EASTERN
WASHINGTON UNIVERSITY

start something **big**

2015 FINANCIAL REPORT

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Our Mission

EWU expands opportunities for personal transformation through excellence in learning.

EWU achieves this mission by:

- fostering excellence in learning through quality academic programs, undergraduate and graduate student research and individual student-faculty interaction. Students extend their learning beyond the classroom through co-curricular programs, life skills development, internship programs, volunteering and service learning.
- creating environments for personal transformation that enrich the lives of individuals, families, communities and society at large.
- expanding opportunity for all students by providing critical access to first generation students, underserved populations, place-bound students, and other students who may not have the opportunity for higher education.
- developing faculty and staff by growing and strengthening an intellectual community and supporting professional development.

LETTER FROM THE PRESIDENT

Since coming to Eastern in 2014, I have worked with university leadership to focus our vision on student success. We are committed to ensuring that all EWU students have clear pathways to their degrees. In fall 2015, we welcomed a record 1,711 freshmen. Of those first-year students, 34 percent come from diverse backgrounds. In the overall EWU student body, nearly half will be the first in their family to receive a degree.

EWU remains the most affordable public university in the state. Unprecedented tuition cuts make it even more accessible. Yet we must continue to explore innovative ways to help students stay enrolled. That is why I launched Eastern's first student scholarship campaign, Inspire Awesome. By December 2015, EWU had raised $1.1 million in scholarship support. Those numbers continue to grow.

Engaged faculty and staff, state-of-the-art advising, three-year degree options, a powerful First-Year Experience, and rigorous academic degree programs also reflect EWU's dedication to student success in college and after graduation.

All our work must rest on a strong financial foundation. Effective, responsible financial stewardship is key to student success, key to our mission of transforming students' lives. Thus, I am pleased to present Eastern Washington University's annual financial statements for your review.

Sincerely,

Mary Cullinan, PhD
EWU President

Washington State Auditor's Office

INDEPENDENT AUDITOR'S REPORT

February 16, 2016

Board of Trustees
Eastern Washington University
Cheney, 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 Eastern Washington University, Spokane 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Eastern 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 audits 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 units of the Eastern 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 Eastern Washington University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2015, 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*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 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 opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The information identified in the table of contents as the Introductory Section is presented for 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 have also issued our report dated February 16, 2016 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.

TROY KELLEY

STATE AUDITOR

Management's Discussion and Analysis

The following discussion and analysis provides an overview of the financial position and activities of Eastern Washington University ("the University") for the fiscal year ended June 30, 2015, with comparative 2014 and 2013 financial information. This MD&A provides the readers an objective and easily readable analysis of the University's financial performance for the year, based on currently known facts and conditions. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying footnotes to the financial statements.

Reporting Entity

Eastern Washington University, one of six state-assisted public institutions of higher education in the state of Washington, provides baccalaureate and graduate educational programs for about 13,450 students. The University was established in 1882 and its primary purpose is to prepare individuals for successful contributions to society throughout their careers and in their leadership role as citizens.

The University's main campus is located in Cheney, Washington, a community of approximately 11,400 residents. Eastern also offers a variety of upper division and graduate programs at the EWU Spokane campus and at various locations throughout the state of Washington. For example, through a collaborative agreement, our university center at Bellevue College offers upper division courses for selected bachelor degree programs leading to a four-year degree awarded by Eastern Washington University.

The University is governed by an eight-member Board of Trustees appointed by the governor of the state with the consent of the Senate. One of the members is a full time student of the University. By statute the Board of Trustees has full control of the University and its property of various kinds, except as otherwise provided by law.

Using the financial statements

The University reports as a business-type activity as defined by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended. Under this model, the financial report consists of three statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* requires a university to report an organization that raises and holds economic resources for the direct benefit of a government unit. Under this requirement the EWU Foundation is a component unit of the University and their financial statements are incorporated in this financial report.

Impact from Changes in Reporting Requirements

GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented for the fiscal year ending June 30, 2015, which have significant implications for all public colleges and universities with defined-benefit pension plans. The cost of pension expense is now recognized during the employee service period – the time worked until separation or retirement. Each employer's proportionate share of the net pension liability is calculated based on the employer's annual contributions as a percentage of the contributions of all participating employers, and reported on the statement of net position along with deferred inflows and outflows relating to changes in the net pension liability. An adjustment to beginning net position for fiscal year 2015 was necessary to give a retroactive effect to the implementation of the standard. Fiscal year 2014 and 2013 information in this discussion has not been adjusted for comparative presentation. Deferred outflows are defined as a consumption of net assets that is applicable to a future reporting period. Deferred inflows are defined as an acquisition of net assets that is applicable to a future period.

Statement of Net Position

The Statement of Net Position presents the financial position of the University at the end of the last two fiscal years and reports all assets and liabilities of the University. This statement represents the assets available to continue operations of the institution and also identifies how much the institution owes vendors, investors and lenders.

A summarized comparison of the University's assets, liabilities and net position as of June 30, 2015, 2014 and 2013, follows.

Condensed Statement of Net Position
As of June 30 (in thousands)

	2015	2014	2013
Assets			
Current assets	$ 94,092	$ 76,819	$ 88,061
Capital assets, net of depreciation	303,330	304,790	293,312
Other non-current assets	66,626	76,313	60,084
Total Assets	464,048	457,922	441,457
Deferred outflows of resources	2,892	41	51
Liabilities			
Current liabilities	22,296	18,022	19,302
Non-current liabilities	85,583	67,535	66,427
Total Liabilities	107,879	85,557	85,729
Deferred inflows of resources	8,082	-	-
Net Position	$ 350,979	$ 372,406	$ 355,779

Current assets consist primarily of cash, short term investments, accounts receivables and inventories. The change in current assets is mainly from reallocations between cash and short- and long-term investments.

Liabilities include amounts payable to suppliers for goods and services, accrued payroll and related liabilities, bond debt, deposits held for others, and unearned revenues. Current liabilities fluctuate between years due mostly to the timing of vendor payables for capital asset improvements. In FY15, the University established a faculty twelve month pay program, which allows qualifying faculty working on a nine month contract to be paid over a full year. At the end of the fiscal year, this caused an increase in accrued payroll liabilities. Noncurrent liabilities increased almost exclusively due to the net pension liability created by GASB 68, which recognizes the University's proportionate share of the overall net liability of all employers participating in the state administered defined benefit retirement plans.

Deferred outflows of resources and deferred inflows of resources relate primarily to the University's adoption of GASB 68. Deferred outflows consist mostly of pension contributions made after the measurement date for the net pension liability, while deferred inflows relate to differences between projected and actual investment earnings on pension plan investments.

Liquidity is an important indicator of financial stability which can be measured by the number of days an institution is able to operate using unrestricted cash and investments that can be liquidated and spent within one year. Over the past couple years the University has maintained its ability to cover operating costs (see ratios later in this section). Within the industry, it is generally considered prudent to maintain reserves to cover operating expenses for at least 60 to 90 days. At fiscal yearend the University has significantly better liquidity coverage than the industry average.

Net position, the difference between assets plus deferred outflows less liabilities and deferred inflows, is a broad indicator of the financial condition of the University. The change in net position measures whether the overall financial condition has improved or worsened during the year. The University reports its net position in four categories:

Net Investment in Capital Assets – This is the University's investment in property, plant and equipment, net of accumulated depreciation and the amount of outstanding debt related to those capital assets.

Restricted-Nonexpendable – This category consists of funds on which the donor or external party has imposed a restriction. Permanent endowments are the primary origin of nonexpendable funds; the corpus is available for investment only.

Restricted Expendable – This category includes resources which the University is legally or contractually obligated to spend in accordance with the time or purpose restrictions on the use of the asset placed upon them by donors or other external parties. The primary expendable funds for the University are student loans, capital project funds, and the spendable portion of endowments. Balances fluctuate with the timing of capital project expenditures, contributions to permanent endowments, and other conditions.

Unrestricted – These are all other funds available to the University for the general and educational obligations to meet current expenses for any purpose. Unrestricted net assets are not subject to externally imposed stipulations; however, the University has designated the majority of unrestricted net assets for various academic programs and university support functions such as auxiliary enterprises and service funds.

Net position at June 30, 2015, 2014 and 2013 is summarized as follows:

Condensed Net Position

As of June 30 (in thousands)

	2015	2014	2013
Invested in capital assets, net of related debt	$ 249,085	$ 248,641	$ 243,239
Restricted:			
Non-expendable	5,910	5,938	5,809
Expendable	21,251	23,018	20,126
Unrestricted	74,733	94,809	86,605
Total net position	$ 350,979	$ 372,406	$ 355,779

The change in net position is driven by the difference between revenues and expenses. The primary factor that contributed to the decrease in net position is the implementation of GASB No. 68, which required a restatement to FY15 beginning net position to give a retroactive effect to the standard. Beginning in February 2010 along with other executive order restrictions, a statewide freeze on wage increases persisted through June 2013. As economic conditions began to improve over the past few years, university leaders moved forward under fiscal caution keeping operating costs and other direct expenses well below budgeted levels.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position provides information about the operating performance of the University. The statement classifies revenues and expenses as either operating or non-operating. Under current reporting guidelines, state appropriations are classified as non-operating revenues though such funding is used to cover operating expenses. To better assess the University's financial health, include all revenue sources and focus on the increase (or decrease) in net position. A summarized comparison of the University's operating performance and ending net position follows for the fiscal years ended June 30:

Condensed Statement of Revenues, Expenses and Changes in Net Position

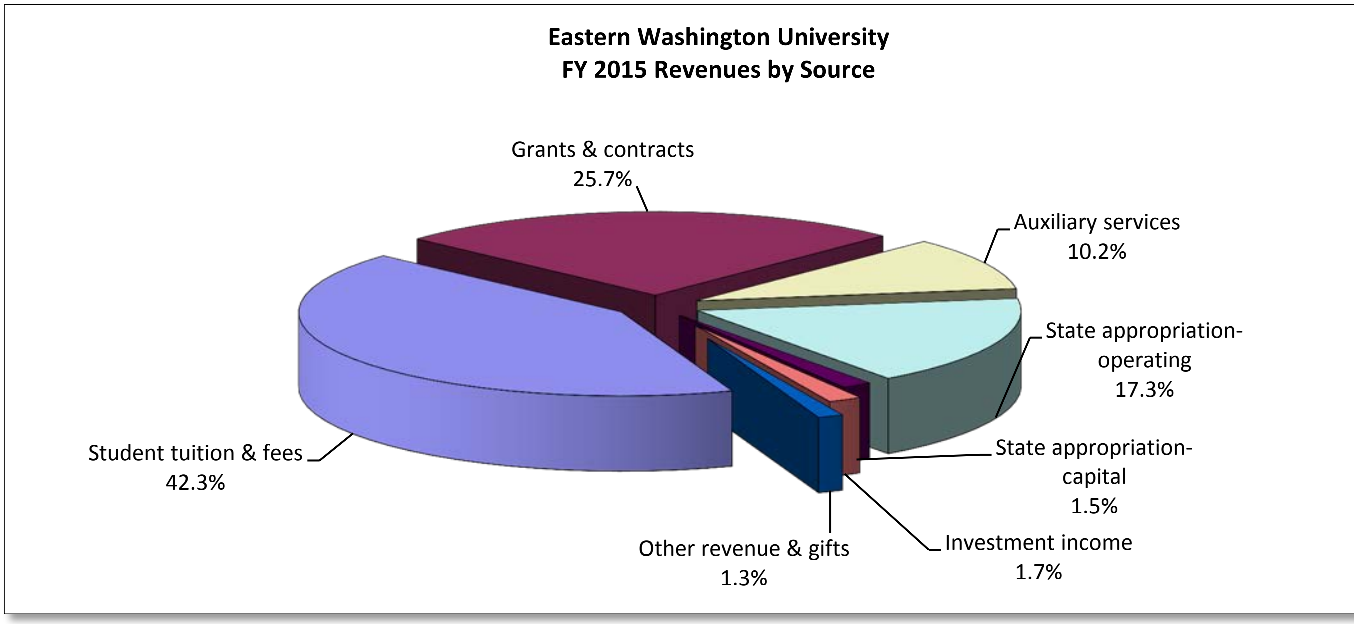
For the year ended June 30 (in thousands)

	2015	2014	2013
Operating revenue	$ 156,627	$ 143,838	$ 140,566
Operating expenses	218,597	203,538	190,626
Net operating loss	(61,970)	(59,700)	(50,060)
Non-operating revenues	62,818	65,210	60,643
Non-operating expenses	2,310	2,195	1,451
Income/(loss) before other revenues	(1,462)	3,315	9,132
Other revenues and expenses	3,360	13,312	17,244
Increase in net position	1,898	16,626	26,376
Net position, beginning of year	372,406	355,779	329,403
Adjustment to beginning net position	(23,325)	-	-
Net position, end of year	$ 350,979	$ 372,406	$ 355,779

Operating and Non-operating Revenues

Operating revenues consist primarily of tuition and fees, sponsored program revenue (i.e., grants and contracts), and sales and services revenue generated by auxiliary enterprises and other support operations. Non-operating revenues consist primarily of state appropriations, investment income and Pell grants for student financial aid. Other revenues and expenses are derived almost entirely from state capital project appropriations with a small portion coming from gifts to permanent endowments.

The illustration below shows revenues by source (both operating and non-operating) used to fund the University's programs for the year ended June 30, 2015. The ensuing table compares revenues by source for fiscal years ended 2015, 2014 and 2013.



Revenues by Source *(in thousands)*
For the year ended June 30

	2015		2014		2013	
Student tuition & fees	$ 94,310	42.3%	$ 89,280	40.2%	$ 88,337	40.2%
Grants & contracts	57,166	25.7%	51,741	23.3%	49,389	22.5%
Auxiliary services	22,822	10.2%	20,916	9.4%	20,167	9.2%
State appropriation-operating	38,573	17.3%	40,070	18.0%	36,535	16.6%
State appropriation-capital	3,360	1.5%	13,312	6.0%	18,584	8.5%
Investment income	3,722	1.7%	5,058	2.3%	3,683	1.7%
Other revenue & gifts	2,852	1.3%	1,983	0.9%	3,099	1.3%
Total	$ 222,805	100.0%	$ 222,360	100%	$ 219,794	100%

Tuition, other student fees, and state operating appropriations are the primary sources of funding for the University's academic programs. Eastern Washington University's 2013-15 biennial state appropriations decreased approximately 30 percent from 2007-09 levels. During the economic recession and extended periods of reduced state funding, the legislature has given measured authority to increase tuition rates for selected categories and some institutional discretion for other categories as needed.

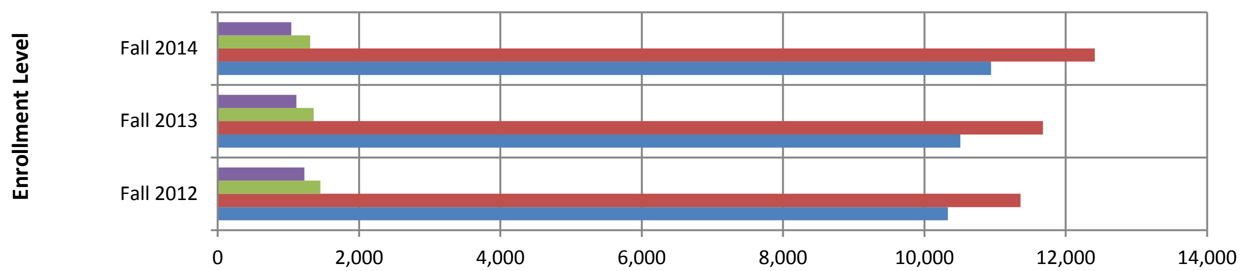
The University increasingly looks to tuition and other student fees to help offset reductions of state operating appropriations and to continue growing and transforming the University. Most tuition rates were increased for each of the three academic years as shown in the following table. However, there was no increase in resident undergraduate tuition for FY15 or FY14, the largest population and revenue source among all class standings. Total net student tuition and fee revenue increased in part due to these tuition increases, enrollment growth and program related fees.

Full-Time Quarterly Tuition and S&A Fee Rates (10 through 18 credits) with Percentage Increase over Prior Year

Academic Year	Resident Undergraduate	Increase over Prior Year	Resident Graduate	Increase over Prior Year	Nonresident Undergraduate	Increase over Prior Year	Nonresident Graduate
2014-15	2,457	0%	3,640	6%	6,822	6%	8,462
2013-14	2,457	0%	3,445	7%	6,447	7%	7,994
2012-13	2,457	10%	3,233	9%	6,039	11%	7,484

Managing enrollment growth during periods of economic downturn continues to be a challenge for the University. State operating appropriations continue to fluctuate while student enrollment has grown. The challenge is to cultivate sustainable growth while continuing to provide affordable learning opportunities. Maintaining the institution's fiscal health is the cornerstone for meeting this challenge.

Eastern Washington University
Student Enrollment for Fall 2012-2014



	Fall 2012	Fall 2013	Fall 2014
Graduate and Professional (Headcount)	1,227	1,113	1,042
Graduate and Professional (FTE)	1,451	1,358	1,309
Undergraduate (Headcount)	11,360	11,678	12,411
Undergraduate (FTE)	10,331	10,508	10,945

Source: EWU Institutional Research. All enrollment including non-matriculated, continuing education, online students.

With continued uncertainty in state support, dependency on tuition and fee revenues grows greater for covering the cost of providing educational and related support services. This funding shift impacts the timing and scale of institutional growth. To assess progress and monitor financial health the University monitors a variety of indicators that focus on enrollment in connection with tuition rates, state funding levels, and the related financial impact on students and their families.

Financial Indicator	Definition	Calculation	FY13	FY14	FY15
Tuition dependency ratio (%)	Helps measure sensitivity to changes in enrollment levels	Net tuition and fees plus governmental grants to the institution for student tuition divided by the sum of operating and non-operating revenues	62.6	62.0	62.7
Unrestricted financial resources-to-operations (x)[1]	Measures coverage of annual operations by the most liquid resources	Unrestricted net assets divided by total adjusted operating expenses	.51	.52	.37
Annual days cash on hand	Measures the number of days an institution is able to operate (cover its cash operating expenses)	Annual liquidity times 365 divided by total expenses less depreciation and unusually large non-cash expenses	236	241	242
Current ratio[2]	Measures liquidity – ability to meet current obligations with liquid assets	Current assets divided by current liabilities	4.56	4.26	4.22

[1] The FY15 unrestricted financial resources to operations ratio decreased because unrestricted net position was affected by the adoption of GASB 68 (see impact from Changes in Reporting Requirements section, earlier).

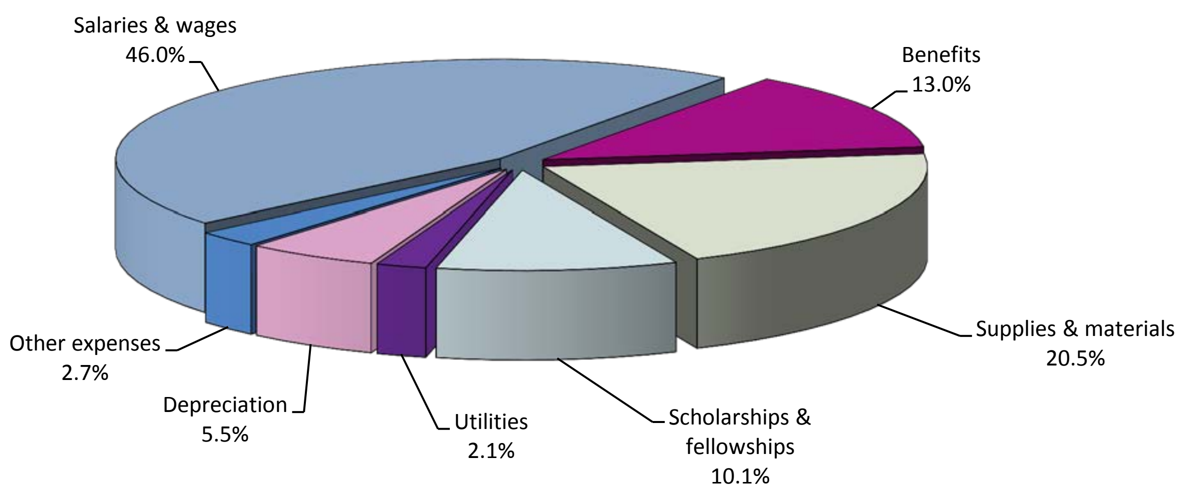
[2] Includes Series 2012 unspent bond proceeds which temporarily inflates the current ratio until invested in capital assets.

These financial indicators are useful for institutional trend analysis and become more meaningful when compared to peer institutions (not included here) such as those with the same debt rating, similar student population and degree offerings, or to industry norms. Within that context, the University appears to be relatively well positioned to weather the current economic environment and make investments for the future. Factors that could affect these financial indicators are student enrollment levels, tuition pricing inelasticity, issuance of new revenue debt, funding levels for state and federal financial aid, state appropriations, and the economy as a whole.

University programming support also consists of revenues received from governmental and private sources in the form of grants and contracts. The mix between federal, state and private sources fluctuates from year to year but overall funding has remained between 20-25 percent of total revenues for each of the three years ended 2015. Grants are generally managed on a reimbursement basis in that revenues are drawn to cover expenses incurred and thus have minimal effect on net income other than partial recovery of indirect costs. This reliance on grants and contracts from governmental and private sources underscores the impact the overall economy can have on the delivery of educational services. A decrease in these funding sources could directly affect staffing levels and educational opportunities.

Operating Expenses

Operating expenses consist mainly of employee compensation, supplies and materials costs, and student scholarships and fellowships. Shown below is an illustration of operating expenses by type (object) for the year ended June 30, 2015. The ensuing table compares expenses for fiscal years ending June 30, 2015, 2014 and 2013.

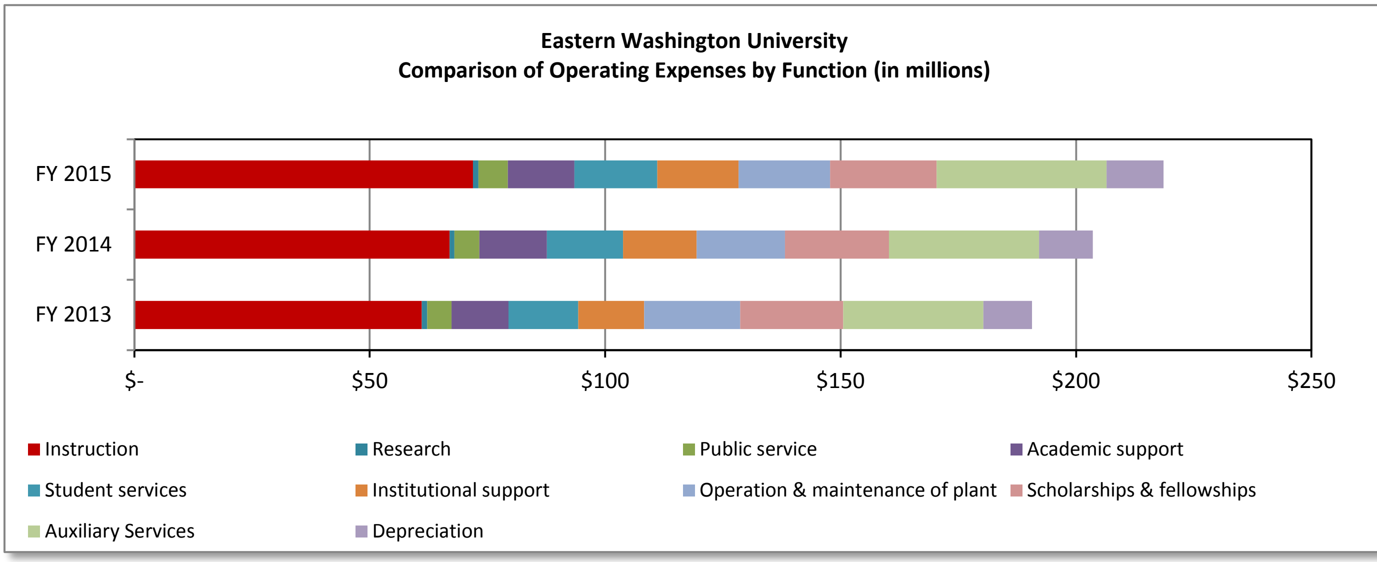


Operating Expenses by Type *(in thousands)*
For the year ended June 30

	2015		2014		2013	
Salaries & wages	$ 100,612	46.0%	$ 92,676	45.5%	$ 84,278	44.2%
Benefits	28,464	13.0%	28,494	14.0%	26,111	13.7%
Supplies & materials	44,880	20.5%	38,998	19.2%	39,618	20.8%
Scholarships & fellowships	22,131	10.1%	21,923	10.8%	21,520	11.3%
Utilities	4,599	2.1%	4,917	2.4%	4,369	2.3%
Depreciation	12,087	5.5%	11,357	5.6%	10,233	5.4%
Other expenses	5,824	2.7%	5,173	2.5%	4,497	2.3%
Total	$ 218,597	100.0%	$ 203,538	100%	$ 190,626	100%

Salaries, wages and benefits are the major support cost for the University's programs, followed by supplies and materials, scholarships, and other operating expenses. Embedded in the expenses for employee benefits is the pension expense recorded as a result of the adoption of GASB 68. This standard requires pension expense for defined-benefit plans to be actuarially determined instead of cash contributions made to the plan during the fiscal year. This change resulted in a net decrease for retirement benefit expense in FY 2015. Additionally, the cost of health benefit premiums decreased in FY 2015, causing benefits expense to remain stable while salaries and wages continued to increase. In total, operating expenses increased 7.4 percent while operating revenue increased 8.9 percent during FY15. However, net non-operating revenues were down nearly 4 percent and total revenues outpaced total expenses by $1.9 million.

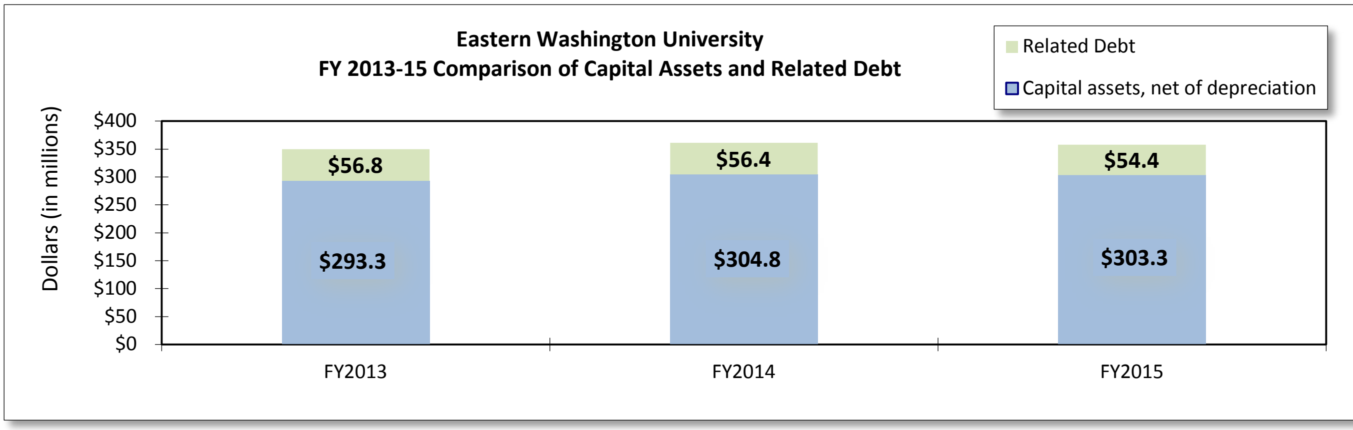
An alternative view of operating expenses is by functional (programmatic) classification as shown below for the years ended June 30, 2015, 2014 and 2013.



Instructional expenses by far comprise the largest single category of operating costs. Fluctuations in expenses for operation and maintenance of plant are largely impacted by non-capitalized facility improvements associated with project expenses that are not capitalized to an asset. The amount varies by year depending on several factors including the types and timing of projects undertaken. The rise in auxiliary services costs reflects the greater demand in support services necessary to meet the growing student population. See Footnote 15 for additional details regarding functional expenses.

Capital Asset and Debt Activities

The University continues to increase the investment in capital assets which consist of land, buildings, infrastructure and equipment (see Footnote 7). In FY15, these increases were offset by the disposal of a large number of equipment items. The University's Comprehensive Facilities Master Plan is used to guide the long-range physical development of campus facilities, focusing on critical areas of need, space utilization, and preservation of the infrastructure of state assets. The chart below shows the change of investment in capital assets and the associated debt load used to help finance the construction of those assets.



While several minor improvement projects took place during this time, two major projects comprise most of the increase in capital assets. In December 2013 work was completed on the Patterson Hall renovation and expansion project, the University's largest academic building with 40 general use classrooms and two computer labs. Funded by the state capital budget, the project renovates the existing 102,347 square foot building and provides an additional 33,196 square feet of space.

State capital appropriations significantly contribute to the University's ability to build infrastructure in support of academic programs without adding debt. However, not all capital projects are funded by state appropriations. Eastern may also use operating revenue and long-term debt to fund capital assets. In fall 2013, construction was completed on a new 350-bed residence hall, which was funded by revenue bond proceeds. Other smaller projects occurring in FY 2015 included completion of a new recycling complex, design work to upgrade the University's water system, and completion of an electrical system upgrade for the primary Office of Information Technology building.

In September 2015 Moody's Investors Service (a bond rating agency) affirmed the A1 rating on the outstanding Series 2012 Housing and Dining System Revenue Bonds and 2006 Services and Activities Fee Revenue Bonds. The outlook is stable and debt service coverage remains healthy as demonstrated by the financial ratios below.

Financial Indicator	Definitions	Calculation	FY 2013	FY 2014	FY 2015
Expendable financial resources to direct debt (x)[1]	Measures coverage of direct debt by financial resources that are ultimately expendable	Expendable financial resources divided by direct debt	1.96	2.21	1.88
Financial debt burden ratio (%)	Examines dependence on borrowed funds as a source of financing the mission and the relative cost of borrowing to overall expenditures	Principal and interest on capital debt and lease divided by operating and non-operating expenses less depreciation plus principal paid on capital debt and leases	1.51	2.02	2.08
Debt service coverage (x)[2]	Measures actual margin of protection for annual debt service payments from annual operations. A higher ratio is considered to be advantageous while a declining ratio may be cause for concern.	Annual operating surplus (deficit) plus interest and depreciation expenses divided by actual principal and interest payments	7.50	4.22	2.95

Additional information concerning capital asset and debt activity is provided in the footnotes (see Footnote 7 through 11).

Summary of Financial Health and Economic Factors That Will Affect the Future

In 2015 the University's overall financial position was significantly impacted by the implementation of GASB 68. Net position decreased to $351 million after the adjustment to beginning net position of $23.3 million. Still, net position was affected by revenues totaling $223 million and expenses totaling $221 million with a net increase for the year.

[1] The FY15 expendable financial resources to direct debt ratio decreased because unrestricted net position was affected by the adoption of GASB 68 (see impact from Changes in Reporting Requirements section, earlier).
[2] The FY13 debt service coverage ratio increased because principal repayments for the Series 2012 Housing and Dining Revenue Bonds were deferred until FY14. As expected, the ratio decreased in the following years when principal payments began.

Funding for higher education continues to be under pressure with fluctuating state funding and increasing enrollment demand. Reductions in historical state funding levels have been partially offset by higher tuition and fee rates. However, for the 2015-2017 biennium, the Washington State Legislature enacted legislation that revokes public universities' authority to set their own undergraduate resident tuition rates. Furthermore, state appropriations for the 15-17 biennium are scheduled to increase while requiring public universities to lower tuition. Under current legislation (which could change next session), Eastern Washington University will lower undergraduate resident tuition by 5% in FY16 and 15% in FY17, reductions which will be offset by increases in state appropriations approved by the legislature. Mandated funding for K-12 public education has placed even greater demands on the statewide budget, which magnifies the importance of tuition setting authority in higher education.

Other factors that can impact financial position include changes in accounting and reporting requirements. GASB Statement 73 will require additional liabilities to be recorded for the supplemental portion of the Eastern Washington University Retirement Plan (see note 12 for more information), while GASB Statement 75 will require the University to report actuarially calculated liabilities for other postemployment benefits (OPEB) and record expenses for those costs as they are earned, similar in concept to GASB 68.

Through strategic planning the University's leadership continues to address ongoing funding issues that impact service delivery of educational opportunities at Eastern Washington University. New investments in student residential housing and major renovations to classrooms and other facilities are aimed at attracting, retaining and serving the student population. Together with comprehensive financial management, investments in technology, and a focus on student support services, the strategic plan guides the University toward its goal of serving the region, preparing students for leadership roles, and contributing to a strong workforce while maintaining value and providing assistance for first-generation students, underrepresented groups, and others in financial need.

To this end, the Board of Trustees approved the FY2016 operating budget, which included a mandatory student fee increase of $195 per year for the Pence Union Building renovation project. Approved by the Associated Students of EWU during the February 24, 2015 special election, the fee will be used to pay debt service on revenue bond proceeds, which will fund the design and construction of the PUB remodel. Total project costs are currently estimated at more than $35 million, and the bonds are expected to be issued in fiscal year 2016.

Statements of Net Position

June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 36,191,100	$ 33,338,489
Short-term investments	36,940,381	21,210,098
Deposit with State of Washington	6,097,416	7,813,974
Accounts receivable (net of allowances of $363,415 and $290,045, respectively)	11,093,238	9,897,193
Student loans receivable (net of allowances of $9,641 and $8,962, respectively)	103,056	121,306
Inventories	1,201,711	1,236,285
Other assets	2,464,691	3,201,336
Total current assets	94,091,593	76,818,681
Noncurrent assets:		
Endowment investments	9,411,669	9,464,446
Other long-term investments	51,997,061	61,885,211
Student loans receivable (less allowances of $1,021,836 and $889,870, respectively)	4,576,498	4,847,638
Other noncurrent assets	108,984	115,286
Restricted net pension asset	532,925	-
Capital assets, net of accumulated depreciation	303,329,688	304,789,957
Total noncurrent assets	369,956,825	381,102,538
Total assets	$ 464,048,418	$ 457,921,219
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized loss on bond refunding	$ 31,691	$ 41,442
Deferred outflows of resources related to pensions	2,861,383	-
LIABILITIES		
Current liabilities:		
Accounts payable	$ 7,206,888	$ 7,601,333
Accrued liabilities	7,723,507	3,604,434
Compensated absences	-	14,983
Deposits or funds held for others	614,325	70,205
Unearned revenue	4,600,034	4,647,462
Long-term liabilities, current portion	2,151,698	2,083,471
Total current liabilities	22,296,452	18,021,888
Noncurrent liabilities:		
Compensated absences	7,115,826	6,528,495
Unamortized premiums on debt issues	617,105	661,450
Net pension liability	18,124,064	-
Long-term liabilities	59,726,207	60,344,913
Total noncurrent liabilities	85,583,202	67,534,858
Total liabilities	$ 107,879,654	$ 85,556,746
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	8,082,421	-
NET POSITION		
Net investment in capital assets	$ 249,085,340	$ 248,640,936
Restricted for:		
Nonexpendable:		
Endowments	5,333,585	5,333,245
Charitable gift annuities	576,288	604,851
Expendable:		
Loans	8,700,047	8,700,755
Capital projects	6,699,697	9,345,348
Endowments and other	5,318,735	4,971,995
Net Pension Asset	532,924	-
Unrestricted	74,732,801	94,808,785
Total net position	$ 350,979,417	$ 372,405,915

The footnote disclosures are an integral part of the financial statements.

Statements of Revenues, Expenses, and Changes in Net Position

For the Years Ended June 30, 2015 and 2014

	FY 2015	FY 2014
REVENUES		
Operating revenues:		
Student tuition and fees		
(net of scholarship allowances of $27,668,823 and $27,225,338, respectively)	$ 94,310,088	$ 89,280,475
Federal grants and contracts	5,246,409	4,376,723
State and local grants and contracts	26,562,813	24,175,889
Nongovernmental grants and contracts	5,029,143	3,193,917
Sales and services of auxiliary enterprises		
Housing and dining services		
(net of scholarship allowances of $11,428,002 and $7,904,130, respectively)	13,324,354	11,592,433
Other auxiliary enterprises		
(net of scholarship allowances of $1,791,086 and $1,574,531, respectively)	9,497,815	9,324,027
Other operating revenue	2,655,894	1,894,818
Total operating revenue	156,626,516	143,838,282
EXPENSES		
Operating expenses:		
Salaries and wages	100,611,593	92,676,207
Benefits	28,463,831	28,493,779
Scholarships and fellowships	22,131,095	21,923,012
Utilities	4,598,821	4,916,971
Supplies and materials	42,189,745	36,802,052
Non-capitalized facility improvements (NCFI)	2,690,750	2,196,327
Other	5,824,100	5,173,033
Depreciation	12,086,644	11,356,948
Total operating expenses	218,596,579	203,538,329
Operating loss	(61,970,063)	(59,700,047)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	38,572,703	40,069,834
Investment income, gains and losses	3,722,146	5,058,333
Interest on capital asset-related debt	(2,309,951)	(2,194,887)
Gifts	196,005	87,397
Pell grant revenue	20,327,168	19,994,226
Net non-operating revenues	60,508,071	63,014,903
Gain (loss) before other revenues, expenses, gains or losses	(1,461,992)	3,314,856
State appropriations - capital	3,359,989	13,312,473
Total other revenues and expenses	3,359,989	13,312,473
Increase in net position	1,897,997	16,627,329
NET POSITION		
Net position, beginning of year	372,405,915	355,778,586
Adjustment to beginning net position (Note 1)	(23,324,495)	-
Net position, beginning of year as restated	349,081,420	
Net position, end of year	$ 350,979,417	$ 372,405,915

The footnote disclosures are an integral part of the financial statements.

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	FY 2015	FY 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 92,311,432	$ 88,812,383
Grants and contracts	37,072,268	31,049,629
Payments to vendors	(55,420,231)	(50,725,157)
Payments to employees	(123,409,359)	(119,247,186)
Payments for scholarships and fellowships	(22,131,095)	(21,923,012)
Loans issued to students	(809,055)	(975,103)
Collection of student loans	1,106,576	952,985
Auxiliary enterprise receipts	23,235,179	20,615,142
Other receipts (payments)	3,791,307	752,981
Net cash used by operating activities	(44,252,978)	(50,687,338)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	38,572,703	40,069,834
Pell grant	20,327,168	19,994,226
Stafford/Plus/Direct loans receipts	65,592,385	66,790,143
Stafford/Plus/Direct loans disbursements	(65,485,144)	(66,897,384)
Agency fund receipts	7,674,248	7,513,091
Agency fund disbursements	(7,771,462)	(7,516,692)
Net cash provided by noncapital financing activities	58,909,898	59,953,218
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital appropriations	3,366,022	17,609,777
Purchases of capital assets	(8,713,812)	(21,910,033)
Principal paid on capital debt and leases	(2,037,441)	(1,923,579)
Interest paid on capital debt and leases	(2,351,868)	(2,037,379)
Net cash provided (used) by capital financing activities	(9,737,099)	(8,261,214)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	21,696,733	29,556,326
Interest on investments	3,373,292	3,354,090
Purchase of investments	(27,137,235)	(36,157,371)
Net cash provided (used) by investing activities	(2,067,210)	(3,246,955)
Net increase (decrease) in cash	2,852,611	(2,242,289)
Cash, beginning of year	33,338,489	35,580,778
Cash, end of year	$ 36,191,100	$ 33,338,489

The footnote disclosures are an integral part of the financial statements.

Statements of Cash Flows *(Continued)*

For the Years Ended June 30, 2015 and 2014

	FY 2015	FY 2014
Reconciliation of net operating revenue (expenses) to net cash provided (used) by operating activities		
Operating income (loss)	$ (61,970,063)	$ (59,700,047)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	12,086,644	11,356,949
Changes in assets and liabilities:		
Receivables, net	(1,202,078)	(1,956,413)
Inventories	34,574	63,327
Other assets	736,645	(548,544)
Accounts payable	3,738,253	(1,414,472)
Deferred and unearned revenue	(47,428)	251,060
Deposits held for others	534,093	(224,060)
Compensated absenses and other	2,059,310	1,487,124
Net Pension Liability	(512,318)	-
Loans to students	289,390	(2,262)
Net cash used by operating activities	$ (44,252,978)	$ (50,687,338)

Noncash Transactions		
Buildings and/or equipment	196,005	1,697,927
Capital leases	-	(1,610,530)

The footnote disclosures are an integral part of the financial statements.

Statements of Financial Position - Component Unit (Foundation)

June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
ASSETS		
Cash and cash equivalents	$ 1,309,262	$ 2,452,336
Certificates of deposit	1,506,594	-
Promises to give, net of allowances and discounts	381,556	753,048
Other assets	388,874	405,970
Contributions receivable from charitable trusts	369,078	377,810
Investments held in charitable trusts	199,239	207,016
Investments	18,451,993	17,819,811
Beneficial interest in perpetual trusts	2,427,771	2,505,199
Total assets	$ 25,034,367	$ 24,521,190
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 129,644	$ 113,922
Annuities payable	112,424	125,634
Total liabilities	242,068	239,556
NET ASSETS		
Unrestricted (deficit)	379,921	187,874
Temporarily restricted	6,535,960	6,659,287
Permanently restricted	17,876,418	17,434,473
Total net assets	24,792,299	24,281,634
Total liabilities and net assets	$ 25,034,367	$ 24,521,190

The footnote disclosures are an integral part of the financial statements.

Statements of Activities – Component Unit (Foundation)

For the Years Ended June 30, 2015 and 2014

	FY 2015				FY 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND SUPPORT								
Contributions	$ 232,769	$ 2,080,865	$ 298,440	$ 2,612,074	$ 50,172	$ 1,787,206	$ 725,318	$ 2,562,696
Contributions from trusts	-	94,215	-	94,215	-	58,187	-	58,187
Investment Income, net of fees of $82,059 and $99,886, respectively	37,971	359,487	-	397,458	35,382	278,704	(2,676)	311,410
Realized gain (loss) on investments	(317)	580,635	-	580,318	(473)	722,929	-	722,456
Unrealized gain (loss) on investments	-	(281,899)	-	(281,899)	-	1,663,773	-	1,663,773
Change in value of split-interest agreements	-	-	(86,667)	(86,667)	-	-	224,131	224,131
Support provided by Eastern Washington University	1,030,416	-	-	1,030,416	997,383	-	-	997,383
Other	450	814,656	18,449	833,555	4,227	945,163	4,531	953,921
Total revenues, gains, and support	1,301,289	3,647,959	230,222	5,179,470	1,086,691	5,455,962	951,304	7,493,957
Net assets released from restrictions and other transfers	3,559,563	(3,771,286)	211,723	-	3,354,783	(3,493,809)	139,026	-
EXPENSES								
Management and general	1,016,177	-	-	1,016,177	936,284	-	-	936,284
Fundraising	618,050	-	-	618,050	606,493	-	-	606,493
Support provided to/for Eastern Washington University	3,034,578	-	-	3,034,578	2,694,317	-	-	2,694,317
Total expenses	4,668,805	-	-	4,668,805	4,237,094	-	-	4,237,094
CHANGE IN NET ASSETS	192,047	(123,327)	441,945	510,665	204,380	1,962,153	1,090,330	3,256,863
NET ASSETS (DEFICIT), BEGINNING OF YEAR	187,874	6,659,287	17,434,473	24,281,634	(16,506)	4,697,134	16,344,143	21,024,771
NET ASSETS (DEFICIT), END OF YEAR	$ 379,921	$ 6,535,960	$ 17,876,418	$ 24,792,299	$ 187,874	$ 6,659,287	$ 17,434,473	$ 24,281,634

The footnote disclosures are an integral part of the financial statements.

Statements of Cash Flows - Component Unit (Foundation)

June 30, 2015 and 2014

	June 30, 2015	June 30, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contributors and trusts	$ 4,109,999	$ 3,186,445
Cash received from events and sale of goods and services	833,555	953,921
Cash paid for foundation administration and fundraising	(1,595,467)	(1,515,059)
Cash paid on behalf of Eastern Washington University	(3,034,578)	(2,659,997)
Net cash provided (used) by operating activities	313,509	(34,690)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,738,308	2,912,267
Purchases of investments	(3,071,754)	(3,157,525)
Purchases of certificates of deposit	(1,506,594)	-
Net cash used by investing activities	(1,840,040)	(245,258)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowments	389,398	839,793
Payments on notes payable	-	(353,338)
Distribution to annuitants	(5,941)	(11,584)
Net cash provided by financing activities	383,457	474,871
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,143,074)	194,923
Cash and cash equivalents - beginning of year	2,452,336	2,257,413
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,309,262	$ 2,452,336

The footnote disclosures are an integral part of the financial statements.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Financial Reporting Entity

Eastern Washington University, an agency of the State of Washington, is governed by an eight-member Board of Trustees that are appointed by the Governor and confirmed by the state senate. The University's financial activity is included in the general purpose financial statements of the State of Washington.

The Eastern Washington University Foundation (Foundation) is established as a tax exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Foundation's 35-member board consists of graduates and friends of the University. The University has an agreement with the Foundation to design and implement such programs and procedures to persuade continuous and philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with partial office space, furniture and equipment, supplies, and staff to operate the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the University, the Foundation is considered a legally separate component unit of the University and is discretely presented in the University's financial statements. The Foundation's financial statements include assets and earnings of other unrelated entities; these amounts are not material to the Foundation's financial position taken as a whole. For the fiscal years ended June 30, 2015 and 2014, the net distribution from the Foundation to the University for restricted and unrestricted purposes which includes both student scholarships and program support follows:

Fiscal Year	Net Distribution
2015	$2,004,162
2014	$1,696,934

Intra-entity transactions and balances between the University and Foundation are not eliminated for financial statement presentation. Complete financial statements for the Foundation can be obtained from the Foundation's administrative office located at 102 Hargreaves Hall, Cheney, WA 99004.

Basis of Accounting

The financial statements of the University are presented in accordance with accounting principles generally accepted in the United States of America. The University reports as a special purpose government engaged in business-type activity as defined by Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*, as amended. Accordingly, the University's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The flow of economic resources focus considers all of the assets available to the University for the purpose of providing goods and services. Under this focus, all assets and liabilities, both current and long-term, are recorded and depreciation is recorded as a charge to operations. The accrual basis of accounting recognizes revenues in the period in which they are earned and become measurable; expenses are recorded in the period incurred, if measurable. All significant intra-agency transactions have been eliminated, which includes intra-agency payables and receivables as well as interdepartmental receipts and expenses.

In accordance with GASBS No. 39, the Foundation is considered a legally separate component unit of the University. As a non-governmental component unit, the Foundation follows applicable non-profit reporting and disclosure standards. Revenue recognition principles for these financial accounting standards may differ from those which apply to the University; results have not been restated.

Operating Activities

The University's policy for defining operating activities as reported in the Statement of Revenues, Expenses, and Changes in Net Position is to include those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Primarily, operating activities involve delivery of higher education courses and supporting services such as residential housing and dining which incur expenses for salaries, benefits, supplies and materials, and scholarships. Payments for these services include tuition and related fees, plus sales from supporting services. Other revenue sources include federal, state and local grants and contracts. As prescribed by GASBS No. 35, certain significant revenue streams relied upon for operations are recorded as non-operating revenues, including state appropriations, gifts and investment income. Therefore, it is expected that operating expenses will generally exceed operating revenues resulting in a net operating loss.

Inventories

Inventories are carried at cost (generally determined on the first-in, first-out method) which is not in excess of market.

Cash Equivalents

Cash equivalents are considered to be highly liquid investments with an original maturity of 90 days or less. Funds invested through the State Treasurer's Local Government Investment Pool are reported as cash equivalents.

Tax Exemption

The University is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

State Appropriations

The State of Washington appropriates funds to the University on both an annual and biennial basis. Appropriations are recognized as revenue when the related expenses are incurred.

Unearned Revenues

The balance of unearned revenue represents amounts for which the asset recognition criteria have been met, but for which the earnings process is not complete. Summer quarter tuition is shown as unearned revenue which represents the majority of the balance shown on the Statement of Net Position.

Capital Assets

Capital assets are stated at cost, or if acquired by gift, at estimated fair value at the date of the gift, less depreciation. The capitalization threshold is $100,000 or greater for infrastructure, buildings and building improvements and $5,000 or greater for all other capital assets such as equipment. All purchased land is capitalized regardless of cost. Generally, the useful life of capital assets is 50 years for buildings, five to 50 years for infrastructure and improvements other than buildings, 20 years for library books, and four to seven years for equipment. Depreciation of capitalized assets, excluding inexhaustible assets such as land, is provided on a straight-line basis over the estimated useful lives of the respective assets.

Accrued Leave

Accrued annual and sick leave are categorized as non-current liabilities under the assumption that employees are using most of the leave they are earning. Compensatory time, which must be used within ninety days following fiscal year end, is categorized as a current liability.

Charitable Gift Annuities

Under RCW 28B.10.485 the University may issue charitable gift annuity contracts in return for a gift of assets to the institution. In turn, the University agrees to pay a fixed amount of money to one or two beneficiaries for their lifetime. The assets received are recognized at fair value. The annuity payable is based upon the present value of the expected payments to the named recipients under the agreements using actuarial tables for life expectancies.

Use of Estimates

Allowances for uncollectible accounts (Note 3) are estimates based on aging and historical collection of student loans and accounts receivable. Actual results could differ from those estimates; however, the University believes these allowances are adequate.

Net Position

The University's net position is classified as follows:

Net investment in capital assets: The University's investments in capital assets, less accumulated depreciation, net of outstanding debt obligations that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position:
The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Non-expendable: Net assets subject to externally-imposed requirements that they be maintained permanently by the University, including permanent endowments and charitable gift annuity funds.

Expendable: Net assets which the University is obligated to spend in accordance with restrictions imposed by external parties.

Unrestricted net position: Net assets not subject to externally imposed restrictions, but which may be designated for specific purposes by management, or the Board of Trustees. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

DEFERRED PAY

Eastern Washington University offers an optional 12 month, 24-payment plan to eligible faculty. The Faculty Twelve Month Pay Option Plan provides a method for faculty to spread their academic year salary over 12 months. The payroll deductions are based on amount paid rather than amount earned. For example, federal withholding, retirement contributions, FICA taxes are calculated on the amount paid. The plan is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended. The plan was established in fiscal year 2015, and accrued earnings and benefits at June 30, 2015 were $2,871,073 and $430,564, respectively.

RECLASSIFICATIONS, RESTATEMENTS, AND CHANGES IN ACCOUNTING PRINCIPLES

Implementation of GASB No. 68 resulted in an adjustment to beginning net position as of July 1, 2014. Under the change in accounting principle prescribed by GASB No. 68, pension expense is now determined based on actuarial assumptions and recorded as a cost of the service period. Additionally, the University records its proportionate share of the pension plan's net pension liability. Changes in the net pension liability are recognized through deferred outflows and deferred inflows of resources related to pensions. The information provided by Department of Retirement Systems for the June 30, 2014 measurement date only allowed the University to restate FY 15 beginning net position. Restatement of an earlier period was not practical; therefore, FY14 information has not been adjusted for comparative presentation. Following is a reconciliation of the July 1, 2014 beginning net position as previously reported, to the restated net position for the same period:

Total Net Position, as previously reported, July 1, 2014	$372,405,915
Less: pension expense recorded retroactively by GASB 68	(23,324,495)
Total Net Position, as restated, July 1, 2014	$349,081,420

Certain reclassifications not affecting total net position have been made to 2014 amounts in order to conform to 2015 presentation.

Note 2: Deposits and Investments

Deposits are comprised of cash and cash equivalents which include bank demand deposits, petty cash held at the University, and unit shares in the Local Government Investment Pool operated by the Washington State Treasurer. Cash and cash equivalents are stated at cost or amortized cost. Except for petty cash held at the University, all others are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool. At fiscal yearend, insured/collateralized deposits consist of the following:

	Carrying Value June 30, 2015	Carrying Value June 30, 2014
Deposits		
Cash and cash equivalents		
Interest bearing	$ 36,061,810	$ 33,209,754
Other	129,290	128,735
Total deposits	$ 36,191,100	$ 33,338,489

Through its investment policies for operating funds, the University manages its exposure to custodial credit risk, credit (quality) risk, interest rate risk, concentration of credit risk, and foreign currency risk. Eligible investments are only those securities and deposits authorized by state statute RCW 39 and 43.

At June 30, 2015, investment maturities are as follows:

	Fair value June 30, 2015	Investment maturities for fixed income securities (in months) 0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds					
U.S. Government agency bonds	$ 88,123,295	$ 25,043,580	$ 38,980,415	$ 24,099,300	
Investments – Charitable Gift Annuities					
Investment unit trusts					
Equity fund	448,105				
Bond fund	366,042				$ 366,042
Investments – Endowment Funds					
Investment unit trusts					
Equity fund	6,066,314				
Bond fund	3,345,355				3,345,355
Total investments	$ 98,349,111	$ 25,043,580	$ 38,980,415	$ 24,099,300	$ 3,711,397

At June 30, 2014, investment maturities are as follows:

	Fair value June 30, 2014	Investment maturities for fixed income securities (in months) 0 – 9	10 – 24	25 – 60	61 – 120
Investments – Operating Funds					
U.S. Government agency bonds	$ 82,321,920	$ 18,103,380	$ 40,257,420	$ 23,961,120	
Other deposits	38,329				
Investments – Charitable Gift Annuities					
Investment unit trusts					
Equity fund	448,527				
Bond fund	286,533				$ 286,533
Investments – Endowment Funds					
Investment unit trusts					
Equity fund	6,159,236				
Bond fund	3,305,210				3,305,210
Total investments	$ 92,559,755	$ 18,103,380	$ 40,257,420	$ 23,961,120	$ 3,591,743

At June 30, 2015 the net appreciation on investments of donor-restricted endowments that is available for expenditure authorization is $4,078,305 which is reported as restricted, expendable on the Statement of Net Position. RCW 24.44.050 of the Washington State Code allows for the spending of net appreciation on investments of donor-restricted endowments. Accordingly, the income distribution policy is 5 percent of the three year moving average of the fair value of net assets.

Fair value of the investment unit trust was determined using the fund's current share price. Fair values of all other investments were provided by major investment brokers or banks.

The Bond Fund is comprised of many underlying securities including debt instruments with varied maturity dates. As a whole, the fund had a weighted average maturity of 6.7 years at year end.

Custodial Credit Risk. Investments, where evidenced by specific, identifiable securities, are insured or registered or are held by the University's custodian bank in the University's name. All securities transactions are conducted on a delivery-versus-payment basis.-Invested assets of donor-restricted endowments are represented by shares in investment unit trusts (pools) rather than specific, identifiable securities and, as such, are not directly subject to custodial credit risk. Similarly, cash equivalents held in the Local Government Investment Pool are also represented by shares in investment unit trusts.

Credit (Quality) Risk. For operating funds, the University limits exposure to credit risk by limiting investments in fixed income securities to obligations of the U.S. government or similar instruments explicitly guaranteed by the U.S. government which are not considered to have credit risk. Underlying debt securities in unitized investments had an average rating of A+ at year end.

Interest Rate Risk. The University manages its exposure to fair value losses resulting from changes in interest rates by structuring the total portfolio time horizon. Unless matched to a specific cash flow, the University generally will not directly invest operating funds in securities maturing more than five years from the date of purchase. The goal of the overall portfolio for operating funds is to maintain each individual portfolio at a desired target percentage to balance cash flow requirements, safety, liquidity and yield. For endowment funds, the goal is to maintain a ratio of debt and equity investments which recognizes the inherent growth potential of equities and bonds for an endowment that will exist in perpetuity.

Portfolio	Target	Policy Range
Operating funds		
Liquidity pool	25%	20-40%
Intermediate pool	50%	30-60%
Long Term pool	25%	15-40%
Endowment funds		
US public equity	30%	25-35%
US private equity	5%	0-10%
International equity	10%	5-10%
Fixed income	30%	25-35%
Commodities	5%	0-10%
Hedge funds	5%	0-10%
Natural resources	5%	0-10%
Real estate	5%	0-10%
Cash and equivalents	0%	0-15%

Concentration of Credit Risk. The University's investment policy for operating funds does not limit its exposure to concentration of credit risk. However, operating funds are invested only in securities issued by or explicitly guaranteed by the U.S. government or those covered by the FDIC or by collateral held in a multiple financial institution collateral pool.

Foreign Currency Risk. A small percentage of underlying securities within unitized investments may be denominated in foreign currency. Any adverse effect on the fair value of investments resulting from changes to exchange rates is not considered to be significant to the portfolio as a whole.

Note 3: Accounts and Student Loans Receivable

Accounts and student loans receivable at June 30, 2015 and 2014 consist of the following:

	June 30, 2015	June 30, 2014
Accounts receivable		
Student tuition and fees (less allowances of $82,413 and $32,190, respectively)	$ 6,720,936	$ 4,601,376
Auxiliary enterprises (less allowances of $264,163 and $232,226, respectively)	1,044,082	1,597,584
Contracts and grants	1,677,033	1,885,037
State reimbursement	1,442,894	1,448,927
Other (less allowances of $16,839 and $25,629, respectively)	208,293	364,269
Total accounts receivable	$ 11,093,238	$ 9,897,193
Student loans receivable		
Federal programs (less allowances of $1,021,836 and $889,870, respectively)	$ 4,576,498	$ 4,847,638
Institutional loans (less allowances of $9,641 and $8,962, respectively)	103,056	121,306
Total student loans receivable	$ 4,679,554	$ 4,968,944

Note 4: Funds with State Treasurer

The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund that derives its corpus from the sale of state lands/timber. The investing activities are handled by the Washington State Treasurer's Office, while the sale of land/timber is handled by the State Department of Natural Resources. Interest earned from the investments are either reinvested or used exclusively for the benefit of Eastern Washington University, Central Washington University, Western Washington University and The Evergreen State College. The balance of the fund represents the University's share of the net earnings and tuition distributions, reduced by expenses for capital projects and debt service incurred over the years.

Note 5: Compensated Absences

Vacation leave represents a liability to the University and is recorded and reported accordingly. Accumulated sick leave earned and unused, calculated at 25 percent of unused balance, represents a probable liability to the University and is recorded and reported accordingly. The employee is entitled to either the present value of 25 percent of his/her unused sick leave balance upon retirement or 25 percent of his/her accumulation for the year in which it exceeds 480 hours. Accrued compensatory time represents a liability to the University, but is expected to be used or cashed out by fiscal year end and therefore does not represent a liability at June 30. This policy change was made in fiscal year 2015.

Leave Type	June 30, 2015	June 30, 2014
Vacation	$5,532,281	$5,035,251
Sick	$1,583,545	$1,493,244
Compensatory	$ 0	$14,983

Note 6: Risk Management

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

The University has elected to become a self-insurer of unemployment compensation. Cash reserves total $3,266,017 and $3,319,492 at June 30, 2015 and 2014, respectively.

Note 7: Capital Assets

Capital asset activity for the two-year period ended June 30, 2015 is summarized as follows:

	June 30, 2013	Additions	Retirements	June 30, 2014	Additions	Retirements	June 30, 2015
Non-depreciable Capital Assets							
Land	$ 1,524,834	$ -	$ -	$ 1,524,834	$ -	$ -	$ 1,524,834
Construction in progress	63,844,422	19,205,382	81,258,367	1,791,437	5,070,412	3,106,182	3,755,667
Subtotal	65,369,256	19,205,382	81,258,367	3,316,271	5,070,412	3,106,182	5,280,501
Depreciable Capital Assets							
Buildings	291,509,935	79,313,340	-	370,823,275	4,859,446	-	375,682,721
Improvements other than buildings	15,568,805	1,960,234	-	17,529,039	-	-	17,529,039
Infrastructure	30,699,799	-	-	30,699,799	-	-	30,699,799
Furniture, fixtures and equipment	33,157,343	2,286,545	406,323	35,037,565	2,318,224	2,618,345	34,737,444
Library materials	23,949,690	1,467,441	1,447,019	23,970,112	1,484,476	1,322,743	24,131,845
Subtotal	394,885,572	85,027,560	1,853,342	478,059,790	8,662,145	3,941,088	482,780,848
Total capital assets	460,254,828	104,232,942	83,111,709	481,376,061	13,732,558	7,047,270	488,061,349
Less accumulated depreciation:							
Buildings	104,216,918	6,786,589	-	111,003,507	7,291,189	-	118,294,697
Improvements other than buildings	6,051,086	549,646	-	6,600,732	574,149	-	7,174,881
Infrastructure	18,929,154	909,024	-	19,838,178	909,024	-	20,747,202
Furniture, fixtures and equipment	26,654,565	1,957,540	267,344	28,344,761	2,124,773	2,618,345	27,851,189
Library materials	11,091,796	1,154,149	1,447,019	10,798,926	1,187,509	1,322,743	10,663,692
Total accumulated depreciation	166,943,519	11,356,948	1,714,363	176,586,104	12,086,644	3,941,088	184,731,661
Capital assets, net of depreciation	$ 293,311,309	$ 92,875,994	$ 81,397,346	$ 304,789,957	$ 1,645,913	$ 3,106,182	$ 303,329,688

Note 8: Long-term Liabilities

Long-term liability activity for the two-year period ended June 30, 2015 is summarized as follows:

	June 30, 2014	Additions	Reductions	June 30, 2015	Current Portion 2015
Leases and bonds payable:					
Lease obligations (Note 9)	$ 4,007,512	$ -	$ 412,441	$ 3,595,071	$ 415,168
Revenue bonds payable (Note 10)	52,435,000	-	1,625,000	50,810,000	1,685,000
Total leases and bonds payable	56,442,512	-	2,037,441	54,405,071	2,100,168
Other liabilities:					
Charitable gift annuities (Note 1)	130,210	155,384	47,735	237,859	51,530
Net pension obligation (Note 12)	5,855,663	1,542,000	162,687	7,234,976	-
Net pension liability (Note 12)	-	18,124,064	-	18,124,064	-
Compensated absences (Note 5)	6,543,477	4,802,788	4,230,440	7,115,825	-
Total long-term liabilities	$ 68,971,862	$ 24,624,236	$ 6,478,303	$ 87,117,795	$ 2,151,698

	June 30, 2013	Additions	Reductions	June 30, 2014	2014
Leases and bonds payable:					
Lease obligations (Note 9)	$ 2,750,560	$ 1,610,530	$ 353,578	$ 4,007,512	$ 412,441
Revenue bonds payable (Note 10)	54,005,000	-	1,570,000	52,435,000	1,625,000
Total leases and bonds payable	56,755,560	1,610,530	1,923,578	56,442,512	2,037,441
Other liabilities:					
Charitable gift annuities (Note 1)	171,339	27,209	68,338	130,210	46,030
Net pension obligation (Note 12)	4,896,140	1,114,000	154,477	5,855,663	-
Compensated absences (Note 5)	5,974,747	4,705,356	4,136,626	6,543,477	14,983
Total long-term liabilities	$ 67,797,786	$ 7,457,095	$ 6,283,019	$ 68,971,862	$ 2,098,454

Note 9: Leases

The University leases facilities and furnishings for student dormitory residences, office and computer equipment, and other assets under a variety of agreements. The University's non-cancelable operating leases having remaining terms of more than one year expire in various fiscal years from 2016 through 2023. Total operating lease expenses in fiscal year 2015 were $811,163.

The University also entered into certain agreements that are classified as capital leases; the related assets and liabilities are recorded in the financial records at the inception of the lease.

Minimum lease payments under leases together with the present value of the net minimum capital lease payments as of June 30, 2015, are as follows:

Fiscal Year Annual Payment	Operating	Capital
2016	$ 547,070	$ 603,123
2017	419,096	589,924
2018	245,842	585,493
2019	174,486	601,423
2020	130,028	601,995
2021-23	103,717	1,433,904
Obligation under leases	$ 1,620,239	4,415,862
Less: Amount representing interest costs		(820,791)
Present value of minimum obligation under capital leases		$ 3,595,071

Note 10: Bonds Payable

Bonds payable consist of revenue bonds issued by University auxiliary enterprises for capital construction projects as shown below.

The Housing and Dining System net revenues and student and activities fees paid by each student enrolled are pledged for debt service on the bonds of Eastern Washington University. The Series 2012 Housing and Dining System Revenue Bonds is tax-exempt debt with external restrictions as outlined in the bond covenants. Under GASB 62, interest costs for such bonds are capitalized net of investment earnings on unspent proceeds until the related capital asset is substantially complete and ready for operation. Net capitalized interest, which represents the amount of expense that could have been avoided had the asset not been acquired, totals $0 and $193,281 for the fiscal years ending June 30, 2015 and 2014, respectively.

	Interest Rate	Maturity Date	Original Balance	Balance Outstanding
Eastern Washington University				
Service and Activities Revenue Bonds, Series 2006	4.00% - 5.00%	2015-2038	$ 28,090,000	$ 24,285,000
Service and Activities Refunding Bonds, Series 2006	4.00% - 4.00%	2015-2019	5,625,000	2,215,000
Housing and Dining System Revenue Bonds, Series 2012	2.00% - 4.125%	2015-2042	25,330,000	24,310,000
Total Revenue Bonds payable			$ 59,045,000	$ 50,810,000

Eastern Washington University debt service requirements for the next five years and thereafter are as follows:

	Eastern Washington University	
	Principal	Interest
Fiscal Year		
2016	$ 1,685,000	$ 2,082,918
2017	1,760,000	2,014,517
2018	1,840,000	1,942,918
2019	1,905,000	1,868,517
2020	1,370,000	1,803,418
2021-2025	7,665,000	8,206,111
2026-2030	9,330,000	6,562,755
2031-2035	11,550,000	4,417,723
2036-2040	10,910,000	1,710,061
2041-2042	2,795,000	174,075
Totals	$ 50,810,000	$ 30,783,013

Note 11: Pledged Revenues

The University has pledged specific revenues, net of certain operating expenses, to repay the principal and interest of revenue and refunding bonds as follows:

Source of Revenue Pledged	Current Year Revenues Pledged (net)	Current Year Debt Service	Total Future Revenues Pledged	Description of Debt	Purpose of Debt	Term of Commitment
Service & activity fee revenue	$8,687,094	$2,285,247	$41,491,723	Service & Activities Fee Revenue and Refunding Bonds – Series 2006	Refund outstanding debt on S&A Revenue Bonds of 1993 and construction of a new student recreation center	2019 (Refunding) 2038 (Revenue)
Housing and Dining revenues net of operating expenses	$5,807,395	$1,483,450	$40,101,290	Housing and Dining System Revenue Bonds – Series 2012	Design and construction of a new residence hall	2042

Note 12: Pension Plans

The University offers four contributory pension plans. The Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) are cost-sharing, multi-employer defined benefit plans; PERS and TRS also have a defined contribution component. The Eastern Washington University Retirement Plan is a defined contribution plan with supplemental payment, when required. The University's total payroll for the year ended June 30, 2015, was $100,611,593. The payroll for employees covered by PERS was $25,945,212; payroll for employees covered by TRS was $902,490; payroll for employees covered by LEOFF was $852,252; and payroll for employees covered by the Eastern Washington University Retirement Plan was $55,621,409.

General

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

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

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 University recognized $2,026,497 in pension expense for all plans subject to the requirements of GASB Statement No. 68 for fiscal year 2015.

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 University offers its employees are comprised of five defined benefit pension plans and two defined benefit/defined contribution plans. Below are the DRS plans that the University 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/default.htm.

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.

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.

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.

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.

From January 1, 2007, through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier, capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

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 2015 are presented later in this footnote.

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%
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, 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, PSERS Plan 2 and SERS 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, 2015, the University reported $11.9 million for its proportionate share of the collective net pension liability for PERS 1 and $5.8 million for PERS 2/3. The University's proportion for PERS 1 was 0.236% percent, an increase of 0.003 percent since the prior reporting period, and 0.285 percent for PERS 2/3, an increase of 0.008 percent. The proportions are based on the University'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 University 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	PERS 2/3
1% Decrease	14,649,845	24,062,191
Current Discount Rate	11,885,340	5,768,630
1% Increase	9,512,283	(8,204,246)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized a PERS 1 pension expense of $809,916, and recognized a PERS 2/3 pension expense of $998,228. At June 30, 2015, 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
Pension contributions subsequent to the measurement date	1,091,105	-
Change in proportion	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	1,486,195
Total	1,091,105	1,486,195

	PERS 2/3	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	1,294,934	-
Change in proportion	254,023	-
Net difference between projected and actual investment earnings on pension plan investments	-	6,114,800
Total	1,548,957	6,114,800

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 1

Year Ended June 30	
2016	(371,549)
2017	(371,549)
2018	(371,549)
2019	(371,549)

PERS 2/3

Year Ended June 30	
2016	(1,456,122)
2017	(1,456,122)
2018	(1,456,122)
2019	(1,492,411)

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. 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 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.

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.

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.

From January 1, 2007, through December 31, 2007, judicial members of TRS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in TRS Plan 1 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit is capped at 75 percent of AFC. Newly elected or appointed justices and judges who chose to become TRS members on or after January 1, 2007, were required to participate in the JBM Program.

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.

As a result of the implementation of the Judicial Benefit Multiplier (JBM) Program in January 2007, a second tier of employee rates was developed to fund the increased retirement benefits of those judges who participate in the program.

Required contribution rates for fiscal year 2014 are presented later in this footnote.

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%
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, 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, 2015, the University reported a liability of $421,191 for its proportionate share of the collective net pension liability for TRS 1 and $48,904 for TRS 2/3. The University's proportion for TRS 1 was 0.014 percent, an increase of 0.005 percent since the prior reporting period, and 0.015 percent for TRS 2/3, an increase of 0.008 percent. The proportions are based on the University'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 University 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	TRS 2/3
1% Decrease	542,016	425,075
Current Discount Rate	421,191	48,094
1% Increase	317,479	(230,704)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended June 30, 2015, the University recognized a TRS 1 pension expense of $199,586, and recognized a TRS 2/3 pension expense of $47,741. At June 30, 2015, 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
Pension contributions subsequent to the measurement date	35,340	-
Change in proportion	-	-
Net difference between projected and actual investment earnings on pension plan investments	-	73,858
Total	35,340	73,858

TRS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	44,454	-
Change in proportion	68,549	-
Net difference between projected and actual investment earnings on pension plan investments	-	112,225
Total	113,003	112,225

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 1

Year Ended June 30	
2016	(18,465)
2017	(18,465)
2018	(18,465)
2019	(18,463)

TRS 2/3

Year Ended June 30	
2016	(13,153)
2017	(13,153)
2018	(13,153)
2019	(13,153)
2020	8,936

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 by September 30, 1977, are Plan 1 members. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, are Plan 2 members. The University does not contribute to Plan 1.

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 plans provide 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 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.

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 2015 are presented later in this footnote.

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%
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, 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, 2015, the University reported an asset of $532,924 for its proportionate share of the collective net pension asset for LEOFF 2. The University's proportion for LEOFF 2 was 0.040 percent, an increase of 0.004 percent since the prior reporting period. The proportions are based on the University'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 University 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
1% Decrease	228,061
Current Discount Rate	(532,924)
1% Increase	(1,103,994)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions **-** For the year ended June 30, 2015, the University recognized a LEOFF 2 pension expense of $(28,974). At June 30, 2015, 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
Pension contributions subsequent to the measurement date	72,978	-
Change in proportion	-	13,374
Net difference between projected and actual investment earnings on pension plan investments	-	281,971
Total	72,978	295,345

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	
Year Ended June 30	
2016	(72,970)
2017	(72,970)
2018	(72,970)
2019	(72,970)
2020-21	(3,465)

Contribution Rates

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

	Contribution Rates at June 30, 2015		Required Employer Contributions		
	Employee	University	FY 2013	FY 2014	FY 2015
PERS					
Plan I	6.00%	9.21%	$ 64,720	$ 64,245	$ 57,464
Plan II	4.92%	9.21%	1,402,930	1,881,470	1,926,219
Plan III	Varies	9.21% *	254,239	373,595	402,747
TRS					
Plan I	6.00%	10.39%	$ 3,125	$ 358	$ 42
Plan II	4.96%	10.39%	5,373	2,605	-
Plan III	Varies	10.39%	19,882	67,906	79,752
LOEFF					
Plan II	8.41%	8.59%	$ 51,073	$ 57,464	$ 72,978

* Defined benefit portion only.

Eastern Washington University Retirement System

Plan Description. Faculty and certain other employees are eligible to participate in the Eastern Washington University Retirement Plan, a defined contribution plan with certain provisions for supplemental payments. RCW 28.B.10.400 authorizes the University's Board of Trustees to establish and amend plan provisions.

The employee and employer contributions are immediately vested at 100%. The plan provides for a variety of options to take income from the plan including, fixed period, interest only, lifetime income annuities, lump sum, and systematic withdrawals.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The University makes direct payments to qualifying retirees when the retirement income provided by the plan does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with 10 years of full-time service. The benefit goal is 2 percent of the average annual salary for each year of full-time service up to a maximum of 25 years, less the annuity benefit offset and any WAPERS benefits (Washington State Retirement System). However, if the participant does not elect to make the 10 percent plan contribution after age 50, the benefit goal is 1.5 percent for each year of full-time service for the years in which the lower contribution rate was selected.

On June 8, 2011, the supplemental benefit payment was discontinued for new employees hired after July 1, 2011. This action caps and will eventually eliminate net pension obligations for the supplemental plan. No other significant changes were made in the benefit provision for the year ended June 30, 2015.

Contribution. Employee contribution rates, which are based on age, are 5 percent, 7.5 percent and 10 percent. The University matches the employee contributions. The University contributions during the year ended June 30, 2015, total $4,728,525.

The University supplemental retirement benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets. The difference between benefits earned and paid represents an accrued liability; the amount is determined by an actuarial study.

An actuarial study of the supplemental pension benefits was last performed as of July 1, 2015. The previous evaluation was performed in 2013. The actuarial assumptions for the most recent valuation included an investment rate of return of 4.00 percent compounded annually and projected salary increases of 3.75% per year. Based on assumptions made regarding expected benefit payments, the actuary presents a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The University uses this cash flow projection to budget annual amounts to provide funds for these benefits.

The unfunded actuarial accrued liability (UAL) calculated at July 1, 2015 was $10,200,000 under the plan's entry age normal method and is amortized over a 10 year period. The UAL is amortized as a level percent of future pay; the plan was closed to new participants effective July 1, 2011. The annual required contribution (ARC) is projected at $1,542,000. There is no inflationary factor included in the UAL valuation. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability on the Statement of Net Position.

The following table reflects net pension obligation activity for the fiscal years ended June 30 follows:

Net Pension Obligation	FY 2015	FY 2014	FY 2013
Balance as of July 1	$ 5,855,663	$ 4,896,140	$ 3,946,578
Add: Annual Required Contribution	1,542,000	1,114,000	1,114,000
Less: Payments to beneficiaries	162,687	154,477	164,438
Balance as of June 30	$ 7,234,976	$ 5,855,663	$ 4,896,140

Note 13: Other Post-Employment Benefits

Effective for fiscal year 2008, the Governmental Accounting Standards Board issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. Other post-employment benefits (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 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 the Office of Financial Management, Insurance Building, PO Box 43113, Olympia, Washington 98504-3113.

The University funds OPEB obligations on a pay-as-you-go basis. Funding status through the fiscal years ended June 30 follows:

Net OPEB Obligation	FY 2015	FY 2014	FY 2013
Balance as of July 1	$ 22,826,000	$ 19,449,000	$ 16,052,000
Add: Annual OPEB costs	5,792,000	4,020,000	3,926,000
Less: Estimated contributions	604,000	643,000	529,000
Balance as of June 30	$ 28,014,000	$ 22,826,000	$ 19,449,000

Note 14: Segment Information

The following financial information represents identifiable activities for which one or more revenue bonds or other revenue-backed debt is outstanding, and where expenses, gains and losses, assets, and liabilities are identifiable. These bonds provide funding for residential housing and student activity facilities. For more information, separately issued financial statements are available from the Office of Controller, Eastern Washington University, 319 Showalter Hall, Cheney, WA 99004. Summarized activity as of and for the years ended June 30 follows:

CONDENSED STATEMENTS OF NET POSITION	Housing and Dining System Revenue Bonds Series 2012		Associated Student Activities Revenue and Refunding Bonds Series 2006	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Assets				
Current assets	$ 10,432,007	$ 7,790,600	$ 4,288,369	$ 3,487,261
Non-current assets	47,439,953	47,628,317	35,437,969	36,342,955
Total assets	57,871,960	55,419,001	39,726,338	39,830,216
Deferred outflows of resources				
Unamortized loss on bond refunding	-	-	31,691	41,442
Related to pensions	189,563	-	2,924	-
Liabilities				
Current liabilities	1,962,364	1,868,785	1,845,196	1,514,669
Non-current liabilities	28,249,877	27,271,039	25,807,948	26,767,041
Total liabilities	30,212,241	29,139,824	27,653,144	28,281,710
Deferred inflows of resources				
Related to pensions	768,579	-	96,883	-
Net position				
Net investment in capital assets	13,919,931	14,409,521	6,277,314	5,401,921
Restricted expendable	47,931	1,019,671	-	-
Unrestricted	13,112,841	10,849,985	5,733,612	6,188,027
Total net position	$ 27,080,703	$ 26,279,177	$ 12,010,926	$ 11,589,948

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Fiscal Years Ended June 30	2015	2014	2015	2014
Operating revenues	$ 25,420,786	$ 20,155,329	$ 8,985,116	$ 8,772,916
Operating expenses	21,147,093	17,549,251	4,891,010	4,577,645
Net operating income	4,273,693	2,606,078	4,094,106	4,195,271
Non-operating revenues (expenses)	(1,021,641)	(855,233)	(1,161,109)	(1,176,839)
Transfers	-	15,208	(2,155,518)	(2,199,600)
Change in net position	3,252,052	1,766,053	777,479	818,832
Net position, beginning of year	26,279,177	24,513,124	11,589,948	10,771,116
Adjustment to beginning net position	(2,450,526)	-	(356,501)	-
Net position, end of year	$ 27,080,703	$ 26,279,177	$ 12,010,926	$ 11,589,948

CONDENSED STATEMENTS OF CASH FLOWS

Net cash flows provided by operating activities	$ 6,055,376	$ 3,734,990	$ 5,354,241	$ 5,222,140
Net cash flows provided (used) by non-capital and related financing activities	-	-	(2,256,000)	(2,256,000)
Net cash flows used by capital and related financing activities	(2,225,897)	(8,404,605)	(2,977,815)	(2,694,241)
Net cash flows provided by investing activities	(3,900,177)	(1,233,149)	(40,000)	636,796
Net increase (decrease) in cash	(70,698)	(5,902,764)	80,426	908,695
Cash—beginning of year	4,518,274	10,421,038	2,197,833	1,289,138
Cash—end of year	$ 4,447,576	$ 4,518,274	$ 2,278,259	$ 2,197,833

Note 15: Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30 are summarized as follows:

Operating Expenses	FY 2015	FY 2014
Educational and general		
Instruction	$ 71,917,376	$ 66,938,085
Research	1,186,156	1,060,255
Public service	6,225,693	5,262,535
Academic support	14,139,891	14,394,257
Student services	17,631,808	16,173,331
Institutional support	17,202,496	15,574,374
Operation and maintenance of plant	19,470,119	18,756,961
Scholarships and fellowships	22,650,570	22,117,975
Auxiliary enterprises	36,085,826	31,886,040
Depreciation	12,086,644	11,374,512
Total operating expenses	$ 218,596,579	$ 203,538,329

Note 16: Other Matters and Subsequent Events

The University may be contingently liable in connection with claims arising in the normal course of its activities. University management believes that the outcome of such matters will not have a material effect on the financial statements. An exception may be *Moore v. Health Care Authority*. This is a class action lawsuit brought on behalf of state employees who allege they were improperly denied health care benefits. The plaintiffs and class requested an undetermined amount plus double damages, which means the potential for damages may be substantial. Discovery related to damages remains ongoing. On December 16, 2011, a hearing was held to determine whether to certify a class on damages for the time period June 1, 2003 through December 31, 2009. Due to the current status of the case, it is difficult to assess potential damages. On December 17, 2015, the governor's proposed supplemental budget request included an assessment of $793,000 for EWU's contingent share toward potential settlement claims. Litigation is still ongoing.

Outstanding purchase orders and other commitments at June 30, 2015 total $8,050,289 for various goods and services.

In July 2015, the Board of Trustees approved the FY2016 operating budget, which included a mandatory fee increase of $195 per year for the Pence Union Building renovation project. The fee will be used to pay debt service on revenue bonds, which will fund the design and construction of the PUB remodel. Total project costs are currently estimated at more than $35 million, and the bonds are expected to be issued in fiscal year 2016.

Schedules of Required Supplementary Information

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

(dollars in thousands)

		2014
University's proportion of the net pension liability		0.235935%
University's proportionate share of the net pension liability	$	11,885
University's covered employee payroll	$	700
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll		1697.91%
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 the University Contributions
Public Employees' Retirement System (PERS) Plan 1
Fiscal Year Ended June 30 *

(dollars in thousands)

		2015
Contractually required contribution	$	57.85
Contributions in relation to the contractually required contribution	$	57.46
Contribution deficiency (excess)	$	0.39
University's covered-employee payroll	$	628
Contributions as a percentage of covered-employee payroll		9.15%

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

Schedule of the University'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
University's proportion of the net pension liability		0.285383%
University's proportionate share of the net pension liability	$	5,769
University's covered employee payroll	$	24,496
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll		23.55%
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.

Schedule of the University Contributions
Public Employees' Retirement System (PERS) Plans 2/3
Fiscal Year Ended June 30 *
(dollars in thousands)

		2015
Contractually required contribution	$	2,331.71
Contributions in relation to the contractually required contribution	$	2,328.97
Contribution deficiency (excess)	$	2.74
University's covered-employee payroll	$	25,317
Contributions as a percentage of covered-employee payroll		9.20%

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

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

		2014
University's proportion of the net pension liability		0.014280%
University's proportionate share of the net pension liability	$	421
University's covered employee payroll	$	4
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll		10529.55%
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 the University Contributions
Teachers' Retirement System (TRS) Plan 1
Fiscal Year Ended June 30 *
(dollars in thousands)

		2015
Contractually required contribution	$	0.04
Contributions in relation to the contractually required contribution	$	0.04
Contribution deficiency (excess)	$	(0.00)
University's covered-employee payroll	$	0
Contributions as a percentage of covered-employee payroll		10.50%

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

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

		2014
University's proportion of the net pension liability		0.015141%
University's proportionate share of the net pension liability	$	49
University's covered employee payroll	$	655
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll		7.47%
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.

Schedule of the University Contributions
Teachers' Retirement System (TRS) Plan 2/3
Fiscal Year Ended June 30 *
(dollars in thousands)

		2015
Contractually required contribution	$	77.65
Contributions in relation to the contractually required contribution	$	79.75
Contribution deficiency (excess)	$	(2.10)
University's covered-employee payroll	$	747
Contributions as a percentage of covered-employee payroll		10.67%

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

Schedule of the University'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
University's proportion of the net pension liability		0.040159%
University's proportionate share of the net pension liability (asset)	$	(533)
University's covered employee payroll	$	669
University's proportionate share of the net pension asset as a percentage of its covered-employee payroll		79.66%
Plan fiduciary net position as a percentage of the total pension liability		116.75%

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

Schedule of the University Contributions
Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Fiscal Year Ended June 30 *
(dollars in thousands)

		2015
Contractually required contribution	$	73.21
Contributions in relation to the contractually required contribution	$	72.98
Contribution deficiency (excess)	$	0.23
University's covered-employee payroll	$	852
Contributions as a percentage of covered-employee payroll		8.56%

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

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