Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Western Washington University Wade King Student Recreation Center

For the period July 1, 2016 through June 30, 2018

Published December 20, 2018

Report No. 1022673

Office of the Washington State Auditor
Pat McCarthy

December 20, 2018

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

Report on Financial Statements

Please find attached our report on the Western Washington University Wade King Student Recreation Center's financial statements.

We are issuing this report in order to provide information on the Recreation Center's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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Western Washington University Wade King Student Recreation Center
July 1, 2016 through June 30, 2018

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

We have audited, 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, the financial statements of the Western Washington University Wade King Student Recreation Center, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Recreation Center's basic financial statements, and have issued our report thereon dated November 16, 2018. As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the Recreation Center implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

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 where applicable, 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, 2018, 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 opinions are not modified with respect to this matter.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Recreation Center’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Recreation Center’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Recreation Center’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Recreation Center's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Recreation Center’s financial statements are free from material misstatement, we performed tests of the Recreation Center’s compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Recreation Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Recreation Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

November 16, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University Wade King Student Recreation Center
July 1, 2016 through June 30, 2018

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, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Recreation Center's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Western Washington University Wade King Student Recreation Center, as of June 30, 2018 and 2017, and the respective 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 to the financial statements, in 2018, the Recreation Center adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 where applicable, 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, 2018, 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 required supplementary information listed on page 10 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 16, 2018 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.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

November 16, 2018

FINANCIAL SECTION

Western Washington University Wade King Student Recreation Center
July 1, 2016 through June 30, 2018

REQUIRED SUPPLEMENTARY INFORMATION

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BASIC FINANCIAL STATEMENTS

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Statement of Revenues, Expenses and Changes in Net Position – 2018 and 2017
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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Proportionate Share of WWUSRP Total Pension Liability – 2018 and 2017
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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, 2018, 2017 and 2016. 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 reports all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount owed to vendors and other parties. The difference between assets and deferred outflows less liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Recreation Center.

Below is a condensed view of the Statements of Net Position as of June 30, 2018, 2017 and 2016:

	2018	2017 Restated	2016 Restated
Assets			
Current assets	$565,215	$713,038	$548,058
Noncurrent assets	3,437,479	3,216,251	3,109,892
Capital assets, net	20,213,454	21,144,605	22,078,488
Total assets	24,216,148	25,073,894	25,736,438
Deferred Outflows	405,162	434,861	430,183
Liabilities			
Current liabilities	1,111,622	1,100,846	1,157,709
Noncurrent liabilities	22,024,069	22,975,576	22,803,302
Total liabilities	23,135,691	24,076,422	23,961,011
Deferred Inflows	168,903	32,660	54,556
Net Position			
Net investment in capital assets	(1,148,298)	(983,121)	(794,833)
Restricted for system renewal and replacements	2,663,564	2,623,964	2,437,157
Unrestricted	(198,550)	(241,170)	508,730
Total net position	$1,316,716	1,399,673	2,151,054

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets decreased $857,746 (-3.4%) in fiscal year FY 2018 and decreased $662,544 (-2.6%) during FY 2017.

Total Cash and Investments (see Note 2) increased $100,075 (2.5%) during FY 2018 primarily due to fee increases of approximately 4.9% offset by increases in equipment, repairs and maintenance expenses. Current unrestricted cash and investments decreased $120,895 due in part to a shift from short term to longer term investments, while unrestricted noncurrent cash and investments increased $181,931 due to this shift as well as the overall increase in cash and investments. The allocation of unrestricted cash and investments between current and noncurrent is governed by the university's investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk. Restricted noncurrent cash and investments increased $39,039 due to investment earnings as well as the overall increase in cash and investments. Total Cash and Investments increased $263,952 (7.4%) during FY 2017primarily due to increases to both long-term and short-term restricted and unrestricted investments.

FY 2018 saw new capital assets decrease by $931,151 (-4.4%) due to depreciation of $968,769 offset with an increase in capital fitness equipment of $93,726. During FY 2017, net capital assets decreased $933,883 (-4.2%) due to depreciation of $971,743 offset with an increase in capital fitness equipment of $11,473.

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 $10,776 (1.0%) during FY 2018 and decreased $56,863 (-4.9%) in FY 2017 due to changes to accounts payable and unearned revenue balances offset by increases in the current portion of the bonds payable.

Non-current liabilities decreased $951,507 (-4.1%) in FY 2018, attributable to principal payments on outstanding bonds (see Note 4) and decreases in pension and other postemployment benefits (OPEB) liabilities. During FY 2018, the Recreation Center adopted and implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions" (OPEB, see Note 6). As a result the Recreation Center has included its share of the actuarially calculated OPEB total liability in the amount of $702,252 for FY 2018 compared to $806,291 in FY 2017. During FY 2017, the Recreation Center adopted GASB Statement No. 73 Accounting and financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to certain provisions of GASB Statements 67 and 68 (see Note 5). This adoption of GASB 73 also affected the net pension liability recognition for FY 2017, increasing it by $160,088 (95%) over FY 2016.

The difference between assets and deferred outflows less liabilities and deferred inflows is net position. The change in net position measures whether the overall financial condition has improved or deteriorated during the year and is driven by the difference between revenues and expenses. The implementation of GASB No. 75 in FY 2018 required the Recreation Center to include its share of Washington State's unfunded OPEB liability and to restate the FY 2017 net position by $794,115. Total net position decreased $82,957 (-5.9%) in FY 2018 from the restated FY 2017 net position due to increased operational spending. Total net position decreased by $751,381 (-34.9%) in FY 2017 over FY 2016 primarily due to the implementation of GASB Statement No. 75

Net investment in capital assets increased (as a negative) by $165,177 (16.8%) in FY 2018 and by $188,288 (23.7%) in FY 2017 as the Recreation Center facility is depreciating at a faster rate than the related debt is repaid.

Restricted for system renewals and replacements increased by $39,600 (1.5%) in FY 2018 and by $186,807 (7.7%) in FY 2017 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.

Unrestricted net position increased (as a negative) by $42,620 compared to an FY 2017 decrease of $749,900. These changes are due to the implementation of GASB Statement No. 75 which required an FY 2017 restatement of $794,115 as well as the continued recognition of the unfunded net pension liabilities.

Statement of Revenues, Expenses, and Changes in Net Position

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

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

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

Following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2018, 2017 and 2016:

	2018	2017 Restated	2016 Restated
Operating revenues	$ 4,888,978	$ 4,645,130	$ 4,607,259
Operating expenses	(4,163,177)	(3,754,283)	(3,537,749)
Income from operations	725,801	890,847	1,069,510
Nonoperating revenues	51,817	35,141	31,325
Nonoperating expenses	(860,575)	(883,255)	(903,755)
Increase in net position	(82,957)	42,733	197,080
Net position, beginning of year	1,399,672	2,151,054	1,953,974
Restatement	-	(794,115)	-
Net position, beginning of year restated	1,399,672	1,356,939	1,953,974
Net position, end of year	$ 1,316,715	$ 1,399,672	$ 2,151,054

Revenues

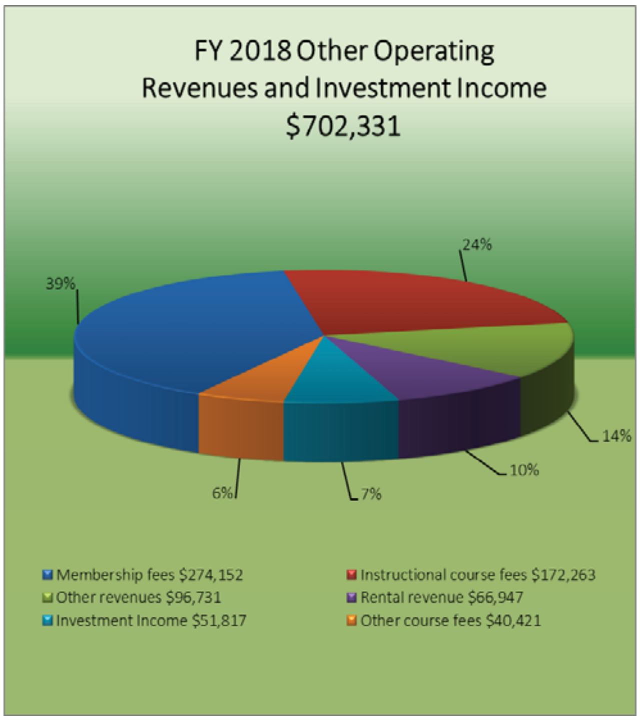
The Recreation Center's largest source of revenue is a $101.20 per quarter mandatory service and activity (S&A) fee entitled the "Student Recreation Fee" for use of the facility for those students taking six or more credits on WWU's main campus. The revenue is net of an RCW required 3.5% allocation to an institutional financial aid fund (See Note 1). The academic yearly average (AYA) of students taking 6 or more credits increased to 13,495 from 13,455 in FY 2017. This increase in AYA, along with a 4.0% increase in the fee level, raised fee revenue by $161,024 (3.9%) to $4,238,464_. The Student Recreation Fee increased slightly by $7,062 (0.17%) during FY 2017. The AYA does not include summer term. Summer term S&A revenue decreased during FY 2018 by $5,727 (3.9%) when compared to FY 2017 due to lower summer enrollment.
In addition to the mandatory student fee, the Recreation Center is supported by "Other Operating Revenues and Investment Income" as shown in the charts below.

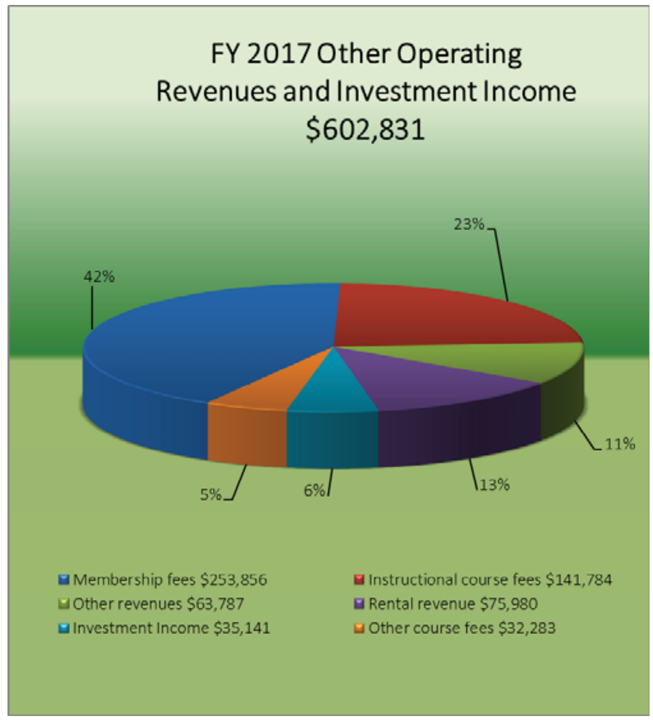
Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. This fee increased by $20,296 (8.0%) in FY 2018. This is largely attributed to the increase in membership pricing that reflected the increase in the mandatory Student Recreation Fee. Fiscal Year 2017 voluntary memberships were nearly a mirror image of the previous fiscal year with only an increase of $419 (0.17%) compared to FY 2016.

Instructional course fees saw a significant increase in both FY 2018 and FY 2017. Course fees increased $30,479 (21.5%) from FY 2017 to FY 2018 and $20,823 (17.2%) from FY 2016 to FY 2017 due to increased programming in aquatics, fitness and Faculty/Staff Wellness.

The start of FY 2018 saw the opening of the newly remodeled Carver Academic Complex which houses the University's training and performance gymnasiums. The groups that utilized the Recreation Center during the Carver remodel were no longer contributing to the rental revenue at the facility during FY 2018, thus the rental revenue decreased by $9,033 (-11.9%) from FY 2017. In FY 2017, rental revenue was on par with FY 2016 with a slight increase of $2,276 (3.1%).

The significant increase in aquatic programming (swim lessons) caused the category of other course revenue fees to rise $11,654 (56.5%) in FY 2017. This trend continued in FY 2018 with a rise of $8,138 (25.2%) in the same category.





Expenses

The largest category of expenses for the Recreation Center is student and staff salaries and benefits expense. Salaries and benefits comprised 42.0% of the total operating expenses in FY 2018 compared to 48.0% in FY 2017. Minimum wage increases impacted student employments expenses, yet there was a net decrease of $43,182 (-2.4%) in salaries and benefits due to the required pension and OPEB recognitions (see Notes 5 & 6) Also, the Recreation Center restructured two positions (1.5 appointments) to a 1.0 appointment. This restructuring corresponded with an employee retirement. Total actual salaries and benefits increased during FY 2018 by $70,087 while the pension recognitions decreased by $111,277.

The FY 2017 increase of $41,452 (-2.3%) in salaries and benefits is due to the change in the net pension expense recognition as required by GASB Statement No. 68 and GASB Statement No. 73 (see Note 5).

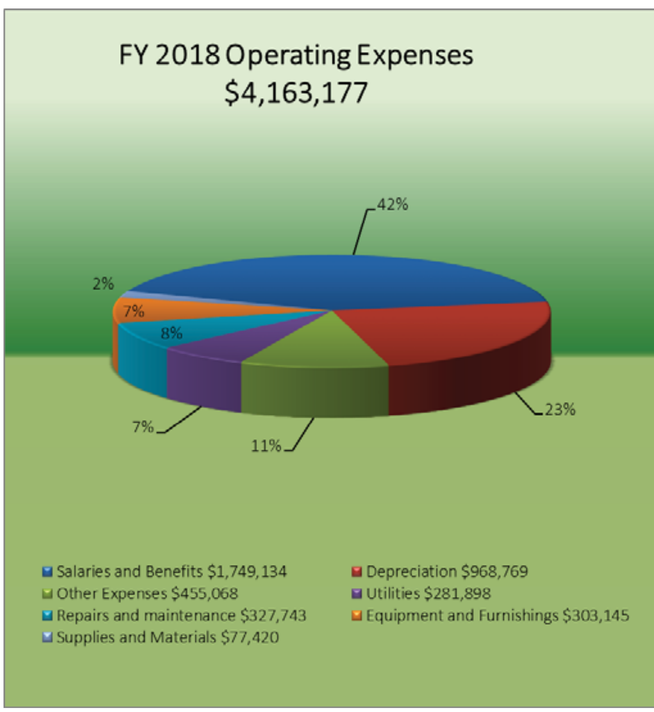
Total utility expenses decreased $1,728 and $2,886 in FY 2018 and FY 2017 respectively. These slight decreases can be directly attributed to less use of electricity (due to LED lighting upgrades) and steam.

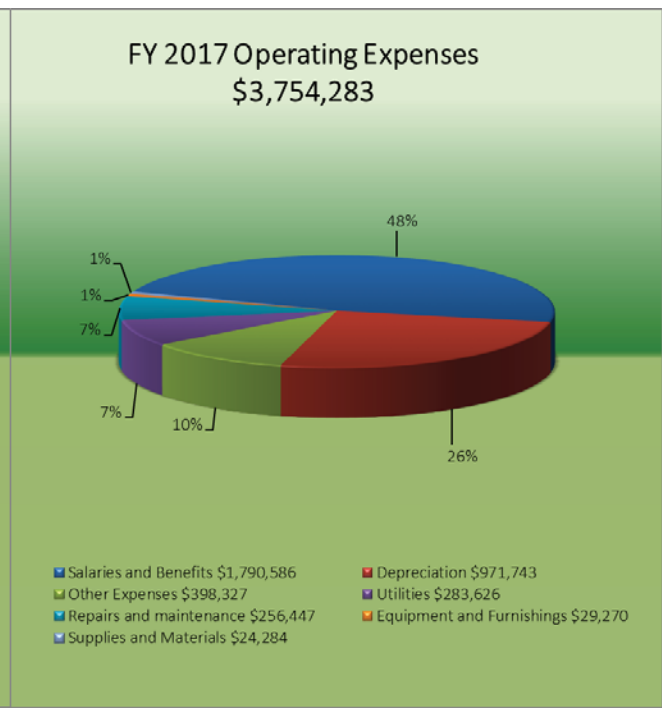
Based on the ebb and flow of annual maintenance, repairs and projects were up in FY 2018 causing an increase in this category by $71,296 (27.8%). In FY 2017 repairs and maintenance decreased by $42,230 (-14.1%) when compared to FY 2016 due to fewer maintenance projects and repairs.

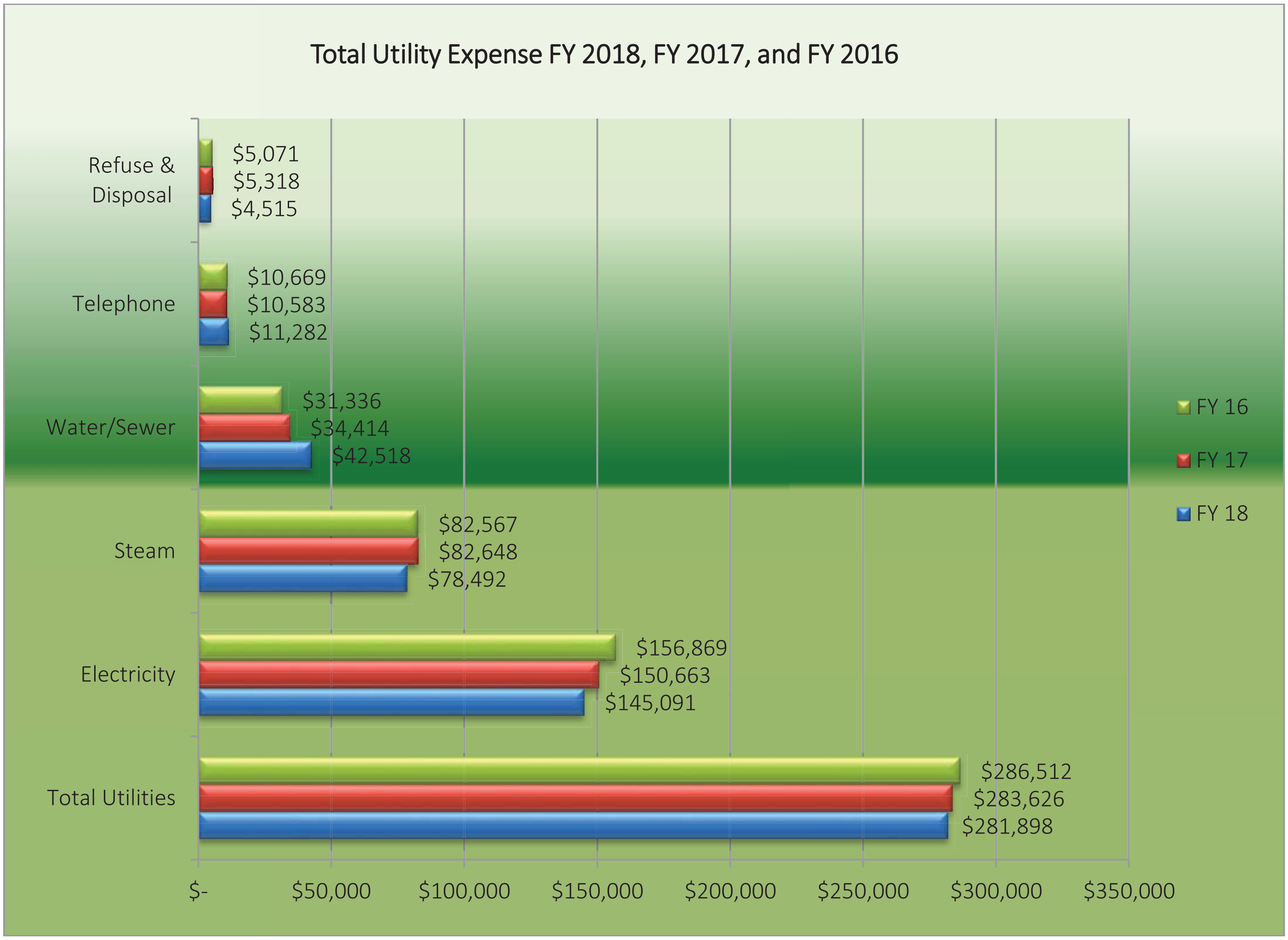
The Recreation Center has an equipment replacement plan that budgets $100,000 per year in equipment replacement and refurbishment. The Recreation Center spent $29,270 in FY 2017 for non-capital equipment. The anticipated budget spending of $100,000 did not occur in FY 2017; therefore, it was reflected in FY 2018 as the Recreation Center spent $273,875 (935.7%) more than in FY 2017 to catch up on its equipment needs from the previous two fiscal years.

Similar to the spending with the equipment, supplies and material needs increased significantly in FY 2018. The Recreation Center spent $53,136 (218.8%) more in FY 2018 than what was spent in FY 2017. This spending of $77,420 is closer to a normal year for supplies and materials than in previous fiscal years. In FY 2017, supplies and materials decreased significantly. There was a $44,799 (-64.8%) decrease from FY 2016 due to adequate supplies purchased in the previous fiscal year.

WWU's administrative services assessment (ASA) fee increased by $32,630 (13.1%) in FY 2018. This is directly related to the increase in revenue that the assessment fee is charged against. In FY 2017 the ASA fee increased by $282 (0.11%).







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 2018, FY 2017, and FY 2016. Various maintenance projects over the course of FY 2018 reduced the reserve amount by $251,821. At June 30, 2018, the total restricted and unrestricted R&R balance was $2,892,544. The restricted funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in FY 2005 for unforeseen or extraordinary expenses. The reserve acts as an emergency fund for unplanned repairs, insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance or for the purchase of new equipment. No funds were used in FY 2018 and FY 2017 for any purchases. Contributions to this reserve in the past three years include $100,000 in FY 2018, $100,000 in FY

2017 and $75,000 in FY 2016. At June 30, 2018 the Operating Reserve balance was $801,214.

Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for FY 2018, 2017, and 2016 were 3.03, 2.87, and 2.84, respectively. Bond covenants require a debt service ratio of at least 1.25. This ratio is calculated by dividing total operating revenues and investment income by the actual annual debt service paid during the fiscal year on the outstanding revenue bonds. The debt services amounts for FY 2018, FY 2017 and FY 2016 were $1,630,100, $1,632,600, and $1,629,350, respectively.

Utilization Rates

Total number of visits has decreased, as well as utilization as a percentage of students enrolled with 12,025 (89.1%) of the estimated 13,495 AYA enrolled students using the facility during the course of FY 2018. This utilization rate was slightly lower than the 12,043 (89.5 %) of the estimated 13,495 AYA enrolled students who utilized the recreation center in FY 2017 as well as down from the 12,187 (90.7%) of the 13,431 AYA who utilized the recreation center in FY 2016. 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 396,575 during FY 2018, compared with 446,826 during FY 2017 and 425,180 in FY 2016. The highest number of visits in a given day exceeded 2,800 in FY 2018, which is a decrease from the 3,300 in FY 2017 and the 2,900 in FY 2016.

Economic Factors That Will Affect the Future

The Recreation Center has budgeted approximately $100,000 for fitness equipment during FY 2019. This is congruent with the equipment replacement schedule that was set forth at the start of the Recreation Center. These equipment expenditures should remain consistent from year to year. With the minimum wage increasing again in January of 2019 there is another significant impact to the Recreation Center's student salaries. Student employment expenses are expected to rise 4.4% or roughly $30,000 in FY 2019.

STATEMENT OF NET POSITION June 30, 2018 and 2017

	2018	2017 Restated
Assets		
Current assets		
Cash and cash equivalents (Note 2)	$142,284	$177,753
Investments (Note 2)	374,059	459,743
Accounts receivable, net of allowance of $8,503in 2018 and $7,728in 2017	46,274	72,573
Receivable from Western Washington University Foundation, net	-	34
Prepaid Expenses	45	-
Inventory	2,553	2,935
Total current assets	565,215	713,038
Noncurrent assets		
Investments (Note 2)	773,915	591,726
Restricted cash and cash equivalents (Note 2)	282,489	378,790
Restricted investments (Note 2)	2,381,075	2,245,735
Capital assets, net (Note 3)	20,213,454	21,144,605
Total noncurrent assets	23,650,933	24,360,856
Total assets	24,216,148	25,073,894
Deferred Outflows		
Relating to pensions (Note 5)	42,648	46,620
Relating to OPEB (Note 6)	14,954	12,177
Deferred loss on bond refunding	347,560	376,064
	405,162	434,861
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	21,853	6,702
Accrued wages and benefits	61,561	57,384
Unearned revenue	93,708	123,410
Interest payable	139,500	143,350
Current portion of bonds payable (Note 4)	795,000	770,000
Total current liabilities	1,111,622	1,100,846
Noncurrent liabilities		
Compensated Absences	107,632	106,847
Net pension liability (Note 4, 5)	299,873	328,648
Net OPEB liability (Note 6)	702,252	806,291
Bonds payable, less current portion (Note 4)	20,914,312	21,733,790
Total noncurrent liabilities	22,024,069	22,975,576
Total liabilities	23,135,691	24,076,422
Deferred Inflows		
Relating to pensions (Note 5)	72,210	32,660
Relating to OPEB (Note 6)	96,693	-
Total deferred inflows	168,903	32,660
Net Position		
Net investment in capital assets	(1,148,298)	(983,121)
Restricted for system renewals and replacements	2,663,564	2,623,964
Unrestricted	(198,550)	(241,170)
Total net position	$1,316,716	$1,399,673

See Accompanying Notes to the Financial Statements

	2018	2017 Restated
Operating Revenues		
Service and activity fees, net of mandatory transfer	$4,238,464	$4,077,440
Staff, faculty and alumni membership fees	274,152	253,856
Instructional course fees	172,263	141,784
Other course fees	40,421	32,283
Rental revenue	66,947	75,980
Other revenues	96,731	63,787
Total operating revenues	4,888,978	4,645,130
Operating Expenses		
Salaries and benefits	1,749,134	1,790,586
Depreciation	968,769	971,743
Utilities	281,898	283,626
Repairs and maintenance	327,743	256,447
Equipment and furnishings	303,145	29,270
Supplies and materials	77,420	24,284
Administrative assessment	282,647	250,017
Insurance	32,225	32,903
Other	140,196	115,407
Total operating expenses	4,163,177	3,754,283
Income from operations	725,801	890,847
Nonoperating Revenues (Expenses)		
Investment income	51,817	35,141
Interest expense	(860,575)	(883,255)
Total nonoperating (expenses) revenues	(808,758)	(848,114)
(Decrease)/Increase in net position	(82,957)	42,733
Net Position, Beginning of Year	1,399,672	2,151,054
Restatement (Note 1)	-	(794,115)
Net Position, Beginning of Year, as restated	1,399,672	1,356,939
Net Position, End of Year	$1,316,715	$1,399,672

	2018	2017 Restated
Cash Flows from Operating Activities		
Cash received from students and other customers	$4,885,574	$4,630,089
Payments to employees	(1,739,548)	(1,672,631)
Payments to suppliers	(1,429,785)	(1,058,187)
Net cash flows provided by operating activities	1,716,241	1,899,271
Cash Flows from Noncapital Financing Activities		
Gift Income from the Foundation	34	-
Net cash flows provided by(used in) noncapital activities	34	-
Cash Flows from Investing Activities		
Net purchases of investments in internal investment pool	(231,845)	(194,444)
Investment income received	51,817	35,141
Net cash flows (used in)/provided by investing activities	(180,028)	(159,303)
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(37,618)	(37,860)
Interest paid on capital debt	(860,399)	(882,600)
Principal paid on capital debt	(770,000)	(750,000)
Net cash used in capital and related financing	(1,668,017)	(1,670,460)
Net (decrease)/increase in cash and cash equivalents	(131,770)	69,508
Cash and cash equivalents, beginning of year	556,543	487,035
Cash and cash equivalents, end of year	$424,773	$556,543

	2018	2017 Restated
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Income from operations	$725,801	$890,847
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	968,769	971,743
Net pension expense	108,663	116,164
Net OPEB expense	(104,039)	-
Change in operating assets and liabilities		
Accounts receivable	26,299	(7,408)
Accounts payable, accrued expenses, salaries and benefits	20,113	(64,464)
Unearned revenue	(29,702)	(7,632)
Inventory	382	21
Net cash flows provided by operating activities	$1,716,241	$1,899,271

See Accompanying Notes to the Financial Statements

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Financial Statement Presentation

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

Basis of Accounting

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

Cash, Cash Equivalents and Investments

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

Inventory

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

Accounts Receivable

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of $8,503 and $7,728 at June 30, 2018 and 2017 respectively, is adequate.

Capital Assets, Net

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Changes in net pension liability, total pension liability and OPEB 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 and total pension liabilities are reported as deferred outflows of resources.

Unearned Revenue

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

Compensated Absences

The accrued leave balances as of June 30, 2018 and 2017 are $107,632 and $106,847, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a noncurrent liability.

Net Pension Liability

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

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

Restatement of Net Pension Liabilities

During FY 2017, the Recreation Center adopted GASB Statement No. 73 – Accounting and financial Reporting for Pensions and Related Assets That Are Not within the scope of GASB statement 68, and Amendments to certain

Provisions of GASB Statements 67 and 68. Statement No. 73 requires that the Recreation Center record in its statements the net pension liability associated with the defined benefit of the university's retirement plan (WWURP) and to restate the net position of the earliest period presented (see Note 5). The benefits Expense and the Net Pension obligations amounts for FY 2016 increased by $141,042. The net pension liability information is provided to WWU by the office of State Actuaries. The information provided only allowed the Recreation Center to restate FY 2016. Restatement of an earlier period was not practical; therefore, FY 2015 information has not been adjusted for comparative presentation.

Restatement of Net Position

During FY 2018, the Recreation Center adopted and implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". Statement No. 75 requires that the Recreation Center record in its statements its proportional share of the University's net OPEB liability and to restate the beginning net position of the earliest period presented. The amount of the restatement to the beginning FY 2017 net position was $794,115. This was due to recording the total OPEB liability of $806,291 and a $12,177 deferred outflow. The total OPEB liability information is provided to the University by the Office of Financial Management (OFM) and the Office of State Actuary (OSA). Although this liability is an accumulative of years prior to FY 2017, the information provided by OFM and OSA only allowed the Recreation Center to restate the FY 2017 beginning net position.

Net Position

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

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

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

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

Classification of Revenues and Expenses

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

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

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

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

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

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

Administrative Assessment
WWU provides support to the Recreation Center through cash and bond debt management, accounting, purchasing and disbursing services, risk management, human resources and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was $282,647 and $250,017 for years ended June 30, 2018 and 2017, respectively, and is based on 5.5% of revenues.

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

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

Fair Value Measurement and Application
On July 1, 2015, the Recreation Center adopted GASB Statement No. 72 "Fair Value Measurement and

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

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

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

The Recreation Center's investment in WWU's pool includes $2,663,564 restricted for renewals and replacements.

	Fair Value Measurements as of June 30, 2018 using:				
	in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$424,773	$ -	$ -	$424,773	0.003
Investments					
Commercial Paper	42,278	-	-	42,278	0.227
Coporate	249,399	-	-	249,399	2.819
Certificates of deposit	169,500	-	-	169,500	2.241
U.S. Treasuries	-	1,303,031	-	1,303,031	0.366
U.S. Agencies	-	1,764,842	-	1,764,842	2.195
	$885,950	$ 3,067,873	$ -	$3,953,823	

	Fair Value Measurements as of June 30, 2017 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$556,543	$ -	$ -	$556,543	0.003
Investments					
Commercial Paper	303,771	-	-	303,771	0.090
Certificates of deposit	151,935	-	-	151,935	2.565
U.S. Treasuries	-	2,085,020	-	2,085,020	1.858
U.S. Agencies	-	756,478	-	756,478	2.882
	$1,012,249	$ 2,841,498	$ -	$3,853,747	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2018 and 2017 was $969,711 and $971,743, respectively.

Following are the changes in capital assets for the years ended June 30, 2018 and 2017:

	June 30, 2017	Additions	Reductions	June 30, 2018
Depreciable				
Building	$27,947,761	$ -	$ -	$ 27,947,761
Equipment	473,051	38,559	-	511,611
Improvements	3,357,078	-	-	3,357,078
	31,777,890	38,559	-	31,816,450
Less accumulated depreciation	(10,633,285)	(969,711)	-	(11,602,996)
Capital assets, net	$21,144,605	($931,152)	$ -	$ 20,213,454

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

NOTE 4. NON-CURRENT LIABILITIES

The Recreation Center issued $24,385,000 in Revenue and Refunding Bonds, Series 2012, on April 30, 2012. The bonds bear interest rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face amount of $21,440,000 and $22,210,000 at June 30, 2018 and 2017, which is reported net of the unamortized original issue premium of $269,312 and $293,790 respectively.

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

	Principal	Interest	Payment
2019	$795,000	$837,000	$1,632,000
2020	815,000	813,150	1,628,150
2021	845,000	784,625	1,629,625
2022	870,000	755,050	1,625,050
2023	905,000	724,600	1,629,600
2024-2028	5,100,000	3,050,000	8,150,000
2029-2033	6,205,000	1,944,800	8,149,800
2034-2037	5,905,000	602,200	6,507,200
	21,440,000	9,511,425	30,951,425
Plus unamortized premium	269,312		
Total	$21,709,312	$9,511,425	$30,951,425

Following are the changes in non-current liabilities:

Non-current Liabilities	Beginning Bal 6/30/2017	Additions/ Amortizations	Decreasess/ Retirements	Ending Balance 6/30/2018
BONDS PAYABLE:				
Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of $269,312 and $293,790 at June 30, 2018 and 2017 respectively.	$22,503,790	($794,478)	$ -	$21,709,312
Less Current Portion:	(770,000)	($25,000)		(795,000)
Non-current Portion of Bonds Payable	21,733,790	($819,478)		20,914,312
Compensated Absences	106,847	785		107,632
Net Pension Liability	328,648		(28,775)	299,873
OPEB Liability	806,291	-	(104,039)	702,252
Total Non-current Liabilities	$22,975,576	($818,693)	($132,814)	$22,024,069

Non-current Liabilities	Beginning Bal 6/30/2016	Additions/ Amortizations	Decreasess/ Retirements	Ending Balance 6/30/2017
BONDS PAYABLE:				
Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium of $293,790 and $318,912 at June 30, 2017 and 2016 respectively.	$23,278,912	($25,122)	($750,000)	$22,503,790
Less Current Portion:	(750,000)	($20,000)		(770,000)
Non-current Portion of Bonds Payable	22,528,912	($45,122)	($750,000)	21,733,790
Compensated Absences	105,830	1,017		106,847
Net Pension Liability	168,560	160,088	-	328,648
OPEB Liability	-	806,291		806,291
Total Non-current Liabilities	$22,803,302	$922,274	($750,000)	$22,975,576

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

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

Recreation Center employees in eligible positions are participants in PERS, TRS and WWURP plans. PERS and TRS are cost sharing multiple-employer defined benefit pension plans administered by the State of Washington

Department of Retirement Systems (DRS). WWURP is a single-employer defined contribution plan with a supplemental defined benefit plan component privately administered by WWU.

The Recreation Center's proportionate share of WWU's share of the total net unfunded liabilities associated with the defined-benefit pension plans administered by the DRS was $204,876 as of June 30, 2018 and $224,394 as of June 30, 2017. The liability associated with the defined-benefit pension plan administered by WWU was $94,997 as of June 30, 2018 and $104,253 as of June 30, 2017. The total pension expense recorded by the Recreation Center related to both the DRS and University plans was $47,807 and $(131,598) for the years ended June 30, 2018 and 2017 respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION:

Public Employees' Retirement System
PERS retirement benefit provisions are contained in chapters 41.34 and 41.40 of the Revised Code of Washington (RCW). PERS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. PERS members include higher education employees not participating in other higher education retirement programs.

Teachers' Retirement System
TRS retirement benefit provisions are contained in chapters 41.32 and 41.34 of the Revised Code of Washington (RCW). 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 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. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

VESTING AND BENEFITS PROVIDED:

PERS Plan 1 and TRS Plan 1

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

Members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. Members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced. Other benefits include duty and nonduty disability payments and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

PERS Plan 2/3 and TRS Plan 2/3

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

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

Members are eligible for normal retirement at the age of 65 with five years of service. Members have the option to retire early with reduced benefits. Members may elect to receive an optional cost of living allowance (COLA) amount based on the Consumer Price Index, capped at 3 percent annually. Other benefits include duty and nonduty disability payments and a one-time duty-related death benefit, if the member is found eligible by the Washington State Department of Labor and Industries.

FIDUCIARY NET POSITION:

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

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

Retirement funds are invested in the Commingled Trust Fund (CTF). Established on July 1, 1992, the CTF is a diversified pool of investments that invests in fixed income, public equity, private equity, real estate, and tangible assets. Investment decisions are made within the framework of a Strategic Asset Allocation Policy and a series of written WSIB- adopted investment policies for the various asset classes in which the WSIB invests. Although some assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan in accordance with the terms of the plan.

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

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

ACTUARIAL ASSUMPTIONS:

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

The total pension liability for each of the plans was determined using the most recent actuarial valuation completed by the Washington State Office of the State Actuary (OSA). WWU's 2018 pension liability is based on the OSA valuation performed as of June 30, 2016, with the results rolled forward to the measurement date of June 30, 2017. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study. The following actuarial assumptions have been applied to all prior periods included in the measurement:

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary Increases:** salaries are also expected to grow by promotions and longevity.
- **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. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member's lifetime.

OSA selected a 7.50% long-term expected rate of return on pension plan investments using a building block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

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

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

The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 are summarized in the following table:

2018 - Measurement date 2017		
Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
Total	100%	

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

DISCOUNT RATE:

The discount rate used to measure the total pension liabilities was 7.50 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 7.50 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 and TRS 2/3 employers whose rates include a component for the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liabilities). Based on those assumptions, the various pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to determine the total pension liability for each plan.

SENSITIVITY OF THE NET PENSION LIABIILTY/(ASSET) TO CHANGES IN THE DISCOUNT RATE:

The following table presents the Recreation Center's net pension liability/(asset) position by plan 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 1.0% point lower (6.50%) or 1.0% point higher (8.50%) than the current rate.

Discount Rate Sensitivity - Net Pension Liability						
($ in thousands)			2018			
			Current			
		1% Decrease		Discount Rate		1% Increase
Plan		6.5%		7.5%		8.5%
PERS 1	$	129	$	106	$	86
PERS 2/3		268		99		(39)

EMPLOYER CONTRIBUTION RATES:

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

Required Contribution Rates

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

	Contribution Rates					
	7/1/2016 thru 6/30/2017		7/1/2017 thru 8/31/2017		9/1/2017 thru 6/30/2018	
	Employee	University	Employee	University	Employee	University
PERS						
Plan 2	6.12%	11.18%	7.38%	12.70%	7.38%	12.70%
Plan 3	5.00-15.00% **	11.18% *	5.00-15.00% **	12.70% *	5.00-15.00% **	12.70% *
TRS						
Plan 1	6.00%	13.13%	6.00%	13.13%	6.00%	15.20%

PERS 2/3 employer rates include a component to address the PERS Plan 1 unfunded actuarial accrued liability (UAAL)
TRS 2/3 employer rates include a component to address the TRS Plan 1 unfunded actuarial accrued liability (UAAL)
*Plan 3 defined benefit portion only.
**Variable from 5% to 15% based on rate selected by the member.
University contribution rate includes an administrative expense rate of 0.0018.

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

Required Contributions	FY 2017	FY 2018
PERS		
Plan 2	$ 24,333	$ 24,333
Plan 3	7,006	7,006
TRS		
Plan 1	$0	$0

RECREATION CENTER PROPORTIONATE SHARE AND AGGREGATED BALANCES:

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the Recreation Center as of June 30, 2018 and 2017 was June 30, 2017 and 2016 (one year in arrears.) Employer contributions received and processed by the DRS during the measurement date fiscal year have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their fiscal year ended June 30 Schedules of Employer and Non-employer Allocations. The Recreation Center's proportional share of WWU's share from DRS of the aggregated balance of net pension liabilities as of June 30, 2018 and June 30, 2017 is presented in the table below.

Proportionate Share of WWU's share	PERS 1	PERS 2/3	TRS 1
2018	0.7084%	0.7542%	0.0000%
2017	0.5584%	0.5992%	1.2388%

Aggregate Pension Amounts

	PERS 1	PERS 2/3	TRS 1	Total
Net Pension Liability June 30, 2018	$ 105,504	$ 99,372	$ -	$ 204,876
Net Pension Liability June 30, 2017	$ 97,990	$ 117,616	$ 8,789	$ 224,395

Proportionate Share of Pension Expense

	PERS 1	PERS 2/3	TRS 1	Total
Year Ended June 30, 2018	$ 25,196	$ 31,799	$ (8,424)	$ 48,571

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

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

Proportionate Share of Pension Expense

	PERS 1	PERS 2/3	TRS 1	Total
Year Ended June 30, 2018	$ 25,196	$ 31,799	$ (8,424)	$ 48,570
Year Ended June 30, 2017	$ (11,771)	$ (13,445)	$ (98,164)	$ (123,380)

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

Deferred Outflows of Resources

2018	PERS 1	PERS 2/3	TRS 1	Total
Difference between expected and actual experience	$ -	$ 10,069	$ -	$ 10,069
Changes of assumptions	-	1,056	-	1,056
Change in proportion	-	184	-	184
Contributions subsequent to the measurement date	14,906	16,434	-	31,339
TOTAL	$ 14,906	$ 27,742	$ -	$ 42,648

Deferred Inflows of Resources

2018	PERS 1	PERS 2/3	TRS 1	Total
Difference between expected and actual experience	$ -	$ 3,268	$ -	$ 3,268
Changes of assumptions	3,937	-	-	3,937
Net difference between projected and actual earnings on pension plan investments	-	26,490	-	26,490
Change in proportion	-	2,967	-	2,967
TOTAL	$ 3,937	$ 32,725	$ -	$ 36,662

Amortization of Deferred Outflows and Deferred Inflows of Resources

YEAR	PERS 1	PERS 2/3	TRS 1	Total
2019	$ (2,661)	$ (12,211)	$ -	$ (14,872)
2020	840	3,521	-	4,361
2021	(195)	(2,576)	-	(2,771)
2022	(1,921)	(11,125)	-	(13,046)
2023	-	424	-	424
Thereafter	-	552	-	552
TOTAL	$ (3,937)	$ (21,416)	$ -	$ (25,353)

Deferred Outflows of Resources

2017	PERS 1	PERS 2/3	TRS 1	Total
Difference between expected and actual experience	$ -	$ 6,263	$ -	$ 6,263
Changes of assumptions	-	1,216	-	1,216
Net difference between projected and actual earnings on pension plan investments	2,467	14,393	279	17,139
Change in proportion	-	(3,634)	-	(3,634)
Contributions subsequent to the measurement date	11,277	14,271	87	25,635
TOTAL	$ 13,744	$ 32,509	$ 366	$ 46,619

Deferred Inflows of Resources

2017	PERS 1	PERS 2/3	TRS 1	Total
Difference between expected and actual experience	$ -	$ 3,883	$ -	$ 3,883
TOTAL	$ -	$ 3,883	$ -	$ 3,883

PLANS ADMINISTERED BY WESTERN WASHINGTON UNIVERSITY

Western Washington University Retirement Plan (WWURP)

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

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations. The number of participants in the WWURP as of June 30, 2018 and 2017 was 1,139 and 1,130 respectively.

FUNDING POLICY:
Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches 100% of the employee contributions. All required employer and employee contributions have been made and the breakdown of the Recreation Center's proportional share of the WWURP contributions are included in the table below for the years ended June 30.

	2018	2017
Contributions made by:		
Employees	$ 35,056	$ 33,525
University	35,057	33,934

Western Washington University Supplemental Retirement Plan (WWUSRP)

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

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

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

This same census data was used for both the FY 2018 and FY 2017 Total Pension Liability actuarial valuations.

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

WWSRP retirement benefits provisions are contained in RCW 28B.10.400, et. seq. which assigns the authority to establish and amend benefit provisions to the Western Washington University Board of Regents. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The monthly amount of benefits payable at the time of retirement is the excess of one-twelfth of 2.0% of the member’s average annual salary multiplied by the number of years of service (such product not to exceed one-twelfth of 50.0% of the member’s average annual salary) over an assumed annuity benefit.

Assumed income must be calculated by an independent actuary, and represents a theoretical amount of monthly income that would have been generated if actual employee and WWU contributions to the WWURP had been allocated equally between fixed and variable dollar annuities. When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. The Recreation Center’s proportional share of the total University benefit payments made during the fiscal years ended June 30, 2018 and 2017 were $1,722 and $1,362 respectively.

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

The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 2018, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

- **Inflation:** 2.75%
- **Salary Increases:** 3.50%
- **Discount Rate:** 3.87%

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

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the April 2016 Experience Study Report.

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

The following presents the Recreation Center's proportional share of the pension liability for the WWUSRP for WWU as an employer, calculated using the discount rate of 3.87%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1.0% point lower (2.87%) or 1.0% point higher (4.87%) than the current rate.

WWUSRP Total Pension Liability Discount Rate Sensitivity	
1% Decrease: 2.87%	$107,682
Current Discount Rate: 3.87%	$94,997
1% Increase: 4.87%	$84,375

Material assumption changes during the measurement period included first, updating the GASB Statement No. 73 discount rate from 3.58% to 3.87% (decreased the TPL), and secondly, updating the two variable income investment return assumptions used in the "assumed income" calculation from 6.25% to 12.32% for the CREF component and from 4.25% to 4.23% for the TIAA component (decreased the TPL).

TOTAL PENSION LIABILITY (TPL):

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

Schedule of Changes in Total Pension Liability		
Beginning Balance - June 30,2016		$ 142,609
Service Cost	$ 6,986	
Interest	5,565	
Differences Between Expected and Actual Experience	(34,879)	
Changes in Assumptions	(14,052)	
Benefits Payments	(1,976)	
Net Change in Total Pension Liability FY 17		(38,356)
Balance as of June 30,2017		104,253
Service Cost	3,671	
Interest	4,169	
Differences Between Expected and Actual Experience	(11,129)	
Changes in Assumptions	(4,080)	
Benefits Payments	(1,888)	
Net Change in Total Pension Liability FY 18		(9,256)
Ending Balance - June 30,2018		**$ 94,997**

The Recreation Center's proportionate share of the WWUSRP pension expense for the fiscal years ended June 30, 2018 and 2017 was $ (763) and $ (8,218) respectively.

DEFERRED INFLOWS OF RESOURCES:

The tables below summarize the Recreation Center's deferred inflows of resources related to the WWUSRP, together with the related future year impacts to pension expense from amortization of those deferred amounts:

Deferred Inflows of Resources		
	2018	**2017**
Difference between expected and actual experience	$ 25,569	$ 20,513
Changes of assumptions	9,979	8,264
TOTAL	**$ 35,548**	**$ 28,777**

Amortization of Deferred Inflows of Resources	
Year	
2019	$ (6,830)
2020	(6,830)
2021	(6,830)
2022	(6,830)
2023	(5,325)
Thereafter	(2,905)
TOTAL	**$ (35,548)**

NOTE 6. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal years 2018 and 2017, this amount is the lesser of $150 or 50% of the plan premium per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

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

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

OPEB Plan Participants

FYE	Active Employees	Retirees Receiving Benefits	Retirees Not Receiving Benefits	Total Participants
2017	1992	683	97	2772

ACTUARIAL ASSUMPTIONS:
Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on the University's auxiliary units. The professional judgments used in determining these assumptions are

important, and can significantly impact the resulting actuarial estimates. Difference between actual results compared to these assumptions could have a significant effect on the Recreation Center's financial statements.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement period:

- **Inflation:** 3.00%
- **Salary Increases:** 3.75% including service-based salary increases
- **Health Care Trend Rates:** Initial rate of 7.00% adjusting to 5.00% in 2080
- **Post-retirement Participation:** 65.00%
- **Spouse Coverage:** 45.00%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100.0% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

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

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index. A discount rate of 2.85% was used for the June 30, 2016 measurement date and 3.58% for the June 30, 2017 measurement date.

The following presents the Recreational Center's proportional share of the total University OPEB liability, calculated using the discount rate of 3.58%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58% or 1 percentage point higher (4.58%) than the current rate.

Total OPEB Liability Discount Rate Sensitivity	
1% Decrease	$856,833
Current Discount Rate - 3.58%	$702,251
1% Increase	$582,630

The following represents the total OPEB liability of the Recreation Center calculated using the health care trend rates of 7.00% decreasing to 5.00%, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00% decreasing to 4.00%) or 1 percentage point higher (8.00% decreasing to 6.00%) than the current rate:

Total OPEB Liability Health Care Cost Trend Rate Sensitivity	
1% Decrease	$567,322
Current Discount Rate - 7.00%	$702,251
1% Increase	$883,338

TOTAL OPEB LIABILITY:
As of June 30, 2018, components of the proportionate share calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for the Recreation Center are represented in the following table:

Proportionate Share of WWU's share	0.7466%
Schedule of Changes in Total OPEB Liability	
Total OPEB Liability	**2018**
Service cost	$108,031
Interest	50,602
Changes of benefit terms	-
Differences between expected & actual experience	-
Changes in assumptions	(246,839)
Benefit payments	(25,788)
Change in Proportionate share	9,954
Other	-
Net Change in Total OPEB Liability	**($104,040)**
Total OPEB Liability - Beginning	**$806,291**
Total OPEB Liability - Ending	**$702,251**

Recreation Center’s proportionate share of OPEB expense for the fiscal year ended June 30, 2018 was $ 990.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

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

Deferred Outflows of Resources		
2018		
Change in proportion	$	3,840
Contributions subsequent to the measurement date		11,114
TOTAL	$	14,954

Deferred Inflows of Resources		
2018		
Changes of assumptions		$96,693
TOTAL	$	96,693

Amortization of Deferred Outflows and Deferred Inflows of Resources		
Year		
2019	$	(11,607)
2020		(11,607)
2021		(11,607)
2022		(11,607)
2023		(11,607)
Thereafter		(34,820)
TOTAL	$	(92,853)

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

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

	2014	2015	2016	2017
Recreation Center PERS 1 employers' proportion of the net pension liability	0.002365%	0.002311%	0.001825%	0.002223%
Recreation Center PERS 1 employers' proportionate share of the net pension liability	$129,519	$120,898	$97,990	$105,504
Recreation Center PERS 1 employers' covered-employee payroll	$246,340	$252,575	$214,480	$270,703
Recreation Center PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	52.58%	50.68%	41.97%	38.97%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%

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

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

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

	2014	2015	2016	2017
Recreation Center PERS 2/3 employers' proportion of the net pension liability	0.003045%	0.002986%	0.002336%	0.002860%
Recreation Center PERS 2/3 employers' proportionate share of the net pension liability	$59,589	$106,676	$117,616	$99,372
Recreation Center PERS 2/3 employers' covered-employee payroll	$262,066	$264,732	$222,246	$280,484
Recreation Center PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	22.74%	39.08%	52.92%	35.43%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%	90.97%

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

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

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

	2014	2015	2016	2017
Recreation Center TRS 1 employers' proportion of the net pension liability	0.006602%	0.003428%	0.000257%	0.000000%
Recreation Center TRS 1 employers' proportionate share of the net pension liability	$235,825	108,600	8,789	-
Recreation Center TRS 1 employers' covered-employee payroll	$239,778	$140,113	$11,631	-
Recreation Center TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	98.35%	251.47%	139.99%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	68.77%	65.70%	62.07%	0.00%

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

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

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

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

	2016	2017	2018
WWUSRP total pension liability	$141	$104	$95
WWU URP employers' covered-employee payroll	$386	$368	$397
WWUSRP total pension liability as a percentage of its covered-employee payroll	36.50%	28.30%	23.93%

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Schedule of Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30
Recreation Center

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	UAAL Contributions related to covered payroll of employees Participating in PERS plan 2/3	Total Contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$10,622	$0	$10,622	$10,622	$0	$9,882	$242,693	$252,575	4.21%
2016	$10,347	$0	$10,347	$10,347	$0	$7,337	$207,143	$214,480	4.82%
2017	$13,375	$0	$13,375	$13,375	$0	$7,269	$263,434	$270,703	4.94%
2018	$12,476	$0	$12,476	$12,476	$0	$4,202	$240,585	$244,786	5.10%
2019									
2020									
2021									
2022									
2023									
2024									

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$14,515	$14,515	$0	$272,962	5.32%
2016	$20,992	$20,992	$0	$222,246	9.45%
2017	$17,965	$17,965	$0	$280,190	6.41%
2018	$18,863	$18,863	$0	$251,452	7.50%
2019					
2020					
2021					
2022					
2023					
2024					

Notes:

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of Contributions

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30

Recreation Center

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in TRS plan 1	UAAL Contributions related to covered payroll of employees Participating in TRS plan 2/3	Total Contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in TRS 1	Covered payroll of employees participating in TRS 2/3	Total Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$7,806	$7,806	$0	$7,806	$0	$23,157	$116,956	$140,113	5.57%
2016	$794	$794	$0	$794	$0	$483	$11,231	$11,715	6.78%
2017	$0	$0	$0	$0	$0			$0	0.00%
2018	$0	$0	$0	$0	$0			$0	0.00%
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
WWUSRP Plan - Recreation Center
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2016	$34,311	$34,311	$ -	$386,442	8.88%
2017	33,934	33,934	-	368,328	9.21%
2018	35,057	35,057	-	397,010	8.83%
2019					
2020					
2021					
2022					
2023					
2024					
2025					

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

OPEB INFORMATION

Cost Sharing Healthcare Plans
Schedule of WWU's Proportionate Share of Total OPEB Liability

Schedule of Recreation Center Proportionate Share of Total OPEB Liability
*Measurement Date ended June 30 **

	2016	2017
Recreation Center employers' proportion of the total OPEB liability	0.012916%	0.012054%
Recreation Center employers' proportionate share of the total OPEB liability	$806,291	$702,251
Recreation Center employer's covered-employee payroll	$779,096	$733,699
Recreation Center employers' proportionate share of total OPEB liability as a percentage of its covered-employee payroll	103.49%	95.71%

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

OPEB INFORMATION

Cost Sharing Healthcare Plans
Schedule of Contributions

Schedule of Contributions
Health Care - OPEB
Fiscal Year Ended June 30
Recreation Center

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2018	$11,114	$11,114	$0	$755,074	1.47%
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					

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

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as fraud, state whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our website and through our free, electronic subscription service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

Contact information for the State Auditor's Office	
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