FINANCIAL REPORT 2015

Western Washington University


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FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

November 16, 2015

Karen Lee, Chair
Board of Trustees
Western Washington University
Bellingham, WA 98225

Dear Chair Lee:

We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of WWU are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statement for the year ended June 30, 2015. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statement. Western Washington University is recognized nationwide as a premier public comprehensive university. WWU is ranked #2 for top public schools and #21 in regional university for the western region by US News and World Report and is one of the 100 best values in public colleges according to Kiplinger's Personal Finance. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand."

Sincerely,

Bruce Shepard
President

Richard Van Den Hul
Vice President for Business and Financial Affairs

BOARD OF TRUSTEES*

ADMINISTRATIVE OFFICERS

as of June 30, 2015

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, 2015 and 2014. 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 is nationally recognized for providing excellent education at an affordable cost, with Forbes and Kiplinger magazines ranking Western as a top value in education. WWU was established in 1893 and currently has approximately 15,000 full-time and part-time students. 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 second largest employer in Whatcom County.

Using the Financial Statement

WWU's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows and the Notes to the Financial Statement. The Statement of Net Position provides information about WWU at a moment in time, the June 30 fiscal year end. The Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about WWU's activities and operations during the fiscal year. The financial statement, in conjunction with the Notes to the Financial Statement, provides a comprehensive way to assess WWU's financial health.

WWU's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. WWU's component unit, the Western Washington University Foundation (Foundation), is a separate legal entity and reports its financial results under Financial Accounting Standards Board (FASB) principles. The Foundation's financial statements are reported separately within this report.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2015

WWU's overall financial position decreased in fiscal 2015 due to implementation of a new accounting standard (GASB Statement No. 68 – See Note 1 and 19 to the Financial Statements). This accounting standard requires government agencies to recognize the long-term obligation for the net unfunded actuarial defined benefit liability on the Statement of Net Position. This does not impact WWU's funding requirements for the defined benefit pension plans, but does require a $31.5 million restatement of beginning net position. On a go-forward basis the standard requires recognition of pension expense using a systematic method designed to match the cost of pension benefits with service periods for eligible employees.

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

- Adopted a new reporting standard that reduced beginning FY 2015 net position by $31.5 million
- Tuition and fees revenue increased $4.1 million (2.9%)
- Salaries expense increased $9.3 million (7.2%)
- Federal grants and contracts revenue increased $924 thousand (15.4%)

Statement of Net Position

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

A summarized comparison of WWU's assets, liabilities and net position as of June 30, 2015, 2014 and 2013, follows:

	2015	2014	2013
		(Dollars in thousands)	
Assets			
Current assets	$75,910	$69,672	$70,480
Noncurrent assets	76,399	74,821	60,448
Capital assets, net	427,626	433,147	441,496
Total assets	579,935	$577,640	$572,424
Deferred outflows	5,080	1,641	1,798
Liabilities			
Current Liabilities	38,388	34,869	31,450
Noncurrent Liabilities	104,710	82,740	84,919
Total liabilities	143,098	117,609	116,369
Deferred inflows	10,464		
Total net position	431,453	461,672	457,853

Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable, net. The majority of the $6.2 million increase (9.0%) in fiscal year (FY) 2015 over FY 2014 is the result of an increase in short term investments offset by a decrease in Funds with the State Treasurer. Short term investments increased $8.9 million (61.0%) as WWU's investment strategy is to ensure liquidity needs while optimizing investment returns. The decrease in Funds with the State Treasurer is due to increased spending of these funds on various capital projects. The slight decrease in total current assets of $808 thousand (-1.1%) in FY 2014 over FY 2013 is the result of an overall decrease in Accounts Receivable, Net.

The fiscal 2015 increase of $1.6 million (2.1%) and the fiscal 2014 increase of $14.4 million (23.8%) in noncurrent assets (excluding capital assets) is attributed to the increases in long-term investments, as WWU continues to build an appropriate level of operating reserve (see ratios later in this section).

Liabilities

The excess of current assets over current liabilities of $37.5 million in FY 2015 and $34.8 million in FY 2014 reflects the continuing ability of WWU to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities typically fluctuate depending on the timing of accounts payable payments and the receipt of deposits and revenue that is applicable to the next fiscal year.

Current liabilities increased by $3.5 million (10.1%) in FY 2015 largely due to an increase in Accounts payable and accrued liabilities attributable to the timing of invoice payments. Current liabilities increased $3.4 million (10.9%) in FY 2014, which (apart from the accounts payable increase related to timing of payments) is attributable to higher unearned revenue. In addition, the Recreation Center Refinancing bonds issued in FY 2012 called for no principal payments until FY 2015, increasing the current portion of bonds and notes payable in FY 14.

Long-term liabilities increased $22.0 million (26.6%) during FY 2015 due to an increase of $26.2 million in the net pension obligation, offset by a $4.3 million decrease in bonds and notes payable. The increase in the net pension obligation is due to the implementation of GASB Statement No. 68 Accounting and Financial Reporting For Pensions-An Amendment of GASB Statement No. 27. This statement requires WWU to include as a long-term liability its share of the actuarially calculated net pension liability for the retirement plans administered through a trust by the State of Washington Department of Retirement Systems (DRS). Long-term liabilities decreased overall $2.2 million (-2.6%) during fiscal 2014 due largely to decreases in scheduled principal payments ($4.4 million) for Housing and Dining Bonds and leases payable. This decrease was offset by a $2.2 million (29.9%) increase in the unfunded long-term net pension obligation to certain state employees based on the estimated State Actuarial valuation of the University Retirement Plan (Note 19).

Net Position

The difference between assets, deferred outflows, 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. The net position is reported in the following categories:

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:

- 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, 2015, 2014 and 2013 are summarized as follows:

	2015	2014	2013
		(Dollars in thousands)	
Net Position			
Net investment in capital assets	$355,929	$357,384	$363,010
Restricted:			
Nonexpendable	4,631	4,631	4,629
Expendable	23,870	25,943	28,701
Unrestriced	47,023	73,714	61,513
Total net position	$431,453	$461,672	$457,853

Net investment in capital assets decreased by $1.5 million (-0.4%) during fiscal 2015 primarily due to a $19.2 million increase in capital assets, a $24.7 million increase in depreciation and a $4.3 million decrease in debt. Net investment in capital assets decreased by $5.6 million (-1.5%) during fiscal 2014 primarily due to a $14.9 million increase in capital assets, a $23.3 million increase in depreciation and a $3.6 million decrease in debt. During fiscal 2014, WWU granted $723 thousand in land and $523 thousand in buildings (net) to the Western Crossing Development (WCD), which is a private/public partnership joint venture with the Port of Bellingham to develop a WWU waterfront campus (See Note 23).

Highlights of fiscal 2015 capital asset activities:

- Construction in process increased $12.2 million due to the beginning of renovations and improvements.
- Capital improvements to buildings increased $2.3 million primarily due to the completion of various projects.
- Long-term debt used to purchase capital assets decreased $4.3 million due to principal payments and amortizations.

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

Restricted expendable net position decreased $2.1 million (-8.0%) during FY 2015 and $2.8 million (-9.6%) during FY 2014 primarily due to spending $1.8 million and $2.3 million, respectively, of the Permanent Fund (Funds with the State Treasurer) on capital projects.

Unrestricted net position decreased $26.7 million (-36.2%) largely due to the implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions.* GASB Statement No. 68 requires WWU to include a net pension liability of its share of the State's actuarially calculated total net pension liability (See notes 1 & 19). Unrestricted net position increased $12.2 million (19.8%) during FY 2014 mainly due to higher tuition and fee revenue, longer start-up periods for new programs funded by one-time funds and departmental savings under budget due to timing of new hires.

Capital Assets and Related Debt

During FY 2015 and FY 2014, $15.8 million and $14.9 million (excluding library materials and equipment) respectively, were expended on capital improvements compared to $18.3 million in FY 2013. Of the $15.8 million in capital improvements during FY 2015, $6.7 million was spent on upgrading residence halls, $3.4 million was expended on utility upgrades, $2.7 million was spent on classroom and laboratory upgrades and $2.1 million on the Performing Arts Center exterior upgrade (See Note 9).

Specific projects completed or underway in fiscal 2015 include:

Carver Academic Renovations The estimated $80.4 million addition of 41,977 square feet will provide additional general classroom seats as well as dedicated lab and instructional spaces. The consolidation and growth of student activities and conferences will also be serviced in the refurbished 2,600 seat event space. Funding was provided in the 2015-2017 capital request.

Classroom & Laboratory Upgrades WWU has maintained a continuous renovation program over many years to upgrade General University classrooms and general use lab spaces. The estimated $4.7 million program is vital to the function of the campus and has ensured that General University learning space is up-to-date, offers a high level of relevant technology and is adaptable to accommodate various learning modalities. This project is funded using Permanent Funds and state capital appropriations.

North Campus Utility Upgrade The estimated $3.4 million project upgrades the existing north campus 4,160 volt electrical distribution system to a looped 12,470 volt system pursuant to the 2001 Utilities Master Plan. The existing distribution system is a radial feed network and failure in a critical location could cause an outage that lasts days instead of hours for the affected buildings. Buildings connected to the north campus system are Old Main, Mathes Hall, Nash Hall, Higginson Hall and Edens Halls (both North and South).

Performing Arts Exterior Upgrade The estimated $2.9 million project will repair and replace the exterior cladding and roof systems of the Performing Arts Center which have deteriorated to the point where they are adversely impacting the building occupants (the College of Fine and Performing Arts faculty, staff and students). The large stucco wall of the Performing Arts Center Concert Hall has developed cracks and water stained soffits are in need of repair and steel windows require replacement. Access to preserve the exterior is complicated by a portion of the building that overhangs the Garden Street By-pass road, approximately 25 feet below.

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 nonoperating 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 nonoperating.

A condensed comparison of WWU's revenues, expenses and changes in net position for the years ended June 30, 2015, 2014 and 2013 follows:

	2015	2014	2013
		(Dollars in thousands)	
Operating revenues	$206,970	$200,594	$196,935
Operating expenses	278,397	268,756	255,965
Operating loss	(71,427)	(68,162)	(59,030)
State appropriations revenue	49,623	52,028	40,052
Other nonoperating revenues	16,836	17,369	16,460
Nonoperating expenses	(3,487)	(3,554)	(3,653)
(Loss) income before other revenues	(8,455)	(2,319)	(6,171)
Other revenues	9,782	6,138	11,627
Increase in net position	1,327	3,819	5,456
Net position, beginning of year	461,672	457,853	452,397
Restatement	(31,546)		
Net position, end of year	$431,453	$461,672	$457,853

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

Student tuition and fees, which includes tuition fees and mandatory fees (such as Service and Activity Fee and Health Service Fee) increased slightly by $4.1 million (2.9%) during FY 2015 compared to a slight increase in FY 2014 of $4.4 million (3.2%). The Washington State Legislature provides the Board of Trustees with tuition setting authority for the following student categories at WWU: non-resident undergraduate, resident graduate, and non-resident graduate. WWU no longer has tuition setting authority for resident undergraduate students and as such there was no tuition increase for this student category in FY 2015. The FY 2015 increase is due to tuition increases in the other categories along with a marginal increase in the headcount of student population combined with various student fee increases. Resident undergraduate students comprise approximately 85% of the total student population. The tuition rate for resident undergraduates remained constant in FY 2015 when compared to FY 2014. Enrollment increased to an average annual headcount of 14,452 in FY 2015 compared to 14,316 in FY 2014 and 14,237 students in FY 2013. Net tuition revenue (student tuition and fees less scholarship allowances) increased 1.98% in FY 2015, 2.8% in FY 2014 and 11.2% in FY 2013. To assist with tuition increases, WWU provided $29.0 million in scholarship allowances in FY 2015, compared to $27.2 million in FY 2014 and $25.8million in FY 2013.

Federal grants and contracts revenue increased $924 thousand (15.4%) during FY 2015 primarily due to a new award from the Corporation for National Community Service to be used to provide support for AmeriCorps activities. The $1.1 million (-15.2%) decrease in FY 2014 is due to the expiration of various grants.

During FY 2015, state appropriations used for operations (which includes capital appropriations that are used for operations) decreased by $2.4 million (-4.6%) due to a slight decrease in state support for anticipated health care cost reductions. During FY 2014, state appropriations used for operations (which includes capital appropriations that are used for operations) increased $12.0 million (29.9%) compared to an increase during FY 2013. The increase during FY 2014 represents a 29.9% increase in state funding for WWU. WWU's state supported budgeted enrollments (FTE) were 11,762 for FY 2015, 2014 and 2013 while the actual average FTE was 12,565 for FY 2015, 2014 and 12,516 for FY 2013. The differences of 803 in FY 2015, 2014 and 754 in FY 2013 non-budgeted FTE were not supported by State dollars.

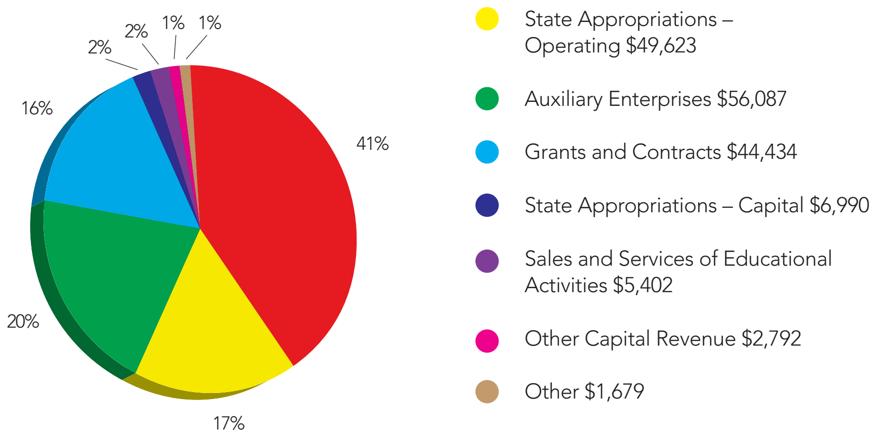
Capital appropriations are recognized as revenue when expenditures are incurred on capital projects and WWU is entitled to receive the cash. Capital appropriations increased $4.4 million (174.1%) when compared to FY 2014 due to expenditures related to building improvements. Capital appropriations decreased $5.9 million (-69.7%) when comparing FY 2014 to FY 2013 due to the completion of state supported capital projects that began during FY 2013.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund and capital contributions received. Capital contributions are related to WWU's Dining Services contract, which provided for a $7.3 million contribution for dining facilities for renovations and improvements over a 10 year contractual period. The FY 2015 decrease of $699 thousand (-20.0%) is due to lower capital contributions and reduced Permanent Fund investment earnings. The increase of $287 thousand (8.9%) during FY 2014 is due to increases in the capital contributions combined with Permanent Fund investment earnings. The majority of the improvements are reported as capitalized assets on the Statement of Net Position.

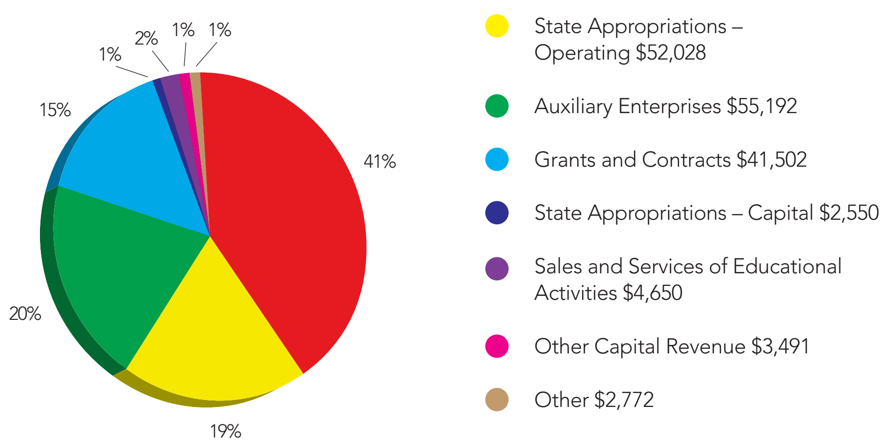
During FY 2014, the Foundation pledged $92 thousand in additional support to the Harrington Field project, payable during FY 2015. There were no additional pledges during FY 2015. In April 2012, WWU received a $1.0 million unconditional pledged gift from the Foundation for the purpose of design and construction of the Harrington Field project. The $1.0 million pledged gift is scheduled to have 8 annual payments. This gift is recorded at its present value, with the discount amortized over the term of the pledged period using the straight line method.

The following graphs illustrate revenues by source for the years ended June 30, 2015 and 2014:

Total revenues by source for the year ended June 30, 2015 $283,211 (in thousands)



Total revenues by source for the year ended June 30, 2014 $276,128 (in thousands)



WWU's FY 2015 operating expenses increased $9.6 million (3.6%) primarily due to increases in salaries and wages. WWU's operating expense increased $12.8million (5.0%) during FY 2014 largely due to a $9.8 million increase in salaries and benefits combined with a $2.7 million increase in depreciation.

Salaries and wages increased $9.3 million (7.2%) in FY 2015, as faculty and professional staff received compensation increases and classified staff received step increases. The decrease of $2.2 million (-5.4%) in benefits is attributed primarily to a reduction in health care costs ($1,200 per employee per year). The $9.8 million (6.2%) increase in salary and wages and benefits expense in FY 2014 is attributable to negotiated faculty and professional staff salary increases of $6.3 million combined with the $2.2 million amortization of the unfunded net pension obligation.

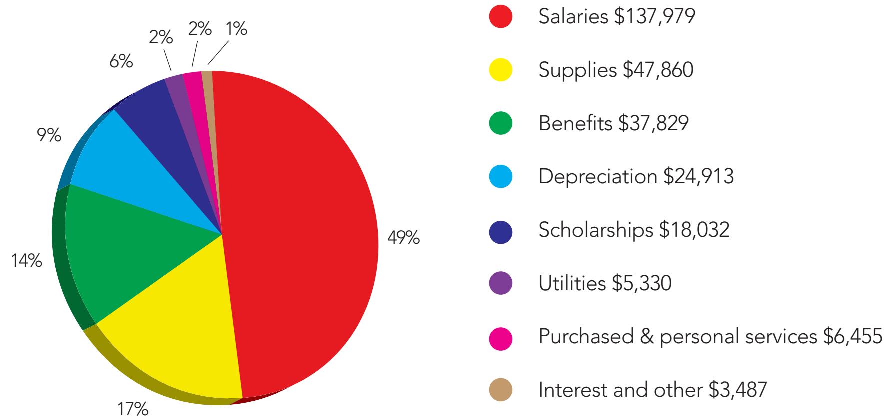
WWU places a high priority on student financial aid as part of its commitment to affordability. Scholarships and fellowships, representing financial aid and fee waivers awarded by WWU, increased slightly during FY 2015 and FY 2014 by $542 thousand (3.1%) and $693 thousand (4.1%), respectively.

Supplies and materials increased $1.6 million (3.4%) due to increased maintenance and repair, technology purchases, and expenses related to Dining Services. Supplies and materials decreased $2.3 million (-4.7%) during FY 2014 partly due to reduced purchases of noncapital furnishing and equipment.

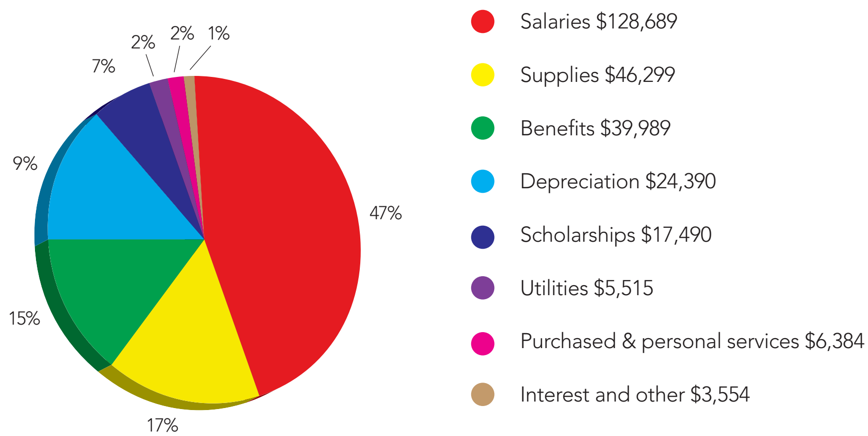
Depreciation expense increased $522 thousand (2.1%) during FY 2015 and increased $2.7 million (12.4%) during FY 2014 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2015 and 2014:

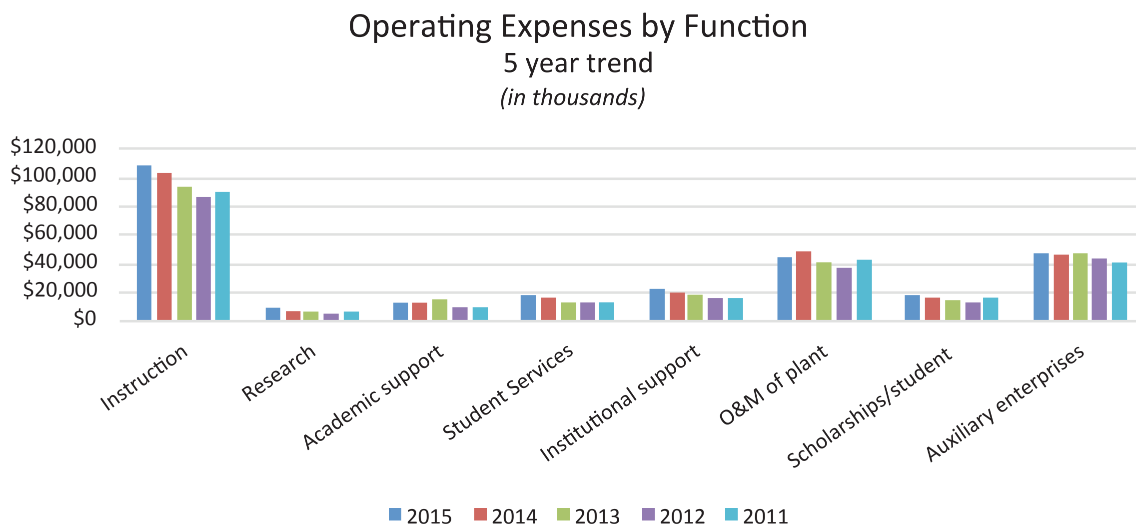
Total Expenses by Natural Classification for the year ended June 30, 2015 $281,884 (in thousands)



Total Expenses by Natural Classification for the year ended June 30, 2014 $272,310 (in thousands)



The following graph illustrate expenses by natural classification for the years ended June 30, 2015, 2014, 2013, 2012, 2011:



Operating Loss

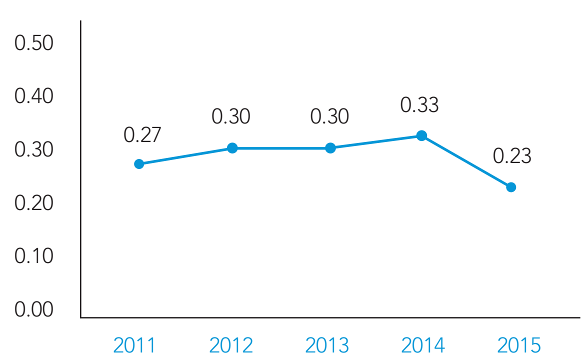
WWU's operating losses were $71.4 million in FY 2015, an increase of $3.3 million (4.8%) from FY 2014, and $68.2 million in FY 2014, an increase of $9.1 million from FY 2013. GASB Statement No. 34 requires that State appropriations and Federal Pell grants be classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating the operating losses would have been $6.2 million in FY 2015 and $1.2 million in FY 2014.

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 5 year period. The information provided in WWU's Statement of Net Position and the Statement of Changes in Revenue, Expense and Net Position (not including the Foundation) are used for the calculations. The downturn in FY 2015 ratios is attributed to the adoption of GASB Statement No. 68, which resulted in a $31.5 million beginning net position restatement.

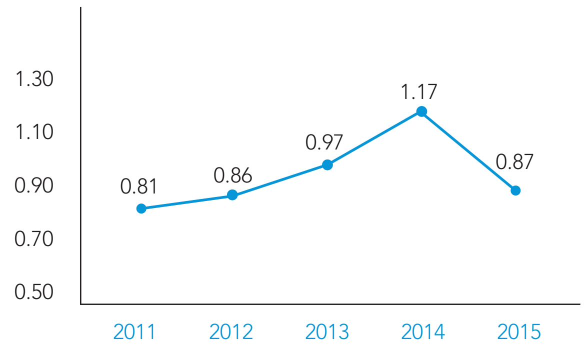
Primary Reserve Ratio

This ratio measures the financial strength of WWU by comparing expendable net position to total expenses. A ratio of .40 or better is advisable from various studies to give institution the flexibility to transform an enterprise over the long-term and that an institution has sufficient expendable resources to continue operations for approximately 120 days without any additional revenue or support in the event of a catastrophe. The .23 ratio indicates WWU has 2.3 months or roughly 75 days of expendable resources to cover operations.



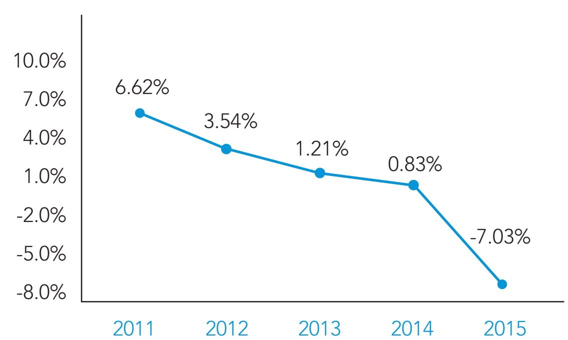
Viability Ratio

The Viability ratio measures the ability of the institution to liquidate debt from its expendable resources. A ratio of 1:1 or greater is recommended by various studies and indicates existing debt could be repaid from expendable resources available today.



Return on Net Position

This ratio shows whether the institution is better off financially than it was in previous years. This ratio is better applied over an extended period so that results over the long-term plans are measured. A decline in this ratio may be appropriate and even warranted if it reflects a strategy or policy changes at the state level.



Economic Factors That Will Affect the Future

WWU classified staff will receive compensation increases (funded by the state) of 3% in FY 2016 and 1.8% in FY 2017. The current contract with the United Faculty of Western Washington (UFWW) expires September 15, 2015. It is anticipated that any compensation increases resulting from the new faculty contract may not be fully funded by the state.

WWU received capital funding from the state for the Carver Academic renovation project. This project is estimated to be $80.4 million and will increase WWU's net investment in capital assets over the 2015/2017 biennium.

The state of Washington continues to address the requirement of the Supreme Court's 2012 McCleary ruling that found that the state has failed to meet its constitutional requirement to sufficiently fund basic education. Progress was made during the 2013-15 biennium but did not satisfy the court. The ruling, scheduled for full implementation in 2018, may have in impact on state appropriations for higher education.

GASB Statement No. 68 was implemented in FY 2015, resulting in a $31.5 Net Pension Liability for WWU's proportionate share of the state's defined benefit plans. While the state of Washington pension plans in total are funded at 95% level two of the individual plans PERS1 and TERS1 are underfunded by $5.5 billion which may have a financial impact on WWU at a future date. GASB has issued two new pronouncements that will be effective in FY 2017. GASB Statement No. 73 will affect financial reporting related to the University's Retirement Plan (URP) supplemental component with the inclusion of the net pension liability to the Statement of Net Position. The Office of State Actuary has valued the liability at $21 million as of June 30, 2015. GASB Statement No. 74 addresses the liability associated with Other Post-Employment Benefits (OPEB) offered to retirees. The financial impact of this statement is uncertain at this time.

Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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 (the University), Whatcom County, Washington, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

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 an opinion 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.

Opinion

In our opinion, based on our audit and the report 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 unit of the Western Washington University, as of June 30, 2015 and 2014, 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 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, 2015 and 2014, 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 1 to the financial statements, in 2015, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 the schedules of the University's proportionate share of the net pension liability and schedules of contributions pension trust fund information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements as a whole. The President's Letter of Transmittal and the Board of Trustees and Administrative Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 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.

JAN M. JUTTE, CPA, CGFM

ACTING STATE AUDITOR

OLYMPIA, WA

November 16, 2015

Statement of Net Position

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	$40,457,830	$41,777,144
Investments (Note 4)	23,533,163	14,619,746
Funds with State Treasurer (Note 5)	2,181,948	4,008,042
Interest receivable	880,854	753,700
Accounts receivable, net (Note 6)	6,728,559	6,571,399
Pledged gift receivable from the Foundation (Note 24)	50,000	141,634
Prepaid expenses	368,479	344,863
Inventories (Note 8)	1,708,771	1,455,486
Total current assets	75,909,604	69,672,014
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	868,090	883,514
Restricted investments (Note 4)	9,146,990	8,938,542
Investments (Note 4)	53,998,181	52,946,032
Due from State Treasurer	3,013,269	3,192,149
Student loans receivable, net (Note 7)	7,823,192	7,921,302
Pledged gift receivable from the Foundation (Note 24)	786,709	819,412
Non-depreciable capital assets (Note 9)	34,044,525	21,850,996
Depreciable capital assets, net (Note 9)	393,581,786	411,295,551
Net Pension	752,620	
Other assets (Note 1)	9,813	119,732
Total noncurrent assets	504,025,175	507,967,230
Total assets	579,934,779	577,639,244
Deferred outflows		
Deferred loss on bond refunding	1,431,421	1,641,095
Relating to pension (Note 19)	3,648,257	
Total deferred outflows	5,079,678	1,641,095
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	14,233,367	11,443,526
Deposits payable	2,846,662	2,607,639
Unearned revenues	8,523,978	8,208,306
Compensated absences (Note 11)	8,145,435	7,968,633
Current portion of bonds and notes payable (Notes 12,13,15)	4,253,347	4,252,910
Current portion of net pension obligations (Note 15,19)	376,000	376,000
Deposits held in custody for others	9,364	11,877
Total current liabilities	38,388,153	34,868,891
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	68,875,382	73,150,533
Long-term net pension obligations (Note 15,19)	35,834,188	9,589,408
Total noncurrent liabilities	104,709,570	82,739,941
Total Liabilities	143,097,723	117,608,832
Deferred inflows		
Relating to pension (Note 19)	10,464,227	
Total deferred inflows	10,464,227	
Net Position		
Net investment in capital assets	355,929,003	357,384,198
Restricted for:		
Pensions	752,620	
Nonexpendable: scholarships and professorships	4,631,296	4,631,015
Expendable:		
Instruction and research	2,433,444	2,448,499
Loans	14,092,075	14,234,250
Capital Projects	7,343,490	9,259,794
Unrestricted	46,270,579	73,713,751
Total net position	$431,452,507	$461,671,507

Foundation Statement of Financial Position

	2015	(Restated) 2014
Assets		
Cash and cash equivalents	$16,715	$702,080
Unconditional promises to give, net	4,819,533	4,361,907
Investments:		
Operating investment pool	12,796,975	13,133,188
Endowment investment pool	66,910,165	55,518,148
Endowment real estate held for investment	2,811,600	2,811,600
Annuity and life income investments	2,226,760	4,707,803
Real property and notes receivable	160,000	160,000
Total investments	84,905,500	76,330,739
Other assets	316,500	23,971
Property and equipment, net	531,392	549,303
Total Assets	90,589,640	81,968,000
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	311,156	145,773
Due to Western Washington University	214,888	394,405
Gift payable to Western Washington University, net	836,709	878,725
Annuity and life income obligations	938,351	1,116,744
Investments held in trust for Western Washington University	12,516,601	12,390,142
Contingent obligation to Northwest Indian College Foundation	1,269,609	1,243,999
Total Liabilities	16,087,314	16,169,788
Net Assets		
Unrestricted	16,066,143	16,277,142
Temporarily restricted	20,717,974	19,974,030
Permanently restricted	37,718,209	29,547,040
Total Net Assets	74,502,326	65,798,212
Total Liabilities and Net Assets	$90,589,640	$81,968,000

Statements of Revenues, Expenses, and Changes in Net Position

	2015	2014
Operating Revenues		
Student tuition and fees	$145,246,475	$141,124,174
Less scholarship allowances	(29,042,676)	(27,181,020)
Net student tuition and fees	116,203,799	113,943,154
Federal grants and contracts	6,910,295	5,986,263
State and local grants and contracts	18,579,094	17,805,187
Nongovernmental grants and contracts	3,347,378	2,661,042
Sales and services of educational activities	5,401,957	4,650,219
Interest earned on loans to students	207,772	192,000
Other operating revenue	232,656	164,600
Auxiliary enterprises	62,931,583	61,608,600
Less scholarship allowances	(6,845,019)	(6,417,020)
Net auxiliary enterprises	56,086,564	55,191,580
Total operating revenues	206,969,515	200,594,045
Operating Expenses		
Salaries and wages	137,978,506	128,689,182
Benefits	37,828,906	39,988,628
Scholarships and fellowships	18,031,770	17,489,523
Utilities	5,329,942	5,515,154
Supplies and materials	47,861,095	46,298,546
Purchased services	6,454,566	6,384,324
Depreciation	24,912,316	24,390,381
Total operating expenses	278,397,101	268,755,738
Operating loss	(71,427,586)	(68,161,693)
Nonoperating Revenues (Expenses)		
State appropriations	49,623,384	52,028,184
Federal Pell grant revenue	15,597,411	14,952,723
Investment income	921,794	712,531
Interest on indebtedness	(3,486,933)	(3,554,252)
Gain (loss) on endowments	290,833	1,674,587
Nonoperating rental property expense/income	26,015	28,186
Total nonoperating revenues (expenses)	62,972,504	65,841,959
Income (Loss) before other revenues	(8,455,082)	(2,319,734)
Other Revenues		
Capital appropriations	6,989,901	2,549,922
Other capital revenue	2,792,384	3,491,369
Pledged gift revenue from the Foundation		96,732
Total other revenues	9,782,285	6,138,023
Increase in net position	1,327,203	3,818,289
Net position, beginning of year	461,671,507	457,853,218
Restatement (Note 1)	(31,546,203)	
Net position, beginning of year, as restated	430,125,304	457,853,218
Net position end of year	$431,452,507	$461,671,507

Foundation Statement of Activities & Changes in Net Assets

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Support and Revenue:				
Contributions	$329,033	$3,747,899	$8,236,528	$12,313,460
In-kind services and facilities provided by				
Western Washington University	2,996,763			2,996,763
Interest and dividends	449,112	657,756		1,106,868
Net realized and unrealized gains on investments	164,303	839,049		1,003,352
Return on annuity and life income investments		(14,133)	(107,330)	(121,463)
Change in valuation of annuity and life income obligations		136,422	41,971	178,393
Administrative fees	867,266			867,266
Fundraising events and other	123,184	560,095		683,279
Total support and revenue before net assets released from restrictions	4,929,661	5,927,088	8,171,169	19,027,918
Net assets released from restrictions	5,404,793	(5,404,793)		
Recovery of underwater endowments	(221,649)	221,649		
Total Support and Revenue	10,112,805	743,944	8,171,169	19,027,918
Expenses:				
Program services and grants	6,121,637			6,121,637
Management and general in-kind	1,534,766			1,534,766
Management and general - other	259,445			259,445
Fundraising - in-kind	1,461,997			1,461,997
Fundraising - other	945,959			945,959
Total Expenses	10,323,804			10,323,804
Change in Net Assets	(210,999)	743,944	8,171,169	8,704,114
Net Assets, beginning of year (restated)	16,277,142	19,974,030	29,547,040	65,798,212
Net Assets, end of year	$16,066,143	$20,717,974	$37,718,209	$74,502,326

Foundation Statement of Activities & Changes in Net Assets

	Unrestricted	(Restated) Temporarily Restricted	(Restated) Permanently Restricted	(Restated) 2014 Total
Support and Revenue:				
Contributions	$272,388	$4,166,210	$1,245,243	$5,683,841
In-kind services and facilities provided by				
Western Washington University	2,913,341			2,913,341
Interest and dividends	511,714	734,954		1,246,668
Net realized and unrealized gains on investments	1,835,491	4,609,894		6,445,385
Return on annuity and life income investments		13,381	456,538	469,919
Change in valuation of annuity and life income obligations		(1,296)	71,674	70,378
Administrative fees	651,592			651,592
Fundraising events and other	103,527	662,264		765,791
Total support and revenue before net assets released from restrictions	6,288,053	10,185,407	1,773,455	18,246,915
Net assets released from restrictions	5,515,783	(5,515,783)		
Recovery of underwater endowments	103,025	(103,025)		
Total Support and Revenue	11,906,861	4,566,599	1,773,455	18,246,915
Expenses:				
Program services and grants	6,090,507			6,090,507
Management and general in-kind	1,661,584			1,661,584
Management and general - other	303,762			303,762
Fundraising in-kind	1,251,757			1,251,757
Fundraising - other	552,941			552,941
Total Expenses	9,860,551			9,860,551
Change in Net Assets	2,046,310	4,566,599	1,773,455	8,386,364
Net Assets, beginning of year (restated)	14,230,832	15,407,431	27,773,585	57,411,848
Net Assets, end of year	$16,277,142	$19,974,030	$29,547,040	$65,798,212

Statement of Cash Flows

	2015	2014
Cash Flows from Operating Activities		
Tuition and fees	$116,590,318	$113,938,036
Grants and contracts	28,386,479	27,573,882
Payments to vendors	(77,040,768)	(75,847,247)
Payments to employees for salaries and benefits	(174,137,225)	(163,902,435)
Loans issued to students	(1,749,488)	(1,894,366)
Collection of loans to students	1,794,303	1,441,709
Sales of auxiliary enterprises	56,120,146	55,182,549
Sales and services of educational activities	5,767,561	6,440,765
Interest received on loans to students	440,428	356,600
Net cash used by operating activities	(43,828,246)	(36,710,507)
Cash Flows from Noncapital Financing Activities		
State appropriations	49,839,384	51,644,304
Direct Lending proceeds	68,414,963	67,846,851
Direct Lending disbursements	(68,411,942)	(67,828,397)
Federal Pell grant receipts	15,597,411	14,952,723
Net cash provided by noncapital financing activities	65,439,816	66,615,481
Cash Flows from Investing Activities		
Purchases of investments	(21,525,591)	(21,893,668)
Net proceeds from sales of investments	11,642,410	16,530,556
Interest received on investments	794,640	602,861
Net cash (used)/provided by investing activities	(9,088,541)	(4,760,251)
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	13,480,923	
Capital appropriations	6,952,781	2,644,362
Other capital revenue (expense)	1,826,094	(875,147)
Contributions and gifts-in-kind	2,884,018	3,496,467
Proceeds from disposal of capitol assets	27,651	11,917
Purchase of capital assets	(18,169,034)	(17,476,246)
Principal paid on capital debt	(19,662,286)	(3,565,748)
Interest paid on capital debt	(1,223,929)	(3,469,308)
Other activities	26,015	28,186
Net cash used by capital and related financing activities	(13,857,767)	(19,205,517)
Net increase/(decrease) in cash and cash eqivalents	(1,334,738)	5,939,206
Cash and cash equivalents, beginning of year	42,660,658	36,721,452
Cash and cash equivalents, end of year	$41,325,920	$42,660,658

 See accompanying notes to the financial statements

Reconciliation of Operating Loss to Net Cash used by Operating Activities

	2015	2014
Operating loss	($71,427,586)	($68,161,693)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	24,912,316	24,390,381
Net pension expense	(1,411,525)	
Gain on disposal of fixed assets	(23,284)	1,235,116
Changes in assets and liabilities:		
Funds with the State Treasurer		
Accounts receivable	(124,456)	926,387
Student loans receivable	98,110	(209,589)
Inventories	(253,285)	(85,027)
Prepaid expenses	(23,616)	165,644
Accounts payable and accrued expenses	1,525,665	2,130,361
Deferred revenue	315,672	836,973
Student and other deposits	239,023	(131,290)
Deposits held in custody	(5,534)	(212,467)
Compensated absences	176,802	200,260
Net pension obligation expense	2,173,452	2,204,437
Net cash used by operating activities	($43,828,246)	($36,710,507)
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	$3,306,864	$2,061,036

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 including agency funds.

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 Dinning System, Wade King Recreational Center, Parking Services and Associated Students Bookstore. 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, 2013, WWU adopted GASB Statement No. 67 "Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25". The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency by providing information about measures of net pension liabilities and explanations of how and why those liabilities changed from year to year.

The contribution schedule will provide measures to evaluate decisions related to the assessment of contribution rates in comparison to actuarially determined rates, when such rates are determined. In that circumstance, it also will provide information about whether employers and non-employer contributing entities, if applicable, are keeping pace with actuarially determined contribution measures. In addition, new information about rates of return on pension plan investments will inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy and the relative contribution that investment earnings provide to the pension plan's ability to pay benefits to plan members when they come due.

As Statement No. 67 sets the standards for the retirement plans to follow which are held at the state level, there is no impact to WWU's statements.

On July 1, 2013, WWU adopted GASB Statement No. 66 "Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62". The requirements of this Statement resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports.

This Statement amends Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type.

This Statement also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate.

On July 2, 2013, WWU adopted GASB Statement No. 70 "Accounting and Financial Reporting for Non-exchange Financial Guarantees". The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending non-exchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee.

This Statement specifies the information required to be disclosed by governments that extend non-exchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive non-exchange financial guarantees.

On July 1, 2014, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". This Statement revises existing standards for employer financial statements relating to measuring and reporting pension liabilities for pension plans provided by WWU to its employees. This Statement requires recognition of a liability equal to the net pension liability, which is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. 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 required to be 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. This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers", as well as the requirements of Statement No. 50, "Pension Disclosures", as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures.

On July 1, 2014, WWU adopted GASB Statement No. 69 "Government Combinations and Disposals of Government Operations". This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

On July 1, 2014, WWU adopted GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68". The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

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 and cash equivalents at cost 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, 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 stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost.

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 estimated fair 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. Interest expense incurred during capital construction is capitalized as part of the building cost. 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 liability not included in pension expense are reported a deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Bond Premiums/Discounts

Bond premiums/discounts are deferred and 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 obligations

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

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.

Restatement of Net Position

During FY 2015, WWU adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27." Statement No. 68 requires that WWU record in its statements its proportional share of the State's net pension liability for the defined benefit pension plans that are administered by the State and to restate the beginning net position of the earliest period presented. The amount of restatement to the beginning FY 15 net position was $31.5 million. The amount of the net pension liability is $24.1 million. The net pension liability information is provided to WWU by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA). The information provided by DRS and OSA only allowed WWU to restate FY 15 beginning net position due to the measurement period of June 30, 2014 for the net pension liability.

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 expended 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 nonoperating 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.

Nonoperating revenues

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

Nonoperating expenses
Nonoperating 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 nonoperating 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, petty cash, 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).

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool.

At June 30, 2015 and 2014, the carrying amount of cash and cash equivalents is $41,325,921 and $42,660,658, respectively. These balances include restricted cash and cash equivalents of $868,090 and $883,514 in Recreation Center renewal and replacement funds at June 30, 2015 and 2014, respectively. 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 held $6,036,446 and $6,036,447 in certificates of deposits in pooled investments at June 30, 2015 and 2014, respectively. WWU held $65,076,050 and $55,025,950 in U.S. Agency and Treasury securities in the investment pool at June 30, 2015 and 2014, respectively.

The Housing and Dining System Renewal and Replacement fund held $3,048,225 and $3,050,772 as of June 30, 2015 and 2014, respectively. This was separately invested in CDs and U.S. Agencies.

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, 2015, WWU's Endowment funds are comprised of $6,797,881 in donor restricted and unrestricted funds and $5,718,720 in Quasi-endowments. As of June 30, 2014, the balances were $6,801,482 and $5,588,660 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 and certificates of deposit. The certificates of deposit 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). US Treasury and Agency securities are rated at least AA by the three major rating agencies

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, 2015 WWU had $65,076,050 in US Agencies and Treasuries held in custody by Bank of New York Mellon in WWU's name.

Interest Rate Risk

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 using 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 its per issuer holdings to 5%, with the exception of U.S. Treasuries (100%), U.S. Agencies (35% per agency), and Certificates of Deposit (10%).

The Endowment Investment Policy limits the endowment investments to no more than 5% of the portfolio for a single issuer, with the exception of U.S. government and agency securities.

At June 30, 2015, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	$41,325,921	0.001
Time Certificates of Deposits (CDs)	6,036,447	1.033
U.S. Treasuries	19,963,300	24.100
U.S. Agencies	45,112,750	1.614
WWU Endowment Funds:		
Cash & cash equivalents	12,360	
Fixed income investments:		
U.S. Treasuries	126,019	12.200
U.S. Agencies	283,543	4.500
Other fixed income	1,883,013	n/a
Equity investments	7,349,402	n/a
Real estate	506,592	n/a
Alternative investments	2,355,672	n/a
Other Investments:		
Renewal and Replacement Time CDs	1,521,563	1.241
Renewal and Replacement U.S. Agencies	1,526,662	2.877
Miscellaneous	1,010	n/a
TOTAL CASH AND INVESTMENTS	$128,004,254	

At June 30, 2014, WWU held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	$42,660,658	0.001
Time Certificates of Deposits (CDs)	6,036,446	2.033
U.S. Treasuries	5,005,250	1.085
U.S. Agencies	50,020,700	2.657
WWU Endowment Funds:		
Cash & cash equivalents	105,792	
Fixed income investments:		
U.S. Treasuries	108,741	14.600
U.S. Agencies	524,885	4.700
Other fixed income	1,457,548	n/a
Equity investments	8,064,962	n/a
Real estate	600,105	n/a
Alternative investments	1,528,109	n/a
Other Investments:		
Renewal and Replacement Time CDs	1,521,563	2.241
Renewal and Replacement U.S. Agencies	1,529,209	0.907
Miscellaneous	1,010	n/a
TOTAL CASH AND INVESTMENTS	$119,164,978	

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, 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, 2015 and 2014 are $2,681,519 and $2,721,735, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

6. ACCOUNTS RECEIVABLE, NET

At June 30, 2015 and 2014, the major components of accounts receivable are as follows:

	2015	2014
Student tuition and fees	$3,144,781	$4,037,992
Federal, State and private grants and contracts	2,402,842	1,653,891
Auxiliary enterprises and other operating activities	2,204,145	1,741,350
Total accounts receivable	7,751,768	7,433,233
Less allowance for doubtful accounts	(1,023,209)	(861,864)
Accounts receivable, net	$6,728,559	$6,571,369

7. STUDENT LOANS RECEIVABLE, NET

At June 30, 2015 and 2014, student loans receivable are as follows:

	2015	2014
Federal Perkins student loans	$8,641,008	$8,790,081
Other long-term loans	26,386	41,387
Institutional loans	54,232	51,295
Total student loans	8,721,626	8,882,763
Less allowance for doubtful accounts	(898,434)	(961,461)
Student loans receivable, net	$7,823,192	$7,921,302

8. INVENTORIES

At June 30, 2015 and 2014, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

	Valuation Method	2015	2014
Location			
Bookstore	Retail	$996,885	$975,475
Central Stores	Average Cost	24,784	19,001
Facilities Maintenance	FIFO	231,020	136,895
Lock Shop	FIFO	189,685	191,920
Other inventory	FIFO	266,397	132,195
Total inventory		$1,708,771	$1,455,486

9. LAND AND CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2015 and 2014 was $24,912,316 and $24,390,381, respectively.

Following are the changes in land and capital assets for the year ended June 30, 2015:

	6/30/2014	Additions	Reductions	6/30/2015
Non-depreciable Capital Assets				
Land	$12,049,317			$12,049,317
Construction in progress	9,801,678	12,193,530		21,995,208
Total non-depreciable capital assets	$21,850,995	$12,193,530		$34,044,525
Depreciable Capital Assets				
Infrastructure	$52,945,934			$52,945,934
Buildings	415,152,405	2,271,718		417,424,123
Furniture, fixtures and equipment	39,252,724	3,544,226	181,776	42,615,174
Library materials, art collection	53,309,434	205,476		53,514,910
Improvements	143,610,344	1,181,701		144,792,045
Total depreciable capital assets	704,270,841	7,203,121	181,776	711,292,186
Less Accumulated Depreciation				
Infrastructure	27,389,858	1,326,517		28,716,375
Buildings	154,105,368	11,055,200		165,160,568
Furniture, fixtures and equipment	29,161,522	3,520,358	177,206	32,504,674
Library materials, art collection	43,419,019	1,495,443		44,914,462
Improvements	38,899,523	7,514,798		46,414,321
Total accumulated depreciation	292,975,290	24,912,316	177,206	317,710,400
Capital Assets, Net of depreciation	$411,295,551	($17,709,195)	$4,570	$393,581,786

Following are the changes in land and capital assets for the year ended June 30, 2014:

	6/30/2013	Additions	Reductions	6/30/2014
Non-depreciable Capital Assets				
Land	$12,772,593		$723,276	$12,049,317
Construction in progress	23,727,877	(13,926,199)		9,801,678
Total non-depreciable capital assets	$36,500,470	(13,926,199)	$723,276	$21,850,995
Depreciable Capital Assets				
Infrastructure	$52,945,934			$52,945,934
Buildings	397,986,330	17,994,547	828,472	415,152,405
Furniture, fixtures and equipment	37,821,788	2,310,198	879,262	39,252,724
Library materials, art collection	53,131,868	177,566		53,309,434
Improvements	132,878,741	10,731,603		143,610,344
Total depreciable capital assets	674,764,661	31,213,914	1,707,734	704,270,841
Less Accumulated Depreciation				
Infrastructure	26,045,261	1,344,597		27,389,858
Buildings	143,792,256	10,617,826	304,714	154,105,368
Furniture, fixtures and equipment	26,328,086	3,712,698	879,262	29,161,522
Library materials, art collection	41,813,999	1,605,020		43,419,019
Improvements	31,789,283	7,110,240		38,899,523
Total accumulated depreciation	269,768,885	24,390,381	1,183,976	292,975,290
Capital Assets, Net of depreciation	$404,995,776	$6,823,533	$523,758	$411,295,551

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 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, 2015 and 2014 are $8,145,435 and $7,968,633, 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 current liability.

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 2015 and FY 2014, $190,390 and $167,268, 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
2016	$518,347	$150,968
2017	465,062	133,975
2018	451,003	120,157
2019	385,000	107,955
2020	395,000	94,815
2021-2025	1,905,000	257,081
2026-2030	370,000	16,875
Total	$4,489,412	$881,826

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 2015 Revenue and Refunding bonds with interest rates ranging from 2.0% to 5.0% and an aggregate face value of $13,435,000 and June 30, 2015, which is reported not of the original issue premium of $1,857,291.

Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and an aggregate face value of 7,690,000 at June 30, 2015, which is reported net of the original issue premium of $363,976.

Series 2009 A Revenue Bonds with interest rates ranging from 4.0% to 7.4% and an aggregate face value of $12,835,000 at June 30, 2015.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of $8,355,000 at June 30, 2015, which is reported net of the unamortized original issue premium of $73,395.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued Revenue and Refunding Bonds Series, 2012, on April 30 2012. The bonds bear interest at rates of 3% to 4% and have an aggregate face value of $23,685,000 at June 30, 2015, which is reported net of the unamortized original issue premium of $344,655.

Current refunding

On March 4, 2015, the Housing and Dining System issued at par $13,435,000 Revenue and Refunding Bonds Series 2015. The purpose of the bonds is the refunding of then-outstanding Revenue Bonds Series 2005 and 2006 with a combined principal balance of $15,935,000. The refunded series 2005 and 2006 bonds carried interest rates of 3.75% to 4.5%. Management expects the refunding will provide a net present value savings of approximately $1,034,389 in debt service over the life of the new bonds and loss on defeasance of $511,154. The amount required to refund the 2005 and 2006 bonds remaining plus a refunding premium and underwriter's discount (total of $15,455,988) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely by June 1, 2015.

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

	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue and Refunding Bonds	
Fiscal Year	Principal	Interest	Principal	Interest
2016	$3,010,000	$2,198,122	$725,000	$904,350
2017	3,170,000	2,042,160	750,000	882,600
2018	3,285,000	1,921,943	770,000	860,100
2019	3,390,000	1,797,112	795,000	837,000
2020	3,530,000	1,656,290	815,000	813,150
2021-2025	16,040,000	5,621,766	4,540,000	3,603,475
2026-2030	5,735,000	2,546,220	5,520,000	2,633,800
2031-2035	4,155,000	786,990	6,700,000	1,438,600
2036-2037			3,070,000	185,400
Total	42,315,000	18,570,603	23,685,000	12,158,475
Unamortized premium/ (discount)	2,294,662		344,655	
Total	$44,609,662	$18,570,603	$24,029,655	$12,158,475

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 operating expenses	$60,885,603	Housing and Dining bonds issued in 1998, 2009,2012, 2015	Construction and renovation of student housing projects	2034	83.2%
Student Recreation Center gross revenues	$35,843,475	Student Recreation Center bonds issued in 2012	Construction of the Student Recreation Center	2037	35.9%

* Total future principal and interest payments on debt

15. LONG-TERM LIABILITIES

Following are the changes in long-term liabilities for the years ended June 30, 2015 and 2014:

	6/30/14	Additions/ Amortization	Retirements	6/30/15	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	$72,442,043	$15,341,649	$19,144,376	$68,639,316	$3,735,000
Notes payable	4,961,400	45,923	517,910	4,489,413	518,347
Net pension obligation	9,965,408	26,520,328	275,548	36,210,188	376,000
Total long term liabilities	$87,368,851	$41,907,900	$19,937,834	$109,338,917	$4,629,347

	6/30/13	Additions/ Amortization	Retirements	6/30/14	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	$75,482,723	($26,393)	$3,014,287	$72,442,043	$3,735,000
Notes payable	5,512,862		551,462	4,961,400	517,910
Net pension obligation	7,760,970	2,449,000	244,562	9,965,408	376,000
Total long term liabilities	$88,756,555	$2,422,607	$3,810,311	$87,368,851	$4,628,910

16. LEASES

WWU leases facilities for off-campus office and educational spaces under a variety of agreements. WWU also finances certain equipment through non-cancelable operating leases. At June 30, 2015, future payments under these operating leases are as follows:

Fiscal Year	Lease Payment
2016	$324,516.66
2017	257,609
2018	234,071
2019	234,776
2020	228,302
2021	148,981
Total minimum lease payments	$1,428,255.66

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, 2015 and 2014 are as follows:

Operating Expenses	2015	2014
Instruction	$108,020,837	$101,503,895
Research	6,096,508	5,333,465
Academic Support	13,661,804	13,685,703
Student Services	19,149,372	18,069,416
Institutional Support	20,515,752	19,669,297
Operation and Maintenance of Plant	46,229,209	47,436,065
Scholarships and other student aid	18,031,770	17,620,538
Auxiliary enterprise expenditures	46,691,849	45,437,358
Total operating expenses	$278,397,101	$268,755,737

19. PENSION PLANS

A. SUMMARY

WWU offers five defined benefit pension plans and three defined benefit/defined contribution plans: the Washington State Public Employees' Retirement System (PERS) plans 1-3, the Washington State Teachers Retirement System (TRS) plans 1-3, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan 1 and the Western Washington University Retirement Plan (WWURP).

WWU contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Retirement System. Refer to sections B and C of this note for descriptions of these plans.

The payroll for WWU employees covered by PERS for the year ended June 30, 2015 and 2014 is $34,580,645 and $33,728,574; the payroll for employees covered by TRS is $898,552 and $1,060,622; the payroll covered by WWURP is $78,790,919 and $70,445,521; the payroll for LEOFF is $969,083 and $957,148, respectively.

WWU implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Pensions for the fiscal year 2015 financial reporting. WWU's defined benefit pension plans were created by statutes rather than through trust documents. With the exception of the supplemental defined benefit component of the higher education retirement plan, they are administered in a way equivalent to pension trust arrangements as defined by the GASB.

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.

The state Legislature establishes and amends laws pertaining to the creation and administration of all state public retirement systems. Additionally the state Legislature authorizes state agency participation in plans other than those administered by the state.

Basis of Accounting

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.

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 plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB Statement No. 68 for WWU, for fiscal year 2014:

Aggregate Pension Amounts - All Plans	
Pension liabilities	$ (24,071,328)
Pension assets	752,620
Deferred outflows of resources related to pensions	3,648,257
Deferred inflows of resources related to pensions	(10,464,227)
Pension expense/expenditures	(1,411,525)

Investments
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.

Department of Retirement Systems. As established in chapter 41.50 of the Revised Code of Washington (RCW), the Department of Retirement Systems (DRS) administers eight retirement systems covering eligible employees of the state and local governments. The Governor appoints the director of the DRS.
The DRS administered systems that WWU offers its employees are comprised of five defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that WWU offers its employees:

- **Public Employees' Retirement System (PERS)**
  Plan 1 - defined benefit
  Plan 2 - defined benefit
  Plan 3 - defined benefit/defined contribution

- **Teachers' Retirement System (TRS)**
  Plan 1 - defined benefit
  Plan 2 - defined benefit
  Plan 3 – defined benefit/defined contribution

- **Law Enforcement Officers' and Fire Fighters'** Retirement System (LEOFF)
  Plan 2 - defined benefit

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 was funded by an employer rate of 0.18 percent 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/.

Higher Education. As established in chapter 28B.10 RCW, eligible higher education state employees may participate in higher education retirement plans. These plans include a defined contribution plan administered by a third party with a supplemental defined benefit component (on a pay as you go basis) which is administered by the state.

B. DEFINED CONTRIBUTION PLANS

Western Washington University Retirement Plan (WWURP)

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

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have at all times a 100% vested interest in their accumulations.

Funding Policy
Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the employee contributions. All required employer and employee contributions have been made.

The WWURP contributions for the years ending June 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Employee	$6,676,394	$6,221,794	$5,906,235
University	$6,676,724	$6,219,353	$5,938,412

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date.

WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

WWU received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2013. The previous evaluation was performed in 2011. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2013 and 2011 was $17,924,000 and $10,035,000 respectively, and is amortized over an 11 year period.

The Annual Required Contribution (ARC) of $2,449,000 consists of amortization of the UAL ($1,730,000), normal cost (or current cost) ($669,000) and interest. The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 4.25% to 7.25% and projected salary increases of 3.0%. Approximately $78,790,919 and $70,445,521 of WWU's payroll were covered under this plan during fiscal 2015 and fiscal 2014, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2015:

Balance as of June 30, 2013	$7,760,970
Annual Required Contribution FY14	2,449,000
Payments to Beneficiaries FY14	(244,562)
Balance as of June 30, 2014	9,965,408
Annual Required Contribution FY15	2,449,000
Payments to Beneficiaries FY15	(275,548)
Balance as of June 30, 2015	$12,138,860

Public Employees' Retirement System Plan 3

Plan Description
The Public Employees' Retirement System (PERS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all PERS Plan descriptions.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the retirement strategy fund that assumes the member will retire at age 65.

Members in PERS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from PERS-covered employment.

Teachers' Retirement System Plan 3

Plan Description
The Teachers' Retirement System (TRS) Plan 3 is a combination defined benefit/defined contribution plan administered by the state through the Department of Retirement Systems (DRS). Refer to section C of this note for all TRS Plan descriptions.

TRS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by chapter41.34 RCW, employee contribution rates to the defined contribution component range from 5 to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of TRS Plan 3.

TRS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, TRS Plan 3 investments are made in the retirement strategy fund that assumes the member will retire at age 65.

TRS Plan 3 defined contribution benefits are financed from employee contributions and investment earnings.

Members in TRS Plan 3 are immediately vested in the defined contribution portion of their plan, and can elect to withdraw total employee contributions adjusted by earnings and losses from investments of those contributions upon separation from TRS-covered employment.

C. STATE PARTICIPATION IN PLANS ADMINISTERED BY DRS

Public Employees' Retirement System

Plan Description
The Legislature established the Public Employees' Retirement System (PERS) in 1947. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the Legislature. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior Courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

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 who joined the system by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by either, February 28, 2002, for state and higher education employees, or August 31, 2002, for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to PERS Plan 3.

PERS participants joining the system on or after March 1, 2002, for state and higher education employees, or September 1, 2002, for local government employees, have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to PERS Plan 3.

Refer to section B of this note for a description of the defined contribution component of PERS Plan 3.

Benefits Provided. PERS plans provide retirement, disability, and death benefits to eligible members.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement 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. The monthly benefit is 2 percent of the average final compensation (AFC) per year of service capped at 60 percent. The AFC is the average of the member's 24 highest consecutive service months.

PERS Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits. Plan 1 members may elect to receive an optional cost of living allowance (COLA) that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service. This is reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC. Plan 1 members may elect to receive an optional 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.

PERS Plan 2 members are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. There is no cap on years of service credit and a COLA is granted based on the Consumer Price Index, capped at 3 percent annually. The AFC is the average of the member's 60 highest paid consecutive months.

PERS Plan 2 members have the option to retire early with reduced benefits.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. There is no cap on years of service credit. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after five years of service, if 12 months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

PERS Plan 3 members have the option to retire early with reduced benefits.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee defined benefit contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Inverstment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. 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, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 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 WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the 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.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

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, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plan 2/3 employers whose rates include a component for the PERS Plan 1 liability). 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, WWU reported $16.13 million for its proportionate share of the collective net pension liability for PERS 1 and $7.42 million for PERS 2/3. WWU's proportion for PERS 1 was 0.320 percent, a decrease of 0.002 percent since the prior reporting period, and 0.367 percent for PERS 2/3, an increase of 0.005 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

PERS 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	19,881,648
Current Discount Rate	$	16,129,871
1% Increase	$	12,909,343

PERS 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	30,954,760
Current Discount Rate	$	7,421,044
1% Increase	$	(10,554,337)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, WWU recognized a PERS 1 pension expense of $610 thousand, and recognized a PERS 2/3 pension expense of $(1.90) million. At June 30, 2014, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		2,016,951
Change in proportion		
Contributions subsequent to the measurement date	124,718	
Total	$124,718	$2,016,951

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		7,866,375
Change in proportion	171,635	
Contributions subsequent to the measurement date	3,141,736	
Total	$3,313,371	$7,866,375

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

PERS 2/3		
2015	$	38,141
2016	$	38,141
2017	$	38,141
2018	$	38,141
2019	$	19,071
Thereafter	$	

Teachers' Retirement System

Plan Description. The Legislature established the Teachers' Retirement System (TRS) in 1938. TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and may be amended only by the Legislature. Eligibility for membership requires service as a certificated public school employee working in an instructional, administrative, or supervisory capacity. TRS is comprised principally of non-state agency employees.

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 defined benefit plan with a defined contribution component. 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.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996 are members of TRS Plan 3.

Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Refer to section B of this note for a description of the defined contribution component of TRS Plan 3.

Benefits Provided. TRS plans provide retirement, disability, and death benefits to eligible members.

TRS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 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. The monthly benefit is 2 percent of the average final compensation (AFC) for each year of service credit, up to a maximum of 60 percent. The AFC is the total earnable compensation for the two consecutive highest-paid fiscal years, divided by two.

TRS Plan 1 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.

TRS Plan 2 retirement benefits are vested after completing five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. A COLA is granted based on the Consumer Price Index, capped at 3 percent annually. TRS Plan 2 members have the option to retire early with reduced benefits. The AFC is the average of the member's 60 highest paid consecutive months.

The defined benefit portion of TRS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. Plan 3 provides the same COLA as Plan 2. The AFC is the average of the member's 60 highest paid consecutive months.

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; or after five service credit years earned in TRS Plan 2 by July 1, 1996. Plan 3 members are immediately vested in the defined contribution portion of their plan. TRS Plan 3 members have the option to retire early with reduced benefits.

TRS members meeting specific eligibility requirements, have options available to enhance their retirement benefits. Some of these options are available to their survivors, with reduced benefits.

Contributions. TRS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions.

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. The methods used to determine the contribution requirements are established under state statute.

Members in TRS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from TRS-covered employment.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Inverstment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. 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, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 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 WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the 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.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

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, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including TRS Plan 2/3, whose rates include a component for the TRS Plan 1 liability). 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, WWU reported a liability of $485 thousand for its proportionate share of the collective net pension liability for TRS 1 and $35 thousand for TRS 2/3. WWU's proportion for TRS 1 was 0.016442 percent, an increase of 0.00143 percent since the prior reporting period, and 0.010980 percent for TRS 2/3, an increase of 0.00317 percent. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

TRS 1 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	624,064
Current Discount Rate	$	484,949
1% Increase	$	365,537

TRS 2/3 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	308,256
Current Discount Rate	$	35,464
1% Increase	$	(167,302)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, WWU recognized a TRS 1 pension expense of $57 thousand, and recognized a TRS 2/3 pension expense of $(51) thousand. At June 30, 2014, TRS 1 and TRS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TRS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		85,038
Change in proportion		
Contributions subsequent to the measurement date	15,275	
Total	$15,275	$85,038

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		81,384
Change in proportion	28,511	
Contributions subsequent to the measurement date	81,324	
Total	$109,835	$81,384

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

TRS 2/3		
2015	$	5,091
2016	$	5,091
2017	$	5,091
2018	$	5,091
2019	$	5,091
Thereafter	$	3,056

Law Enforcement Officers' and Fire Fighters' Retirement System

Plan Description. The Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) was established in 1970 by the Legislature. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers who were first included effective July 27, 2003, being an exception.

LEOFF is a cost-sharing, multiple-employer retirement system, comprised of two separate defined benefit plans. LEOFF members who joined the system on or after October 1, 1977, are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The board's duties include adopting contribution rates and recommending policy changes to the Legislature.

Benefits Provided. LEOFF Plan 2 provides retirement, disability, and death benefits to eligible members.

LEOFF Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of 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 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 percent annually.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors, generally with reduced benefits.

Contributions. LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations.

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The methods used to determine the contribution requirements are established under state statute.

Members in LEOFF Plan 2 can elect to withdraw total employee contributions and interest earnings upon separation from LEOFF-covered employment.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. For fiscal year 2014, the state contributed $55.6 million to LEOFF Plan 2.

Beginning in 2011, when state General Fund revenues increase by at least 5 percent over the prior biennium's revenues, the State Treasurer will transfer, subject to legislative appropriation, specific amounts into a Local Public Safety Enhancement Account. Half of this transfer will be proportionately distributed to all jurisdictions with LEOFF Plan 2 members. The other half will be transferred to a LEOFF Retirement System Benefits Improvement Account to fund benefit enhancements for LEOFF Plan 2 members. However, this special funding situation is not mandated by the State Constitution and this funding requirement could be returned to the employers by a change of statute.

Required contribution rates for fiscal year 2014 are presented in the table in section C.1 of this note.

The following information applies to WWU as a LEOFF 2 employer.

Actuarial Assumptions. The total net pension asset was determined by an actuarial valuation as of June 30, 2013 with the results rolled forward to the June 30, 2014 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75%
Inverstment rate of return	7.50%

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. 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, 2013, valuation were based on the results of the 2007-2012 Experience Studies. Additional assumptions for subsequent events and law changes are current as of the 2013 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 WSIB. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The CMAs contain the following three pieces of information for each class of assets the 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.

WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons.

The long-term expected rate of return of 7.50 percent approximately equals the median of the simulated investment returns over a fifty-year time horizon, increased slightly to remove WSIB's implicit and small short-term downward adjustment due to assumed mean reversion. WSIB's implicit short-term adjustment, while small and appropriate over a ten to fifteen year period, becomes amplified over a fifty-year measurement period.

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, 2014, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	20%	0.80%
Tangible Assets	5%	4.10%
Real Estate	15%	5.30%
Global Equity	37%	6.05%
Private Equity	23%	9.05%
Total	100%	

The inflation component used to create the above table is 2.70 percent, and represents WSIB's most recent long-term estimate of broad economic inflation.

There were no material changes in assumptions, benefit terms or method changes for the fiscal year 2014 reporting period.

Discount Rate. The discount rate used to measure the total pension liability was 7.50 percent, the same as the prior measurement date. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.70 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.50 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates. 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 7.50 percent on pension plan investments was applied to determine the total pension liability.

Collective Net Pension Liability/Asset

At June 30, 2014, WWU reported an asset of $753 thousand for its proportionate share of the collective net pension asset for LEOFF 2. WWU's proportion for LEOFF 2 was 0.056714 percent, an increase of 0.00461 percent since the prior reporting period. The proportions are based on WWU's contributions to the pension plan relative to the contributions of all participating employers and the nonemployer contributing entity.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of WWU as an employer, calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability/asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

LEOFF 2 Employer's proportionate share of Net Pension Liability (Asset)		
1% Decrease	$	322,078
Current Discount Rate	$	(752,620)
1% Increase	$	(1,559,109)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended June 30, 2014, WWU recognized a LEOFF 2 pension expense of $(125) thousand. At June 30, 2014, LEOFF 2 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

LEOFF 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$	$
Changes of assumptions		
Net Difference between projected and actual earnings on pension plan investments		398,212
Change in proportion		16,267
Contributions subsequent to the measurement date	85,058	
Total	$85,058	$414,479

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the fiscal years ended June 30:

LEOFF 2		
2015	$	(2,542)
2016	$	(2,542)
2017	$	(2,542)
2018	$	(2,542)
2019	$	(2,542)
Thereafter	$	(3,557)

TABLE 1: Required Contribution Rates

The required contribution rates (expressed as a percentage of current year covered payroll) at June 30, 2014 are as follows:

Required Contribution Rates	Employer (University)				Employee		
	Plan 1	Plan 2	Plan 3		Plan 1	Plan 2	Plan 3
PERS							
State agencies, local governmental units	9.03%	4.98%	4.98%	*	6.00%	4.92%	**
Administrative fee	0.18%	0.18%	0.18%				
PERS Plan 1 UAAL	0.00%	4.05%	4.05%				
Total	9.21%	9.21%	9.21				
TRS							
State agencies, local governmental units	10.21%	5.84%	5.84%	*	6.00%	4.96%	**
Administrative fee	0.18%	0.18%	0.18%				
TRS Plan 1 UAAL	0.00%	4.37%	4.37%				
Total	10.39%	10.39%	10.39%				
LEOFF							
Ports and universities	N/A	8.41%	N/A		N/A	8.41%	N/A
Administrative fee		0.18%					
Total		8.59%					

* Plan 3 defined benefit portion only.
** Variable from 5% to 15% based on rate selected by the member.
N/A indicates data not applicable.

TABLE 2: Required Contributions

The required contributions for the years ending June 30, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
PERS			
Employee	$1,821,241	$1,756,832	$1,604,739
University	3,279,158	3,074,774	2,297,067
TRS			
Employee	$67,322	$45,491	$31,890
University	97,538	61,753	36,137
LEOFF			
Employee	$81,500	$80,496	$72,180
University	84,618	82,185	73,545

All required employer and employee contributions have been made.

20. OTHER POST EMPLOYMENT BENEFITS (OPEB)

During the 2008 fiscal year, WWU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.* OPEB are those provided to retired employees beyond those provided by their pension plans. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB expense in the year in which such benefits are earned by the member. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels and, as a result, the net OPEB obligation is recorded in the State of Washington comprehensive annual financial report which is available from:

Office of Financial Management, Insurance Building, PO Box 43113, Olympia, Washington 98504-3113.

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 2015, this amount was $150 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary (OSA) calculated the total OPEB actuarial accrued liability of the State of Washington at January 1, 2015 to be $10.9 billion.

OSA calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in WWU's financial statement.

WWU was billed and paid approximately $15.2 million for active and retiree health care expense during fiscal 2015 and $17.2 million during fiscal 2014.

21. RISK MANAGEMENT

WWU 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. WWU self-insures unemployment compensation for all employees.

In addition, sufficient insurance coverage for property casualty loss on the residence halls and the Wade King Student Recreation Center is maintained in accordance with the Housing and Dining System and Wade King Student Recreation Center Master Bond Resolutions.

WWU has been named in several lawsuits. While the final outcome of the lawsuits cannot be predicted with certainty, it is WWU's opinion that the ultimate liability will not materially affect the financial statement.

WWU participates in the State insurance program and is indemnified and will be reimbursed by the State for any claims paid related to these 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, 2015 and 2014 are:

	2015	2014
Operating	$6,733,515	$5,699,850
Research	1,028,028	665,598
Capital projects	7,300,369	12,513,683
Total commitments	$15,061,912	$18,879,131

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.

24. FOUNDATION PLEDGED GIFT RECEIVABLE

In April 2012, WWU received a $1.0 million unconditional pledged gift from the Foundation for the purpose of the design and construction of the Harrington Field project to be located on WWU's campus. The pledged gift to WWU is recorded at its net present value, with the discount amortized over the 8 year payment schedule using the straight line method. During FY 2014, the Foundation made an additional pledge of $92 thousand to help support the Harrington Field project. The pledge is expected to be paid as follows:

For the year ending June 30,

2016	$50,000
2017	150,000
2018	150,000
2019	250,000
Thereafter	250,000
	850,000
Less present value discount (0.71%)	(13,291)
Pledged gift receivable from the Foundation, net	$836,709

Required Supplementary Information

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
WWU PERS 1 employers' proportion of the net pension liability	0.32%
WWU PERS 1 employers' proportionate share of the net pension liability	$16,130
WWU PERS 1 emoployers' covered-employee payroll	$1,754
WWU PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	919.51%
Plan fiduciary net position as a percentage of the total pension liability	61.19%

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

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
WWU PERS 2/3 employers' proportion of the net pension liability	0.37%
WWU PERS 2/3 employers' proportionate share of the net pension liability	$7,421
WWU PERS 2/3 emoployers' covered-employee payroll	$31,601
WWU PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%
Plan fiduciary net position as a percentage of the total pension liability	93.29%

* 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 WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (TRS) Plan 1
Measurement Date of June 30 *
(dollars in thousands)

	2014
WWU TRS 1 employers' proportion of the net pension liability	0.02%
WWU TRS 1 employers' proportionate share of the net pension liability	$485
WWU TRS 1 emoployers' covered-employee payroll	$128
WWU TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	379.92%
Plan fiduciary net position as a percentage of the total pension liability	68.77%

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

Schedule of WWU's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (TRS) Plan 2/3
Measurement Date ended June 30 *
(dollars in thousands)

	2014
WWU TRS 2/3 employers' proportion of the net pension liability	0.01%
WWU TRS 2/3 employers' proportionate share of the net pension liability	$35
WWU TRS 2/3 emoployers' covered-employee payroll	$470
WWU TRS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	7.55%
Plan fiduciary net position as a percentage of the total pension liability	96.81%

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of WWU's Proportionate Share of the Net Pension Liability

Schedule of WWU's Proportionate Share of the Net Pension Liability
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30 *
(dollars in thousands)

	2014
WWU LEOFF 2 employers' proportion of the net pension liability	0.06%
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset)	($753)
WWU LEOFF 2 emoployers' covered-employee payroll	$948
WWU LEOFF 2 employers' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(79.43%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	116.75%

* 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 in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$124,080	$124,718	($637)	$1,347,236	9.26%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
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	$3,047,368	$3,141,737	($94,369)	$33,087,603	9.50%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedules of Contributions

Schedule of Contributions
Teachers' Retirement System (TRS) Plan 1
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	$15,275	$15,275		$147,013	10.39%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
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	$77,145	$81,324	($4,179)	$742,495	10.95%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
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	$83,684	$85,058	($1,374)	$974,206	8.73%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					
2024					

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

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