WESTERN
WASHINGTON UNIVERSITY

ASSOCIATED STUDENTS BOOKSTORE

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Overview

Western Washington University Associated Students Bookstore (the Bookstore) has served the Western Washington University (WWU) campus community since 1910. Its purpose is to serve as an academic resource for the campus, integrating itself with the academic community and ensuring the availability of educational materials and related goods and services necessary for student success. The Bookstore aims to accomplish this service mission in an economically responsible manner by applying sound, efficient business practices. The Bookstore is operated in the format of a student cooperative; textbook prices reflect a student discount and net operating revenues support student programs. The Associated Students of Western Washington University (ASWWU) manage their net operating revenues and act in partnership with the administration through involvement in the development and recommendation of general policy guidelines.

The following discussion and analysis provides an overview of the financial position and activities of the Bookstore for the fiscal years (FY) ended June 30, 2017, 2016 and 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The Bookstore's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows.

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

Statement of Net Position

The Statement of Net Position presents the financial condition of the Bookstore at the end of the fiscal year and reports all assets and liabilities of the Bookstore.

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between assets, deferred outflows, liabilities and deferred inflows is net position. Net position is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statements of Net Position as of June 30, 2017, 2016 and 2015:

ASSETS	2017	2016 Restated	2015
Current assets	$2,623,908	$2,380,977	$2,615,877
Noncurrent assets	1,052,134	1,215,382	899,314
Capital assets, net	1,132,303	1,181,618	1,233,459
Total assets	4,808,345	4,777,977	4,748,650
DEFERRED OUTFLOWS	72,720	25,776	33,211
LIABILITIES			
Current liabilities	324,579	360,481	390,921
Noncurrent liabilities	413,770	195,093	110,059
Total liabilities	738,349	555,574	500,980
DEFERRED INFLOWS	15,073	42,036	116,664
NET POSITION			
Net investment in capital assets	1,132,303	1,181,618	1,233,459
Unrestricted	2,995,340	3,024,525	2,930,758
Total net position	$4,127,643	$4,206,143	$4,164,217

The primary components in the asset category are cash and cash equivalents, short-term investments, inventory and accounts receivable, net and capital assets. Total assets increased $30,368 (0.6%) in fiscal year (FY) 2017 and increased $29,327 (0.6%) during FY 2016.

Total current assets increased $242,931 (10.2%) in FY 2017 due to the combined increases in cash and cash equivalents, short-term investments and inventory that surpassed a decrease in accounts receivable. Cash and cash equivalents combined with short-term investments increased $266,337 (30.6%) in FY 2017 primarily due to a shift from long-term to short-term investments. (See Note 2). The allocation of cash and investments between short-term and long-term is governed by the university's investment policy strategy, which is to maximize returns while ensuring liquidity needs and managing interest rate risk.

A decrease in textbook returns to publishers and wholesalers contributed to a $121,913 (14.0%) increase in inventory and a $137,768 (-22.2%) decrease in accounts receivable. The Bookstore includes credit balances due

from vendors with accounts receivable. FY 2016 total current assets decreased $234,900 (-9.0%) from FY 2015 primarily due to a decrease in cash and cash equivalents and short-term investments combined with a decrease in inventory that exceeded an increase in accounts receivable. Cash and cash equivalents and short-term investments decreased $396,555 (-31.3%) in FY 2016 as a result of shifting from short-term to longer term maturities.

The excess of current assets over current liabilities of $2.3 million in FY 2017 and $2.0 million in FY 2016 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.

Total noncurrent assets, excluding capital assets, decreased $163,248 (-13.4%) during FY 2017 due to decreased long-term investments and increased $316,068 (35.1%) during FY 2016 due to increased long-term investments.

Capital assets decreased $49,315 (-4.2%) during FY 2017 and $51,841 (-4.2%) during FY 2016 as existing assets continued to depreciate at a greater rate than new capital assets were acquired.

Total current liabilities in FY 2017 decreased $35,902 (-10.0%) as a result of an accounts payable decrease of $41,824 (-14.8%), largely attributable to a higher level of textbooks in stock. Total current liabilities decreased $30,440 (-7.8%) in FY 2016 from FY 2015 due to a decrease in the total annual distribution payable to the ASWWU combined with a slight decrease in accounts payable (see Note 4).

Deferred outflow increased $46,944 (182.1%) in FY 2017 and decreased $7,435 (-22.4%) in FY 2016. Beginning in FY 2015, deferred outflows relating to pensions of $33,211 (100.0%) were recorded in accordance with GASB Statement No. 68. Deferred outflows related to pensions is primarily due to current year pension expenses that will be recognized in the next fiscal year (see Note 6).

Noncurrent liabilities increased $218,677 (112.1%) in FY 2017 and $85,034 (77.3%) when comparing FY 2016 to FY 2015 due to an increase in net pension liability. Since FY 2015, in accordance with GASB Statement No. 68, the Bookstore has presented its share of the net pension liability for the pension plans administered by the Department of Retirement System (see Note 6). During FY 2017, the Bookstore adopted GASB Statement No. 73 Accounting and financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68 and Amendments to certain provisions of GASB Statements 67 and 68. This adoption of GASB 73 also affected the net pension liability recognition for both FY 2016 and FY 2017 by restating previously reported amounts (See notes 1 and 6).

The difference between assets and deferred outflows less liabilities and deferred inflows is net position. The change in net position measures whether the overall financial condition has improved or deteriorated during the year and is driven by the difference between revenues and expenses. In FY 2017 total net position decreased by $78,500 (-1.9%) due to pension expense recognition attributed to GASB Statements No. 68. and No. 73. These GASB Statements require the Bookstore to recognize its share of the net pension liability for the defined contribution pension plans offered to employees (see Notes 1 and 6). In FY 2017, the Bookstore recognized $144,770 in benefit expenditures related to pension liabilities. Net position increased when comparing restated FY 2016 to FY 2015 by $41,926 (1.0%) as operating revenues outpaced operating expenses.

Statement of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity shown in the Statement of Revenues, Expenses, and Changes in Net Position. The statement presents the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

In general, operating revenues are those earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students.

Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

Non-operating revenues and expenses are monies received or expended for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating revenue.
Following is a condensed version of the Statements of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017, 2016 and 2015:

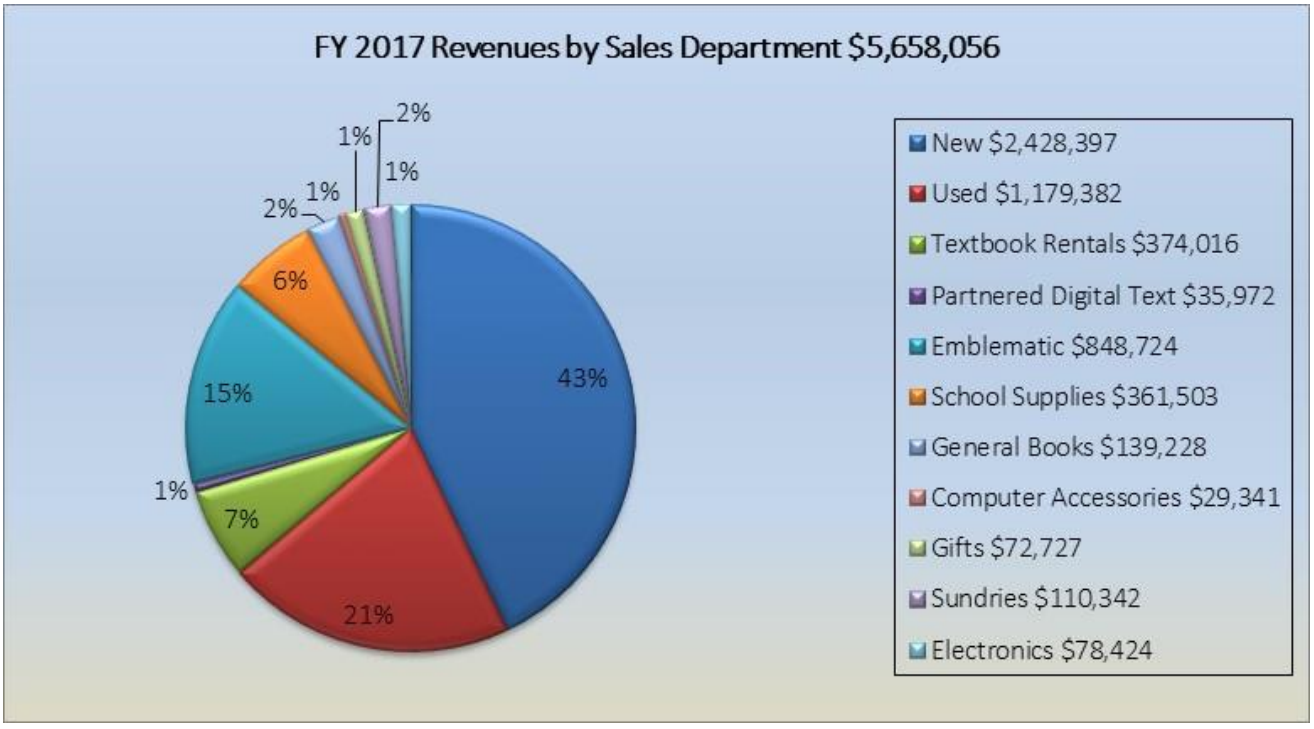
	2017	2016 Restated	2015
Sales, net of discounts	$5,658,056	$6,091,137	$6,666,612
Other operating revenues	37,906	37,127	61,757
Total operating revenue	5,695,962	6,128,264	$6,728,369
Operating expenses	5,729,584	6,065,150	6,564,485
Income from operations	(33,622)	63,114	163,884
Nonoperating (expenses) revenues	(44,878)	(21,188)	(59,769)
Changes in net position	(78,500)	41,926	104,115
Net position, beginning of year	4,206,143	4,164,217	4,274,171
Restatement	-	-	(214,069)
Net position, beginning of year as restated	4,206,143	4,164,217	4,060,102
Net position, end of year	$4,127,643	$4,206,143	$4,164,217

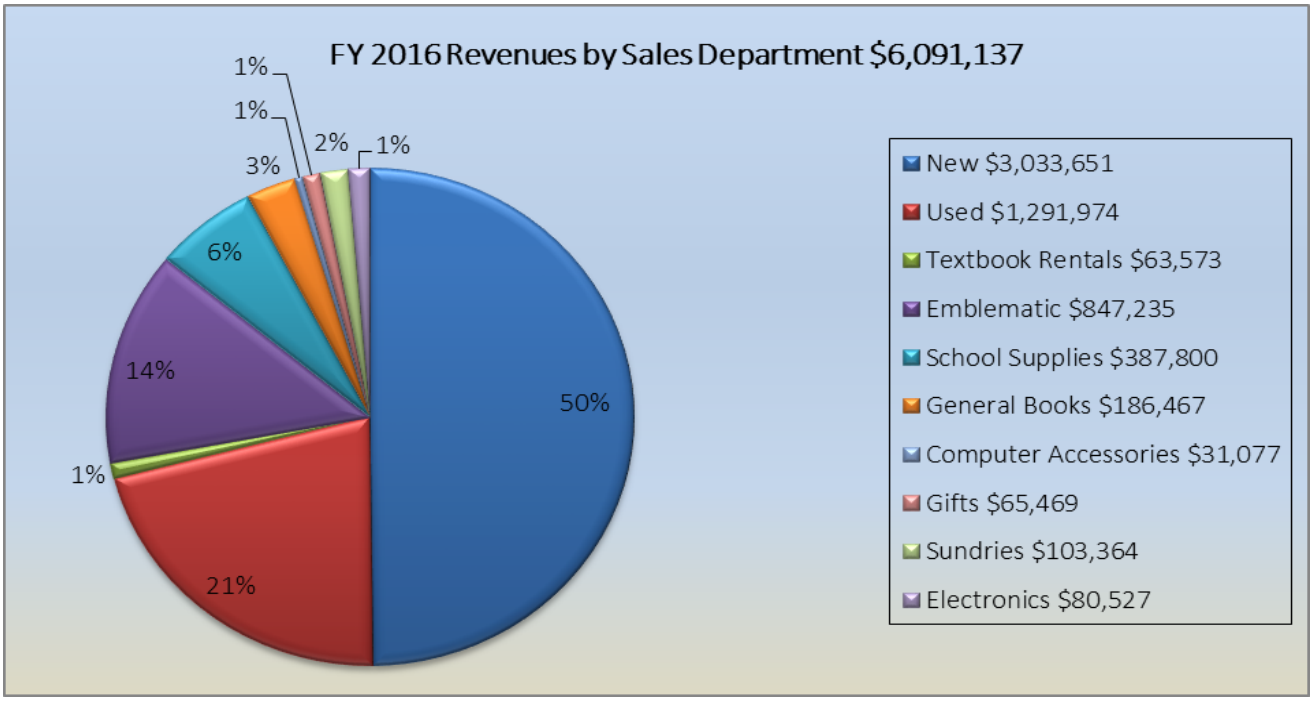
FY 2017 sales net of discounts decreased $433,081 (-7.1%) in FY 2017 and $575,475 (-8.6%) in FY 2016 as a result of a continued decrease in course materials sales. These decreases are a result of a shift in demand toward lower price point materials such as rentals. Rentals increased nearly 500% from FY 2016 to FY 2017.

In FY 2017, cost of goods sold decreased $466,674 (-10.0%) from FY 2016 and decreased $540,224 (-10.4%) in FY 2016 from FY 2015, offsetting the decrease in sales net of discounts.

The gross margin percentage for FY 2017 increased to 26.0% compared to 23.6% in FY 2016 and 22.1% in FY 2015 (See Other Financial Information section). For FY 2017 and FY 2016, gross margin percentage increased as cost of goods sold declined at a higher rate than the overall reduction in net sales. An increase in Textbook Rentals combined with a decrease in New and Used textbook sales contributed to decreased net sales along with decreased cost of goods sold (see Revenues by Sales Department discussion). Textbook Rentals have a lower price point than new or used textbooks and a lower cost of goods sold as some textbooks are rented multiple times. The average gross margin percentage for bookstores reporting $5.0-$9.9 million sales volume in the Independent College Bookstore Association (ICBA) survey for 2015-2016 was 27.3%. The textbook discount the Bookstore offers students continued to impact the Bookstore's gross margin while meeting the Bookstore's goal of offering students lower priced course materials.

The Bookstore maintained a 10% discount on new and used textbooks during FY 2017. This discount represented an approximate reduction of $379,077 in the cost of textbooks for WWU students who purchased their textbooks at the Bookstore. Approximately 9.0% of stores responding to the 2015-2016 ICBA survey offered student discounts, with reported levels ranging from 5% to 10%. The average total value of discounts provided by college bookstores who offered discounts on course books to students was $386,919.





Revenues by Sales Department

Total course materials sales accounted for 71.0% of total Bookstore sales in FY 2017 down from 72.1.0% in FY 2016. The 2015-2016 ICBA survey average for bookstores reporting $5.0-$9.9 Million Sales Volume was 64.2%.

Total course materials sales (new, used and partnered digital textbooks and rentals) decreased in FY 2017 to a total of $4,017,767, a decrease of $371,431 (-8.5%) primarily due to a continued decrease in the sale of new and used textbooks. The decrease continued an industry wide trend as university bookstores experienced declining course materials sales. In its mission to support student success, the Bookstore offered students increased options for obtaining course materials and responded to economic demand for lower priced course materials. The Bookstore grew its in-store rental program (see Bookstore rental discussion below) and partnered with a third-party to integrate online digital textbook (e-book) offerings (see RedShelf discussion below). In FY 2016, total course materials sales decreased to $4,389,198, a decrease of $563,021 (-11.4%) from FY 2015. Total course materials margin percentage for FY 2017 was 20.4% up from 17.4% in FY 2016.

New textbook sales decreased in FY 2017 to a total of $2,428,397, a decrease of $605,254 (-20.0%). In FY 2016, new textbook sales decreased to $3,033,651, a decrease of $477,126 (-13.6%). Used textbooks sales also declined at an increased rate in FY 2017, with a decrease of $112,592 (-8.7%). In FY 2016 sales declined $72,555 (-5.3%) from FY 2015 sales of $1,364,529. The course materials department emphasized sourcing of used textbooks as it experienced reduced availability from wholesalers.

In FY 2017, the Bookstore modified its in-store rental system incorporating the ability to sell used rental course books to wholesalers at the end of a quarter. Using a Wholesaler Rental Rebate program, the Bookstore offered additional course book titles as Bookstore rentals and calculated course book rental prices based on an

additional guaranteed selling price to a wholesaler. Students benefited from a price point lower than a new or used textbook price. The Bookstore benefited from being able to rent more course book titles as Bookstore rentals and from being able to rent more individual course books for multiple quarters.

The ability to rent individual course books for multiple quarters contributed to a lower cost of goods sold for course book rentals revenue when compared to cost of goods for new textbook sales and used textbook sales. A higher margin on textbook rental revenue contributed to an increased total course materials margin. While total course material sales were down in FY 2017 when compared to FY2016, total course materials margin increased $55,691 (7.3%) from a $763,617 total course materials margin in FY 2016.

The Bookstore rented approximately 607 distinct course book titles, up from 15 titles in 2016. Students rented 6,760 course books directly from the Bookstore an increase of 5,879 (667.3%) from 881 course books in FY 2016. FY 2017 revenue for course books rented directly from the Bookstore was $374,016, an increase of $310,443 (488.3%) from $63,573 in FY 2016. The increase resulted from the implementation of the Wholesaler Rental Rebate program, which replaced the third-party Rafter rental program phased out in FY 2016. Revenue for the course books rented directly from the Bookstore in FY 2016 was down $13,339 (-17.3%) from $76,912 in FY 2015 due in part to a reduction in distinct titles offered.

Beginning in FY 2017, the Bookstore integrated digital textbook (e-book) sales with third-party partner RedShelf. For the first time, students were able to purchase access to e-books directly through the Bookstore website. Partnered Digital Textbook Sales for FY 2017 were $35,972. The Bookstore retained a 10% margin from on these sales.

Emblematic sales of $848,724 were nearly flat with an increase of $1,489 (0.2%) from FY 2016 sales of $847,235. A substantial increase in hat sales was offset by a decrease in sales of insignia gifts, zip crews, women's fashions and youth and kid sized clothing. FY 2016 sales were up $18,145 (2.2%) from FY 2015 sales of $829,090 due to an increase in the variety of emblematic products offered along with a decrease in discounts given.

School supplies sales were $361,503, a decrease of $26,297 (-6.8%) from FY 2016 sales of $387,800 due to decreased sales in school supplies, wire bounds, binders, writing instruments, art supplies, calendars/planners, and scientific supplies. School supplies sales declined as a result of increased use of digital learning materials. Fiscal 2016 sales decreased $9,021 (-2.3%) from FY 2015 sales of $396,821 due to sales decreases in school supplies, wire bounds, binders, and planners.

General book sales of $139,228 decreased $47,239 (-25.3%) from FY 2016 sales of $186,467. FY 2017 sales were affected by the timing of the sale of 2017-2018 Western Reads books. The sale of 2016-2017 Western Reads books ($43,464) occurred at the end of June 2016 and contributed to FY 2016 sales. The sale of 2017-2018 Western Reads books ($46,258) occurred in July 2017 and did not contribute to FY 2017 sales. FY 2016 sales decreased $28,117 (-13.1%) from FY 2015 sales of $214,584. The general book department was without a buyer for six months of FY 2016 reducing the availability of new stock along with sales.

The Computer Accessories Department includes printer cartridges, USB flash drives, mice, accessory cables, batteries for charging tablets and blue-tooth enabled devices. Computer Accessories sales decreased $1,736 (-5.6%) from FY 2016 sales of $31,077 impacted by market driven price reductions. FY 2016 sales increased slightly by $990 (3.3%) from FY 2015 sales of $30,087 boosted by sales of charging cables.

Gift sales of $72,727 increased $7,258 (11.1%) from FY 2016 sales of $65,469 as a result of improved selections and merchandising. In FY 2016 sales decreased $18,030 (-21.6%) from 2015 sales of $83,499 primarily due to decreased sales of jewelry and decorative gifts. For six months of FY 2016 the Bookstore was without a non-emblematic gift buyer and phased out the sale of silver jewelry.

Sundries sales increased to $110,342, up $6,978 (6.8%) from FY 2016 sales of $103,364. Sales of backpacks continued to boost sundries sales. FY 2016 sales were up $17,400 (20.2%) from FY 2015 sales of $85,964 primarily due to increased sales of backpacks and health & beauty products.

Electronics sales of $78,424 were down $2,103(-2.6%) from FY 2016 sales of $80,527 due to decreased sales of calculators and audio/video devices. FY 2016 sales were up $6,178 (8.3%) from FY 2015 sales of $74,349 due to increased sales of audio/video devices.

Expenses by Major Source

FY 2017 total operating expenses (excluding Cost of goods sold) were $1,544,122, up $131,108 (9.3%) from FY 2016 due to increased salaries and benefits expense as a result of filling staff vacancies and recognizing salary expenditure related to pension liability. FY 2016 total operating expenses (excluding Cost of goods sold) were nearly flat (up $3,260 or 0.2%) from FY 2015.

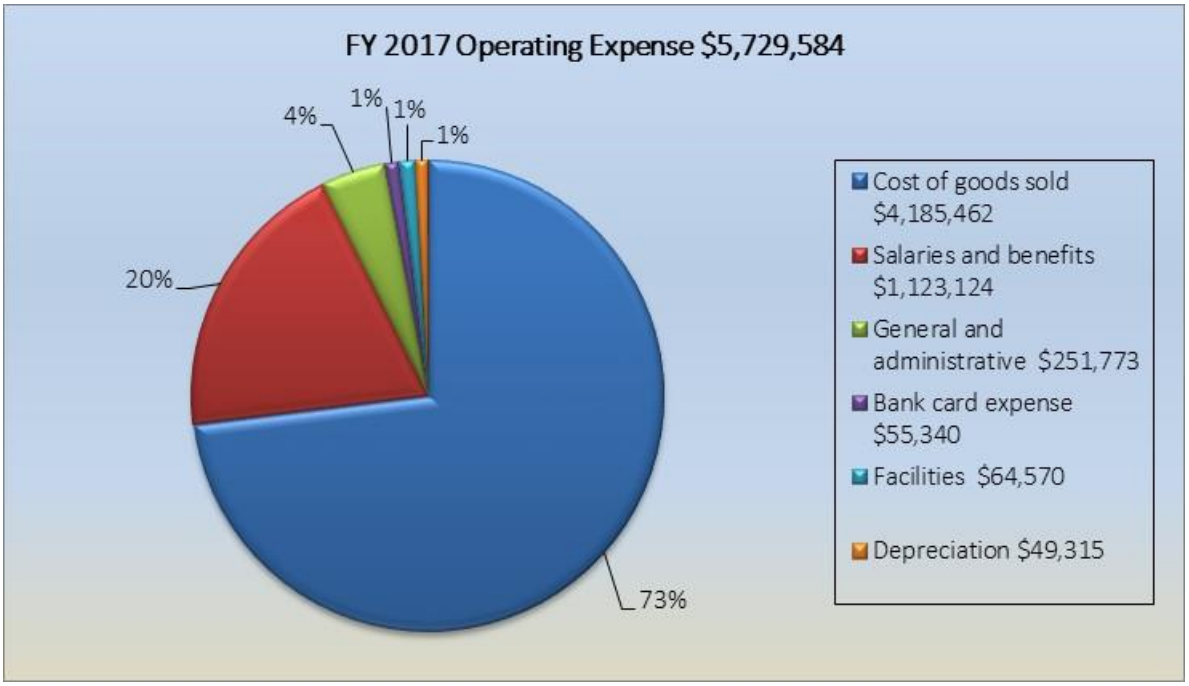
FY 2017 salaries and benefits were up $164,235 (17.1%) primarily due to pension expense recognition, and filling staff vacancies. In FY 2017, the Bookstore recognized $144,770 in net pension expenditures related to GASB 68 and GASB 73 compared to a net pension expenditures of $17,841 for FY 2016 (see Notes 6). Also, classified staff received a wage increase of 1.8% and professional staff received an increase of 2.5%. FY 2016 salaries and benefits were up $71,310 (8.0%) from FY 2015 due to the required restatement as the Bookstore adopted GASB Statement No. 73 pension liability reporting (see Note 1) combined with salary increases for professional and classified staff. Also during FY 2016 health care premiums increased $2,136 per eligible employee and a nearly 2.0% rate increase in certain defined benefit pension plans.

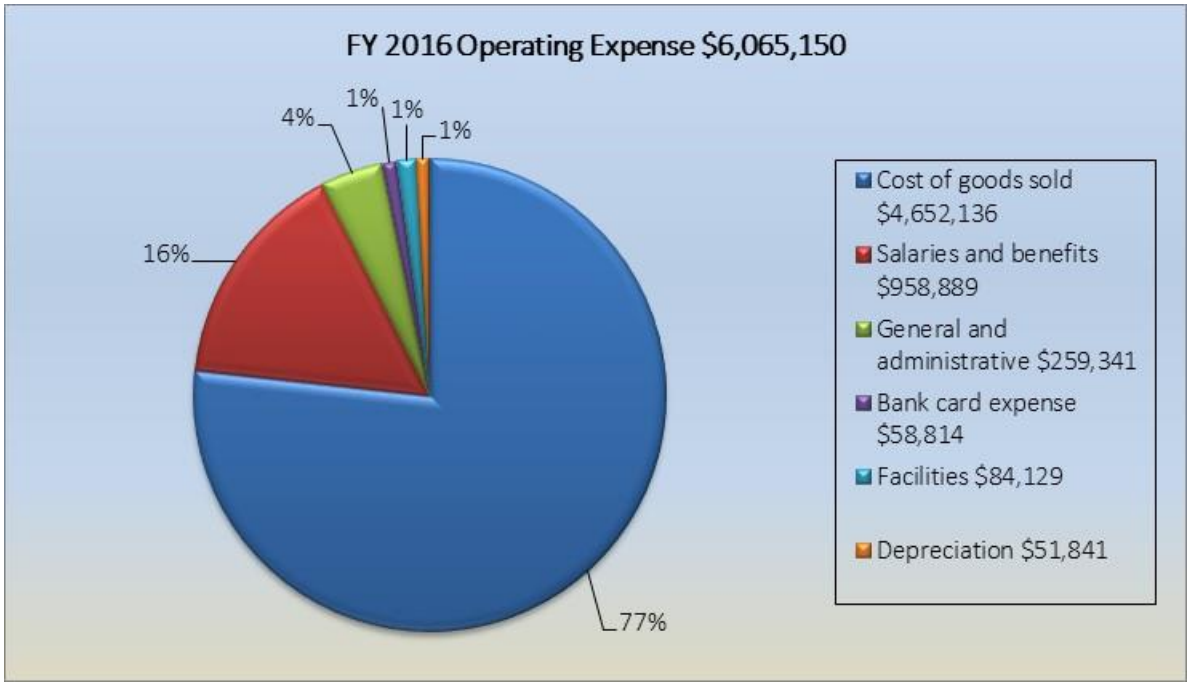
General and Administrative expenses decreased $7,568 (-2.9%) in FY 2017 impacted by decreases in postage & mail expense, print & copy center expense, purchased computer service expense, advertising expense and equipment expense. General and Administrative expenses decreased $31,678 (-10.9%) in FY 2016 primarily due to decreased supplies & materials expense, advertising expense, administrative assessment fees and travel expense.

During FY 2017, facilities expense decreased $19,559 (-23.2%) from FY 2016 largely due to decreased repair and maintenance expense. In FY 2016 facilities expense increased $3,297 (4.1%) from FY 2015 as a result of continued repair and maintenance projects that were started in the prior year which included resurfacing the retail stairways, conference room and staff breakroom floors. The staff breakroom and conference room were also painted.

Bank card expense decreased $3,474 (-5.9%) in FY 2017 impacted by decreased net sales. Bank card expense declined $2,628 (-4.3%) in FY 2016 due to decreased net sales.

Under the heading non-operating revenues (expenses) you find distributions from the Bookstore to the ASWWU along with distributions to Athletics that are part of a revenue sharing agreement (see Note 4). Total non-operating expenses in FY 2017 increased by $23,690 (111.8%) due to a net increase of $5,922 to the revenue sharing distributions along with a reduction of $23,076 (-52.4%) in the distribution from the ASWWU to the Bookstore. The FY 2017 distribution included funding for new registers, a networked printer, and AS branded reusable totes. Total non-operating expenses in FY 2016 decreased by $38,581 (-64.6%) due to a net reduction of $22,886 to the revenue sharing distributions along with an increase of $11,814 (36.7%) in the distribution from the ASWWU to the Bookstore. The FY 2016 distribution included funding for new registers, seven new computers, two new tents for outdoor events, AS branded reusable totes, and Verba software fees. Verba Compete software facilitates comparison shopping on the Bookstore's ecommerce site and Verba Collect allows the Bookstore to communicate more effectively with faculty about required course materials.





Economic Factors That Will Affect the Future

In FY 2017, the Bookstore partnered in a pilot project with a major publisher to provide inclusive access for one class. The Bookstore will further investigate the use of inclusive access which guarantees that all students have access to course materials on the first day of class.

FY 2018 salary and benefit expenses will be higher as a result of filling four vacant full-time staff positions during FY 2017. GASB Statements No. 68 and No. 73 requirements to recognize benefit expenditures related to pension liability will impact the Bookstore's net position for FY 2018 as pension liability may increase with full staffing. GASB Statement No. 75 will affect financial reporting relating to an unfunded liability for Other Post-Employment Benefits (OPEB) offered to retired employees. This net liability will be included in the Bookstores statements beginning with FY 2018. The financial impact of this statement is uncertain at this time.

In February of 2018, the Bookstore will relocate into a smaller temporary space in the Viking Union Multipurpose Room. The 18 month period of temporary relocation will require adjustments in business operations that will impact sales, expenses and operating results. The AS Bookstore is part of the redistribution of space with the construction of a new Multicultural Center.

Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

November 17, 2017

Board of Trustees
Western Washington University Associated Students Bookstore
Bellingham, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Associated Students Bookstore, Whatcom County, Washington, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Bookstore'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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bookstore'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 Bookstore'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, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Students Bookstore, as of June 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matter of Emphasis

As discussed in Note 1, the financial statements of the Western Washington University Associated Students Bookstore, a department of the University, are intended to present the financial position, and the changes in financial position, and cash flows of only the respective portion of the activities of the University that are attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of the University as of June 30, 2017 and 2016 and changes in its financial position, or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our 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 pension plan 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bookstore's basic financial statements. The Other Information is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated November 17, 2017, on our consideration of the Bookstore'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 Bookstore's internal control over financial reporting and compliance.

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF NET POSITION *June 30, 2017 and 2016*

Assets	2017	2016 Restated
Current assets		
Cash and cash equivalents (Note 2)	$320,351	$287,298
Investments (Note 2)	817,450	584,166
Receivables, net of allowance of $12,330 in 2017 and $8,986 in 2016 (Note 3)	483,151	620,919
Inventory	993,104	871,191
Prepaid expense	9,852	17,403
Total current assets	2,623,908	2,380,977
Noncurrent assets		
Investments (Note 2)	1,052,134	1,215,382
Capital assets, net (Note 5)	1,132,303	1,181,618
Total noncurrent assets	2,184,437	2,397,000
Total assets	4,808,345	4,777,977
Deferred Outflows		
Relating to pensions (Note 6)	72,720	25,776
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	241,527	283,351
Distribution payable to Associated Students of WWU	41,075	34,768
Distribution payable to WWU Athletics Department	41,977	42,362
Total current liabilities	324,579	360,481
Non current liabilities		
Pension liability (Note 6 , 8)	413,770	195,093
Total noncurrent liabilities	413,770	195,093
Total liabilities	738,349	555,574
Deferred Inflows		
Relating to pensions (Note 6)	15,073	42,036
Net Position		
Net investment in capital assets	1,132,303	1,181,618
Unrestricted	2,995,340	3,024,525
Total net position	$4,127,643	$4,206,143

See Notes to Financial Statements

	2017	2016 Restated
Operating Revenues		
Sales, net of discounts	$5,658,056	$6,091,137
Other operating revenue	37,906	37,127
Total Operating Revenue	5,695,962	6,128,264
Operating Expenses		
Cost of goods sold	4,185,462	4,652,136
Salaries and benefits	1,123,124	958,889
General and administrative expense	251,773	259,341
Facilities expense	64,570	84,129
Depreciation	49,315	51,841
Bank card expense	55,340	58,814
Total operating expenses	5,729,584	6,065,150
Income/(Loss) from operations	(33,622)	63,114
Nonoperating Revenues (Expenses)		
Investment income	17,236	11,928
Distribution from Associated Students of WWU	20,938	44,014
Distribution to Associated Students of WWU	(41,075)	(34,768)
Distribution to WWU Athletics Department	(41,977)	(42,362)
Total nonoperating revenues (expenses)	(44,878)	(21,188)
Increase (Decrease) in net position	(78,500)	41,926
Total Net Position, Beginning of Year	4,206,143	4,164,217
Total Net Position, End of Year	$4,127,643	$4,206,143

See Notes to Financial Statements

ASSOCIATED STUDENTS BOOKSTORE
STATEMENT OF CASH FLOWS

For the Years Ended
June 30, 2017 and 2016

	2017	2016 Restated
Cash Flows from Operating Activities		
Cash received from students and other customers	$5,833,730	$5,849,368
Payments to employees	(979,882)	(922,454)
Payments to suppliers	(4,711,803)	(4,963,327)
Net cash provided by operating activities	142,045	(36,413)
Cash Flows from Noncapital Financing Activities		
Distribution from Associated Students of WWU	20,938	44,014
Distribution to WWU Athletics Department	(42,362)	(41,455)
Distribution to Associated Students of WWU	(34,768)	(58,561)
Net cash used in noncapital financing activities	(56,192)	(56,002)
Cash Flows from Investing Activities		
Investment income received	17,236	11,928
Net purchases of investments in internal pool	(70,036)	(441,171)
Net cash flows used by investing activities	(52,800)	(429,243)
Net increase/(decrease) in cash and cash equivalents	33,053	(521,658)
Cash and cash equivalents, beginning of year	287,298	808,956
Cash and cash equivalents, end of year	$320,351	$287,298
Reconciliation of Operating Income to Net Cash Flows From Operating Activities		
Income from operations	($33,622)	$63,114
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	49,315	51,841
Net pension expense	144,770	17,841
Change in operating assets and liabilities		
Receivables	137,768	(278,896)
Accounts payable and accrued expenses	(41,824)	(7,554)
Prepaid expenses	7,551	(8,453)
Inventory	(121,913)	125,694
Net cash provided by operating activities	$142,045	($36,413)

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Associated Students of Western Washington University (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of course materials, supplies and general merchandise.

Financial Statements Presentation

These financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). The statements are special purpose reports reflecting the net position, results of operations, and cash flows of the 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 either the financial position, results of operations or changes in net position of WWU.

Basis of Accounting

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of $12,330 and $8,986 at June 30, 2017 and 2016 respectively, is adequate. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on the WWU's property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least $5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

Net Position

The Bookstore's net positions are classified as follows:

Net investment in capital assets. This category represents the Bookstore's total investment in capital assets.

Restricted, expendable. This category represents net position restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

Unrestricted. This category represents resources derived from operations and investing activities.

Classification of Revenues, Expenses, and Transfers

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

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

Operating expenses. Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

Non-operating expenses. Non-operating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

WWU, and the Bookstore as an auxiliary enterprise, 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.

Estimates

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

Administrative Services Assessment

WWU provides support to the Bookstore through cash management, accounting, human resources, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

Net Pension Liability

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

Restatement of Net Pension Obligations

During FY 2017, the Bookstore adopted GASB Statement No. 73 – Accounting and financial Reporting for Pensions and Related Assets That Are Not within the scope of GASB statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68. Statement No. 73 requires that the Bookstore record in its statements the net pension liability associated with the defined benefit of the university's retirement plan (WWURP) and to restate the net position of the earliest period presented (see Note 6). The benefits Expense and the Net Pension obligations amounts for FY 2016 increased by $37,629. The net pension liability information is provided to WWU by the office of State Actuaries.

Restatement

During FY 2015, the Bookstore adopted GASB Statement No. 68 "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27". Statement No. 68 requires that the Bookstore 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 $214,069. The net pension liability information is provided to the Bookstore by the Department of Retirement Systems (DRS) and the Office of State Actuary (OSA).

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The Bookstore's operating cash is part of the WWU's internal investment pool. The pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP), Commercial Paper and U.S. Treasury and Agency securities. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of

deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Commercial paper is rated A1+/P1 and US Treasury and Agency Securities are rated AA+/Aaa by Standard and Poors and Moody's.

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

Fair Value Measurement and Application

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

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

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

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

Level 3 - Unobservable inputs that are significant to the fair value measurement.

	Fair Value Measurements as of June 30, 2017 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total	Weighted Average Maturity (in years)
Cash and Cash Equivalents	$320,351	$ -	$ -	$320,351	0.003
Investments					
Commercial Paper	172,245	-	-	172,245	0.045
Certificates of deposit	86,150	-	-	86,150	2.532
U.S. Treasuries	-	428,939	-	428,939	1.688
U.S. Agencies	-	1,182,250	-	1,182,250	1.805
	$578,746	$ 1,611,189.00	$ -	$2,189,935	

	Fair Value Measurements as of June 30, 2016 using:				
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3		Weighted Average Maturity (in years)
Cash and Cash Equivalents	$287,298	$ -	$ -	$287,298	0.003
Investments					
Commercial Paper	75,239	-	-	75,239	0.090
Certificates of deposit	112,976	-	-	112,976	2.565
U.S. Treasuries	-	567,218	-	567,218	1.858
U.S. Agencies	-	1,044,115	-	1,044,115	2.882
	$475,513	$ 1,611,333.00	$ -	$2,086,846	

NOTE 3. RECEIVABLES

Receivables at June 30, 2017 and 2016 include:

	2017	2016
Credits due from publishers	$365,643	$508,221
Accounts receivable	117,508	112,698
	$483,151	$620,919

NOTE 4. REVENUE SHARING AGREEMENTS

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during FY 2007. The agreement states that the Bookstore will retain the first $25,000 of net income and will split any net income above the first $25,000 equally with the ASWWU. The agreement was extended until June 30, 2015 and is continuing to be honored. There was a distribution payable of $41,075 in FY 2017, and $34,768 in FY 2016.

Beginning in FY 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2017 and 2016 were $41,977 and $42,362 respectively.

NOTE 5. CAPITAL ASSETS, NET

The depreciation expense for the FY years ended June 30, 2017 and 2016 was $49,315 and $51,841 respectively.

Following are the changes in building and equipment for the years ended June 30, 2017 and 2016:

	June 30, 2016	Additions	Reductions	June 30, 2017
Building improvements	$1,867,033	$ -	$ -	$1,867,033
Fixtures and equipment	453,122	-	-	453,122
	2,320,155	-	-	2,320,155
Less accumulated depreciation	(1,138,537)	(49,315)	-	(1,187,852)
Building Improvements and Equipment,	$1,181,618	($49,315)	$ -	$1,132,303

	June 30, 2015	Additions	Reductions	June 30, 2016
Building improvements	$1,867,033	$ -	$ -	$1,867,033
Fixtures and equipment	453,122	-	-	453,122
	2,320,155	-	-	2,320,155
Less accumulated depreciation	(1,086,696)	(51,841)	-	(1,138,537)
Building Improvements and Equipment,	$1,233,459	($51,841)	$ -	$1,181,618

NOTE 6. 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 2 and the Western Washington University Retirement Plan (WWURP).

Bookstore employees in eligible positions are participants in WWURP and PERS plans 2 and 3. The Bookstore contributes to PERS 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 the plans. The Bookstore contributed $57,181, $54,680, and $45,088 to these plans in FY 2017, FY 2016 and FY 2015, respectively.

The Bookstore implemented Statement No. 68 of the Governmental Accounting Standards Board (GASB) *Accounting and Financial Reporting for Pensions* for the FY 2015 financial reporting. The Bookstore'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, the Bookstore 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 plans 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 the Bookstore, for FY 2017:

The following table represents the aggregate pension amounts for the WWURP plan subject to the requirements of GASB Statement No. 73 for the Bookstore, for FY 2017.

Bookstore	
Aggregate Pension Amounts - PERS 1,2 & 3	
Pension liabilities	(385,261)
Pension assets	-
Deferred outflows of resources related to pensions	72,720
Deferred inflows of resources related to pensions	(7,204)
Pension expense/expenditures	1,465

Aggregate Pension Amounts WWURP - Bookstore	
Pension liabilities	($28,509)
Pension assets	-
Deferred outflows of resources related to pensions	-
Deferred inflows of resources related to pensions	($7,869)
Pension expense/expenditures	($1,251)

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 the Bookstore offers its employees are comprised of one defined benefit pension plan and one defined benefit/defined contribution plan. Below are the DRS plans that the Bookstore offers its employees:

- Public Employees' Retirement System (PERS)
  - Plan 1 - defined benefit (UAAL Plan 2 & 3 participation is included in Plan 1)
  - Plan 2 - defined benefit
  - Plan 3 - defined benefit/defined contribution

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 plans is 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.

Supplemental Component

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The Bookstore makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal. During FY 2011, WWU amended the supplemental retirement plan, limiting participation to those individuals who were active participants on June 30, 2011.

This supplemental defined benefit plan component is subject to the reporting requirements of GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68."

Benefits Provided. Members are eligible to receive benefits under this plan at age 62 with 10 years of credited service. The monthly amount of benefits payable at the time of retirement exceeds one-twelfth of 2 percent of the member's average annual salary multiplied by the number of years of service (such product not to exceed

one-twelfth of fifty percent of the member's average annual Salary) over an assumed annuity benefit. The supplemental component was closed to new entrants as of July 1, 2011.

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

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, with the results rolled forward to the June 30, 2016, measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. 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, 2015, valuation were based on the results of the 2007-2012 Experience Study Report. Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report.

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

Discount Rate. The discount rate used to measure the total pension liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016, measurement date.

Plan Membership. Membership of the total Western Washington University Retirement Plan consisted of the following at June 30, the date of the latest actuarial valuation for the plan.

Number of Participating Members				
WWURP	Inactive Members (Or Beneficiaries) Currently Receiving Benefits	Inactive Members Entitled To But Not Yet Receiving Benefits	Active Members	Total Members
2016	48	1	646	695
2015	40		775	815

This data is not available at the auxiliary level.

Change in Total Pension Liability/ (Asset). The following table presents the change in total pension liability/ (asset) of the Higher Education Supplemental Retirement Plan WWURP at June 30, 2017, the latest measurement date:

Schedule of Changes in Total Pension Liability WWURP - Bookstore	
Total Pension Liability	**2017**
Service cost	$1,661
Interest	1,323
Changes of benefit terms	-
Differences between expected & actual experience	(8,294)
Changes in assumptions	(3,341)
Benefit payments	(469)
Other	-
Net Change in Total Pension Liability	**($9,120)**
Total Pension Liability - Beginning	**$37,629**
Total Pension Liability - Ending	**$28,509**

Aggregate Pension Amounts WWURP - Bookstore	
Pension liabilities	($28,509)
Pension assets	-
Deferred outflows of resources related to pensions	-
Deferred inflows of resources related to pensions	($7,869)
Pension expense/expenditures	($1,251)

Sensitivity of the Total Pension Liability/Asset to Changes in the Discount Rate. The following presents the total pension liability of WWU-Book Store 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.

WWURP-Bookstore Total Pension Liability (Asset) Interest Rate Sensitivity	
1% Decrease	$32,560
Current Discount Rate	$28,509
1% Increase	$25,134

WWURP-Bookstore	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$0	$5,609
Changes of assumptions	-	2,260
Net Difference between projected and actual earnings on pension plan investments	-	-
Change in proportion	-	-
Contributions subsequent to the measurement date	-	-
Total	$0	$7,869

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:

WWURP-Bookstore	
2018	($1,380)
2019	(1,380)
2020	(1,380)
2021	(1,380)
2022	(1,380)
Thereafter	(967)

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.

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 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 2 employer and employee contribution rates and Plan 3 employer contribution rates. Contribution requirements are established and amended by state statute.

Members in 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 FY 2017 and FY 2016 are presented in Table form later in this note.

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015 with the results rolled forward to the June 30, 2016 measurement date using the following actuarial assumptions, applied to all periods included in the measurement:

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

Mortality rates were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries. 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, 2015, 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 2015 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, adjusted to remove or dampen any short-term changes to WSIB's CMAs that aren't expected over the entire 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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
Total	100%	

The inflation component used to create the above table is 2.20 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 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, 2017 and 2016, the Bookstore reported $167,027 and $194,664 respectively for its proportionate share of the collective net pension liability for PERS 1; a net pension liability of $218,236 and $157,464 were reported for PERS 2/3 in 2017 and 2016 respectively. The Bookstore's proportion for PERS 1 in FY 2017 was 0.0031 percent, a decrease of 0.0006 percent since the prior reporting period when its proportionate share was 0.0037 percent. The Bookstore's proportion for PERS 2/3 in FY 2017 was 0.0043 percent, resulting in a decrease of 0.0001 percent from the prior reporting period when its proportionate share was 0.0044 percent. The proportions are based on the Bookstore'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 the Bookstore 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 Bookstore's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$201,417
Current Discount Rate	$167,027
1% Increase	$137,431

PERS 2/3 Bookstore's proportionate share of Net Pension Liability (Asset)	
1% Decrease	$401,811
Current Discount Rate	$218,236
1% Increase	($113,604)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the years ending June 30, 2017 and 2016, the Bookstore recognized a PERS 1 pension expense of $(31,843) and $0 respectively; a pension expense of $33,307 and $(19,788) was recognized for PERS 2/3 in 2017 and 2016 respectively. At June 30, 2017, PERS 1 and PERS 2/3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Bookstore PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$0	$0
Changes of assumptions	-	-
Net Difference between projected and actual earnings on pension plan investments	4,205	-
Change in proportion	-	-
Contributions subsequent to the measurement date	25,347	-
Total	$29,552	$0

Bookstore PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$11,621	$ 7,204
Changes of assumptions	2,256	-
Net Difference between projected and actual earnings on pension plan investments	26,706	-
Change in proportion	(19,373)	-
Contributions subsequent to the measurement date	21,958	-
Total	$43,168	$7,204

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

PERS 1	
2017	($1,035)
2018	($1,035)
2019	$3,862
2020	$2,414
2021	-
Thereafter	-

PERS 2/3	
2017	$1,065
2018	$974
2019	$7,580
2020	$4,386
2021	-
Thereafter	-

TABLE 1: Required Contribution Rates

Required contribution rates expressed as a percentage of current year covered payroll are shown below. The University Bookstore and the employees made the required contributions. The required contributions for the years ending June 30 are as follows:

	Contribution Rates at June 30, 2017		Required Employer Contributions		
	Employee	University	FY 2017	FY 2016	FY 2015
PERS					
Plan 2	6.12%	11.18%	$42,265	$38,778	$33,918
Plan 3	5.00-15.00% **	11.18% *	4,379	6,181	3,186

*Plan 3 defined benefit portion only.

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

University contribution rate includes an administrative expense rate of 0.0018.

	Contribution Rates at June 30, 2016		Required Employer Contributions		
	Employee	University	FY 2016	FY 2015	FY 2014
PERS					
Plan 2	6.12%	11.18%	$38,778	$33,918	$39,477
Plan 3	5.00-15.00% **	11.18% *	6,181	3,186	3,021

*Plan 3 defined benefit portion only.

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

University contribution rate includes an administrative expense rate of 0.0018.

NOTE 7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

WWU funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. WWU is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

NOTE 8. NON-CURRENT LIABILITIES

Following are the changes in long-term liabilities for the years ended June 30, 2017 and 2016:

	6/30/2016	Additions/ Amortization	Decreases/ Retirements	6/30/2017	Current Portion
Non-Current Liabilities					
Pension Obligations	$195,093	$218,677	$ -	$413,770	$ -
Total Non-current Liabilities	$195,093	$218,677	$ -	$413,770	$ -

	6/30/2015	Additions/ Amortization	Decreases/ Retirements	6/30/2016	Current Portion
Non-Current Liabilities					
Pension Obligations	$110,059	$85,034	$ -	$195,093	$ -
Total Non-current Liabilities	$110,059	$85,034	$ -	$195,093	$ -

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REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of the Bookstore's Proportionate Share of the Net Pension Liability

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

	2014	2015	2016
Bookstore PERS 1 employers' proportion of the net pension liability	0.004229%	0.003497%	0.003386%
Bookstore PERS 1 employers' proportionate share of the net pension liability	$239,217	$194,664	$167,027
Bookstore PERS 1 employers' covered-employee payroll	$440,536	$382,131	$397,964
Bookstore PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.30%	50.94%	41.97%
Plan fiduciary net position as a percentage of the total pension liability	61.19%	59.10%	57.03%

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

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans
Schedule of the Bookstore's Proportionate Share of the Net Pension Liability

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

	2014	2015	2016
Bookstore PERS 2/3 employers' proportion of the net pension liability	0.005445%	0.004521%	0.004334%
Bookstore PERS 2/3 employers' proportionate share of the net pension liability	$110,059	$157,465	$218,236
Bookstore PERS 2/3 employers' covered-employee payroll	$468,660	$400,853	$412,376
Bookstore PERS 2/3 employers' proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.48%	39.28%	52.92%
Plan fiduciary net position as a percentage of the total pension liability	93.29%	89.20%	85.82%

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

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

PENSION PLAN INFORMATION

Cost Sharing Employer Plans

Schedule of the Bookstore's Proportionate Share of the WWURP Total Pension Liability

Schedule of WWU's Total Pension Liability
WWURP - Bookstore
Fiscal Year ended June 30*
(dollars in thousands)

	2016	2017
WWU URP total pension liability	$38	$29
WWU URP employers' covered-employee payroll	$91	$93
WWU URP total pension liability as a percentage of its covered-employee payroll	41.56%	30.72%

* 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
Bookstore

Fiscal Year	Contractually Required Contributions	Contributions related to covered payroll of employees Participating in PERS plan 1	UAAL Contributions related to covered payroll of employees Participating in PERS plan 2/3	Total Contributions in relation to the Actuarially Determined Contributions	Contribution deficiency (excess)	Covered payroll of employees participating in PERS 1	Covered payroll of employees participating in PERS 2/3	Total Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2015	$ 16,392	$ -	$ 16,392	$ 16,392	$ -	$ 14,951	$ 367,181	$ 382,131	4.29%
2016	$ 19,519	$ -	$ 19,519	$ 19,519	$ -	$ 13,614	$ 384,349	$ 397,964	4.90%
2017	$ 19,906	$ -	$ 19,906	$ 19,906	$ -	$ 10,818	$ 392,088	$ 402,906	4.94%
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
Bookstore

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	$ 20,523	$ 20,523	$ -	$ 400,853	5.12%
2016	$ 25,440	$ 25,440	$ -	$ 412,376	6.17%
2017	$ 26,000	26,000	$ -	$ 417,464	6.23%
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
WWURP Plan - Bookstore
Fiscal Year Ended June 30

Fiscal Year	Contractually Required Contributions	Contributions in relation to the Contractually Required Contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered-employee payroll
2016	$9,053	$9,053	$0	$90,533	10.00%
2017	$9,280	$9,280	$0	$92,796	10.00%
2018					
2019					
2020					
2021					
2022					
2023					
2024					
2025					

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

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OTHER INFORMATION

FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION
Years ended June 30, 2017, 2016, 2015, 2014, and 2013

Assets	2017	2016	2015	2014	2013
Current assets	$2,623,908	$2,380,977	$2,615,877	$2,520,680	$2,533,957
Non-current assets	1,052,134	1,215,382	899,314	838,546	592,301
Capital Assets	1,132,303	1,181,618	1,233,459	1,275,866	1,327,887
Total assets	4,808,345	4,777,977	4,748,650	4,635,092	4,454,145
Deferred outflows	72,720	25,776	33,211		
Liabilities					
Accounts payable and accruals	241,527	283,351	290,905	218,846	219,108
Pension liability	413,770	195,093	110,059		
Due to other WWU departments	83,052	77,130	100,016	142,075	87,464
Total liabilities	738,349	555,574	500,980	360,921	306,572
Deferred inflows	15,073	42,036	116,664		
Total Net Position	$4,127,643	$4,206,143	$4,164,217	$4,274,171	$4,147,573
Current ratio (current assets/current liabilities)	8.08	6.60	6.69	6.98	8.27
Return on assets (change in net postion/total assets)	-1.6%	0.9%	-2.3% *	2.7%	1.6%

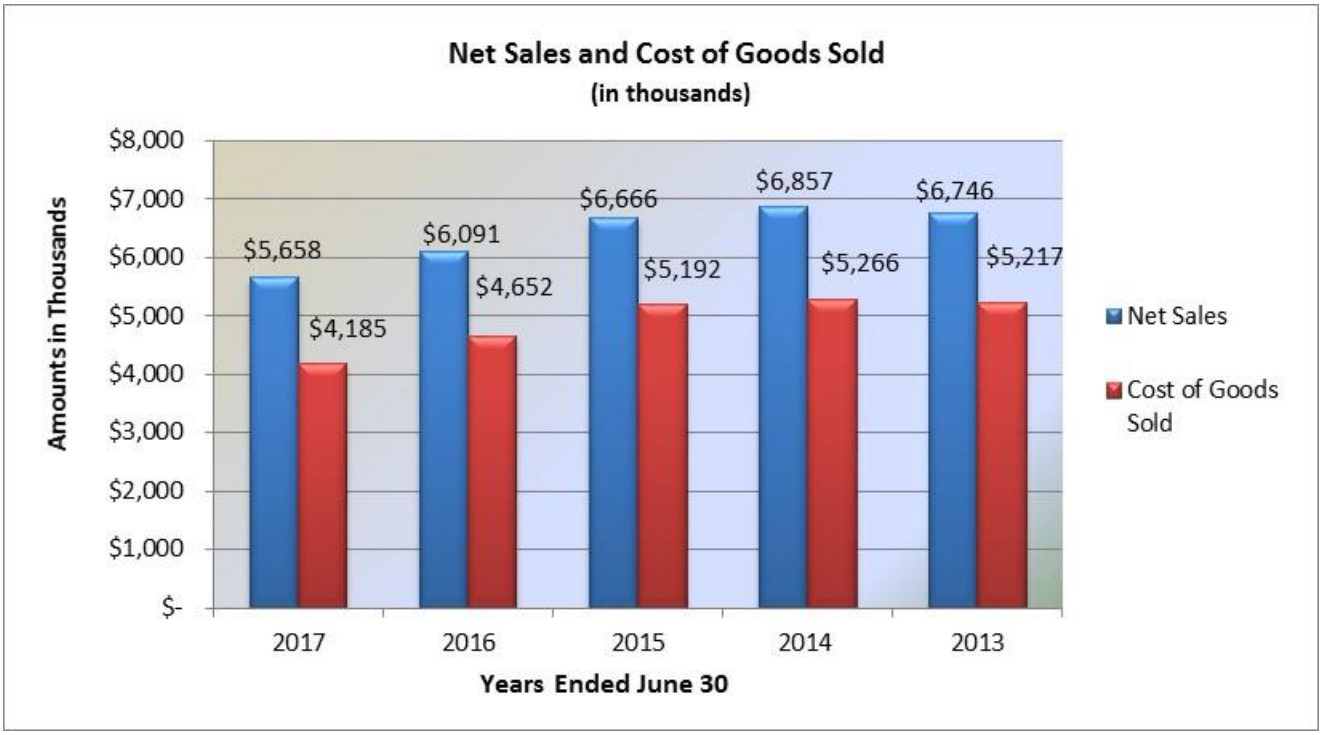
* During fiscal 2015, the Bookstore implemented GASB Statement No. 68 - Reporting for pensions - which required the Bookstore to recognize its share of the net pension liability of the defined benefit plans and restate fiscal 2015 beginning net position. This restatement caused the decrease in ROA.

FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES
Years ended June 30, 2017, 2016 2015, 2014, and 2013

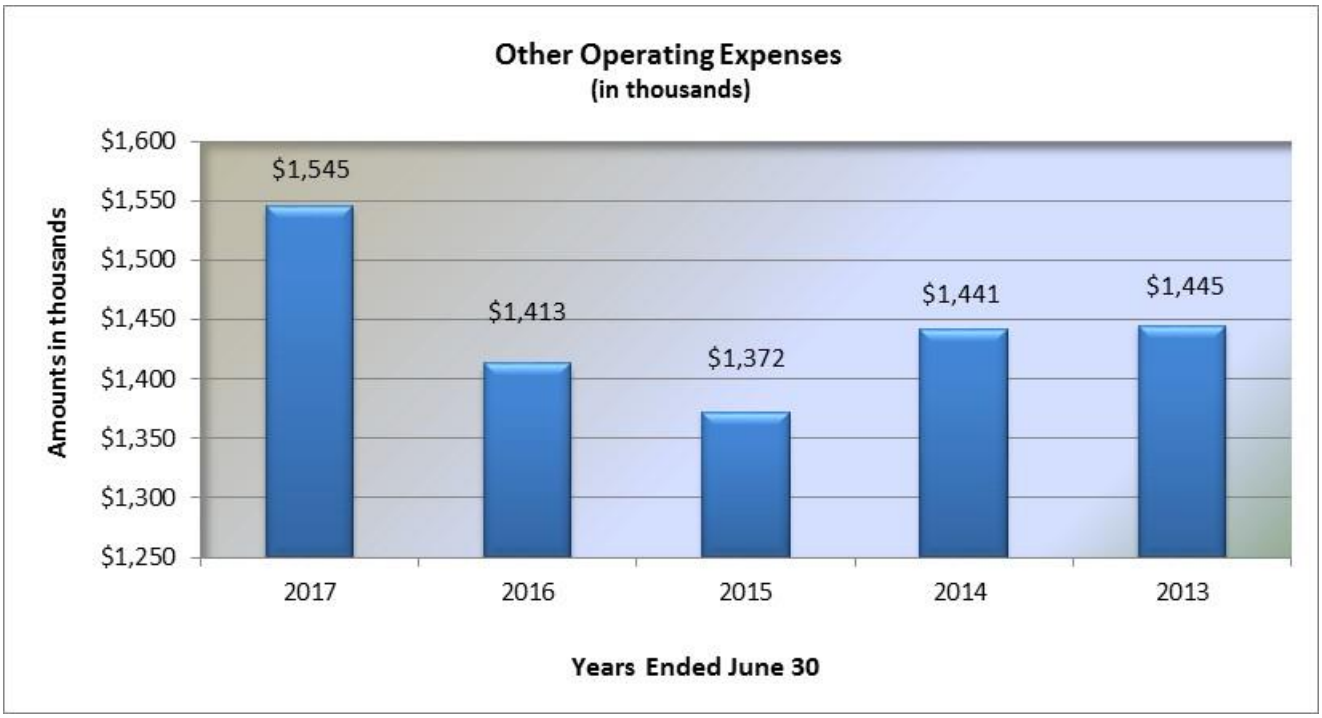
	2017	2016	2015	2014	2013
Net sales	$5,658,056	$6,091,137	$6,666,612	$6,857,195	$6,745,860
Other Operating Revenue	37,906	37,127	61,757	62,909	69,114
Total Operating Revenue	5,695,962	6,128,264	6,728,369	6,920,104	6,814,974
Operating expenses					
Cost of goods sold	4,185,462	4,652,136	5,192,360	5,265,778	5,217,483
Salaries and benefits	1,123,124	958,889	887,579	999,942	1,003,125
General and administrative expense	251,773	259,341	291,019	266,155	256,220
Facilities expense	64,570	84,129	80,832	58,529	63,615
Depreciation	49,315	51,841	51,253	52,021	51,319
Bank card expense	55,340	58,814	61,442	64,776	70,428
Total operating expense	5,729,584	6,065,150	6,564,485	6,707,201	6,662,190
Income (loss) from operations	(33,622)	63,114	163,884	212,903	152,784
Nonoperating revenues (expenses)					
Investment income	17,236	11,928	8,047	5,770	5,051
Distribution from Associated Students of WWU	20,938	44,014	32,200	50,000	-
Distribution to Associated Students of WWU	(41,075)	(34,768)	(58,561)	(101,597)	(45,404)
Distribution to WWU Athletics Department	(41,977)	(42,362)	(41,455)	(40,478)	(42,060)
Total nonoperating revenues (expenses)	(44,878)	(21,188)	(59,769)	(86,305)	(82,413)
Increase (decrease) in net position	($78,500)	$41,926	$104,115	$126,598	$70,371
Gross profit percentage (gross profit/net sales)	26.0%	23.6%	22.1%	23.2%	22.7%

* Beginning with fiscal 2013, freight out costs for returned merchandise are included in costs of goods sold rather than an operating expense.

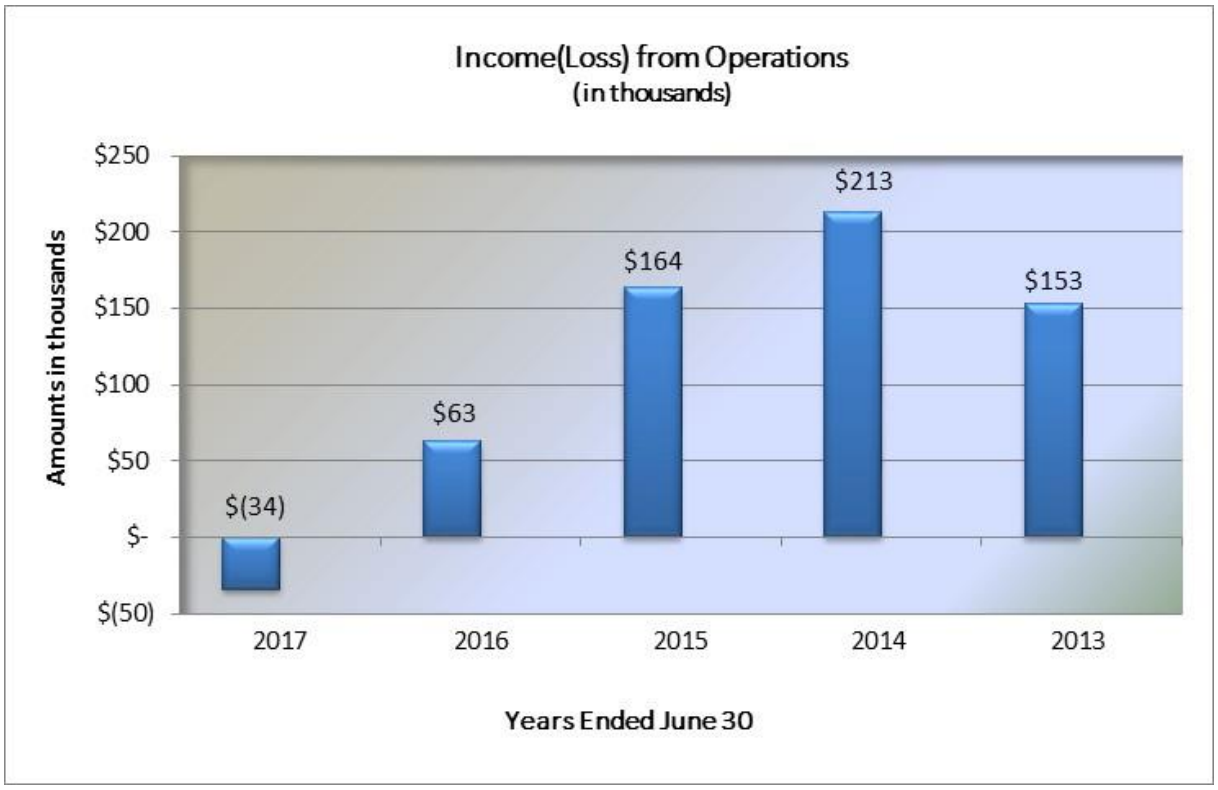
FIVE-YEAR NET SALES AND COST OF GOODS SOLD

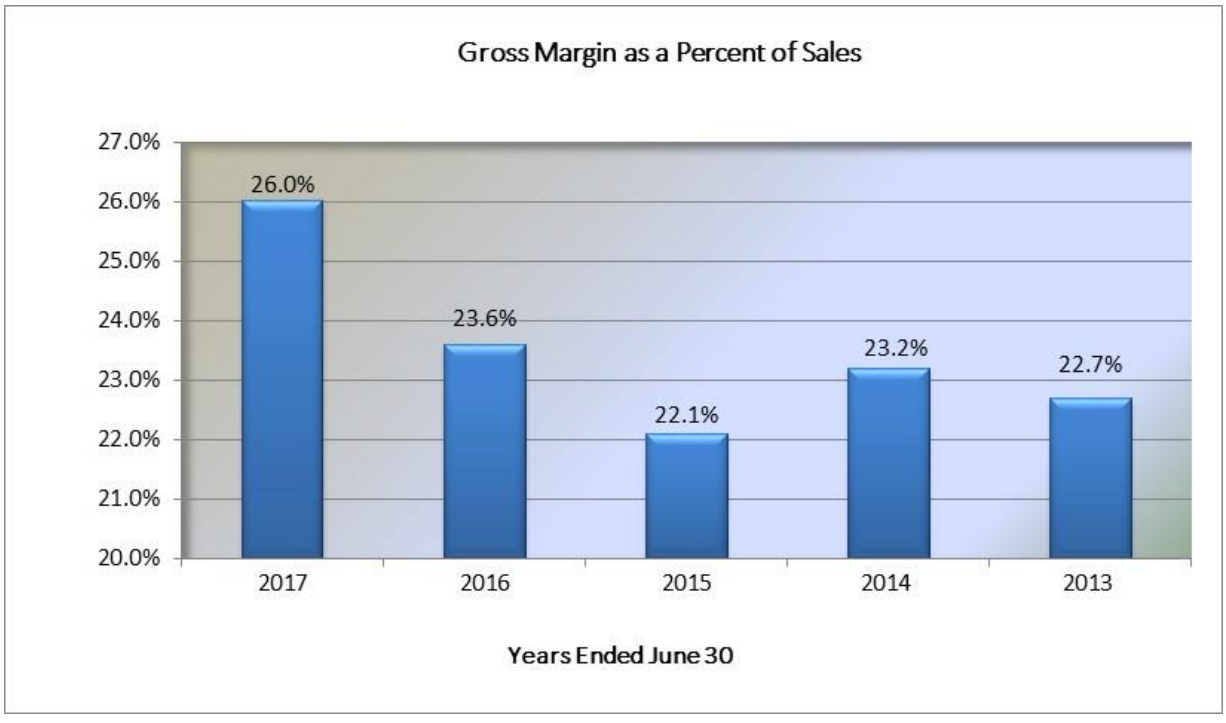


FIVE-YEAR OTHER OPERATING EXPENSES



FIVE-YEAR INCOME(LOSS) FROM OPERATIONS AND
GROSS MARGIN AS PERCENTAGE OF SALES





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