



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

December 24, 2020

University President and Board of Regents  
Washington State University  
Pullman, Washington

**Contracted CPA Firm's Audit Report on Financial Statements**

We have reviewed the audit report issued by a certified public accounting (CPA) firm on the financial statements of the Housing and Dining System, a department of the Washington State University, for the fiscal year ended June 30, 2020. The University contracted with the CPA firm for this audit and requested that we accept it in lieu of performing our own audit.

Based on this review, we have accepted this report in lieu of the audit required as part of our audit of the University's financial statements. The Office of the Washington State Auditor did not audit the accompanying financial statements and, accordingly, we do not express an opinion on those financial statements.

This report is being published on the Office of the Washington State Auditor website as a matter of public record.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

***Americans with Disabilities***

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**WASHINGTON STATE UNIVERSITY  
HOUSING AND DINING SYSTEM**

**FINANCIAL STATEMENTS AND OTHER INFORMATION  
WITH REQUIRED SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**



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**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
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## INDEPENDENT AUDITORS' REPORT

Dr. Kirk Schulz, President  
Washington State University  
Pullman, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Washington State University Housing and Dining System, an auxiliary enterprise of Washington State University, which comprise the statement of net position as of June 30, 2020, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

### ***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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington State University Housing and Dining System as of June 30, 2020, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis-of-Matters***

#### ***Reporting Entity***

As discussed in Note 1, the accompanying financial statements present only Washington State University Housing and Dining System and do not purport to, and do not, present fairly the financial position of Washington State University as of June 30, 2020, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, the schedule of proportionate share of the net pension liability, schedule of employer contributions, schedule of changes in pension liability and ratios, schedule of changes in total OPEB liability, and schedule of proportionate share of the net OPEB liability on pages 38 through 41, 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 Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Washington State University Housing and Dining System's basic financial statements. The other information on pages 34 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**CliftonLarsonAllen LLP**

Spokane, Washington  
December 4, 2020

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Introduction**

The following discussion and analysis provides an overview of the financial position and activities of Washington State University's Housing and Dining Services for the fiscal year ended June 30, 2020, with comparative information for the fiscal year ended June 30, 2019. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying footnote disclosures.

**Using the Financial Statements**

Washington State University is pleased to present its financial statements for Housing and Dining Services for fiscal year 2020. While audited financial statements for fiscal year 2019 are not presented with this report, condensed operations and financial position data will be presented in this section in order to illustrate certain increases and decreases. The emphasis of discussion about these statements will focus on current year's data.

The financial statements follow the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. Housing and Dining Service's financial statements have been prepared 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. The statements are specific to Housing and Dining Services at Washington State University and do not include other university operations.

Management's discussion and analysis provides additional information regarding the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

**Financial Highlights**

Housing and Dining assets increased to \$237.7 million, a \$6.1 million increase.

- Current assets increased \$13.6 million as a result of cash and investments generated through operations and cash received from the federal government through the CARES Act.
- Noncurrent assets decreased \$7.5 million due to depreciation of buildings and equipment, offset partially by the construction of assets.
- Liabilities total \$149.1 million, a decrease of \$1.0 million.
- Payables to Other University Departments remained consistent.
- Long-term debt decreased \$4.0 million due to decreases in Bonds Payable and State Pension Liability, partially offset by increase in State OPEB Liability.
- Net investment in capital assets decreased \$2.9 million due to the following factors:
  - Annual depreciation of capital assets exceeding debt payments during the year.
- Net position, which is the residual of assets after deducting liabilities, increased \$8.1 million to end the year at \$87.2 million.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Condensed Financial Information and Analysis**

**Financial Position – Statement of Net Position**

The Statement of Net Position presents the financial condition of Housing and Dining Services at the end of the fiscal year, listing Housing and Dining's assets, liabilities and net position.

The amounts in these statements represent the physical assets used to provide housing, meals, and student activity and support programs, as well as assets available to continue the operations of the housing and dining system, and identify commitments to vendors and bond holders. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the service.

Assets are classified as current, noncurrent or capital. Current assets are expected to benefit Housing and Dining Services within 12 months and include cash, accounts receivable, inventories, prepaid expenses, and amounts due from other funds and investments that can easily be converted into cash to meet expenses. Noncurrent assets include capital assets comprised of construction in progress, furniture and equipment, buildings and improvements and are reported net of accumulated depreciation.

Liabilities are classified as current or noncurrent. Current liabilities are claims that are due and payable within 12 months and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Noncurrent liabilities are obligations payable beyond one year and include bond obligations, university loans and earned but unused vacation and sick leave.

Net position is divided into three categories

- Net investment in capital assets: represent Housing and Dining Service's capital assets net of accumulated depreciation and outstanding principal balances of debt attributed to the acquisition, construction and improvements of these assets.
- Restricted – expendable: funds that are subject to externally imposed restrictions governing their use, such as capital projects and debt service.
- Unrestricted – represent those assets that are available to Housing and Dining Services for any lawful purpose. It is comprised of Designated net assets which are limited to specific purposes and Undesignated net assets which are usable for any purpose.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Condensed Financial Information and Analysis (Continued)**

**Financial Position – Statement of Net Position (Continued)**

**Summarized Statement of Net Position**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>Assets</b>			
Current Assets	\$ 70,832,059	\$ 57,197,686	\$ 13,634,373
Noncurrent Assets	166,842,037	174,362,250	(7,520,213)
<b>Total Assets</b>	<b><u>237,674,096</u></b>	<b><u>231,559,936</u></b>	<b><u>6,114,160</u></b>
 <b>Deferred Outflows of Resources</b>	 <u>5,442,511</u>	 <u>4,621,976</u>	 <u>820,535</u>
 <b>Liabilities</b>			
Current Liabilities	22,276,400	19,295,064	2,981,336
Noncurrent Liabilities	126,797,299	130,822,185	(4,024,886)
<b>Total Liabilities</b>	<b><u>149,073,699</u></b>	<b><u>150,117,249</u></b>	<b><u>(1,043,550)</u></b>
 <b>Deferred Inflows of Resources</b>	 <u>6,882,658</u>	 <u>7,041,364</u>	 <u>(158,706)</u>
 <b>Net Position</b>			
Net Investment in Capital Assets	55,831,169	58,733,112	(2,901,943)
Restricted Expendable	-	-	-
Unrestricted	31,329,081	20,290,187	11,038,894
<b>Total Net Position</b>	<b><u>\$ 87,160,250</u></b>	<b><u>\$ 79,023,299</u></b>	<b><u>\$ 8,136,951</u></b>

**Significant Changes in the Statements of Net Position**

- Current assets increased by \$13.6 million comprised mainly of an increase in amounts owed to Housing and Dining by other university operations of \$14.4 million and a decrease in accounts receivable of \$0.9 million.
- Capital Assets decreased \$7.5 million due to depreciation of buildings and equipment, offset partially by the construction of assets.
- Deferred Outflows of Resources increased \$821 thousand due to an increase of \$1.06 million in Deferred Outflows of Resources related to pensions, supplemental retirement and other postemployment benefits offset by a \$244 thousand decrease in the loss on bond refunding.
- The long-term portion of Bonds Payable decreased \$5.1 million due to debt payments, the State pension liability decreased \$0.7 million and the State OPEB liability increased \$1.8 million for a total decrease in Noncurrent Liabilities of \$4.0 million.
- Deferred inflows related to supplemental retirement and other postemployment benefits decreased \$404 thousand and deferred inflows related to pension increased \$245 thousand for a total decrease of \$159 thousand.

**Results of Operations – Statements of Revenues, Expenses, and Changes in Net Position**

The Statement of Revenues, Expenses and Changes in Net Position is Housing and Dining Services' equivalent to an income statement and presents the results of operations. It shows the sources and amount of revenues earned and nature and amount of expense incurred during the year, classified as operating, nonoperating or other.



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Results of Operations – Statements of Revenues, Expenses, and Changes in Net Position  
(Continued)**

In general, operating revenues are those received for providing housing, dining and related services, consisting mainly of room and board services to students. Operating expenses are those expenses paid to provide these services and resources to the students in return for the operating revenues. Nonoperating revenues are monies received for which goods and services are not provided and include investment income and support provided from the University as well as funds received from the Federal Government through the CARES Act. Nonoperating expenses include interest expense on long term-debt and loss on the disposal of assets.

**Statements of Revenues, Expenses, and Changes in Net Position**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
<b>Operating Revenues (Expenses)</b>			
Student Housing	\$ 39,472,435	\$ 50,638,890	\$(11,166,455)
Food Services	25,832,581	27,391,181	(1,558,600)
Other Income	272,175	149,444	122,731
<b>Total Operating Revenues</b>	<b>65,577,191</b>	<b>78,179,515</b>	<b>(12,602,324)</b>
 Operating Expenses	 63,647,472	 66,888,913	 (3,241,441)
<b>Operating Income</b>	<b>1,929,719</b>	<b>11,290,602</b>	<b>(9,360,883)</b>
 <b>Nonoperating Revenues (Expenses)</b>			
Investment Income	1,042,382	811,263	231,119
Interest and Amortization on Debt	(4,787,621)	(4,943,368)	155,747
Miscellaneous and Transfers	9,952,471	1,055,663	8,896,808
<b>Net Nonoperating Expenses</b>	<b>6,207,232</b>	<b>(3,076,442)</b>	<b>9,283,674</b>
 <b>Increase in Net Position</b>	 <b>8,136,951</b>	 <b>8,214,160</b>	 <b>(77,209)</b>
Net Position, Beginning of Year	79,023,299	70,809,139	8,214,160
<b>Net Position, End of Year</b>	<b>\$ 87,160,250</b>	<b>\$ 79,023,299</b>	<b>\$ 8,136,951</b>

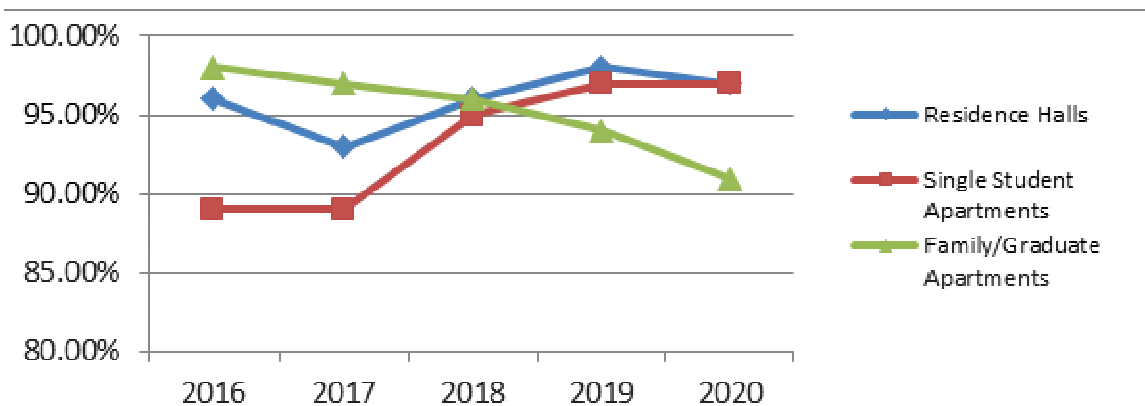
- Significant Changes in the Statements of Revenues, Expenses and Changes in Net Position
- The rate increases for FY 2020 of 2.3% for residence halls and 2% for apartments was negated by the decrease in residence hall occupancy from March to June due to COVID-19 resulting in operating revenue of \$12.6 million less than 2019.
- Operating Expenses decreased \$3.2 million due to projects and purchases that were put on hold or cancelled for the spring and summer due to COVID-19.
- Interest income increased \$.2 million due to increased investment balances, and interest and amortization expenses increased \$.2 million in 2020. Miscellaneous and transfers included the Cares Act funding resulting in a net nonoperating revenues (expenses) increase of \$9.3 million.
- Net position at end of year increased \$8.1 million.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Operating Performance**

Housing and Dining's operating revenue is driven by occupancy of residence halls, single student apartments and family/graduate student apartments. The University experienced high occupancy rates in all housing types over the past five years. In response to residence hall demand being higher than occupancy in residence halls in 2010 and 2012, Northside Hall was opened in fall 2013 and Global Scholars in fall 2015. This resulted in a planned reduction in occupancy rates. Waller Hall was reopened in fall 2018 due to the large incoming freshman class. Single student apartment occupancy increased in 2018 as units in the Chief Joseph complex came back online after two years of reconstruction. There were no changes to the number of residence halls or apartment complexes in service in FY 2020.

**Occupancy Rates**

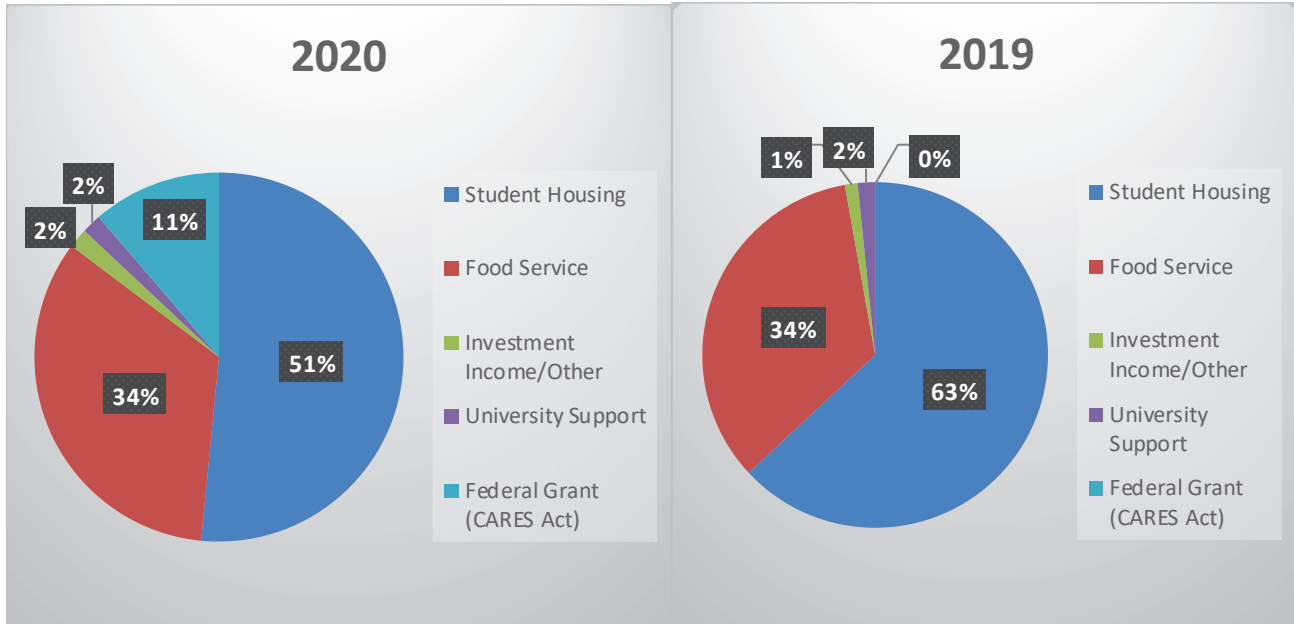


Fees for Housing generate the majority of revenue for the housing and dining system, at 63% for FY 2019 and 51% for FY 2020. The reduction in housing revenue in FY 2020 was due to refunds issued as students were asked to return to their permanent homes in March in response to COVID-19. A reimbursement from Cares Act funds offset the loss of revenue due to COVID-19. Dining revenue accounts for just over one-third of operating revenue for the years presented. The reliance on these fees is appropriate as they support the primary purpose of Washington State University's self-sustained Housing and Dining system. Other sources of revenue are University yearly support of \$1.3 million for debt service. Approximately \$1 million was generated in 2020 from interest income and miscellaneous sources.

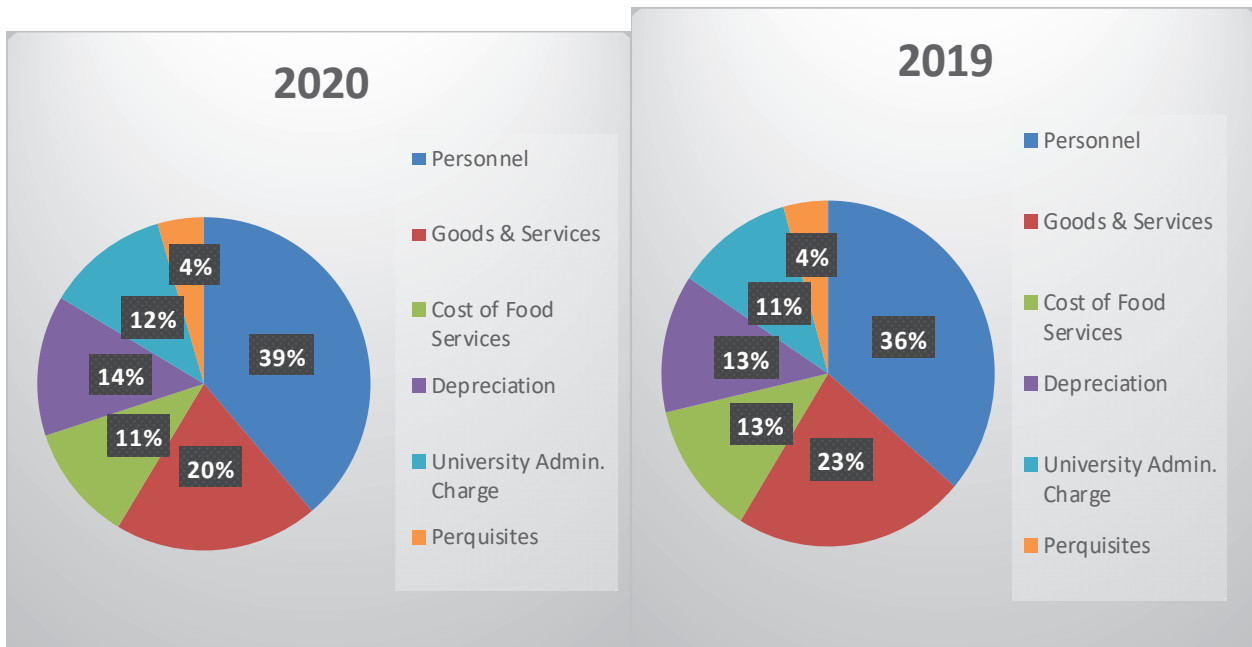
**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Operating Performance (Continued)**

**Revenues from all Sources  
For Years Ended June 30, 2020 and 2019**



**Operating Expenditures by Type  
For Years Ended June 30, 2020 and 2019**



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Operating Performance (Continued)**

Due to the specific purpose of the services provided by Housing and Dining Services, operating expenditures generally show little variance year over year. The cost percentages by category remained fairly steady from 2019 to 2020. There was a slight decrease in Cost of Food Services and Goods & Services in 2020 as a result of a decrease in residence hall occupancy in March through June due to COVID-19. Personnel costs are the highest percentage category, at 36-39%.

**Capital Assets and Long-Term Debt**

**Capital Assets**

At June 30, 2020, the value of Housing and Dining's net investment in capital assets was \$167 million, representing a decrease of \$7.5 million over last year. The decrease was due to the completion of renovations resulting in the decrease of construction in progress and increase in net buildings.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Construction in Progress	\$ 2,643,090	\$ 2,946,033	\$ (302,943)
Building, Net	162,238,553	168,697,335	(6,458,782)
Equipment, Net	1,960,394	2,718,882	(758,488)
<b>Total Capital Assets, Net</b>	<b><u>\$ 166,842,037</u></b>	<b><u>\$ 174,362,250</u></b>	<b><u>\$ (7,520,213)</u></b>

**Long-Term Debt**

At June 30, 2020, the value of Housing and Dining's long-term debt totaled \$131 million. This represents a decrease of \$3.8 million from the prior year resulting mainly from the \$4.8 million payment of debt, \$0.7 million less in net pension liability and \$1.8 million increase in State OPEB liability.

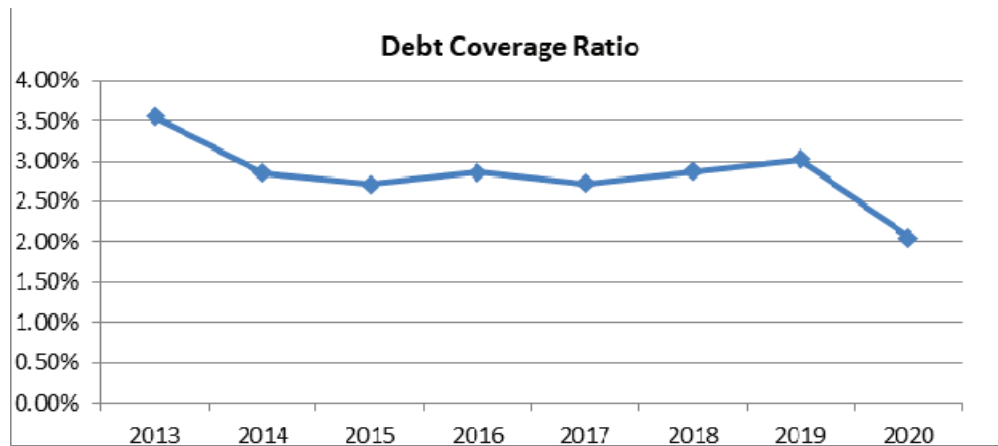
	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>
Revenue Bonds Payable, Net	\$ 113,226,092	\$ 118,088,565	\$ (4,862,473)
Net Pension Liability	3,514,971	4,601,819	(1,086,848)
State OPEB Liability	13,129,197	11,363,982	1,765,215
<b>Total Long-Term Liabilities</b>	<b><u>\$ 129,870,260</u></b>	<b><u>\$ 134,054,366</u></b>	<b><u>\$ (4,184,106)</u></b>

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2020**

**Operating Performance (Continued)**

**Debt Ratios**

The debt service coverage ratio provides an indicator of Housing and Dining Services' ability to repay annual principal and interest relative to overall operating expenses. A lower ratio gives a level of comfort that Housing and Dining Services has a net revenue stream available to meet its debt burden. The graph below shows Housing and Dining Services' debt service coverage ratio for the past seven years. The ratio remains fairly steady over this time period.



**Economic Outlook**

Housing and Dining Services prepares a yearly budget as a component of developing rates and fees. The assumptions in the analysis are reviewed by the Housing and Dining Advisory Board, comprised of staff and student representatives. Recommendations for fee setting are made annually to the Board of Regents (BOR). Periodic reports are made to the BOR providing actual information relative to these projections. The following were taken into consideration by the Housing and Dining Advisory Board when it recommended rates to the BOR. The University's strong enrollment continues to support these assumptions.

- Projected freshmen enrollment of 4,300 students.
- The freshmen live in rule (FLIR) requiring all freshmen to live within campus housing and purchase a meal plan.
- Current economic trends including anticipated personnel increases, inflation specific to cost of goods for dining operations and utility cost projections.

Demand remains high for newly refurbished residence halls and new modern residence halls such as Global Scholars, Northside and Community Duncan Dunn respectively. Global Scholars Hall also includes an Einstein Bros. Bagels and a fresh market. In January 2017, the Chinook Student Center opened which provided a desirable amenity close to residence halls located in the Hillside District. This new student building includes recreational space and facilities, meeting rooms and Freshens, a new dining option offering fresh healthy food. In August 2017, a Starbucks store was opened in the new Spark classroom building on the south side of campus. These additions benefit the entire campus with the dining options open to the public and the creation of common outdoor spaces. They also increase the desirability of living on campus. Housing and Dining Services has a decrease in occupancy in FY 2021 due to COVID-19 restrictions but expects occupancy levels to steadily rise back to pre-COVID-19 levels over the next year.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

**CURRENT ASSETS**

Cash Pooled with WSU	\$ 156,361
Investments	105,428
Accounts Receivable, Less Allowances for Uncollectible Accounts of \$3,028,733	1,178,092
Prepaid Expenses	257,811
Inventories	794,325
Due from Other University Departments	68,300,000
Accrued Interest Receivable	40,042
Total Current Assets	<u>70,832,059</u>

**NONCURRENT ASSETS**

Capital Assets, Less Accumulated Depreciation of \$140,405,445	<u>166,842,037</u>
Total Assets	237,674,096

**DEFERRED OUTFLOWS OF RESOURCES**

Loss on Bond Refunding	2,215,222
Deferred Outflows-Supplemental Retirement	272,920
Deferred Outflow of Resources Related to Pensions	1,614,044
Deferred Outflows Related to Other Post Employment Benefits (OPEB)	1,340,325
Total Deferred Outflows of Resources	<u><u>\$ 5,442,511</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**STATEMENT OF NET POSITION (CONTINUED)**  
**JUNE 30, 2020**

**CURRENT LIABILITIES**

Accounts Payable	\$ 1,047,086
Due to Other University Departments	7,579,398
Accrued Interest Payable	1,535,850
Accrued Payroll and Related Liabilities	2,472,439
Residents' Housing Deposits	1,200,150
Unearned Revenue	4,091,477
Current Maturities of Revenue Bonds Payable	4,350,000
Total Current Liabilities	<u>22,276,400</u>

**NONCURRENT LIABILITIES**

Revenue Bonds Payable, Less Current Maturities	108,876,092
Net Pension Liability	3,514,971
Supplemental Pension Liability	1,277,039
State OPEB Liability	13,129,197
Total Noncurrent Liabilities	<u>126,797,299</u>

Total Liabilities	<u>149,073,699</u>
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**DEFERRED INFLOWS OF RESOURCES**

Deferred Inflow of Resources Related to Supplemental Retirement	176,615
Deferred Inflow of Resources Related to Pensions	2,145,700
Deferred Inflow of Resources Related to OPEB	4,560,343
Total Deferred Inflows of Resources	<u>6,882,658</u>

**NET POSITION**

Net Investment in Capital Assets	55,831,169
Restricted, Expendable	-
Unrestricted:	
Designated	52,248,477
Undesignated	(20,919,396)
Total Unrestricted	<u>31,329,081</u>
Total Net Position	<u>\$ 87,160,250</u>

See accompanying Notes to Financial Statements.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2020**

**OPERATING REVENUES**

Student Housing	\$ 39,472,435
Food Services	25,832,581
Other Income	272,175
Total Operating Revenues	<u>65,577,191</u>

**OPERATING EXPENSES**

Salaries, Wages, and Benefits	24,683,126
Goods and Services	12,612,208
Cost of Food Services	7,239,693
Depreciation	8,682,186
University Administrative Charge	7,579,398
Perquisites	2,850,861
Total Operating Expenses	<u>63,647,472</u>

**OPERATING INCOME**

1,929,719

**NONOPERATING REVENUES AND EXPENSES**

Investment Income	1,042,382
Interest and Amortization Expense	(4,787,621)
Loss on Disposal of Capital Assets	(3,625)
Transfer – WSU Support	1,305,000
Federal Grant (CARES Act)	8,651,096
Total Nonoperating Revenues and Expenses	<u>6,207,232</u>

**CHANGES IN NET POSITION**

8,136,951

Net Position – Beginning of Year

79,023,299

**NET POSITION – END OF YEAR**

\$ 87,160,250

*See accompanying Notes to Financial Statements.*



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash Received from Students and Others	\$ 64,179,965
Cash Paid for Employee Salaries, Wages, and Benefits	(24,717,643)
Cash Paid to Suppliers	(27,270,880)
Cash Received from Other Sources	272,175
Net Cash Provided by Operating Activities	<u>12,463,617</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Investment Earnings Reinvested	(4,464)
Interest Received	1,073,579
Purchase of Investments	(47,790,800)
Proceeds from Sale/Maturity of Investments	47,785,478
Advance to Other University Department	(14,400,000)
University Administrative Charges Advance	(63,241)
Net Cash Used by Investing Activities	<u>(13,399,448)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Transfers from University	1,305,000
Federal Grants (CARES Act)	10,164,459
Net Cash Provided by Noncapital Financing Activities	<u>11,469,459</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES**

Acquisition and Construction of Capital Assets	(1,091,360)
Principal Payments on Revenue Bonds and University Loan	(4,160,000)
Interest Payments on Revenue Bonds and University Loan	(5,287,212)
Net Cash Used by Capital and Related Financing Activities	<u>(10,538,572)</u>

**NET DECREASE IN CASH** (4,944)

Cash – Beginning of Year 161,305

**CASH – END OF YEAR** \$ 156,361

See accompanying Notes to Financial Statements.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**STATEMENT OF CASH FLOWS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2020**

**RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 1,929,719
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	8,682,186
(Increase) Decrease in Assets:	
Accounts Receivable	915,797
Prepaid Expenses	(77,701)
Inventories	(98,824)
Increase (Decrease) in Liabilities:	
Accounts Payable	336,944
Accrued Payroll and Related Liabilities	(34,517)
Residents' Housing Deposits	33,000
Unearned Revenue	777,013
Net Cash Provided by Operating Activities	<u><u>\$ 12,463,617</u></u>

**SUPPLEMENTAL DISCLOSURES OF NONCASH CAPITAL  
AND FINANCING ACTIVITIES**

Loss on Disposal of Capital Assets	<u><u>\$ (3,625)</u></u>
Amortization of Bond Costs, Net	<u><u>\$ 702,473</u></u>

*See accompanying Notes to Financial Statements.*

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Washington State University Housing and Dining System (the Housing and Dining System) is a self-sustaining, auxiliary enterprise of Washington State University (WSU). The Housing and Dining System operates residence halls, apartment complexes, and food services on the WSU Pullman campus.

**Financial Statement Presentation**

The financial statements are presented in accordance with accounting principles generally accepted in the United States of America and follow guidance given by the Governmental Accounting Standards Board (GASB). These financial statements present only a selected portion of the activities of WSU. As such, they are not intended to and do not present the financial position, changes in net position, or cash flows of WSU.

**Basis of Accounting**

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

**Risks and Uncertainties**

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) a pandemic. A national emergency was declared in the U.S. concerning the COVID-19 outbreak on March 13, 2020. As a result, economic uncertainties have arisen which may materially affect the amounts reported in the financial statements and in the footnotes. The financial impact of these uncertainties cannot be determined at this time.

**Cash Pooled with WSU**

Cash pooled with WSU may include certain investments in highly liquid debt instruments with an original maturity of three months or less. Some cash balances in excess of current requirements are pooled with other WSU funds and commonly invested. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in the various funds. Cash and pooled investments are stated at fair value. Bank deposits are covered by the Federal Deposit Insurance Corporation or by collateral held in multiple financial institution collateral pools administered by the Washington Public Deposit Protection Commission.

**Accounts Receivable**

Accounts receivable are primarily from students of WSU and are based upon invoices rendered, and are unsecured. Management determines the allowance for uncollectible accounts using percentages based on historical experience applied to the aging of outstanding accounts. Student accounts are considered past due if they are unpaid per terms specified on the housing contract, which may vary. Other customer accounts are considered past due if they are unpaid for 30 days after the due date, unless a contract specifies otherwise. When an account is deemed uncollectible, it is generally written off against the allowance.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories, consisting primarily of supplies and food, are stated at the lower of cost or net realizable value using the first-in, first-out method.

**Capital Assets**

Buildings, improvements, and equipment are stated at cost. Consistent with state of Washington policy, the Housing and Dining System capitalizes buildings, improvements, and equipment that have a cost greater than \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets of 4 to 75 years. Gains or losses on the sale of property and equipment are included in other income and expense. Expenditures for repairs and maintenance are charged to expense as incurred.

The Housing and Dining System reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2020, no assets had been written down.

**Accrued Leave Liability**

Accumulated vacation and compensatory leave, earned and unused by employees of the Housing and Dining System, totaled \$1,583,513 at June 30, 2020, and is included in Accrued Payroll and Related Liabilities on the statement of net position.

Permanent Housing and Dining System employees are entitled to accrue and accumulate sick leave at the rate of eight hours per month worked. The employee is entitled to either the present value of 25% of his or her unused sick leave balance upon retirement or 25% of his or her net accumulation for the year in which it exceeds 480 hours. The estimated liability for future payments under the sick leave buyout plan was \$271,670 at June 30, 2020. Such amounts represent a liability to the Housing and Dining System and are recorded and reported in Accrued Payroll and Related Liabilities on the statement of net position.

**Unearned Revenue**

Unearned revenue consists of prepaid housing fees and funds received from the Federal Government through the CARES Act. Revenue is recognized during the applicable semester for prepaid housing fees and as all necessary requirements are met for CARES Act funds. The amount of unearned revenue for fiscal year 2020 was \$4,091,477 with \$2,578,114 and \$1,513,363 related to housing fees and the CARES Act respectively.

**Residents' Housing Deposits**

Residents' housing deposits consist of security deposits for the school year and pre-payments to secure housing for the following school year.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Bond Premiums/Discounts, Issuance Costs and Gains, and Losses on Refunding**

Bond issuance costs are expensed in the period incurred. Unamortized balances of premiums and discounts are presented as reductions of, or additions to, the face amount of bonds payable. Gains and losses on refunding are presented as deferred inflows and deferred outflows of resources on the statement of net position. Related amortization is included in Interest and Amortization Expense in the statement of revenues, expenses, and changes in net position.

**Net Position**

The Housing and Dining System's net position is classified as follows:

*Net Investment in Capital Assets* – This represents the Housing and Dining System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Restricted, Expendable* – Restricted expendable assets include resources which WSU is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. Restricted expendable assets consist of bond proceeds held for construction of capital assets.

*Designated* – These represent funds designated by management and are subject to change. Designations consist of funds designated for capital improvements. Such amounts are unrestricted.

*Unrestricted* – These represent resources derived from operations and investing activities which are available for use as management requires.

**Classification of Revenue, Expenses, and Transfers**

The Housing and Dining System has classified its revenue as either operating or nonoperating according to the following criteria:

*Operating Revenues and Expenses* – Operating revenues/expenses include activities that have the characteristics of exchange transactions, such as student room rent, and proceeds from food services.

*Nonoperating Revenues and Expenses* – Nonoperating revenues/expenses include activities that have the characteristics of nonexchange transactions, such as investment income, interest expense, and grants that are not equivalent to contracts for services.

**Administrative Service Charge**

WSU allocates certain general and administrative charges to departments for which services are performed. The administrative charge was 10% of the Housing and Dining System's gross receipts for the fiscal year ended June 30, 2020.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax Exemption**

As a part of WSU, the operations of the Housing and Dining System are exempt from federal income tax on related income under the provisions of Section 115(a) of the Internal Revenue Code.

**Risk Management**

WSU participates in a state of Washington risk management self-insurance program. Premiums to the state are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. WSU assumes its potential liability and property losses for all properties except for auxiliary enterprise buildings and contents. The auxiliary enterprise buildings were acquired with the proceeds of bond issues where the bond agreement requires WSU to carry insurance on property and contents. WSU has elected to self-insure for unemployment compensation for all employees.

**Estimates**

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

**NOTE 2 INVESTMENTS**

Investments for the Housing and Dining System are held by WSU within a pooled investment fund.

The values of the pooled and dedicated investments held by WSU and allocated to the Housing and Dining System were as follows:

Investment Type	Fair Value at June 30, 2020	Investment Maturities			Effective Duration	Credit Rating
		Less than 1 Year	1 - 5 Years	More than 5 Years		
Cash Equivalents:						
Participant in Internal Operating Pool	\$ 105,428	\$ 105,428	\$ -	\$ -	0.14	NR *

\* Not Rated

State law limits WSU's investments to the highest quality sectors of the domestic fixed income market and prohibits investments in equities, futures contracts, commodities, real estate, limited partnerships, and negotiable certificates of deposit.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 INVESTMENTS (CONTINUED)**

WSU pools all operating cash and certain bond proceeds. Exposure to fair value losses arising from increasing interest rates is managed by limiting the modified duration of the operating portfolio to 1.1 years.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, WSU will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. At June 30, 2020 all of the Housing and Dining System's investments were held by Wells Fargo in the bank's name as agent for WSU and, thus, were exposed to custodial credit risk.

For its investment in the WSU operating pool, the Housing and Dining System earned a rate of 1.88% for the year ended June 30, 2020.

**Fair Value Measurements**

GASB Statement No. 72 provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair market value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the valuation methodologies used at June 30, 2020.

Additional information for fair value of investments in the pooled investment fund can be found in the Washington State University basic financial statements.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 CAPITAL ASSETS**

The following summarizes activity related to capital assets as of June 30, 2020:

	Balance at June 30, 2019	Additions	Transfers	Retirements	Balance at June 30, 2020
Buildings	\$ 279,062,289	\$ -	\$ 526,549	\$ -	\$ 279,588,838
Other Improvements	8,565,722	-	-	-	8,565,722
Equipment	15,523,430	240,545	-	(18,250)	15,745,725
Infrastructure	2,660	-	701,447	-	704,107
Construction in Progress	2,946,033	925,053	(1,227,996)	-	2,643,090
Total Capital Assets	306,100,134	1,165,598	-	(18,250)	307,247,482
Accumulated Depreciation – Buildings	110,367,360	7,666,186	-	-	118,033,546
Accumulated Depreciation – Improvements	8,565,721	-	-	-	8,565,721
Accumulated Depreciation – Equipment	12,804,549	995,408	-	(14,625)	13,785,332
Accumulated Depreciation – Infrastructure	254	20,592	-	-	20,846
Total Accumulated Depreciation	131,737,884	8,682,186	-	(14,625)	140,405,445
Net Capital Assets	\$ 174,362,250	\$ (7,516,588)	\$ -	\$ (3,625)	\$ 166,842,037

The additions column also represents cost of completed projects transferred from construction in progress to their respective asset accounts during the fiscal year.

At June 30, 2020, the Housing and Dining System's remaining commitment for construction projects in progress is approximately \$333,156 and will be completed in approximately two years.

**NOTE 4 REVENUE BONDS PAYABLE**

Bonds payable consists of specific and general revenue bonds issued by WSU for construction and renovation of University buildings, for Housing and Dining System Facilities, for the Student Recreation Center, Parking Services, Compton Union Building and Athletics, as well as WSU's share of Washington State General Obligation bonds issued for the construction of academic buildings. Washington State General Obligation bonds are backed by the full faith, credit, and taxing power of the State. A portion of tuition and matriculation fees paid to the University are pledged for the payment of principal and interest on the University's share of these bonds. Revenue bonds issued by WSU include certain restrictive covenants. Certain revenue bonds have a specific revenue stream pledged to pay them. General revenue bonds are special fund obligations of WSU, payable from general revenues which included nonappropriated, unrestricted income and revenues, including available auxiliary system revenues.

During fiscal year 2016 WSU issued general revenue bonds. While the bonds are special fund obligations of WSU, payable from general revenues which include nonappropriated, unrestricted income and revenues, including available auxiliary system revenues, the bonds were issued to refund outstanding debt of the Housing and Dining System. The Housing and Dining System is responsible for making the debt payments on these bonds.



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 REVENUE BONDS PAYABLE (CONTINUED)**

**Bond Refunding Activity**

On May 25, 2016 the University issued \$19,375,000 in General Revenue Bonds, Series 2016 (refunding portion) to retire \$21,505,000 in Series 2008 Housing and Dining Services Bonds. The net proceeds were used to purchase U.S. Government securities that were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payment on the bonds. The refunding resulted in an aggregate debt service decrease of \$4,436,121 and an economic gain of \$3,192,041. The principal outstanding on the refunded bonds as of June 30, 2020 is \$0.

Neither the assets of these trusts, nor their outstanding obligations are included in the statements of revenues, expenses, and changes in net position.

Revenue bonds payable as of June 30, 2020 consisted of:

<u>Description</u>	<u>Amount</u>
Housing and Dining System Revenue and Refunding Bonds 2010, bearing interest at rates of 3% to 5%, maturing serially until October 1, 2024. The Series 2010 bonds have an aggregate face value of \$6,265,000 and are reported net of unamortized original issue premium of \$412,676.	\$ 6,677,676
Housing and Dining System Revenue and Refunding Bonds 2010B, bearing interest at rates of 7.1% to 7.4%, maturing serially until April 1, 2041. The Series 2010B bonds have an aggregate face value of \$35,305,000 and are reported net of unamortized original issue premium of \$0-.	35,305,000
General Revenue Bonds for the Housing projects, bearing interest at rates of 3% to 5% maturing serially until October 1, 2028. The 2013 bonds have an aggregate face value of \$5,050,000 at June 30, 2020, which is reported net of the unamortized original issue premium of \$635,950.	5,685,981
General Revenue Bonds for the Housing projects, bearing interest at rates of 1.75% to 5% maturing serially until April 1, 2039. The 2014 bonds have an aggregate face value of \$31,600,000 at June 30, 2020, which is reported net of the unamortized original issue premium of \$2,993,819.	34,593,819
General Revenue Bonds for the Housing projects, bearing interest at rates of 3% to 5% maturing serially until April 1, 2030. The 2015 bonds have an aggregate face value of \$8,245,000 at June 30, 2020, which is reported net of the unamortized original issue premium of \$1,259,847.	9,504,847
General Revenue Bond 2016, H&D 2008 Refunding, bearing interest rates of 3% to 5% maturing serially until October 2038. The 2016 bonds have an aggregate face value of \$18,275,000 at June 30, 2020, which is reported net of the unamortized original issue premium of \$3,183,800.	21,458,769
Total Revenue Bonds Payable, Net	<u>\$ 113,226,092</u>

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 REVENUE BONDS PAYABLE (CONTINUED)**

**Bond Refunding Activity, Continued)**

All Housing and Dining System revenue bonds are payable from and subject to a first lien on the net revenue derived from the operation of the Housing and Dining System. The Housing and Dining System has purchased surety bonds as a substitute for the applicable reserve account requirements for 2008 bond series. The surety bonds guarantee payment of the bonds in the event net revenue from operations is not sufficient to meet required debt service.

As part of the bond covenants, the Housing and Dining System is required to generate net revenue, as defined in the covenants, equal to at least 125% of the annual debt service requirements during each fiscal year. The applicable debt service requirement for the year ended June 30, 2020 was \$9,392,682. Net revenue, as defined, was equal to 205% of the annual debt service requirements for the year ended June 30, 2020.

WSU has committed annual support to the Housing and Dining System of \$1,305,000 in accordance with the covenants of the Master Resolution. In fiscal year 2020, WSU processed the entire \$1,305,000 commitment as a cash transfer to the Housing and Dining System.

Principal and interest maturities of bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,350,000	\$ 5,033,133	\$ 9,383,133
2022	4,550,000	4,823,133	9,373,133
2023	4,775,000	4,597,057	9,372,057
2024	5,015,000	4,355,582	9,370,582
2025	5,265,000	4,102,107	9,367,107
2026-2030	24,505,000	17,217,837	41,722,837
2031-2035	25,245,000	11,157,112	36,402,112
2036-2040	27,975,000	4,357,742	32,332,742
2041	3,060,000	147,166	3,207,166
Total	<u>\$ 104,740,000</u>	<u>\$ 55,790,869</u>	<u>\$ 160,530,869</u>
Plus Unamortized Premiums	8,486,092		
Total	<u>\$ 113,226,092</u>		

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 REVENUE BONDS PAYABLE (CONTINUED)**

**Bond Refunding Activity, Continued)**

Following are the changes in long-term debt for the years ended June 30:

Bonds Payable	Balance, June 30, 2019	Additions and Amortization of Bond Costs	2020 Retirements and Bonds Retirements	Balance, June 30, 2020	Current Portion
Series 2010 Revenue Bonds	\$ 7,869,382	\$ (91,706)	\$ (1,100,000)	\$ 6,677,676	\$ 1,140,000
Series 2010B Revenue Bonds	35,305,000	-	-	35,305,000	-
Series 2013 General Revenue Bonds	6,717,605	(151,624)	(880,000)	5,685,981	920,000
Series 2014 General Revenue Bonds	35,739,609	(160,790)	(985,000)	34,593,819	1,035,000
Series 2015 Refunding 2005	10,264,784	(129,936)	(630,000)	9,504,848	660,000
Series 2016 Refunding 2008	22,192,185	(168,417)	(565,000)	21,458,768	595,000
Principal and Interest Maturities of Bonds Payable are as Follows:					
Total Long-Term Liabilities	<u>\$ 118,088,565</u>	<u>\$ (702,473)</u>	<u>\$ (4,160,000)</u>	<u>\$ 113,226,092</u>	<u>\$ 4,350,000</u>

**NOTE 5 INTERFUND LOANS RECEIVABLE AND PAYABLE**

**Intercollegiate Athletic Department**

The Housing and Dining System advanced funds to the Intercollegiate Athletic Department for temporary borrowing. Balance of the receivable at June 30, 2020 was \$68,300,000.

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The University is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a single employer defined benefit plan administered by the Washington State Health Care Authority (HCA). The PEBB is authorized to design benefits and determine terms and conditions of employee and retired employee participation and coverage per RCW 41.05.065. The OPEB plan provides medical, dental, prescription drug, vision, life insurance and long-term disability benefits for public employees and retirees and their dependents on a pay-as-you-go basis.

The OPEB relationship between PEBB employers and employees is not formalized in a contract or plan document. Instead, the benefits are provided in accordance with a substantive plan in which the plan terms are understood by the employers and plan members based on communications between employers and members and the historical pattern of practice with regard to the sharing of benefits costs.

The employer's plan provides benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. This set dollar amount is recommended by PEBB and approved by the state Legislature annually and was set at \$183 per member per month for fiscal year 2020. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Plan Description (Continued)**

*Employees covered by benefit terms* – The table below shows the Housing and Dining Department's PEBB memberships as of June 30, 2020:

Inactive Employees or Beneficiaries Currently Receiving Benefits	76
Inactive Employees Entitled to But Not Yet Receiving Benefits	14
Active Employees	279
Total	369

**Funding Status and Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare trends. The differences between these assumptions and actual results could have a significant effect on the Department's financial report.

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information. However, the state operates on a pay-as-you-go basis so the actuarial value of the plan asset is zero.

Projections of benefits for financial reporting purposes are based on the terms of the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Significant methods and assumptions used in the current valuation are as follows:

Actuarial valuation date	6/30/2019
Inflation rate	2.75%
Health care trend rate	8% initial rate, 4.5% ultimate rate in 2080
Projected salary increases	3.50%
Discount rate	3.50%
Source of mortality assumptions	RP-2000 combined healthy table and combined disabled table using 100 percent scale BB
Date of experience study	2007-2012 Experience Study and the 2017 Economic Experience Study.
Source of discount rate	Bond buyer general obligation 20-bond municipal bond index as of June 30, 2019.

A material assumption change for the measurement period was updating the discount rate from 3.87% to 3.50% which caused an increase in the total OPEB liability.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**Sensitivity of the OPEB Liability on the Healthcare Cost Trend Rate and Discount Rate**

The following presents the total OPEB liability of the state calculated using the current healthcare cost trend rate of 8%, as well as what the OPEB liability would be if it were calculated using a rate that is 1 percentage point lower (7%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 15,899,018	\$ 13,129,197	\$ 10,977,867

The following presents the total OPEB liability of the state calculated using the discount rate of 3.50%, as well as what the OPEB 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.

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	\$ 10,626,092	\$ 13,129,197	\$ 16,497,997

**Total OPEB Liability (TOL)**

The TOL for the state of Washington was determined by an actuarial valuation, conducted by the Office of the State Actuary, using data as of June 30, 2019. The TOL reported at June 30, 2020 was calculated as of the valuation date. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is based on the proportionate share of the state's total active health care eligible employee head count.

The Housing and Dining Department's share was 4.4% of the University's proportionate share of the state's TOL as of June 30, 2020 compared to 4.3% as of June 30, 2019.

**Changes in the Total OPEB Liability**

The following is a schedule of the changes in the total OPEB liability for fiscal year 2020:

Public Employee Benefits Board	
Total OPEB liability at 7/1/2019	\$11,363,982
Service cost	531,609
Interest	461,140
Differences between expected and actual experience	
Changes of assumptions	858,764
Benefit payments	(210,944)
Changes in proportionate share	(190,676)
Other Changes	315,322
Total OPEB Liability at 6/30/2020	<u>\$ 13,129,197</u>

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)**

**OPEB Costs**

At June 30, 2020, the Department reported a liability of \$13,129,197 for its proportionate share of the University's OPEB liability. The OPEB liability was measured as of June 30, 2019 by an actuarial valuation. The Department's share of the OPEB liability was 4.4%. For the year ended June 30, 2020 the department's share of OPEB expense was \$454,306.

At June 30, 2020, the Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Differences Between Expected and Actual Experience	\$ 350,591	\$ -
Changes of Assumptions	763,347	(3,806,720)
Changes in Proportion	-	(753,623)
Contributions Paid Subsequent to the Measurement Date	226,387	-
Total	<u>\$ 1,340,325</u>	<u>\$ (4,560,343)</u>

Deferred outflows of resources of \$226,387 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (538,443)
2022	(538,443)
2023	(538,443)
2024	(538,443)
2025	(538,443)
Thereafter	(754,190)
Total	<u>\$ (3,446,405)</u>

**NOTE 7 PENSION PLANS**

WSU offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Services, and the Washington State University Retirement Plan (WSURP), a defined contribution pension plan with a supplemental payment (SRP) to beneficiaries when required. The Housing and Dining Department (H&D) has employees in two of these plans: PERS and WSURP.

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the above plans has been determined on the same basis as reported by Washington Department of Retirement Services (DRS) and the Washington State University Retirement Plan (WSURP).

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 PENSION PLANS (CONTINUED)**

**Contributions**

The Department's contributions and contribution rates for the PERS and WSURP plans for the year ended June 30, 2020 and the three preceding years are as follows:

<u>Required Contributions</u>			<u>PERS</u>		<u>WSURP</u>	
	2020		\$	1,316,770	\$	279,012
	2019			1,196,832		254,953
	2018			1,162,263		253,333
	2017			998,132		232,166

<u>Contribution Rates</u>						
	<u>2020</u>		<u>2019</u>		<u>2018</u>	
<u>PERS</u>	<u>Employee</u>	<u>WSU</u>	<u>Employee</u>	<u>WSU</u>	<u>Employee</u>	<u>WSU</u>
Plan 1	6.00%	12.83%	6.00%	12.70%	6.00%	11.18%
Plan 2	7.41%	12.83%	7.38%	12.70%	6.12%	11.18%
Plan 3	5% to 15%	12.83%	5% to 15%	12.70%	5% to 15%	11.18%
 <u>WSURP</u>						
Plan 1	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Plan 2	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Plan 3	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%

An actuarial valuation of the plans for the Department as an entity is not available.

**PERS**

*Plan Descriptions* – PERS Plan 1 provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five years of eligible service.

The authority to establish and amend benefit provisions resides with the legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380, or online at <http://www.drs.wa.gov/administration>.

*Funding Policy* – Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute. All employers are required to contribute at the level established by state law.



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 PENSION PLANS (CONTINUED)**

**Washington State University Retirement Plan**

Plan Description – Faculty, professional, and other staff are eligible to participate in the Washington State University Retirement Plan (WSURP), a 403(b) defined contribution plan. The Teachers Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have a 100% vested interest in their accumulations at all times.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF. WSURP has a supplemental payment (SRP) component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a nonreduced supplemental payment after the age of 62 with 10 years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected. The University's Board of Regents is authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

**Pension Costs for All Plans**

*Pension Costs* – At June 30, 2020, the Department reported a liability of \$3,514,971 for its proportionate share of PERS net pension liability and \$1,277,039 for SRP pension liability. The state net pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2019 and the SRP pension liability was determined by an actuarial valuation as of June 30, 2018 and rolled forward to the measurement date of June 30, 2020. The Department's share was 7.44% for PERS 1 and 7.59% for PERS 2/3 of Washington State University's proportionate share and 1% for its share of the pension liability of the SRP compared to 7.29% for PERS 1 and 7.46% for PERS 2/3 of Washington State University's proportionate share and 1% for its share of the pension liability of the SRP as of the previous measurement date.



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 PENSION PLANS (CONTINUED)**

**Pension Costs for All Plans (Continued)**

For the year ended June 30, 2020 the Department recognized PERS pension expense of \$251,442 and \$56,618 expense in SRP. The Department also reported deferred outflows/inflows of resources related to pensions from the following sources.

State Pension Plans	Deferred Outflows	Deferred Inflows
Differences Between Expected and Actual Experience	\$ 247,190	\$ 185,494
Net Difference Between Projected and Actual	-	1,433,054
Earnings on Investments		
Changes of Assumptions	22,094	361,997
Changes in Proportion	9,150	165,155
Contributions Subsequent to the Measurement Date	1,335,610	-
Total	<u>\$ 1,614,044</u>	<u>\$ 2,145,700</u>

WSURP SRP	Deferred Outflows	Deferred Inflows
Differences Between Expected and Actual Experience	\$ 50,070	\$ 126,585
Net Difference Between Projected and Actual		
Earnings on Investments	-	-
Changes of Assumptions	222,849	50,030
Changes in Proportion	-	-
Contributions Paid Subsequent to the Measurement Date	-	-
Total	<u>\$ 272,919</u>	<u>\$ 176,615</u>

\$1,335,610 was reported as deferred outflows of resources related to PERS pensions resulting from Department contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	State Plan	WSURP
2021	\$ (448,463)	\$ (3,121)
2022	(770,525)	(3,121)
2023	(352,235)	4,131
2024	(198,661)	33,138
2025	(94,582)	40,600
Thereafter	(2,800)	24,678
Total	<u>\$ (1,867,266)</u>	<u>\$ 96,305</u>

*Actuarial Assumptions* – The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The Department makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of June 30, 2018. The actuarial assumptions for the evaluation included an investment rate of return of 2.21%, a projected salary increase of 3.75% per year, and a 2.75% inflation rate.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 PENSION PLANS (CONTINUED)**

**Pension Costs for All Plans (Continued)**

The total State pension liability was determined by an actuarial valuation as of June 30, 2018 with the results rolled forward to the June 30, 2019 measurement date using the following assumptions.

Inflation	2.75%
Salary Annual Percent Increase	3.50%
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. 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% 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 2007-2012 experience study. Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the Washington State Insurance Board (WSIB). These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real 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 %	

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 PENSION PLANS (CONTINUED)**

*Discount Rate* – The discount rate used to measure the total pension liability was 7.4% the same as the previous measurement. 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 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4% on pension plan investments was applied to determine the total pension liability.

*Pension Liability Sensitivity* – The following presents the net PERS pension liability/asset calculated using the discount rate of 7.4% and a 2.21 discount rate for SRP as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.4%/1.21%) or 1 percentage point higher (8.4%/3.21) than the current rate.

<u>State Pension Plans</u>			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Proportionate Share of the Net Pension Liability	<u>\$ 9,938,609</u>	<u>\$ 3,514,971</u>	<u>\$ (1,787,544)</u>
<u>WSURP SRP</u>			
	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Proportionate Share of the Net Pension Liability	<u>\$ 1,462,867</u>	<u>\$ 1,277,039</u>	<u>\$ 1,123,166</u>

**NOTE 8 OPERATING LEASES**

The Housing and Dining System leases office equipment under operating leases that expire in 2021. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 5,299
2022	3,008
Total	<u>\$ 8,307</u>

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 SUBSEQUENT EVENTS**

On October 29, 2020, the University issued approximately \$38,953,000 in General Revenue Bonds, Series 2020A (refunding portion) to retire \$31,600,000 in Series 2012 General Revenue Bonds and \$5,125,000 in Series 2010 Housing and Dining System Revenue Bonds. The Series 2020A Bonds bear interest at rates between 2.192% and 3.163% with a final maturity of October 1, 2038. The refunding resulted in cash savings of \$4,462,149 with a present value of \$4,161,686. The principal outstanding on the refunded bonds as of June 30, 2020 was \$37,865,000.

## OTHER INFORMATION

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 4,350,000	\$ 5,033,133	\$ 9,383,133
2022	4,550,000	4,823,133	9,373,133
2023	4,775,000	4,597,057	9,372,057
2024	5,015,000	4,355,582	9,370,582
2025	5,265,000	4,102,107	9,367,107
2026	4,450,000	3,900,107	8,350,107
2027	4,660,000	3,682,633	8,342,633
2028	4,890,000	3,454,678	8,344,678
2029	5,130,000	3,215,638	8,345,638
2030	5,375,000	2,964,781	8,339,781
2031	4,580,000	2,701,858	7,281,858
2032	4,805,000	2,479,012	7,284,012
2033	5,035,000	2,245,264	7,280,264
2034	5,280,000	1,996,142	7,276,142
2035	5,545,000	1,734,836	7,279,836
2036	5,825,000	1,460,356	7,285,356
2037	6,110,000	1,172,220	7,282,220
2038	6,405,000	869,928	7,274,928
2039	6,715,000	567,640	7,282,640
2040	2,920,000	287,598	3,207,598
2041	3,060,000	147,166	3,207,166
Total	<u>\$ 104,740,000</u>	<u>\$ 55,790,869</u>	<u>\$ 160,530,869</u>

Principal Amount of Parity Bonds at June 30, 2020 is \$104,740,000.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**ROOM AND BOARD RATES**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<u>Academic Year</u>	<u>Low Rate</u>	<u>High Rate</u>
2019-20	\$ 10,768	\$ 13,450
2018-19	10,124	13,218
2017-18	10,406	12,970
2016-17	10,140	12,624
2015-16	9,840	12,228

The Residence Halls are grouped into various rate groups. The room and board rates represent the lowest and the highest double room rate and the Level 2 meal plan at Fall Census Day (10th Day of Class).

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**FALL SEMESTER HOUSING DEMAND STATISTICS**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

	<u>Fall 2020</u>	<u>Fall 2019</u>
Housing Capacity:		
Residence Halls (Bed Spaces) <sup>(1)</sup>	5,905	5,911
Apartments – Family Units <sup>(2)</sup>	577	577
Apartments – Single Students' Units <sup>(2)</sup>	386	386
Housing Occupancy Rates:		
Residence Halls <sup>(1)</sup>	97 %	98 %
Apartments – Family/Graduate Students <sup>(3)</sup>	91 %	94 %
Apartments – Single Students	97 %	97 %
Number of Students Housed on Campus:		
Residence Halls	5,726	5,818
Apartments – Family	824	850
Apartments – Single Students	<u>908</u>	<u>914</u>
Total Students Housed on Campus	<u><u>7,458</u></u>	<u><u>7,582</u></u>
Enrollment, Pullman Campus <sup>(4)</sup>	20,976	21,022
Percent of Students Housed on Campus <sup>(5)</sup>	36%	36%

<sup>(1)</sup> Residence Hall Capacity for 2019-20 decreased slightly due to less triple rooms.

<sup>(2)</sup> Number of Units.

<sup>(3)</sup> Assumes an Average of 1.5 Students per Apartment, Except for Steptoe Village, Where a Known Number of Graduates are Assigned.

<sup>(4)</sup> Headcount Enrollment in Pullman, Excluding Intercollegiate College of Nursing and Distance Degree Program Students.

<sup>(5)</sup> Does Not Include Students Housed in Fraternities and Sororities, Which are Considered University-Approved Housing.



**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM  
REVENUE BOND DEBT SERVICE COVERAGE  
YEAR ENDED JUNE 30, 2020  
(SEE INDEPENDENT AUDITORS' REPORT)**

<b>GROSS REVENUE <sup>(1)</sup></b>	<b>\$ 66,619,573</b>
<b>ADJUSTED OPERATING EXPENSES <sup>(1)</sup></b>	<b><u>47,385,887</u></b>
<b>NET REVENUE AVAILABLE FOR DEBT SERVICE</b>	<b><u>\$ 19,233,686</u></b>
<b>BOND DEBT SERVICE</b>	<b><u>\$ 9,392,682</u></b>
<b>DEBT SERVICE COVERAGE</b>	<b>2.05</b>

<sup>(1)</sup> Gross revenue and operating expenses as defined in the Bond Resolution.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**AS OF JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**Public Employees' Retirement System (PERS) Plan 1**

	2019	2018	2017	2016	2015	2014
Employers' Proportion of the Net Pension Liability	7.44%	7.29%	7.30%	7.28%	7.25%	7.55%
Employers' Proportionate Share of the Net Pension Liability	\$ 2,652,185	\$ 3,092,907	\$ 3,382,491	\$ 3,957,053	\$ 3,668,287	\$ 3,530,351
Employers' Covered Payroll	\$ 9,351,686	\$ 9,088,458	\$ 8,828,536	\$ 8,476,579	\$ 7,843,251	\$ 7,457,875
Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	28.36%	34.03%	38.31%	46.68%	46.77%	47.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

**Public Employees' Retirement System (PERS) Plan 2/3**

	2019	2018	2017	2016	2015	2014
Employers' Proportion of the Net Pension Liability	7.60%	7.46%	7.46%	7.44%	7.59%	8.13%
Employers' Proportionate Share of the Net Pension Liability	\$ 862,786	\$ 1,508,912	\$ 3,152,749	\$ 4,673,703	\$ 3,217,959	\$ 1,845,029
Employers' Covered Payroll	\$ 9,482,851	\$ 9,208,839	\$ 8,895,949	\$ 8,509,531	\$ 8,026,242	\$ 7,795,043
Employers' Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	9.10%	16.39%	35.44%	54.92%	40.09%	23.67%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

\* Information is presented only for those years for which information is available.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**AS OF JUNE 30 (EMPLOYER REPORTING DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<u>PERS 1</u>	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	\$ 497,081	\$ 484,124	\$ 464,025	\$ 428,512	\$ 399,084	\$ 381,328	\$ 183,359
Contributions in Relation to the Contractually Required Contribution	(497,081)	(484,124)	(464,025)	(428,512)	(399,084)	(381,328)	(183,359)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,254,186	\$ 9,351,686	\$ 9,106,805	\$ 8,804,349	\$ 8,441,648	\$ 7,655,434	\$ 7,285,329
Contributions as a Percentage of Covered Payroll	4.85%	5.18%	5.10%	4.87%	4.73%	4.98%	2.52%
<u>PERS 2/3</u>							
Contractually Required Contributions	\$ 819,689	\$ 712,708	\$ 698,238	\$ 569,977	\$ 528,098	\$ 385,589	\$ 349,938
Contributions in Relation to the Contractually Required Contribution	(819,689)	(712,708)	(698,238)	(569,977)	(528,098)	(385,589)	(349,938)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,383,424	\$ 9,482,851	\$ 9,203,891	\$ 8,872,099	\$ 8,681,094	\$ 7,795,042	\$ -
Contributions as a Percentage of Covered Payroll	7.89%	7.52%	7.59%	6.42%	6.08%	4.95%	4.73%
<u>WSURP SRP</u>							
Contractually Required Contributions	\$ 279,012	\$ 254,953	\$ 253,333				
Contributions in Relation to the Contractually Required Contribution	(279,012)	(254,953)	(253,333)				
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -				
Covered Payroll	\$ 1,723,590	\$ 1,711,267	\$ 1,847,236				
Contributions as a Percentage of Covered Payroll	16.19%	14.90%	13.71%				

\* Information is presented only for those years for which information is available.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**SCHEDULE OF CHANGES IN PENSION LIABILITY AND RATIOS**  
**AS OF JUNE 30 (MEASUREMENT DATE)**  
**LAST 10 FISCAL YEARS\***  
**(SEE INDEPENDENT AUDITORS' REPORT)**

<b><u>WSURP SRP</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Total Pension Liability				
Service Costs	\$ 24,503	\$ 21,133	\$ 25,223	\$ 34,717
Interest	35,236	32,427	29,769	28,664
Changes of Benefit Terms	**	**	**	**
Differences Between Expected and Actual				
Experience	59,011	(10,232)	(65,462)	(149,620)
Changes in Assumptions	189,556	80,028	(29,714)	(60,003)
Benefit Payments	(26,768)	(24,406)	(19,910)	(17,253)
Other	67,682	7,843	64,879	
Net Change in Total Pension Liability	349,220	106,793	4,785	(163,495)
Total Pension Liability – Beginning of Year	927,819	821,026	816,241	979,736
Total Pension Liability – End of Year	<u>\$ 1,277,039</u>	<u>\$ 927,819</u>	<u>\$ 821,026</u>	<u>\$ 816,241</u>
Covered-Employee Payroll	\$ 1,723,590	\$ 1,711,267	\$ 1,847,236	\$ 1,794,678
Total Pension Liability as a Percentage of Covered-Employee Payroll	54.22%	45.48%	45.48%	45.48%

\* Information is presented only for those years for which information is available.

\*\* Indicates data not available.

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**AS OF JUNE 30 (EMPLOYER REPORTING DATE)\***  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**Schedule of Changes in Total OPEB Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service Cost	531,609	\$ 710,494	\$ 849,970
Interest Cost	461,140	488,460	398,131
Differences Between Expected and Actual Experience	-	445,869	-
Changes in Assumption	858,764	(3,110,437)	(1,942,092)
Changes of Benefit Terms	-	-	-
Benefits Payments	(210,944)	(206,301)	(202,894)
Changes in Proportionate Share	(190,676)	(398,027)	(237,264)
Other Changes	315,322	896,358	-
Net Changes in Total OPEB Liability	<u>1,765,215</u>	<u>(1,173,584)</u>	<u>(1,134,149)</u>
 Total OPEB Liability - Beginning	 <u>11,363,982</u>	 <u>12,537,566</u>	 <u>13,671,715</u>
Total OPEB Liability - Ending	<u><u>\$ 13,129,197</u></u>	<u><u>\$ 11,363,982</u></u>	<u><u>\$ 12,537,566</u></u>
 Covered Payroll	 3,228,292	 3,034,226	 2,831,706
Total OPEB Liability as a Percentage of Covered Payroll	407%	375%	443%

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

**Schedule of Housing and Dining's Proportionate Share of the Net OPEB Liability**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
OPEB Employers' Proportion of the Net OPEB Liability	4.40%	4.29%	4.00%
 OPEB Employers' Proportionate Share of the Net OPEB Liability	 \$ 13,129,197	 \$ 11,363,982	 \$ 12,537,566
 OPEB Employers' Covered Payroll	 \$ 3,228,292	 \$ 3,034,226	 \$ 2,831,706
 OPEB Employers' Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	 407%	 375%	 443%

**WASHINGTON STATE UNIVERSITY HOUSING AND DINING SYSTEM**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**  
**(SEE INDEPENDENT AUDITORS' REPORT)**

**NOTE 1    DRS ADMINISTERED PLANS**

The Actuarially Determined Contributions are calculated by the Office of the State Actuary based on the results of an actuarial valuation. The actuarial valuation is performed biennially, on odd numbered years. The results of the valuation determine the actuarially determined contributions for the biennium beginning two years later. Depending on the governing bodies' actions, adopted contribution rates can vary.

The Office of the State Actuary uses the same methods and assumptions to calculate the contractually required contributions for cost-sharing plans as the actuarially determined contributions, with the difference being the contractually required contributions reflect the adopted contribution rates for the time period shown. These rates may differ from the actuarially determined contribution rates.

**NOTE 2    UNIVERSITY ADMINISTERED PLANS**

The University's Supplemental Retirement plan has no assets accumulated in a trust meeting the criteria of GASB 73 to pay related benefits.

As required under GASB 73, the discount rate was changed from 3.50% to 2.21% reflected in the changes in assumption. This decrease in discount rate, increased the liability. Also, actual CREF return was lower than expected at 2.31% compared to the expected rate of 6.5%. This is reflected in the differences between expected and actual experience, resulting in an increase in the total pension liability.

**NOTE 3    HEALTH CARE AUTHORITY ADMINISTERED OPEB PLAN**

The OPEB plan has no assets accumulated in a trust meeting the criteria of GASB 75 to pay related benefits.

A material assumption change was a decrease to the discount rate from 3.58% to 3.50%, reflected in the change in assumptions. This increased the total OPEB liability.

