



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Western Washington University

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

Published December 17, 2020

Report No. 1027373





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

December 17, 2020

Board of Trustees
Western Washington University
Bellingham, Washington

Report on Financial Statements

Please find attached our report on the Western Washington University's financial statements.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Western Washington University
July 1, 2018 through June 30, 2020**

Board of Trustees
Western Washington University
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 business-type activities and the aggregate discretely presented component units of the Western Washington University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 19, 2020.

Our report includes a reference to other auditors who audited the financial statements of the Western Washington University Foundation as described in our report on the University's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The financial statements of the Western Washington University Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Western Washington University Foundation.

As discussed in Note 24 to the 2020 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the University. Management's plans in response to this matter are also described in Note 24.

The financial statements of the Western Washington University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of

Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the University'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 University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University'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 University'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 University's financial statements are free from material misstatement, we performed tests of the University'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 and the reports of the other auditors 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 University'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 University'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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 19, 2020

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Western Washington University July 1, 2018 through June 30, 2020

Board of Trustees
Western Washington University
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of the Western Washington University, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the University'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 did not audit the financial statements of the Western Washington University Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with Government Auditing Standards.

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Western Washington University, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2020 and 2019, 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 24 to the 2020 financial statements, in February 2020, a state of emergency was declared that could have a negative financial effect on the University. Management's plans in response to this matter are also described in Note 24. 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.

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 University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That

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

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

November 19, 2020

FINANCIAL SECTION

Western Washington University July 1, 2018 through June 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020 and 2019

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2020 and 2019

Foundation Statement of Financial Position – 2020 and 2019

Statement of Revenues, Expenses and Changes in Net Position – 2020 and 2019

Foundation Statement of Activities and Changes in Net Assets – 2020 and 2020

Statement of Cash Flows – 2020 and 2019

Notes to Financial Statements – 2020 and 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of WWU's Proportionate Share of Net Pension Liability – PERS 1, PERS 2/3, TRS 1, TRS 2/3, LEOFF 2 – 2020 and 2019

Schedule of WWU's Total Pension Liability and Related Ratios – WWUSRP – 2020 and 2019

Schedule of Employer Contributions – PERS 1, PERS 2/3, TRS 1, TRS 2/3, LEOFF 2 – 2020 and 2019

Schedule of WWU's Proportionate Share of Total OPEB Liability and Related Ratios – 2020 and 2019

OVERVIEW

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (WWU) for the years ended June 30, 2020 and 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

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

As a comprehensive regional university, WWU offers undergraduate and graduate degrees in over 160 academic programs in its eight colleges. WWU was established in 1893 and currently has over 16,000 full-time and part-time students in seven colleges and the graduate school. Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities. WWU is the third largest employer in Whatcom County.

COVID-19 PANDEMIC

The COVID-19 pandemic currently is affecting many parts of the world, including the State and WWU. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 a national emergency. On February 29, 2020, Washington's Governor declared a state of emergency due to the number of confirmed cases of COVID-19 in the State, directing State agencies to use all resources necessary to prepare for and respond to the outbreak. The Governor has issued a series of proclamations designed to limit social interactions, including orders requiring or encouraging individuals, governments and businesses to take certain precautionary measures designed to prevent the spread of COVID-19. 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. In response to this proclamation, WWU moved to remote learning for Spring quarter of 2020. Washington State is following a phased re-opening approach. Whatcom County is currently in Phase 2, which limits the numbers at gatherings, restaurants, and certain service providers. WWU has and continues to coordinate its response to the pandemic with local public health departments as well as the Washington State Department of Health.

To assist with increased COVID-19 related expenses, the Department of Education (ED) provided WWU with \$11.6 million in federal CARES Act funds. Of the \$11.6 million, 50% of the funds are to be used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations. The remaining 50% of the funds can be used to cover any costs associated with significant changes to the delivery of instructions. As of June 30, 2020, a total of \$6.2 million of CARES Act funds have been spent.

The outbreak of COVID-19 is a significant event that has had material effects on the finances, operations, and economy of the State and WWU. The impacts to the operations of WWU include, but are not limited to, enrollment, legislative and the economic impacts on the State budget.

Using the Financial Statement

WWU reports as a business-type activity as defined by Government Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended. GASB standards require that financial statements be presented on a consolidated basis in order to focus on WWU as a whole. The financial statements, in conjunction with the Notes to the Financial Statements, provides a comprehensive way to assess WWU's financial health.

These financial statements include the following components:

- Statement of Net Position presents the assets and deferred outflows of resources, liabilities and deferred inflows or resources and net position of WWU at a point in time (June 30). Their purpose is to present a financial snapshot of WWU. This statement aids the reader in determining the assets available to continue WWU's operations, how much WWU owes to employees and vendors, whether WWU has any deferred outflows or inflows other than assets or liabilities and provides a picture of net position and its availability for expenditure by WWU.
- Statement of Revenues, Expenses and Changes in Net Position present the total revenues earned and expenses incurred by WWU for operating, non-operating and other related activities, during a period of time (the fiscal year ended June 30, 2020). Their purpose is to assess WWU's operating and non-operating activities.
- The Statement of Cash Flows present additional information to support the financial statements. This statement identifies how much cash has been received or paid by WWU during its fiscal year. In addition, it discloses the sources (how the cash has been generated) and disbursement of cash (how the cash has been utilized).

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2020

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

- Increased net capital assets by \$8.5 million due to the Housing and Dining new residence building and the Interdisciplinary Sciences building project.
- Issued \$68.6 million in Series 2019 revenue bonds to fund the new residence building as well as major upgrades to certain Housing and Dining System residence halls.
- Decreased overall financial position by \$13.8 million primarily due to reduced Auxiliary Enterprises revenue from COVID-19.

Statement of Net Position

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

A summarized comparison of WWU's assets, deferred outflows, liabilities, deferred inflows and net position as of June 30, 2020, 2019 and 2018, follows:

	2020	2019	2018
	(Dollars in thousands)		
Assets			
Current assets	\$104,840	\$64,317	\$79,692
Noncurrent assets	76,590	73,892	85,433
Capital assets, net	<u>500,000</u>	<u>491,524</u>	<u>479,474</u>
Total assets	<u>681,430</u>	<u>629,733</u>	<u>644,599</u>
Deferred outflows	29,248	18,156	10,842
Liabilities			
Current Liabilities	48,314	47,625	48,501
Noncurrent Liabilities	<u>305,602</u>	<u>225,303</u>	<u>237,728</u>
Total liabilities	<u>353,916</u>	<u>272,928</u>	<u>286,229</u>
Deferred inflows	42,017	46,400	26,026
Total net position	<u>\$314,745</u>	<u>\$328,561</u>	<u>\$343,186</u>

Assets

The primary components in the asset category are cash, investments, receivables and capital assets. Total assets increased by \$51.7 million (8.2%) in fiscal year (FY) 2020 and decreased by \$14.9 million (2.3%) in FY 2019 over FY 2018.

Total Cash and Investments (see Notes 3 & 4) increased \$36.0 million during FY 2020 primarily due to unspent bond proceeds. WWU issued \$68.6 million in Series 2019 revenue bonds to fund a new residence building as well as major upgrades to certain Housing and Dining System residence halls. These bond proceeds were invested in both long and short- term restricted investments, with maturities matched to anticipated cash flow needs. During FY 2019, total cash and investments decreased \$29.3 million primarily due to spending \$25.8 million of the remaining Series 2018B bonds funds along with cash on capital projects.

The allocation of unrestricted cash and investments between current and noncurrent is governed by the university's investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk. In FY 2020, unrestricted cash and cash equivalents decreased by \$2.5 million (-11.4%) primarily due to the effects of COVID-19. Total unrestricted cash and investments decreased \$16.4 million during FY 2020. This is primarily due to liquidation of investments to cover operating needs during the COVID-19 pandemic. In FY 2019, unrestricted cash and cash equivalents increased \$12.6 million (127.9%) as we shifted maturing investments into the Local Government Investment Pool (LGIP) (see Note 3) due to preferable rates and liquidity. These funds were then available for operational and strategic planning. Total unrestricted cash and investments decreased \$6.5 million as a result of increased spending in operations of approximately \$5.0 million and capital of approximately \$1.5 million.

Non-depreciable and depreciable capital asset, net, increased \$8.5 million (1.7%) during FY 2020 due to beginning the construction of the Housing and Dining new residence hall and the Interdisciplinary Sciences building. Non-depreciable and depreciable capital assets, net, increased \$12.1 million (2.5%) in FY 2019 due to the Multicultural Center construction project and renovation work on the Housing & Dining new residence halls.

Accounts receivable, net increased \$3.9 million during FY 2020 and \$342 thousand during FY 2019. The increase in FY 2020 is largely due to a \$1.5 million receivable with the ED for CARES related reimbursements related to increased remote learning expenses. and \$1.7 million increase in Auxiliary enterprises which includes a \$1 million dollar contract adjustment (due to COVID-19) with Aramark dining services as well as unpaid student account balances.

Liabilities

Current liabilities typically fluctuate depending on the timing of accounts payable (A/P) payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities increased \$688 thousand (1.4%) during FY 2020 primarily due to an increase in the current portions of bonds and notes payable combined with pensions and OPEB. Current liabilities decreased \$877 thousand (-1.8%) during FY 2019 largely due to a decrease in capital related Accounts payable invoices as major construction projects were nearing completion offset by increases to the current portions of pension and OPEB.

Noncurrent liabilities increased \$80.3 million (35.6%) primarily due to an increase in long-term debt (associated with the FY 2020 bond issue) combined with an increase in WWU's OPEB liability. WWU's OPEB liability will fluctuate based on changes to the discount rate that is used in the calculation (see Note 20). During FY 2019, noncurrent liabilities decreased \$12.4 million (-4.6%) largely due to a reduction to Western's OPEB liability.

Net Position

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.

During FY 2020, total net position decreased \$13.8 million (-4.2%) largely due to reduced Auxiliary Enterprise revenues as a result of the COVID-19 pandemic. During FY 2019, total net position decreased by \$14.6 million (-4.3%) primarily due to increased operational spending and recording the \$6.9 million refund to the U.S. Department of Education as the Federal Perkins Program winds down. Congress did not renew the Perkins Program after September 30, 2017 and no new disbursements were permitted after June 30, 2018. The lack of renewal also means that as prior loans are repaid, the federal portion of the repayment must be returned to the federal government. This liability is recorded as a noncurrent liability on the Statement of Net Position.

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

Restricted:

- Pensions consists of net pension assets related to the defined benefit retirement plans that are legally or contractually restricted. Currently the net position in restricted pensions is due to the retirement plan LEOFF. (See Note 19)
- Nonexpendable consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- Expendable are resources which WWU is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.

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

WWU's net position as of June 30, 2020, 2019 and 2018 are summarized as follows:

	2020	2019	2018
	(Dollars in thousands)		
Net Position			
Net investment in capital assets	\$394,277	\$398,903	\$405,301
Restricted:			
Pensions	1,092	930	695
Nonexpendable	5,504	5,472	5,433
Expendable	24,345	19,856	24,888
Unrestricted	(110,472)	(96,600)	(93,131)
Total net position	<u>\$314,746</u>	<u>\$328,561</u>	<u>\$343,186</u>

Net investment in capital assets decreased \$4.6 million (-1.2%) during FY 2020 primarily due to a \$31.8 million overall increase in capital assets offset by \$26.4 million in depreciation, \$19.3 million of the series 2020 bonds utilized and \$5.9 million in debt service principal payments. Net investment in capital assets decreased \$6.4 million (-1.6%) during FY 2019 due to \$12 million increase in overall capital assets offset by \$24.4 million in depreciation and \$5.2 million in debt service principal payments.

Highlights of fiscal 2020 capital asset activities:

- Completed the \$21.8 million Multicultural Center.
- Completed the \$23.8 million Buchanan Towers Renovation.
- Issued \$68.6 million in Series 2019 Housing and Dining revenue bonds for new residence hall and renovations.
- New Residence Hall - \$15.1 million was spent during FY 2020.
- Interdisciplinary Sciences building - \$4.3 million was spent during FY 2020

Restricted nonexpendable includes donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships.

Restricted expendable net position increased \$4.7 million primarily due to a \$4.6 million increase in Capital Projects, which includes renewal and replacements and Funds with the State Treasurer. Restricted expendable net position decreased \$4.8 million in FY 2019 primarily due to recording the liability for the Perkins Federal Program wind down refund offset by increased funds with the State Treasurer of \$1.7 million.

Unrestricted net position decreased in FY 2020 by \$13.9 million (-14.4%) when compared to FY 2019, primarily due to increased operational spending combined with COVID-19 related decreases in Auxiliary Enterprise revenue. Unrestricted net position decreased \$3.5 million (-3.7%) in FY 2019 primarily due to increases in salary and wages offset by pension adjustments.

Capital Assets and Related Debt

During FY 2020 and FY 2019, \$31.9 million and \$33.3 million (excluding library materials, equipment and improvements) respectively, were expended on capital improvements. Of the \$31.9 million in capital improvements during FY 2020, \$3.2 million was expended on various academic buildings, \$7.6 million on the Interdisciplinary Sciences building, \$5.0 million was spent on Housing and Dining residence building renovation and \$16.1 million on a new Housing and Dining residence building (See Note 9).

Specific projects completed or underway in FY 2020 include:

Viking Union Expansion for Multicultural Center. The \$21.9 million project created a new home for a variety of Associated Student programs. It is an administrative hub for multicultural education and services. The expansion combined the Multicultural Center, Viking Union, Bookstore, Multipurpose Room and KUGS within one building and became a beacon that celebrates diversity and inclusivity on campus. This project was funded partially by revenue bonds and WWU local funds. This project was completed during FY 2020.

Buchanan Towers Renovation. The \$23.8 million project was a two-phase renovation of residence rooms, bathrooms and kitchens during Spring and Summer Quarters 2018 and 2019. Scope included upgrading plumbing/air supply/ventilation, fire detection/alarm/security systems, hazardous materials abatement, new doors and windows, upgrades to exterior masonry, installation of new gutters and downspouts, and upgrades to interior finishes. These renovations were completed in September 2019.

New Residence Hall. The estimated \$67.6 million project will be a 400-bed student housing facility that provides a modern signature living community. Housing and Dining's new residence hall connects the north side of campus to the Ridgeway community with an accessible, safe pedestrian passage within the hall. This project is funded with the Series 2019 revenue bonds.

Sciences Building Addition. The estimated \$66.5 million Sciences Building Project is a new free-standing building at WWU's main campus. The building is proposed to be a 4 story Science, Technology, Engineering, and Math

(STEM) building. The project is planned to be approximately 50,000 GSF to accommodate the demand for instructional and research space serving STEM education. It will consist of teaching labs, wet research labs, and active learning spaces. Also, it will provide a small amount of building support and office space, and require utilities to be extended to the site.

The project is targeting the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED) for New Construction to achieve LEED Gold certification through the process of the Green Building Certification Institute (GBCI).

Statement of Revenues, Expenses and Changes in Net Position

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

A condensed comparison of WWU's revenues, expenses and changes in net position for the years ended June 30, 2020, 2019 and 2018 follows:

	2020	2019	2018
	<i>(Dollars in thousands)</i>		
Operating revenues	\$209,611	\$223,054	\$212,897
Operating expenses	<u>346,817</u>	<u>338,698</u>	<u>330,097</u>
Operating loss	(137,206)	(115,644)	(117,200)
State appropriations revenue	90,538	84,835	78,652
Other nonoperating revenues	24,963	13,160	20,379
Nonoperating expenses	<u>(5,469)</u>	<u>(4,059)</u>	<u>(3,616)</u>
(Loss) income before other revenues	(27,174)	(21,708)	(21,785)
Other revenues	<u>13,359</u>	<u>7,083</u>	<u>8,280</u>
Increase in net position	(13,815)	(14,625)	(13,505)
Net position, beginning of year	<u>328,561</u>	<u>343,186</u>	<u>356,691</u>
Net position, end of year	<u><u>\$314,746</u></u>	<u><u>\$328,561</u></u>	<u><u>343,186</u></u>

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

In accordance with the College Affordability Act of 2015, WWU has the authority to raise resident undergraduate tuition operating fees by the average annual percentage growth rate in the median hourly wage for Washington for the previous 14 years as determined by the Federal Bureau of Labor Statistics. Tuition rates for nonresident undergraduate, resident graduate, and nonresident graduate students are set by the Board of Trustees after analyses of market constraints of supply and demand, and comparison costing with our peers. During FY 2020, WWU increased its tuition rates as follows (note – tuition operating fee does not include other mandatory student fees):

- Resident undergraduate tuition operating fees by 2.4%
- Non-resident undergraduate rates by 5.0%
- Graduate programs by 4.5%

Student tuition and fee revenue includes tuition fees and mandatory fees such as the Service and Activity Fee and the Health Service Fee. Total fees, including mandatory fees, increased \$398 thousand in FY 2020. Even though tuition and fees increased by 2.4% during FY 2020, the slight increase of \$398 thousand is primarily due to a decrease in the FTE enrollment and headcount combined with a \$1.8 million refund in fees to students due to COVID-19. Total fees, including mandatory fees, increased \$6.9 million (4.8%) during FY 2019 compared to an increase of \$7.1 million (5.1%) during FY 2018 due to rate increases. WWU provided \$33.9 million and \$32.7 million in scholarship allowances in FY 2020 and FY 2019 respectively to assist students with tuition. In FY 2020, Net tuition revenue (student tuition and fees less scholarship allowances) decreased \$837 thousand (-0.7%) and increased \$5.2 million (4.6%) in FY 2019. Enrollment decreased to an Academic Year Average (AYA) headcount of 15,208 in FY 2020 compared to 15,357 in FY 2019.

Graduate and Undergraduate Annual Tuition and Fees

Academic Year	Resident Undergraduate	Change	Resident Graduate	Change	Nonresident Undergraduate	Change	Nonresident Graduate	Change
2019-20	\$8,341	2.58%	\$11,935	4.3%	\$24,690	4.9%	\$23,558	4.4%
2018-19	\$8,131	2.50%	\$11,442	4.4%	\$23,543	4.9%	\$22,564	4.4%
2017-18	\$7,933	3.66%	\$10,964	4.4%	\$22,445	3.9%	\$21,608	3.9%

Historical Average Annual Enrollment

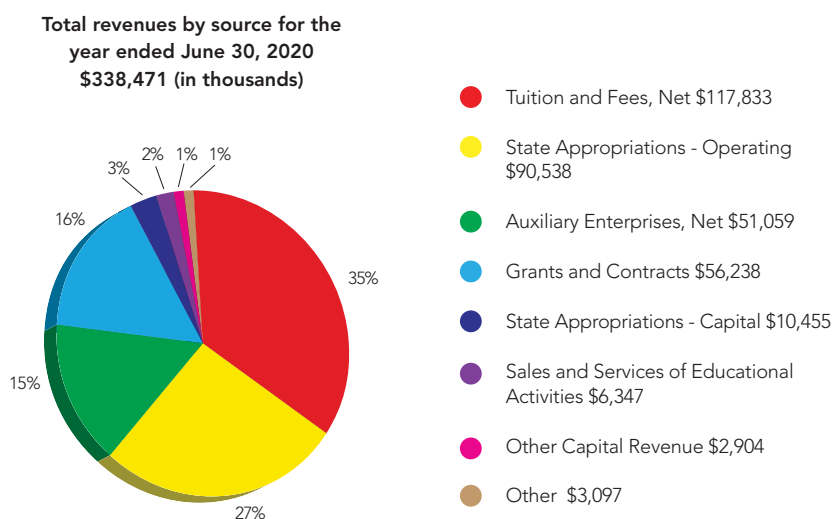
Academic Year	FTE Enrollment	Headcount Enrollment
2019-20	14,004	15,208
2018-19	14,187	15,357
2017-18	14,053	15,213

Auxiliary enterprises revenue (before scholarship allowances) decreased \$14.9 million (-20.6%) and \$163 thousand (-0.6%) during FY 2020 and FY 2019, respectively. The decrease during FY 2020 is attributable to WWU responding to the COVID-19 pandemic by shifting during Spring quarter from on campus instruction to remote learning.

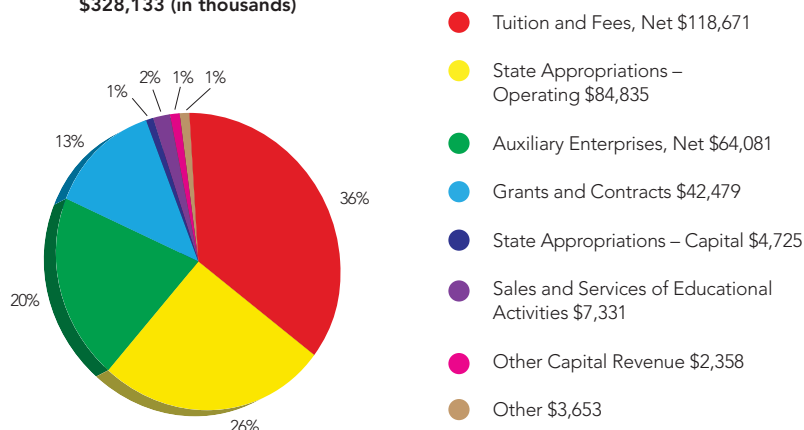
During FY 2020, state (and capital) appropriations used in operations increased \$5.7 million (6.7%) compared to an increase of \$6.2 million (7.9%) during FY 2019. The increase in FY 2020 is primarily related to state funding for general wage increases as well as new the new Workforce Education Investment Account. This new state appropriation is to provide funding towards financial aid, expansion of STEM degree programs and student support services at WWU. The increase in FY 2019 is primarily due to WWU receiving \$1.5 million to establish a computer and information systems security program at Olympic and Peninsula Colleges and \$1.0 million for student success initiatives to improve retention and graduation rates combined with State appropriations of \$3 million being moved from capital to operations.

Capital appropriations are provided by the state and are recognized as other revenues when expenditures are incurred on capital projects by WWU. Capital appropriations increased \$5.7 million (121.3%) when compared to FY 2019 primarily due to the Interdisciplinary Sciences Building project. FY 2019 Capital appropriations increased \$2.3 million (97.0%) when compared to FY 2018 primarily due to the Interdisciplinary Sciences Building and the Anatomy and Physiology Lab upgrade projects.

The following graphs illustrate revenues by source for the years ended June 30, 2020 and 2019:



**Total revenues by source for the
year ended June 30, 2019
\$328,133 (in thousands)**



WWU's total operating expenses increased \$8.1 million primarily due to a \$7.2 million increase in Scholarships and fellowships expense. During FY 2020, WWU awarded to students \$4.7 million in CARES funds along with approximately \$2.0 million additional Washington College Grant (formerly the State Need Grant) funds. Due to COVID-19, the Department of Education (ED) provided WWU with \$5.8 million in CARES funds to help students with increased, unanticipated expenses. The remaining \$1.1 million will be disbursed during FY 2021. FY 2020 increases in salaries and benefits were offset by a decrease in supplies, as the university imposed strict purchasing and travel restrictions in response to COVID-19. WWU's operating expenses increased \$8.6 million (2.6%) during FY 2019 primarily due to increases in salaries and wages and supplies and materials expenses offset by a decrease in benefits expense.

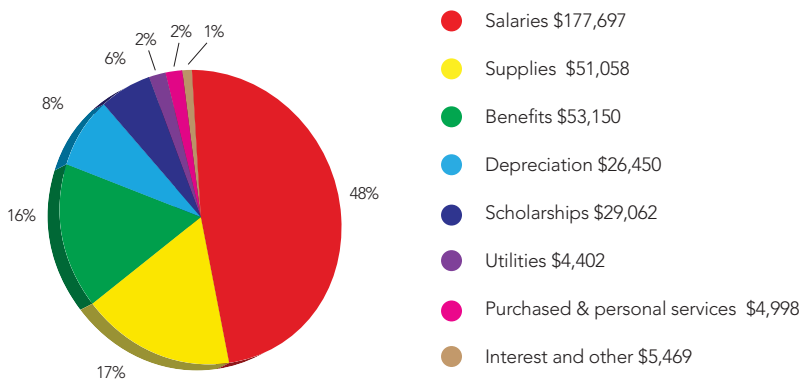
Salaries and Wages increased \$9.0 million during FY 2020 and \$6.9 million in FY 2019 as all staff received compensation increases both years. During FY 2020, benefits expense increased \$3.4 million (6.9%) primarily due to increases to the corresponding fringe benefits, health care premium and accrued leave adjustments. During FY 2019, benefits expense decreased \$2.4 million (-4.5%) largely due to decreases in pension and OPEB (see Notes 19 & 20) adjustments offset by increases in health and retirement expenses.

Supplies and materials decreased \$12.5 million compared to FY 2019 primarily as a result of cost saving measures implemented by WWU in response to COVID-19. WWU implemented purchasing restrictions for a total savings of \$5.1 million. In addition, Auxiliary

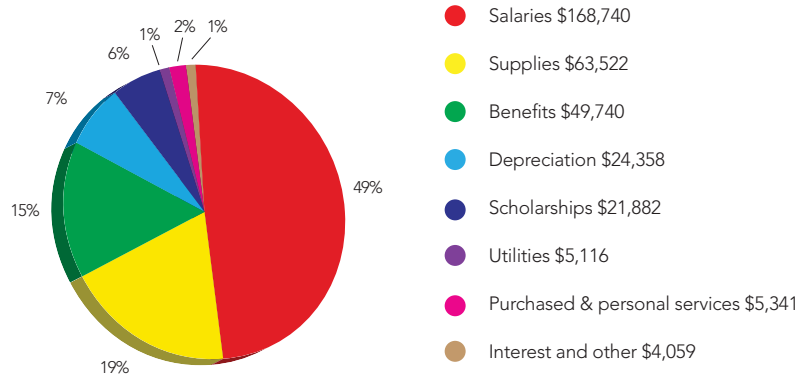
Enterprises suspended operations during Spring quarter which resulted in a \$4.2 million reduction to cost of goods sold. Supplies and materials increased \$5.2 million (8.9%) in FY 2019 when compared to FY 2018 due to an increase in repairs and maintenance of various academic and residence halls.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2020 and 2019:

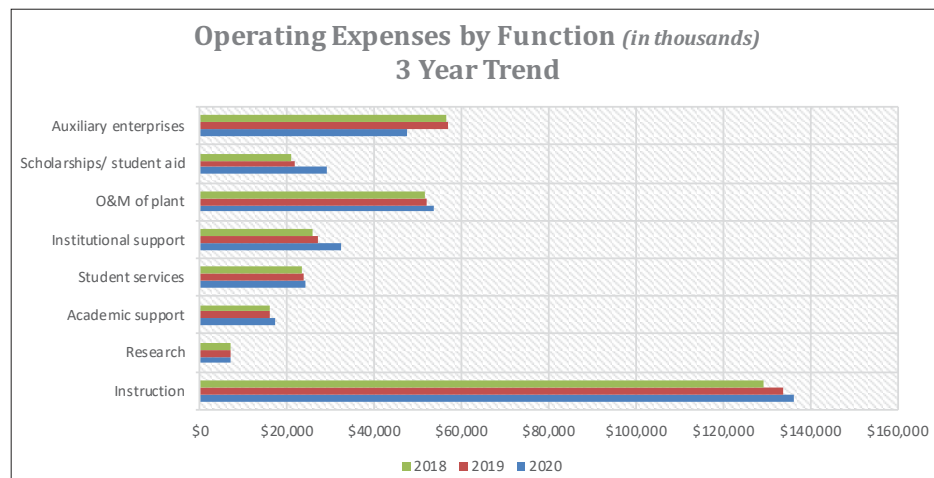
**Total expenses by natural classification
for the year ended June 30, 2020
\$352,286 (in thousands)**



**Total expenses by natural classification
for the year ended June 30, 2019
\$342,758 (in thousands)**



The following graph illustrate expenses by natural classification for the years ended June 30, 2020, 2019, 2018:



Operating Loss

WWU's operating loss of \$137.2 million in FY 2020 increased by \$21.6 million (18.7%) compared to FY 2019. The \$115.6 million operating loss in FY 2019 was a decrease of \$1.6 million (-1.3%) from the FY 2018 loss. GASB Statement No. 34 requires that State appropriations, Federal Pell grants and Federal CARES Act be classified as non-operating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating losses would have been \$24.3 million in FY 2020 and \$13.8 million in FY 2019.

Financial Indicators

The financial indicators presented below represent a few of the standard ratios used in higher education. The ratios summarize the performance of WWU over a 3-year period. The information provided in WWU's Statement of Net Position and the Statement of Changes in Revenue, Expense and Net Position as well as the Foundation's Statement of Financial Position and Statement of Activities are used for the calculations. These ratios could be affected by changes to student enrollment levels, tuition and fees, new debt, state and federal financial aid, and operational state support. Any downturn in these ratios is largely attributed to the adoption of GASB Statements No. 75 and No. 73, statement of unrestricted net position.

Financial Indicator	Definition	Calculation	FY 2020	FY 2019	FY 2018
Tuition dependency ratio (%)	Helps measure sensitivity to changes in enrollment levels	Net tuition and fees plus governmental grants to WWU for student tuition divided by the sum of operating and non-operating revenues	41.21%	41.36%	42.02%
Unrestricted financial resources to operations (x)	Measures coverage of annual operations by the most liquid resources	Unrestricted net assets divided by total adjusted operating expenses	-0.31	-0.28	-0.28
Annual days cash on hand ¹	Measures the numbers of days WWU is able to operate (cover it's cash operating expenses)	Annual liquidity times 365 divided by total expenses less depreciation and unusually large non-cash expenses	97.11	105.48	119.39
Current ratio	Measures liquidity - ability to meet current obligations with liquid assets	Current assets divided by current liabilities	2.60	1.68	1.93
Viability ratio	Measure the ability of WWU to repay debt with available financial resources	Expendable net position (excluding capital projects) divided by debt	-0.50	-0.71	-0.59
Primary reserve ratio	Compares WWU's existing financial resources to the size of it operating expenses.	Expendable net position (excluding capital projects) divided by total adjusted expenses.	-0.22	-0.18	-0.17
Return on Net Position ¹	Indicates whether WWU is financially better off than in previous years by measuring total economic return.	Change in net position divided by total net position	-0.63%	-1.17%	-1.46%

¹ Ratio based on Moody's analytical methodology

Economic Factors That Will Affect the Future

The outbreak of COVID-19 is a significant event that has had and is expected to have material effects on the finances, operations, and economy of the State and WWU. The impacts to the operations of WWU, include but are not limited to enrollment, legislative and the economic impacts on the State budget. The State Legislature's responses as they impact the funding of higher education are not yet known. Enrollment is anticipated to be impacted by approximately 7% in Fall Quarter 2020 given the shift to remote learning and limitations of on campus operations.

WWU has taken a number of prompt actions in response to the outbreak, including a hiring freeze, freeze on travel, significant reductions to planned operating expenditures, renegotiation of third-party service contracts, and deferral of several renovation projects. WWU expects to draw on reserves and other funds as needed. Furthermore, WWU has been awarded \$5.4 million in Governor's Emergency Education Relief Fund (GEER). These Federal GEER funds are to provide emergency support through grants to Local Education Agencies and institutes of Higher Education. Also, WWU expects to continue to receive Federal FEMA and CARES Act assistance and will also apply for additional Federal and State support for expenses related to the COVID-19 pandemic as it becomes available.

While the full impact of the COVID-19 pandemic on WWU and the regional economy is currently uncertain, WWU currently believes that these measures will help mitigate its anticipated revenue shortfall. WWU, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses. WWU will continue to monitor the evolving situation and respond as needed.

For the 2019-21 biennium, the legislature authorized a new dedicated revenue source for public institutions of higher education, the Workforce Education Investment Account (WEIA). This provided a total of \$5,243,000 in

new appropriations to WWU, \$3,426,000 of which is dedicated to increasing enrollments in STEM majors, and \$1.8 million provided in recognition that institutional operating costs, including compensation and central services, exceed estimated increases in undergraduate operating fee revenue

WWU was provided funding from the State to implement the state's salary increase policy, including a 3 percent annual compensation increase for all WWU employees in both fiscal years of the 2019-21 biennium.

In FY 2021, resident and nonresident undergraduate and graduate tuition will increase 2.5%.

Statement of Net Position

June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$19,852,778	\$22,399,778
Restricted cash and cash equivalents (Note 3)	5,567,428	2,700,997
Restricted investments (Note 4)	35,244,928	1,888,388
Investments (Note 4)	18,541,216	18,262,294
Funds with State Treasurer (Note 5)	8,376,372	6,170,793
Interest receivable	1,261,451	1,193,644
Accounts receivable, net (Note 6)	12,987,726	9,130,453
Pledged gift receivable from the Foundation (Note 24)		250,000
Prepaid expenses	675,834	580,622
Inventories (Note 8)	<u>2,332,407</u>	<u>1,740,353</u>
Total current assets	104,840,140	64,317,322
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	3,853,146	779,998
Restricted investments (Note 4)	22,942,562	9,879,086
Investments (Note 4)	36,994,702	51,127,484
Due from State Treasurer	5,899,374	4,361,982
Student loans receivable, net (Note 7)	5,467,497	6,504,747
Non-depreciable capital assets (Note 9)	41,550,372	60,819,275
Depreciable capital assets, net (Note 9)	458,450,377	430,704,850
Restricted net pension	<u>1,432,295</u>	<u>1,239,184</u>
Total noncurrent assets	<u>576,590,325</u>	<u>565,416,606</u>
Total assets	<u>681,430,465</u>	<u>629,733,928</u>
Deferred outflows		
Deferred loss on bond refunding	876,607	1,086,663
Relating to pension (Note 19)	17,822,084	11,587,981
Relating to OPEB (Note 20)	<u>10,549,490</u>	<u>5,481,331</u>
Total deferred outflows	<u>29,248,181</u>	<u>18,155,975</u>
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	20,927,514	20,467,704
Deposits payable	837,818	1,797,550
Unearned revenues	10,039,680	9,658,028
Current portion of bonds and notes payable (Notes 12,13,15)	6,143,423	5,883,099
Current portion of net pension obligations (Note 15,19)	8,498,760	8,105,626
Current portion of OPEB (Note 20)	1,622,646	1,515,760
Deposits held in custody for others	<u>243,058</u>	<u>197,050</u>
Total current liabilities	48,312,899	47,624,817
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	153,228,622	87,824,383
Compensated absences (Note 11)	10,609,358	9,277,179
Perkins Federal contribution refund	5,934,269	6,948,850
Long-term pension liabilities (Note 15,19)	43,347,907	40,216,026
Long-term OPEB liabilities (Note 20)	<u>92,481,724</u>	<u>81,037,012</u>
Total noncurrent liabilities	<u>305,601,880</u>	<u>225,303,450</u>
Total Liabilities	<u>353,914,779</u>	<u>272,928,267</u>
Deferred inflows		
Relating to pension (Note 19)	14,487,805	14,905,974
Relating to OPEB (Note 20)	<u>27,529,649</u>	<u>31,494,089</u>
Total deferred inflows	<u>42,017,454</u>	<u>46,400,063</u>
Net Position		
Net investment in capital assets	394,277,247	398,903,306
Restricted for:		
Nonexpendable: scholarships and professorships	5,503,980	5,471,520
Expendable:		
Instruction and research	1,261,883	1,599,484
Loans	6,624,700	6,422,703
Capital Projects	16,458,666	11,834,118
Net Pensions	1,092,033	930,329
Unrestricted	<u>(110,472,096)</u>	<u>(96,599,887)</u>
Total net position	<u>\$314,746,413</u>	<u>\$328,561,573</u>

See accompanying notes to the financial statements

Foundation Statement of Financial Position

June 30, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$1,712,416	\$1,053,095
Unconditional promises to give, net	13,327,408	4,436,748
Investments:		
Operating investment pool	15,792,010	15,066,790
Endowment investment pool	90,780,643	89,895,912
Endowment real estate held for investment	3,473,030	3,366,450
Annuity and life income investments	2,016,019	2,011,624
Real property	<u>1,816,822</u>	<u>1,816,822</u>
Total investments	113,878,524	112,157,598
Other assets	285,262	346,231
Due from Western Washington University		415,620
Property and equipment, net	<u>525,604</u>	<u>542,105</u>
Total Assets	<u>129,729,214</u>	<u>118,951,397</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	165,112	225,633
Due to Western Washington University	459,627	
Gift payable to Western Washington University, net		250,000
Annuity and life income obligations	521,852	521,246
Deferred revenue from life estate	276,077	317,836
Investments held in trust for Western Washington University	<u>13,323,846</u>	<u>13,728,667</u>
Total Liabilities	14,746,514	15,043,382
Net Assets		
Without donor restrictions	22,447,574	22,002,996
With donor restrictions	92,535,126	81,905,019
Total Net Assets	<u>114,982,700</u>	<u>103,908,015</u>
Total Liabilities and Net Assets	<u>\$129,729,214</u>	<u>\$118,951,397</u>

See accompanying notes to the financial statements

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended
June 30, 2020 and 2019

	2020	2019
Operating Revenues		
Student tuition and fees	\$151,749,041	\$151,351,274
Less scholarship allowances	(33,916,134)	(32,680,523)
Net student tuition and fees	117,832,907	118,670,751
Federal grants and contracts	5,055,965	5,143,468
State and local grants and contracts	24,715,106	22,631,614
Nongovernmental grants and contracts	4,143,939	4,673,459
Sales and services of educational activities	6,347,306	7,331,107
Interest earned on loans to students	180,178	161,759
Other operating revenue	276,647	361,260
Auxiliary enterprises	57,416,342	72,268,272
Less scholarship allowances	(6,357,269)	(8,187,751)
Net auxiliary enterprises	51,059,073	64,080,521
Total operating revenues	209,611,121	223,053,939
Operating Expenses		
Salaries and wages	177,697,315	168,739,636
Benefits	53,150,088	49,739,540
Scholarships and fellowships	29,062,568	21,882,192
Utilities	4,401,989	5,115,655
Supplies and materials	51,058,112	63,521,706
Purchased services	4,997,859	5,341,215
Depreciation	26,449,602	24,357,626
Total operating expenses	346,817,533	338,697,570
Operating loss	(137,206,412)	(115,643,631)
Nonoperating Revenues (Expenses)		
State appropriations	90,537,711	84,834,784
Federal Pell grant revenue	16,150,366	16,979,661
Federal CARES grant revenue	6,173,001	
Federal Perkins Program refundable grant revenue	(21,973)	(6,948,850)
Investment income	2,533,425	2,383,235
Interest on indebtedness	(5,468,674)	(4,059,026)
Gain (loss) on endowments	88,933	698,358
Nonoperating rental property expense/income	39,349	48,104
Total nonoperating revenues (expenses)	110,032,138	93,936,266
Income (Loss) before other revenues	(27,174,274)	(21,707,365)
Other Revenues		
Capital appropriations	10,455,430	4,724,712
Other capital revenue	2,903,684	2,358,127
Total other revenues	13,359,114	7,082,839
Decrease/Increase in net position	(13,815,160)	(14,624,526)
Net position, beginning of year	328,561,573	343,186,099
Net position, end of year	314,746,413	\$328,561,573

See accompanying notes to the financial statements

Foundation Statement of Activities & Changes in Net Assets

June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2020
Support and Revenue:			
Contributions	\$515,264	\$16,116,112	\$16,631,376
In-kind services and facilities provided by			
Western Washington University	3,765,198		3,765,198
Interest and dividends	113,894	273,299	387,193
Net realized and unrealized gains on investments	594,713	441,034	1,035,747
Return on annuity and life income investments		116,915	116,915
Change in valuation of annuity and life income obligations		(133,327)	(133,327)
Administrative fees	1,269,275		1,269,275
Fundraising events and other	<u>89,039</u>	<u>508,471</u>	<u>597,510</u>
Total support and revenue before net assets released from restrictions	6,347,383	6,347,383	23,669,887
Net assets released from restrictions	<u>6,692,397</u>	<u>(6,692,397)</u>	
Total Support and Revenue	13,039,780	10,630,107	23,669,887
Expenses:			
Program services and grants	7,653,134		7,653,134
Management and general in-kind	1,889,444		1,889,444
Management and general - other	335,242		335,242
Fundraising - in-kind	1,875,754		1,875,754
Fundraising - other	<u>841,628</u>		<u>841,628</u>
Total Expenses	<u>12,595,202</u>		<u>12,595,202</u>
Change in Net Assets	444,578	10,630,107	11,074,685
Net Assets, beginning of year, restated	<u>22,002,996</u>	<u>81,905,019</u>	<u>103,908,015</u>
Net Assets, end of year	<u>\$22,447,574</u>	<u>\$92,535,126</u>	<u>\$114,982,700</u>

See accompanying notes to the financial statements

Foundation Statement of Activities & Changes in Net Assets

June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019
Support and Revenue:			
Contributions	\$1,227,241	\$9,840,766	\$11,068,007
In-kind services and facilities provided by			
Western Washington University	4,014,476		4,014,476
Interest and dividends	690,277	708,905	1,399,182
Net realized and unrealized gains on investments	1,270,679	3,000,480	4,271,159
Return on annuity and life income investments		98,368	98,368
Change in valuation of annuity and life income obligations		(50,093)	(50,093)
Administrative fees	1,389,838		1,389,838
Fundraising events and other	<u>85,675</u>	<u>711,456</u>	<u>797,131</u>
Total support and revenue before net assets released from restrictions	8,678,186	14,309,882	22,988,068
Net assets released from restrictions	<u>7,563,102</u>	<u>(7,563,102)</u>	<u> </u>
Total Support and Revenue	16,241,288	6,746,780	22,988,068
Expenses:			
Program services and grants	8,319,394		8,319,394
Management and general in-kind	2,009,098		2,009,098
Management and general - other	324,070		324,070
Fundraising in-kind	2,005,378		2,005,378
Fundraising - other	<u>840,203</u>	<u> </u>	<u>840,203</u>
Total Expenses	<u>13,498,143</u>	<u> </u>	<u>13,498,143</u>
Change in Net Assets	2,743,145	6,746,780	9,489,925
Net Assets, beginning of year, restated	<u>19,259,851</u>	<u>75,158,239</u>	<u>94,418,090</u>
Net Assets, end of year	<u>\$22,002,996</u>	<u>\$81,905,019</u>	<u>\$103,908,015</u>

See accompanying notes to the financial statements

Statement of Cash Flows

For the Years Ended
June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Student tuition and fees	\$116,895,386	\$119,558,691
Grants and contracts	34,364,214	31,931,246
Payments to vendors	(91,908,667)	(96,271,937)
Payments to employees for salaries and benefits	(227,607,245)	(218,006,891)
Loans issued to students	(154,963)	(263,821)
Collection of loans to students	1,114,783	1,422,602
Sales of auxiliary enterprises	49,606,407	63,983,298
Sales and services of educational activities	3,963,946	6,862,430
Interest received on loans to students	<u>456,825</u>	<u>523,019</u>
Net cash used by operating activities	(113,269,314)	(90,261,363)
Cash Flows from Noncapital Financing Activities		
State appropriations	90,410,102	84,624,116
Direct Lending proceeds	52,071,101	60,548,832
Direct Lending disbursements	(51,873,900)	(60,510,448)
Federal Pell grant receipts	16,150,366	16,979,661
Federal CARES grant receipts	6,173,001	
Federal Perkins grant disbursements	<u>(1,036,554)</u>	<u></u>
Net cash provided by noncapital financing activities	111,894,116	101,642,161
Cash Flows from Investing Activities		
Purchases of investments	(75,079,460)	(18,296,440)
Proceeds from sales of investments	42,480,504	59,036,876
Interest received on investments	<u>1,459,233</u>	<u>2,452,068</u>
Net cash (used)/provided by investing activities	(31,139,723)	43,192,504
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	72,199,070	192,631
Interest earned on bond proceeds	1,128,119	287,066
Capital appropriations	9,045,647	3,794,201
Other capital (expense)/revenue	(2,205,579)	(1,716,821)
Contributions and gifts in-kind	2,903,684	2,358,127
Proceeds from disposal of capital assets	87,459	201,154
Purchases of capital assets	(36,045,145)	(38,818,681)
Principal paid on capital debt	(5,883,099)	(5,207,321)
Interest paid on capital debt	(5,362,005)	(4,672,288)
Other activities	<u>39,349</u>	<u>48,104</u>
Net cash used by capital and related financing activities	<u>35,907,500</u>	<u>(43,533,828)</u>
Net increase/(decrease) in cash and cash equivalents	3,392,579	11,039,474
Cash and cash equivalents, beginning of year	<u>25,880,773</u>	<u>14,841,299</u>
Cash and cash equivalents, end of year	<u>\$29,273,352</u>	<u>\$25,880,773</u>

See accompanying notes to the financial statements

Statement of Cash Flows

For the Years Ended
June 30, 2020 and 2019

Reconciliation of Operating Loss to Net Cash used by Operating Activities

	2020	2019
Operating loss	(\$137,206,412)	(\$115,643,631)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	26,449,601	24,357,626
Gain/Loss on disposal of capital assets	(65,226)	(146,585)
Changes in assets, liabilities and deferred outflows and inflows of resources:		
Accounts receivable	(3,607,274)	(90,780)
Student loans receivable	1,037,250	1,316,525
Inventories	(592,054)	24,706
Prepaid expenses	(95,212)	(349,688)
Accounts payable and accrued expenses	1,008,476	762,332
Unearned revenue	381,652	1,269,156
Student and other deposits	(959,732)	(1,271,146)
Deposits held in custody	(151,193)	(113,644)
Compensated absences	1,332,179	371,394
Pension and OPEB Related Deferred Outflows and Inflows of Resources	(15,684,871)	12,379,283
Pension liability	3,331,904	(1,619,605)
Total OPEB liability	11,551,598	(11,507,306)
Net cash used by operating activities	<u>(\$113,269,314)</u>	<u>(\$90,259,963)</u>
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	<u>\$5,169,399</u>	<u>\$5,922,466</u>

See accompanying notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

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

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, Revenue Recognition, and ASC 958-205, Presentation of Financial Statement.

As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in WWU's financial statement for these differences; however, significant note disclosures (see Note 2) to the Foundation's financial statement have been incorporated into WWU's notes to the financial statement.

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

Financial Statement Presentation

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

Basis of Accounting

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

New Accounting Pronouncements

On July 1, 2017, WWU adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. Prior to the adoption of GASB Statement No. 75, the OPEB liability was not presented on WWU's statements but rather noted per GASB 45. As a result of implementing this Statement, WWU has recognized its total OPEB liability and has restated July 1, 2017 Net Position for the difference between the beginning and total OPEB liability.

On July 1, 2018, WWU adopted GASB Statement No. 83 "Certain Asset Retirement Obligations". This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. At this time, WWU determined there were no AROs.

On July 1, 2018, WWU adopted GASB Statement No. 89 "Accounting for Interest Cost Incurred Before the End of a Construction Period". This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reporting in a business-type activity or enterprise fund.

OTHER ACCOUNTING POLICIES

Cash, Cash Equivalents and Investments

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

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

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or

private sources, in connection with reimbursement of allowable expenditures made pursuant to WWU's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

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

Capital Assets

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

Deferred Outflows of Resources and Deferred Inflows or Resources.

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

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

Bond Premiums/Discounts

Bond premiums/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.

Net Pension Liabilities

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

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

Restatement of OPEB Obligations

During FY 2018, WWU adopted GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". Statement No. 75 requires that WWU record in its statements its proportional share of the State's net OPEB liability and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 17 net position was \$98.7 million. This was due to recording the total OPEB liability of \$100.2 million and a \$1.5 million deferred outflow. The total OPEB liability information is provided to WWU by the Office of Financial Management (OFM) and the Office of State Actuary (OSA). Although this liability is an accumulative of years prior to FY 2017, the information provided by OFM and OSA only allowed WWU to restate the FY 17 beginning net position.

Unearned revenues

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

Net Position

WWU's net position is classified as follows:

Net investment in capital assets

This represents WWU's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet ex-

pended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net position described below.

Restricted net position, expendable

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

Restricted net position, nonexpendable

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

Unrestricted net position

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

Classification of Revenues and Expenses

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

Operating revenues

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

Operating expenses

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

Non-operating revenues

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

Non-operating expenses

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

Other Revenues

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

Scholarship Discounts and Allowances

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

Tax Exemption

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

Reclassifications

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

2. COMPONENT UNIT

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

The Foundation presents information about its financial position and activities according to the following three

classes of net position, depending on the existence and nature of donor restrictions:

Unrestricted net assets

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

Temporarily restricted net assets

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

Permanently restricted net assets

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

3. CASH AND CASH EQUIVALENTS

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

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

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

WWU is a participant in the Local Government Investment Pool that was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment

pool, are reported at amortized cost which approximates fair value. 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.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at <http://www.tre.wa.gov>.

At June 30, 2020 and 2019, the carrying amount of cash and cash equivalents is \$29,273,352 and \$25,880,773, respectively. These balances include restricted cash and cash equivalents of \$7,427,960 and \$3,480,995 in unspent bond proceeds and Housing and Dining and Recreation Center renewal and replacement funds at June 30, 2020 and unspent bond proceeds and Recreation Center renewal and replace funds at June 30, 2019. The carrying amount of cash and cash equivalents approximates the market value.

4. INVESTMENTS

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

WWU pooled investments consisted of \$4,000,000 and \$4,000,000 in certificates of deposit (CDs), \$7,769,650 and \$6,033,920 in Corporate and \$45,338,850 and \$53,255,830 in U.S. Treasury and Agency securities at June 30, 2020 and 2019, respectively.

The Housing and Dining System Renewal and Replacement restricted fund held and separately invested, \$1,608,913 and \$1,608,913 in certificates of deposit (CDs), \$497,636 and \$0 in Municipals and \$1,051,486 and \$1,529,483 in U.S. Treasury and Agency securities as of June 30, 2020 and 2019, respectively.

The Housing and Dining System held \$40,132,018 and \$999,430 in U.S. Treasury securities for unspent bond proceeds as of June 30, 2020 and 2019, respectively.

University endowment funds are held and managed by the Western Washington University Foundation (the

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

As of June 30, 2020, WWU's Endowment funds are comprised of \$7,733,219 in donor restricted and unrestricted funds and \$5,590,626 in Quasi-endowments. As of June 30, 2019, the balances were \$8,031,638 and \$5,697,038 respectively.

Credit (Quality) Risk

Credit risk is the risk that an issuer or other counterparty will not fulfill its obligations. Statutory and policy constraints with regard to the types of instruments available for investment limit WWU's exposure to this risk. Instruments available for investment include obligations of the US Treasury and Agency securities, municipal debt obligations, corporate notes, commercial paper and CDs. The CDs held in the internal investment pool are insured by the Federal Deposit Insurance Company (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Minimum ratings for each investment type by Standard and Poors and Moody's are respectively as follows: commercial paper A1+/P1; corporate notes, A-/A3; municipals, AA-/Aa3; and US Treasury and Agency securities are rated AA+/Aaa.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the counterparty, WWU will not be able to recover the value of the investment. As of June 30, 2020 WWU, had \$94,789,640 in US Treasury and Agency securities, municipals, and corporates held in custody by Wells Fargo in WWU's name.

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

Endowment funds are invested under the Foundation Investment Policy guidelines. These guidelines include the primary objective of achieving long-term growth, while us-

ing prudent investing practices and do not limit investment maturities as a means to managing interest rate exposure.

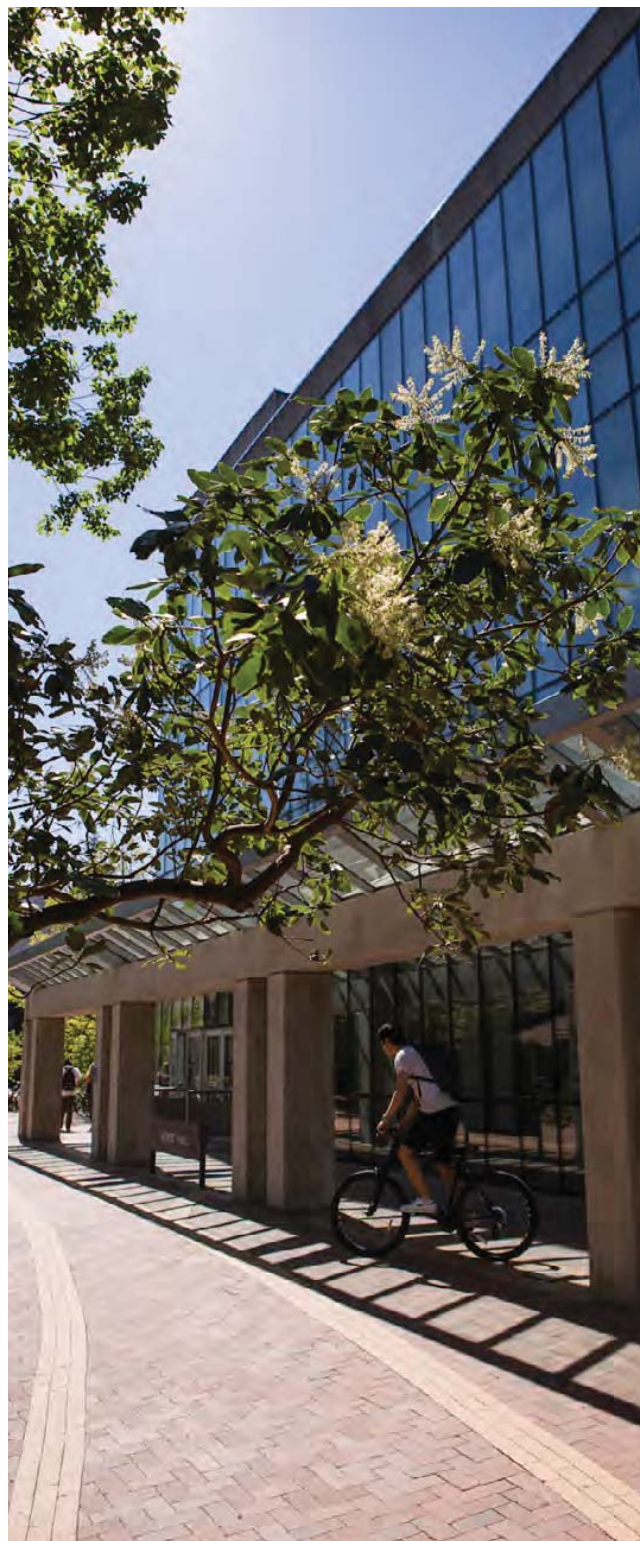
Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. WWU's operating investment policy limits per issuer holdings to 5%, with the exception of corporate notes (\$2 million or 3% for AA- and \$1 million or 2% for A1), commercial paper (\$2 million), U.S. Treasuries (100%) and U.S. Agencies (35% per agency). The Endowment Investment Policy limits the endowment fixed income investments to no more than 5% of the portfolio for a single issuer, with the exception of U.S. government and agency securities.

Fair Value Measurement and Application

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

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



Notes to the Financial Statements

June 30, 2020 and 2019

At June 30, 2020, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value Measurements Using			Total	Weighted Average Maturity (in Years)
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
WWU Investment Pool:					
Cash & Cash Equivalents	\$23,705,924			\$23,705,924	0.0030
Time Certificates of Deposits (CDs)	4,000,000			4,000,000	1.0320
Corporate	7,769,650			7,769,650	1.9250
U.S. Treasuries		12,057,200		12,057,200	0.2430
U.S. Agencies		33,281,650		33,281,650	1.4740
WWU Endowment Funds:					
Cash & Cash Equivalents	49,006			49,006	n/a
Fixed Income Investments:					n/a
U.S. Treasuries		29,829		29,829	10.100
U.S. Agencies		305,379		305,379	5.200
Other Fixed Income		1,112,072		1,112,072	n/a
Equity Investments		9,835,887		9,835,887	n/a
Real Estate		347,807	496,011	843,818	n/a
Alternative Investments		1,147,854		1,147,854	n/a
Other Investments:					
Renewal and Replacement Time CDs	1,608,913			1,608,913	0.238
Renewal and Replacement Municipals		497,636		497,636	3.088
Renewal and Replacement U.S. Treasuries		393,670		393,670	1.000
Renewal and Replacement U.S. Agencies		657,816		657,816	1.945
H&D Bond Inv. Cash & Cash Equivalents	5,567,428			5,567,428	0.003
H&D Bond Inv. US Treasuries		40,132,018		40,132,018	0.642
H&D Bond Inv. US Agencies					
Miscellaneous			1,010	1,010	n/a
TOTAL CASH AND INVESTMENTS	\$42,700,921	\$99,798,818	\$497,021	\$142,996,760	

Notes to the Financial Statements

June 30, 2020 and 2019

At June 30, 2019, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value Measurements Using			Total	Weighted Average Maturity (in Years)
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
WWU Investment Pool:					
Cash & Cash Equivalents	\$23,179,776			\$23,179,776	0.003
Corporate	4,000,000			4,000,000	0.532
Time Certificates of Deposits (CDs)	6,033,920			6,033,920	1.837
U.S. Treasuries		14,995,900		14,995,900	1.049
U.S. Agencies		38,259,930		38,259,930	2.040
WWU Endowment Funds:					
Cash & Cash Equivalents	416,921			416,921	n/a
Fixed income investments:					n/a
U.S. Treasuries		167,168		167,168	10.100
U.S. Agencies		270,302		270,302	5.200
Other Fixed Income		1,106,206		1,106,206	n/a
Equity Investments		9,034,465		9,034,465	n/a
Real Estate			865,025	865,025	n/a
Alternative Investments		1,868,579		1,868,579	n/a
Other Investments:					
Renewal and Replacement Time CDs	1,608,913			1,608,913	1.241
Renewal and Replacement U.S. Treasuries					
Renewal and Replacement U.S. Agencies		1,529,483		1,529,483	4.104
H&D Bond Inv. Cash & Cash Equivalents	2,700,997			2,700,997	0.003
H&D Bond Inv. US Treasuries		999,430		999,430	0.041
H&D Bond Inv. US Agencies					
Miscellaneous			1,010	1,010	n/a
TOTAL CASH AND INVESTMENTS					
	\$37,940,527	\$68,231,463	\$866,035	\$107,038,025	

5. FUNDS WITH STATE TREASURER

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

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales, from certain State lands. The State lands include 100,000 acres granted by the United States government for state normal schools and are managed by the State Department of Natural Resources.

WWU's combined earnings and distributions on the fund for the years ending June 30, 2020 and 2019 are \$2,903,684 and \$2,358,127, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2020 and 2019, the major components of accounts receivable are as follows:

	2020	2019
Student Tuition and Fees	\$5,179,930	\$4,423,397
Federal, State and Private Grants and Contracts	3,863,606	2,438,846
Auxiliary Enterprises and other Operating Activities	<u>4,581,416</u>	<u>2,833,321</u>
Total Accounts Receivable	13,624,952	9,695,564
Less allowance for doubtful accounts	<u>(637,226)</u>	<u>(565,111)</u>
Accounts Receivable, Net	<u>\$12,987,726</u>	<u>\$9,130,453</u>

Notes to the Financial Statements

June 30, 2020 and 2019

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2020 and 2019, student loans receivable are as follows:

	2020	2019
Federal Perkins student loans	\$6,029,598	\$7,212,567
Other long-term loans	21,092	22,138
Institutional loans	<u>24,577</u>	<u>37,920</u>
Total student loans	6,075,267	7,272,625
Less allowance for doubtful accounts	<u>(607,770)</u>	<u>(767,878)</u>
Student loans receivable, net	<u>\$5,467,497</u>	<u>\$6,504,747</u>

8. INVENTORIES

At June 30, 2020 and 2019, inventories, stated at cost using various methods: retail or first-in, first-out (FIFO) consist of the following:

	Valuation Method	2020	2019
Location			
Bookstore	Retail	\$1,857,801	\$1,122,132
Facilities Maintenance	FIFO	190,448	288,278
Other inventory	FIFO	<u>284,158</u>	<u>329,943</u>
Total inventory		<u>\$2,332,407</u>	<u>\$1,740,353</u>

Notes to the Financial Statements

June 30, 2020 and 2019

9. LAND AND CAPITAL ASSETS

The depreciation expense for the fiscal years ended June 30, 2020 and 2019 were \$26,449,602 and \$24,357,626, respectively.

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

	6/30/2019	Additions	Reductions	6/30/2020
Non-depreciable Capital Assets				
Land	\$12,594,963	\$	\$	\$12,594,963
Construction in progress	<u>48,224,312</u>	<u>24,396,924</u>	<u>43,665,827</u>	<u>28,955,409</u>
Total non-depreciable capital assets	<u>\$60,819,275</u>	<u>\$24,396,924</u>	<u>\$43,665,827</u>	<u>\$41,550,372</u>
Depreciable Capital Assets				
Infrastructure	\$55,452,397	\$	\$	\$55,452,397
Buildings	533,220,490	51,159,071		584,379,561
Furniture, fixtures and equipment	47,347,381	2,928,280	3,165,917	47,109,744
Library materials, art collection	54,037,031	130,011		54,167,042
Improvements	<u>149,652,353</u>			<u>149,652,353</u>
Total depreciable capital assets	<u>839,709,652</u>	<u>54,217,362</u>	<u>3,165,917</u>	<u>890,761,097</u>
Less Accumulated Depreciation				
Infrastructure	34,429,939	1,412,486		35,842,425
Buildings	215,127,190	15,535,773		230,662,963
Furniture, fixtures and equipment	39,790,808	2,772,697	3,143,684	39,419,821
Library materials, art collection	49,818,354	949,774		50,768,128
Improvements	<u>69,838,511</u>	<u>5,778,872</u>		<u>75,617,383</u>
Total accumulated depreciation	<u>409,004,802</u>	<u>26,449,602</u>	<u>3,143,684</u>	<u>432,310,720</u>
Capital Assets, Net of Depreciation	<u>\$430,704,850</u>	<u>\$27,767,760</u>	<u>\$22,233</u>	<u>\$458,450,377</u>

Notes to the Financial Statements

June 30, 2020 and 2019

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

	6/30/2018	Additions	Reductions	6/30/2019
Non-depreciable Capital Assets				
Land	\$12,594,963	\$	\$	\$12,594,963
Construction in progress	<u>15,973,865</u>	<u>32,250,447</u>		<u>48,224,312</u>
Total non-depreciable capital assets	<u>\$28,568,828</u>	<u>32,250,447</u>		<u>\$60,819,275</u>
Depreciable Capital Assets				
Infrastructure	\$55,452,397	\$	\$	\$55,452,397
Buildings	532,171,040	1,049,450		533,220,490
Furniture, fixtures and equipment	48,926,476	1,825,924	3,405,019	47,347,381
Library materials, art collection	53,889,464	147,567		54,037,031
Improvements	<u>148,463,493</u>	<u>1,188,860</u>		<u>149,652,353</u>
Total depreciable capital assets	<u>838,902,870</u>	<u>4,211,801</u>	<u>3,405,019</u>	<u>839,709,652</u>
Less Accumulated Depreciation				
Infrastructure	33,004,701	1,425,238		34,429,939
Buildings	201,975,060	13,152,130		215,127,190
Furniture, fixtures and equipment	40,141,262	2,999,996	3,350,450	39,790,808
Library materials, art collection	48,759,489	1,058,865		49,818,354
Improvements	<u>64,117,114</u>	<u>5,721,397</u>		<u>69,838,511</u>
Total accumulated depreciation	<u>387,997,626</u>	<u>24,357,626</u>	<u>3,350,450</u>	<u>409,004,802</u>
Capital Assets, Net of depreciation	<u>\$450,905,244</u>	<u>(\$20,145,825)</u>	<u>\$54,569</u>	<u>\$430,704,850</u>

10. ART COLLECTIONS

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

11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2020 and 2019 are \$10,609,358 and \$9,277,179, 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 during the fiscal year than what is used.

In 2004, WWU began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post-retirement medical expense reimbursement account available to professional staff employees of WWU. The VEBA-MEP enables WWU to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf. Funds deposited into a VEBA-MEP account, as well as the earnings on the accounts, are not subject to federal income or social security taxes. During FY 2020 and FY 2019, \$145,222 and \$106,121, respectively, were contributed to VEBA accounts by WWU on behalf of employees.

12. NOTES PAYABLE

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

Fiscal Year	Principal	Interest
2021	698,423	337,015
2022	724,770	307,508
2023	656,395	276,670
2024	650,000	249,450
2025	380,000	222,750
2026-2030	1,630,000	837,750
2031-2035	1,660,000	453,500
2036-2040	785,000	59,250
Total	<u>\$7,184,588</u>	<u>\$2,743,893</u>

13. BONDS PAYABLE

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

Housing and Dining Revenue Bonds

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

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

Series 2019 Housing and Dining Revenue Bonds (original issue price of \$68,575,000) with interest rates ranging from 3.0% to 5.0% on 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.

Series 2018A Housing and Dining 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 30, 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.

Series 2018B Housing and Dining Refunding 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 30, 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.

Series 2015 Housing and Dining Refunding Bonds (original issue price of \$13,435,000) with interest rates 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.

Series 2012 Revenue and Refunding Bonds (original issue price of \$9,205,000) with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts ranging from \$790,000 to \$980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of \$3,520,000 at June 30, 2020 which is reported net of the unamortized original issues premium of \$65,519.

Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds (original issue price of \$17,225,000) with interest rates of 5.5%, and principal payments due

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in annual amounts that range from \$720,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$3,200,000 at June 30, 2020, which is reported net of the unamortized original issue premium of \$8,257.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued \$24,385,000 in Revenue and Refunding Bonds, Series 2012, on April 30 2012. The bonds bear interest rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face value of \$19,830,000 at June 30, 2020, which is reported net of the unamortized original issue premium of \$222,367.

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

Fiscal Year	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue and Refunding Bonds	
	Principal	Interest	Principal	Interest
2021	4,600,000	4,705,181	845,000	784,625
2022	6,220,000	4,489,306	870,000	755,050
2023	5,880,000	4,213,556	905,000	724,600
2024	5,310,000	3,958,681	940,000	688,400
2025	4,825,000	3,727,081	980,000	650,800
2026-2030	20,880,000	15,468,155	5,520,000	2,633,800
2031-2035	22,515,000	11,213,750	6,700,000	1,438,600
2036-2040	22,025,000	7,653,350	3,070,000	185,400
2041-2045	21,250,000	3,754,950		
2046-2049	<u>12,615,000</u>	<u>960,150</u>		
Total	\$126,120,000	\$60,144,160	\$19,830,000	\$7,861,275
Unamortized premium/ (discount)	6,015,089		222,367	
Total	<u>\$132,135,089</u>	<u>\$60,144,160</u>	<u>\$20,052,367</u>	<u>\$7,861,275</u>

14. PLEDGED REVENUES

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

Source of Revenue Pledged	Total Future Revenues Pledged *	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Housing and Dining revenues, net of oper- ating expenses	\$186,264,160	Housing and Dining bonds issued in 1998, 2012, 2015, 2018, 2019	Construction and renovation of student housing projects	2048	159.3%
Student Recreation Center gross revenues	\$27,691,275	Student Recreation Center bonds issued in 2012	Construction of the Student Recreation Center	2038	34.9%
* Total future principal and interest payments on debt					

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15. LONG-TERM LIABILITIES

Following are the changes in long-term liabilities for the years ended June 30, 2020 and 2019:

	6/30/19	Additions/ Amortization	Decreases/ Retirements	6/30/20	Current Portion
Bonds, Notes & Obligations payable					
Revenue and refunding bonds	\$85,854,795	71,547,661	\$5,215,000	\$152,187,456	\$5,445,000
Notes payable	7,852,687		668,099	7,184,588	698,423
Compensated absences	9,277,179	1,332,179		10,609,358	
OPEB Liability	82,552,772	11,551,598		94,104,370	1,622,646
Pension Liabilities	48,321,653	3,525,014		51,846,667	8,498,760
Perkins Federal Contribution	6,948,850		1,014,581	5,934,269	
Total long-term liabilities	<u>\$240,807,936</u>	<u>\$87,956,452</u>	<u>\$6,897,680</u>	<u>\$321,866,708</u>	<u>\$16,264,829</u>
	6/30/18	Additions/ Amortization	Decreases/ Retirements	6/30/19	Current Portion
Bonds, Notes & Obligations payable					
Revenue and refunding bonds	\$90,970,825	(\$516,030)	\$4,600,000	\$85,854,795	\$5,215,000
Notes payable	8,267,378	192,631	607,322	\$7,852,687	668,099
Compensated absences	8,905,785	371,394		\$9,277,179	
OPEB Liability	94,060,078		11,507,306	\$82,552,772	1,515,760
Pension Liabilities	49,941,258		1,619,605	\$48,321,653	8,105,626
Perkins Federal Contribution		6,948,850		\$6,948,850	
Total long-term liabilities	<u>\$252,145,324</u>	<u>\$6,996,845</u>	<u>\$18,334,233</u>	<u>\$240,807,936</u>	<u>\$15,504,485</u>

16. LEASES

WWU leases facilities for off-campus office and educational spaces under a variety of agreements. WWU also acquires certain equipment through non-cancelable operating leases. At June 30, 2020, future payments under these operating leases are as follows:

Fiscal Year	Lease Payment
2021	417,911
2022	283,794
2023	14,779
2024	36
2025	
Total minimum lease payments	<u>\$716,520</u>

17. DEFERRED COMPENSATION

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

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

18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES

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

Operating expenses by functional classification for the years ended June 30, 2020 and 2019 are as follows:

Operating Expenses	2020	2019
Instruction	\$136,350,931	\$133,944,076
Research	6,909,515	7,153,399
Academic support	17,018,413	16,047,795
Student services	24,119,375	23,550,792
Institutional support	32,281,102	27,068,669
Operation and maintenance of plant	53,487,828	51,991,243
Scholarships and other student aid	29,062,568	21,882,192
Auxiliary enterprise expenditures	<u>47,587,801</u>	<u>57,059,404</u>
Total operating expenses	<u>\$346,817,533</u>	<u>\$338,697,570</u>

19. 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).

PERS, TRS and LEOFF are cost sharing multiple employer defined benefit pension plans administered by the State of Washington Department of Retirement Systems (DRS). WWURP is a single employer defined contribution plan with a supplemental defined benefit plan component privately administered by WWU.

WWU's share of the total net unfunded liabilities associated with the defined-benefit pension plans administered by the DRS was \$16,404,667 as of June 30, 2020 and \$21,284,650 as of June 30, 2019. The liability associated with the defined-benefit pension plan administered by WWU was \$35,442,000 as of June 30, 2020 and \$27,037,000 as of June 30, 2019. The total pension expense recorded by WWU related to both the DRS and University plans was \$3,610,164 and \$1,970,519 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.

Teachers' Retirement System

TRS retirement benefit provisions are contained in chapters 41.32 and 41.34 of the Revised Code of Washington (RCW). TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members. TRS eligibility for membership requires service as a certificated public school employee working in an instructional, administrative or supervisory capacity.

Law Enforcement Officers' and Fire Fighters' Retirement System

LEOFF retirement benefit provisions are contained in chapter 41.26 of the Revised Code of Washington (RCW). LEOFF is a cost-sharing, multiple-employer retirement system comprised of two separate pension plans for membership and accounting purposes. WWU participates in LEOFF Plan 2, which is a defined-benefit plan. LEOFF membership includes full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians.

VESTING AND BENEFITS PROVIDED:**PERS Plan 1 and TRS Plan 1**

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

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

PERS Plan 2/3 and TRS Plan 2/3

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

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

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

LEOFF Plan 2

LEOFF Plan 2 provides retirement, disability, and death benefits to eligible members. Members are vested after the completion of five years of eligible service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service. FAS is based on the highest consecutive 60 months.

Members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Members who retire prior to the age of 53 receive reduced benefits. A cost of living allowance (COLA) is granted based on the Consumer Price Index, capped at 3.0% 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, TRS, and, LEOFF, systems and plans were 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 WWU. 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 WWU'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

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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 2017 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, 2020 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. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.40 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 and TRS 2/3 employers whose rates include a component for the PERS Plan 1 and TRS Plan 1 unfunded actuarial accrued liabilities). Based on those assumptions, the various pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40 percent on pension plan investments was applied to determine the total pension liability for each plan.

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

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

Discount Rate Sensitivity - Net Pension Liability/(Asset)

(\$ in thousands)

Plan	1% Decrease 6.4%	2020 Current Discount Rate 7.4%	1% Increase 8.4%
PERS 1	\$14,578	\$11,641	\$9,092
PERS 2/3	28,297	3,689	(16,502)
TRS 1	1,111	870	660
TRS 2/3	1,117	204	(537)
LEOFF 2	<u>(266)</u>	<u>(1,432)</u>	<u>(2,384)</u>
	\$44,837	\$14,972	\$(9,671)

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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 8/31/2019		9/1/2019 thru 6/30/2020	
	Employee	University	Employee	University	Employee	University	Employee	University
PERS								
Plan 1	6.00%	12.70%	6.00%	12.83%	6.00%	12.86%	6.00%	12.86%
Plan 2	7.38%	12.70%	7.41%	12.83%	7.90%	12.86%	7.90%	12.86%
Plan 3	5.00-15.00% **	12.70% *	5.00-15.00% **	12.83% *	5.00-15.00% **	12.86% *	5.00-15.00% **	12.86% *
TRS								
Plan 1	6.00%	15.20%	6.00%	15.41%	6.00%	15.41%	6.00%	15.51%
Plan 2	7.06%	15.20%	7.06%	15.41%	7.06%	15.41%	7.77%	15.51%
Plan 3	5.00-15.00% **	15.20% *	5.00-15.00% **	15.41% *	5.00-15.00% **	15.41% *	5.00-15.00% **	15.51% *
LEOFF								
Plan 2	8.75%	8.93%	8.75%	8.93%	8.59%	8.77%	8.59%	8.77%

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

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

*Plan 3 defined benefit portion only.

**Variable from 5% to 15% based on rate selected by the member.

University contribution rate includes an administrative expense rate of 0.0018.

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

Required Contributions		
	FY 2019	FY 2020
PERS		
Plan 1	\$63,127	\$29,286
Plan 2	3,982,234	4,262,073
Plan 3	1,335,033	1,537,827
TRS		
Plan 1	6,600	6,704
Plan 2	5,367	27,185
Plan 3	346,585	473,067
LEOFF		
Plan 2	116,573	108,407

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UNIVERSITY 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 WWU 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. WWU's proportionate share of the aggregated balance of net pension liabilities and net pension asset as of June 30, 2020 and June 30, 2019 is presented in the table below.

Proportionate Share Allocation Percentage					
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
FY 20 Proportionate Share	0.3027%	0.3798%	0.0351%	0.0340%	0.0618%
FY 19 Proportionate Share	0.3090%	0.3782%	0.0306%	0.0294%	0.0610%

Aggregate Pension Balances (\$ in thousands)						
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
June 30, 2020						
Net Pension Liability	\$ 11,641	\$ 3,689	\$ 870	\$ 204	\$	\$ 16,405
Net Pension Asset	\$	\$	\$	\$	\$ 1,432	\$ 1,432
June 30, 2019						
Net Pension Liability	\$ 13,801	\$ 6,458	\$ 894	\$ 131	\$	\$ 21,285
Net Pension Asset	\$	\$	\$	\$	\$ 1,239	\$ 1,239

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

The tables below summarize WWU'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 University 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 (\$ in thousands)						
	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Year Ended June 30, 2020	\$ 241	\$ 1,010	\$ 178	\$ 161	\$ (53)	\$ 1,537
Year Ended June 30, 2019	\$ 967	\$ 83	\$ 322	\$ 95	\$ (119)	\$ 1,348

Notes to the Financial Statements

June 30, 2020 and 2019

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 (\$ in thousands)

2020	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Difference between expected and actual experience	\$	\$ 1,057	\$	\$ 142	\$ 103	\$ 1,303
Changes of assumptions		94		77	2	175
Net difference between projected and actual earnings on pension plan investments						
Change in proportion		79		134	11	224
Contributions subsequent to the measurement date	2,183	3,646	237	271	108	6,445
TOTAL	\$ 2,183	\$ 4,877	\$ 237	\$ 623	\$ 225	\$ 8,145

Deferred Inflows of Resources (\$ in thousands)

2020	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Difference between expected and actual experience	\$	\$ 793	\$	\$ 7	\$ 26	\$ 826
Changes of assumptions		1,548		54	161	1,764
Net difference between projected and actual earnings on pension plan investments	778	5,370	67	177	294	6,685
Change in proportion		297			85	382
TOTAL	\$ 778	\$ 8,009	\$ 67	\$ 238	\$ 565	\$ 9,657

Amortization of Deferred Outflows and Deferred Inflows of Resources * (\$ in thousands)

YEAR	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
2021	\$ (172)	\$ (1,675)	\$ (14)	\$ (0)	\$ (82)	\$ (1,944)
2022	(407)	(2,817)	(36)	(47)	(152)	(3,460)
2023	(145)	(1,283)	(13)	2	(77)	(1,516)
2024	(54)	(715)	(5)	20	(46)	(800)
2025		(321)		35	(22)	(308)
Thereafter		32		106	(69)	69
TOTAL	\$ (778)	\$ (6,779)	\$ (67)	\$ 115	\$ (449)	\$ (7,958)

* Negative amounts shown in the table above represent a reduction of expense

Notes to the Financial Statements

June 30, 2020 and 2019

Deferred Outflows of Resources (\$ in thousands)

2019	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Difference between expected and actual experience	\$	\$ 792	\$	\$ 62	\$ 66	\$ 920
Changes of assumptions		76		2	1	79
Net difference between projected and actual earnings on pension plan investments						
Change in proportion		221		130	17	368
Contributions subsequent to the measurement date	2,172	3,208	174	185	117	5,855
TOTAL	\$ 2,172	\$ 4,296	\$ 174	\$ 378	\$ 201	\$ 7,222

Deferred Inflows of Resources (\$ in thousands)

2019	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Difference between expected and actual experience	\$	\$ 1,131	\$	\$ 10	\$ 29	\$ 1,169
Changes of assumptions		1,838		53	178	2,069
Net difference between projected and actual earnings on pension plan investments	548	3,963	38	112	217	4,878
Change in proportion		365			86	452
TOTAL	\$ 548	\$ 7,297	\$ 38	\$ 175	\$ 510	\$ 8,568

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. Members are eligible to receive benefits under this plan at either the age 62 or at the age of 55 with 10 or more years of credited service.

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.

Notes to the Financial Statements

June 30, 2020 and 2019

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 these WWURP contributions are included in the table below for the years ended June 30.

	2020	2019
Contributions made by:		
Employees	\$8,496,601	\$8,103,126
University	8,498,760	8,105,626

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 Western Washington University Supplemental Retirement Plan consisted of the following at June 30, 2016, the date of the latest actuarial valuation for the plan:

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

The 2018 census data was used for both the FY 2020 and the 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 either the age 62 or at the age of 55 with 10 or more 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. Benefit payments made during the fiscal years ended June 30, 2020 and 2019 were \$485,989 and \$419,811 respectively.

ACTUARIAL ASSUMPTIONS:

Accounting requirements dictate the use of assumptions to best estimate the impact the pension obligations will have on WWU. 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 WWU's financial statements.

The total pension liability was determined by an actuarial valuation as of June 30, 2018, with the results rolled forward to the June 30, 2020, 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, 2018 valuation were based on the results of the April 2016 Experience Study Report.

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

The following presents the total 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.

WWURP Total Pension Liability Discount Rate Sensitivity	
1% Decrease: 1.21%	\$40,641,000
Current Discount Rate: 2.21%	\$35,442,000
1% Increase: 3.21%	\$31,134,000

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.

Notes to the Financial Statements

June 30, 2020 and 2019

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, WWU 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		\$	20,962,000
Service Cost	\$	551,000	
Interest		825,000	
Differences Between Expected and Actual Experience		2,297,000	
Changes in Assumptions		2,822,000	
Benefits Payments		(420,000)	
Net Change in Total Pension Liability FY 19			<u>6,075,000</u>
Balance as of June 30, 2019			27,037,000
Service Cost		699,000	
Interest		962,000	
Differences Between Expected and Actual Experience		1,961,000	
Changes in Assumptions		5,269,000	
Benefits Payments		(486,000)	
Net Change in Total Pension Liability FY 20			<u>8,405,000</u>
Ending Balance - June 30, 2020		\$	<u>35,442,000</u>

WWUSRP pension expense for the fiscal years ended June 30, 2020 and 2019 was \$2,072,989 and \$622,811 respectively.

DEFERRED INFLOWS OF RESOURCES:

The tables below summarize WWU's deferred inflows and outflows 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	\$	3,266,000	\$ 1,959,000
Changes of assumptions		<u>6,411,000</u>	<u>2,407,000</u>
TOTAL	\$	<u>9,677,000</u>	\$ <u>4,366,000</u>

Deferred Inflows of Resources			
	2020		2019
Difference between expected and actual experience	\$	3,479,000	\$ 4,560,000
Changes of assumptions		<u>1,352,000</u>	<u>1,778,000</u>
TOTAL	\$	<u>4,831,000</u>	\$ <u>6,338,000</u>

Amortization of Deferred Inflows of Resources		
Year		
2021	\$	412,000
2022		412,000
2023		744,000
2024		1,517,000
2025		1,527,000
Thereafter		234,000
TOTAL	\$	4,846,000

20. 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 2019, and 2018, WWU'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 WWU. 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 WWU'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 3.87% was used for the June 30, 2018 measurement date and 3.50% for the June 30, 2019 measurement date.

The following presents the total OPEB liability of WWU, 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	\$113,957,242
Current Discount Rate - 3.50%	\$94,104,370
1% Increase	\$78,684,569

The following represents the total OPEB liability of WWU 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	\$76,163,198
Current Discount Rate - 8.00%	\$94,104,370
1% Increase	\$118,250,461

*For additional detail on the health care trend rates, please see Office of the State Actuary's 2018 Other Postemployment Benefits Actuarial Valuation Report located here <http://leg.wa.gov/osa/additionalservices/Documents/OPEBActuarialValuationCertLetterWithAttachments09-18.pdf>

Notes to the Financial Statements

June 30, 2020 and 2019

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 WWU are represented in the following table:

FY 20 Proportionate Share		1.62141028%
FY 19 Proportionate Share		1.62549184%
Schedule of Changes in Total OPEB Liability		
Total OPEB Liability	2020	2019
Service cost	\$3,810,340	\$5,161,327
Interest	3,305,252	3,548,383
Changes of benefit terms		
Differences between expected & actual experience		3,238,984
Changes in assumptions*	6,155,248	(22,595,531)
Benefit payments	(1,511,954)	(1,498,660)
Change in Proportionate share	(207,288)	638,191
Other		
Net Change in Total OPEB Liability	\$11,551,598	(\$11,507,306)
Total OPEB Liability - Beginning	\$82,552,772	\$94,060,078
Total OPEB Liability - Ending	\$94,104,370	\$82,552,772

* For FY 2019, discount rate increase created a change in assumptions that resulted in an \$11.5 million decrease to OPEB liabilities

OPEB expense for the fiscal years ended June 30, 2020 and 2019 was \$4,141,645 and \$5,072,947 respectively.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:

The tables below summarize WWU'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:

WWU			
Deferred Outflows of Resources			
	2020		2019
Change in proportion	\$ 942,628	\$	1,086,474
Difference between expected and actual experience	2,512,884		2,879,097
Changes of assumptions	5,471,332		
Transactions subsequent to the measurement date	1,622,646		1,515,760
TOTAL	\$ 10,549,490	\$	5,481,331
Deferred Inflows of Resources			
	2020		2019
Change in proportion	\$ 244,740	\$	
Changes of assumptions	27,284,909		31,494,089
TOTAL	\$ 27,529,649	\$	31,494,089

Amortization of Deferred Outflows and Deferred Inflows of Resources	
Year	
2021	\$ (2,973,947)
2022	(2,973,947)
2023	(2,973,947)
2024	(2,973,947)
2025	(2,973,947)
Thereafter	(3,733,070)
TOTAL	\$ (18,602,805)

21. RISK MANAGEMENT

WWU participates in the State of Washington Self-Insurance Liability Program (SILP). Premiums to the State are based on a formula for allocating costs to participating state agencies, including higher education institutions, based on an independent actuarial study of the state's projected liabilities. WWU also maintains various commercially obtained liability insurance policies that provide coverage for certain exclusions under the SILP. During the past three fiscal years, no settlements have been greater than the insurance coverage.

WWU participates in the State's L&I Workers Compensation Insurance Program for all employees.

In addition, WWU purchases "all risk" buildings, contents and business interruption insurance for the

Housing and Dining System, Wade King Student

Recreation Center, Viking Union Complex, and other auxiliaries through its participation in the State of Washington Alliant Property Insurance Program (APIP). At a minimum, coverage is maintained in accordance with applicable Master Bond Resolutions.

WWU has been named in tort claims and lawsuits. While the final outcome of these matters cannot be predicted with certainty, it is WWU's opinion that the ultimate liability will not materially affect the financial statement, and that WWU's liability insurance programs are adequate to pay all defense and settlement expenses related to these tort claims and lawsuits.

22. COMMITMENTS

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2020 and 2019 are:

	2020	2019
Operating	4,183,081.24	4,614,779.17
Research	1,366,057.67	548,303.69
Capital Projects	64,814,050.05	17,865,819.71
Total Commitments	\$70,363,189	\$23,028,903

23. JOINT VENTURE

In FY 2010, WWU participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c)

(3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of WWU Board of Trustees appointed by WWU Board of Trustees, the President of WWU, a member of the Commission of the Port of Bellingham appointed by the Commission of the Port, the Executive Director of the Port of Bellingham, and

a fifth board member who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or educational institutions to become members under such terms and conditions as they determine. The purpose of this joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on WWU's Statement of Net Position. During FY 2014, WWU transferred \$723 thousand in land and \$524 thousand in buildings, net to the WCDC to facilitate WWU development on the waterfront. To date, there has been no financial activity related to WCDC. During FY 2020, WCDC sold its land and buildings for \$1,800,000 and received cash in the amount of \$1,673,905, after sale expenses. The funds were placed in the LGIP. The cash balance at June 30, 2020 is \$1,683,873.

24. 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 not to exceed \$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.

In February of 2020, the Governor of the state of Washington declared a state of emergency in response to the COVID-19 pandemic. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing school, colleges and universities cancelling public events, prohibiting public and private gathers, and require people to stay home unless they are leaving for an essential function. WWU moved to remote learning for Spring quarter of 2020. Washington State is following a phased re-opening approach. What County is currently in Phase 2, which limits the numbers at gatherings, restaurants, and certain service providers.

WWU has and continues to coordinate its response to the pandemic with local public health departments as well as the Washington State Department of Health. To assist with increased COVID-19 related expenses, the

Department of Education (ED) provided WWU with \$11.6 million in federal CARES Act funds. Of the \$11.6 million, 50% of the funds are to be used to provide emergency financial aid grants to students for expenses related to the disruption of campus operations. The remaining 50% of the funds can be used to cover any costs associated with significant changes to the delivery of instructions. As of June 30, 2020, a total of \$6.2 million of CARES Act funds have been spent. The outbreak of COVID-19 is a significant event that has had and is expected to have material effects on the finances, operations, and economy of the State and WWU. The impacts to the operations of WWU, include but are not limited to enrollment, legislative and the economic impacts on the State budget. The State Legislature's responses as they impact the funding of higher education are not yet known. Enrollment is anticipated to be impacted by approximately 7% in Fall Quarter 2020 given the shift to remote learning and limitations of on campus operations.

WWU has taken a number of prompt actions in response to the outbreak, including a hiring freeze, freeze on travel, significant reductions to planned operating expenditures, renegotiation of third-party service contracts, and deferral of several renovation projects. The University expects to draw on reserves and other funds as needed. Furthermore, WWU has been awarded \$5.4 million in Governor's Emergency Education Relief Fund (GEER). These Federal GEER funds are to provide emergency support through grants to Local Education Agencies and institutes of Higher Education. Also, WWU expects to continue to receive Federal FEMA and CARES Act assistance and will also apply for additional Federal and State support for expenses related to the COVID-19 pandemic as it becomes available.

While the full impact of the COVID-19 pandemic on WWU and the regional economy is uncertain, WWU currently believes that these measures will help mitigate its anticipated revenue shortfall. WWU, however, cannot predict the duration and extent of the COVID-19 public health emergency, or quantify the magnitude of the impact on the regional and local economy or on the revenues and expenses. WWU will continue to monitor the evolving situation and respond as needed.

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 1 Measurement Date of June 30 * (dollars in thousands)						
	2014	2015	2016	2017	2018	2019
WWU PERS 1 employers' proportion of the net pension liability	0.320%	0.315%	0.327%	0.314%	0.309%	0.303%
WWU PERS 1 employers' proportionate share of the net pension liability	\$16,130	\$16,483	\$17,547	\$14,894	\$13,801	\$11,641
WWU PERS 1 employers' covered-employee payroll	\$33,355	\$34,435	\$38,407	\$38,214	\$40,526	\$45,559
WWU PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	48.36%	47.87%	45.69%	38.97%	34.05%	25.55%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%	61.24%	63.22%	67.12%

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

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

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Public Employees' Retirement System (PERS) Plan 2/3 Measurement Date ended June 30 * (dollars in thousands)						
	2014	2015	2016	2017	2018	2019
WWU PERS 2/3 employers' proportion of the net pension liability	0.367%	0.373%	0.390%	0.379%	0.378%	0.380%
WWU PERS 2/3 employers' proportionate share of the net pension liability	\$7,421	\$13,333	\$19,630	\$13,175	\$6,458	\$3,689
WWU PERS 2/3 employers' covered-employee payroll	\$31,601	\$33,088	\$37,093	\$37,188	\$39,831	\$28,311
WWU PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	40.30%	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%

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

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

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 1 Measurement Date of June 30 * <i>(dollars in thousands)</i>						
	2014	2015	2016	2017	2018	2019
WWU TRS 1 employers' proportion of the net pension liability	0.016%	0.022%	0.021%	0.023%	0.031%	0.035%
WWU TRS 1 employers' proportionate share of the net pension liability	\$485	\$689	\$709	\$708	\$894	\$870
WWU TRS 1 employers' covered-employee payroll	\$597	\$890	\$939	\$1,254	\$1,926	\$524
WWU TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	81.21%	77.51%	75.56%	56.45%	46.42%	166.00%
Plan fiduciary net position as a percentage of the total pension liability	68.77%	65.70%	62.07%	65.58%	66.52%	70.37%

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

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

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability Teachers' Retirement System (TRS) Plan 2/3 Measurement Date ended June 30 * (dollars in thousands)						
	2014	2015	2016	2017	2018	2019
WWU TRS 2/3 employers' proportion of the net pension liability	0.011%	0.016%	0.019%	0.022%	0.029%	0.034%
WWU TRS 2/3 employers' proportionate share of the net pension liability	\$35	\$134	\$258	\$203	\$132	\$205
WWU TRS 2/3 employers' covered-employee payroll	\$470	\$742	\$900	\$1,203	\$1,855	\$524
WWU TRS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.55%	18.01%	28.62%	16.84%	7.13%	39.12%
Plan fiduciary net position as a percentage of the total pension liability	96.81%	92.48%	88.72%	93.14%	96.88%	96.36%

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

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

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability (Asset) Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Measurement Date of June 30 * <i>(dollars in thousands)</i>						
	2014	2015	2016	2017	2018	2019
WWU LEOFF 2 employers' proportion of the net pension liability (asset)	0.057%	0.056%	0.052%	0.054%	0.061%	0.062%
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset)	(\$753)	(\$575)	(\$303)	(\$753)	(\$1,239)	(\$1,432)
WWU LEOFF 2 employers' covered-employee payroll	\$948	\$974	\$945	\$1,032	\$1,217	\$1,424
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(79.43%)	(58.97%)	(32.03%)	(72.97%)	(101.84%)	(100.57%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%	111.67%	106.04%	113.36%	118.50%	119.43%

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

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

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedule of Changes in WWUSRP Total Pension Liability and Related Ratios

Schedule of Changes in WWU's Total Pension Liability and Related Ratios WWUSRP Fiscal Year ended June 30 * (dollars in thousands)				
	2017	2018	2019	2020
WWUSRP total pension liability-Beginning	\$28,623	\$22,820	\$20,962	\$27,037
Service Cost	1,057	737	551	699
Interest	842	837	825	962
Difference between expected and actual experience	(5,277)	(2,234)	2,297	1,961
Changes in assumptions	(2,126)	(819)	2,822	5,269
Benefits payments	(298)	(380)	(420)	(486)
Net change in total pension liability	(5,803)	(1,858)	6,075	8,405
WWUSRP total pension liability-Ending	<u>\$22,820</u>	<u>\$20,962</u>	<u>\$27,037</u>	<u>\$35,442</u>
WWU URP employers' covered-employee payroll	\$54,916	\$54,645	\$52,783	\$51,633
WWUSRP total pension liability as a percentage of its covered-employee payroll	41.55%	38.36%	51.22%	68.64%

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 1 Fiscal Year Ended June 30									
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	\$1,452,350	\$124,718	\$1,327,632	\$1,452,350	\$0	\$1,347,236	\$33,087,603	\$34,434,839	4.22%
2016	\$1,855,009	\$128,029	\$1,726,980	\$1,855,009	\$0	\$1,313,918	\$37,093,105	\$38,407,024	4.83%
2017	\$1,890,122	\$116,851	\$1,773,271	\$1,890,122	\$0	\$1,026,073	\$37,187,945	\$38,214,019	4.95%
2018	\$2,067,033	\$90,772	\$1,976,261	\$2,067,033	\$0	\$695,644	\$39,830,763	\$40,526,407	5.10%
2019	\$2,171,774	\$63,127	\$2,108,647	\$2,171,774	\$0	\$95,855	\$28,310,536	\$28,406,391	7.65%
2020	\$2,182,812	\$29,286	\$2,153,526	\$2,182,812	\$0	\$227,732	\$45,331,078	\$45,558,810	4.79%
2021									
2022									
2023									
2024									
Notes: These schedules will be built prospectively until they contain ten years of data.									

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of Contributions

Schedule of Contributions Public Employees' Retirement System (PERS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$1,814,105	\$1,814,105	\$0	\$33,087,603	5.48%
2016	\$2,317,072	\$2,317,072	\$0	\$37,093,105	6.25%
2017	\$2,381,845	\$2,381,845	\$0	\$37,187,945	6.40%
2018	\$2,987,978	\$2,987,978	\$0	\$39,830,763	7.50%
2019	\$3,208,620	\$3,208,620	\$0	\$28,310,536	11.33%
2020	\$3,646,374	\$3,646,374	\$0	\$45,558,810	8.00%
2021					
2022					
2023					
2024					
Notes: These schedules will be built prospectively until they contain ten years of data.					

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 1 Fiscal Year Ended June 30									
Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees participating in TRS plan 1	UAAL contributions related to covered payroll of employees participating in TRS plan 2/3	Total contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in TRS 1	Covered payroll of employees participating in TRS 2/3	Total Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$48,962	\$15,275	\$33,688	\$48,962	\$0	\$147,013	\$742,495	\$889,508	5.50%
2016	\$63,258	\$7,056	\$56,202	\$63,258	\$0	\$38,746	\$900,164	\$938,910	6.74%
2017	\$82,019	\$7,003	\$75,016	\$82,019	\$0	\$50,329	\$1,203,485	\$1,253,814	6.54%
2018	\$127,383	\$7,418	\$119,966	\$127,383	\$0	\$70,987	\$1,854,602	\$1,925,590	6.62%
2019	\$174,321	\$6,600	\$167,720	\$174,321	\$0	\$0	\$523,851	\$523,851	33.28%
2020	\$237,005	\$6,704	\$230,301	\$237,005	\$0	\$43,261	\$3,424,664	\$3,467,924	6.83%
2021									
2022									
2023									
2024									
Notes: These schedules will be built prospectively until they contain ten years of data.									

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of Contributions

Schedule of Contributions Teachers' Retirement System (TRS) Plan 2/3 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$47,636	\$47,636	\$0	\$742,495	6.42%
2016	\$62,047	\$62,047	\$0	\$900,164	6.89%
2017	\$83,497	\$83,497	\$0	\$1,203,485	6.94%
2018	\$132,209	\$132,209	\$0	\$1,854,602	7.13%
2019	\$184,232	\$184,232	\$0	\$523,851	35.17%
2020	\$269,950	\$269,950	\$0	\$3,424,664	7.88%
2021					
2022					
2023					
2024					
Notes: These schedules will be built prospectively until they contain ten years of data.					

PENSION PLAN INFORMATION**Cost Sharing Employer Plans**

Schedules of Contributions

Schedule of Contributions Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2 Fiscal Year Ended June 30					
Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
2015	\$85,058	\$85,058	\$0	\$974,206	8.73%
2016	\$81,330	\$81,330	\$0	\$945,010	8.61%
2017	\$87,594	\$87,594	\$0	\$1,032,322	8.49%
2018	\$106,591	\$106,591	\$0	\$1,216,785	8.76%
2019	\$116,573	\$116,573	\$0	\$1,424,194	8.19%
2020	\$108,407	\$108,407	\$0	\$1,236,117	8.77%
2021					
2022					
2023					
2024					
Notes: These schedules will be built prospectively until they contain ten years of data.					

OPEB INFORMATION**Cost Sharing Healthcare Plans**

Schedules of WWU's changes in Total OPEB Liability

Schedule of WWU's Changes in Total OPEB Liability and Related Ratios Fiscal Year Ended June 30 * (dollars in thousands)			
	2018	2019	2020
Total OPEB Liability-Beginning	\$100,201	\$94,060	\$82,553
Service Cost	\$6,377	\$5,161	\$3,810
Interest	\$2,987	\$3,548	\$3,305
Difference between expected and actual experience	\$0	\$3,239	\$0
Changes in assumptions	-\$14,570	-\$22,596	\$6,155
Benefits payments	-\$1,522	-\$1,499	-\$1,512
Change in proportionate share	\$588	\$638	-\$207
Totale OPEB liability-ending	\$94,060	\$82,553	\$94,104
WWU employers' covered-employee payroll	\$148,917	\$155,757	\$167,296
WWU employers' proportionate share of total OPEB liability as a percentage of its covered-employee payroll	67.29%	60.39%	56.25%
* As of June 30; this schedule is to be built prospectively until it contains ten years of data.			

NOTE TO REQUIRED SUPPLEMENTAL 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.

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.

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