and Economics and the College of Sciences and Technology / Engineering), The [Institute for Energy Studies](#) at Western Washington University exists to meet the demand for education and training related to human production and use of energy through interdisciplinary programs that combine the fields of science, technology and engineering with economics, business management, public policy, and sustainability. Trustees will gain a better understanding of the Institute for Energy Studies program and the special role that private partners have had, and continue to have, in the ongoing development of the program.

Strategic Questions:

1. What made the development of the Institute for Energy Studies program both strategic and innovative?
2. What were the keys to successful engagement of external partners?
3. What will be the hallmarks of continued success for this program?

Institute for Energy Studies

Responding to Students



The screenshot shows the website for the Institute for Energy Studies at Western Washington University. At the top left is the Western Washington University logo. To the right of the logo is a navigation menu with links for "Calendar", "Directory", "Index", "Map", and "myWestern", followed by a search icon. Below the navigation is a large banner image of three people wearing hard hats and safety glasses in a laboratory or industrial setting. A blue box in the bottom right of the banner contains the text "INSTITUTE FOR ENERGY STUDIES". Below the banner is a horizontal navigation bar with a home icon and five menu items: "ABOUT", "PROGRAMS", "STUDENTS", "PARTNERS", and "DONORS". The main content area features a heading "Welcome to the Institute for Energy Studies" followed by a paragraph of text. To the right of the text is a video player with a play button and a share icon. The video title is "Overview -- WWU Institute for Energy Studies". At the bottom left, there is a red banner with the word "ENERGY" and a small image of a person in a blue shirt with "WWU" on it.

Calendar · Directory · Index · Map · myWestern 

 WESTERN WASHINGTON UNIVERSITY

INSTITUTE FOR ENERGY STUDIES

 ABOUT PROGRAMS STUDENTS PARTNERS DONORS

Welcome to the Institute for Energy Studies

The **Institute for Energy Studies** at Western Washington University exists to meet the demand for education and training related to human production and use of energy through interdisciplinary programs that combine the fields of science, technology and engineering with economics, business management, public policy, and sustainability.

The Institute for Energy Studies **2017 Energy Symposium** will take place in April. Watch here for details!

ENERGY 

Overview -- WWU Institute for Energy Studies 



Institute for Energy Studies

Listening to Industry



Institute for Energy Studies

A Public – Private Partnership

Founding Advisory Board

**See Handout For
Current Members, Emeritus Members & Ex Officio Member**

Institute for Energy Studies

A Public – Private Partnership



Institute for Energy Studies

A Public – Private Partnership

Founding Laureate
\$1,000,000 - \$4,999,999
Alpha Technologies

Founding Benefactors
\$100,000 - \$250,000
John and Marcia Harter
Alaska Airlines
Ingersoll Rand

Founding Partners
\$25,000 - \$99,999
University Mechanical Contractors, Inc.
Sharfstein Family
Snohomish County PUD
Puget Sound Energy
APCO Worldwide

Founding Contributors
Up to \$24,999
David L. Benson
Michael Butler / Cascadia Capital LLC
Lars Johansson
William “Bill” Johnson / Sound Energy
Investments
Ross Andrew Macfarlane
Warren W. Michelsen
Paul Edmund Norman
Catherine Ann Riordan
William D. Ruckelshaus
Anonymous

Institute for Energy Studies

Thoughts and Questions





INSTITUTE FOR ENERGY STUDIES

Educating the leaders for our clean and efficient energy future through interdisciplinary studies and research
<https://energy.wvu.edu/>

Western Washington University (WWU) has established an innovative new program designed to meet the needs of the Pacific Northwest's expanding clean energy economy. The WWU Institute for Energy Studies (IES) is building an integrated curriculum in interdisciplinary energy studies, including energy-related research and outreach to the campus and the broader community.

The curriculum now includes a BA in Energy Policy and Management, Minors in Energy Policy and Energy Science, and an Energy Concentration in the Electrical Engineering BS. The IES is also collaborating with the College of Business and Economics on adding an energy track to the popular Business and Sustainability major, and with the Huxley College of the Environment on a student-designed BS degree in Energy Science.

The program has grown quickly. Its first phase, the Energy Policy Minor, was launched in 2012 and attracted an initial pool of 20 students. With the new BA degree, the power engineering track and two minors, the program now includes approximately 70 students. The next phase of program should add a Bachelor of Science degree focused on energy efficiency, building science, and electric utility systems. Curriculum development is underway and some courses are in place for this degree, which is anticipated to be available in the 2017-18 academic year.

Participating students gain core competencies in energy policy, science, technology, engineering, economics and business and have opportunities to participate in energy-related projects and research with nationally recognized faculty-mentors. Graduates of the program are uniquely prepared to enter the workforce as leaders, and advance straight into employment or entrepreneurship in the energy field, equipped with the knowledge, skills and applied expertise demanded by this dynamic and evolving sector of the regional and global economy.

Why create a new program at Western Washington University?

Across the nation universities and colleges are designating programs to respond to the demand for education and training related to clean and renewable energy, particularly in engineering and graduate research. Some institutions have programs focused on energy policy, while others emphasize the business of energy. What is missing, according to industry leaders, policy makers, business owners, researchers and academics, is a program that combines depth in energy-related fields of science, technology, economics, business management and public policy. Industry experts tell us there is growing demand for an undergraduate energy program that provide both depth and breadth of knowledge. Scientists, researchers and business people need to understand policy. Policy makers and entrepreneurs need to understand science and technology on which the industry is based. And everyone needs to understand principles of economics and business management.

The Institute for Energy Studies continues WWU's tradition of academic innovation, environmental leadership and commitment to experiential undergraduate education. Three nationally-recognized colleges within the University have collaborated to build the IES' unique program, which harnesses expertise from throughout the campus. This multi-college program supports interdisciplinary learning with a balance between seeing the whole-system perspective and building a practical skillset, using the campus and community as a laboratory to provide practical, relevant experiences. The IES complements WWU's inclusive, student-centered values by supporting sustainability initiatives and adding energy literacy to the training of graduates who can put such tools to use in many worthwhile pursuits.

What does the program look like?

Core curriculum, shared fundamentals and in-depth learning

Students pursuing an energy degree share a core curriculum focused on topics such as human use of energy; the business of delivering energy; energy markets; and environmental impacts of energy use. Students who pursue a BA degree take additional courses in energy policy, economics and business. Students who pursue a BS degree take extra courses in energy science and engineering. Opportunities for hands-on learning will continue, with internships and a required capstone course, where interdisciplinary student team collaborate to solve real-world energy problems in partnership with government, non-profit or industry clients.

Interdisciplinary in the right way

Graduates with interdisciplinary majors are often seen as generalists, lacking in solid skills and tools that can meet immediate needs in a profession. On the other hand, graduates in technical majors are often too narrow and theoretical, lacking broader, system-level insight and understanding needed in the clean energy economy. WWU's energy programs will provide solid analytic tools in a context of system-level understanding.

Focus on solutions to the Grand Challenges of our generation

The urgent needs for global energy access and climate change mitigation demand innovative and practical solutions. WWU's energy programs are unique in filling skill gaps in the demand-side of the energy system, where advancing energy efficiency offers a huge business opportunity and urgent environmental imperative.

Engaging undergraduates in research and experiential learning

As a comprehensive university, WWU has a long history of undergraduate achievement in faculty-mentored research. Faculty at WWU are engaged in nationally funded, leading edge energy research. WWU's energy programs emphasize collaborative, experiential learning through, for example, interdisciplinary capstone projects performed by student teams with faculty mentors and external clients from utilities, energy firms, etc.

Campus and community as a laboratory for service learning

The hands-on approach of WWU's energy programs complements a campus-wide commitment to sustainability. Energy coursework prepares students to help plan and execute problem-based service projects that range from energy efficiency upgrades in campus buildings to removing financial and institutional barriers to weatherizing low-income rental housing in the local community.

Entrepreneurship and innovation

Geographically, WWU is located in a region where energy entrepreneurship is prevalent and potential sources of innovation in energy efficiency and renewable energy abound. With strong links to WWU's new program in Entrepreneurship and Innovation, the energy program will prepare graduates as founders of new enterprise and disrupters of existing business, positioning the state to lead a new wave of clean energy growth and innovation.

Global learning at all levels of instruction

Advancement of energy literacy and numeracy at all levels will complement WWU's commitment to global learning and serve graduates, including our prodigious annual contingent of Peace Corps volunteers, to tackle complex issues in unfamiliar environments. The curriculum is also designed to offer pathways for the diverse students from 2-year colleges to transfer, adequately prepared, to a solid 4-year degree program.

Organizational structure and reporting

The Institute for Energy Studies reports directly to the Office of the Provost. It is comprised of core faculty from four of Western's seven colleges. Faculty members from three of those colleges led the development of the program and play a central role in teaching and research. Their commitment to education and research; recognition of student and societal demand; and energy expertise has shaped a program that is uniquely suited to fill a key educational gap identified by industry leaders and students. The Institute is now home to six permanent faculty in addition to a full-time director and ten affiliated faculty from four of the university's seven colleges.

The College of Business and Economics was established in 1976 and is a selective admission college with undergraduate and graduate programs fully accredited by AACSB International - The Association to Advance Collegiate Schools of Business. The College is known for its quality undergraduate programs in business administration, economics, accounting, and manufacturing and supply chain management; its MBA program is listed among the top 100 in the world for coverage of ethical, social, and environmental issues by the Aspen Institute, and its Department of Economics has nationally recognized faculty specializing in environmental and resource economics.

Huxley College of the Environment

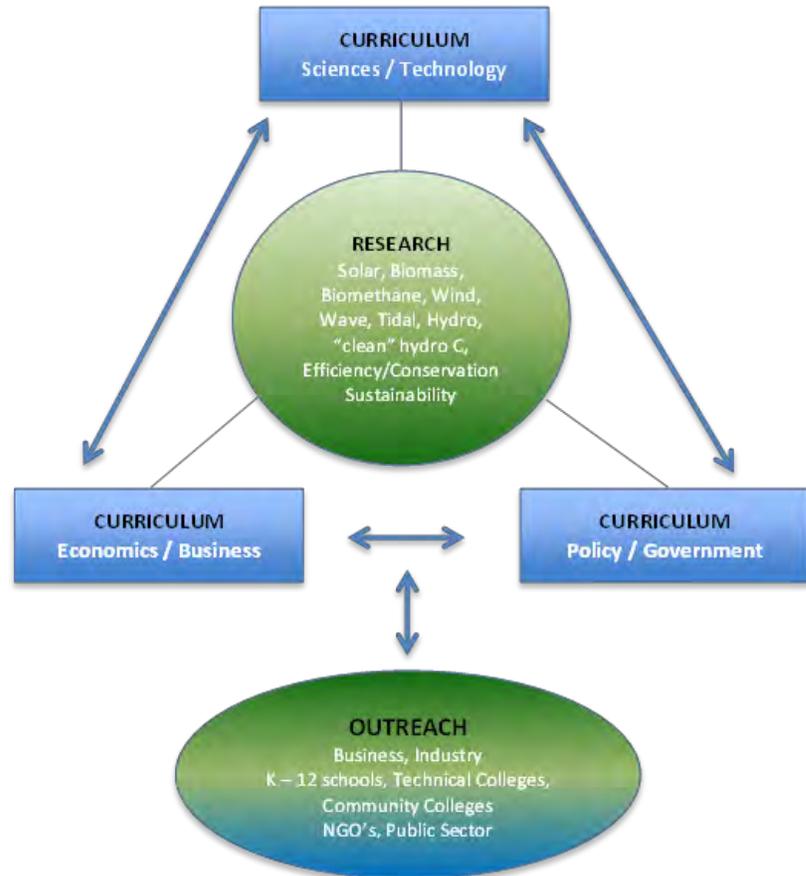
was established in 1969, leading the way in the academic study of the environment with an interdisciplinary approach that combines social science and policy analysis with the rigors of scientific investigation. Huxley College programs have long set the standard for education in the fields of environmental science, toxicology, planning, and policy. It is a selective admission college with undergraduate and graduate degrees in the arts and sciences.

The College of Sciences and Engineering

Was established in 2003 when seven science and technology (now engineering) departments were brought under the leadership of a new dean. The College is nationally known for its outstanding programs in Biology, Chemistry, Computer Science, Engineering Technology (now engineering), Geology, Mathematics, Physics/Astronomy and Science Math and Technical Education (SMATE). It is a recognized leader in the area of advanced materials science engineering (AMSEC) and home to the award winning Vehicle Research Institute, whose Viking 45 car recently placed in the top ten in the 2010 Progressive Automotive X-Prize Challenge competition.

How is the program funded?

Western recently received new permanent funding from the state of Washington to hire six new faculty positions. In addition, the Western Foundation has secured over \$1,600,000 in private support from individual and corporate donors to enhance laboratory facilities, fund program expenses and establish program and scholarship endowments. The vision is a publicly supported and privately enhanced program that provides the highest possible return on the public's investment.



What are people saying about the program?

"Alaska Airlines has made great strides in minimizing the impact of our flying on the communities we serve, and we are committed to doing more. We believe finding an environmentally sustainable and commercially viable alternative to petroleum-based jet fuel is very important. The university's innovative new program, unique in the country, will provide students a strong foundation to solve the complex challenges associated with finding energy solutions for aviation and other sectors of the economy. This program will prepare students to compete in the green economy and help position the state as a leader nationally in the next wave of economic expansion and innovation."

**Bill Ayer, Former Chairman and CEO
Alaska Airlines and Alaska Air Group**

"This exciting new program combines the four essential components needed to address our critical national and global energy security and climate-disruption challenges: Science, Technology, Policy and Business. *Science* helps us define the urgency and importance of these challenges; *Technology* provides the physical basis for addressing the changes we need to make; *Policy* helps create incentives to encourage use of those technologies; and *Business*, perhaps the most underappreciated component, is critical if we are to achieve the scale needed to reach our energy and environmental goals. Western Washington University is to be congratulated for positioning itself in the heart of this most important emerging area of education."

**Gil Masters Ph.D., Professor (emeritus) & Author
Civil and Environmental Engineering, Stanford University
Renewable and Efficient Electric Power Systems (2014)
Energy for Sustainability: Technology, Policy and Planning (2008)**

"Western is ideally situated to provide exceptional education in the area of clean and renewable energy and energy efficiency. It is located in a dynamic, entrepreneurial environment with industry partners at all scales and in all corners of sustainable energy activity. It has forged a strong foundation of collaboration among faculty and colleges within the university. And it has crafted a robust and innovative curriculum that displays both a clear priority on learning by doing and commitment to the integration of science, technology, and key social sciences. Each of these building blocks is critical for providing an educational experience that will prepare tomorrow's workforce in every dimension of clean and sustainable energy systems. Graduates who pursue this carefully designed program at Western Washington University will hit the ground running, ready to lead - and not a moment too soon."

**Amanda Graham, Director of Education
Massachusetts Institute of Technology Energy Initiative**

“Energy is simultaneously our state's biggest problem and our biggest opportunity. It is our problem because of emissions and rising costs. It is our opportunity because clean energy can improve the environment while also bringing new jobs and our next export opportunity. If we hope to achieve the goal of clean, affordable energy for all, we have to approach the problem in a holistic, systems fashion. It is precisely that cross-disciplinary approach that distinguishes the Institute for Energy Studies. I strongly encourage support for this much-needed effort to train the next generation of leaders our region urgently needs.”

Jesse Berst
Managing Director, Global SmartEnergy
Advisor to the US Dept. of Energy

“Washington State has become a leader in power conversion technology and clean energy systems for three reasons: an excellent infrastructure for Pacific Rim trade, a historical leadership position in advanced design and precision manufacturing, and-- most important-- well-trained and educated people capable of making the most of these advantages. The Alpha Group companies, which include OutBack Power Technologies, realize that continued growth depends on successive generations of leaders and problem solvers. The WWU Institute for Energy Studies provides the focus and resources required to develop them.”

Harvey Wilkinson, General Manager
OutBack Power Division
Alpha Technologies, Inc.

“We are proud to support the Institute for Energy Studies program at WWU. As a member of the founding advisory board, I have had the opportunity to provide input to the program and can say that the proposed curriculum is precisely what is needed to address our current and future energy workforce needs.”

Warren W. Michelsen
District General Manager - Northwest-Hawaii
Trane Climate Solutions
Ingersoll Rand



INSTITUTE FOR ENERGY STUDIES

Founding Advisory Board

David Allen, Executive Vice President
McKinstry

David Benson, Partner
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Jerry Bush, President and CEO
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Craig Collar, Assistant General Manager
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Vince Canino, Chief Operating Officer
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William Hurley, Chairman / President
The Glostén Associates, Inc. / PelaStar, LLC

Lars Johansson, Co-Chair
Element 8

William Johnston, Strategic Account Executive
Electric Power Research Institute

Steven J Klein, Principal
Klein Tech Advisors Group

Ross Macfarlane, Senior Advisor (retired)
Climate Solutions

Warren Michelsen, District General Manager
Ingersoll Rand / Trane Climate Solutions

Don Nielsen, Chairman
Luminal Lighting

Paul Norman, Vice President (Retired)
Bonneville Power Administration

Tom Ranken, President & CEO
WA Clean Tech Alliance

Tony Usibelli, Special Assistant to the Director for
Energy and Climate Policy
WA State Department of Commerce

Andy Wappler, Vice President Corporate Affairs
Puget Sound Energy

Harvey Wilkinson, General Manager
OutBack Power Division / Alpha Technologies, Inc

Ex Officio—Special Advisor to the Advisory Board

Dennis McLerran, Administrator, EPA Region 10

Special thanks for their service as founding members emeritus

Jesse Berst, Global Smart Energy

Michael Butler, Chair/CEO Cascadia Capital LLC

Billy M. Glover, Vice President Environment & Aviation Policy The Boeing Company (retired)

Denis Hayes, President Bullitt Foundation

Rich Harbison, Manager Phillips 66 Ferndale Refinery

Keith Loveless, Executive Vice President Alaska Airlines (retired)

William D. Ruckelshaus, Strategic Director Madrona Venture Group and Evergreen Venture

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa on behalf of Rich Van Den Hul, Vice President for Business and Financial Affairs, and Mark Brovak, Chief Operating Officer for University Advancement

DATE: December 9, 2016

SUBJECT: Public-Private Collaboration: Western's Softball Field

PURPOSE: Discussion Item

Purpose of Submittal:

Rich Van Den Hul and Mark Brovak will be joined by Steve Card, Director of Athletics, and Sara Chiabai, Director of Development for Woodring College of Education, to review a presentation regarding the public-private collaboration for Western's Softball Field.

Public/Private Collaborations

An Example of Success

WWU Softball Field Renovation

The Opportunity

- Existing softball field was in disrepair
- Drainage was poor, natural grass turf was hazardous
Dugouts were not regulation – could not host WAIA or NCAA tournaments
- Field condition reduced chances of recruiting of top student athletes
- Field renovation was already part of Athletics Strategic Plan and WWU Campus Capital Plan, but funding unlikely
- Parents and donors indicated a strong interest in renovation





The Legal Part: a Gift in Place

- WWU to WWUF “**Gift in Place**”
- WWU granted to WWUF a site license to make modifications to the softball field
- WWUF assumed all legal responsibility for the site
- WWUF arranged for all design and construction services
- WWUF ensured all contractors and subs were appropriately bonded
- WWU retained approval authority over design and any changes thereto via the terms of the agreement
- Upon project completion, WWUF terminated the site license, and the improved site went back to WWU

The Parties Involved

- **WWU** – Site Owner and Client, Construction Mgmt Advisor
- **WWU Foundation** – Financing and Project Owner
- **Premier Field Development** – General Contractor and WWU Parent
- **SLA Landscape Architecture** – Field Architect
- **Shaw/Sportexe** – Artificial Turf
- **Dawson Construction** – Additional Project Work (and Donor)
- **Donors** – Various Materials and Services

The Financial Summary

- Fair Market Value of Project **\$1.21 Million**
- Gifts in Kind **\$ 628K**
 - Premier \$358K
 - Others \$270K
 - Turf, Gravel, Roofing Materials, Labor, Legal, Geotechnical
- Project Costs Paid with other Gifts **\$ 529K**
 - WWUF \$393K
 - Athletics Fundraising \$136K
- WWU Direct Costs **\$ 53K**

Why Was it Successful?

1. The University had a **great story to tell to donors** – Softball field was in dire need of redevelopment
2. The University and Foundation had a **trusting relationship** – Western’s best interest at heart
3. A key donor had a **vested interest** in seeing this project completed – Premier Field Development
4. Foundation **leveraged** University expertise
5. WWUF and WWU were willing to take **calculated risks**
6. **Multiple sources** of funding via partnership and gifts

What Lessons were Learned?

- Must have a dedicated project manager
- Cannot underemphasize need for trust among all parties
- Multiple donors can make a project difficult to coordinate
- The nature of “gift in kind” donation tends to put your project lower on the priority list
- Documentation, documentation, documentation
- Be cautious of “discounts off list” disguised as donations







**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: Earl Overstreet, Chair, Board Audit Committee

DATE: Friday, December 9, 2016

SUBJECT: **Board Audit Committee Report**

PURPOSE: Information Item

Purpose of Submittal:

Chair Overstreet will report to members of the Board of Trustees and the university president and his staff topics related to the Board Audit Committee.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: Chase Franklin, Chair, Board Governance Committee
DATE: Friday, December 9, 2016
SUBJECT: **Board Governance Committee Report**
PURPOSE: Information Item

Purpose of Submittal:

Chair Franklin will report to members of the Board of Trustees and the university president and his staff topics related to the Board Governance Committee.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa by Provost Brent Carbajal

DATE: December 9, 2016

SUBJECT: **Academic Affairs Report: Number of Declared Majors**

PURPOSE: Information Item

Purpose of Submittal:

To provide the Board of Trustees with overviews on quarterly information about the number of declared student majors per academic department for fall quarter 2016 and fall quarter 2015. The reports include fall 2015 and fall 2016 peak date comparisons.

Supporting Information:

- Fall 2016 – Number of Declared Majors at Peak
- Fall 2015 – Number of Declared Majors at Peak

Fall 2015 - Number of Declared Majors at Peak

Department	Undergraduate	Graduate	Total
ENG - English	454	36	490
HHD - Health & Human Development	454	19	473
HCS - Health & Community Studies	258	97	355
PSY - Psychology	293	43	336
BIOL - Biology	308	23	331
SPED - Special Educ & Educ Leadership	285	23	308
SOC - Sociology	251		251
CSCI - Computer Science	231	15	246
MGMT - Management	242		242
LANG - Modern and Classical Languages	237		237
ESCI - Environmental Sciences	213	24	237
ELED - Elementary Education	223	9	232
ART - Art	231		231
FMKT - Finance & Marketing	230		230
ENGD - Engineering and Design	216		216
ENVS - Environmental Studies	167	48	215
MUS - Music	193	10	203
HIST - History	170	29	199
DSCI - Decision Sciences	189		189
MATH - Mathematics	166	23	189
FAIR - Fairhaven College	185		185
ACCT - Accounting	176	9	185
ECON - Economics	174	1	175
ANTH - Anthropology	159	14	173
PLSC - Political Science	163		163
CHEM - Chemistry	130	23	153
GEOL - Geology	123	26	149
CSD - Communication Sci & Disorders	100	43	143
THTR - Theatre Arts and Dance	140		140
DSGN - Design	133		133
COMM - Communication Studies	102		102
LING - Linguistics	86		86
MDS - Multidisciplinary Studies	86		86
SEC - Secondary Education		85	85
JOUR - Journalism	73		73
MBA - Master of Business Admin		64	64
PHIL - Philosophy	52		52
PHYS - Physics and Astronomy	46		46
SCED - Science Education	31		31
LBRL - Liberal Studies	30		30
EAST - East Asian Studies	14		14
AMST - American Cultural Studies	7		7
C/AM - Canadian/American Studies	3		3
ENRG - Energy	1		1
SSED - Social Studies	1		1
All Declared Majors	7,026	664	7,690

Note that this counts majors: a student with more than one major is counted once for each major.

Fall 2016 - Number of Declared Majors at Peak

Department	Undergraduate	Graduate	Total
ENG - English	434	35	469
HHD - Health & Human Development	440	20	460
HCS - Health & Community Studies	257	100	357
PSY - Psychology	297	38	335
BIOL - Biology	313	21	334
SPED - Special Educ & Educ Leadership	291	23	314
CSCI - Computer Science	295	16	311
LANG - Modern and Classical Languages	270		270
SOC - Sociology	245		245
ELED - Elementary Education	237	7	244
ESCI - Environmental Sciences	220	23	243
FMKT - Finance & Marketing	241		241
ART - Art and Art History	240		240
MGMT - Management	227		227
ENVS - Environmental Studies	158	56	214
ENGD - Engineering and Design	211		211
DSCI - Decision Sciences	205		205
HIST - History	188	16	204
MUS - Music	184	9	193
MATH - Mathematics	171	21	192
PLSC - Political Science	183		183
FAIR - Fairhaven College	176		176
ECON - Economics	173		173
ANTH - Anthropology	158	14	172
ACCT - Accounting	168	3	171
THTR - Theatre Arts and Dance	162		162
CHEM - Chemistry	133	21	154
GEOL - Geology	108	26	134
DSGN - Design	130		130
CSD - Communication Sci & Disorders	75	41	116
COMM - Communication Studies	115		115
MDS - Multidisciplinary Studies	107		107
LING - Linguistics	79		79
SEC - Secondary Education		79	79
JOUR - Journalism	76		76
MBA - Master of Business Admin		70	70
PHIL - Philosophy	64		64
PHYS - Physics and Astronomy	38		38
SCED - Science Education	35		35
LBRL - Liberal Studies	30		30
EAST - East Asian Studies	19		19
ENRG - Energy	13		13
AMST - American Cultural Studies	7		7
C/AM - Canadian/American Studies	4		4
University Total	7,177	639	7,816

Note that this counts majors: a student with more than one major is counted once for each major.

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees
FROM: President Sabah Randhawa by Provost Brent Carbajal
DATE: December 9, 2016
SUBJECT: **Quarterly Report on Grants and Contracts**
PURPOSE: Informational Item

Purpose of Submittal:

Information from the Office of Research and Sponsored Programs concerning grant awards for the period July 1, 2016 – September 30, 2016.

Supporting Information:

- Grant awards/totals for the period 7/1/16 – 9/30/16

Grant Awards for the Period 7/1/16 – 9/30/16

The total amount of grants and contracts received this period was \$4,065,241.50. This includes both new awards and additions to existing awards.

Department	Award Total	Awards	Additions
AMSEC	27,000.00	1	
Anthropology	119,883.00	2	
Biology	312,000.00	1	2
Campus Compact	639,168.00		1
Environmental Studies	16,414.11	1	
Environmental Sciences	89,554.39	3	
Elementary Education	452,465.00	2	
Geology	74,614.00	1	
Health and Community Studies	199,999.00		1
Physics - Astronomy	71,609.00		2
Political Science	70,000.00	1	
Psychology	267,214.00	2	1
SMATE	1,434,160.00	1	1
Shannon Point Marine Center	179,607.00	1	1
Sociology	111,554.00		1
Total	4,065,241.50	16	10

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa on behalf of Vice President Eileen Coughlin

DATE: November 28, 2016

SUBJECT: **Admissions and Enrollment Summary**

PURPOSE: Information Item

Launch of Freshman Early Action Deadline

Effective 2017-2018, students may file their FAFSAs (Free Applications for Federal Student Aid) as early as October 1, instead of January 1, preceding the school year. The earlier FAFSA filing date has prompted prospective students and their parents to expect earlier admissions and financial aid decisions than in the past. Typically, students who apply early in the admissions and financial aid cycle are highly-motivated and among the most talented and academically prepared. They tend to apply to multiple institutions and receive more offers of admission when compared to later applicants.

To remain competitive, especially with private universities who tend to set tuition and other costs earlier than public institutions, Western implemented an early action admissions deadline of November 1. Most of the students who apply by November 1, will receive an admission decision and notice of financial aid eligibility by December 31, 2016. Admissions is continuing to maintain a regular freshman deadline of January 31, to encourage as many qualified students as possible to apply. To date, Western has received over 3,800 applications compared to approximately 2,400 at the same time last year, a function of the early action deadline and change in FAFSA filing date.

Western Fall Welcome

Western Fall Welcome provides prospective students and family members with a comprehensive campus experience, which aims to place Western as a “top of mind” institution in a student’s college search process. Guests are able explore social and academic opportunities through department open houses and presentations, identify areas of interest, engage with current students, and visit our on-campus living communities. Students have an opportunity to gain further exposure to Western and compare Western’s academic offerings to other schools they have researched, which hopefully yields more applications and future enrollments.

This year’s event was our second largest Western Fall Welcome to date, with 521 students (1263 total participants) attending from all over the country. This is particularly impressive given the date coincided with the Seattle National College fair. In anticipation of this competing event, we increased our social media presence through targeted campaigns, ran two buses from the Seattle-area to bring underserved students to campus (increased from 1 bus the year prior), and added a postcard writing campaign for out of state students.

Implementation of Revised SAT

Admissions collaborated with Enterprise Application Services (EAS) and Institutional Research (IR) in preparation for numerous revisions to our internal processes and data capabilities to handle the 2016 major redesign of the SAT and the PSAT. Additionally, the “superscoring” of SAT exams was implemented as described below:

“Beginning Fall 2017, Western Washington University will superscore your tests. This means that if you take the SAT more than once we will take your highest score from each section (Math and Evidence-Based Reading and Writing) of the redesigned SAT or each section (Math and Critical Reading) of the pre-March 2016 SAT and combine them into the highest composite score for your application.”

International Outreach

Recruitment efforts this fall focused on maintaining partnerships with our Washington community college global partners – our #1 source for international students – as well as on building awareness and student interest in Canada and China. Our former International Admissions Advisor left her position June and we hired a new Admissions Counselor – International and Transfer Outreach who began mid-September. He attended 10 international transfer fairs in the Seattle area and made individual visits to provide presentations to students at top feeder colleges. In September Western attended the Vancouver Area Independent School Fair in British Columbia – a large fair promoting US Colleges and Universities. Students from over 15+ private and public schools in the Vancouver area were in attendance. Admissions has recently partnered with ISSS and IEP to translate materials into Simple Chinese. Mandarin-speaking WWU representatives are currently visiting high schools in China that are part of the Maple Leaf Educational System which enrolls over 18,000 students.

In an attempt to strategically position Western as a destination institution for international students, the University is engaged in further conversations and explorations of a partnership with companies that utilize a *pathway* model -- where students receive social and academic support services that address their unique needs. This partnership could significantly increase the number of international students enrolling at WWU, while creating a sustained model of success and collaboration when engaging students during the enrollment cycle, from recruitment to graduation.

Increased Digital Outreach in King County

In collaboration with the Office of Communications & Marketing, Admissions is executing a 1-million-impression digital ad campaign using geo-fencing technology which allows us to reach out to specific high schools in King, Pierce and Snohomish counties. Selection criteria included standardized test scores, Western’s current market share at the schools, and demographic information. The campaign’s goal is to build brand awareness and increase the number of students from these schools who opt in to become recruits, visit and apply for admission.

New Yield Initiatives in Partnership with Communications & Marketing

Admissions is closely partnering with University Communications & Marketing on the rollout of several new initiatives during winter/spring 2017 which will have a positive impact on the yield of new students for Fall 2017. Ranging from high-touch outreach efforts, such as additional phoneathons, the use of high-tech tools, such as retargeting, and incorporating best-practice activities, such as SMS (texting), these initiatives will be focused on Washington residents, with particular attention given to those from underrepresented populations. Data analysis will help inform as to the effectiveness of these tactics, and will assist in the development or fine-tuning of future programs and initiatives.



Capital Program Report

Board of Trustees

December 9, 2016

MAJOR/INTERMEDIATE CAPITAL PROJECTS

- **Carver Academic Renovation**

The Carver Academic Renovation project construction is approximately 70% complete and on schedule. Interior infrastructure continues to be installed – fire detection and sprinklers, electrical, plumbing, ventilation, and cooling. Interior framing, gypsum wall board and insulation are also in progress throughout the building. Exterior glass systems, doors and operable windows installation is in progress, as well as new brick and brick restoration. As the building is enclosed, additional interior finish work can proceed.

The project is scheduled to be substantially complete in April 2017.

Site web cameras of the construction can be found at the following link:

<http://www.wvu.edu/wwuarchitect/pages/construction/carver.shtml>

- **New Student Housing**

The GC/CM selection process has been completed with Exxel Pacific, Inc. being the successful firm. Exxel Pacific has begun preconstruction services working with University representatives and the design team on cost verification and constructability. The scope of the project is the construction of a new apartment style student housing facility with approximately 200 beds in mainly four bedroom units with shared bathrooms, living rooms and kitchens. The building will also include a main lounge space, shared laundry, floor lounges and small group study rooms.

The project is scheduled to be substantially complete in time for occupancy Fall Quarter 2018.

- **Ethnic Student Center/Multicultural Services**

The consultant selection process for the Ethnic Student Center/Multicultural Services project has been completed and a consultant contract is being submitted to the December Board of Trustees meeting for approval. Following approval of the contract, the design team will begin working with University representatives on the schematic design phase.

The project design continues until the end of 2017. Construction would begin early 2018 with occupancy of the completed project in summer 2019.

The University plans on submitting to the State for approval to utilize the General Contractor/Construction Manager (GC/CM) procurement method for construction services. The application to the State to utilize GC/CM method will be submitted in January 2017. If approved, an RFP for GC/CM services will be advertised in February 2017.

2017-2019 CAPITAL BUDGET REQUEST AND 2017-2027 TEN-YEAR PLAN DEVELOPMENT PROCESS

The 2017-2019 capital planning process culminated with submission of the 2017-2027 Capital Plan and 2017-2019 Capital Budget Request to the Office of Financial Management (OFM) in early September.

As part of the State's Higher Education Capital Budget request process, Western submitted nine separate proposals for all Major (>\$5M) and Intermediate (>\$2M and <\$5M) projects being requested in the 2017-2019 Capital Budget Request. These included: Sciences Building Renovation and Addition, 2017-2019 Classroom and Lab Upgrades, Access Control Security Upgrades, DisAbility Resource Services at Haggard Hall, Support Services Facility Phase 1, Elevator Preservation Safety and ADA Upgrades, Waterfront Land Acquisition, Southcentral Campus Roadway Revisions, and Heating System Carbon Reduction & Energy Efficiency Improvements. These proposals were scored by evaluation panels working with OFM. The 2016 Higher Education Prioritization Process Scoring Results are attached.

OFM will be developing a four-year higher education institutions single prioritized list following steps delineated in [RCW 28B.77.070](#).

The single prioritized list will be released at the discretion of the Governor, but no later than the start of the 2017 Legislative Session. The Governor's budget is due to the legislature no later than mid-December 2016.

For more information about the major projects, the Capital Program, and the Capital Planning Process, visit the Office of Facilities Development and Capital Budget website: <http://www.wvu.edu/wwuarchitect/>.



Office of the Internal Auditor

2015-2016 ANNUAL REPORT TO THE BOARD OF TRUSTEES

The purpose of the annual report is to provide the Board Audit Committee and Board of Trustees with information on the University's internal audit program.

Historical Overview

The Office of the Internal Auditor (IA) has been providing internal auditing services to Western since the early 1980s. The oversight responsibilities for the IA program have changed over the years. In 2001 IA's reporting structure was changed from the division of Business and Financial Affairs (BFA) to the President's Office. In 2005 the *functional* reporting shifted to the Audit Committee of the Board of Trustees and *administrative* reporting remained with the President's Office. IA was a one-person department until December 2005, when an additional staff auditor and a half-time administrative assistant were hired. In June 2016 the President, with the concurrence of the Audit Committee, delegated the *administrative* reporting to the Associate Vice President for BFA. At the October 2016 Board Audit Committee meeting, the President recommended and the Audit Committee concurred, that the Office of the Internal Auditor report administratively to the Vice President for Business and Financial Affairs.

The Audit Committee held five meetings between July 1, 2015 and June 30, 2016. The President and IA participated in each of these meetings, as did management from BFA for relevant agenda items. The Audit Committee meetings also included entrance and exit meetings with the Washington State Auditor's Office for the University's financial statement and accountability audits. Teresa Hart, Director of Financial Services, has served as the Interim Managing Supervisor of Internal Audit since April 2015 when the Director of Internal Audit position became open. Following a nationwide search, Antonia Allen was appointed Director of Internal Audit, and will join Western's staff on January 3, 2017.

Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations in the efficient and effective discharge of their responsibilities. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Types of Audit Services

The IA performs internal operational, compliance, and financial related audits of programs, services, departments and accounts that come under the budget authority of the University.

IA performs four types of audit services:

1. **Assurance Services:** Assurance services are objective reviews of evidence for the purpose of providing an independent assessment. The scope and nature of assurance services includes reviewing and evaluating for: operational efficiencies and effectiveness; reliability of financial and operational systems; adequacy and clarity of policies and procedures; compliance with University policies and state and federal laws; safeguarding of assets; and accomplishment of objectives and goals.
2. **Consulting Services:** Consulting services are advisory; other service activities include counsel, advice, facilitation, process design and limited training. The objective of consulting services is to add value in the development or modification of processes, procedures, and controls to minimize risk and achieve objectives. The nature and scope of particular consulting services are agreed upon with management. IA will not assume management's responsibilities in order to maintain appropriate objectivity and independence. Consultation reports are not typically presented to the Audit and Finance Committee unless there are material findings.
3. **Special Investigations:** Special investigations evaluate allegations of unethical business practices, and financial and operational misconduct to determine if allegations are substantiated, and to prevent future occurrences.
4. **Follow-up Engagements:** Follow-up engagements evaluate plans and actions taken to correct reported conditions.

Internal Audit Schedule and Risk Assessment Processes

The IA audit schedule is developed with input from the Board Audit Committee, President, Provost, vice presidents, and other University management. Audit services are coordinated with external auditors to reduce duplication of efforts, and increase audit coverage of the University.

Results of 2015-2016 Audit Activities

A summary of the audit reports issued and other activities conducted by IA during fiscal period July 1, 2015 through June 30, 2016 are provided below:

Spatial Institute Use of University Resources Special Investigation

The special investigation's focus was to determine the level and nature of use of state resources for compliance with state law and university policies, for Western faculty member Tyson Waldo, and Stefan Freelan, Assistant Director, Spatial Institute. The review determined that Mr. Freelan used University resources and his position in violation of state regulations and University policy. Corrective action was taken by the Dean of Huxley College and the Assistant Vice President for Human Resources.

Athletics Department Consultation

IA was requested to consult with the Athletics Department to review various aspects of the department's program for compliance with University policy and NCAA standards. The consultation resulted in no evidence of non-compliance.

Mail Services Use of University Resources Special Investigation

The special investigation’s focus was to determine the level and nature of cash receipting activities in Mail Services, and use of state resources for compliance with state law and university policies. The review identified repeated and ongoing personal use of the campus mail system by Mail Services personnel and by faculty member Farrokh Safavi. This use included theft in the third degree, violations of the state Ethics in Public Service Act, violations of the State Administrative and Accounting Manual (SAAM), and violations of University policy. The Mail Services supervisor has since resigned, and corrective action regarding internal controls is underway with management.

Quarterly Audit of President’s Expenses

IA has been delegated responsibility from the Board Audit Committee to perform a quarterly audit of all state-funded travel and entertainment expense reimbursements to the President. During fiscal year 2015-2016, IA performed four audits and reported on the results to the Board Audit Committee.

Consulting Activities

In addition to scheduled audit activities and special investigations, IA performs the following activities throughout the year:

- Questions and advice consulting services *
- Participation on University committees, including the Policy Technical Review Committee, and Banner process improvement projects
- Participation in audit meetings and discussions with the State Auditor’s Office
- Tracking incidents of reportable losses or other illegal activities to the State Auditor’s Office
- Liaison to the State Auditor’s Office Whistleblower Program

** IA receives questions and requests for advice throughout the year. These inquiries require research, summary opinions and advice. IA works closely with the Assistant Attorney General’s Office in responding to many of these requests. The below information provides the number of consultations and is based on calendar year. Beginning January 1, 2016, IA began tracking both the number of consultations as well as the hours spent in a more consistent manner. For the period January-June 2016, 109 hours were spent on 31 consultations.*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
# of questions/ requests for advice received by IA per calendar year	19	24	88	85	77	71	77	80	66	68	68



UNIVERSITY ADVANCEMENT REPORT

DECEMBER 2016

ADVANCING THE UNIVERSITY

DECEMBER 2016

9%
INCREASE
DOLLARS
DONATED

Annual Giving is up in both donors and dollars overall. We are excited about a 9% increase in dollars, and a 5% increase in the number of new donors compared to last year at this time. Giving tools like Vikingfunder have helped us acquire new donors!

Alumni Association memberships increased by 9% since July 1, from 2,744 members to 2,994. This was due in large part to a very successful Get Your Blue On BBQ, social media outreach and alumni joining at Lakewood at the end of summer.

9%
INCREASE
ANNUAL
MEMBERSHIPS

THE ALUMNI ASSOCIATION HOSTED NINE EVENTS THIS FALL, ENGAGING A TOTAL OF 3,088 ATTENDEES, INCLUDING:

31 – AT WWU DAY @ TACOMA RAINIERS

75 – AT THE WILLAMETTE RIVER CRUISE WITH PRESIDENT SABAH RANDHAWA

400 – AT THE COMMERCIAL STREET NIGHT MARKET

322 – AT THE 9TH ANNUAL GET YOUR BLUE ON BBQ

1,751 – AT PAINT B'HAM BLUE FOR WWU

75 – THE OCTOBER ART WALK

120 – AT WWU VS. CWU SOCCER GAME PARTY ON THE BUNKER

262 – AT CITY CENTER TRICK-OR-TREAT

52 – AT BOEING WWU ALUMNI RECEPTION

5%
INCREASE
NEW MEMBERS

- 33 attendees also signed up for Alumni Association membership at registration
- 13 attendees also made a gift to scholarships within 30 days of an event

GROWING AWARENESS & ENGAGEMENT

During the Western Stands for Washington Campaign, the division increased awareness and pride for WWU with a series of advertising campaigns. To keep Western in the minds and hearts of our alumni and supporters, we're continuing to advertise during key months this fiscal year with the Your Gift Changes Lives campaign.



Online audiences will also see over the next seven months our advertising campaign to support Alumni Association membership. This strategic campaign is targeted to specific demographics shown to have an association for Western, but will appear across all types of websites. Those who view the ads and then visit our alumni website in the same month will be captured, in addition to those who click through from the ad. This retargeting strategy proved to be successful in a test last year and we are expanding the campaign this year to drive more membership.



OCTOBER WAS MICROSOFT GIVE MONTH

Alumni Association Board Members Jon Geller ('12) and Keith Boyd ('95) sent a letter to their fellow Vikings who work at Microsoft encouraging them to remember Western when they participate in Microsoft Give Month. Many alumni replied saying they were proud to support WWU. Two new named scholarships have been established as a result of the outreach, one of which is funded by a pair of 2013 Computer Science graduates!



ENGAGEMENT

EVENTS FROM SEPTEMBER 22 THROUGH NOVEMBER 17

PRESIDENT'S HOUSEWARMING RECEPTION

President Sabah Randhawa and his wife, Uzma, hosted a housewarming reception in their home on Sunday, October 3. About 200 guests stopped by over the course of the afternoon, many with suggestions for the Randhawas about places to go, restaurants to visit, hikes to take and activities not to miss in Whatcom and Skagit counties. They were even given bagels from The Baglery to welcome them to Bellingham!



BOEING RECEPTION AND VIKINGS WANT TO KNOW

On September 26, President Sabah Randhawa and Vice President University Advancement Stephanie Bowers met with senior leaders at Boeing to discuss the importance of the Boeing – WWU relationship. The meeting was arranged by WWU Distinguished Alumna Kay Hovde ('83) and Kendall Nolan ('90), Executive University Focal for WWU. Western leaders met with Jason Clark ('93), VP Operations, 777X Wing Integration/Wing Integrated Production prior to a VIP reception with other Boeing executives.

A general reception followed in

which 52 Boeing employees, guests, alumni and parents were welcomed to the Boeing Dreamliner Facility in Everett for a "Vikings Want to Know" discussion. Guests were able to reconnect with fellow Western grads, meet the new president and hear updates about the university.

ATHLETIC SCHOLARSHIP DINNER

A record number of donors attended the October Athletic Scholarship Dinner. Sophomore men's basketball player Trey Drechsel addressed the audience and shared his journey to Western and the importance athletics plays in his Western experience.

THE GOODWINS WELCOME THE RANDHAWAS

On November 5, Bob and Sheila Goodwin hosted a lunch in their Bellingham home to welcome President Sabah Randhawa and his wife, Uzma, to Bellingham. The Goodwins hosted guests including Trustee Chair Sue Sharpe, Whatcom County Executive Jack Louws, Port of Bellingham Executive Director Rob Fix and County Commissioner Rud Browne.

ASK AN ALUM

Fifty-two attendees came for Ask an Alum on November 2. About a dozen WWU alumni from a variety of businesses and industries sat down with students to answer their questions about their careers, resumes and pathways to

being successful after college. Guest speaker Laurel Yamaguchi ('98) from Pivotal Ventures, a private non-profit that works for the office of Melinda Gates, inspired students with her experience working for the Obama Administration and the Clinton Foundation.



WWU MEN'S BASKETBALL PARTY & GAME

On November 3, the WWU men's basketball team tipped off in an exhibition game against Division I University of Washington. The Vikings played a close game and nearly pulled off an upset, holding the lead with just four minutes remaining in the game. The 110 guests at Western's pre-game party and preseason matchup included WWU supporters Pete Dawson and Bob Watt ('72), former alumni board members Nathan Dwyer ('00), Jerry Elfendahl ('63); foundation and alumni board members Tony George ('86) and Kris Ilgenfritz ; and alumna Bryan Page ('03).

ENGAGEMENT

EVENTS FROM SEPTEMBER 22 THROUGH NOVEMBER 17

ALUMNI CHEER ON WOMEN'S SOCCER TO DEFEAT CWU

On October 22, more than 120 alumni and Western community members gathered to celebrate together as the No. 1 nationally-ranked WWU women's soccer team defeated rival Central Washington University on Western's Harrington Field. In addition to several WWU soccer alumni and supporters, Vice President for Student and Enrollment Services Eileen Coughlin, former women's soccer coach Dominic Garguile, and Alumni Board Member Collin Morrow ('98) were among those in attendance.



BELLINGHAM LEADERSHIP FORUM

The 15th annual Bellingham Leadership Forum continued its history of sell-outs with the November 17 luncheon featuring former US Secretary of Defense and CIA Director Robert Gates as the keynote speaker. Dr. Gates answered questions from the audience on a number of topics, including the Presidential election, the role of corporate America in supporting higher education, and national and international security.

Student speaker Asia Fields, a double major in political science and journalism, with a minor in history, spoke to attendees about the personal impact of scholarship support on her college experience.



Thus far, the dollars raised in support of student scholarships come to \$41,065—the highest total ever. Moss Adams generously supported the Forum as lead sponsor again this year, and we shattered our previous high of five sponsors at the named scholarship level, with a total of 11. We sold \$12,000 more in tables compared to last year, generating over \$33,000 in scholarship support. And more people than ever made a gift at the event, with \$8,065 collected from table envelopes.

UNIVERSITY ADVANCEMENT WELCOMES WINDY PAIGE DVORAK

Windy Paige Dvorak has joined the University Advancement staff as the new Administrative Assistant to Associate Vice President for Development and Leadership Giving Tim Szymanowski. She and her husband relocated to Bellingham from Cheyenne, Wyoming. Windy Paige brings to Western a varied background which includes several years of experience in the legal field, as well as numerous creative pursuits including making chainmail jewelry and escaping straitjackets.

UNIVERSITY ADVANCEMENT WELCOMES LORAN ZENONIAN

We are pleased to announce the appointment of Loran Zenonian ('94) as University Advancement's Director of Development for the College of Humanities and Social Sciences (CHSS). Loran joins the team at Western as a proud CHSS alumnus, having received his BA in History and his teaching certification from Woodring College of Education.

Loran's engaging and relational personality will serve him well as he seeks donor support for programming excellence in CHSS. We will also benefit from his meaningful history in personal solicitation for Young Life which focused on many similar needs as the college: programming needs, capital projects and scholarship appeals. Further, the fact that he is an alum from CHSS will also add a nice validation to his work.



WHY WE DO WHAT WE DO...



Students experience hands-on scientific education at the SEA Discovery Center.

THE RUSSELL FAMILY FOUNDATION AWARDS \$25,000 TO WWU'S SEA DISCOVERY CENTER

A \$25,000 award from The Russell Family Foundation will allow the SEA Discovery Center to prepare to deliver hands-on, experiential environmental education to middle-school-age students in the five Kitsap County school districts, Chief Kitsap Academy tribal school, and home schoolers.

Western's May 24, 2016, acquisition of the SEA Discovery Center made it possible for the WWU Foundation to request support from a program of The Russell Family Foundation that is limited to Pierce, King, Kitsap, and Thurston counties. University Advancement's Corporate and Foundation Relations team collaborated with Extended Education leadership to begin the application process in June for a July deadline, and were notified of the award in November.

Dr. Earl Gibbons, Vice Provost for Extended Education at Western Washington University, whose responsibilities include SEA, had set as a high priority responding to requests from school district administrators for SEA to expand to middle school its long practice of offering free, full-day educational programming in marine science for grades 3 through 5, which 100 classes participated in during the 2015-16 school year. Under the direction of SEA's newly appointed director, marine scientist Sylvia Yang, the middle school curriculum will be developed by Woodring faculty, in partnership with K-12 public school and tribal educators, SEA staff, and faculty from Huxley College and SMATE.

The SEA Discovery Center's outdoor floating laboratory gives students the opportunity to engage directly with the marine environment. The children walk through the Poulsbo Marina, along the docks, to reach the floating lab, which is a boat house buoyed by barrels of air. When they enter the open-bottom lab, they find themselves standing on a rectangular

platform that overlooks a portion of Liberty Bay seawater with a depth of 12 to 25 feet. Under the guidance of science teachers and volunteers, students deploy oceanographic instruments, draw up planktonic specimens, lower an underwater camera to view the floor of Liberty Bay, listen with a hydrophone, and use a variety of other scientific instruments to measure water temperature, salinity, turbidity, and other conditions of Liberty Bay. On the same day, classes also visit SEA's touch tank and aquarium, where they may see a Giant Pacific Octopus any size from 6 inches to a few feet across, and develop their scientific skills in classroom labs by observing up close live sea urchins, bivalves, or other marine animals. SEA Discovery Center is preparing the next generation of environmental stewards by engaging Kitsap County youth in hands-on, experiential education about their own local marine environment.

WHY WE DO WHAT WE DO...



KITSAP BANK ESTABLISHES PAIR OF SCHOLARSHIPS FOR STUDENTS AT WWU CENTER AT OLYMPIC COLLEGE IN POULSBO

Kitsap Bank has donated \$25,000 to the Western Washington University Foundation to establish a pair of renewable \$2,500 scholarships for students attending WWU Center at Olympic College Poulsbo.

The scholarships were announced at Kitsap Bank's edg3 FUND small business competition on Thursday, Nov. 17.

"We are very pleased to support Western Washington University and their work with Olympic College to bring four-year degrees to the peninsula. These programs allow students to remain close to home while pursuing a first-

rate education, and help to grow and retain talent in our local community," said Tony George, Kitsap Bank's president and chief operating officer.

The scholarships will go to two students per academic year who are enrolled in any of the four-year programs in Poulsbo being offered by Western's College of Business and Economics or who are enrolled in Western's Computer and Information Systems Security (CISS) program.

"We are very appreciative to receive this vote of confidence from Kitsap Bank."

Recipients will have to demonstrate academic excellence through a 3.0 GPA or higher and must reside in the bank's market area of Kitsap, Mason, Jefferson, Clallam, or Pierce counties.

"We are very appreciative to receive this vote of confidence from Kitsap Bank. It is just the latest and strongest example of the support we have received from the region's business, industry, and governmental leaders. While this gift is an acknowledgement of Western's efforts to serve the people of the Peninsula, it ultimately is a critical investment in the region's most valuable asset, its people," said Earl Gibbons, vice provost for Extended Education at Western.

The scholarships can be used to help pay for any costs associated with the students' educational expenses, including tuition, books, supplies and materials.

UPCOMING EVENTS

- DECEMBER 8** Western Leadership and Boards Holiday Dinner, Wilson Library Reading Room
- DECEMBER 8** Senior Celebration, WWU Campus
- DECEMBER 10** Las Noches de las Luminarias, Phoenix, AZ
- DECEMBER 10** Commencement, WWU Campus
- DECEMBER 13** Seattle Holiday Reception at The Ruins
- DECEMBER 21** WWU Court of Dreams @ Portland Trail Blazers
- JANUARY 21** Lifetime Members Dinner, WWU Campus
- FEBRUARY 1** Seattle Scholarship Lunch, Renaissance Hotel
- FEBRUARY 3** Art Walk, WWU City Center
- FEBRUARY 8** Etiquette Dinner/Ask an Alum, WWU Campus
- FEBRUARY 15** Bellingham Scholarship Dinner #1, Viking Union Multipurpose Room
- FEBRUARY 18-19** Valentine's Wine & Chocolate Tasting, Leavenworth
- MARCH 1** Bellingham Scholarship Dinner #2, Viking Union Multipurpose Room
- MARCH 8** Palm Springs Social Hour, Palm Springs
- MARCH 16** Senior Celebration, WWU Campus
- MARCH 18** Commencement, WWU Campus
- MARCH 20-24** Networking Spring Break, Seattle

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa by Steve Swan, V.P. for University Relations and Community Development

DATE: December 8, 2016

SUBJECT: **University Relations and Community Development Report**

PURPOSE: Information Item

Purpose of Submittal:

A written report is provided on the recent activities of University Relations and Community Development.

Supporting Information:

Report Attached

**WESTERN WASHINGTON UNIVERSITY
OFFICE OF THE VICE PRESIDENT FOR UNIVERSITY RELATIONS AND
COMMUNITY DEVELOPMENT**

COMMUNICATIONS AND MARKETING

The following is a briefing on a wide range of online, print, social media, video and graphic design communications and marketing produced since the last Trustees report.

- The Bellingham Herald ran an interview with Western President Sabah Randhawa on his priorities at Western. See: <http://www.bellinghamherald.com/news/local/article107391647.html> The Seattle Times interviewed several Western students to get their thoughts prior to the U.S. presidential election. See: <http://www.seattletimes.com/seattle-news/politics/at-college-campuses-states-youngest-voters-remain-a-great-unknown/>. Following the election, stories about Western student protests and about undocumented WWU students also ran in the media. Western's program with the Sustainable Cities program, matching projects with Western students and faculty in Edmonds, received coverage in the Everett Herald. See: <http://www.heraldnet.com/business/western-students-helping-edmonds-on-sustainable-projects/> The Bellingham Herald wrote a story about WWU offering tuition waivers to military veteran students. See: <http://www.bellinghamherald.com/news/local/article113097683.html> Chinese TV (CCTV) ran an interview with WWU Professor Baozhen Luo on China's revised child policy. See: <http://www.cctv-america.com/2016/10/25/study-finds-chinas-revised-child-policy-wont-lead-to-baby-boom>
- In publications, we're putting the finishing touches on the Fall/Winter edition of **Window magazine** and will soon turn to uploading content to our still-new Window magazine website, window.wvu.edu.
- The Communications and Marketing team organized **Western Cares** events and marketing in preparation for Finals Week. They also will be working over the holidays to finish and deliver the new 30-second **PSA to ROOT Sports** that is shown during our four televised basketball games this winter. Last year's PSA, which has been submitted for an award to the Council for the Advancement and Support of Education, can be viewed at <https://www.youtube.com/watch?v=OD6FlaW3BRY>.
- **Western Window TV show** segment continues to be produced by Western students; KVO5-TV has moved the TV show to a more attractive time slot, at noon on Saturdays. Efforts are under way to expand the TV show to other areas of the state; and Western continues its launch of programming on Comcast Cable Channel 26.
- Our **graphic designers** worked on a wide range of design projects with offices across campus, including fliers, posters, banners and online and social media design work. Some notable examples included website template designs for Western digital asset management, new calendar aggregator, Small Business Development Center and Department of Design; and work assisting student designers with Planet and Klipsun magazines, as well as Munro Institute event posters, banners, program and fliers.

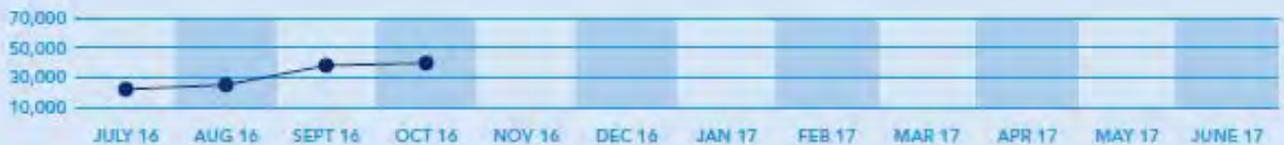
WESTERN TODAY

TOTAL HITS

42,612

TOP STORIES

- Western's Freshman Class is its Largest Ever
- Regina Barber DeGraaff: The Great Communicator
- Compass 2 Campus: Happy 5th Graders Flood Campus with Grins, Questions



SOCIAL MEDIA



TOP POSTS OF THE MONTH



OurWestern Account



STATISTICS AT A GLANCE

16,785
Total followers

476
New followers

2.92%
% gained

0.90%
Engagement rate

43,769
Total followers

517
New followers

1.20%
% gained

11.70%
Engagement rate

13,620
Total followers

324
New followers

2.44%
% gained

3.54%
Engagement rate

4,439
Total followers

173
New followers

4.06%
% gained

3.50%
Engagement rate

MEDIA STORIES

754
Total Stories

TOP STORIES

- WWU's new president encourages more students to study abroad (Seattle Times)
- Meet (WWU Alumna) Susan Darrington, the woman in charge of the Edmonton Oilers new \$480-million rink (Canada Globe and Mail)
- Should Southern California be shaken by the recent quake warning? - WWU's Colin Amos (Mother Jones)



CREATIVE SERVICES

GRAPHIC DESIGN



35 *Total Projects*

FEATURING

- Small Business Development Center website design
- Huxley College of the Environment retractable banners
- Communications and Marketing campus brand posters
- Career Services Law School Fair



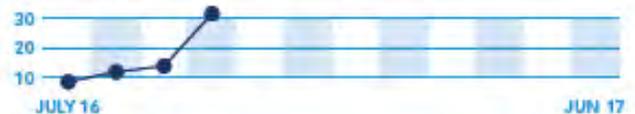
PHOTO & VIDEO



32 *Total Projects*

FEATURING

- Scenes of the week new video series featuring highlights from a collection of campus events
- Photo/video coverage for Window Magazine
- Timelapse photography incorporated throughout social media as well as various video projects



SOUNDINGS, FALL EDITION

1,822 *Total Page Views*

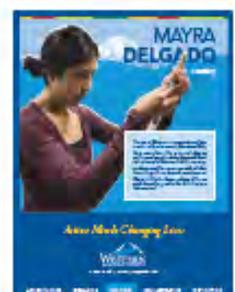
- Popular stories included a preview of Fall Family Open House and a selection of off-campus activities that families and students could enjoy together.

ADVERTISING

PRINT ADS

1 *Submitted*

Horizon Air magazine - 660,000 potential views per month



COMMUNICATIONS AND MARKETING (Con't)

WESTERN WINDOW TELEVISION SHOW

Episode 43

This month's show is for the month of November and is hosted by Chris Roselli of the WWU Alumni Association and Kevin Miller, a student at Western. Following is the story lineup for this episode:

- ***Cultivating Compassion*** – Western alumna Emily Hine ('89) has helped raise over \$150 million for nonprofits across the country, all with the central overarching goal of increasing peace and compassion on the planet.
- ***Mars Invasion!*** – Bellingham recently hosted an event for NASA scientists, researchers from the Jet Propulsion Laboratory, and Western's own Mars expert, Melissa Rice, to talk about what is coming in terms of our collective efforts to explore and potentially colonize the Red Planet.
- ***Learning to be Global*** – Western already has a deep connection with Mongolia due to its East Asian Studies program and one also housing on the world's largest collections of Mongolian books and literature. But a recent trip to the country by faculty, staff and students paved the way for even stronger ties.
- ***Engineering Passion*** – Western and its Vehicle Research Institute were called by Automobile Magazine as "very possibly the best school in the country for total car design." Pushing to find cutting edge alternative-fuel vehicles that are capable of being mass produced, what is it that drives these students to succeed, let alone spend an additional 60 hours a week in the shop?
- ***First Steps to Sustainability*** – Camp Lutherwood is an environmental learning course for 5th graders led by students from Western's Huxley College of the Environment with the goal of planting the seed of environmental stewardship in the young minds of the campers.

GOVERNMENT RELATIONS

State Relations

The 2017 Legislative Session is scheduled to begin on Monday, January 9th and conclude on April 23rd. The Legislature is tasked with adopting the state's 2017-19 biennial operating, capital and transportation budgets during the 105-day session. The Legislature must also address the "McCleary obligation" in 2017 based on a 2012 court ruling that the state is not meeting its paramount constitutional duty to amply fund basic K-12 education. The Legislature has not adopted biennial operating budgets within the specified 105-day regular session since the 2009 session. In recent history, biennial budgets have been adopted during "special sessions" of the Legislature, often not being enacted until late-June or early-July, and there is a possibility of a delayed budget enactment again in 2017.

The State Government Relations team continues to prepare for the 2017 Legislative Session by working to build support for the University's budget priorities among policymakers and their staff. In addition to Western's specific budget requests, the government relations team is actively

promoting a sector-wide legislative agenda called “Washington Competes” in collaboration with the State’s other five public baccalaureate institutions to increase overall support for public higher education in the upcoming session.

Tentative dates have been set for WWU engagement during the 2017 Legislative Session for the following events:

January 16 th	Associated Students’ Western Lobby Day
January 24 th	Council of Presidents’ Legislative Reception
February 2 nd	Trustee & Regent Day
February 20 th	Associated Students’ Ethnic Students Day
March 9 th or March 14 th	Alumni Day

Federal Relations

Congressman Rick Larsen made two visits to the Western campus in the past two months. The first visit, which took place on October 21, was an introductory meet and greet meeting for WWU President Sabah Randhawa and Congressman Larsen. Following that meeting presentations were made by faculty and students to Congressman Larsen on Western’s Manufacturing Supply Chain Management program, Engineering program, and on teacher preparation in Woodring College.

The second visit took place on November 10th as Congressman Larsen met with about 12 WWU students who are veterans of the U.S. Armed Forces. His goal for the meeting was to be briefed by the vets on issues that are most important to them.

Following the November 8th elections a great deal of attention is being focused by higher education institutions and their national organizations on appointments and actions taking place in Washington, D.C. Things are very fluid right now and we will provide updates as warranted.

SMALL BUSINESS DEVELOPMENT CENTER

WWU Small Business Development Center: Q3 – 2016 CONTRACT DELIVERABLES

ADVISING	Q3 2016	YTD 2016	YTD Q3 2015
Businesses Advised	100	249	253
Advising & Support Hours	464	2344	2486

TRAINING	Q3 2016	YTD 2016	YTD Q3 2015
Trainings	2	7	17
Trainees	29	69	199

RESEARCH	Q3 2016	YTD 2016	YTD Q3 2015
Research Projects	11	33	31
Support Hours	75	998	1294

ADD'L SERVICES	Q3 2016	YTD 2016	YTD Q3 2015
Non-Clients Supported	40	109	115
Student Projects	-	5	5
Student Project Hours	-	515	973

NEW DOWNTOWN OFFICE LOCATION

The WWU SBDC has relocated its downtown office to a more modern and cost-effective facility. The new office, 1616 Cornwall Ave., Suite 119, opened in November. The grand opening event is scheduled for December 13, 2016 from 4pm to 7pm. We will continue to utilize our satellite office location in Barkley Village as well as traveling to client locations in all of Whatcom County.

LOCAL THREE-YEAR FUNDING APPROVED

The WWU SBDC and Tri-Funders, Port of Bellingham, City of Bellingham and Whatcom County Council, signed a 3-year contract for business advising and economic development services.

PARTNERING WITH WWU ACADEMIC PROGRAMS

- Center for Service Learning partnered engineering students with SBDC clients for LEAN management observations
- Management 414 students project managed the SBDC grand opening event

OUTREACH AND TRAINING

The past two months' activities highlights included:

- Co-hosted "The Power of the Inbox: First Impressions Count!" with SBA partner, SCORE

- Hosted Laura Todd and Sarah Murphy-Kangas for training seminars: “Giving Feedback: The Coaching Leader” and “Receiving Feedback: The Approachable Leader”

WASHINGTON CAMPUS COMPACT

- 1) **Advancing Equity and Inclusion at the Core of Community Engagement.**
Washington Campus Compact will hold its annual statewide Membership and Network Meeting on December 5, 2016. Campus teams from 40 colleges and universities will convene to discuss this year’s topic and examine how student community engagement can advance equity and inclusion efforts on campuses and in communities.
- 2) **Washington College and University Presidents to Dialogue on Race, Equity and Inclusion and Institutional Change.** Washington Campus Compact is convening a statewide presidents meeting on December 15, 2016 to discuss the current climate on higher education campuses and explore ways to strengthen equity and inclusion initiatives in higher education and communities.
- 3) **Year Two of the Students Serving Washington Awards project has been launched!**
The statewide project recognizes outstanding student service leaders and entrepreneurs who tackle critical issues in Washington through innovation, service, and civic engagement. Winners of the Social Entrepreneur Awards will receive a \$10,000 seed grant to implement their proposed solution to a social entrepreneur challenge question. (Western received one of these awards in Year One for their proposal to reduce recidivism of incarcerated youth.) Winners of the Outstanding Service Award will receive \$7,500 split equally between the student(s), their college/university, and their community partner. The Presidents’ Leadership Award recipients will be selected by the president of each participating member institution for their leadership and commitment to serving their communities and will also be candidates for selection of the Governor’s Award, an addition to this year’s awards program.

WEB COMMUNICATION TECHNOLOGY

The past few months have presented WebTech with several challenges. Max, the director, was out for three weeks on leave. This was a good growth opportunity for the staff and they handled Max’s absence very well. In addition to Max’s absence, several projects had been re-evaluated and the priority levels of these conflicted. WebTech has been working diligently to meet existing obligations as well as moving the re-evaluated projects along.

The Digital Asset Management project, has adopted a new name, the Multimedia Asset Based Electronic Library, or MABEL, in honor of Mabel Zoe Wilson, Western’s first librarian. The MABEL system has been setup and we are currently working with the library to ensure the installation was done correctly and can grow as we intend. We will begin working on

implementing a design as soon as the design committee completes their work which is aiming for the middle of December.

Our work with BFA continues in setting up the web application for the new talent management system, PageUP. We currently are awaiting feedback from the contractor. We will be working with Environmental Health and Safety to deliver a new web based application for handling lab safety inspections and creating a website for accounting that discloses information surrounding payments to foreign nationals. That work we hope to have completed by the 1st of the year.

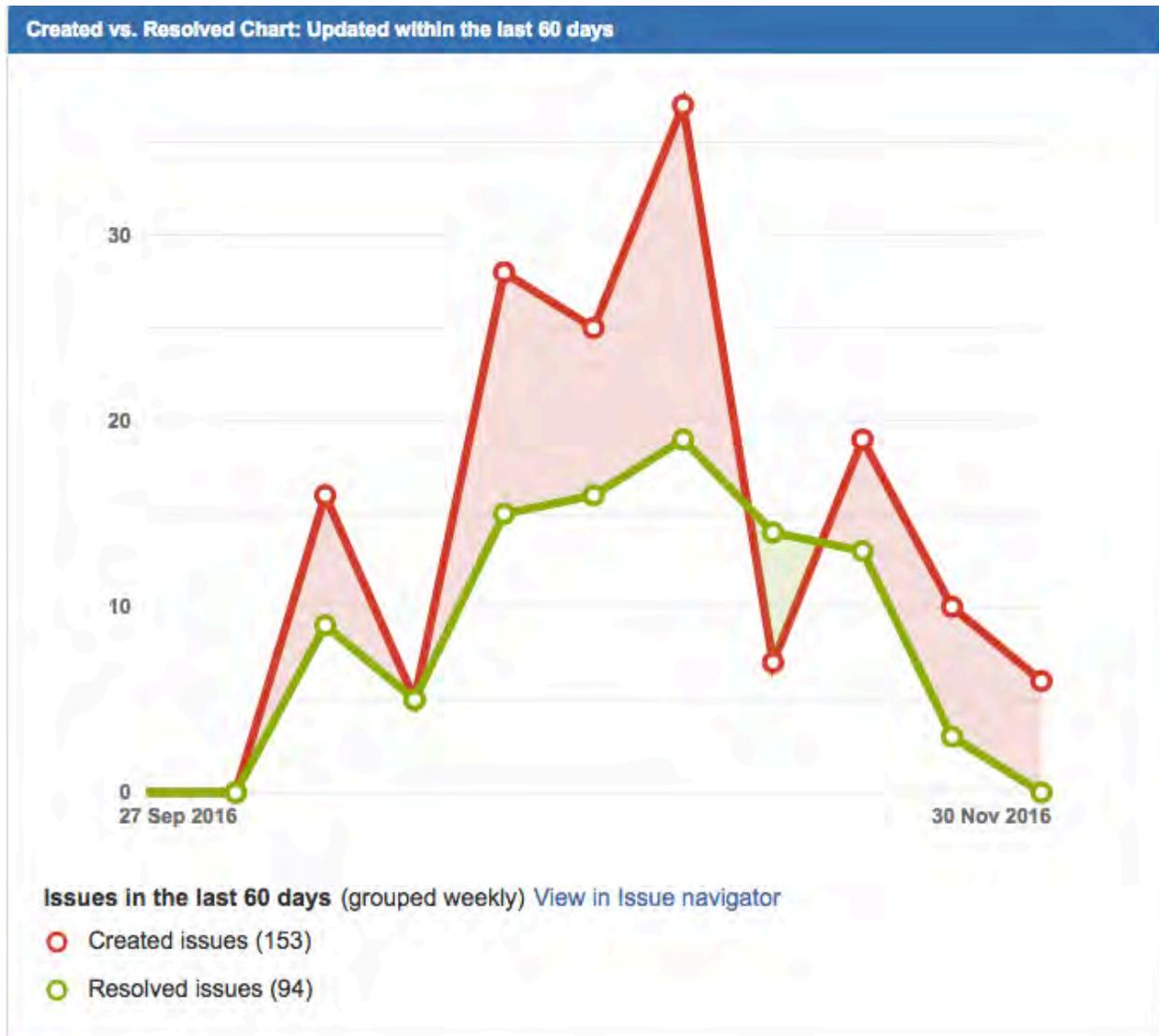
Community members have expressed difficulty in determining what events are going on at WWU throughout the year. We have worked with the campus community to devise a new face to the multiple calendar sources. Work with University Communication and Marketing on the design of the new calendar is nearing completion. We will then implement the design and aggregate the calendar sources from campus in one spot.

Great news in regards to video captioning. The state of Washington signed a state-wide contract for higher education to utilize the services of 3Play Media. The state is not providing funding, but with the contract, WWU has access to preferred rates. WebTech has been tasked to roll out the 3Play system to the University. We are currently working out logistics with ATUS and DRS for how to handle the videos that are used in the Learning Management System, Canvas. Once that has been resolved, we plan to make rapid progress getting this system into the hands of staff and faculty.

The following websites and applications have been delivered over the past few months:

- [Counseling Center / Men's Resiliency](#)
- [Student Achievement](#) application updates
- [AblePlayer](#) video player to enhance the capability of video captions
- [Western Gallery](#)
- [Palliative Care Institute](#)
- [Center for Cross Cultural Research](#)
- Border Policy Research Institute – Salish Sea Governance
- [Western Sustainability](#)
- [Small Business Development Center](#)
- [Caring for the Western Community](#)

This chart shows the total number of tickets filed, which is how WebTech keeps track of the requests from clients. With the return of student staff near the end of September, one can see the total output increasing.

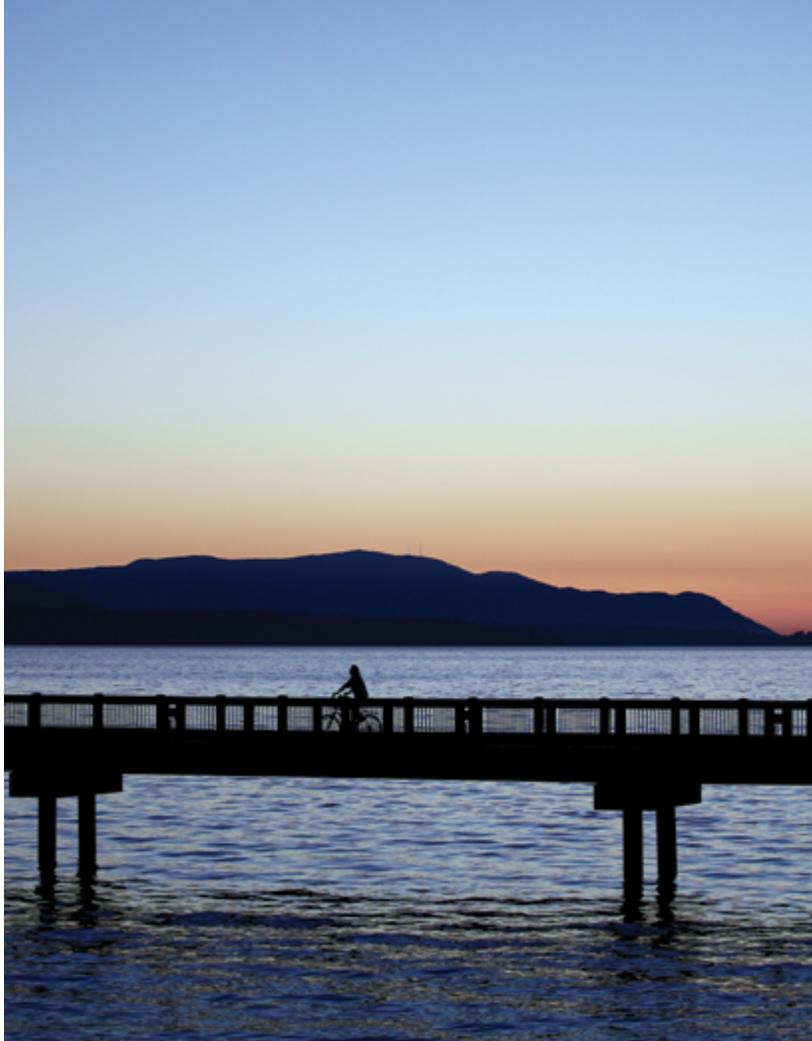




FINANCIAL REPORT

2016





FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

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November 17, 2016

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

Dear Chair Sharpe:

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

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

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

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

Sincerely,



Sabah Randhawa
President



Richard Van Den Hul
Vice President for Business and Financial Affairs

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**as of Independent Auditors report*



OVERVIEW

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

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

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

Using the Financial Statement

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

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

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2016

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

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

Statement of Net Position

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

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

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

Assets

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

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

Liabilities

The excess of current assets over current liabilities of \$11.2 million in FY 2016 and \$37.5 million in FY 2015 reflects the continuing ability of WWU to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

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

million). Current liabilities increased \$3.5 million (10.1%) in FY 2015, which (apart from the accounts payable increase related to timing of payments) is attributable to higher unearned revenue.

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

Net Position

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

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

Restricted:

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

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

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

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

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

Highlights of FY 2016 capital asset activities:

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

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

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

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

Capital Assets and Related Debt

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

Specific projects completed or underway in FY 2016 include:

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

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

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

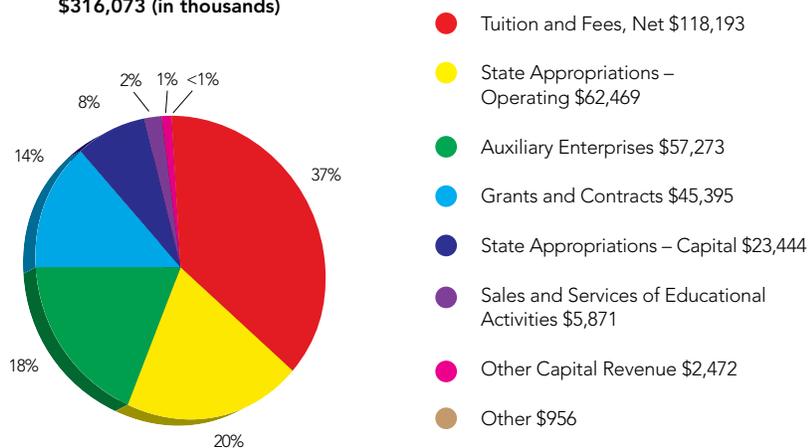
During FY 2016 the state legislature provided additional funding to offset the 5% FY 2016 resident undergraduate tuition reduction, accounting for the \$12.8 million (25.9%) increase in state appropriations used for operations (which includes capital appropriations used for operations). During FY 2015,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

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

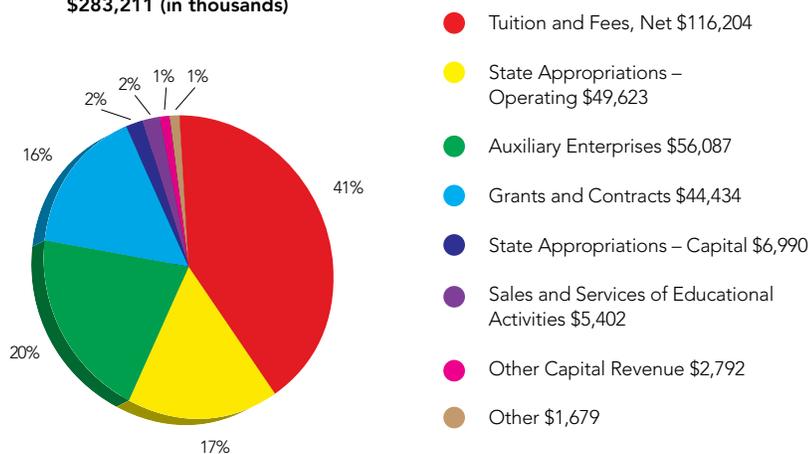
Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund (see Note 5) and capital contributions received. The decrease of \$321 thousand (-11.5%) is primarily due to a decrease in investment earnings on the Permanent Funds held by the State Treasurer’s office.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

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

Total revenues by source for the year ended June 30, 2016
\$316,073 (in thousands)



Total revenues by source for the year ended June 30, 2015
\$283,211 (in thousands)



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

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

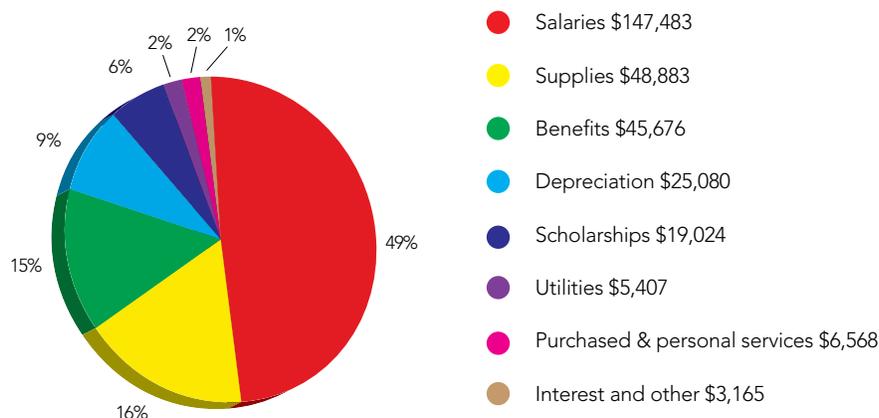
WWU places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing financial aid and fee waivers awarded by WWU, increased slightly by \$992 thousand (5.5%) to \$19.0 million during FY 2016 from \$18.0 million during FY 2015, an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

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

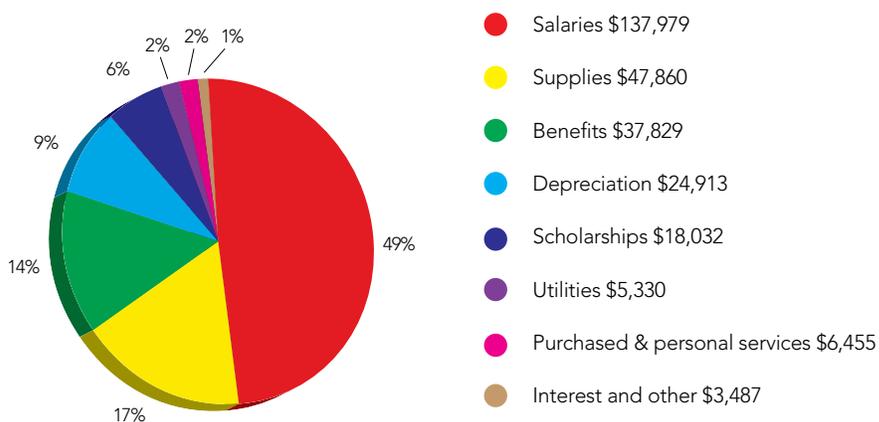
Depreciation expense increased \$168 thousand (0.7%) during FY 2016 and increased \$522 thousand (2.1%) during FY 2015 as additional capital assets were completed and depreciated.

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

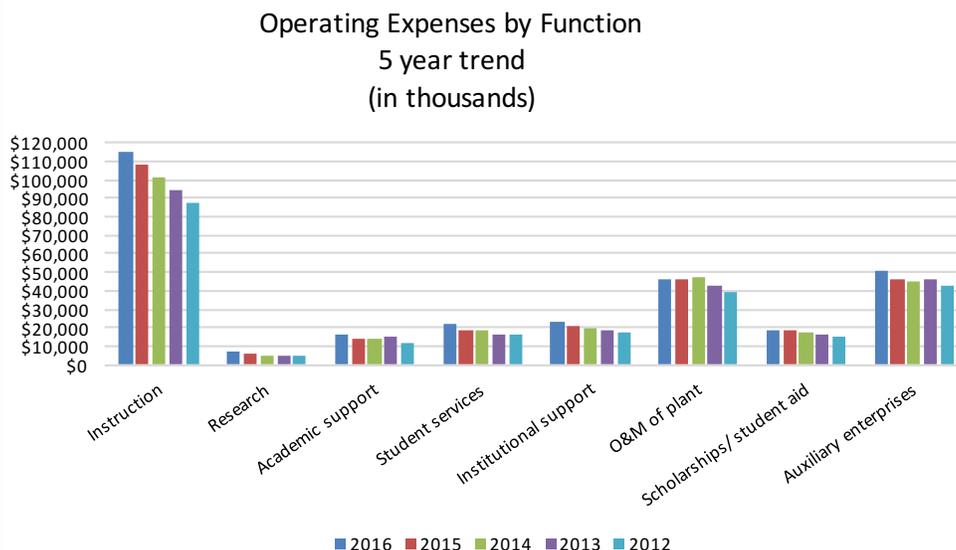
**Total Expenses by Natural Classification
for the year ended June 30, 2016
\$301,286 (in thousands)**



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



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



Operating Loss

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

Financial Indicators

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

Primary Reserve Ratio

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



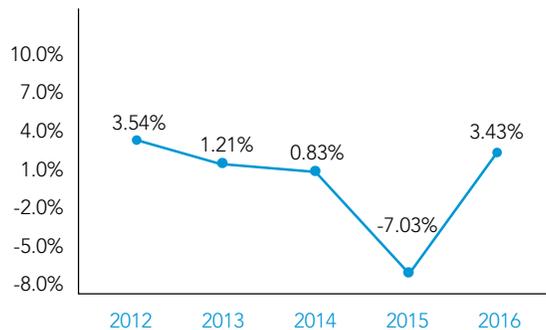
Viability Ratio

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



Return on Net Position

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



Economic Factors That Will Affect the Future

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

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

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Board of Trustees
Western Washington University
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Western Washington University (the University), Whatcom County, Washington, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the

financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of Western Washington University, as of June 30, 2016 and 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2016 and 2015, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

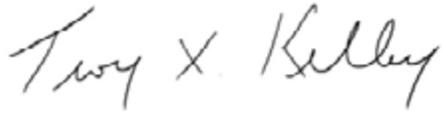
Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements as a whole. The President's Letter of Transmittal and the Board of Trustees and Administrative Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 17, 2016

Statement of Net Position

June 30, 2016 and 2015

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

Foundation Statement of Financial Position

June 30, 2016 and 2015

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

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended
June 30, 2016 and 2015

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

Foundation Statement of Activities

For the Year Ended
June 30, 2016

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

Foundation Statement of Activities

For the Year Ended
June 30, 2015

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

Statement of Cash Flows

For the Years Ended
June 30, 2016 and 2015

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

Statement of Cash Flows

For the Years Ended
June 30, 2016 and 2015

Reconciliation of Operating Loss to Net Cash used by Operating Activities

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

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

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

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by GASB. WWU has special purpose reports reflecting the net position, results of operations and cash flows for certain auxiliary units: Housing and Dining System, Wade King Recreational Center and Associated Students Bookstore. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present the financial position, results of operations, or changes in net position of WWU. The auxiliary unit financial statements can be obtained by contacting Western Washington University at (360) 650-3675.

Basis of Accounting

For financial reporting purposes, WWU is considered a special-purpose government engaged only in business-type activities. Accordingly, WWU's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All intra-agency transactions have been eliminated.

New Accounting Pronouncements

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

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

tive contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due.

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

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

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

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

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

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

On July 1, 2014, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27". This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by WWU to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

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

On July 1, 2014, WWU adopted GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68". The objective of this Statement is to

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

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

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

ticipant in an external investment pool that is in compliance with amortized cost criteria and measures all of its investments at amortized costs, there is no impact to WWU's statements.

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

OTHER ACCOUNTING POLICIES

Cash, Cash Equivalents and Investments

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

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

Accounts Receivable

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

and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

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

Capital Assets

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

Deferred outflows of resources and deferred inflows or resources.

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

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

Bond Premiums/Discounts

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

Net pension obligations

WWU records pension obligations equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the

defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. Pension expense is recognized for benefits earned during the measurement period, interest on the unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Unearned revenues

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

Restatement of Net Position

During FY 2015, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27". Statement No. 68 requires that WWU record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 15 net position was \$31.5 million. The amount of the net pension liability is \$24.1 million at June 30, 2015. The net pension liability information is provided to WWU by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed WWU to restate FY 15 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

Net Position

WWU's net position is classified as follows:

Net investment in capital assets

This represents WWU's total investment in capital assets, net of outstanding debt obligations related to those capital

assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net position described below.

Restricted net position, expendable

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

Restricted net position, nonexpendable

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

Unrestricted net position

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

Classification of Revenues and Expenses

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

Operating revenues

Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

Operating expenses

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

Nonoperating revenues

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

Nonoperating expenses

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

Other Revenues

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

Scholarship Discounts and Allowances

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

Tax Exemption

WWU is a tax-exempt instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from Federal income taxes on related income.

Reclassifications

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

2. COMPONENT UNIT

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

The Foundation presents information about its financial

position and activities according to the following three classes of net position, depending on the existence and nature of donor restrictions:

Unrestricted net assets

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

Temporarily restricted net assets

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

Permanently restricted net assets

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

3. CASH AND CASH EQUIVALENTS

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

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

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

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. According to LGIP's current investment policy, it is "managed to meet the portfolio maturity, quality, diversification and liquidity requirements set forth in GASB 79 for external investment pools who wish to measure, for financial re-

porting purposes, all of its investments at amortized cost".

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

4. INVESTMENTS

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

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

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

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

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

Credit (Quality) Risk

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

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

Custodial Credit Risk

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

Interest Rate Risk

WWU manages its exposure to fair value losses in the internal investment pool by targeting the portfolio duration to 2.25 years and limiting the weighted average maturity to a maximum of 3 years. WWU generally does not invest operating funds in securities maturing more than 5 years from the date of purchase.

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

Concentration of Credit Risk

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

Fair Value Measurement and Application

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

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

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

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

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

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

Description	Fair Value Measurements Using			Total	Weighted Average Maturity (in Years)
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
WWU Investment Pool:					
Cash & Cash Equivalents	\$41,325,921			\$41,325,921	0.001
Time Certificates of Deposits (CDs)	6,036,447			6,036,447	1.033
U.S. Treasuries	19,963,300			19,963,300	24.100
U.S. Agencies	45,112,750			45,112,750	1.614
WWU Endowment Funds:					
Cash & cash equivalents	12,360			12,360	
Fixed income investments:					
U.S. Treasuries		126,019		126,019	12.200
U.S. Agencies		283,543		283,543	4.500
Other fixed income		1,883,013		1,883,013	n/a
Equity investments		7,349,402		7,349,402	n/a
Real estate			506,592	506,592	n/a
Alternative investments		2,355,672		2,355,672	n/a
Other Investments:					
Renewal and Replacement Time CDs	1,521,563			1,521,563	1.241
Renewal and Replacement U.S. Agencies	1,526,662			1,526,662	2.877
Miscellaneous			1,010	1,010	n/a
TOTAL CASH AND INVESTMENTS	\$115,499,003	\$11,997,649	\$507,602	\$128,004,254	

5. FUNDS WITH STATE TREASURER

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

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres

granted by the United States government for state normal schools and are managed by the State Department of Natural Resources.

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

6. ACCOUNTS RECEIVABLE, NET

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

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

7. STUDENT LOANS RECEIVABLE, NET

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

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

8. INVENTORIES

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

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

9. LAND AND CAPITAL ASSETS, NET

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

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

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

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

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

10. ART COLLECTIONS

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

11. COMPENSATED ABSENCES

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

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

12. NOTES PAYABLE

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

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

13. BONDS PAYABLE

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

Housing and Dining Revenue Bonds

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

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

Series 2015 Housing and Dining Refunding Bonds (original issue price of \$13,435,000) with interest rates ranging from 2.0% to 5.0% and principal payments due in annual amounts ranging from \$985,000 to \$1,530,000 through October 31, 2026. The Series 2015 bonds have an aggregate face value of \$12,450,000 at June 30, 2016 which is reported net of the unamortized original issues premium of \$1,586,430.

Series 2012 Revenue and Refunding Bonds (original issue price of \$9,205,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in

annual amounts ranging from \$750,000 to \$980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of \$6,905,000 at June 30, 2016 which is reported net of the unamortized original issues premium of \$289,394.

Series 2009 A & B Housing and Dining Revenue Bonds with (original issue price of \$12,835,000) interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from \$295,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$12,515,000 at June 30, 2016 which is reported net of the unamortized original issue premium of \$0.

Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of \$17,225,000) with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from \$825,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$7,435,000 at June 30, 2016, which is reported net of the unamortized original issue premium of \$55,667.

Wade King Student Recreation Center Revenue and Refunding Bonds

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

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

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

14. PLEDGED REVENUES

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

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

15. LONG-TERM LIABILITIES

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

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

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

16. LEASES

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

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

17. DEFERRED COMPENSATION

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

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

18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES

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

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

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

19. PENSION PLANS

A. SUMMARY

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

WWU contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of these plans.

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

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

benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

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

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

Basis of Accounting

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

plans fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for WWU, for fiscal year 2016:

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

Investments

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

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

Department of Retirement Systems.

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

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

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

- **Teachers' Retirement System (TRS)**
Plan 1 - defined benefit
Plan 2 - defined benefit
Plan 3 - defined benefit/defined contribution
- **Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)**
Plan 2 - defined benefit

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

Administration of the PERS, TRS, and LEOFF, systems and plans was funded by an employer rate of 0.18 percent of employee salaries.

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

Higher Education.

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

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available

upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

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

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

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

Supplemental Component

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

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

WWU received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2016. The previous evaluation was performed in 2013. The Unfunded Actuarial Accrued Liability (UAL) calculated as of July 1, 2015 and 2013 was

\$20,953,000 and \$17,924,000 respectively, and is amortized over an 11 year period.

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

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

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

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

Public Employees' Retirement System Plan 3

Plan Description

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

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are

currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

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

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

Teachers' Retirement System Plan 3

Plan Description

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

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

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

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

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect

to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from TRS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description

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

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

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

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

to choose within 90 days default to PERS Plan 3.

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

Benefits Provided.

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

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

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

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

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

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

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service cred-

it. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

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

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

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

Contributions.

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

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

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

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

Actuarial Assumptions.

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

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published

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

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

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

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

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

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

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

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

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

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

Discount rate.

The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, WWU reported \$16.48 and \$16.13 million respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of \$13.33 and \$7.42 million were reported for PERS 2/3 in 2016 and 2015 respectively. WWU's proportion for PERS 1 in FY16 was 0.315 percent, a decrease of 0.005 percent since the prior reporting period when its proportionate share was 0.320 percent. WWU's proportion for PERS 2/3 in FY16 was 0.373 percent, an increase of 0.006 percent since the prior reporting period when its proportionate share was 0.367 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers.

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

pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 1 Employer's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$20,067,746
Current Discount Rate	\$16,482,713
1% Increase	\$13,399,913

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ending June 30, 2016 and 2015, WWU recognized a PERS 1 pension expense of \$(766) and \$610 thousand respectively; a pension expense of \$(881) thousand and \$(1.90) million was recognized for PERS 2/3 in 2016 and 2015 respectively. At June 30, 2016, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		613,197
Change in proportion		288,587
Contributions subsequent to the measurement date	128,029	
Total	\$128,029	\$901,784

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

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

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

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

Teachers' Retirement System

Plan Description.

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

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership

purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

Benefits Provided.

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

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are

eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

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

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

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

Contributions.

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

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

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

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

Actuarial Assumptions.

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

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

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

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

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

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

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

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

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

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

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

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

Discount Rate.

The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, WWU reported \$689 and \$485 thousand respectively for its proportionate share of the collective net pension liability for TRS 1; a net pension liability of \$134 and \$35 thousand were reported for TRS 2/3 in 2016 and 2015 respectively. WWU's proportion for TRS 1 in FY16 was 0.022 percent, an increase of 0.006 percent since the prior reporting period when its proportionate share was 0.016 percent. WWU's propor-

tion for TRS 2/3 in FY16 was 0.016 percent, an increase of 0.005 percent since the prior reporting period when its proportionate share was 0.011 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers.

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

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

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

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

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		51,031
Change in proportion		
Contributions subsequent to the measurement date	7,056	
Total	\$ 7,056	\$51,031

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

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

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

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

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description.

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

cluded effective July 27, 2003, being an exception.

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

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

Benefits Provided.

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

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

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

Contributions.

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

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

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

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommen-

dations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2014, the state contributed \$55.6 million to LEOFF Plan 2.

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

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

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

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

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

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

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

The long-term expected rate of return on pension plan in-

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

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

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

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

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

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

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

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

Discount Rate.

The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement

date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, WWU reported \$575 and \$753 thousand for its proportionate share of the collective net pension asset for LEOFF 2. WWU's proportion for LEOFF 2 in FY16 was 0.056 percent, a decrease of 0.001 percent since the prior reporting period when its proportionate share was 0.057 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

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

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

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

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

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

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

TABLE 1: Required Contribution Rates

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

	Contribution Rates at June 30, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 1	6.00%	11.18%	\$128,029	\$124,718	\$158,768
Plan 2	6.12%	11.18%	3,152,047	2,457,501	2,255,523
Plan 3	5.00-15.00% **	11.18% *	892,005	684,236	609,624
TRS					
Plan 1	6.00%	13.13%	\$7,056	\$15,275	\$12,603
Plan 2	5.95%	13.13%	4,996	4,103	3,771
Plan 3	5.00-15.00% **	13.13% *	113,254	77,221	44,148
LEOFF					
Plan 2	8.41%	8.59%	\$81,330	\$85,058	\$81,399

* Plan 3 defined benefit portion only.

** Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

	Contribution Rates at June 30, 2015		Required Employer Contributions		
	Employee	University	FY 2015	FY 2014	FY 2013
PERS					
Plan 1	6.00%	9.21%	\$124,718	\$158,768	\$135,129
Plan 2	4.92%	9.21%	2,457,501	2,255,523	1,722,744
Plan 3	5.00-15.00% **	9.21% *	684,236	609,624	435,385
TRS					
Plan 1	6.00%	10.39%	\$15,275	\$12,603	\$9,735
Plan 2	4.96%	10.39%	4,103	3,771	2,993
Plan 3	5.00-15.00% **	10.39% *	77,221	44,148	23,355
LEOFF					
Plan 2	8.41%	8.59%	\$85,058	\$81,399	\$72,330

* Plan 3 defined benefit portion only.

** Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

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

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

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

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

and other demographic factors.

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

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

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

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

21. RISK MANAGEMENT

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

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

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

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

22. COMMITMENTS

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

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

23. JOINT VENTURE

In FY 2010, WWU participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorpora-

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

24. FOUNDATION PLEDGED GIFT RECEIVABLE

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

For the year ending June 30,

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

Required Supplementary Information

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30 * (dollars in thousands)		
	2014	2015
WWU PERS 1 employers' proportion of the net pension liability	0.32%	0.315%
WWU PERS 1 employers' proportionate share of the net pension liability	\$16,130	\$16,483
WWU PERS 1 employers' covered-employee payroll	\$1,754	\$1,347
WWU PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	919.51%	1223.45%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%

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

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 * (dollars in thousands)		
	2014	2015
WWU PERS 2/3 employers' proportion of the net pension liability	0.367%	0.373%
WWU PERS 2/3 employers' proportionate share of the net pension liability	\$7,421	\$13,333
WWU PERS 2/3 employers' covered-employee payroll	\$31,601	\$33,088
WWU PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	40.30%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of WWU's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30 * (dollars in thousands)		
	2014	2015
WWU TRS 1 employers' proportion of the net pension liability	0.016%	0.022%
WWU TRS 1 employers' proportionate share of the net pension liability	\$485	\$689
WWU TRS 1 employers' covered-employee payroll	\$128	\$147
WWU TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	379.92%	468.97%
Plan fiduciary net position as a percentage of the total pension liability	68.77%	65.70%

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

Schedule of WWU's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date ended June 30 * (dollars in thousands)		
	2014	2015
WWU TRS 2/3 employers' proportion of the net pension liability	0.011%	0.016%
WWU TRS 2/3 employers' proportionate share of the net pension liability	\$35	\$134
WWU TRS 2/3 employers' covered-employee payroll	\$470	\$742
WWU TRS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.55%	18.01%
Plan fiduciary net position as a percentage of the total pension liability	96.81%	92.48%

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

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

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

Schedule of WWU's Proportionate Share of the Net Pension Liability Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Measurement Date of June 30 * <i>(dollars in thousands)</i>		
	2014	2015
WWU LEOFF 2 employers' proportion of the net pension liability	0.057%	0.056%
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset)	(\$753)	(\$575)
WWU LEOFF 2 employers' covered-employee payroll	\$948	\$974
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(79.43%)	(58.97%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%	111.67%

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

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$124,080	\$124,718	(\$637)	\$1,347,236	9.26%
2016	\$146,896	\$128,029	\$18,867	\$1,313,918	9.74%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
Notes: These schedules will be built prospectively until they contain ten years of data.					

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$3,047,368	\$3,141,737	(\$94,369)	\$33,087,603	9.50%
2016	\$4,147,009	\$4,044,052	\$102,957	\$37,093,105	10.90%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					
Notes: These schedules will be built prospectively until they contain ten years of data.					

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$15,275	\$15,275		\$147,013	10.39%
2016	\$5,087	\$7,056	(\$1,969)	\$38,746	18.21%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$77,145	\$81,324	(\$4,179)	\$742,495	10.95%
2016	\$118,192	\$118,250	(\$58)	\$900,164	13.14%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	\$83,684	\$85,058	(\$1,374)	\$974,206	8.73%
2016	\$81,176	\$81,330	(\$154)	\$945,010	8.61%
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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



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HOUSING AND DINING SYSTEM

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HOUSING AND DINING SYSTEM MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

Overview

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

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 2016, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

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

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

Statement of Net Position

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

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

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

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

June 30, 2016 and 2015

(Dollars in Thousands)

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

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

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

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

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

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

June 30, 2016 and 2015

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

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

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

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

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

Statement of Revenues, Expenses and Changes in Net Position

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

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

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

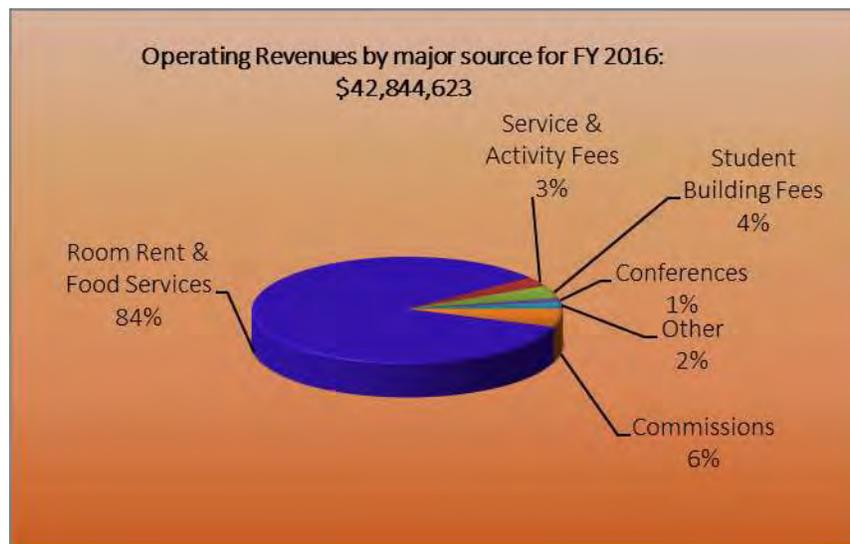
**HOUSING AND DINING SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS**

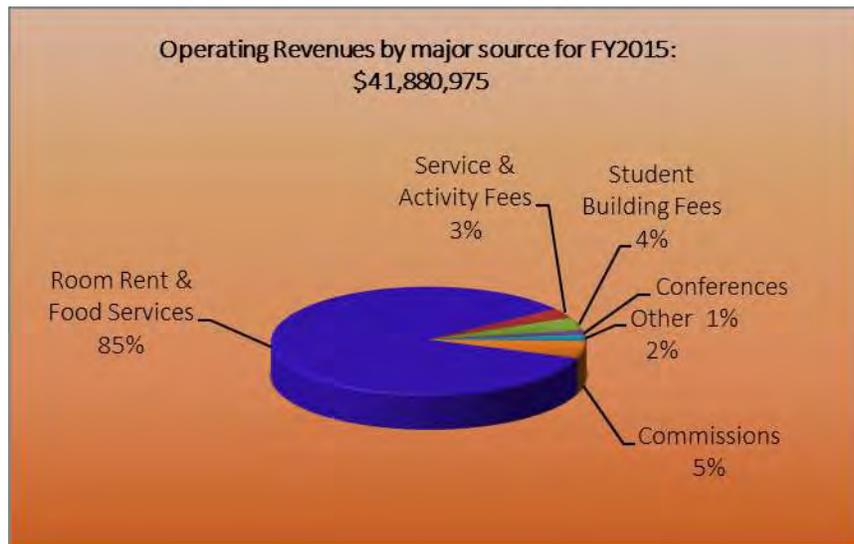
June 30, 2016 and 2015

(Dollars in thousands)

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

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





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

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

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

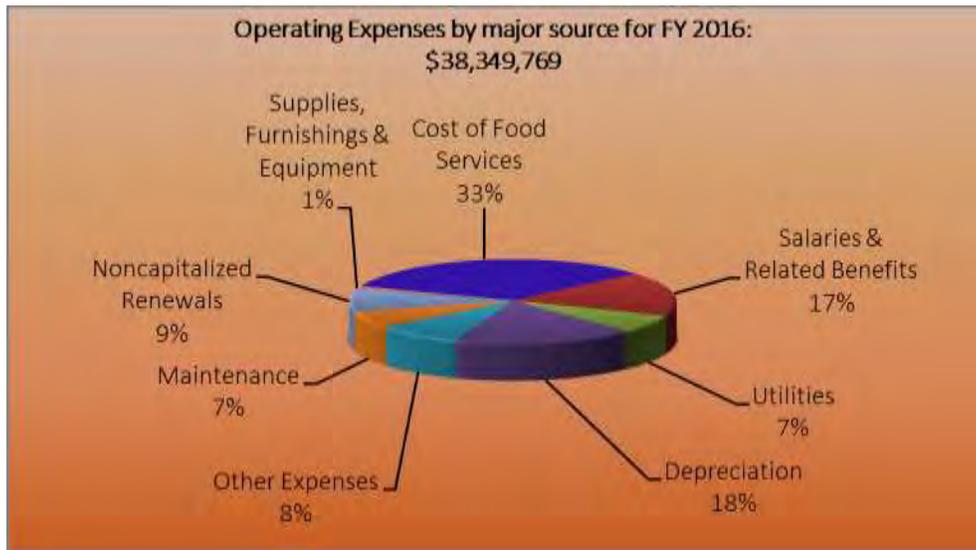
Conference revenue decreased \$46,299 (-7.9%) in FY 2016 due to reduced bookings. Conference revenue increased \$43,663 (8.0%) in FY 2015 due to a rate increase and increased bookings.

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

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

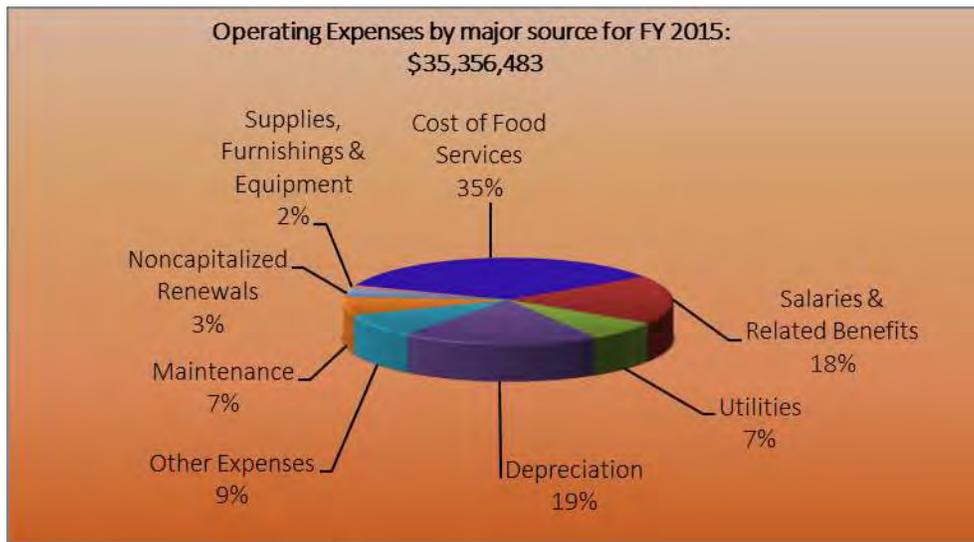
Fees, penalties, and other income increased \$47,722 (15.9%) in FY 2016 primarily due to the combination of a \$14,300 (-6.6%) decline in fee/penalty income and a \$60,000 increase in surplus sales proceeds. The FY 2016 decrease of \$14,300 in fee/penalty income was due to the net result of an increase in late fee revenue combined

with a decrease in other fees, such as cleaning, damage and deposit forfeit charges. Fees, penalties, and other income increased \$166,381 (125.1%) in FY 2015 primarily influenced by the recurring annual departmental transfer that was recorded as a reduction to revenue in FY 2014.



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

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



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

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

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

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

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

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

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

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

Economic Factors and Significant Events

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (Housing and Dining), Whatcom County, Washington, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Housing and Dining's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Western Washington University Housing and Dining System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing and Dining's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Housing and Dining System, as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Housing and Dining System, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of Housing and Dining. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2016 and 2015, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and pension plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the

required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of the Housing and Dining's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing and Dining's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA
November 17, 2016

HOUSING AND DINING SYSTEM
STATEMENT OF NET POSITION

June 30, 2016 and 2015

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

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

For the Years Ended
June 30, 2016 and 2015

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

HOUSING AND DINING SYSTEM
STATEMENT OF CASH FLOWS

For the Years Ended
June 30, 2016 and 2015

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

Accounts Receivable

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

Inventory

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

Capital Assets

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

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

and 5 to 7 years for furniture, fixtures, and equipment.

Deferred Outflows of resources and Deferred Inflows of resources.

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

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

Unearned Revenue

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

Net Pension Liability

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

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

Restatement of Net Position

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

Net Position

The System's net position is classified as follows:

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

Classification of Revenues and Expenses

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

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

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

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

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

Premiums/Discounts

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

Administrative Assessment

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

Tax Exemptions

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

taxes on related income.

Estimates

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

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

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

Fair Value Measurement and Application

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

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

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

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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

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

Fair Value Measurements as of June 30, 2015 using:						
	Quoted Prices in	Significant Other	Significant	Total	Weighted	
	Active Markets for					
	Identical Assets	Level 2	Level 3		Average	Maturity
	Level 1				(in years)	
Cash and Cash Equivalents	\$6,666,354	\$ -	\$ -	\$6,666,354	0.001	
Investments						
Certificates of deposit - restricted	1,521,563	-	-	1,521,563	1.033	
U.S. Agencies - restricted	1,526,662	-	-	1,526,662	1.614	
Certificates of deposit	956,046	-	-	956,046	1.033	
U.S. Treasuries	3,161,631	-	-	3,161,631	2.410	
U.S. Agencies	7,144,500	-	-	7,144,500	1.614	
	<u>\$20,976,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$20,976,756</u>		

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

NOTE 3. CAPITAL ASSETS, NET

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

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

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

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

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

NOTE 4. BONDS PAYABLE

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

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

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

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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

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

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

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

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

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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>
2017	\$3,170,000	\$2,042,160	\$5,212,160
2018	3,285,000	1,921,943	5,206,943
2019	3,390,000	1,797,112	5,187,112
2020	3,530,000	1,656,290	5,186,290
2021	3,710,000	1,473,627	5,183,627
2022-2026	14,625,000	4,843,279	19,468,279
2027-2031	4,405,000	2,158,550	6,563,550
2032-2034	3,190,000	479,520	3,669,520
	<u>39,305,000</u>	<u>16,372,481</u>	<u>\$55,677,481</u>
Plus unamortized premiums	<u>1,931,491</u>		<u>\$41,236,491</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, 2016 and 2015, these commitments totaled \$10,031,636 and \$5,570,055 respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

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

NOTE 7. PENSION PLANS

A. SUMMARY

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

As employees of WWU, the full-time System employees are participants in WWURP and PERS. The System contributes to PERS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The System contributed approximately \$277,777, \$235,373 and \$226,642 to these plans in FY 2016, FY 2015 and FY 2014 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

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

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

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

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the System, for FY 2016:

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

Investments

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

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and

tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB-adopted investment policies for the various asset classes in which the WSIB invests.

Department of Retirement Systems

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

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

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

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

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

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

Higher Education

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

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

The WWURP is a defined contribution single employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU's Board of Trustees is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors.

Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy

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

Supplemental Component

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

Public Employees' Retirement System Plan 3

Plan Description

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

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

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

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

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description. The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system);

employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Required contribution rates for FY 2016 and FY 2015 are presented in Table in section C of this note.

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

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and

recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

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

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

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, the System reported \$923,390 and \$1,157,409 respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of \$611,215 and \$351,380 were reported for PERS 2/3 in 2016 and 2015 respectively. The System’s proportion for PERS 1 in FY 2016 was .018 percent, a decrease of 0.005 percent since the prior reporting period when its proportionate share was 0.023 percent. The System’s proportion for PERS 2/3 in FY 2016 was 0.0171 percent, a decrease of 0.0003 percent since the prior reporting period when its proportionate share was 0.0174 percent. The proportions are based on the System’s contributions to the pension plan relative to the contributions of all participating employers.

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

PERS 1	
The System's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 1,124,230
Current Discount Rate	\$ 923,390
1% Increase	\$ 750,686

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

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

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

Housing and Dining System PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	(50,520)
Change in proportion	-	-
Contributions subsequent to the measurement date	1,725	-
Total	\$ 1,725	\$ (50,520)

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

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

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

PERS 2/3		
2016	\$	41,688
2017	\$	41,688
2018	\$	41,688
2019	\$	(36,737)
2020	\$	-
Thereafter	\$	-

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30 are as follows:

	Contribution Rates at June 30, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 1	6.00%	11.18%	\$ 1,725	\$ 6,987	\$ 11,393
Plan 2	6.12%	11.18%	154,228	122,129	117,045
Plan 3	5.00-15.00% **	11.18% *	29,053	20,387	18,617

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

	Contribution Rates at June 30, 2015		Required Employer Contributions		
	Employee	University	FY 2015	FY 2014	FY 2013
PERS					
Plan 1	6.00%	9.21%	\$ 6,987	\$ 11,393	\$ 8,644
Plan 2	4.92%	9.21%	122,129	117,045	85,559
Plan 3	5.00-15.00% **	9.21% *	20,387	18,617	17,321

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

RSI

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date ended June 30 *		
	2014	2015
Housing & Dining System PERS 1 employers' proportion of the net pension liability	0.022976%	0.017652%
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability	\$1,157,409	\$923,390
Housing & Dining System PERS 1 employers' covered-employee payroll	\$126,034	\$75,861
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	918.33%	1217.21%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of Housing and Dining System Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *		
	2014	2015
Housing & Dining PERS 2/3 employers' proportion of the net pension liability	0.017383%	0.017106%
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability	\$351,380	\$611,215
Housing & Dining System PERS 2/3 employers' covered-employee payroll	\$1,489,616	\$1,598,588
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.59%	38.23%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30 <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)			
2015	\$ 6,987	\$ 6,987	\$ (0)	\$ 75,861	9.21%	
2016	\$ 1,790	\$ 1,725	\$ 65	\$ 16,008	10.78%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30 <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)			
2015	\$ 147,230	\$ 144,025	\$ 3,205	\$ 1,598,588	9.01%	
2016	\$ 192,833	\$ 183,281	\$ 9,551	\$ 1,724,800	10.63%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

OTHER INFORMATION

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

(Unaudited)

RESIDENCE HALLS

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

APARTMENTS

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

SCHEDULE OF OCCUPANCY
Year Ended June 30, 2016

(Unaudited)

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

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

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

SCHEDULE OF INSURANCE COVERAGE FY 2016

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

- Replacement cost coverage for all scheduled buildings for “all risk” of direct physical loss or damage, including earthquake and flood.
- The policy limit is \$100,000,000 per occurrence, with an aggregate limit of \$100,000,000 for earthquake and flood damage. There is a \$250,000 deductible per occurrence that increases to 3% of the value of damaged property subject to a \$250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance – State of Washington Program, \$50,000,000 per accident, \$5,000 deductible on insured objects and \$50,000 deductible for property damage.
- Third-party bodily injury and property damage liability insurance – State funded self-insurance liability program, \$10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

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

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

EXPENDED FOR PLANT FACILITIES FY 2016 and FY 2015

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

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

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ASSOCIATED STUDENTS BOOKSTORE

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ASSOCIATED STUDENTS BOOKSTORE MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

Overview

Western Washington University Associated Students Bookstore (the Bookstore) has served the Western Washington University (WWU) campus community since 1910. Its purpose is to serve as an academic resource for the campus, integrating itself with the academic community and ensuring the availability of educational materials and related goods and services necessary for student success. The Bookstore aims to accomplish this service mission in an economically responsible manner by applying sound, efficient business practices. The Bookstore is operated in the format of a student cooperative; textbook prices reflect a student discount and net operating revenues support student programs. The Associated Students of Western Washington University (ASWWU) manage their net operating revenues and act in partnership with the administration through involvement in the development and recommendation of general policy guidelines.

The following discussion and analysis provides an overview of the financial position and activities of the Bookstore for the fiscal years (FY) ended June 30, 2016, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The Bookstore's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

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

Statement of Net Position

The Statement of Net Position presents the financial condition of the Bookstore at the end of the fiscal year and reports all assets and liabilities of the Bookstore.

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

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

**ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

ASSETS	<u>2016</u>	<u>2015</u>	<u>2014</u>
Current Assets	\$2,380,977	\$2,615,877	\$2,520,680
Noncurrent Assets	1,215,382	899,314	838,546
Capital Assets, net	<u>1,181,618</u>	<u>1,233,459</u>	<u>1,275,866</u>
Total assets	4,777,977	4,748,650	4,635,092
 DEFERRED OUTFLOWS	 25,776	 33,211	 -
 LIABILITIES			
Current liabilities	360,481	390,921	360,921
Noncurrent liabilities	<u>157,464</u>	<u>110,059</u>	<u> </u>
Total liabilities	517,945	500,980	360,921
 DEFERRED INFLOWS	 42,036	 116,664	 -
 NET POSITION			
Net investment in capital assets	1,181,618	1,233,459	1,275,866
Unrestricted	<u>3,062,154</u>	<u>2,930,758</u>	<u>2,998,305</u>
Total net position	<u>\$4,243,772</u>	<u>\$4,164,217</u>	<u>\$4,274,171</u>

The Bookstore's overall net position increased in FY 2016 by \$79,555 (1.9%) as nonoperating revenues outpaced expenses. There was a net position decrease of \$109,954 (-2.6%) when comparing FY 2015 to FY 2014 due to the implementation of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions), which required the Bookstore to recognize its share of a net pension liability for the defined contribution pension plans offered to employees (see Notes 1 and 6). In addition, GASB Statement No. 68 required a restatement of beginning net position in the amount of \$214,069.

The excess of current assets over current liabilities of \$2.0 million in FY 2016 and \$2.2 million in FY 2015 reflects the continuing ability of WWU to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments.

Current assets consist primarily of cash and cash equivalents, short-term investments, inventory and accounts receivable, net. Total current assets decreased \$234,900 (-9.0%) in FY 2016 primarily due to a combined decrease in cash and cash equivalents and short term investments along with a decrease in inventory that surpassed an increase in accounts receivable. Cash and cash equivalents combined with short term investments decreased \$396,555 (-31.3%) in FY 2016 as a result of WWU optimizing the investment strategy of maximizing returns

while ensuring liquidity needs and managing interest rate risk. An increase in textbook returns to publishers contributed to a \$278,896 (81.5%) increase in accounts receivables and a \$125,694 (-12.6%) decrease in inventory. FY 2015 total current assets increased \$95,197 (3.8%) over FY 2014 largely due to investment management strategies combined with a decrease in accounts receivable and increase in inventory. Cash and cash equivalents and short term investments increased \$210,818 (19.9%) in FY 2015 as WWU's investment strategy is to ensure liquidity needs while optimizing investment returns (see Note 2).

Total noncurrent assets, excluding capital assets, increased \$316,068 (35.1%) during FY 2016 and \$60,768 (7.2%) during FY 2015 due to increased long-term investments.

Capital assets decreased \$51,841 (-4.2%) during FY 2016 and \$42,407 (-3.3%) during FY 2015 as existing assets depreciated at a greater rate than new capital assets were acquired.

Total current liabilities in FY 2016 decreased \$30,440 (-7.8%) due to a decrease in the total annual distribution payable to the ASWWU combined with a slight decrease in accounts payable. Total current liabilities increased \$30,000 (8.3%) in FY 2015 from FY 2014 due to an increase in accounts payable related to the timing of invoices offset by a decrease in the total annual distributions to the ASWWU and the WWU Athletics Department (see Note 4).

Deferred outflow decreased \$7,435 (-22.4%) in FY 2016. Beginning in FY 2015, deferred outflows relating to pensions of \$33,211 (100.0%) were recorded in accordance with GASB Statement No. 68. Deferred outflows related to pensions is primarily due to current year pension expenses that will be recognized in the next fiscal year (see Note 6).

Noncurrent liabilities increased \$47,405 (43.1%) in FY 2016 as a result of an increase in the net pension liability. Noncurrent liabilities increased \$110,059 (100.0%) during FY 2015 in accordance with GASB Statement No. 68, which requires the Bookstore to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (see Note 6).

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 shown in the Statement of Revenues, Expenses, and Changes in Net Position. The statement presents the Bookstore'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 earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students.

Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

Non-operating revenues and expenses are monies received or expended for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating revenue.

**ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Sales, net of discounts	\$6,091,137	\$6,666,612	\$6,857,195
Other operating revenues	<u>37,127</u>	<u>61,757</u>	<u>62,909</u>
Total operating revenue	6,128,264	6,728,369	\$6,920,104
Operating expenses	<u>6,027,521</u>	<u>6,564,485</u>	<u>6,707,201</u>
Income from operations	100,743	163,884	212,903
Nonoperating (expenses) revenues	<u>(21,188)</u>	<u>(59,769)</u>	<u>(86,305)</u>
Changes in net position	79,555	104,115	126,598
Net position, beginning of year	<u>4,164,217</u>	<u>4,274,171</u>	<u>4,147,573</u>
Restatement	<u>-</u>	<u>(214,069)</u>	<u>-</u>
Net position, beginning of year as restated	<u>-</u>	<u>4,060,102</u>	<u>-</u>
Net position, end of year	<u><u>\$4,243,772</u></u>	<u><u>\$4,164,217</u></u>	<u><u>\$4,274,171</u></u>

FY 2016 sales net of discounts decreased \$575,475 (-8.6%) largely due to a decrease in course materials sales (see Revenues by Sales Department discussion). FY 2015 sales net of discounts decreased \$190,583 (-2.8%) from FY 2014 primarily due to a reduction in the availability of used textbooks.

In FY 2016, cost of goods sold decreased \$540,224 (-10.4%) from FY 2015 and decreased \$73,418 (-1.4%) in FY 2015 from FY 2014 due to the overall merchandise sales variances (see Revenues Sales by Department discussion).

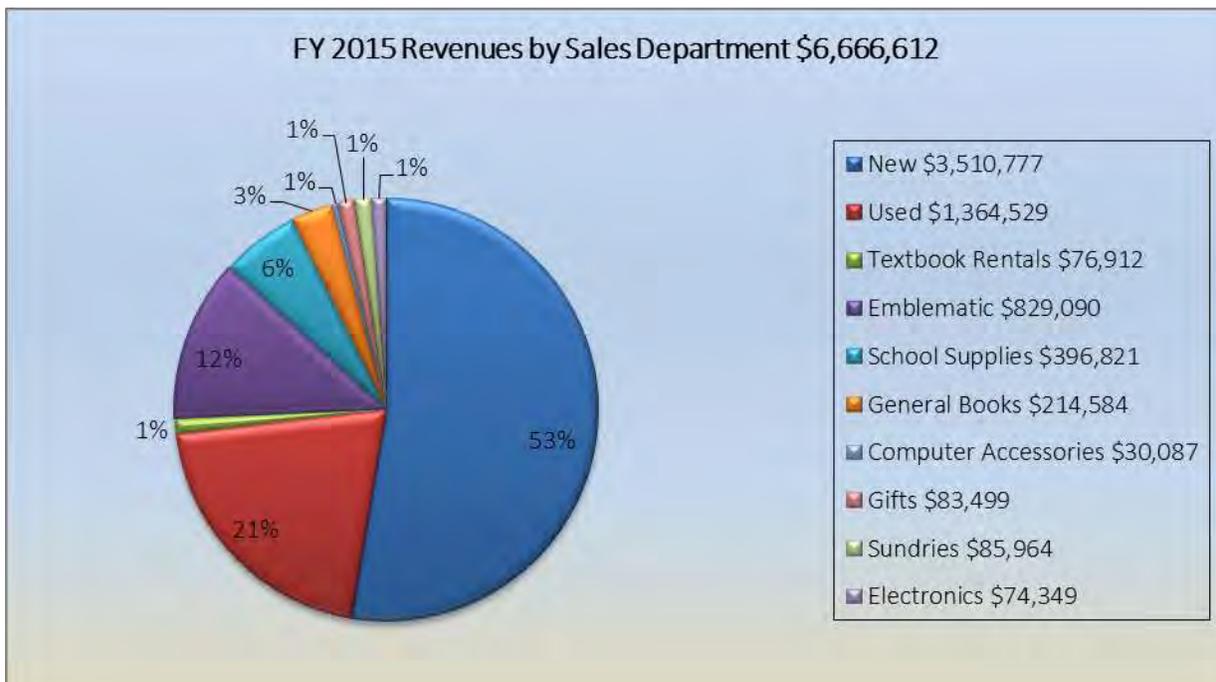
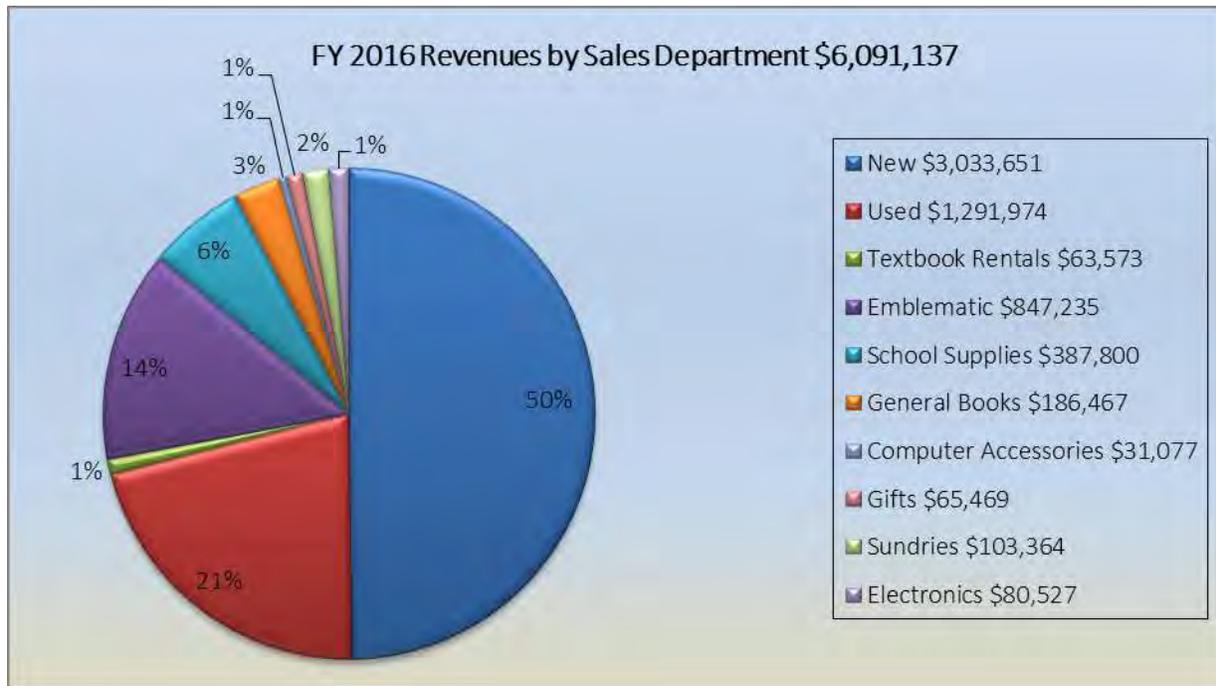
The gross margin percentage for FY 2016 increased to 23.6% compared to 22.1% in FY 2015 and 23.2% in FY 2014 (See Other Financial Information section). For FY 2016, gross margin percentage increased as cost of goods sold declined at a higher rate than the overall reduction to net sales. During FY 2015, gross margin percentage decreased slightly as cost of goods sold declined at a lower rate than the reduction in net sales. The average gross margin percentage for bookstores reporting \$5.0-\$9.9 Million Sales Volume in the Independent College Bookstore Association (ICBA) survey for 2014-2015 was 26.1%. The level of textbook discount the Bookstore offers students continues to impact the Bookstore's gross margin.

The Bookstore maintained a 10% discount on new and used textbooks during FY 2016. Course material affordability to students is a priority for the Bookstore. This discount represented an approximate reduction of \$492,743 in the cost of textbooks for WWU students who purchased their textbooks at the Bookstore. Approximately 14.5% of stores responding to the 2014-15 ICBA survey offered student discounts, with reported

**ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

levels ranging from 5% to 10%. The average total value of discounts provided by college bookstores who offered discounts on course books to students was \$409,214.



Revenues by Sales Department

Total new and used textbook sales declined to \$4,325,625 in FY 2016. This represents a decrease of \$549,681 (-11.3%) from FY 2015 sales of \$4,875,306, primarily due to a decrease in the sales of new textbooks. FY 2015 total textbooks sales decreased \$193,841 (-3.8%) from \$5,069,147 in FY 2014 primarily due to a decrease in the sales of used textbooks.

New textbook sales decreased in FY 2016 to a total of \$3,033,651, a decrease of \$477,126 (-13.6%). The decrease followed an industry multi-year trend. Campus Bookstore Consulting noted in an independent analysis of the Bookstore that most university bookstores have experienced declining course material sales over the past four years. Students' options for obtaining course materials continue to expand with increased avenues for purchasing used textbooks, digital textbooks and rental textbooks along with an academic movement towards increased open source (free) course materials. A decrease in third-party in-store textbook rentals also contributed to the decrease in new textbook sales as these rentals are recorded as new textbooks (see Rafter discussion below). In FY 2015 new textbook sales increased to \$3,510,777, an increase of \$141,845 (4.2%) due to growth in classroom use of custom textbooks and digital components, along with continued growth in third party in-store textbook rentals (recorded as new textbook sales by the Bookstore.) New textbook margin percentage for FY 2016 was 11.9%, up from 10.0% in FY 2015.

Used textbooks sales declined at a lower rate in FY 2016 to \$1,291,974, with a decrease of \$72,555 (-5.3%) from FY 2015 sales of \$1,364,529. The course materials department collaborated with WWU faculty to increase the adoption of course materials which could be sourced as used textbooks. Increased market competition for sourcing of used textbooks continued to impact availability and sales of used textbooks. FY 2015 sales declined \$335,686 (-19.7%) from \$1,700,215 in FY 2014 impacted by an increased use of new textbooks (see above) and a downturn in availability of used book inventory. Used textbook margin percentage for FY 2016 was 27.9%, down from FY 2015 margin of 28.2%. Used textbooks sales as a percent of total textbook sales increased to 29.9% (up two percentage points) from 28.0% in FY 2015.

New and used textbook sales accounted for 71.0% (-2.1%) of total Bookstore sales in FY 2016 down from 73.1% in FY 2015. The ICBA 2014-2015 survey average for bookstores reporting \$5.0-\$9.9 million sales volume was 64.0 % of total sales.

In FY 2016, Rafter, an affiliate company, phased out its third party in-store rental program contributing to a decrease in the availability of in-store rental titles and impacting total in-store Rafter rentals. Students rented 590 distinct course book titles through Rafter for a total of 3540 rentals, a decrease of 1209 (-25.5%) from 4,749 in FY 2015. The Bookstore directly offered 15 distinct course book titles for rent, down from 31 titles in 2015. The Bookstore offers for rent particular course book titles which will be used for multiple terms or years by WWU departments. Students rented 881 course books directly from the Bookstore, which was down 144 (-14.0%) from 1025 course books in FY 2015. Bookstore in-store rentals were affected by increasing competition in the textbook rental market along with an increase in market availability of used textbooks and digital textbooks.

FY 2016 revenue for the course books rented directly from the Bookstore (not from a third party) was \$63,573 a decrease of \$13,339 (-17.3%) from \$76,912 in FY 2015 due in part to a reduction in distinct titles offered. FY 2015 revenue for the course books rented directly from the Bookstore was up \$10,327 (15.5%) from \$66,585 in FY 2014.

**ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2016 and 2015

Emblematic sales of \$847,235 increased \$18,145 (2.2%) from FY 2015 sales of \$829,090 due to an increase in the variety of emblematic products offered along with a decrease in discounts given. FY 2015 sales were up \$19,538 (2.4%) from FY 2014 sales of \$809,552 primarily due to sales increases of hats, women's fashions and insignia gifts.

School supplies sales were \$387,800, a decrease of \$9,021 (-2.3%) from FY 2015 sales of \$396,821 due to sales decreases in school supplies, wire bounds, binders, and planners. FY 2015 sales decreased \$25,766 (-6.1%) from FY 2014 sales of \$422,587 due to a sales decreases in lab coats, school and art supplies.

General book sales were \$186,467, a decrease of \$28,117 (-13.1%) from FY 2015 sales of \$214,584. The general book/non-emblematic gift department was without a buyer for six months of FY 2016 impacting the availability of new stock along with sales. FY 2015 sales increased \$4,775 (2.3%) from FY 2014 sales of \$209,809 due to an increase in the sales of stamps and movie tickets.

In FY 2016, the Software Department was renamed the Computer Accessories Department to reflect current items sold such as USB flash drives, mice, accessory cables, batteries for charging tablets and blue-tooth enabled devices. Sales increased slightly by \$990 (3.3%) to \$31,077 from FY 2015 sales of \$30,087 boosted by sales of charging cables. In FY 2015 sales decreased \$3,159 (-9.5%) from sales of \$33,246 in 2014 as software companies changed sales and marketing strategies by offering free software to students and shifting software sales venues to focus on in-house sales.

Gift sales decreased to \$65,469, down \$18,030 (-21.6%) from 2015 sales of \$83,499 due to decreased sales of jewelry and decorative gifts. For six months of FY 2016 the Bookstore was without a non-emblematic gift buyer and phased out the sale of silver jewelry. FY 2015 sales decreased \$7,717 (-8.5%) from FY 2014 sales of \$91,216. FY 2015 sales of non-emblematic gifts were affected by a shift in staff responsibilities for buying non-emblematic gift merchandise.

Sundries sales increased to \$103,364 up \$17,400 (20.2%) from FY 2015 sales of \$85,964 primarily due to increased sales of backpacks and health & beauty products. FY 2015 sales were down \$4,329 (-4.8%) from sales of \$90,293 in FY 2014 impacted by an April 2014 ASWWU policy banning the sale of bottled water on campus.

Electronic sales of \$80,527 were up \$6,178 (8.3%) from FY 2015 sales of \$74,349 due to increased sales of audio/video devices. FY 2015 sales were up \$9,589 (14.8%) from FY 2014 sales of \$64,760 due to the sales of phone cords and charging systems.

Expenses by Major Source

FY 2016 total operating expenses (excluding Cost of goods sold) were \$1,375,385 and were nearly flat (up \$3,260 or 0.2%) from FY 2015. FY 2015 total operating expenses (excluding Cost of goods sold) were down \$69,298 (-4.8%) from FY 2014 due largely to a decrease in salaries and benefit expense as a result of vacancies.

FY 2016 salaries and benefits were up \$33,681 (3.8%) primarily due to increased employee benefit costs. The employer share of health care increased for eligible employees from \$662 to \$840 per month and employer pension rates for retirement plans PERS 1, 2 & 3 increased from 9.21% to 11.18%. Accrued employee vacation leave increased substantially as well. Additionally classified employees received a wage increase of 3.0% and exempt employees received 4.0% (the Bookstore's General Manager is the only exempt employee in the store.)

ASSOCIATED STUDENTS BOOKSTORE MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016 and 2015

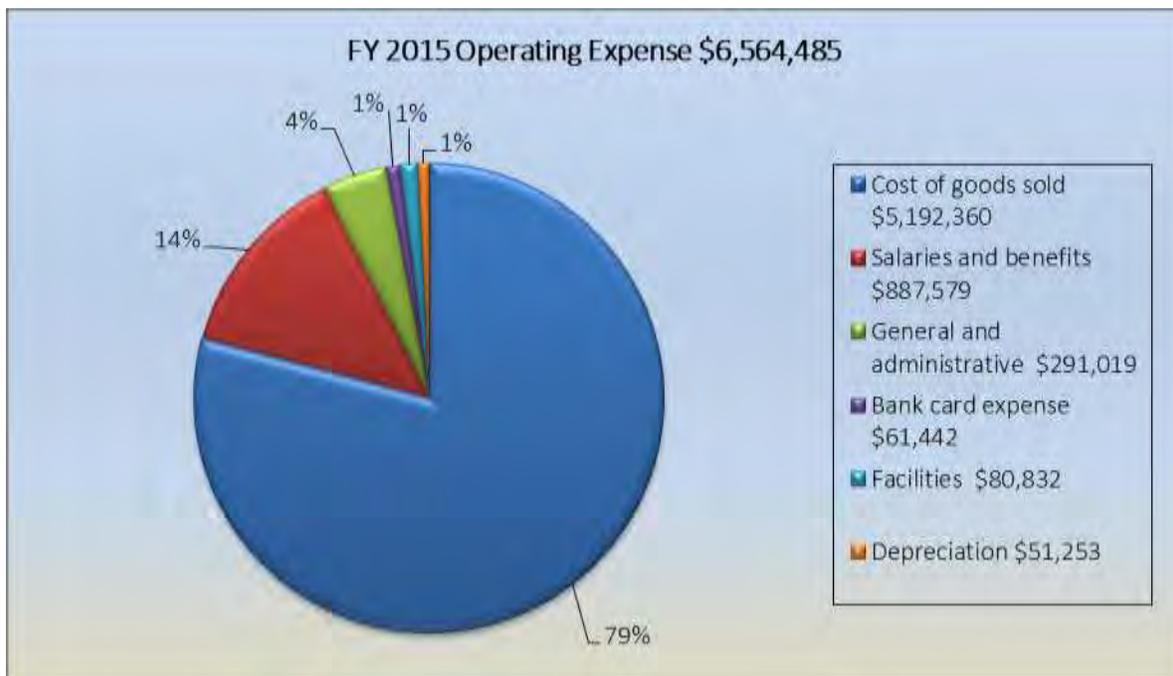
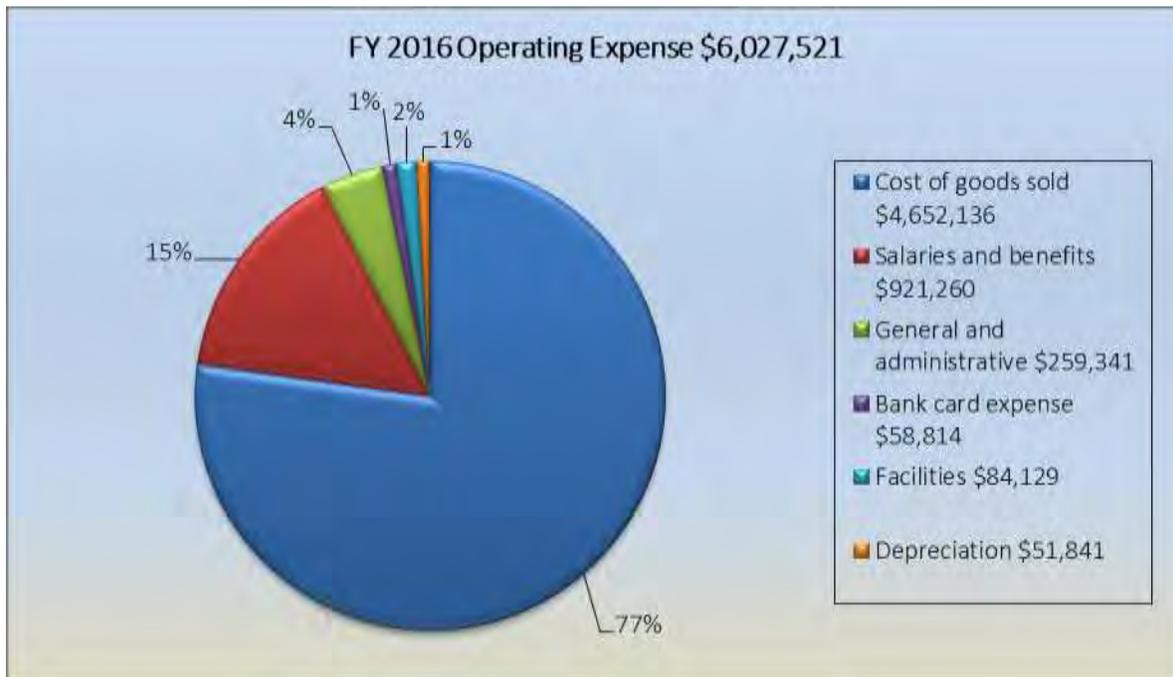
FY 2015 salaries and benefits were down \$112,363 (-11.2%) from FY 2014 as the Bookstore experienced up to three staff vacancies over various parts of the fiscal year. This vacancy level continued into FY 2016.

General and Administrative expenses decreased \$31,678 (-10.9%) in FY 2016 impacted by decreased supplies & materials expense, advertising expense, administrative assessment fees and travel expense. General and Administrative expenses increased \$24,864 (9.3%) in FY 2015 primarily due to an increase in equipment purchases \$18,414 (136%). The equipment purchased included ten new signature capture machines with the capacity to allow the cash registers to read Euro, MasterCard and Visa (EMV) payment cards also known as chip cards along with new desktop computers.

During FY 2016, facilities expense increased \$3,297 (4.1%) from FY 2015 due to continued repair and maintenance projects. In FY 2015 facilities expense increased \$22,303 (38.1%) from FY 2014 due to the continuation of repairs and maintenance projects started in FY 2014. These projects included resurfacing the retail stairways, conference room and staff breakroom floors. The staff breakroom and conference room were also painted.

Bank card expense decreased \$2,628 (-4.3%) in FY 2016 primarily impacted by decreased net sales. FY 2015 bank card expense declined \$3,334 (-5.1%) due in part to an increased use of the "Charge It" program. The "Charge It" program allows students to charge up to \$600 per quarter of Bookstore purchases to their student accounts rather than using a credit/debit card for payment. This allows students to purchase their course materials before their financial aid is available. For the first time since the inception in FY 2012, student use of the "Charge It" program decreased during FY 2016.

Non-operating revenues (expenses) include distributions from the Bookstore to the ASWWU along with distributions to Athletics as part of a revenue sharing agreement (see Note 4). Total non-operating revenues (expenses) in FY 2016 decreased by \$38,581 (-64.6%) due to a net reduction of \$22,886 to the revenue sharing distributions along with an increase of \$11,814 (36.7%) in the distribution from the ASWWU to the Bookstore. FY 2016 distribution included funding for seven new registers, seven new computers, two new tents for outdoor events, AS branded reusable totes, and Verba software fees. Verba Compete software facilitates comparison shopping on the Bookstore's ecommerce site and Verba Collect allows the Bookstore to communicate more effectively with faculty about required course materials. Total non-operating expenses in FY 2015 decreased by \$26,536 (-30.7%) due to a net reduction of \$42,059 to the revenue sharing distributions. There was also a decrease of \$17,800 (-35.6%) in the distribution from the ASWWU to the Bookstore. FY 2015 distribution included funding for ten new signature capture machines, five new computers, AS branded reusable totes, optimization of the Bookstore's ecommerce site for mobile devices, and Verba software fees.



Economic Factors and Significant Events

The Bookstore is continuing to provide course materials in various formats as faculty and students adopt to alternative formats and delivery methods, with the goal of providing options at different price points. The shift

***ASSOCIATED STUDENTS BOOKSTORE
MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2016 and 2015

toward rentals, custom texts and digital course materials will continue to impact gross margin percentages, expenses and operating results.

On-line sales through the Bookstore web site continue to be a popular option for students, although trending down with net sales of \$1,866,812 in FY 2016 (30.6% of total sales) compared with sales of \$2,088,016 on-line in FY 2015 (31.3% of total sales.) FY 2014 on-line sales were \$2,127,300 (31.0% of total sales.)

FY 2017 salary and benefit expenses are expected to be higher as a result of becoming fully staffed as well as salary increases that will take effect July 1, 2016. Classified employees received an across the board 1.8% wage increase and exempt staff received 2.5%. FY 2016 ended with four open positions that will be filled during FY 2017.

In FY 2016 students passed a referendum to increase the size and visibility of the Ethnic Student Center which is currently located in the adjacent Viking Union building. Exploration of expansion options indicate that the AS Bookstore could be part of the redistribution of space and the construction of new space within the current Viking Union/Bookstore complex footprint. While these changes are anticipated to have a positive change overall for the store since it would become more integrated with the student union, there would be a period of temporary relocation which may require adjustments in business operations to continue to serve the campus and maintain its viability.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University Associated Students Bookstore July 1, 2014 through June 30, 2016

Board of Trustees
Western Washington University Associated Students Bookstore
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Associated Students Bookstore (the Bookstore), Whatcom County, Washington, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Bookstore'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 Bookstore'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 Bookstore'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 Bookstore, as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Associated Students Bookstore, 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 Bookstore. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2016 and 2015, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of the Bookstore'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 Bookstore's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 17, 2016

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF NET POSITION

June 30, 2016 and 2015

Assets	2016	2015
Current assets		
Cash and cash equivalents (Note 2)	\$287,298	\$808,956
Investments (Note 2)	584,166	459,063
Receivables, net of allowance of \$8,896 in 2016 and \$15,585 in 2015 (Note 3)	620,919	342,023
Inventory	871,191	996,885
Prepaid expense	17,403	8,950
Total current assets	<u>2,380,977</u>	<u>2,615,877</u>
Noncurrent assets		
Investments (Note 2)	1,215,382	899,314
Capital assets, net (Note 5)	1,181,618	1,233,459
Total noncurrent assets	<u>2,397,000</u>	<u>2,132,773</u>
Total assets	<u>4,777,977</u>	<u>4,748,650</u>
Deferred Outflows		
Relating to pensions (Note 6)	25,776	33,211
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	283,351	290,905
Distribution payable to Associated Students of WWU	34,768	58,561
Distribution payable to WWU Athletics Department	42,362	41,455
Total current liabilities	<u>360,481</u>	<u>390,921</u>
Non current liabilities		
Pension liability (Note 6)	157,464	110,059
Total noncurrent liabilities	<u>157,464</u>	<u>110,059</u>
Total liabilities	<u>517,945</u>	<u>500,980</u>
Deferred Inflows		
Relating to pensions (Note 6)	42,036	116,664
Net Position		
Net investment in capital assets	1,181,618	1,233,459
Unrestricted	3,062,154	2,930,758
Total net position	<u>\$4,243,772</u>	<u>\$4,164,217</u>

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

*For the Years Ended
June 30, 2016 and 2015*

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Sales, net of discounts	\$6,091,137	\$6,666,612
Other operating revenue	37,127	61,757
Total Operating Revenue	<u>6,128,264</u>	<u>6,728,369</u>
Operating Expenses		
Cost of goods sold	4,652,136	5,192,360
Salaries and benefits	921,260	887,579
General and administrative expense	259,341	291,019
Facilities expense	84,129	80,832
Depreciation	51,841	51,253
Bank card expense	58,814	61,442
Total operating expenses	<u>6,027,521</u>	<u>6,564,485</u>
Income from operations	100,743	163,884
Nonoperating Revenues (Expenses)		
Investment income	11,928	8,047
Distribution from Associated Students of WWU	44,014	32,200
Distribution to Associated Students of WWU	(34,768)	(58,561)
Distribution to WWU Athletics Department	(42,362)	(41,455)
Total nonoperating (expenses) revenues	<u>(21,188)</u>	<u>(59,769)</u>
Increase in net position	79,555	104,115
Total Net Position, Beginning of Year	4,164,217	4,274,171
Restatement (Note 6)	-	(214,069)
Total Net Position, Beginning of Year as restated	<u>-</u>	<u>4,060,102</u>
Total Net Position, End of Year	<u>\$4,243,772</u>	<u>\$4,164,217</u>

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF CASH FLOWS

For the Years Ended
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$5,849,368	\$6,871,020
Payments to employees	(922,454)	(920,061)
Payments to suppliers	(4,963,327)	(5,568,699)
Net cash provided by operating activities	<u>(36,413)</u>	<u>382,260</u>
Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	44,014	32,200
Distribution to WWU Athletics Department	(41,455)	(40,478)
Distribution to Associated Students of WWU	(58,561)	(101,597)
Net cash used in noncapital financing activities	<u>(56,002)</u>	<u>(109,875)</u>
Cash Flows from Investing Activities		
Investment income received	11,928	8,047
Net purchases of investments in internal pool	(441,171)	(248,509)
Net cash flows used by investing activities	<u>(429,243)</u>	<u>(240,462)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	-	(8,846)
Net cash used in capital and related financing activities	<u>-</u>	<u>(8,846)</u>
Net increase/(decrease) in cash and cash equivalents	(521,658)	23,077
Cash and cash equivalents, beginning of year	808,956	785,879
Cash and cash equivalents, end of year	<u>\$287,298</u>	<u>\$808,956</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities		
Income from operations	\$100,743	\$163,884
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	51,841	51,253
Net pension expense	(19,788)	(20,557)
Change in operating assets and liabilities		
Receivables	(278,896)	142,651
Accounts payable and accrued expenses	(7,554)	72,059
Prepaid expenses	(8,453)	(5,620)
Inventory	125,694	(21,410)
Net cash provided by operating activities	<u>(\$36,413)</u>	<u>\$382,260</u>

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Associated Students of Western Washington University (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of course materials, supplies and general merchandise.

Financial Statements Presentation

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

Basis of Accounting

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

Cash, Cash Equivalents and Investments

WWU records all cash, cash equivalents and investments at fair market value. To maximize investment income, WWU combines funds from all departments into an investment pool. The Bookstore 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 Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$8,896 and \$15,585 at June 30, 2016 and 2015 respectively, is adequate. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on the WWU's property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line

basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

Net Position

The Bookstore's net positions are classified as follows:

Net investment in capital assets. This category represents the Bookstore's total investment in capital assets.

Restricted, expendable. This category represents net position restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

Unrestricted. This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

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

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

Operating expenses. Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

Non-operating expenses. Non-operating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

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

Estimates

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

Administrative Services Assessment

WWU provides support to the Bookstore through cash management, accounting, human resources, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

Restatement

During FY 2015, the Bookstore adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". Statement No. 68 requires that the Bookstore record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 15 net position was \$214,069. The net pension liability information is provided to the Bookstore by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed the Bookstore to restate FY 2015 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The Bookstore's operating cash is part of the 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 3 years. WWU generally does not invest operating funds in securities maturing more than five years from the date of purchase.

Fair Value Measurement and Application

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

ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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.

<u>Fair Value Measurements as of June 30, 2016 using:</u>					
	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	\$287,298	\$ -	\$ -	\$287,298	0.003
Investments					
Commercial Paper	75,239	-	-	75,239	0.090
Certificates of deposit	112,976	-	-	112,976	2.565
U.S. Treasuries	567,218	-	-	567,218	1.858
U.S. Agencies	1,044,115	-	-	1,044,115	2.882
	<u>\$2,086,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,086,846</u>	

<u>Fair Value Measurements as of June 30, 2015 using:</u>					
	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	\$808,956	\$ -	\$ -	\$808,956	0.001
Investments					
Commercial Paper	-	-	-	-	
Certificates of deposit	115,326	-	-	115,326	1.033
U.S. Treasuries	381,296	-	-	381,296	1.085
U.S. Agencies	861,755	-	-	861,755	2.657
	<u>\$2,167,333</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,167,333</u>	

NOTE 3. RECEIVABLES

Receivables at June 30, 2016 and 2015 include:

	<u>2016</u>	<u>2015</u>
Credits due from publishers	\$508,221	\$ 236,955
Accounts receivable	<u>112,698</u>	<u>105,068</u>
	<u>\$620,919</u>	<u>\$ 342,023</u>

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during FY year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement was extended until June 30, 2015 and is continuing to be honored. There was a distribution payable of \$34,768 in FY 2016, and \$58,561 in FY 2015.

Beginning in FY 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2016 and 2015 were \$42,362 and \$41,455 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the FY years ended June 30, 2016 and 2015 was \$51,841 and \$51,253 respectively.

ASSOCIATED STUDENTS BOOKSTORE
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

Following are the changes in building and equipment for the years ended June 30, 2016 and 2015:

	June 30, 2015	Additions	Reductions	June 30, 2016
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	453,122	-	-	453,122
	<u>2,320,155</u>	-	-	<u>2,320,155</u>
Less accumulated depreciation	(1,086,696)	(51,841)	-	(1,138,537)
Building Improvements and Equipment,	<u>\$1,233,459</u>	<u>(\$51,841)</u>	<u>\$ -</u>	<u>\$1,181,618</u>

	June 30, 2014	Additions	Reductions	June 30, 2015
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	444,276	8,846	-	453,122
	<u>2,311,309</u>	8,846	-	<u>2,320,155</u>
Less accumulated depreciation	(1,035,443)	(51,253)	-	(1,086,696)
Building Improvements and Equipment,	<u>\$1,275,866</u>	<u>(\$42,407)</u>	<u>\$ -</u>	<u>\$1,233,459</u>

NOTE 6. PENSION PLANS

A. SUMMARY

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

Bookstore employees in eligible positions are participants in WWURP and PERS plans 2 and 3. The Bookstore contributes to PERS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The Bookstore contributed \$54,680, \$45,088, and \$51,750 to these plans in FY 2016, FY 2015 and FY 2014, respectively.

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

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

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

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the Bookstore, for FY year 2016:

Aggregate Pension Amounts - PERS 2/3	
Pension liabilities	\$ (157,464)
Pension assets	-
Deferred outflows of resources related to pensions	25,776
Deferred inflows of resources related to pensions	(42,036)
Pension expense/expenditures	(19,788)

Investments

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

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

Department of Retirement Systems

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

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

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

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

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

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

Higher Education

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

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

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

Funding Policy

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

Supplemental Component

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

Public Employees' Retirement System Plan 3

Plan Description

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

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

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

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

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Required contribution rates for FY 2016 and FY 2015 are presented in Table in section C of this note.

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

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

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

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

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

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

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, the Bookstore reported \$157,464 and \$110,059 for its proportionate share of the collective net pension liability for PERS 2/3. The Bookstore’s proportion for PERS 2/3 in FY 2016 was 0.004 percent, a decrease of 0.001 percent since the prior reporting period when its proportionate share was 0.005 percent. The proportions are based on the Bookstore’s contributions to the pension plan relative to the contributions of all participating employers.

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

PERS 2/3	
Bookstore's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 460,433
Current Discount Rate	\$ 157,464
1% Increase	\$ (74,508)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For FY 2016, the Bookstore recognized a PERS 2/3 pension expense of \$(19,788) and \$(20,557) thousand respectively. At June 30, 2016, PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Bookstore PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ (15,491)	\$ -
Changes of assumptions	(235)	-
Net Difference between projected and actual earnings on pension plan investments	-	(42,036)
Change in proportion	(3,457)	-
Contributions subsequent to the measurement date	44,959	-
Total	\$ 25,776	\$ (42,036)

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

PERS 2/3	
2016	\$ 10,740
2017	\$ 10,740
2018	\$ 10,740
2019	\$ (9,464)
2020	\$ -
Thereafter	\$ -

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30 are as follows:

	Contribution Rates at June 30, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 2	6.12%	11.18%	\$ 38,778	\$ 33,918	\$ 39,472
Plan 3	5.00-15.00% **	11.18% *	6,181	3,186	3,021

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

	Contribution Rates at June 30, 2015		Required Employer Contributions		
	Employee	University	FY 2015	FY 2014	FY 2013
PERS					
Plan 2	4.92%	9.21%	\$ 33,918	\$ 39,472	\$ 31,069
Plan 3	5.00-15.00% **	9.21% *	3,186	3,021	2,094

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

RSI

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date ended June 30 *		
	2014	2015
Bookstore PERS 1 employers' proportion of the net pension liability	0.004749%	0.003721%
Bookstore PERS 1 employers' proportionate share of the net pension liability	\$239,217	\$194,664
Bookstore PERS 1 employers' covered-employee payroll	\$0	\$0
Bookstore PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability

Schedule of the Bookstore's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *		
	2014	2015
Bookstore PERS 2/3 employers' proportion of the net pension liability	0.005445%	0.004407%
Bookstore PERS 2/3 employers' proportionate share of the net pension liability	\$110,059	\$157,464
Bookstore PERS 2/3 employers' covered-employee payroll	\$469,996	\$421,975
Bookstore PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.42%	37.32%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
 Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30 <i>Bookstore</i>						
Fiscal Year	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2015	\$ 19,690	\$ 19,690	\$ -	\$ -	0.00%	
2016	\$ 20,396	\$ 20,396	\$ -	\$ -	0.00%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
 Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30 <i>Bookstore</i>						
Fiscal Year	Contractually required contributions	Contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2015	\$ 38,864	\$ 37,105	\$ 1,759	\$ 421,975	8.79%	
2016	\$ 45,761	\$ 44,959	\$ 803	\$ 409,316	10.98%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

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OTHER INFORMATION

FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION
Years ended June 30, 2016, 2015, 2014, 2013, and 2012

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets					
Current assets	\$2,380,977	\$2,615,877	\$2,520,680	\$2,533,957	\$2,583,960
Non-current assets	1,215,382	899,314	838,546	592,301	430,440
Capital Assets	<u>1,181,618</u>	<u>1,233,459</u>	<u>1,275,866</u>	<u>1,327,887</u>	<u>1,365,618</u>
Total assets	<u>4,777,977</u>	<u>4,748,650</u>	<u>4,635,092</u>	<u>4,454,145</u>	<u>4,380,018</u>
Deferred outflows	25,776	33,211			
Liabilities					
Accounts payable and accruals	283,351	290,905	218,846	219,108	213,996
Pension liability	157,464	110,059			
Due to other WWU departments	<u>77,130</u>	<u>100,016</u>	<u>142,075</u>	<u>87,464</u>	<u>88,820</u>
Total liabilities	<u>517,945</u>	<u>500,980</u>	<u>360,921</u>	<u>306,572</u>	<u>302,816</u>
Deferred inflows	42,036	116,664			
Total Net Position	<u>\$4,243,772</u>	<u>\$4,164,217</u>	<u>\$4,274,171</u>	<u>\$4,147,573</u>	<u>\$4,077,202</u>
Current ratio (current assets/current liabilities)	6.60	6.69	6.98	8.27	8.53
Return on assets (change in net position/total assets)	1.7%	-2.3% *	2.7%	1.6%	1.6%

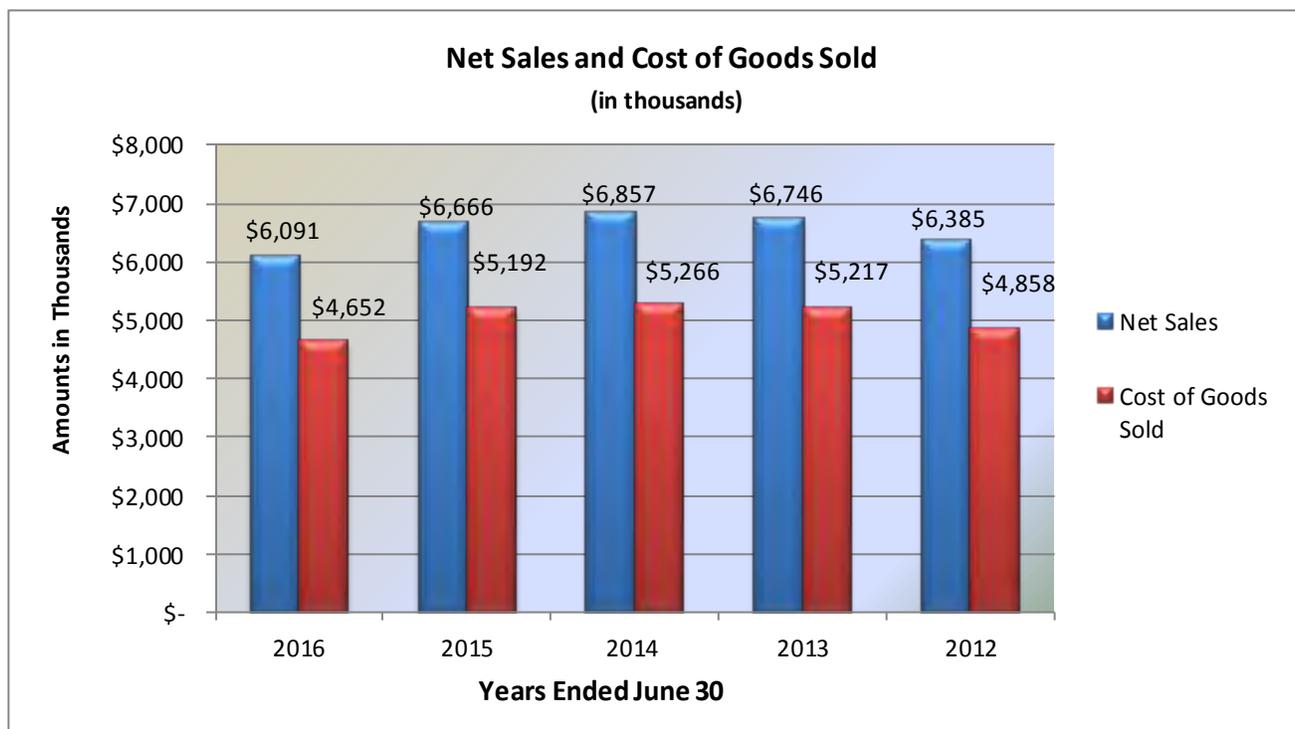
* During fiscal 2015, the Bookstore implemented GASB Statement No. 68 - Reporting for pensions - which required the Bookstore to recognize its share of the net pension liability of the defined benefit plans and restate fiscal 2015 beginning net position. This restatement caused the decrease in ROA.

FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2016, 2015 2014, 2013, and 2012

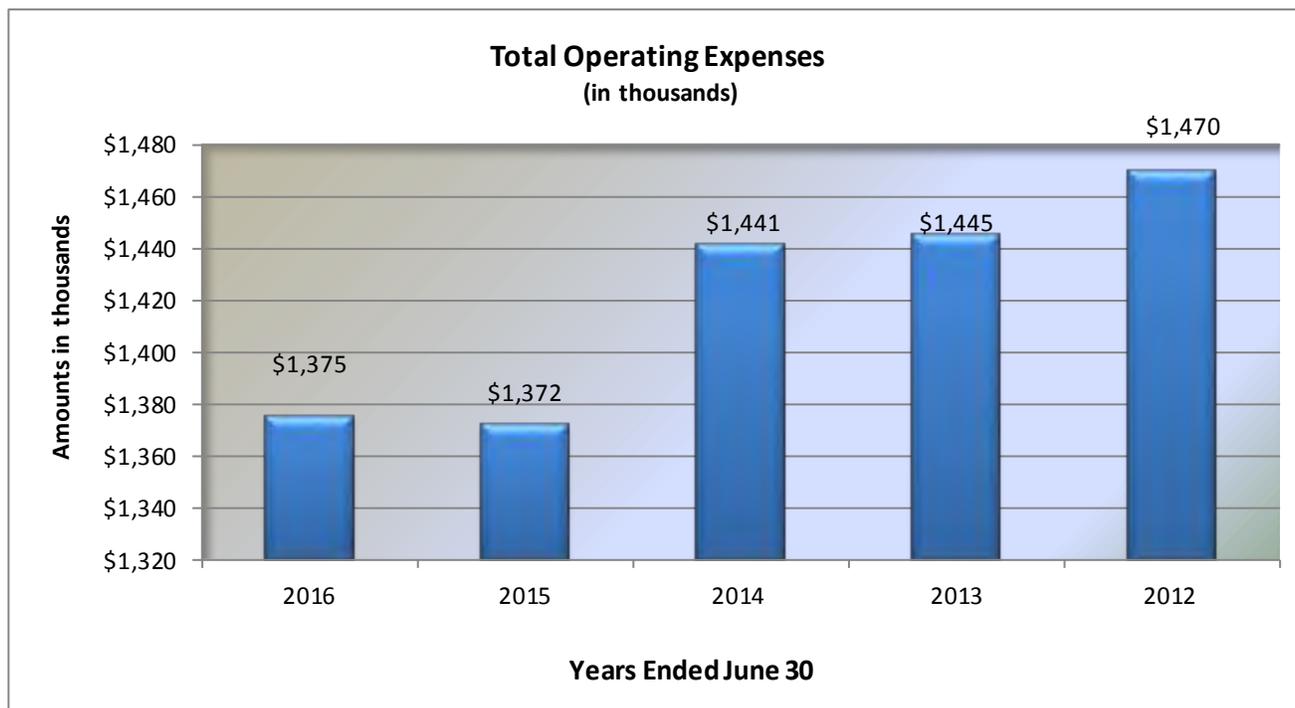
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net sales	\$6,091,137	\$6,666,612	\$6,857,195	\$6,745,860	\$6,384,528
Cost of goods sold	(4,652,136)	(5,192,360)	(5,265,778)	(5,217,483) *	(4,858,228)
Gross profit	1,439,001	1,474,252	1,591,417	1,528,377	1,526,300
Other Operating Revenues	37,127	61,757	62,909	69,114	63,929
Operating expenses					
Salaries and benefits	921,260	887,579	999,942	1,003,125	984,520
General and administrative expense	259,341	291,019	266,155	256,220	295,263
Facilities expense	84,129	80,832	58,529	63,615	64,456
Depreciation	51,841	51,253	52,021	51,319	48,923
Bank card expense	58,814	61,442	64,776	70,428	77,303
Total operating expense	<u>1,375,385</u>	<u>1,372,125</u>	<u>1,441,423</u>	<u>1,444,707</u>	<u>1,470,465</u>
Income (loss) from operations	100,743	163,884	212,903	152,784	119,764
Nonoperating revenues (expenses)					
Investment income	11,928	8,047	5,770	5,051	5,804
Distribution from Associated Students of WWU	44,014	32,200	50,000	-	34,000
Distribution to Associated Students of WWU	(34,768)	(58,561)	(101,597)	(45,404)	(45,751)
Distribution to WWU Athletics Department	(42,362)	(41,455)	(40,478)	(42,060)	(43,069)
Total nonoperating revenues (expenses)	<u>(21,188)</u>	<u>(59,769)</u>	<u>(86,305)</u>	<u>(82,413)</u>	<u>(49,016)</u>
Increase (decrease) in net position	<u>\$79,555</u>	<u>\$104,115</u>	<u>\$126,598</u>	<u>\$70,371</u>	<u>\$70,748</u>
Gross profit percentage (gross profit/net sales)	23.6%	22.1%	23.2%	22.7%	23.9%

* Beginning with fiscal 2013, freight out costs for returned merchandise are included in costs of goods sold rather than an operating expense.

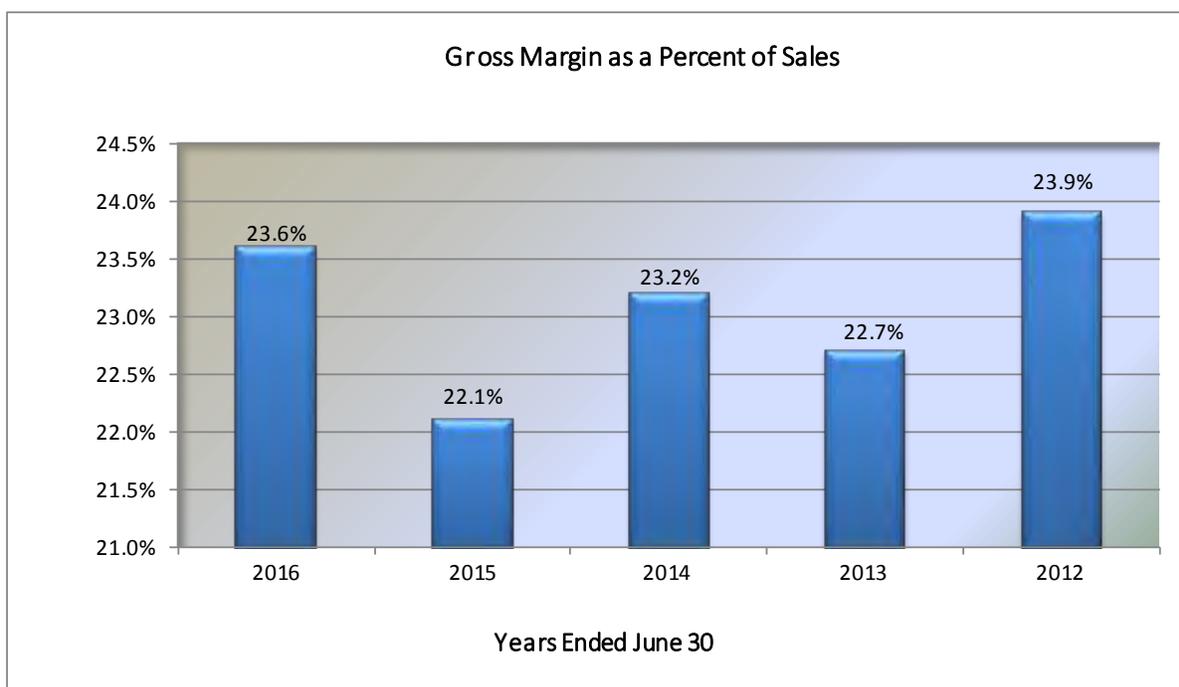
FIVE-YEAR NET SALES AND COST OF GOODS SOLD



FIVE-YEAR TOTAL OPERATING EXPENSES



FIVE-YEAR INCOME FROM OPERATIONS AND
GROSS MARGIN AS PERCENTAGE OF SALES



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WADE KING STUDENT RECREATION CENTER

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WADE KING STUDENT RECREATION CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015

Overview

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

The following discussion and analysis provides an overview of the financial position and activities of the Recreation Center for the fiscal years ended June 30, 2016, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The Recreation Center's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

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

Statement of Net Position

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

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount owed to vendors and other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Recreation Center.

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

WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Assets			
Current assets	\$548,058	\$690,260	\$780,468
Noncurrent assets	3,109,892	2,771,684	2,689,285
Capital assets, net	<u>22,078,488</u>	<u>22,941,211</u>	<u>23,580,776</u>
Total assets	<u>25,736,438</u>	<u>26,403,155</u>	<u>27,050,529</u>
Deferred Outflows	<u>430,183</u>	<u>450,643</u>	<u>467,604</u>
Liabilities			
Current liabilities	1,263,539	1,195,236	1,225,332
Noncurrent liabilities	<u>22,987,924</u>	<u>23,600,069</u>	<u>24,056,000</u>
Total liabilities	<u>24,251,463</u>	<u>24,795,305</u>	<u>25,281,332</u>
Deferred Inflows	<u>54,556</u>	<u>104,519</u>	<u>-</u>
Net Position			
Net investment in capital assets	(794,833)	(652,329)	(707,620)
Restricted for system renewal and replacements	2,437,157	2,334,830	2,139,260
Restricted for capital projects	-	-	-
Unrestricted	<u>218,278</u>	<u>271,473</u>	<u>805,161</u>
Total net position	<u>\$1,860,602</u>	<u>\$1,953,974</u>	<u>\$2,236,801</u>

Current assets consist primarily of cash and cash equivalents, short-term investments and accounts receivable, net. Total current assets decreased \$142,202 (-20.6%) during FY 2016 primarily due to a combined decrease in cash and cash equivalents and short term investments as a result of WWU optimizing the investment policy strategy to maximize returns while ensuring liquidity needs and managing interest rate risk. Total current assets decreased \$90,208 (-11.6%) during FY 2015 primarily due to funds being spent for the team rooms adjacent to the Harrington Field. The receivable from the Western Washington University Foundation (the Foundation) decreased in FY 2016 by \$11,169 (-99.7%) and by \$2,709 (-19.5%) during FY 2015 due to the purchase of equipment out of the Wade King Foundation fund. The Recreation Center is no longer receiving an annual contribution to this Foundation fund.

Total noncurrent assets, excluding capital assets net, increased \$338,208 (12.2%) during FY 2016 and \$82,399 (3.1%) during FY 2015 primarily due to an increase in restricted long-term investments.

During FY 2016, capital assets net decreased \$862,723 (-3.8%) due to depreciation of \$956,449 offset with an increase in capital fitness equipment of \$93,726. In FY 2015, capital assets net decreased \$639,565 (-2.7%) due to the combined effect of the addition of team rooms at Harrington Field and depreciation expense.

WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015

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 \$68,303 (5.7%) in FY 2016 primarily due to increased accounts payable and accrued expenses from invoices relating to equipment purchases. Current liabilities decreased \$30,096 (-2.5%) during FY 2015 due to reduced accounts payable and unearned revenue balances offset by an increase in the current portion of bonds payable.

Non-current liabilities decreased \$612,145 (-2.6%) in FY 2016 and \$455,931 (-1.9%) in FY 2015. The decrease in FY 2016 was due to the scheduled debt service principal payment of \$725,000 offset by an increase of \$163,598 in the net pension liability recognition. The decrease of \$455,931 (-1.9%) in FY 2015 was due to the scheduled debt service principal payment of \$700,000 offset by the \$295,414 pension liability recognition. During FY 2015, the Recreation Center adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions. This statement requires the Recreation Center to present its share of the net pension liability for the pension plans administered by the Department of Retirement System (See note 5).

The difference between assets, deferred outflows, liabilities and deferred inflows is net position. The change in net position measures whether the overall financial condition has improved or deteriorated during the year and is driven by the difference between revenues and expenses. In FY 2016, total net position decreased \$93,372 (-4.8%). Total net position decreased \$282,827 (-12.6%) in FY 2015 primarily due to the restatement of \$377,546 as part of the adoption of GASB Statement No. 68 (See note 1 and 5).

Net investment in capital assets increased (as a negative) by \$142,504 (21.8%) as the Recreation Center facility is depreciating at a faster rate than the related debt is repaid. During FY 2015, net investment in capital assets decreased (as a negative) by \$55,291 (-7.8%) due to the addition of capital assets offset by depreciation.

Restricted for system renewals and replacements increased to \$102,327 (4.4%) in FY 2016 and \$195,570 (9.1%) in FY 2015 as contributions to this fund exceeded expenditures. Funds for renewal and replacement are set aside according to the capital and maintenance plan required by the debt covenants. These funds are classified as restricted on the Statement of Net Position.

Statement of Revenues, Expenses, and Changes in Net Position

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

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015

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

Following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2016, 2015 and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues	\$4,607,259	\$4,525,656	\$4,321,348
Operating expenses	<u>(3,828,201)</u>	<u>(3,520,079)</u>	<u>(3,376,104)</u>
Income from operations	779,058	1,005,577	945,244
Nonoperating revenues	31,325	17,885	11,765
Nonoperating expenses	<u>(903,755)</u>	<u>(928,743)</u>	<u>(931,375)</u>
Increase in net position	<u>(93,372)</u>	<u>94,719</u>	<u>25,634</u>
Net position, beginning of year	1,953,974	2,236,801	2,211,167
Restatement	<u>-</u>	<u>(377,546)</u>	<u>-</u>
Net position, beginning of year restated	<u>1,953,974</u>	<u>1,859,255</u>	<u>2,211,167</u>
Net position, end of year	<u><u>\$1,860,602</u></u>	<u><u>\$1,953,974</u></u>	<u><u>\$2,236,801</u></u>

Revenues

The Recreation Center's largest source of revenue is a \$99 per quarter mandatory service and activity (S&A) fee entitled the "Student Recreation Fee" for use of the facility for those students taking six or more credits on WWU's main campus. This revenue increased slightly during FY 2016 by \$28,988 (0.7%) during FY 2016. Even though there was no fee increase, the academic yearly average (AYA) of students taking 6 or more credits increased to 13,431 from 13,269 in FY 2015. The AYA does not include summer term. S&A revenue increased during FY 2015 by \$217,314 (5.7%) when compared to FY 2014 due to a \$4 per quarter increase. During FY 2015, the AYA of students taking 6 or more credits increased to 13,269 from 13,136 in FY 2014.

Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. Voluntary membership fees increased by \$26,988 (11.9%) in FY 2016 when compared to FY 2015 as a result of groups displaced by the Carver Academic Renovation project who had been paying to utilize that facility. During FY 2015, this revenue increased slightly by \$6,670 (3.0%) when compared to FY 2014, primarily due to the fee increase of \$4.

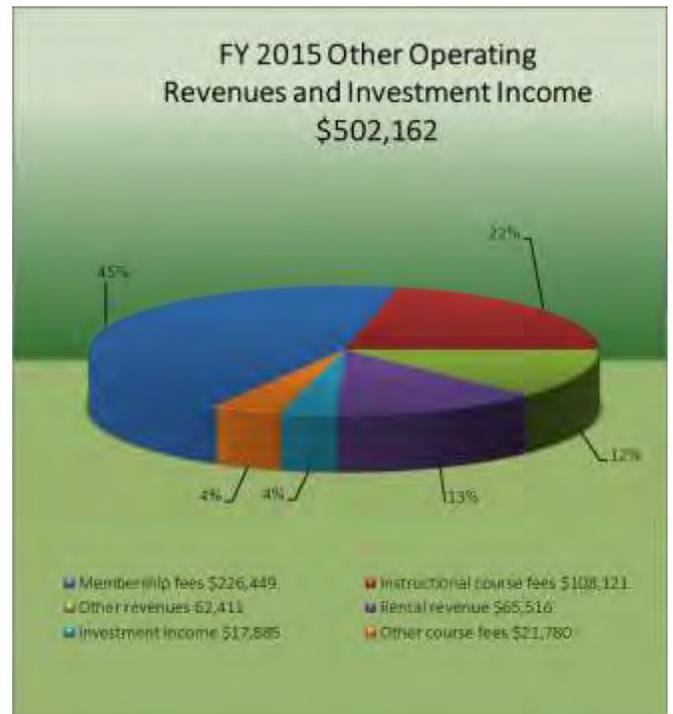
Instructional course fees increased during FY 2016 by \$12,840 (11.9%) due to addition of the Faculty/Staff Wellness programs. Instructional course fees decreased during FY 2015 by \$20,959 (-16.2%) when compared to FY 2014 due to fewer classes and personal training sales.

In FY 2016, the rental revenue increase of \$8,188 (12.5%) is the result of additional groups utilizing the Recreation Center that were displaced by the Carver Academic Renovation project, particularly Extended Education. Rental revenue for FY 2015 increased by \$15,220 (30.3%) when compared to FY 2014

**WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015**

primarily due to new marketing changes that promoted more usage of the facility by outside groups, specifically additional graduation night rentals.

The FY 2016 summer camp schedule was similar to FY 2015, which kept the other course fee revenue steady with only a small decrease of \$1,151 (-5.3%) during FY 2016. Other course fees decreased significantly in FY 2015 by \$13,563 (-38.4%) when compared to FY 2014 due to the absence of our largest summer sport camp, rugby.



Expenses

The largest category of expenses for the Recreation Center is student and staff salaries and benefits expense. Salaries and benefits comprised 46.0% of the total operating expenses in FY 2016 compared to 44.5% in FY 2015. The increase of \$194,591 (12.4%) is due to salary increases for professional and classified staff along with an annual increase in health care premiums of \$2,136 per eligible employee and a nearly 2.0% rate increase in certain defined benefit pension plans. The increase of \$45,247 (3.0%) in salaries and benefits in FY 2015 was due to increased student employment opportunities to assist with paraprofessional duties as well as a salary adjustment for the department’s Director.

Total utility expense in FY 2016 was \$286,512, a \$4,884 (1.7%) increase from FY 2015. This increase was due to a larger use of water/sewer offset by lower electricity consumption. Utility expense for FY 2015 was \$281,628, a decrease of \$1,477 (-0.5%) when compared to FY 2014. This small decrease in utility expense was a net result of a decrease in water and sewer expense and an increase in refuse and disposal fees.

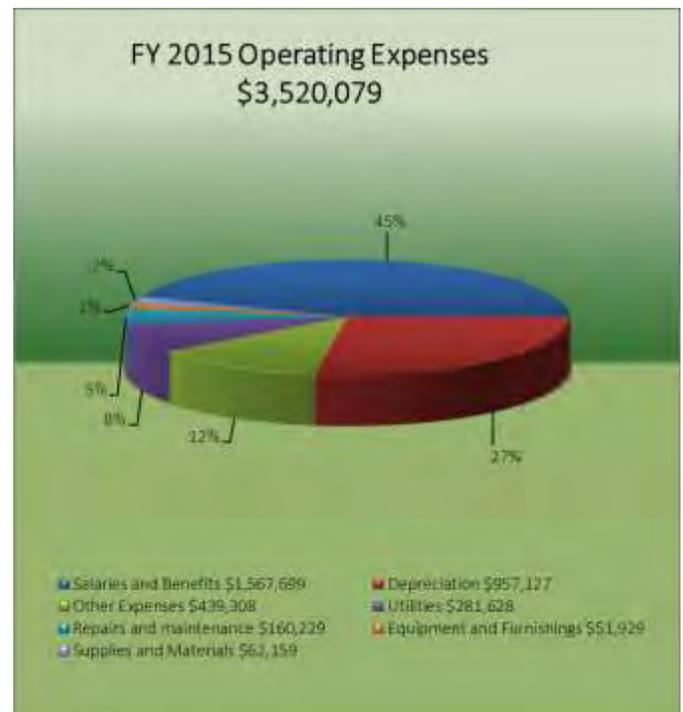
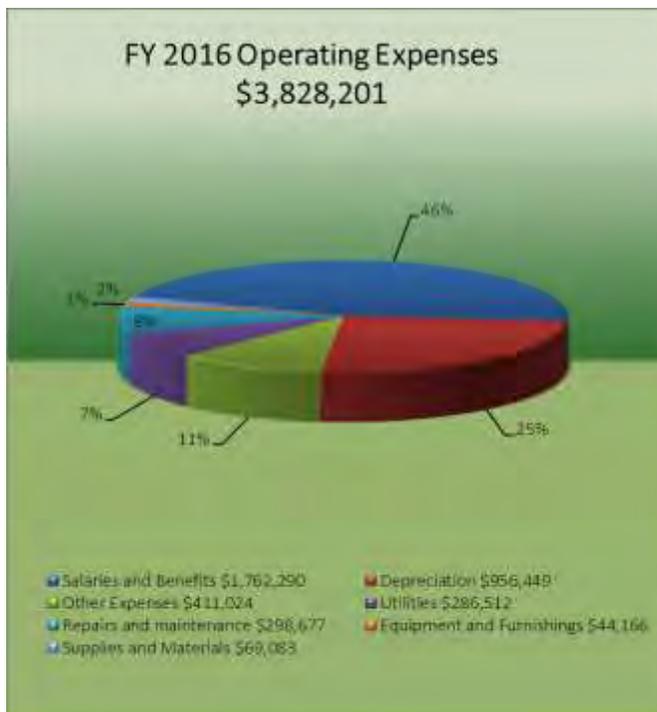
WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015

Repairs and maintenance increased in FY 2016 by \$138,448 (86.4%) when compared to FY 2015 due to lighting upgrades and pool repairs. During FY 2015, repairs and maintenance decreased by \$33,536 (-17.3%) due to fewer repair projects.

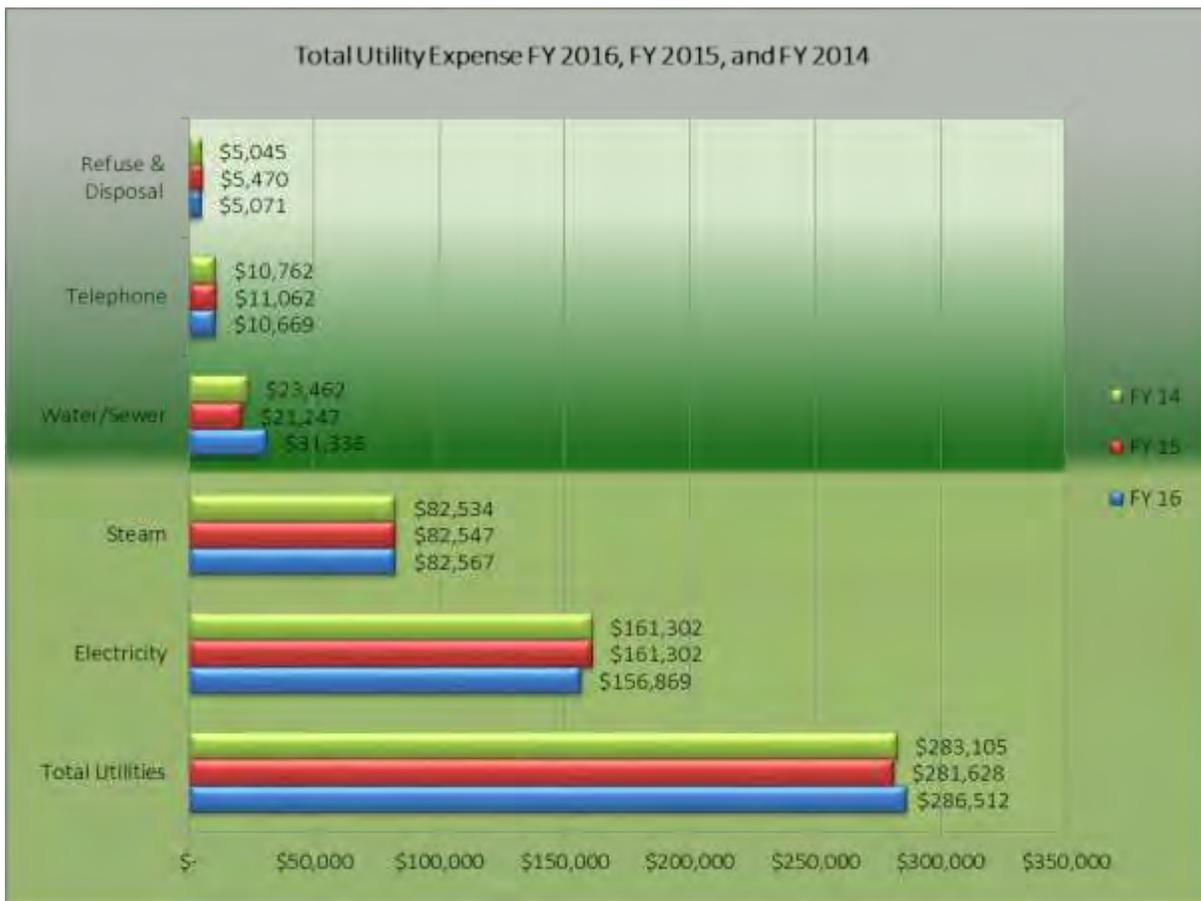
The Recreation Center has an equipment replacement plan that budgets \$100,000 per year in equipment replacement and refurbishment. The Recreation Center spent \$44,166 in FY 2016 for non-capital equipment. This was a \$7,763 (-14.9%) decrease when compared to FY 2015. During FY 2015, the Recreation Center spent \$51,929 to maintain its equipment needs. This was a decrease of \$14,565 (-21.9%) from \$66,494 spent in FY 2014.

In FY 2016, supplies and materials increased \$6,924 (11.1%) and decreased by \$9,105 (-12.8%) during FY 2015. These variances are attributed to the level of supplies on-hand from one year to the next.

WWU's administrative services assessment (ASA) fee increased \$4,058 (1.7%) in FY 2016 and \$32,228 (15.1%) in FY 2015. The rate charged against the Recreation Center revenues was 5.5% for both FY 2016 and FY 2015, an increase from 5.0% in FY 2014.



**WADE KING STUDENT RECREATION CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015**



Reserve Funds

Bond Covenants require an annual addition to the renewal and replacement (R&R) reserve based on management’s assessment of the funding level necessary to maintain the facility over the long term. Management reaffirmed the Facilities Management lifecycle maintenance plan for major maintenance and building repair and increased the annual contribution to \$250,000 beginning in FY 2009 to meet anticipated building maintenance and repairs expenses. As planned, \$250,000 was placed into the R&R reserve for FY 2016, FY 2015, and FY 2014. Various maintenance projects over the course of FY 2016 reduced the reserve amount by \$161,278. At June 30, 2016, the total restricted and unrestricted R&R balance was \$2,672,630. The funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in FY 2005 for unforeseen or extraordinary expenses. The reserve acts as an emergency fund for unplanned repairs, insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance or for the purchase of new equipment. No funds were used in FY 2016 for any purchases. In FY 2015, \$7,081 was spent on non-capital equipment compared to \$11,701 in FY 2014. The Recreation Center transferred \$260,000 to the Team Rooms project expansion of the Harrington Field in FY 2015. Contributions to this reserve in the past three years include \$75,000 in FY 2016, \$100,000 in FY 2015 and \$0 in FY 2014. At June 30, 2016 the Operating Reserve balance was \$601,214.

WADE KING STUDENT RECREATION CENTER MANAGEMENT'S DISCUSSION AND ANALYSIS June 30, 2016 and 2015

The King family made an annual donation of \$50,000 over the first seven years of their gift commitment, totaling \$350,000. Their annual contribution to the Recreation Center was restructured in FY 2011 as an estate gift. This Foundation reserve fund is dedicated to maintaining the quality of the facility and its programs, and supports students directly as well. In FY 2016, \$11,169 was spent on capital and non-capital equipment. During FY 2015, \$2,709 was spent on non-capital equipment to improve the weight and fitness areas and \$22,711 was spent on similar equipment in FY 2014. Portions of the donations have been used in the past for youth programming scholarships and certain equipment upgrades.

Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for FY 2016, 2015, and 2014 were 2.84, 2.80, and 4.68 respectively. Bond covenants require a debt service ratio of at least 1.25. The higher ratio in FY 2014 was due to the intentional structuring of bond debt payments to include interest only in support of funding Harrington Field. This ratio is calculated by dividing total operating revenues and investment income by the actual annual debt service paid during the fiscal year on the outstanding revenue bonds. The debt services amounts for FY 2016, FY 2015 and FY 2014 were \$1,629,350, \$1,625,350, and \$925,350 respectively.

Utilization Rates

Student utilization rates decreased with 12,187 (90.7%) of the estimated 13,431 AYA enrolled students using the facility during the course of FY 2016. This utilization rate was lower than the 13,016 (98.1 %) of the estimated 13,269 AYA enrolled students who utilized the recreation center in FY 2015 as well as down from the 12,135 (92.4%) of the 13,136 AYA who utilized the recreation center in FY 2014. AYA does not include summer term. Utilization information is recorded in the Recreation Center's software system when students present their membership cards upon entry to the facility. Visits by members and non-members totaled 425,180 during FY 2016, compared with 414,199 during FY 2015 and 436,933 in FY 2014. The highest number of visits in a given day exceeded 2,900 in FY 2016, which is a steady trend down from the 3,000 in FY 2015 and 3,200 in FY 2014.

Economic Factors

The groups that have been displaced by the Carver Academic renovation project will continue to utilize the Recreation Center in FY 2017. These groups will have a similar economic impact on the memberships and rental revenue for the Recreation Center in FY 2017 as they did in FY 2016. The Recreation Center has budgeted approximately \$100,000 on fitness equipment during FY 2017. This is congruent with the equipment replacement schedule that was set forth at the start of the Recreation Center.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University Wade King Student Recreation Center July 1, 2014 through June 30, 2016

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Wade King Student Recreation Center (the Recreation Center), Whatcom County, Washington, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Recreation Center's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Recreation Center's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Recreation Center's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Wade King Student Recreation Center, as of June 30, 2016 and 2015, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Wade King Student Recreation Center, 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 Recreation Center. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2016 and 2015, the changes in its financial position, or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

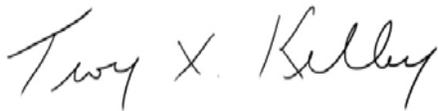
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension plan information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2016 on our consideration of the Recreation Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Recreation Center's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR
OLYMPIA, WA

November 17, 2016

WADE KING STUDENT RECREATION CENTER
STATEMENT OF NET POSITION

June 30, 2016 and 2015

Assets	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents (Note 2)	\$156,557	\$390,833
Investments (Note 2)	323,346	222,997
Accounts receivable, net of allowance of \$6,074 in 2016 and \$10,285 in 2015	65,165	62,059
Receivable from Western Washington University Foundation, net	34	11,203
Inventory	<u>2,956</u>	<u>3,168</u>
Total current assets	548,058	690,260
Noncurrent assets		
Investments (Note 2)	672,735	436,855
Restricted cash and cash equivalents (Note 2)	330,478	868,090
Restricted investments (Note 2)	2,106,679	1,466,739
Capital assets, net (Note 3)	<u>22,078,488</u>	<u>22,941,211</u>
Total noncurrent assets	<u>25,188,380</u>	<u>25,712,895</u>
Total assets	<u>25,736,438</u>	<u>26,403,155</u>
 Deferred Outflows		
Relating to pensions (Note 5)	24,592	14,528
Deferred loss on bond refunding	<u>405,591</u>	<u>436,115</u>
	430,183	450,643
 Liabilities		
Current liabilities		
Accounts payable and accrued expenses	72,957	4,454
Accrued wages and benefits	162,440	173,147
Unearned revenue	131,042	140,160
Interest payable	147,100	152,475
Current portion of bonds payable (Note 4)	<u>750,000</u>	<u>725,000</u>
Total current liabilities	<u>1,263,539</u>	<u>1,195,236</u>
Noncurrent liabilities		
Net pension liability (Note 5)	459,012	295,414
Bonds payable, less current portion (Note 4)	<u>22,528,912</u>	<u>23,304,655</u>
Total noncurrent liabilities	<u>22,987,924</u>	<u>23,600,069</u>
Total liabilities	<u>24,251,463</u>	<u>24,795,305</u>
 Deferred Inflows		
Relating to pensions (Note 5)	<u>54,556</u>	<u>104,519</u>
Total deferred inflows	54,556	104,519
 Net Position		
Net investment in capital assets	(794,833)	(652,329)
Restricted for system renewals and replacements	2,437,157	2,334,830
Unrestricted	<u>218,278</u>	<u>271,473</u>
Total net position	<u>\$1,860,602</u>	<u>\$1,953,974</u>

WADE KING STUDENT RECREATION CENTER
STATEMENT OF REVENUES, EXPENSES & CHANGES IN NET POSITION

For the Years Ended
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Service and activity fees, net of mandatory transfer	\$4,070,378	\$4,041,379
Staff, faculty and alumni membership fees	253,437	226,449
Instructional course fees	120,961	108,121
Other course fees	20,629	21,780
Rental revenue	73,704	65,516
Other revenues	68,150	62,411
Total operating revenues	<u>4,607,259</u>	<u>4,525,656</u>
Operating Expenses		
Salaries and benefits	1,762,290	1,567,699
Depreciation	956,449	957,127
Utilities	286,512	281,628
Repairs and maintenance	298,677	160,229
Equipment and furnishings	44,166	51,929
Supplies and materials	69,083	62,159
Administrative assessment	249,735	245,677
Insurance	25,381	17,443
Other	135,908	176,188
Total operating expenses	<u>3,828,201</u>	<u>3,520,079</u>
Income from operations	779,058	1,005,577
Nonoperating Revenues (Expenses)		
Investment income	24,575	17,885
Gift income	6,750	-
Interest expense	(898,975)	(923,600)
Amortization of bond premiums	(4,780)	(5,143)
Total nonoperating revenues (expenses)	<u>(872,430)</u>	<u>(910,858)</u>
Increase in net position	(93,372)	94,719
Net Position, Beginning of Year	<u>1,953,974</u>	<u>2,236,801</u>
Restatement (Note 1)	-	(377,546)
Net Position, Beginning of Year, as restated	<u>1,953,974</u>	<u>1,859,255</u>
Net Position, End of Year	<u><u>\$1,860,602</u></u>	<u><u>\$1,953,974</u></u>

WADE KING STUDENT RECREATION CENTER
STATEMENT OF CASH FLOWS

For the Years Ended
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$4,595,035	\$4,504,884
Payments to employees	(1,669,426)	(1,541,088)
Payments to suppliers	(1,040,746)	(1,035,717)
Net cash flows provided by operating activities	<u>1,884,863</u>	<u>1,928,079</u>
Cash Flows from Noncapital Financing Activities		
Gift Income from the Foundation	17,919	2,709
Net cash flows provided by(used in) noncapital financing activities	<u>17,919</u>	<u>2,709</u>
Cash Flows from Investing Activities		
Net purchases of investments in internal investment pool	(976,169)	(142,852)
Investment income received	24,575	17,885
Net cash flows (used in)/provided by investing activities	<u>(951,594)</u>	<u>(124,967)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(93,726)	(317,562)
Interest paid on capital debt	(904,349)	(925,349)
Principal paid on capital debt	(725,000)	(700,000)
Net cash used in capital and related financing activities	<u>(1,723,075)</u>	<u>(1,942,911)</u>
Net (decrease)/increase in cash and cash equivalents	(771,887)	(137,090)
Cash and cash equivalents, beginning of year	<u>1,258,922</u>	<u>1,396,012</u>
Cash and cash equivalents, end of year	<u>\$487,035</u>	<u>\$1,258,922</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Income from operations	\$779,058	\$1,005,577
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	956,449	957,127
Net pension expense	103,571	7,859
Change in operating assets and liabilities		
Accounts receivable		
Accounts receivable	(3,106)	9,388
Accounts payable, accrued expenses, salaries and benefits	57,797	(23,186)
Prepaid Expense	-	-
Unearned revenue	(9,118)	(30,160)
Inventory	212	1,474
Net cash flows provided by operating activities	<u>\$1,884,863</u>	<u>\$1,928,079</u>

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Financial Statement Presentation

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

Basis of Accounting

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

Cash, Cash Equivalents and Investments

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

Inventory

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

Accounts Receivable

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$6,074 and \$10,285 at June 30, 2016 and 2015 respectively, is adequate.

Building and Equipment, Net

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Unearned Revenue

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. The majority of cash received for service and activity fees related to summer session in FY 2016 are recorded as unearned revenue until the following fiscal year when the revenue is earned.

Net Pension Liability

The Recreation Center's net pension liability is for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on

investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

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

Restatement of prior period

During FY 2015, the Recreation Center adopted GASB Statement No. 68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Adoption of this statement required the Recreation Center to restate the earliest period presented however, the information provided by the Office of State Actuary (OSA) only allowed the Recreation Center to restate the beginning FY 2015 net position. This restatement resulted in a reduction to net position in the amount of \$377,546.

Net Position

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

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

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

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

Classification of Revenues and Expenses

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

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

salaries, utilities, and depreciation.

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

Student Recreation Center Fee, net of mandatory transfer

Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees into an institutional financial aid fund.

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

Bond Premiums

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

Administrative Assessment

WWU provides support to the Recreation Center through cash and bond debt management, accounting, purchasing and disbursing services, risk management, human resources and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was \$249,735 and \$245,677 for years ended June 30, 2016 and 2015, respectively, and is based on 5.5% of revenues.

Tax Exemptions

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

Estimates

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Interest Rate and Credit Risk

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

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

Fair Value Measurement and Application

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

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

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

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

The Recreation Center's investment in WWU's pool includes \$2,437,157 restricted for renewals and replacements.

	Fair Value Measurements as of June 30, 2016 using:				Weighted Average Maturity (in years)
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	
Cash and Cash Equivalents	\$487,035	\$ -	\$ -	\$487,035	0.003
Investments					
Commercial Paper	129,726	-	-	129,726	0.090
Certificates of deposit	194,791	-	-	194,791	2.565
U.S. Treasuries	977,990	-	-	977,990	1.858
U.S. Agencies	1,800,253	-	-	1,800,253	2.882
	<u>\$3,589,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,589,795</u>	

	Fair Value Measurements as of June 30, 2015 using:				Weighted Average Maturity (in years)
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	
Cash and Cash Equivalents	\$1,258,923	\$ -	\$ -	\$1,258,923	0.001
Investments					
Commercial Paper	-	-	-	-	
Certificates of deposit	180,548	-	-	180,548	1.033
U.S. Treasuries	596,934	-	-	596,934	2.410
U.S. Agencies	1,349,109	-	-	1,349,109	1.614
	<u>\$3,385,514</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3,385,514</u>	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2016 and 2015 was \$956,449 and \$957,127, respectively.

Following are the changes in capital assets for the years ended June 30, 2016 and 2015:

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

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

	June 30, 2014	Additions	Reductions	June 30, 2015
Non-Depreciable				
Construction in Progress	\$ -	\$ -	\$ -	\$ -
Depreciable				
Building	27,687,761	260,000	-	27,947,761
Equipment	348,698	57,562	-	406,260
Improvements	3,357,078	-	-	3,357,078
	<u>31,393,537</u>	<u>317,562</u>	<u>-</u>	<u>31,711,099</u>
Less accumulated depreciation	<u>(7,812,761)</u>	<u>(957,127)</u>	<u>-</u>	<u>(8,769,888)</u>
Capital assets, net	<u>\$23,580,776</u>	<u>(\$639,565)</u>	<u>\$ -</u>	<u>\$22,941,211</u>

NOTE 4. BONDS PAYABLE

The Recreation Center issued \$24,385,000 in Revenue and Refunding Bonds, Series 2012, on April 30, 2012. The bonds bear interest rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face amount of \$22,960,000 and \$23,685,000 at June 30, 2016 and 2015, which is reported net of the unamortized original issue premium of \$318,912 and \$344,655 respectively.

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

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2017	\$ 750,000	\$ 882,600	\$ 1,632,600
2018	770,000	860,100	1,630,100
2019	795,000	837,000	1,632,000
2020	815,000	813,150	1,628,150
2021	845,000	784,625	1,629,625
2022-2026	4,715,000	3,430,450	8,145,450
2027-2031	5,740,000	2,413,000	8,153,000
2032-2036	6,965,000	1,170,600	8,135,600
2037	1,565,000	62,600	1,627,600
	<u>22,960,000</u>	<u>11,254,125</u>	<u>34,214,125</u>
Plus unamortized premium	<u>318,912</u>		
Total	<u>\$ 23,278,912</u>	<u>\$ 11,254,125</u>	<u>\$ 34,214,125</u>

Following are the changes in bonds payable:

	<u>Beginning Balance</u>	<u>Additions and Amortizations of Bond Premium</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
As of June 30, 2016 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$318,912 and \$344,655 at June 30, 2016 and 2015 respectively.	<u>\$24,029,655</u>	<u>(\$25,743)</u>	<u>(\$725,000)</u>	<u>\$23,278,912</u>	<u>\$750,000</u>
As of June 30, 2015 - Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of \$344,655 and \$371,000 at June 30, 2015 and 2014 respectively.	<u>\$24,756,000</u>	<u>(\$26,345)</u>	<u>(\$700,000)</u>	<u>\$24,029,655</u>	<u>\$725,000</u>

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

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

NOTE 5. PENSION PLAN

A. SUMMARY

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

Recreation Center employees in eligible positions are participants in WWURP, PERS plans 2 and 3, and TRS plan 1. The Recreation Center contributes to PERS and TRS cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of the plans. The Recreation Center contributed \$69,207, \$62,298 and \$55,534 to these plans in FY 2016, FY 2015 and FY 2014, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

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

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

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

Basis of Accounting

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for the Recreation Center, for FY 2016:

Aggregate Pension Amounts - All Plans	
Pension liabilities	\$ (459,012)
Pension assets	-
Deferred outflows of resources related to pensions	24,592
Deferred inflows of resources related to pensions	(54,556)
Pension expense/expenditures	103,571

Investments

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

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

Department of Retirement Systems

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

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

- Public Employees’ Retirement System (PERS)
 - Plan 2 - defined benefit
 - Plan 3 - defined benefit/defined contribution

- Teachers’ Retirement System (TRS)
 - Plan 1 - defined benefit

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

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

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

Higher Education

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

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

Plan Description

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

Funding Policy

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

Supplemental Component

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

Public Employees' Retirement System Plan 3

Plan Description

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

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

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

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

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

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

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

of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

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

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

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

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

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

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

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

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

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

Required contribution rates for FY 2016 and FY 2015 are presented in Table 1 in section C of this note.

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

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

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

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

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

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

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

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

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). Based on those assumptions, the pension

plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, the Recreation Center reported \$106,676 and \$59,589 respectively for its proportionate share of the collective net pension liability for PERS 2/3. The Recreation Center’s proportion for PERS 2/3 in FY 2016 was 0.002986 percent, an increase of 0.000038 percent since the prior reporting period when its proportionate share was 0.002948 percent. The proportions are based on the Recreation Center’s contributions to the pension plan relative to the contributions of all participating employers.

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

PERS 2/3	
Rec Center's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 311,926
Current Discount Rate	\$ 106,676
1% Increase	\$ (50,476)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended June 30, 2016 and 2015, the Recreation Center recognized a PERS 2/3 pension expense of \$(4,678) and \$(20,837) respectively. At June 30, 2016, PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Recreation Center PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ (349)	\$ -
Changes of assumptions	(5)	-
Net Difference between projected and actual earnings on pension plan investments	-	(28,477)
Change in proportion	(78)	-
Contributions subsequent to the measurement date	24,230	-
Total	\$ 23,798	\$ (28,477)

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

PERS 2/3	
2016	\$ 7,276
2017	\$ 7,276
2018	\$ 7,276
2019	\$ (6,412)
2020	\$ -
Thereafter	\$ -

Teachers' Retirement System

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

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

plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

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

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

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

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

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

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

TRS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested

in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

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

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

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

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

Required contribution rates for FY 2016 and FY 2015 are presented in Table 1 in section C of this note.

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. Those expected returns make up one component of WSIB’s Capital

Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the WSIB currently invests in:

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan’s fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested

assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2016 and 2015, the Recreation Center reported \$352,336 and \$235,825 respectively for its proportionate share of the collective net pension liability for TRS 1. The Recreation Center’s proportion for TRS 1 in FY 2016 was 0.011 percent, an increase of 0.003 percent since the prior reporting period when its proportionate share was .008 percent. The proportions are based on the Recreation Center’s contributions to the pension plan relative to the contributions of all participating employers.

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

TRS 1	
Rec Center's proportionate share of Net Pension Liability (Asset)	
1% Decrease	\$ 442,912
Current Discount Rate	\$ 352,336
1% Increase	\$ 274,450

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ended June 30, 2016 and 2015, the Recreation Center recognized a TRS 1 pension expense of \$108,249 and \$28,696 respectively. At June 30, 2016, TRS 1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

WADE KING STUDENT RECREATION CENTER
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016 and 2015

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	-	(26,079)
Change in proportion	-	-
Contributions subsequent to the measurement date	794	-
Total	\$ 794	\$ (26,079)

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

TRS 1	
2016	\$ 10,115
2017	\$ 10,115
2018	\$ 10,115
2019	\$ (4,265)
2020	\$ -
Thereafter	\$ -

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30 are as follows:

	Contribution Rates at June 30, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 2	6.12%	11.18%	\$ 23,586	\$ 17,766	\$ 16,846
Plan 3	5.00-15.00% **	11.18% *	644	7,371	6,161
TRS					
Plan 1	6.00%	13.13%	\$ 794	\$ 7,806	\$ 6,129

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

	Contribution Rates at June 30, 2015		Required Employer Contributions		
	Employee	University	FY 2015	FY 2014	FY 2013
PERS					
Plan 2	4.92%	9.21%	\$ 17,766	\$ 16,846	\$ 14,349
Plan 3	5.00-15.00% **	9.21% *	7,371	6,161	6,534
TRS					
Plan 1	6.00%	10.39%	\$ 7,806	\$ 6,129	\$ 4,713

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

RSI

REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of Recreation Center Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date ended June 30 *		
	2014	2015
Recreation Center PERS 1 employers' proportion of the net pension liability	0.002571%	0.002521%
Recreation Center PERS 1 employers' proportionate share of the net pension liability	\$129,519	\$131,878
Recreation Center PERS 1 employers' covered-employee payroll	\$0	\$0
Recreation Center PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Recreation Center’s Proportionate Share of the Net Pension Liability

Schedule of Recreation Center Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 *		
	2014	2015
Recreation Center PERS 2/3 employers' proportion of the net pension liability	0.002948%	0.002986%
Recreation Center PERS 2/3 employers' proportionate share of the net pension liability	\$59,589	\$106,676
Recreation Center PERS 2/3 employers' covered-employee payroll	\$255,966	\$274,205
Recreation Center PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.28%	38.90%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

Schedule of Recreation Center Proportionate Share of the Net Pension Liability Teacher's Retirement System (TRS) Plan 1 Measurement Date ended June 30 *		
	2014	2015
Recreation Center TRS 1 employers' proportion of the net pension liability	0.007996%	0.011121%
Recreation Center TRS 1 employers' proportionate share of the net pension liability	\$235,825	\$352,337
Recreation Center TRS 1 employers' covered-employee payroll	\$62,284	\$75,130
Recreation Center TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	378.63%	468.97%
Plan fiduciary net position as a percentage of the total pension liability	68.77%	65.70%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.		

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
 Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30 <i>Recreation Center</i>						
Fiscal Year	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll	
2015	\$ 10,661	\$ 10,661	\$ -	\$ -	0.00%	
2016	\$ 13,817	13,817	\$ -	\$ -	0.00%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
 Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30 <i>Recreation Center</i>						
Fiscal Year	Contractually Required Contributions	Contributions in relation to the			Covered-employee payroll	Contributions as a percentage of covered-employee payroll
		Contractually Required Contributions	Contribution deficiency (excess)			
2015	\$ 25,254	\$ 25,137	\$ 117	\$ 274,205	9.17%	
2016	\$ 36,421	24,230	\$ 12,191	\$ 325,770	7.44%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
 Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30 <i>Recreation Center</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)			
2015	\$ 7,806	\$ 7,806	\$ 0	\$ 75,130	10.39%	
2016	\$ 1,004	794	\$ 209	\$ 7,643	10.39%	
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

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

**WESTERN WASHINGTON UNIVERSITY
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

TO: Members of the Board of Trustees

FROM: President Sabah Randhawa by
Senior Vice President Eileen Coughlin, Enrollment and Student Services
Vice President Richard Van Den Hul, Business and Financial Affairs

DATE: December 9, 2016

SUBJECT: **Student Right-to-Know and Clery Act**

PURPOSE: Information Item

Purpose of Submittal:

Provide the Board of Trustees with information regarding Western Washington University's compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

**Western Washington University
Security and Fire Safety Report Update**

December 2016

Background: In November 1990, the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (referred to as the "Clery Act") was signed into law. As a result, all institutions participating in federal student aid programs are required to:

- Prepare and distribute an annual security and fire safety report to all members of the campus community (<http://www.wvu.edu/vpress/annualsafetyreport.shtml>) which sets forth the law enforcement authority of campus police, includes information on where and how crimes should be reported, and discloses three years' worth of crime trends including alcohol and other drug-related statistics, arrests and disciplinary referrals for the campus, areas immediately adjacent to or running through the campus, and certain non-campus facilities including leased housing and remote classrooms; and
- Provide timely warning to the campus community of crimes which may pose a threat to the safety and/or welfare of students and employees.

In 2015, the Western Alert System, through which timely warnings are conveyed, was utilized on several occasions to send messages to the campus community regarding safety concerns and inclement weather warnings. The system is tested during fall and spring quarters, when the majority of students are on campus.

Security and Fire Safety Report: All information that Western is required to distribute annually to the campus community under state and/or federal mandates is compiled into one publication, the Security and Fire Safety Report. Published each fall, the report includes educational materials, key policies and procedures, resources for students and employees, and an annual summary of campus crime and residence hall fire statistics.

- The Clery Act specifies the crimes/violations that are to be published. These are reflected in the 2015-16 Security and Fire Safety Report, on pages 16-19 and include new categories as required by federal law.

Campus Security Authorities: Staff members who have “significant responsibility for student and campus activities” are required to document any Clery Act-designated crime reported to them for inclusion in Western’s annual campus crime statistics. Western has identified staff members whose positions fall under the Department of Education’s definition of campus security authorities (CSAs). Reports submitted by CSAs are forwarded to University Police for follow-up and verification.

Prevention and outreach efforts

Western has continued its commitment to actively provide outreach and educational programming to the Western community. Prevention and Wellness Services has been providing, and continues to provide, training on bystander intervention to varsity athletic teams, club sports, and to all students via an online tutorial.

Programs to prevent domestic violence, dating violence, sexual assault and stalking are provided to the Associated Students Board and Resource and Outreach Programs Coordinators; University Police; Resident Advisors; students studying abroad (during pre-departure); international students; Peer Health Educators and peer advisors from a variety of programs, and through faculty request to a variety of academic classes. In addition, these prevention efforts are being augmented in order to meet the new requirements in the Campus Sexual Assault Violence Elimination Act (SaVE Act) provision of the Violence Against Women Reauthorization Act (revised 2014). Information about prevention efforts can be found on pages 7- 8.

During the 2015/2016 academic year, all new WWU students were required to participate in the HAVEN violence prevention on-line training. HAVEN is an interactive training where students have the opportunity to increase skills in creating healthy relationships, explore the importance of consent, and identify the many ways they can help to create a safe campus community. HAVEN also empowers students to be active bystanders by teaching the skills needed to help prevent sexual violence. It gives the information needed to identify risky situations and offers skills to increase safety for themselves, friends and the community. Students also learn about Western’s resources, reporting options and policies regarding sexual violence.

Distribution of report

A link to the report is emailed to each student in fall quarter. This email also contains information about the student conduct code (<https://wp.wvu.edu/officeofstudentlife/reporting-a-concern-making-a-complaint/>); information about sexual violence - including resources and reporting options (<https://wp.wvu.edu/sexualviolence/>); and, general safety resources (<http://www.wvu.edu/campus-safety-resources>).

6. DATE FOR NEXT REGULAR MEETING

- **February 9 & 10, 2016**

17. EXECUTIVE SESSION

Executive Session may be held to discuss personnel, real estate, and legal issues as authorized in RCW 42.30.110.

17. Adjournment