Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Western Washington University Housing and Dining System

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

Published December 20, 2018

Report No. 1022674

Office of the Washington State Auditor
Pat McCarthy

December 20, 2018

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

Report on Financial Statements

Please find attached our report on the Western Washington University Housing and Dining System's financial statements.

We are issuing this report in order to provide information on the Housing and Dining's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

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Western Washington University Housing and Dining System
July 1, 2016 through June 30, 2018

Board of Trustees
Western Washington University Housing and Dining System
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 Housing and Dining System (Housing and Dining), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Housing and Dining'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 Housing and Dining 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 Housing and Dining System, a department of the University are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of Housing and Dining. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2018 and 2017, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our 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 Housing and Dining'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing and Dining's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing and Dining'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 Housing and Dining'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 Housing and Dining's financial statements are free from material misstatement, we performed tests of the Housing and Dining'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 Housing and Dining'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 Housing and Dining'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 Housing and Dining System
July 1, 2016 through June 30, 2018

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (Housing and Dining), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Housing and Dining's basic financial statements as listed on page 11.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Housing and Dining System, as of June 30, 2018 and 2017, and the changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the Housing and Dining 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 Housing and Dining System, a department of the University are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that are attributable to the transactions of Housing and Dining. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2018 and 2017, the changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are 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 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the Housing and Dining's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing and Dining's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

November 16, 2018

FINANCIAL SECTION

Western Washington University Housing and Dining System
July 1, 2016 through June 30, 2018

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Overview

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

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 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 System's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

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

Statement of Net Position

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

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

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

(Dollars in Thousands)

	2018	2017	2016 Restated
Assets			
Current assets	$8,001	$9,276	$8,571
Noncurrent assets	39,508	10,004	13,190
Capital assets, net	110,507	101,511	100,363
Total assets	158,016	120,791	122,124
Deferred outflows	1,287	1,170	1,087
Liabilities			
Current liabilities	10,817	7,581	3,236
Noncurrent liabilities	70,890	40,479	30,412
Total liabilities	81,708	48,060	33,647
Deferred inflows	811	126	213
Net Position			
Net investment in capital assets	65,919	64,484	59,969
Restricted, expendable	3,426	3,381	3,361
Unrestricted	7,438	5,910	11,978
Total net position	$76,783	$73,775	$75,308

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets increased $37.2 million (30.8%) in fiscal year (FY) 2018 and decreased $1.3 million (-1.1%) during FY 2017.

Total Cash and Investments increased $ 28.4 million (163.0%) during FY 2018 (see Note 2) primarily due to the investment of unspent bond proceeds. During FY 2018, the System issued $33.7 million in revenue bonds to fund a new Multicultural Center and renovations to certain residence halls. These bond proceeds were invested in both long and short term instruments, with maturities matched to anticipated cash flow needs. The allocation of cash and investments between current and noncurrent is governed by the university's investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk. Unrestricted current cash and investments decreased $1.1 million in FY 18 due to a shift to longer-term investments. Total Cash and Investments decreased $3.0 million (-14.7%) during FY 2017 as a result of increased spending in operations and capital assets.

Depreciable and non-depreciable capital assets increased $8,995,404 (8.9%) due to increases in construction-in-progress of the Multicultural Center and residence halls renovations combined with other capital additions (see Note 3). Depreciable and non-depreciable capital assets increased in FY 2017 by $1,148,585 (1.1%) primarily due to an increase in construction in progress. (See Note 3).

Major projects completed during FY2018 were: Gamma renovation and Carver food service addition. The major project completed during FY 2017 was the Nash mechanical room upgrade.

Current liabilities exceed current assets by $2,765,135 in FY2018 as a result of increased payables for renovation and capital projects. Current assets exceed current liabilities by $1,695,047 in FY 2017. 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 $3,235,868 (42.7%) in FY2018 due to the impact of payables related to renovations and bonds payable. Current liabilities increased $211,867 in FY 2017 (2.9%) due primarily to increases in current bonds payable and accounts payable.

Total noncurrent liabilities increased $30,411,593 (75.1%) during FY2018 due primarily to the increase in bonds payable combined with decreases in pension and other postemployment benefits (OPEB). The OPEB and pension liabilities decreased $597,554 (-10.6%). During FY 2018, the System adopted and implemented GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other Than Pensions" (see Note 7). As a result The System has included its share of the actuarially calculated OPEB total liability in the amount of $3,577,005 for FY 2018 compared to $3,663,726 for FY 2017. Total noncurrent liabilities increased 158,647 (0.4%) during FY 2017 primarily due to a decrease in long term debt offset with an increase in the OPEB liability.

The difference between assets and deferred outflows less liabilities and deferred inflows is net position. The change in net position measures whether the overall financial condition has improved or deteriorated during the year and is driven by the difference between revenues and expenses. The implementation of GASB statement No. 75 OPEB (see Note 8) in FY 2018 required The System to include its share of University's unfunded OPEB liability and to restate the FY 2017 net position by $3,608,394. Total net position increased $3,007,751 (4.1%) in FY 2018 due to increases in net investment in capital assets and unrestricted net assets, and decreased $1,532,635 (-2%) in FY2017 due to the restatement of unrestricted net assets from the implementation of GASB Statement No. 75.

Net investment in capital assets increased in $1,434,814 (2.2%) in FY2018 due to the capitalization of the Gamma and Carver projects. Net investment in capital assets increased in FY 2017 by $4,515,692 (7.5%) primarily due to the reduction in bonds payable combined with a $1,148,585 increase in capital assets, net.

Unrestricted net position increased $1,527,343 (25.8%) in FY2018 as the growth in revenue outpaced expenses. Unrestricted net position decreased $6,068,327 (-50.7%) in FY 2017 primarily due to the restatement from the implementation of GASB Statement No. 75 combined with increased spending on operations and capital.

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the

System's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

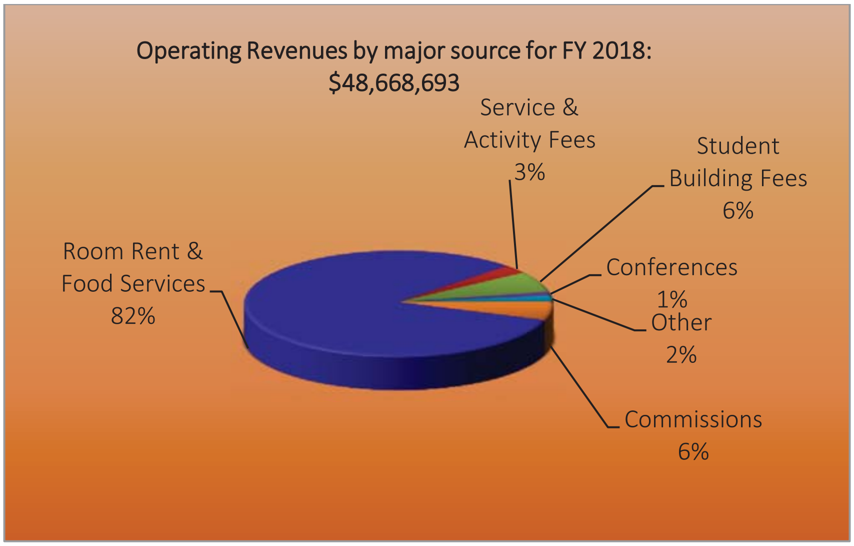
In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students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

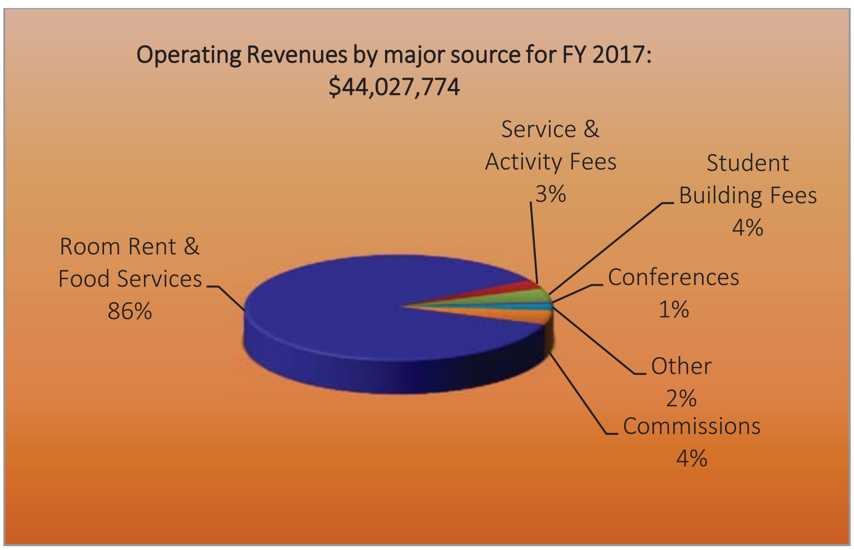
Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the FY years ended June 30, 2018, 2017, and 2016:

(Dollars in thousands)

	2018	2017	2016 Restated
Operating revenues	$48,669	$44,028	$42,844
Operating expenses	(44,482)	(40,613)	(38,728)
Income from operations	4,187	3,415	4,116
Nonoperating revenues	894	478	1,316
Nonoperating expenses	(2,073)	(1,816)	(1,938)
Increase in Net Position	3,008	2,076	3,494
Net Position, Beginning of year	73,775	75,308	71,814
Restatement	-	(3,608)	-
Net Position, Beginning of year , as restated	73,775	71,700	71,814
Net Position, End of year	$76,783	73,775	$75,308

Total operating revenue increased for FY 2018 primarily influenced by increases to room and board revenue and student building fee revenue which supports the Viking Union and the new Multicultural Center.





Room rent and food service revenues increased $2,138,553 (5.7%) in FY2018 due to a 6% rate increase and 1.35% occupancy increase. Room rent and food service revenues increased $1,727,216 (4.8%) in FY 2017 due to a 4.0% rate increase and 1.5% occupancy increase.

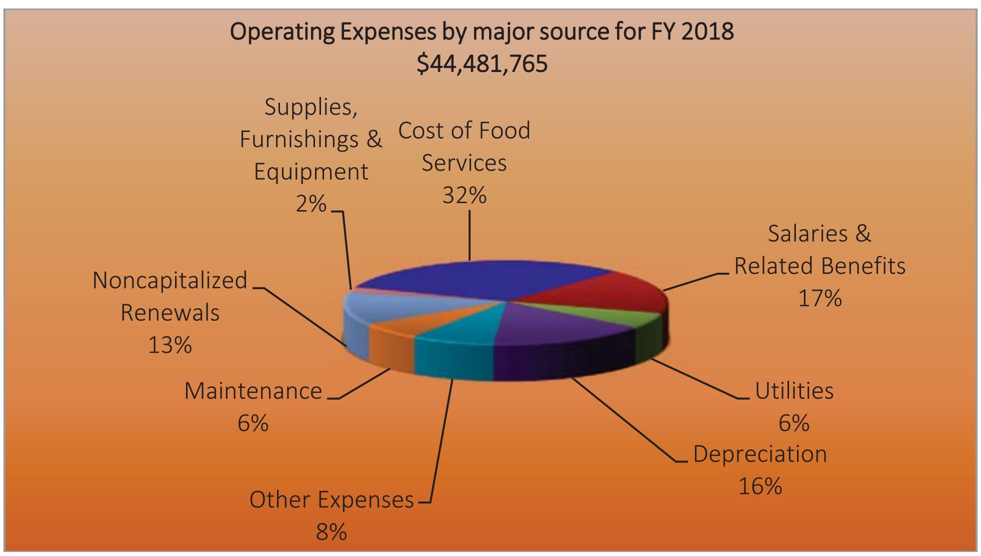
Student building fee revenue increased $1,327,712 (74%) due to collections from the new $30 per quarter Multicultural Center Fee which began Fall 2017. There was no increase to the Viking Union building fee. Student building fee revenue increased $157,280 (9.6%) in FY 2017 due to a $4 per quarter or 10.0% increase in the fee (from $39 to $43.)

Conference revenue increased $274,422 (80.4%) due to additional conference bookings. Conference revenue decreased $199,366 (-36.9%) in FY 2017 due to reduced bookings.

Viking Union revenue increased $41,686 (9.7%) due to increases in interest earnings, AS chargebacks and facility use. The remainder of the increase is due to fee and facility use increases. Viking Union revenue increased $25,407 (6.3%) in FY 2017 due primarily to an increase in recycle center revenue.

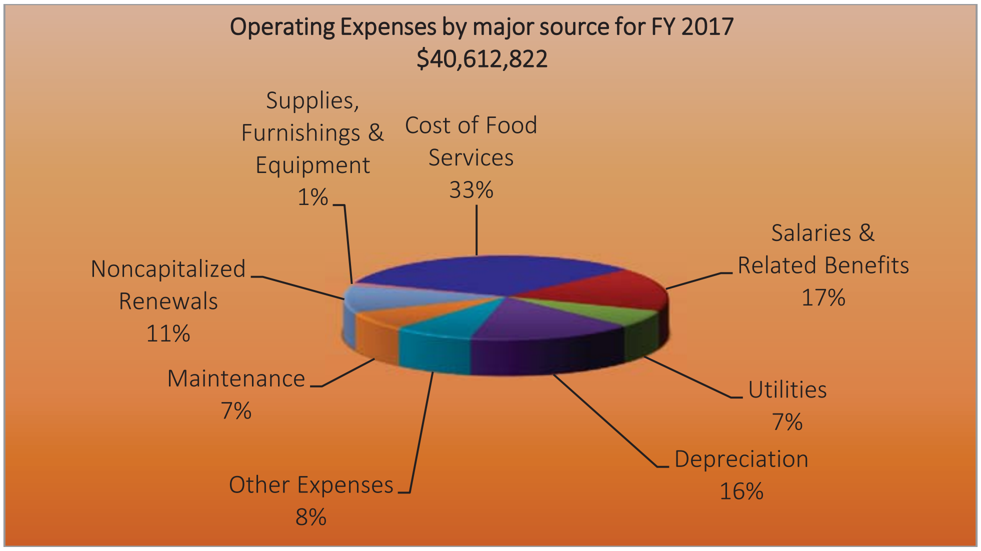
Commission revenue increased $819,743 (42.6%) primarily due to the comparative impact of the FY2017 one-time adjustment. Commission revenue decreased $477,446 (-19.9%) in FY 2017 due to a one-time adjustment to the contracted dining commission level. (See Note 6).

Fees, penalties, and other income increased $5,656 (1.9%) due to a slight increase in other income. Fees, penalties, and other income decreased $56,487 (-16.3%) in FY 2017 primarily due to a reduction in other income (surplus sale proceeds.)



Overall operating expenses for FY 2018 increased $3,868,943 (9.5%) and $1,876,754 (4.8%) for FY 2017due primarily to an increase in non-capitalized renewals and replacements.

Cost of food services for FY2018 increased $650,780 (4.9%) due to the effect of a 5.25% board rate increase, and an occupancy increase. Cost of food services for FY 2017 increased $647,123 (5.1%) due to the effect of a 4.6% rate increase and an increase in occupancy (students on resident dining plans).



Salaries and benefits expense for FY 2018 increased $828,085 (11.9%) due to increases in state wages, state minimum wage, and several benefit line items. FY2018 charges related to GASB statements No. 68, 73 and 75 totaled $155,838. Salaries and benefits expense for FY 2017 decreased $4,765 (-0.1%) primarily due to the decrease in GASB Statement No. 73 pension liability reporting net against the increase in wages and benefits coupled with a decrease in wage buyout expenses. (See Note 1).

Utilities expense decreased $4,940 (-0.2%) due to slight decreases in electricity and heating (natural gas). Utilities expense decreased $7,876 (-0.3%) in FY 2017 due to slight decreases in electricity, water, and refuse disposal expenses.

Repairs and maintenance expense for FY2018 decreased $108,387 (-3.7%) due to several larger FY2018 repair projects categorized as non-capitalized renewals & replacements. The Facilities Maintenance recharge rate increased variably across the maintenance crafts. Repairs and maintenance expense for FY 2017 increased $421,303 (16.7%) due to an approximately 4.8% increase in the recharge rate and an increase in planned and reactive maintenance.

Furniture and Equipment expense increased $365,820 (153%) in FY2018 primarily due to increased room chair purchases and the purchase of the housing management software. Furniture and Equipment expense for FY2017 decreased $7,523 (-3.0%) primarily due to reductions in computer and computer component purchases.

Depreciation expense increased $344,762 (5.2%) due to the increase in capitalized assets. Depreciation expense decreased $183,354 (-2.7%) in FY 2017 due to scheduled depreciation on existing assets.

WWU's administrative services assessment fee (included in institutional services) increased $268,213 (18%) in FY2018 and decreased $55,108 (-3.6%) in FY2017. The rate charged against the System revenues (less food service contract) was 5.775% in FY2018 and 5.5% for FY2017.

Other expenses increased $154,015 (17.5%) primarily due to costs associated with the FY 2018 bond issues. Other expenses increased $45,788 (5.5%) in FY 2017 influenced primarily by increases in tax expense and bad debt expense.

Non-operating expenses (interest & amortization) for FY2018 increased $256,529 (14.1%) due to the increase in bond interest expense. Non-operating expenses (interest & amortization) for FY 2017 decreased $121,923 (-6.3%) due to reduced bond interest expense. (See Note 4).

Non-Operating revenue for FY2018 increased $416,547 (87.2%) influenced primarily by increased investment income from bond proceeds and a capital contribution from the Bookstore. Non-Operating revenue for FY 2017 decreased $838,527 (-63.7%) due to a reduction in comparative capital contribution. (See Note 6).

Economic Factors and Significant Events

WWU's fall quarter of FY 2018 enrollment headcount of 14,968 represents a 2.65% increase over fall quarter of FY 2017 enrollment. Management addresses housing demand independent of enrollment through room capacity practices such as adding or reducing the number of beds in a room. Opening occupancy for fall 2018 is expected to be slightly less than that of fall 2017 due primarily to a reduction to the number of students choosing to continue living on campus.

The System's auxiliary capital plan, shared with WWU's Board of Trustees in December 2016, addresses future development and renovation needs of the System, and has been informed by the results of an extensive facility condition assessment. $33,680,000 in bonds were issued in March 2018 to fund the initial two years of this work (Buchanan Towers renovation) as well as the construction of the new Multicultural Center addition to the Viking Union. A request for qualifications for a Housing & Dining Development Assessment has been recently released with the goal of obtaining a comprehensive assessment of the System that will evaluate programs, amenities, facility renovations, additions, repurposing and replacements, and financing options. Viking Union management worked with architectural consultants to develop concept options for further long-term renewal and/or additions to the Viking Union complex. These long-range development efforts will be the basis of the revised System capital plan.

Planning for the addition of an approximately 400-bed on-campus residence hall has begun. The project will be delivered through a progressive design-build process and will be supported with revenue bonds issued autumn 2019. The facility is planned to open September 2021.

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

STATEMENT OF NET POSITION

June 30, 2018 and 2017

Assets	2018	2017 Restated
Current assets		
Cash and cash equivalents (Note 2)	$1,677,194	$2,060,249
Investments (Note 2)	4,599,549	5,340,048
Accounts receivable, net of allowance of $99,417 and $77,418 in 2018 and 2017, respectively	340,593	277,318
Interest receivable	115,446	20,957
Other receivables	1,267,807	1,577,869
Total current assets	8,000,589	9,276,441
Noncurrent assets		
Restricted investments (Note 2)	29,971,571	3,130,223
Investments (Note 2)	9,535,766	6,873,136
Nondepreciable capital assets (Note 3)	14,198,347	8,912,369
Depreciable capital assets, net (Note 3)	96,308,356	92,598,930
Total noncurrent assets	150,014,040	111,514,658
Total assets	158,014,628	120,791,099
Deferred Outflows		
Deferred loss on bond refunding	890,179	705,104
Related to pension (Note 6)	320,660	409,881
Related to OPEB (Note 7)	76,169	55,332
Total deferred outflows	1,287,008	1,170,317
Liabilities		
Current liabilities		
Accounts payable	4,255,130	1,975,955
Accrued expenses	294,449	262,804
Residents' housing deposits	1,277,858	1,315,000
Unearned revenues	263,433	251,918
Bonds interest payable	921,392	490,717
Current portion of bonds payable (Note 4)	3,805,000	3,285,000
Total current liabilities	10,817,262	7,581,394
Noncurrent liabilities		
Compensated Absences	370,592	370,855
Bonds payable, less current portion (Note 4)	65,456,513	34,447,103
Net pension liability (Note 4, 6)	1,486,191	1,997,024
Net OPEB Liability (Note 7)	3,577,005	3,663,726
Total noncurrent liabilities	70,890,301	40,478,708
Total liabilities	81,707,563	48,060,102
Deferred Inflows		
Related to pension (Note 6)	318,489	126,001
Related to OPEB (Note 7)	492,520	-
Total deferred inflows	811,009	126,001
Net Position		
Net investment in capital assets	65,919,114	64,484,300
Restricted, expendable	3,426,159	3,380,565
Unrestricted	7,437,791	5,910,448
Total net position	$76,783,064	$73,775,313

See Accompanying Notes to the Financial Statements

	2018	2017 Restated
Operating Revenues		
Room rent and food services	$39,959,454	$37,820,901
Service and activity fees	1,323,752	1,300,396
Student building fees	3,120,325	1,792,613
Conferences	615,640	341,218
Viking Union income	470,358	428,672
Rent	140,163	130,372
Commissions	2,742,720	1,922,977
Fees, penalties, and other income	296,281	290,625
Total operating revenue	48,668,693	44,027,774
Operating Expenses		
Cost of food services	14,055,608	13,404,829
Salaries and related benefits	7,770,136	6,942,051
Utilities	2,627,076	2,632,016
Repairs and maintenance	2,839,675	2,948,062
Communications	198,995	203,057
Insurance	469,325	468,810
Supplies	337,463	315,376
Furniture and equipment	605,230	239,410
Institutional services	1,963,871	1,666,105
Depreciation	6,994,253	6,649,491
Noncapitalized renewals and replacements	5,584,177	4,261,674
Other	1,035,956	881,941
Total operating expenses	44,481,765	40,612,822
Income from operations	4,186,928	3,414,952
Nonoperating Revenues (Expenses)		
Investment income	424,813	180,739
Build America Bonds interest subsidy	284,735	290,732
Other capital contribution	184,795	6,325
Interest expense	(2,352,618)	(2,012,596)
Amortization of bond discounts and premiums	279,099	195,607
Total nonoperating (expenses) revenues	(1,179,176)	(1,339,193)
Increase in net position	3,007,751	2,075,758
Net Position, Beginning of Year	73,775,313	75,307,948
Restatement (Note 1)	-	(3,608,394)
Net Position as restated	73,775,313	71,699,554
Net Position, End of Year	$76,783,064	$73,775,313

See Accompanying Notes to the Financial Statements

	2018	2017 Restated
Cash Flows from Operating Activities		
Cash received from students and other customers	48,889,851	$43,471,316
Cash paid to employees	(7,582,909)	(7,076,986)
Cash paid to suppliers	(29,626,802)	(26,800,433)
Net cash flows provided by operating activities	11,680,140	9,593,897
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	46,690,611	-
Interest earned on bond proceeds	176,375	-
Capital Contribution	184,795	6,325
Payment of long-term debt	(15,067,177)	(3,171,501)
Interest payments	(1,921,943)	(2,042,160)
Build America Bonds interest subsidy	284,735	290,732
Purchase of capital assets	(13,801,063)	(7,929,671)
Net cash flows (used in) by capital and related financing activities	16,546,334	(12,846,275)
Cash Flows from Investing Activities		
Investment income received	153,949	243,016
Net (loss) proceeds of restricted investments	-	(71,019)
Net purchases of investments	(28,763,479)	2,786,921
Net cash flows (used in) provided by investing activities	(28,609,530)	2,958,918
Net change in cash and cash equivalents	(383,056)	(293,460)
Cash and Cash Equivalents, Beginning of Year	2,060,249	2,353,709
Cash and Cash Equivalents, End of Year	$1,677,193	$2,060,249
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	4,186,928	3,414,952
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	6,994,253	6,649,491
Net pension expense	(229,125)	(168,653)
Net OPEB expense	384,962	-
Change in operating assets and liabilities		
Accounts receivable	(63,275)	(60,850)
Other receivables	310,062	(529,554)
Accounts payable	90,574	220,847
Accrued salaries and benefits	31,389	33,718
Residents' housing deposits	(37,142)	49,395
Unearned revenue	11,515	(15,449)
Cash flows from operating activities	$11,680,141	$9,593,897
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	$2,188,593	($131,596)

See Accompanying Notes to the Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Financial Statement Presentation

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

Basis of Accounting

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

Cash, Cash Equivalents, and Investments

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

Accounts Receivable

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

Capital Assets

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

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

Compensated Absences

The accrued leave balances as of June 30, 2018 and 2017 are $370,592 and $370,855, 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.

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

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

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

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

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

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

Restatement of Total Pension Liabilities
During FY 2017, WWU adopted GASB Statement No. 73 - Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB statements 67 and 68." Statement No. 73 requires that the System record in its statements the net position of the earliest period presented. The Benefits Expense and the Net Pension Obligations amounts for FY

2016 increased by $378,594. The total pension liability information is provided to the System by the Office of State Actuaries. The information provided only allowed the System to restate FY 2016.

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

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

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

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

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

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

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

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

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

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

Administrative Assessment
WWU provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was $1,758,127 and $1,489,914, which was 5.775% and 5.5% of revenues (less food service contract) for the years ending June 30, 2018 and 2017, respectively.

Tax Exemptions
WWU, and the System as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under

the provisions of Section 115(a) of the Internal Revenue Code and are exempt from federal income taxes on related income.

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

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

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

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

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

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

The System's restricted investments of $29,971,571 and $3,130,223 in FY 2018 and FY 2017 respectively are restricted for unspent bond proceeds and renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities and cash equivalents.

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

	Fair Value Measurements as of June 30, 2017 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$2,060,249	$ -	$ -	$2,060,249	0.003
Investments					
Certificates of deposit - restricted	1,608,913	-	-	1,608,913	3.241
U.S. Treasuries - restricted	-	1,521,310	-	1,521,310	0.874
Certificates of deposit	562,785	-	-	562,785	2.532
Commercial Paper	1,125,201	-	-	1,125,201	0.045
U.S. Treasuries	-	2,802,071	-	2,802,071	1.688
U.S. Agencies	-	7,723,128	-	7,723,128	1.805
	$5,357,148	$12,046,509	$ -	$17,403,657	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2018 and 2017 was $6,994,253 and $6,649,491, respectively.

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

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

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

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

NOTE 4. NON-CURRENT LIABILITIES

BONDS:

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

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

	June 30, 2018	June 30, 2017
Series 2018B Housing and Dining Revenue Bonds (original issue price of $33,680,000) with interest rates ranging from 3.0% to 4.0% and principal payments due in annual amounts ranging from $415,000 to $2,050,000 through April 1, 2043. The Series 2018B bonds have an aggregate face value of $33,680,000 at June 30, 2018 which is reported net of the unamortized original issues premium of $1,067,725.	$34,747,725	$ -
Series 2018A Housing and Dining Revenue and Refunding Bonds (original issue price of $10,695,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from $350,000 to $985,000 through April 1, 2034. The Series 2018A bonds have an aggregate face value of $10,695,000 at June 30, 2018 which is reported net of the unamortized original issues premium of $1,161,271.	11,856,271	-
Series 2015 Housing and Dining Refunding Bonds (original issue price of $13,435,000) with interest rates ranging from 2.0% to 5.0% and principal payments due in annual amounts ranging from $985,000 to $1,530,000 through October 31, 2026. The Series 2015 bonds have an aggregate face value of $10,330,000 at June 30, 2018 which is reported net of the unamortized original issues premium of $1,093,376.	11,423,376	12,734,914
Series 2012 Revenue and Refunding Bonds (original issue price of $9,205,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from $750,000 to $980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of $5,255,000 at June 30, 2018 which is reported net of the unamortized original issues premium of $162,133.	5,417,133	6,317,027
Series 2009 A & B Housing and Dining Revenue Bonds (original issue price of $12,835,000) with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from $295,000 to $360,000 through April 1, 2019. The Series 2009 bonds have an aggregate face value of $360,000 at June 30, 2018 which is reported net of the unamortized original issue premium of $0.	360,000	12,180,000
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of $17,225,000) with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from $825,000 to $1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of $5,430,000 at June 30, 2018, which is reported net of the unamortized original issue premium of $27,008.	5,457,008	6,500,162
	69,261,513	37,732,103
Less current portion	(3,805,000)	(3,285,000)
	$65,456,513	$34,447,103

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

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

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

Non-current Liabilities	June 30, 2016	Additions	Reductions	June 30, 2017	Current Portion
BONDS PAYABLE					
Series 2015 Refunding Bonds	$12,450,000	$ -	($1,050,000)	$11,400,000	$1,070,000
Series 2012 Refunding Bonds	6,905,000	-	(810,000)	6,095,000	840,000
Series 2009 Revenue Bonds	12,515,000	-	(335,000)	12,180,000	345,000
Series 1998 Junior Lien Revenue Refunding	7,435,000	-	(975,000)	6,460,000	1,030,000
	39,305,000	-	(3,170,000)	36,135,000	3,285,000
Plus unamortized premium	1,931,491	-	(334,388)	1,597,103	-
Less unamortized discount	-	-	-	-	-
Total Bonds Payable	41,236,491	-	(3,504,388)	37,732,103	3,285,000
Compensated Absences	340,371	30,484		370,855	
Pension Liabilities	1,913,199	83,825		1,997,024	-
OBEB Liability	-	3,663,726		3,663,726	-
Total Non-current liabilities	$ 43,490,061	$ 3,778,035	$ (3,504,388)	$ 43,763,708	$ 3,285,000

Total interest incurred on bonds payable for the years ended June 30, 2018 and June 30, 2017 was $2,352,618 and $2,012,596, respectively.

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

	Principal	Interest	Total
2019	3,805,000	3,563,005	7,368,005
2020	4,400,000	2,498,031	6,898,031
2021	4,600,000	2,296,031	6,896,031
2022	4,825,000	2,080,156	6,905,156
2023	4,415,000	1,874,156	6,289,156
2024-2028	14,250,000	6,996,805	21,246,805
2029-2033	11,145,000	4,577,837	15,722,837
2034-2038	8,820,000	2,842,525	11,662,525
2039-2043	9,490,000	1,168,400	10,658,400
	65,750,000	27,896,946	$93,646,946
Plus unamortized premiums	3,511,513		
	$69,261,513		

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2018 and 2017, these commitments totaled $33,265,116 and $11,370,731 respectively, for all funds.

NOTE 6. PENSION PLANS

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

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

Housing and Dining’s proportionate share of WWU’s share of the total net unfunded liabilities associated with the defined-benefit pension plans administered by the DRS was $1,217,123 as of June 30, 2018 and $1,646,947 as of June 30, 2017. The liability associated with the defined-benefit pension plan administered by WWU was $269,069 as of June 30, 2018 and $350,077 as of June 30, 2017. The total pension expense recorded by the Recreation Center related to both the DRS and University plans was $9,614 and $208,711 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.

VESTING AND BENEFITS PROVIDED:

PERS Plan 1

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

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

PERS Plan 2/3

PERS 2/3 provides retirement, disability and death benefits. PERS Plan 2 members are vested after completing five years of eligible service. PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44. Plan 3 members are immediately vested in the defined contribution portion of their plan.

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

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

FIDUCIARY NET POSITION:

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

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

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

Administration of the PERS system and plan was funded by an employer rate of 0.18% of employee salaries.

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

ACTUARIAL ASSUMPTIONS:

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

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

- **Inflation:** 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%

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 TO CHANGES IN THE DISCOUNT RATE:

The following table presents Housing & Dining's net pension liability position by plan calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% point lower (6.50%) 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	$	764	$	627	$	508
PERS 2/3		1,590		590		(229)

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 Universit and the employees made the required contributions.

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

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

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

Required Contributions		
	FY 2017	FY 2018
PERS		
Plan 1	$ -	$ -
Plan 2	152,637	189,435
Plan 3	33,543	44,426

HOUSING & DINING PROPORTIONATE SHARE AND AGGREGATED BALANCES:

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the 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. Housing & Dining'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
2018	4.2084%	4.4807%
2017	4.3157%	4.5321%

Aggregate Pension Amounts		PERS 1		PERS 2/3		Total
Net Pension Liability June 30, 2018	$	626,778	$	590,344	$	1,217,122
Net Pension Liability June 30, 2017		757,281		889,666		1,646,947

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

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

Proportionate Share of Pension Expense		PERS 1		PERS 2/3		Total
Year Ended June 30, 2018	$	(2,637)	$	84,328	$	81,691
Year Ended June 30, 2017	$	4,726	$	131,297	$	136,023

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	Total
Difference between expected and actual experience	$ -	$ 59,816	$ 59,816
Changes of assumptions	-	6,271	$ 6,271
Change in proportion	-	20,713	$ 20,713
Contributions subsequent to the measurement date	88,551	145,309	$ 233,860
TOTAL	$ 88,551	$ 232,109	$ 320,660

Deferred Inflows of Resources

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

Amortization of Deferred Outflows and Deferred Inflows of Resources

YEAR	PERS 1	PERS 2/3	Total
2019	$ (15,810)	$ (54,806)	$ (70,616)
2020	$ 4,991	$ 22,471	$ 27,462
2021	$ (1,159)	$ (14,984)	$ (16,143)
2022	$ (11,412)	$ (66,093)	$ (77,505)
2023	$ -	$ 2,521	$ 2,521
Thereafter	$ -	$ 3,277	$ 3,277
TOTAL	$ (23,390)	$ (107,614)	$ (131,004)

Deferred Outflows of Resources			
2017	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	$ -	$ 47,375	$ 47,375
Changes of assumptions	-	9,195	$ 9,195
Net difference between projected and actual earnings on pension plan investments	19,067	108,869	$ 127,936
Change in proportion	-	32,017	$ 32,017
Contributions subsequent to the measurement date	85,410	107,948	$ 193,358
TOTAL	$ 104,477	$ 305,404	$ 409,881

Deferred Inflows of Resources			
2017	PERS 1	PERS 2/3	Total
Difference between expected and actual experience	$ -	$ 29,369	$ 29,369
TOTAL	$ -	$ 29,369	$ 29,369

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 Housing & Dining'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	$ 99,293	$ 112,574
University	99,295	113,948

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 Housing & Dining's financial statements.

The total pension liability was determined by an actuarial valuation as of June 30, 2016, with the results rolled forward to the June 30, 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 Housing & Dining'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%	$304,997
Current Discount Rate: 3.87%	$269,069
1% Increase: 4.87%	$238,981

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, Housing & Dining reports the total WWUSRP pension liability. This is different from the DRS plans (PERS, TRS, and LEOFF2), which have trusted assets and, therefore, are reported as a net pension liability.

Schedule of Changes in Total Pension Liability		
Beginning Balance - June 30,2016		$ 378,594
Service Cost	$ 5,194	
Interest	4,138	
Differences Between Expected and Actual Experience	(25,932)	
Changes in Assumptions	(10,448)	
Benefits Payments	(1,469)	
Net Change in Total Pension Liability FY 17		(28,517)
Balance as of June 30,2017		350,077
Service Cost	32,133	
Interest	36,493	
Differences Between Expected and Actual Experience	(97,401)	
Changes in Assumptions	(35,708)	
Benefits Payments	(16,524)	
Net Change in Total Pension Liability FY 18		(81,008)
Ending Balance - June 30,2018		**$ 269,069**

Housing & Dining's proportionate share of the WWUSRP pension expense for the fiscal years ended June 30, 2018 and 2017 was $ (72,078) and $ 72,687 respectively.

DEFERRED INFLOWS OF RESOURCES:

The tables below summarize Housing & Dining'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	$	72,421	$	68,880
Changes of assumptions		28,265		27,752
TOTAL	**$**	**100,686**	**$**	**96,632**

Amortization of Deferred Inflows of Resources		
Year		
2019	$	(19,344)
2020		(19,344)
2021		(19,344)
2022		(19,344)
2023		(15,082)
Thereafter		(8,228)
TOTAL	**$**	**(100,686)**

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

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

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal years 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:

OPEB Plan Participants

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

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

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

The total OPEB liability was determined by an actuarial valuation as of January 1, 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 Housing & Dining'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	$4,364,389
Current Discount Rate - 3.58%	$3,577,006
1% Increase	$2,967,698

The following represents the total OPEB liability of Housing & Dining 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	$2,889,728
Current Discount Rate - 7.00%	$3,577,006
1% Increase	$4,499,393

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 Housing & Dining are represented in the following table:

Proportionate Share of WWU's share	3.8029%
Schedule of Changes in Total OPEB Liability	
Total OPEB Liability	**2018**
Service cost	$90,046
Interest	42,178
Changes of benefit terms	-
Differences between expected & actual experience	-
Changes in assumptions	(205,746)
Benefit payments	(21,495)
Change in Proportionate share	8,297
Other	-
Net Change in Total OPEB Liability	**($86,720)**
Total OPEB Liability - Beginning	**$3,663,726**
Total OPEB Liability - Ending	**$3,577,006**

Housing & Dining's proportionate share of OPEB expense for the fiscal year ended June 30, 2018 was $ 441,571.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

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

Deferred Outflows of Resources		
2018		
Change in proportion	$	19,560
Contributions subsequent to the measurement date		56,608
TOTAL	**$**	**76,169**

Deferred Inflows of Resources		
2018		
Changes of assumptions		$492,520
TOTAL	**$**	**492,520**

Amortization of Deferred Outflows and Deferred Inflows of Resources		
Year		
2019	$	(59,120)
2020		(59,120)
2021		(59,120)
2022		(59,120)
2023		(59,120)
Thereafter		(177,360)
TOTAL	**$**	**(472,960)**

PENSION PLAN INFORMATION

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

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

	2014	2015	2016	2017
Housing & Dining System PERS 1 employers' proportion of the net pension liability	0.016016%	0.014712%	0.014101%	0.013209%
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability	$1,157,409	$769,578	$757,281	$626,778
Housing & Dining System PERS 1 employers' covered-employee payroll	$1,668,417	$1,607,762	$1,657,525	$1,608,185
Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	69.37%	56.37%	43.13%	38.97%
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 Housing and Dining System's Proportionate Share of the Net Pension Liability

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

	2014	2015	2016	2017
Housing & Dining PERS 2/3 employers' proportion of the net pension liability	0.017383%	0.017106%	0.017670%	0.016991%
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability	$351,380	$611,214	$889,666	$590,345
Housing & Dining System PERS 2/3 employers' covered-employee payroll	$1,496,262	$1,516,820	$1,681,103	$1,666,293
Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	39.49%	52.92%	35.43%
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.

Cost Sharing Employer Plans

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

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

	2016	2017	2018
WWUSRP total pension liability	$379	$350	$269
WWU URP employers' covered-employee payroll	$467	$486	$500
WWUSRP total pension liability as a percentage of its covered-employee payroll	81.07%	71.99%	53.81%

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	UAAL Contributions related to covered payroll of employees Participating in PERS plan 2/3	Total Contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$67,849	$6,987	$60,862	$67,849	$0	$62,902	$1,544,860	$1,607,762	4.22%
2016	$79,994	$1,725	$78,269	$79,994	$0	$56,705	$1,600,821	$1,657,525	4.83%
2017	$79,456	$0	$79,456	$79,456	$0	$43,181	$1,565,004	$1,608,185	4.94%
2018	$93,100	$0	$93,100	$93,100	$0	$31,355	$1,795,295	$1,826,650	5.10%
2019									
2020									
2021									
2022									
2023									
2024									

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

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

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$83,163	$83,163	$0	$1,547,592	5.37%
2016	$105,012	$105,012	$0	$1,681,103	6.25%
2017	$106,724	$106,724	$0	$1,666,293	6.40%
2018	$140,761	$140,761	$0	$1,876,389	7.50%
2019					
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 - Housing & Dining
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2016	$91,087	$91,087	$ -	$466,976	19.51%
2017	113,948	113,948	-	486,293	23.43%
2018	99,295	99,295	-	500,066	19.86%
2019					
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 Housing and Dining System Proportionate Share of Total OPEB Liability
Measurement Date ended June 30 *

	2016	2017
Housing & Dining employers' proportion of the total OPEB liability	0.058689%	0.061399%
Housing & Dining System employers' proportionate share of the total OPEB liability	$3,663,726	$3,577,006
Housing & Dining System employers' covered-employee payroll	$3,161,758	$3,093,752
Housing & Dining System employers' proportionate share of the total OPEB liability as a percentage of its covered-employee payroll	115.88%	115.62%

* 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
Housing and Dining System

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	$56,608	$56,608	$0	$3,257,555	1.74%
2019					
2020					
2021					
2022					
2023					
2024					
2025					
2026					
2027					

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

OTHER INFORMATION

SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2018

(Unaudited)

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	$11,400	$10,971	$10,549	$10,115
Single room/single occupancy	$12,568	$12,139	$11,717	$11,283
Double room/single occupancy (super single)	$13,245	$12,816	$12,394	$11,960
Triple room/triple occupancy	$9,976	$9,547	$9,125	$8,691

APARTMENTS

	Double with 2/bedroom	Super Single 1/bedroom	Family Rate
Apartment only Academic Year Contracts			
Birnam Wood - 2 Bedroom Units	$3,618	$7,221	$14,463

WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM

SCHEDULE OF OCCUPANCY

Year Ended June 30, 2018

(Unaudited)

	OCCUPANCY CAPACITY		ACTUAL	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed (1)	Operating (2)	OCCUPANCY	Designed Capacity	Operating Capacity
Fall 2017	4,265	4,145	4,104	96.2%	99.0%
Winter 2018	4,265	4,145	3,894	91.3%	93.9%
Spring 2018	4,265	4,145	3,690	86.5%	89.0%
Average	4,265	4,145	3,896	91.3%	94.0%

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

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

SCHEDULE OF INSURANCE COVERAGE FY 2018

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

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

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

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

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

The Housing and Dining System’s property insurance in effect at June 30, 2018 is summarized as follows:

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

EXPENDED FOR PLANT FACILITIES FY 2018 and FY 2017

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

	2018	2017
Capitalized Projects		
Gamma Renovation	$1,951,805	$5,057,937
New Residence Planning	-	659,998
Carver Dining Addition	1,184,553	644,888
VU Multicultual Center	6,011,194	593,799
Buchanan Towers Renov	7,378,264	269,127
Other capitalizable	320,302	131,700
	16,846,118	7,357,449
Non-Capitalized Projects		
Nash Mechancial Room	$ -	$1,123,541
Moisture intrustion & Foundations	1,083,425	806,564
Furniture & Carpet	260,956	492,276
Stormwater & Site Drainage	-	356,447
Deck Repair & Replacement	1,464,314	-
Other	662,813	337,286
New Residence Planning	868,806	-
Fire Safety / Safety Corrections	201,647	329,909
Painting	279,112	310,312
Plumbing, heating and electrical	207,358	244,294
Viking Union Projects	165,321	49,423
Network & WiFi projects	-	5,898
Equipment	31,170	35,329
Building Envelope Renovation	-	74,505
Roof Repair/Recoat/Replace	162,922	47,852
Bathroom & Shower renovations	114,484	36,922
Facility Condition Audit	70,920	5,972
Media Installations	-	4,776
ADA Upgrades	10,930	369
	$5,584,177	$4,261,674

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	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov