Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

# Western Washington University Housing and Dining System

For the period July 1, 2018 through June 30, 2020

Published December 17, 2020
Republished February 5, 2021
Report No. 1027354

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

February 5, 2021

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 System's financial condition.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

### *Americans with Disabilities*

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## Western Washington University Housing and Dining System
## July 1, 2018 through June 30, 2020

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 (System), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 19, 2020.

As discussed in Note 8 to the 2020 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the System. Management's plans in response to this matter are also described in Note 8.

The financial statements of the Western Washington University Housing and Dining System, a department of the University are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2020 and 2019, 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 System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 System'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 System's financial statements are free from material misstatement, we performed tests of the System'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 System'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 System'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 19, 2020

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

**Western Washington University Housing and Dining System**
**July 1, 2018 through June 30, 2020**

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, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System'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 System’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

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, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Housing and Dining System, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 8 to the 2020 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the System. Management’s plans in response to this matter are also described in Note 8. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements as a whole. The Schedule of Room and Board Rates, Schedule of Occupancy, Schedule of Insurance Coverage and Expended for Plan Facilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 on our consideration of the System'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 System's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

November 19, 2020

# FINANCIAL SECTION

**Western Washington University Housing and Dining System**
**July 1, 2018 through June 30, 2020**

## REQUIRED SUPPLEMENTARY INFORMATION



## BASIC FINANCIAL STATEMENTS



## REQUIRED SUPPLEMENTARY INFORMATION



## SUPPLEMENTARY AND OTHER INFORMATION

Overview

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

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 2020, 2019 and 2018. 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.

Impacts of the COVID-19 Pandemic

The outbreak of COVID-19 is a significant event that has had material effects on the finances and operations of the Housing & Dining System. On March 23, 2020, the Governor issued a statewide "Stay Home, Stay Healthy" proclamation, requiring individuals to stay home except for essential activities, banning social and other gatherings, and closing all businesses with certain exceptions for essential businesses. The timing of the proclamation was such that Winter quarter concluded with modest disruptions, and Spring quarter began with all classes delivered remotely. As a result, Spring quarter on-campus housing occupancy was materially reduced. The resultant declines in Spring Quarter operating activity had a significant effect on System revenues and expenditures and are the primary reason for the financial variances reviewed in this discussion and analysis.

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, 2020, 2019 and 2018:

*(Dollars in Thousands)*

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Assets | | | |
| Current assets | $13,195 | $9,371 | $8,001 |
| Noncurrent assets | 57,913 | 14,017 | 39,508 |
| Capital assets, net | 146,393 | 133,555 | 110,507 |
| Total assets | 217,501 | 156,943 | 158,016 |
| Deferred outflows | 1,419 | 1,316 | 1,287 |
| Liabilities | | | |
| Current liabilities | 9,588 | 11,945 | 10,973 |
| Noncurrent liabilities | 132,460 | 65,357 | 70,734 |
| Total liabilities | 142,048 | 77,303 | 81,708 |
| Deferred inflows | 1,496 | 1,704 | 811 |
| Net Position | | | |
| Net investment in capital assets | 67,591 | 69,323 | 65,919 |
| Restricted, expendable | 6,316 | 3,501 | 3,426 |
| Unrestricted | 1,469 | 6,428 | 7,438 |
| Total net position | $75,376 | $79,252 | $76,783 |

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets increased $60.6 Million (39%) in fiscal year (FY) 2020 and decreased $1.07 million (-0.7%) in fiscal year (FY) 2019.

Total Cash and Investments increased $46.4 million (216.5%) in FY 2020 primarily due to the remaining bond proceeds from the $68.7 million in Series 2019 revenue bonds. The System issued the bonds to construct a new residence building and renovate existing residence facilities Total Cash and Investments for FY 2019 decreased $24.3 million (-53.2%) primarily due to the spending of the remaining bond proceeds from the $33.7 million issued in FY 2018 to fund a new Multicultural Center and renovations to certain residence halls. The allocation of unrestricted cash and investments between current and noncurrent is governed by Western Washington University's (WWU) investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk. In FY 2020, unrestricted cash and cash equivalents decreased $1.3 million (-32.5%) primarily due to the effects of reduced operations from COVID-19. Restricted investments increased $48.1 million (718.2%), the net effect of expenditures of the remaining FY 2018 bond proceeds and the addition of FY 2020 bond proceeds.

Depreciable and non-depreciable capital assets increased $12.8 million (9.6%) and $23.0 million (20.9%) in FY 2020 and FY 2019, respectively, due primarily to increases in construction-in-progress of the new residence hall addition and renovations (e.g. Buchanan Towers) combined with the completion of the Multicultural Center and other capital additions (see Note 3).

The major project in process for FY2 020 was the: New Residence Hall. Major projects completed during FY 2020 were the Buchanan Towers renovation and the Multicultural Student Center addition.

Current assets exceeded current liabilities by $3.6 million in FY 2020 as a result of a decrease in Accounts payable combined with an increase in Other receivables. Current liabilities exceeded current assets by $2.6 million in FY 2019 as a result of increased payables for renovation and capital projects. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current assets for FY 2020 increased $3.8 million (40.8%) due to increase in cash and cash equivalents and investments and an increase in Other Receivables due to deferred dining commissions and pre-payment reimbursement. Due to COVID-19, the contract with the System's dining service provider was renegotiated to account for the campus closure during Spring 2020. This included a refund of certain operating expenses and commission revenue. Current assets for FY 2019 increased $1.4 million (17.1%) due to an increase in cash and cash equivalents.

Current liabilities for FY 2020 decreased $2.4 million (-19.7%) primarily due to decreases in accounts payable and residents' housing deposits. Current liabilities increased $972 thousand (8.9%) in FY 2019 due to an increase in accounts payable and a decrease in bond interest payable.

Total noncurrent liabilities for FY 2020 increased $67.1 million (102.7%) due to the addition of the series 2019 bonds issued. Total noncurrent liabilities decreased $5.4 million (-7.6%) in FY 2019 primarily due to a $3.8 million principal reduction in bonds payable along with decreases to the noncurrent portion of the Net Pension and OPEB liabilities of $506,842 (-23.4%).

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. Total net position decreased $3,876,082 in FY 2020 due to substantial declines in revenue due to COVID-19. Total net position increased $2.5 million (3.2%) in FY2019 due to an increase in net investment in capital assets.

Net investment in capital assets decreased $1,731,947 (-2.5%) in FY 2020 due to an increase in bonds payable offset by depreciation and principal payments. Net investment in capital assets increased in FY 2019 $3,403,890 (5.2%) primarily due to a reduction in bonds payable from principal payments.

Restricted, expendable increased $2,814,991 and $75,150 during FY 2020 and FY 2019, respectively. The increase in FY 2020 is primarily due to additional funds added to the Systems bond covenant renewal and replacement fund.

Unrestricted net position decreased $4,959,126 (-77.2%) in FY2020 due to the net impact of COVID-19-influenced operations combined with the transfer of funds to the renewal and replacement fund. Unrestricted net position decreased $1,009,993 (-13.6%) in FY2019 due to 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.

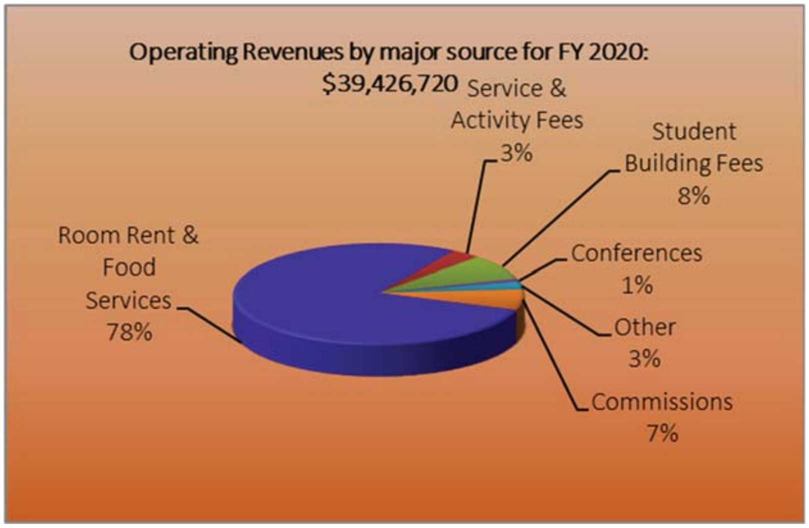
In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students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

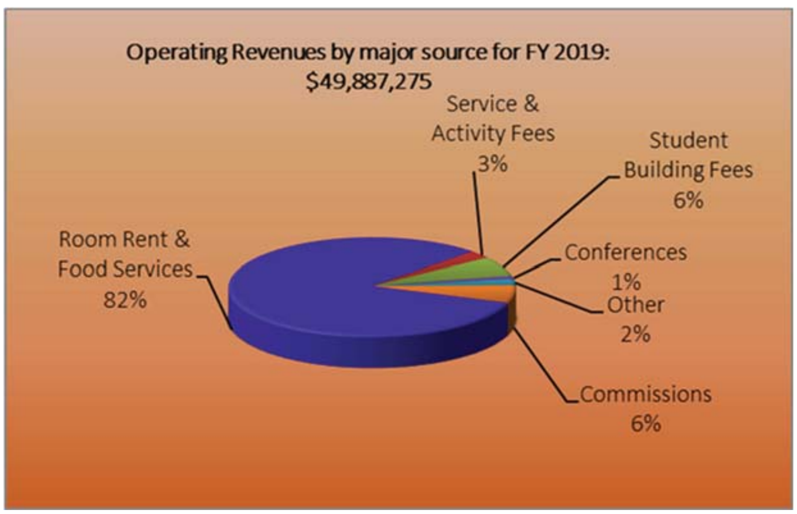
Non-operating revenues are monies received for which goods and services are not provided, such as investment income. Non-operating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the FY years ended June 30, 2020, 2019, and 2018:

*(Dollars in thousands)*

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Operating revenues | $39,427 | $49,887 | $48,669 |
| Operating expenses | (41,098) | (45,870) | (44,482) |
| Income from operations | (1,671) | 4,017 | 4,187 |
| Nonoperating revenues | 1,635 | 963 | 894 |
| Nonoperating expenses | (3,840) | (2,511) | (2,073) |
| Increase in Net Position | (3,876) | 2,469 | 3,008 |
| Net Position, Beginning of year | 79,252 | 76,783 | 73,775 |
| Net Position, End of year | $75,376 | $79,252 | $76,783 |

Total operating revenue decreased for FY 2020 primarily influenced by decreases to room rent and food services revenue.




Room rent and food service revenues decreased $10.0 million (-24.5%) in FY2020 due primarily to the COVID-19 impact on Spring quarter operations. The FY 2020 room rental fee increased 5%. Average FY 2020 occupancy through Winter Quarter was down 1.9% from the same two periods in FY 2019. Room rent and food service revenues increased $929,592 (2.3%) in FY 2019 due to the combination of a 4.5% rate increase and a 1.97% occupancy decrease

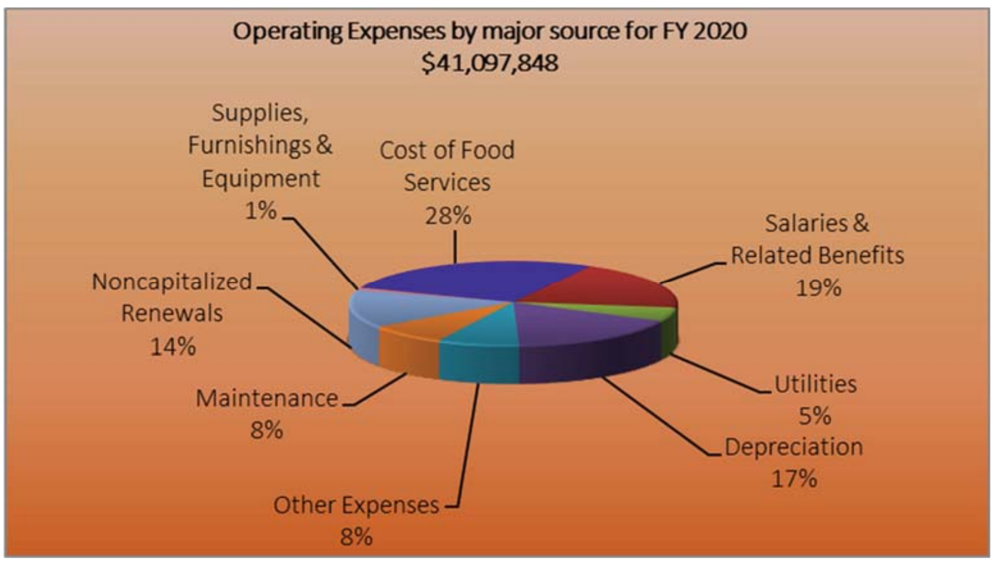
Student building fee revenue increased $37,829 (1.2%) due to slight enrollment growth in Fall and Winter quarters. Student building fee revenue increased $62,108 or 2.0% in FY 2019 due to enrollment growth.

Conference revenue decreased $174,681 (-29%) primarily due to reduced June 2020 bookings during the COVID-19 pandemic. Conference revenue decreased $13,715 (-2.2%) in FY 2019 due to reduced bookings.

Viking Union revenue decreased $145,168 (-27.8%) in FY2 020 due to reduced operations of revenue-generating facilities and services like the Viking Union building, Lakewood, and Event Services in response to COVID-19. Viking Union revenue increased $51,748 (11.0%) in FY 2019 due to increases in recycle center and Lakewood revenues.

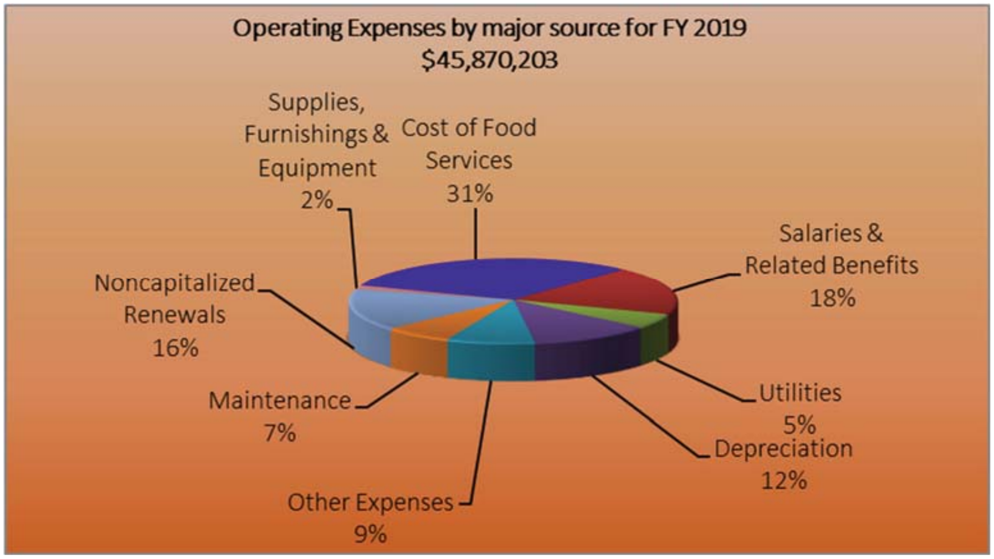
Commission revenue decreased $292,916 (-10%) due to the impact on COVID-19 on Spring Quarter operations. Commission revenue increased $183,780 (6.7%) in FY 2019 due to the scheduled contracted guarantee increase with the Systems food service provider Aramark.

Fees, penalties, and other income increased $159,673 (57.6%) primarily due to the impact of a one-time payment from Dining Services (Aramark) which offset commissions which were reduced due to COVID-19 reductions. Fees, penalties, and other income decreased $19,183 (-6.5%) in FY 2019 primarily due to reductions in key replacement charges and interdepartmental support.




Overall operating expenses for FY 2020 decreased a net of $4,772,355 (-10.4%) due to COVID-19-influenced operating reductions after netting out a $1,562,364 (28.7%) increase in depreciation. Overall operating expenses for FY 2019 increased $1,388,438 (3.1%) due primarily to an increase in non-capitalized renewals and replacements.

Cost of food services for FY 2020 decreased $3,169,422 (-22%) primarily due to reduced resident dining activity during the modified Spring quarter operations. Cost of food services for FY 2019 increased $371,544 (2.6%) due to the net effect of a 4.68% room and board price increase offset by an occupancy decrease of 1.97%.




Salaries and benefits expense for FY 2020 decreased $639,846 (-7.5%) due primarily to student employee reductions over the Spring quarter from reduced operation levels. Salaries and benefits expense increased $739,457 (9.5%) in FY 2019 as all employees received compensation increases combined with an increase to the minimum wage. FY 2020 and FY 2019 charges related to GASB statements No. 68, 73 and 75 totaled $($402,787) and $212,561 respectively.

Utilities expense decreased $345,362 (-13.7%) in FY 2020 due to Spring Quarter COVID-19 occupancy reductions. Utilities expense decreased $110,773 (-4.2%) in FY 2019 primarily due to a reduction in natural gas expenditures.

Repairs and maintenance expense for FY 2020 increased $58,208 (1.9%) due to an increase on repair projects coupled with a decrease in maintenance contract expenses. Repairs and maintenance expense for FY 2019 increased $282,381 (9.9%) due to increases in repair projects coupled with an increase in Facilities Maintenance's recharge rate. The Facilities Maintenance recharge rate increased variably across the maintenance crafts.

Furniture and Equipment expense for FY 2020 decreased $226,413 (-64.2%) due primarily to reductions in residential furniture expenditures (pre-COVID-19) and Computer Equipment (during COVID-19). Furniture and Equipment expense for FY 2019 decreased $252,761 (-41.8%) due to reduced student room furniture expenditures.

Depreciation expense increased $1,563,364 (28.7%) due to an increase in capital assets. Depreciation expense decreased $1,544,762 (-22.1%) in FY 2019 due to scheduled depreciation on existing assets.

WWU's administrative services assessment fee (included in institutional services) decreased $478,035 (-27.1%) due to decreased operating revenue caused by COVID-19. WWU's administrative services assessment fee (included in institutional services) increased $6,447 (0.37%) in FY 2019. The rate charged against the System revenues (less food service contract) was 5.775% both years.

Other Expenses decreased $105,035 (8.9%) due to reduced operating levels during COVID-19. Other expenses increased $145,880 (14.1%) in FY 2019 primarily influenced by an increase in leased apartment rental expense.

Non-operating expenses (interest & amortization) for FY 2020 increased $1,329,306 (52.9%) due to increased bond interest expense. Non-operating expenses (interest & amortization) for FY 2019 increased $437,408 (21.1%) due to increased bond interest expense. (See Note 4).

Non-Operating revenue for FY 2020 increased $672,376 (69.8%) due to investment earnings from increased bond proceeds. Non-Operating revenue for FY 2019 increased $68,560 (7.7%) primarily due to increased bond proceeds investment income.

## Economic Factors and Significant Events

The COVID-19 pandemic will have an effect on FY 2021 enrollment and System occupancy and operations. Enrollment is anticipated to be reduced approximately up to 7% in Fall Quarter 2020 given the shift to remote learning and limitations of on campus operations. Fall 2020 Housing capacity is 33% of normal, with students placed in their own rooms and meal services modified to conform to local health guidelines. The University plans to issue approximately $21.0 million in bonds in mid-September 2020 to refinance FY 2021-23 debt service payments to allow financial flexibility during the pandemic period. Other cost mitigation efforts initiated by State and campus guidance as well as System initiative are in process.

The System's capital plan has the following goals: provide housing to support the University's enrollment plan; meet or exceed the System's financial principles; invest in infrastructure to ensure System facility longevity, health, and safety needs; and respond to the changing student needs and expectations. The plan is updated every two years. During fiscal year 2020, a consulting firm performed a Housing and Dining Development Assessment to determine the long-range capital needs of the system; essentially updating the System's capital plan. The resulting draft plan identifies options and priorities for future work and includes an interactive financial modeling tool that the University will utilize as it proceeds with its capital planning and adjusts fiscal assumptions over time.

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

| Assets | 2020 | 2019 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents (Note 2) | $2,620,401 | $3,879,273 |
| Investments (Note 2) | 2,481,664 | 3,549,745 |
| Restricted investments (Note 2) | 4,857,210 | - |
| Accounts receivable, net of allowance of $42,306 and $43,903 in 2020 and 2019, respectively | 311,827 | 388,606 |
| Interest receivable | 360,286 | 94,760 |
| Other receivables | 2,563,360 | 1,458,496 |
| Total current assets | 13,194,748 | 9,370,880 |
| Noncurrent assets | | |
| Restricted cash and cash equivalents (Note 2) | 2,911,353 | - |
| Restricted investments (Note 2) | 51,097,006 | 6,838,822 |
| Investments (Note 2) | 3,905,072 | 7,178,020 |
| Nondepreciable capital assets (Note 3) | 17,428,136 | 42,076,981 |
| Depreciable capital assets, net (Note 3) | 128,965,154 | 91,478,348 |
| Total noncurrent assets | 204,306,721 | 147,572,171 |
| Total assets | 217,501,469 | 156,943,051 |
| **Deferred Outflows** | | |
| Deferred loss on bond refunding | 560,920 | 731,976 |
| Related to pension (Note 6) | 469,385 | 366,872 |
| Related to OPEB (Note 7) | 388,237 | 217,016 |
| Total deferred outflows | 1,418,542 | 1,315,864 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable | 3,072,427 | 4,926,957 |
| Accrued expenses | 222,586 | 327,134 |
| Residents' housing deposits | 271,717 | 1,235,812 |
| Unearned revenues | 56,747 | 250,427 |
| Bonds interest payable | 1,190,395 | 635,695 |
| Current portion of bonds payable (Note 4) | 4,600,000 | 4,400,000 |
| Current portion of pension liability (Note 4, 6) | 115,262 | 108,952 |
| Current portion of OPEB liability (Note 7) | 59,360 | 60,223 |
| Total current liabilities | 9,588,494 | 11,945,200 |
| Noncurrent liabilities | | |
| Compensated Absences | 450,250 | 392,652 |
| Bonds payable, less current portion (Note 4) | 127,535,089 | 60,564,301 |
| Net pension liability (Note 4, 6) | 1,091,204 | 1,180,730 |
| Net OPEB liability (Note 7) | 3,383,189 | 3,219,721 |
| Total noncurrent liabilities | 132,459,732 | 65,357,404 |
| Total liabilities | 142,048,226 | 77,302,604 |
| **Deferred Inflows** | | |
| Related to pension (Note 6) | 488,661 | 452,893 |
| Related to OPEB (Note 7) | 1,007,095 | 1,251,306 |
| Total deferred inflows | 1,495,756 | 1,704,199 |
| **Net Position** | | |
| Net investment in capital assets | 67,591,057 | 69,323,004 |
| Restricted, expendable | 6,316,300 | 3,501,309 |
| Unrestricted | 1,468,672 | 6,427,799 |
| Total net position | $75,376,029 | $79,252,112 |

*See Notes to Financial Statements*

| | 2020 | 2019 |
|---|---|---|
| **Operating Revenues** | | |
| Room rent and food services | $30,863,079 | $40,889,046 |
| Service and activity fees | 1,316,868 | 1,340,198 |
| Student building fees | 3,220,262 | 3,182,432 |
| Conferences | 427,244 | 601,924 |
| Viking Union income | 376,938 | 522,106 |
| Rent | 151,974 | 147,970 |
| Commissions | 2,633,584 | 2,926,500 |
| Fees, penalties, and other income | 436,771 | 277,098 |
| Total operating revenue | 39,426,720 | 49,887,275 |
| **Operating Expenses** | | |
| Cost of food services | 11,257,730 | 14,427,152 |
| Salaries and related benefits | 7,869,748 | 8,509,594 |
| Utilities | 2,170,940 | 2,516,303 |
| Repairs and maintenance | 3,180,261 | 3,122,056 |
| Communications | 184,649 | 217,164 |
| Insurance | 512,236 | 518,928 |
| Supplies | 314,352 | 379,807 |
| Furniture and equipment | 126,055 | 352,468 |
| Institutional services | 1,504,209 | 2,021,269 |
| Depreciation | 7,011,854 | 5,449,490 |
| Noncapitalized renewals and replacements | 5,889,014 | 7,174,136 |
| Other | 1,076,800 | 1,181,836 |
| Total operating expenses | 41,097,848 | 45,870,203 |
| (Loss)/Income from operations | (1,671,128) | 4,017,072 |
| **Nonoperating Revenues (Expenses)** | | |
| Investment income | 1,373,269 | 683,620 |
| Build America Bonds interest subsidy | - | 279,283 |
| Other Capital Contribution | 262,010 | - |
| Interest expense | (4,297,459) | (2,842,958) |
| Amortization of bond discounts and premiums | 457,226 | 332,032 |
| Total nonoperating (expenses) revenues | (2,204,954) | (1,548,024) |
| (Decrease)/Increase in net position | (3,876,082) | 2,469,047 |
| **Net Position, Beginning of Year** | 79,252,112 | 76,783,064 |
| **Net Position, End of Year** | $75,376,029 | $79,252,112 |

| | 2020 | 2019 |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Cash received from students and other customers | 37,240,861 | $49,593,521 |
| Cash paid to employees | (8,289,913) | (8,271,775) |
| Cash paid to suppliers | (26,452,102) | (32,014,750) |
| Net cash flows provided by operating activities | 2,498,846 | 9,306,996 |
| **Cash Flows from Capital and Related Financing Activities** | | |
| Proceeds from capital debt | 72,199,070 | - |
| Interest earned on bond proceeds | 756,641 | 274,555 |
| Capital Contribution | 262,010 | - |
| Payment of long-term debt | (4,400,000) | (3,806,977) |
| Interest payments | (3,742,759) | (3,128,655) |
| Build America Bonds interest subsidy | - | 279,283 |
| Purchase of capital assets | (21,498,064) | (27,693,172) |
| Net cash flows (used in) by capital and related financing activities | 43,576,898 | (34,074,966) |
| **Cash Flows from Investing Activities** | | |
| Investment income received | 351,102 | 429,751 |
| Net proceeds (purchase) of restricted investments | (49,115,394) | 23,132,749 |
| Net proceeds (purchase) of investments | 4,341,029 | 3,407,550 |
| Net cash flows (used in) provided by investing activities | (44,423,263) | 26,970,050 |
| Net change in cash and cash equivalents | 1,652,481 | 2,202,080 |
| Cash and Cash Equivalents, Beginning of Year | 3,879,273 | 1,677,193 |
| Cash and Cash Equivalents, End of Year | $5,531,754 | $3,879,273 |
| **Reconciliation of Operating Income to Net Cash Provided to Operating Activities** | | |
| Operating income | (1,671,128) | 4,017,072 |
| Adjustments to reconcile operating income to net cash flows from operating activities | | |
| Depreciation | 7,011,854 | 5,449,490 |
| Loss on disposal of fixed asset | - | 14,684 |
| Change in operating assets and liabilities | | |
| Accounts receivable | 76,779 | (48,013) |
| Other receivables | (1,104,864) | (190,689) |
| Accounts payable | (235,857) | (118,314) |
| Accrued salaries and benefits | (17,376) | 25,258 |
| Residents' housing deposits | (964,095) | (42,046) |
| Pension and OPEB related deferred outflows and inflows of resources | (402,787) | 212,559 |
| Unearned revenue | (193,680) | (13,006) |
| Cash flows from operating activities | $2,498,846 | $9,306,996 |
| **Supplemental Disclosure of Noncash Capital and Related Financing Activities** | | |
| Change in capital asset additions included in accounts payable | ($1,648,248) | $819,628 |

*See Notes to 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, 2020 and 2019 are $450,250 and $392,652, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For

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

Deferred Outflows of resources and Deferred Inflows of resources.

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

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

Unearned Revenue

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

Net Pension Liability

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

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

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 $1,286,539 and $1,764,574 which was 5.775% of revenues (less food service contract) for the years ending June 30, 2020 and 2019, 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), corporate notes, commercial paper and U.S. Treasury and Agency securities. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals. 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). Minimum ratings for all other investments by Standard and Poors/Moody's are as follows: corporate notes, A-/A3; commercial paper, A1+/P1 and US Treasury and Agency securities, AA+/Aaa.

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

Fair Value Measurement and Application

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

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

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

The System's restricted investments of $51,097,006 and $6,838,822in FY 2020 and FY 2019 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, 2020 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 | 2,620,401 | $ - | $ - | $2,620,401 | 0.005 |
| Restricted Cash & Cash Equivalents | 2,911,353 | | | 2,911,353 | 0.005 |
| Investments | | | | | |
| Certificates of deposit - restricted | 2,105,968 | - | - | 2,105,968 | 0.238 |
| Corporate - restricted | 965,511 | - | | 965,511 | 0.962 |
| U.S. Agencies - restricted | - | 4,793,652 | | 4,793,652 | 1.709 |
| U.S. Treasuries - restricted | | 1,892,004 | | 1,892,004 | 0.621 |
| Municipals - restricted | | 497,636 | | 497,636 | 1.544 |
| Bond Inv. Cash & Cash Equivalents | 5,567,428 | - | | 5,567,428 | 0.003 |
| Bond Inv. US Treasuries | - | 40,132,018 | | 40,132,018 | 0.642 |
| Certificates of deposit | 447,327 | - | - | 447,327 | 1.031 |
| Corporate | 868,915 | - | | 868,915 | 1.924 |
| U.S. Treasuries | - | 1,348,432 | - | 1,348,432 | 0.243 |
| U.S. Agencies | - | 3,722,062 | - | 3,722,062 | 1.474 |
| | $15,486,903 | $52,385,803 | $ - | $67,872,706 | |

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

## NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the years ended June 30, 2020 and 2019 was $7,011,854 and $5,449,490, respectively.

Following are the changes in capital assets for the year ended June 30, 2020:

| Description | June 30, 2019 | Additions | Reductions | June 30, 2020 |
|---|---|---|---|---|
| Non-depreciable capital assets | | | | |
| Construction in progress | $42,076,981 | $15,308,638 | (39,957,483) | $17,428,136 |
| Total non-depreciable capital assets | 42,076,981 | 15,308,638 | (39,957,483) | 17,428,136 |
| Depreciable capital assets | | | | |
| Buildings | 136,125,120 | 43,526,726 | | 179,651,846 |
| Buildings improvements | 34,405,455 | | | 34,405,455 |
| Furniture, fixtures, and equipment | 8,196,657 | 971,935 | (215,089) | 8,953,503 |
| Infrastructure | 4,492,564 | | | 4,492,564 |
| Total depreciable capital assets | 183,219,796 | 44,498,661 | (215,089) | 227,503,368 |
| Less Accumulated Depreciation | | | | |
| Buildings | 65,012,750 | 4,815,774 | | 69,828,525 |
| Buildings improvements | 17,422,942 | 1,603,879 | | 19,026,822 |
| Furniture, fixtures, and equipment | 6,950,168 | 513,319 | (215,089) | 7,248,399 |
| Infrastructure | 2,355,587 | 78,882 | | 2,434,469 |
| Total accumulated depreciation | 91,741,448 | 7,011,854 | (215,089) | 98,538,214 |
| Capital assets, net | 133,555,329 | $52,795,446 | - | $146,393,290 |

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

| Description | June 30, 2018 | Additions | Reductions | June 30, 2019 |
|---|---|---|---|---|
| Non-depreciable capital assets | | | | |
| Construction in progress | $14,198,347 | $27,878,633 | $0 | $42,076,981 |
| Total non-depreciable capital assets | 14,198,347 | 27,878,633 | - | 42,076,981 |
| Depreciable capital assets | | | | |
| Buildings | 136,125,120 | - | | 136,125,120 |
| Buildings improvements | 33,917,366 | 488,089 | | 34,405,455 |
| Furniture, fixtures, and equipment | 8,164,384 | 146,078 | (113,805) | 8,196,657 |
| Infrastructure | 4,492,564 | | | 4,492,564 |
| Total depreciable capital assets | 182,699,434 | 634,167 | (113,805) | 183,219,796 |
| Less Accumulated Depreciation | | | | |
| Buildings | 61,720,221 | 3,292,528 | | 65,012,750 |
| Buildings improvements | 15,823,136 | 1,599,807 | | 17,422,942 |
| Furniture, fixtures, and equipment | 6,583,767 | 465,522 | (99,121) | 6,950,168 |
| Infrastructure | 2,263,954 | 91,633 | | 2,355,587 |
| Total accumulated depreciation | 86,391,077 | 5,449,490 | (99,121) | 91,741,448 |
| Capital assets, net | $110,506,703 | $23,063,310 | ($14,684) | $133,555,329 |

## 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, 2020 | June 30, 2019 |
|---|---|---|
| Series 2019 Housing and Dining Revenue Bonds (original issue price of $68,575,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from $1,395,000 to $3,295,000 through April 1, 2049. The Series 2019 bonds have an aggregate face value of $68,575,000 at June 30, 2020 which is reported net of the unamortized original issues premium of $3,454,836. | $72,029,836 | $ - |
| 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 $915,000 to $2,050,000 through April 1, 2043. The Series 2018B bonds have an aggregate face value of $32,370,000 at June 30, 2020 which is reported net of the unamortized original issues premium of $924,917. | 33,294,917 | 34,259,734 |
| 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 $365,000 to $985,000 through April 1, 2034. The Series 2018A bonds have an aggregate face value of $10,345,000 at June 30, 2020 which is reported net of the unamortized original issues premium of $910,070. | 11,255,070 | 11,730,035 |
| Series 2015 Housing and Dining Refunding Bonds (original issue price of $13,435,000) with an interest rate of 5.0% and principal payments due in annual amounts ranging from $1,185,000 to $1,530,000 through October 31, 2026. The Series 2015 bonds have an aggregate face value of $8,110,000 at June 30, 2020 which is reported net of the unamortized original issues premium of $651,490. | 8,761,490 | 10,103,294 |
| 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 $925,000 to $980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of $3,520,000 at June 30, 2020 which is reported net of the unamortized original issues premium of $65,519. | 3,585,519 | 4,504,915 |
| Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of $17,225,000) with an interest rate of 5.5%, and principal payments due in annual amounts that range from $1,210,000 to $1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of $3,200,000 at June 30, 2020, which is reported net of the unamortized original issue premium of $8,257. | 3,208,257 | 4,366,323 |
| | 132,135,089 | 64,964,301 |
| Less current portion | (4,774,622) | (4,400,000) |
| | $127,360,467 | $ 60,564,301 |

Following are the changes in non-current liabilities for the year ended June 30, 2020:

| Non-current Liabilities | June 30, 2019 | Additions | Reductions | June 30, 2020 | Current Portion |
|---|---|---|---|---|---|
| BONDS PAYABLE | | | | | |
| Series 2019 Revenue Bonds | $ - | $68,575,000 | $ - | 68,575,000 | $ - |
| Series 2018B Revenue Bonds | 33,265,000 | - | (895,000) | 32,370,000 | 915,000 |
| Series 2018A Refunding Bonds | 10,695,000 | - | (350,000) | 10,345,000 | 365,000 |
| Series 2015 Refunding Bonds | 9,240,000 | - | (1,130,000) | 8,110,000 | 1,185,000 |
| Series 2012 Refunding Bonds | 4,395,000 | - | (875,000) | 3,520,000 | 925,000 |
| Series 1998 Junior Lien Revenue Refunding | 4,350,000 | - | (1,150,000) | 3,200,000 | 1,210,000 |
| | 61,945,000 | 68,575,000 | (4,400,000) | 126,120,000 | 4,600,000 |
| Plus unamortized premium | 3,019,301 | 3,624,070 | (628,282) | 6,015,089 | - |
| Less unamortized discount | - | - | - | - | - |
| Total Bonds Payable | 64,964,301 | 72,199,070 | (5,028,282) | 132,135,089 | 4,600,000 |
| | | | | | |
| Compensated Absences | 392,652 | 57,598 | - | 450,250 | - |
| Pension Liabilities | 1,289,682 | - | (198,478) | 1,091,204 | 115,262 |
| OPEB Liability | 3,279,944 | 162,605 | | 3,442,549 | 59,360 |
| Total Non-current liabilities | $69,926,579 | $72,419,273 | ($5,226,760) | 137,119,092 | 4,774,622 |

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

| Non-current Liabilities | June 30, 2018 | Additions | Reductions | June 30, 2019 | Current Portion |
|---|---|---|---|---|---|
| BONDS PAYABLE | | | | | |
| Series 2018B Revenue Bonds | $33,680,000 | $ - | ($415,000) | $33,265,000 | $895,000 |
| Series 2018A Refunding Bonds | 10,695,000 | - | - | 10,695,000 | 350,000 |
| Series 2015 Refunding Bonds | 10,330,000 | - | (1,090,000) | 9,240,000 | 1,130,000 |
| Series 2012 Refunding Bonds | 5,255,000 | - | (860,000) | 4,395,000 | 875,000 |
| Series 2009 Revenue Bonds | 360,000 | - | (360,000) | - | - |
| Series 1998 Junior Lien Revenue Refunding | 5,430,000 | - | (1,080,000) | 4,350,000 | 1,150,000 |
| | 65,750,000 | - | (3,805,000) | 61,945,000 | 4,400,000 |
| Plus unamortized premium | 3,511,513 | - | (492,212) | 3,019,301 | - |
| Less unamortized discount | - | - | - | - | - |
| Total Bonds Payable | 69,261,513 | - | (4,297,212) | 64,964,301 | 4,400,000 |
| | | | | | |
| Compensated Absences | 370,592 | 22,060 | - | 392,652 | - |
| Pension Liabilities | 1,486,191 | - | (196,509) | 1,289,682 | 108,952 |
| OPEB Liability | 3,577,005 | | (297,061) | 3,279,944 | 60,223 |
| Total Non-current liabilities | $74,695,302 | $22,060 | ($4,790,782) | $69,926,579 | 4,569,175 |

Total interest incurred on bonds payable for the years ended June 30, 2020 and June 30, 2019 was $4,297,459 and $2,842,958, respectively.

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

| | Principal | Interest | Total |
|---|---|---|---|
| 2021 | 4,600,000 | 4,705,181 | 9,305,181 |
| 2022 | 6,220,000 | 4,489,306 | 10,709,306 |
| 2023 | 5,880,000 | 4,213,556 | 10,093,556 |
| 2024 | 5,310,000 | 3,958,681 | 9,268,681 |
| 2025 | 4,825,000 | 3,727,081 | 8,552,081 |
| 2026-2030 | 20,880,000 | 15,468,155 | 36,348,155 |
| 2031-2035 | 22,515,000 | 11,213,750 | 33,728,750 |
| 2036-2040 | 22,025,000 | 7,653,350 | 29,678,350 |
| 2041-2045 | 21,250,000 | 3,754,950 | 25,004,950 |
| 2046-2049 | 12,615,000 | 960,150 | 13,575,150 |
| | 126,120,000 | 60,144,160 | $186,264,160 |
| | | | |
| Plus unamortized premiums | 6,015,089 | | |
| | $132,135,089 | | |

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, 2020 and 2019, these commitments totaled $45,763,847 and $10,227,525 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 $725,794 as of June 30,2020 and $926,264 as of June 30, 2019. The liability associated with the defined-benefit pension plan administered by WWU was $480,672 as of June 30,2020 and $363,419 as of June 30, 2019. The total pension expense recorded by the System related to both the DRS and University plans was $160,448 and $154,647 for the years ended June 30, 2020 and 2019 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 2020 pension liability is based on the OSA valuation performed as of June 30, 2019, with a valuation date of June 30, 2018. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study. The following actuarial assumptions have been applied to all prior periods included in the measurement:

- Inflation: 2.75% total economic inflation; 3.50% salary inflation
- Salary Increases: salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.40%

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

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

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

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

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

The best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

2020 - Measurement date 2019

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|---|---|---|
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
| Total | 100% | |

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

DISCOUNT RATE:

The discount rate used to measure the total pension liabilities was 7.40 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.40 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS 2/3 employers whose rates include a component for the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liabilities). Based on those assumptions, the various pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability for each plan.

SENSITIVITY OF THE NET PENSION 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 7.40 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% point lower (6.40%) or 1.0% point higher (8.40%) than the current rate.

| **Discount Rate Sensitivity - Net Pension Liability** | | | |
|---|---|---|---|
| ($ in thousands) | | **2020** | |
| **Plan** | **1% Decrease 6.4%** | **Current Discount Rate 7.4%** | **1% Increase 8.4%** |
| PERS 1 | $ 657 | $ 525 | $ 410 |
| PERS 2/3 | 1,333 | 174 | (777) |

EMPLOYER CONTRIBUTION RATES:

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

### Required Contribution Rates

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

| | Contribution Rates | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 7/1/2018 thru 8/31/2018 | | | | 9/1/2018 thru 6/30/2019 | | | | 7/1/2019 thru 6/30/2020 | | | |
| | Employee | | University | | Employee | | University | | Employee | | University | |
| PERS | | | | | | | | | | | | |
| Plan 2 | 7.38% | | 12.70% | | 7.41% | | 12.83% | | 7.90% | | 12.86% | |
| Plan 3 | 5.00-15.00% | ** | 12.70% | * | 5.00-15.00% | ** | 12.83% | * | 5.00-15.00% | ** | 12.86% | * |

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 2019 | FY 2020 |
|---|---|---|
| PERS | | |
| Plan 2 | $ 207,228 | $228,450 |
| Plan 3 | 50,093 | 50,258 |

## HOUSING & DINING PROPORTIONATE SHARE AND AGGREGATED BALANCES:

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the System as of June 30, 2020 and 2019 was June 30, 2019 and 2018 (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, 2020 and June 30, 2019 is presented in the table below.

| Proportionate Share of WWU's share | PERS 1 | PERS 2/3 |
|---|---|---|
| 2020 | 4.7012% | 4.8393% |
| 2019 | 4.5073% | 4.7109% |

| Aggregate Pension Amounts | PERS 1 | PERS 2/3 | Total |
|---|---|---|---|
| Net Pension Liability June 30, 2020 | $ 547,248 | $ 178,546 | $ 725,794 |
| Net Pension Liability June 30, 2019 | $ 622,041 | $ 304,222 | $ 926,263 |

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, 2020 | $ | 39,093 | $ | 64,630 | $ | 103,724 |
| Year Ended June 30, 2019 | $ | 85,144 | $ | 43,688 | $ | 128,833 |

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**

| 2020 | PERS 1 | PERS 2/3 | Total |
|---|---|---|---|
| Difference between expected and actual experience | $ - | $ 51,154 | $ 51,154 |
| Changes of assumptions | - | 4,572 | $ 4,572 |
| Change in proportion | - | 3,710 | $ 3,710 |
| Contributions subsequent to the measurement date | 103,485 | 175,222 | $ 278,707 |
| TOTAL | $ 103,485 | $ 234,658 | $ 338,143 |

**Deferred Inflows of Resources**

| 2020 | PERS 1 | PERS 2/3 | Total |
|---|---|---|---|
| Difference between expected and actual experience | $ - | $ 38,386 | $ 38,386 |
| Change in assumptions | - | 74,912 | $ 74,912 |
| Net difference between projected and actual earnings on pension plan investments | 36,561 | 259,890 | $ 296,451 |
| Change in proportion | - | 13,394 | $ 13,394 |
| TOTAL | $ 36,561 | $ 386,582 | $ 423,143 |

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

| YEAR | PERS 1 | PERS 2/3 | Total |
|---|---|---|---|
| 2021 | $ (8,071) | $ (80,924) | $ (88,995) |
| 2022 | $ (19,118) | $ (136,095) | $ (155,214) |
| 2023 | $ (6,822) | $ (61,865) | $ (68,687) |
| 2024 | $ (2,550) | $ (34,369) | $ (36,919) |
| 2025 | $ - | $ (15,444) | $ (15,444) |
| Thereafter | $ - | $ 1,551 | $ 1,551 |
| TOTAL | $ (36,561) | $ (327,146) | $ (363,707) |

**Deferred Outflows of Resources**

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

**Deferred Inflows of Resources**

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

## 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, 2020 and 2019 was 1,193 and 1,187 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.

| | 2020 | 2019 |
|---|---|---|
| Contributions made by: | | |
| Employees | $ 115,233 | $ 108,919 |
| University | 115,262 | 108,952 |

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 |
| 2018 | 63 | 21 | 562 | 646 |

This same census data was used for both the FY 2020 and FY 2019 Total Pension Liability actuarial valuations.

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

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

Assumed income must be calculated by an independent actuary and represents a theoretical amount of monthly income that would have been generated if actual employee and WWU contributions to the WWURP had been allocated equally between fixed and variable dollar annuities. When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. The System's proportional share of the total University benefit payments made during the fiscal years ended June 30, 2020 and 2019 were $6,591 and $5,643 respectively.

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

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

- Inflation: 2.75%
- Salary Increases: 3.50%
- Discount Rate: 2.21%

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 2.21%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1.0% point lower (1.21%) or 1.0% point higher (3.21%) than the current rate.

| WWUSRP Total Pension Liability Discount Rate Sensitivity | |
|---|---|
| 1% Decrease: 1.21% | $551,182 |
| Current Discount Rate: 2.21% | $480,672 |
| 1% Increase: 3.21% | $422,246 |

Material assumption changes during the measurement period included first, updating the GASB Statement No. 73 discount rate from 3.50% to 2.21% (decreased the TPL), and secondly, the FY 2020 returns for TIAA and CREF investments were used to determine a member's annual income. Those returns were 4.12% for TIAA and 2.31% for CREF.

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 30,2018 | | $ 269,069 |
| Service Cost | $ 8,558 | |
| Interest | 12,813 | |
| Differences Between Expected and Actual Experience | 35,674 | |
| Changes in Assumptions | 43,828 | |
| Benefits Payments | (6,523) | |
| Net Change in Total Pension Liability FY 19 | | 94,350 |
| Balance as of June 30,2019 | | 363,419 |
| Service Cost | 9,751 | |
| Interest | 13,420 | |
| Differences Between Expected and Actual Experience | 27,357 | |
| Changes in Assumptions | 73,505 | |
| Benefits Payments | (6,780) | |
| Net Change in Total Pension Liability FY 20 | | 117,253 |
| **Ending Balance - June 30,2020** | | **$ 480,672** |

Housing & Dining's proportionate share of the WWUSRP pension expense for the fiscal years ended June 30, 2020 and 2019 was $31,615 and $ 25,814 respectively.

DEFERRED INFLOWS OF RESOURCES:

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

| Deferred Outflows of Resources | | 2020 | | 2019 |
|---|---|---|---|---|
| Difference between expected and actual experience | $ | 44,295 | $ | 26,332 |
| Changes of assumptions | | 86,947 | | 32,354 |
| **TOTAL** | **$** | **131,242** | **$** | **58,686** |

| Deferred Inflows of Resources | | 2020 | | 2019 |
|---|---|---|---|---|
| Difference between expected and actual experience | $ | 47,183 | $ | 61,293 |
| Changes of assumptions | | 18,336 | | 23,899 |
| **TOTAL** | **$** | **65,518** | **$** | **85,192** |

| Amortization of Deferred Outflows and Deferred Inflows of Resources | | |
|---|---|---|
| **Year** | | |
| 2019 | $ | 5,588 |
| 2020 | | 5,588 |
| 2021 | | 10,090 |
| 2022 | | 20,574 |
| 2023 | | 20,710 |
| Thereafter | | 3,174 |
| **TOTAL** | **$** | **65,724** |

## NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

PLAN DESCRIPTION:

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

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

The health care premiums for active employees, which are paid by the agency during employees' working careers, subsidize the "underpayments" of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). For fiscal years 2019 and 2018, this amount is the lesser of $150 or 50% of the plan premium per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employee's 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 30, 2019, and 2018, 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 |
|---|---|---|---|---|
| 2018 | 2016 | 727 | 97 | 2840 |
| 2019 | 2032 | 742 | 97 | 2871 |

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 June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement period:

- Inflation: 2.75%
- Salary Increases: 3. 50% including service-based salary increases
- Health Care Trend Rates: Initial rate of 8.00% adjusting to 4.50% in 2080
- Post-retirement Participation: 65.00%
- Spouse Coverage: 45.00%

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

The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index. A discount rate of 3.58% was used for the June 30, 2018 measurement date and 3.87% for the June 30, 2019 measurement date.

The following presents Housing & Dining's proportional share of the total University OPEB liability, calculated using the discount rate of 3.50%, as well as what the total pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

| Total OPEB Liability Discount Rate Sensitivity | |
|---|---|
| 1% Decrease | $4,168,812 |
| Current Discount Rate - 3.50% | $3,442,549 |
| 1% Increase | $2,878,458 |

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

| Total OPEB Liability Health Care Cost Trend Rate Sensitivity | |
|---|---|
| 1% Decrease | $2,786,221 |
| Current Discount Rate - 8.00% | $3,442,549 |
| 1% Increase | $4,325,867 |

TOTAL OPEB LIABILITY:

As of June 30, 2020, and 2019, 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:

| | | |
|---|---|---|
| FY20 Proportionate Share of WWU's share | | 3.658225% |
| FY19 Proportionate Share of WWU's share | | 3.973147% |
| **Schedule of Changes in Total OPEB Liability** | | |
| **Total OPEB Liability** | **2020** | **2019** |
| Service cost | $53,636 | $133,241 |
| Interest | 46,526 | 91,602 |
| Changes of benefit terms | - | - |
| Differences between expected & actual experience | - | 83,615 |
| Changes in assumptions | 86,644 | (583,308) |
| Benefit payments | (21,283) | (38,688) |
| Change in Proportionate share | (2,918) | 16,475 |
| Other | - | - |
| **Net Change in Total OPEB Liability** | **$162,605** | **($297,061)** |
| **Total OPEB Liability - Beginning** | **$3,279,944** | **$3,577,005** |
| **Total OPEB Liability - Ending** | **3,442,549** | **$3,279,944** |

Housing & Dining's proportionate share of OPEB expense for the fiscal years ended June 30, 2020 and 2019 was $(193,467) and $381,100 respectively.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

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

| **Deferred Outflows of Resources** | | | | |
|---|---|---|---|---|
| | | **2020** | | **2019** |
| Change in proportion | | 36,796 | $ | 42,402 |
| Difference between expected and actual experience | | 292,081 | | 114,391 |
| Transactions subsequent to the measurement date | | 59,360 | | 60,223 |
| **TOTAL** | **$** | **388,237** | **$** | **217,016** |

| **Deferred Inflows of Resources** | | | | |
|---|---|---|---|---|
| | | **2020** | | **2019** |
| Change in proportion | $ | 8,952 | $ | - |
| Changes of assumptions | | 998,143 | | 1,251,306 |
| **TOTAL** | **$** | **1,007,095** | **$** | **1,251,306** |

| **Amortization of Deferred Outflows and Deferred Inflows of Resources** | | |
|---|---|---|
| **Year** | | |
| 2021 | $ | (108,450) |
| 2022 | $ | (108,450) |
| 2023 | $ | (108,450) |
| 2024 | $ | (108,450) |
| 2025 | $ | (108,450) |
| Thereafter | $ | (135,968) |
| **TOTAL** | **$** | **(678,218)** |

NOTE 8. SUBSEQUENT EVENT

On August 21, 2020, the Board of Trustees of Western Washington University approved resolution number 2020-04 authorizing the issuance and sale of Housing and Dining System revenue bonds in the principal amount of $21,760,000 with a true interest cost of 2.28%. Proceeds of the Series 2020 Bonds will be used to refund, refinance and restructure all or a portion of the debt service (principal and interest) that will be due and payable with respect to Outstanding Parity Bonds during the period from October 1, 2020, through and including October 1, 2022. This bond issue will provide the System liquidity in FY 2021 and FY 2022.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and university, cancelling public events, prohibiting public and private gatherings, and require people to stay home unless they are leaving for an essential function.

For Spring quarter 2020 the university moved all classes to remote instruction. The Housing and Dining System responded to the reduced occupancy demand by consolidating all residents into one residential area. Cost reduction measures included a hiring freeze, freeze on travel, significant reductions to planned operating expenditures, renegotiation of third-party service contracts, and deferral of several renovation projects. Reserves were used to support operating needs.

The COVID-19 pandemic will influence FY 2021 enrollment and System occupancy and operations. Enrollment is anticipated to be reduced approximately up to 7% in Fall Quarter 2020 given the shift to remote learning and limitations of on campus operations. The System is adhering to applicable external guidelines and recommendations for its operations with regard to health and safety and will adjust operations throughout the year as needed. Housing occupancy is limited to 33% of capacity and one residential area has been closed, all rooms are single occupancy, public spaces and restrooms are adapted for safe use, and a de-densified dining program is planned. The length of time these measures will be in place, and the full extent of the financial impact on the System is unknown at this time.

PENSION PLAN INFORMATION

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

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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Housing & Dining System PERS 1 employers' proportion of the net pension liability | 0.016016% | 0.014712% | 0.014101% | 0.013209% | 0.013928% | 0.014527% |
| Housing & Dining System PERS 1 employers' proportionate share of the net pension liability | $1,157,409 | $769,578 | $757,281 | $626,778 | $622,041 | $547,248 |
| Housing & Dining System PERS 1 employers' covered-employee payroll | $1,668,417 | $1,607,762 | $1,657,525 | $1,608,185 | $1,826,650 | $1,335,428 |
| Housing & Dining System PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll | 69.37% | 56.37% | 43.13% | 38.97% | 34.05% | 40.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 61.19% | 59.10% | 57.03% | 61.24% | 63.22% | 67.12% |

* 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 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Housing & Dining PERS 2/3 employers' proportion of the net pension liability | 0.017383% | 0.017106% | 0.017670% | 0.016991% | 0.017818% | 0.018304% |
| Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability | $351,380 | $611,214 | $889,666 | $590,345 | $304,222 | $178,546 |
| Housing & Dining System PERS 2/3 employers' covered-employee payroll | $1,496,262 | $1,516,820 | $1,681,103 | $1,666,293 | $1,876,389 | $1,370,045 |
| Housing & Dining System PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll | 23.48% | 39.49% | 52.92% | 35.43% | 16.21% | 13.03% |
| Plan fiduciary net position as a percentage of the total pension liability | 93.29% | 89.20% | 85.82% | 90.97% | 95.77% | 97.77% |

* This schedule is to be built prospectively until it contains ten years of data.

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

Cost Sharing Employer Plans

Schedule of Changes in Housing and Dining System's Proportionate Share of the WWUSRP Total Pension Liability and Related Ratios

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

| | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| WWUSRP total pension liability-Beginning | $379 | $350 | $269 | $363 |
| Service Cost | 5 | 32 | 9 | 10 |
| Interest | 4 | 36 | 13 | 13 |
| Difference between expected and actual experience | (26) | (96) | 35 | 28 |
| Changes in assumptions | (11) | (36) | 44 | 74 |
| Benefits payments | (1) | (17) | (7) | (7) |
| Net change in total pension liability | (29) | (81) | 94 | 118 |
| WWUSRP total pension liability-Ending | $350 | $269 | $363 | $481 |
| WWU URP employers' covered-employee payroll | $486 | $500 | $499 | $403 |
| WWUSRP total pension liability as a percentage of its covered-employee payroll | 71.99% | 53.81% | 72.81% | 119.13% |

*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 | $102,045 | $0 | $102,045 | $102,045 | $0 | $4,506 | $1,330,922 | $1,335,428 | 7.64% |
| 2020 | $103,485 | $0 | $103,485 | $103,485 | $0 | $10,773 | $2,144,421 | $2,155,194 | 4.80% |
| 2021 | | | | | | | | | |
| 2022 | | | | | | | | | |
| 2023 | | | | | | | | | |
| 2024 | | | | | | | | | |

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of Contributions

**Schedule of Contributions**
**Public Employees' Retirement System (PERS) Plan 2/3**
**Fiscal Year Ended June 30**
*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 | $155,276 | $155,276 | $0 | $1,370,045 | 11.33% |
| 2020 | $170,659 | $170,659 | $0 | $2,178,332 | 7.83% |
| 2021 | | | | | |
| 2022 | | | | | |
| 2023 | | | | | |
| 2024 | | | | | |

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

## OPEB INFORMATION

**Cost Sharing Healthcare Plans**
Schedule of Housing & Dining System's Changes in Total OPEB Liability and Related Ratios

**Schedule of Housing and Dining System Changes in Total OPEB Liability and Related Ratios**
Fiscal Year ended June 30 *

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Total OPEB Liability-Beginning | $3,663,726 | $3,577,005 | $3,279,944 |
| Service Cost | $90,045 | $133,243 | $53,636 |
| Interest | $42,178 | $91,602 | $46,526 |
| Difference between expected and actual experience | $0 | $83,615 | $0 |
| Changes in assumptions | -$205,746 | -$583,308 | $86,644 |
| Benefits payments | -$21,495 | -$38,688 | -$21,283 |
| Change in Proportionate share | $8,297 | $16,475 | -$2,918 |
| Total OPEB liability-Ending | $3,577,005 | $3,279,944 | $3,442,549 |
| Housing and Dining System employers' covered-employee payroll | $3,257,555 | $3,567,358 | $3,921,083 |
| Housing and Dinning employers' proportionate share of total OPEB liability as a percentage of its covered-employee payroll | 109.81% | 91.94% | 87.80% |

*This schedule is to be built prospectively until it contains ten years of data.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**Plans administered by DRS**

The Office of the State Actuary (OSA) calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 RCW. Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2017 valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1, 2019, and ending June 30, 2021.

Additional Considerations on ADC for All Plans: OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2019 and ending June 30, 2021, the contribution rates that the Pension Funding Council adopted, which the Legislature did not change, reflect a phasing in of the increase to contribution rates that resulted from a change to the mortality assumption. This is the second of three biennia over which this increase is expected to be phased-in for PERS 1, PERS 2/3, TRS 1, and TRS 2/3.

For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC, except that the CRC reflect the adopted contribution rates for the time period shown. These might differ from the contribution rates produced for the ADC.

**Plans administered by the University**

The Western Washington University Supplemental Retirement Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 73, paragraph 4 to pay related benefits.

Material assumption changes during the fiscal year 2020 measurement period include updating the GASB 73 discount rate from 3.50% to 2.21% ("Change in assumption" which increased the TPL). Additionally, the fiscal year 2020 returns for the Teachers Insurance and Annuity Association of America (TIAA) and CREF investments were used to determine a member's assumed income. Those returns were 4.12 percent for TIAA and 2.31 percent for CREF. This resulted in an increase in the TPL.

Material assumption changes during the fiscal year 2019 measurement period include updating the GASB 73 discount rate from 3.87% to 3.50% ("Change in assumption" which decreased the TPL). Additionally, CREF investment experience during fiscal year 2019 was slightly lower than expected (4.97 percent actual return). Lower investment experience than expected leads to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption. Based on input from TIAA, OSA modified the TIAA settlement rates, settlement mortality, and increased the CREF investment return assumptions ("Difference between expected and actual experience" which also increased the TPL).

**OPEB Plan administered by the Healthcare Authority of Washington State**

The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits. Material assumption changes during the fiscal year 2019 measurement period relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.87% for the June 30, 2018 measurement date, to 3.50% for the June 30, 2019 measurement date. Other material assumption changes included lowering the forecast of future healthcare cost trends. This resulted in an increase in the TOL.

Material assumption changes during the fiscal year 2018 measurement period relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.58% for the June 30, 2017 measurement date, to 3.87% for the June 30, 2018 measurement date.

SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2020

(Unaudited)

RESIDENCE HALLS

| | Meals per Quarter | | | |
|---|---|---|---|---|
| | Unlimited | 125 | 100 | 80 / BT45 |
| Room and Board Academic Year Contracts | | | | |
| Double room/double occupancy | $12,509 | $12,038 | $11,576 | $11,100 |
| Single room/single occupancy | $13,791 | $13,321 | $12,858 | $12,381 |
| Double room/single occupancy (super single) | $14,536 | $14,065 | $13,603 | $13,124 |
| Triple room/triple occupancy | $10,945 | $10,476 | $10,014 | $9,536 |

APARTMENTS

| | Double with 2/bedroom | Super Single 1/bedroom | Family Rate |
|---|---|---|---|
| Apartment only Academic Year Contracts | | | |
| Birnam Wood - 2 Bedroom Units | $3,969 | $7,920 | $15,871 |

## SCHEDULE OF OCCUPANCY
## Year Ended June 30, 2020

(Unaudited)

| | OCCUPANCY CAPACITY | | ACTUAL | ACTUAL OCCUPANCY AS A PERCENT OF | |
|---|---|---|---|---|---|
| | Designed (1) | Operating (2) | OCCUPANCY (3) | Designed Capacity | Operating Capacity |
| Fall 2019 | 4,135 | 4,045 | 3,946 | 95.4% | 97.6% |
| Winter 2020 | 4,135 | 4,045 | 3,739 | 90.4% | 92.4% |
| Spring 2020(4) | 4,135 | 4,045 | 328 | 7.9% | 8.1% |
| Average | 4,135 | 4,045 | 2,671 | 64.6% | 66.0% |

(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.

(3) Actual occupancy is calculated as the quarterly average occupancy

(4) For Spring 2020 all WWU classes were taught remotely due to the Covid-19 pandemic.

## SCHEDULE OF INSURANCE COVERAGE FY 2020

WWU purchases buildings, contents and business interruption insurance for the Housing and Dining System through its participation in the State of Washington Alliant 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 rental income and earnings from insured property with specific limits for each location. Other highlights of insurance coverage are as follows:

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

- The policy limit is $500,000,000 per occurrence, with an aggregate limit of $100,000,000 for earthquake and flood damage, and $100,000,000 sub-limit for business interruption. A $250,000 deductible per occurrence applies, which 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 & machinery insurance) – State of Washington Program, $200,000,000 property damage limit subject to a $5,000 deductible for covered equipment.

- Third-party bodily injury and property damage liability insurance – State 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, 2020 is summarized as follows:

| | Values Used for Fire and Extended Coverage of Buildings |
|---|---|
| Ridgeway Residences and Commons | $114,942,613 |
| Fairhaven Residences and Commons | 89,898,129 |
| Buchanan Towers | 64,987,393 |
| Edens Hall and Edens Hall North | 41,690,515 |
| Viking Union, Addition and Commons | 76,491,067 |
| Birnam Wood Residences | 63,795,754 |
| Nash Hall | 35,580,898 |
| Mathes hall | 34,882,153 |
| Higginson hall | 23,330,196 |
| Commissary | 21,729,563 |
| Lakewood Recreational Facility | 2,957,075 |
| Building Insured Values | 570,285,356 |
| Insured Contents | 15,238,761 |
| Total | $585,524,117 |

## EXPENDED FOR PLANT FACILITIES FY 2020 and FY 2019

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.

| | 2020 | 2019 |
|---|---|---|
| **Capitalized Projects** | | |
| VU Multicultural Center | (836,349) | 14,429,986 |
| Buchanan Towers Renovation | 4,993,193 | 11,329,149 |
| New Residence Hall / Planning | 15,148,533 | 2,119,499 |
| Other capitalizable | 544,438 | 610,007 |
| | $19,849,814 | $28,488,641 |
| **Non-Capitalized Projects** | | |
| ADA Upgrades | | 621 |
| Bathroom & Shower renovations | 47,469 | 15,108 |
| Stormwater & Site Drainage | | 27,148 |
| RC Sewer Repair | 586,512 | |
| Painting | 98,623 | 80,491 |
| Equipment | | 18,894 |
| Viking Union Projects | 587,064 | 267,012 |
| Fire Safety / Safety Corrections | 1,634 | 230,547 |
| Other Residence Planning | | 244,335 |
| Plumbing, heating and electrical | | 278,273 |
| Access Control | 1,135,645 | 486,893 |
| Network & WiFi projects | 101,578 | 11,063 |
| Furniture & Carpet | 341,552 | 665,541 |
| Other | 1,050,327 | 731,138 |
| Roof Repair/Recoat/Replace | 1,686,573 | 1,727,454 |
| Dining Equipment / Upgrades | 67,864 | |
| Birnam Wood Siding Replacement | 224 | |
| Birnam Wood Moisture Mitigation | | 59,279 |
| Carver Dining Addition | 62,480 | 51,336 |
| Comprehensive UR Bldg Audit | | 47,180 |
| Birnam Wood Balcony & Deck Rep/Rplcmt | 121,468 | 2,231,821 |
| | $5,889,014 | $7,174,136 |

## 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** | (564) 999-0950 |
| **Toll-free Citizen Hotline** | (866) 902-3900 |
| **Website** | www.sao.wa.gov |