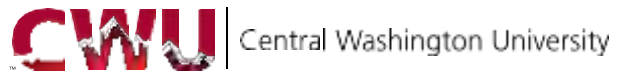




2018







ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2018



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EXECUTIVE OFFICERS (AT JUNE 30, 2018)

Dr. James L. Gaudino, President

Ms. Linda Schactler, Chief of Staff

Dr. Katherine Frank, Provost/Vice President for Academic and Student Life

Mr. Joel Klucking, CFO/Vice President for Business and Financial Affairs

Ms. Sharon O'Hare, Vice President Enrollment Management

Mr. Andreas Bohman, Vice President Operations

BOARD OF TRUSTEES (AT JUNE 30, 2018)

Mr. Keith Thompson, Chair

Mr. Ron Erickson, Vice Chair

Mr. Ray Conner

Mr. Chris Liu

Ms. Erin Black

Mr. Robert Nellams

Mr. Gary Epp

Mrs. Emily Washines

NOVEMBER 8, 2018

Dear Central Washington University Board of Trustee Members,



The attached annual financial report reflects my continued belief that our university is on the right track when it comes to attracting a diverse student body, creating a welcoming and nurturing environment for our students, offering a world class education, and serving the needs of the people of the state of Washington.

Working together, we have set our institution on a path to future successes. We recently received reaffirmation of accreditation from the Northwest Commission on Colleges and Universities. We celebrated the opening of Samuelson Hall, completed the Recreation Complex expansion, and upgraded Tomlinson Stadium. We also earned the prestigious Higher Education Excellence in Diversity (HEED) Award for the fourth time in five years.

As I look ahead, I see challenges but also opportunities. We are an outstanding university. But, I know we can do better. We should use our excellence as a catalyst for improvement by continuing to offer a robust and rigorous learning environment and do that by focusing on ensuring the individual success of our students regardless of their background or preparation.

Sincerely,

A handwritten signature in black ink, which appears to read "James L. Gaudino". The signature is fluid and cursive.

James L. Gaudino
President
Central Washington University

NOVEMBER 8, 2018

Dear Central Washington University Board of Trustee Members,

Attached is the annual financial report of Central Washington University. It has been prepared from the university's accounting records and reflects Central Washington University's financial position as of June 30, 2018, and the results of its operations for the year then ended. In this report you will see clearly our commitment to effective stewardship of public resources, financial sustainability, and academic achievement both inside and outside the classroom.

Central Washington University maintains its accounts in accordance with the guidelines established by the Washington State Office of Financial Management and the state of Washington. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Sincerely,



Joel Klucking
CFO/Vice President
Business and Financial Affairs



Central Washington University

INITIATIVES AND ACHIEVEMENTS

At Central we like to say: You Belong Here. It's part of our DNA. We're proud of the welcoming, accepting, and inclusive environment we have created at Central and it is what has helped us become recognized as one of the top public universities in the West.

2018 HIGHLIGHTS

- For the fourth time in five years, Central Washington University has earned the prestigious Higher Education Excellence in Diversity (HEED) Award from INSIGHT Into Diversity magazine. The award recognizes higher education institutions that demonstrate an outstanding commitment to diversity and inclusion.
- Central Washington University was ranked the #2 Best Online Colleges in the state of Washington for 2018-19 by www.onlinecolleges.com.
- Onlinemasters.com, a national online university ranking site, recently rated CWU's online master's in higher education degrees as one of the top 10 best online master's degree programs in the country.
- Central Washington University is ranked as one of the top 20 universities in the U.S. for online master's programs in information technology by the website, affordablecollegesonline.com. Central is ranked 15th in the nation, according to the annual survey of colleges and universities.
- Central Washington University offers one of the nation's top five best online bachelor's degree programs in writing, according to bestcolleges.com, an online college evaluation service.
- Money Magazine recently ranked Central Washington University as one of the best colleges or universities in the state of Washington. Money Magazine's rankings were based on quality of education, affordability, and outcomes.
- Central Washington University boasts one of the top 25 online undergraduate degree programs in sociology in the nation, according to TheBestSchools.org, an online college ranking site. CWU was one of only two Washington state universities to be listed in the program rankings.
- CWU's online Bachelor of Science in Aviation Management was ranked one of the top 15 Best Online Aerospace Degrees by Best Value Schools. CWU was the only school in the Pacific Northwest to make the list.
- Kathy Johnson, a Human Resources Consultant in Central Washington University's Department of Human Resources since 2010, earned the Society for Human Resource Management's Certified Professional certification.



- Lisa Stowe, Department of Chemistry fiscal specialist/secretary, received the Pacific Affiliate of College and University Residence Halls Institution Faculty/Staff of the Month Award for the month of April.
- Xavier Cavazos, a lecturer in the English department was recently elected to the Humanities Washington board of trustees.
- Eric Galbraith, a human resource partner in Central Washington University's Department of Human Resources since 2012, recently earned the Society for Human Resource Management's Senior Certified Professional certification.
- Jenna Hyatt, CWU associate dean of students, has been named by the Northwest Association of College and University Housing Officers (NWACUHO) as the recipient of its 2018 Roger Frichette Excellence in Service Award.
- Anne Egger, assistant professor of geological sciences and science education and director of undergraduate research, was selected by the National Association of Geoscience Teachers (NAGT) as the new editor in chief of the Journal of Geoscience Education.

Accreditation

In October, a regional accreditation group commended Central Washington University for providing meaningful opportunities for student learning and engagement and serving and enhancing the local community through innovative and collaborative partnerships. The Northwest Commission on Colleges and Universities (NWCCU) evaluation committee, which spent three days meeting with campus groups, issued a verbal summary report that applauded CWU faculty, staff, administrators, and Board of Trustees for building an institutional culture and identity around their commitment to serving students. The committee also commended CWU for the enthusiasm with which the entire university embraced the regional accreditation process and participated in the site evaluation and made three recommendations for continued improvement:

- The need to build a more effective and efficient system of academic advisement
- Continuation of an assessment of learning outcomes at the class-level
- Integration of division plans within the context of the university's strategic plan

The recommendations followed completion of a year-long university self-study. The on-campus evaluation, by the nine-member team, was a peer review of the data included in that study. The team will file a final report in February 2019.

Samuelson Hall Opens

In October, CWU held a ribbon-cutting ceremony for Samuelson Hall, the new home for the Departments of Computer Science, Information Technology and Administrative Management, Mathematics, and Sociology as well as the Information Technology Services Help Desk and Multimodal Learning and Education. The \$64 million state-of-the-art building encompasses 135,956 feet including 17 classrooms, 11 computer labs, and six studios as well as a Cyberwarfare lab, robotics lab, and a Turing supercomputer.



PRESIDENT GAUDINO AND LISA STOWE



JENNA HYATT



SAMEULSON HALL GRAND OPENING



DUGMORE HALL RENDERING



North Campus Expansion

In 2018, CWU began the first phase of North Campus Expansion, a series of campus additions, improvements, and enhancements designed to address campus needs for the future. The projects include:

- **Upgraded Tomlinson Stadium** – In September, a ribbon-cutting event celebrated the \$6 million renovation of Tomlinson Stadium. The work was the first major overhaul of the facility in nearly six decades. The work included the installation of artificial turf for year-round play, stadium lighting that allows night sports events. The renovation also included new entry gates and expanded visitor seating as well as the addition of Wildcat and Alumni Plazas to offer university donors and graduates special areas to watch events.
- **New Recreation Sports Complex** — In November, CWU cut the ribbon on the newly-constructed Recreation Sports Complex, which included a new all-weather track, artificial turf infield, outdoor lighting, throws venues, stadium-style scoreboard, and grandstands. The \$6 million project is used by the CWU track and field team as well as student intramural sports teams, club sports, and other student recreational needs.
- **Dugmore Hall** — Construction began on the \$40 million Dugmore Residence Hall, a 402-room housing facility primarily for first-year students. The 105,000 gross square foot project is scheduled to be completed in the fall of 2019.
- **North Campus Dining Facility** — As part of the new residence hall project (Dugmore Hall), the university will add a separate 6,000-square foot dining facility located to the east and north of Dugmore Hall. The \$2.68 million project, to open in August or September 2019, will include a Panda Express franchise and the 1891 Market, which will offer coffee and espresso drinks along with upscale grab-and-go and other market items.

Aviation: A New Altitude

For the first time in its history, CWU's aviation program runs its own flight school, under its own license. The department obtained a Federal Aviation Administration Part 141 certification for training pilots. Additionally, the CWU Board of Trustees approved funding for purchasing a fleet of planes, which began arriving in December 2017. CWU now owns 11 new Piper Archers, and two twin-engine Piper Seminoles, in addition to six leased aircraft. CWU Aviation has developed a 20-year fleet management plan, which will provide continuous upgrades to refresh the fleet.

Goodbye Hertz Hall/Hello Health Sciences

In November, CWU staged a special 125th anniversary of the University's music department in Hertz Hall. The event also served as the final performance in the hall, which has been the site of countless musical performances since it was constructed in 1963. The building is scheduled to be demolished in 2019 and replaced by a new Health Sciences Building. The proposed 80,000 square-foot building will allow CWU to meet increased student demand for degrees and certificates in the health professions.





OFFICE OF THE WASHINGTON STATE AUDITOR
PAT MCCARTHY

Independent Auditor's Report on Financial Statements

February 8, 2019

Board of Trustees
Central Washington University
Ellensburg, 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 Central Washington University, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the Central Washington University, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2018, the University adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Central 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. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2018, the changes in its financial position, or where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated February 8, 2019, 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.



Pat McCarthy
State Auditor
Olympia, WA



Management's Discussion and Analysis

INTRODUCTION

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of Central Washington University (the University) for the fiscal year ended June 30, 2018, with comparative 2017, and 2016 financial information. This discussion provides an objective and easily readable analysis of the University's financial performance for the year. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements, which follow this section.

Central Washington University (CWU) is one of six state-assisted, four-year institutions of higher education in Washington. A regional comprehensive university, CWU offers baccalaureate and graduate degrees in more than 100 academic programs to over 11,000 students. The University has distinguished itself through quality teaching and academic programs, student-centered orientation, and commitment to research, outreach, and international experiences for faculty and students, and provision of life-long learning opportunities to the citizens of Washington. The University is comprised of the College of Arts and Humanities, College of the Sciences, College of Education and Professional Studies, and College of Business. CWU's instructional faculty, numbering more than 600, compiles an impressive record of teaching, scholarship, and service. The main campus is located in Ellensburg, a community of approximately 20,330 that enjoys one of the finest living environments of the Pacific Northwest. Historic Ellensburg offers the laid-back atmosphere of a small town, but with a variety of things to do and see both indoors and out. Most enjoy downtown Ellensburg with its distinctive shops, bars, restaurants, museums all within walking distance. Others enjoy the outdoor experience of camping, fishing, horse-back riding, rafting, hiking, biking, and even golfing. In the shadow of the Cascade Mountains and only minutes from the Wenatchee National Forest, Ellensburg is situated in the Kittitas Valley, an agricultural region 110 miles east of Seattle, the cultural heart of Washington.

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

Using the Financial Statements

The financial statements presented in this annual report encompass the University and its discretely presented component unit. The University's financial reports include the Statement of Net Position, the Statement of Revenue, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the University at a moment in time, at fiscal year end. The Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows provide information about operations and activities over a twelve-month period. Together these statements, along with the notes to the financial statements, provide a comprehensive way to assess the University's overall financial health.

The financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) which establish standards for external financial reporting for public colleges and universities. In accordance with GASB requirements the financial statements are prepared utilizing the accrual basis of accounting and presented on a consolidated basis to focus on the University as a whole.

The Central Washington University Foundation (the Foundation) is a significant component unit based on the requirements of GASB Statement 39. This report reflects the Foundation as a discretely reported entity for all years reported. The reader will see reformatted CWU comparatives in this report. The MD&A, however, focuses on University activity unless otherwise noted.

New Accounting Pronouncement Adopted

During fiscal year 2018 Central Washington University implemented the GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This is a required implementation and has effected many of the balances discussed in the MD&A.

Management Discussion and Analysis | CONTINUED

The requirements of Statement No. 75 do not affect the amount entities pay to provide other postemployment benefits to retirees, only how costs are accounted for and reported in the financial statements. The GASB believes these requirements enhance the accountability and transparency of governments that provide their employees with retirement benefits.

For more information about GASB 75, please see: www.gasb.org

Financial Highlights for Fiscal Year 2018

- Net Position nominally increased \$17.1 million during fiscal year 2018 due to both increased student population and increased operating appropriations, however this was offset by the implementation of GASB 75 which required the recognition of CWU's proportionate share of Other Post-Employment Benefits (OPEB) which included a restatement of beginning net position of (\$77.9) million. The combined impact on net position is a reduction of (\$60.9) million.
- Several infrastructure improvements and remodeling projects were underway or initiated during fiscal year 2018 including:
 - o **Construction of Samuelson STEM Building:** The pre-Depression era Samuelson Union Building has been reconstructed and modernized into an integrated computer science technology center to be known as the Samuelson STEM building. The new \$64.5 million facility will house in-demand STEM programs offered by the departments of Computer Science, Mathematics, and Information Technology and Administrative Management (ITAM). It will also contain the office of Multimodal Learning and other distance learning options, as well as the Service Desk. The project is expected to be completed in the fall of 2018.
 - o **Dugmore Hall project:** Dugmore Hall is a 102,563 square foot, 402 bed residence hall being built on a nine acre site at the northeast corner of east Dean Nicholson Boulevard and North Wildcat Way. The construction budget for the new residence hall is approximately \$40 million with an opening date slated for fall 2019.

The University successfully enrolled 2,128 freshman students in fall quarter of fiscal year 2018, successfully exceeding the fall 2017 class number by 12 percent despite increased competition from other Washington public universities. This increase was achieved by adopting a more targeted approach to marketing that focuses on students most likely to enroll at Central.

KEY FINANCIAL RESULTS FOR FY 2018 COMPARED TO FY 2017 (IN THOUSANDS)

	2018	2017
Total operating revenues	\$ 163,043	\$ 154,728
Operating expenses	247,385	246,281
Operating loss	(84,342)	(91,553)
State appropriations	59,634	57,354
Investment income (loss)	5,589	4,067
Capital appropriations	22,352	64,172
Pell grant revenue	19,376	17,560
Interest on indebtedness	(4,929)	(6,722)
Non-operating income net of expenses	(600)	(2,312)
Total net non-operating revenue and capital appropriations	101,422	134,119
Increase (decrease) in net position	17,080	42,566
Net Position (as restated), beginning of year	319,810	355,164
Net Position, end of year	\$ 336,890	\$ 397,730

Key Financial Results

- Operating revenues increased by \$8.3 million or 5.37% from the prior fiscal year.
- Operating expenses increased by \$1.1 million or 0.45% over the prior fiscal year.
- State operating appropriations increased by \$2.3 million or 3.98% over the prior fiscal year.
- Pell grant revenue increased by \$1.8 million or 10.34% over the prior fiscal year.
- Interest on indebtedness decreased by \$1.8 million from the prior fiscal year.
- Total net non-operating revenues decreased by \$32.7 million due to decreased capital appropriations.
- Beginning net position decreased by \$77.9 million due to the implementation of GASB 75 (see note 10).

CWU receives a state appropriation for operating revenues which are not usually sufficient to cover all of the University's operating expenses. Non-operating revenues which include: state operating and capital appropriations, Pell grant revenue, investment income and non-operating income net of expense result in a modest increase in the net position or "equity" of the University. The equity is re-invested in the University for facility upgrades, contingency reserves to offset periods of economic instability, and to increase the level of educational excellence and operational efficiencies.

STATEMENT OF NET POSITION

The Statement of Net Position (SNP) presents the financial status of the University at the end of the last two fiscal years and includes all assets, deferred outflows, liabilities, and deferred inflows of the University. This statement represents assets available to continue operations of the institution and how much the institution owes vendors, employees, investors, and debt service obligations. Several nonfinancial factors also contribute to the University's financial health and include: student enrollment, number of full-time faculty, student retention, graduation rates, building conditions, and campus safety.

STATEMENT OF NET POSITION (IN THOUSANDS)

	<u>2018</u>	<u>2017</u>
Assets		
Current assets	\$ 56,340	\$ 70,323
Non-current assets	105,423	52,313
Capital assets, net of depreciation	489,357	476,313
Total assets	651,120	598,949
Deferred outflows of resources		
Deferred outflows	11,095	8,655
Liabilities		
Current liabilities	41,912	34,997
Non-current liabilities	266,969	167,025
Total liabilities	308,881	202,022
Deferred inflows of resources		
Deferred inflows	16,443	7,853
Net position		
Net investment in capital assets	367,691	354,554
Restricted: non-expendable	3,465	3,465
Restricted: expendable	7,798	10,898
Unrestricted	(42,064)	28,813
Total net position	\$ 336,890	\$ 397,730

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets

The excess of current assets over current liabilities of \$14.4 million in 2018 reflects the continuing ability of the University to meet its short-term obligations. Current assets are those highly liquid assets that may be converted to cash in less than one year and include cash and cash equivalents, short term investments, accounts receivable, and inventories. Current assets decreased \$14.0 million to \$56.3 million at June 30, 2018 and the most significant fluctuations are discussed below:

Cash and cash equivalents decreased by \$9.2 million to \$29.4 million. To obtain more favorable investment returns the University invested additional funds in state, municipal, and corporate bonds and will continue to maximize earnings while maintaining sufficient cash and cash equivalents to meet current operations and to fund major projects.

The decrease in receivables of \$5.4 million was primarily due to reduced state appropriations receivable, which decreased by \$5.8 million from the prior year combined with a minor increase in Auxiliary receivables resulting in the net decrease. Inventories increased by \$0.6 million, mainly due to the bookstore adding textbook rentals to their offerings.

Non-Current Assets

Non-current assets are not expected to be converted into cash, sold, or exchanged within the normal operating cycle and include: investments, student loan receivables, and cash restricted for capital projects. Capital assets include construction in progress, furniture and equipment, land, buildings and improvements. As of June 30, 2018 non-current and capital assets, net of depreciation increased by \$66.2 million to \$594.8 million.

Capital assets net of depreciation increased by \$13.1 million to \$489.4 million in fiscal year 2018 compared to \$476.3 million in the prior year due to infrastructure improvements and work on the new Dugmore Hall. Long-term non-current investments increased by \$51.1 million to \$93.9 million in fiscal year 2018 as the University took advantage of opportunities to invest an additional \$7.4 million in bonds in order to increase interest earnings, in addition to \$43.3 million of bond proceeds invested in serialized CDs reserved for the construction of Dugmore Hall. Funds with the State Treasurer increased \$4.0 million due to an additional infusion of funds by the Treasurer combined with a short capital spend period due to the timing of the approved capital budget, and the related capital appropriation decreased by \$41.8 million to \$22.4 million for fiscal year 2018.

Deferred Outflows of Resources

The deferred gain or loss on refunding outflows number represents costs associated with previous debt issuances. This accounting treatment is the result of GASB 63 & 65 which were adopted in 2013. This component of the Deferred Outflows balance was amortized and decreased by \$.5 million at June 30, 2018 and will continue to be amortized on a straight-line basis through the term of the replacement bonds of 2016.

The application of GASB 68 in fiscal year 2018 required the recognition and amortization of CWU's proportionate share of the various pension plan liabilities, resulting in the recognition of approximately \$1.5 million of additional deferred outflows related to pension liabilities. The application of GASB 73 in fiscal year 2018 required the recognition and amortization of CWU's supplemental pension liability, this resulted in the recognition of \$0.3 million of additional deferred outflows related to GASB 73. The implementation of GASB 75 required the recognition and amortization of CWU's proportionate share of the Other Post Employment Benefits (OPEB), this resulted in the recognition of \$1.2 million of deferred outflows related to GASB 75. The 2018 pension calculations resulted in a net \$2.9 million increase of these outflows over the prior year.

Liabilities

Current liabilities are claims that are due and payable within one year and include: accounts payable, accrued payroll liabilities, unearned revenues, deposits payable, and the current portion of bonds/leases payable. Non-current liabilities represent obligations that become due after one year and include compensated absences, supplemental retirement liabilities, and long-term debt obligations (Notes 8, 9, 11, 12, 13, and 14).

Current liabilities typically fluctuate from the timing of processing accounts payable and deposits payable, changes in the current year bond/leases payment schedule, and the changes in unearned revenue. Current liabilities at June 30, 2018, were \$41.9 million representing an increase of \$6.9 million from 2017 mainly due to the recognition of \$7.1 million of short term OPEB liability from the implementation of GASB 75.

Non-current liabilities increased \$99.9 million to \$267.0 million at June 30, 2018. This increase consists of \$42.5 million due to the new bond issue for Dugmore Hall, while the remaining increase is related to the implementation of GASB 75 which resulted in a \$65.6 million increase in OPEB liability, combined with an \$8.0 million dollar decrease related to GASB 68 and 73 (see Notes 9, 10, and 11).

Deferred Inflows of Resources

The calculations related to GASB 68 activity resulted in a decrease of \$2.4 million in deferred inflows of resources, while the implementation of GASB 75 caused an increase of \$11.0 million resulting in the current total of \$16.4 million to be amortized over the following four to five years.

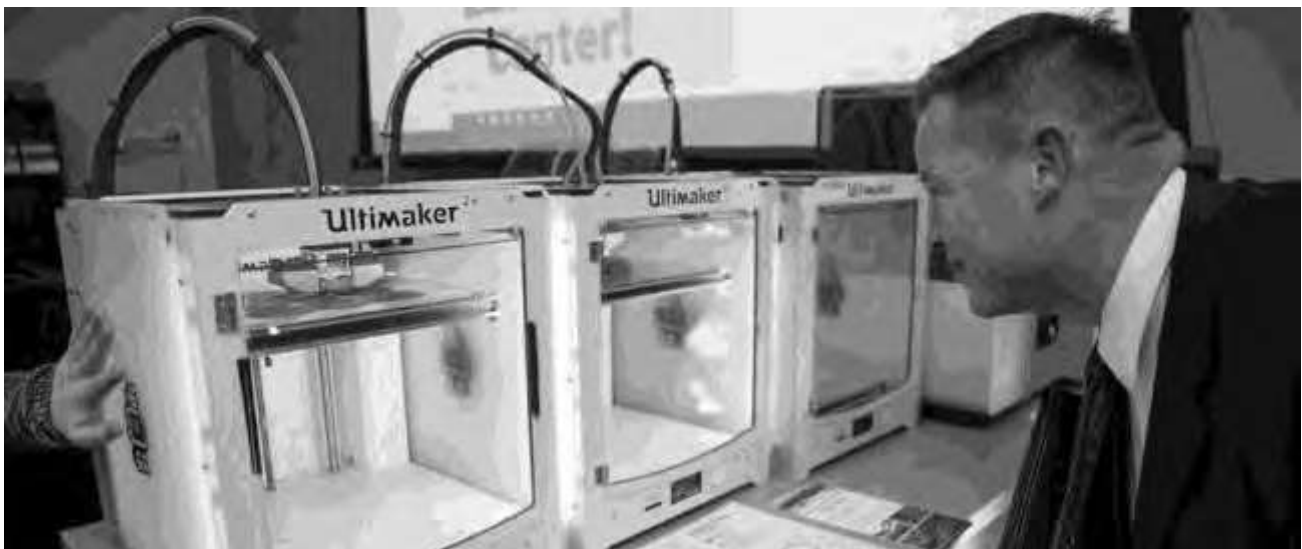
Net Position

The difference between total assets and deferred outflows and total liabilities and deferred inflows is net position (equity), and it is an indicator of the University's overall financial condition.

Net position is divided into four major categories.

- **Net Investment in Capital Assets:** Equity in property, plant, equipment, and infrastructure, net of accumulated depreciation, and outstanding debt obligations related to those capital assets.
- **Restricted Non-Expendable:** Funds on which a donor or external party has imposed restrictions.
- **Restricted Expendable:** Resources which the University is legally or contractually obligated to spend in accordance with restrictions placed on the funds.
- **Unrestricted:** All other funds available to the University for general and educational obligations and may be expended for any lawful purpose. In many cases, these funds have been internally designated for specific purposes, including board required emergency reserves, debt policy requirements, facilities maintenance, and other purposes.

As of June 30, 2018, net position totaled \$336.9 million, a decrease of \$60.8 million from the balance at June 30, 2017. This decrease is mainly due to the implementation of GASB 75 which resulted in a decrease of beginning Net Position of \$77.9 million, combined with the \$17.1 million increase in Net Position from operations in FY 2018.



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 and the effects of non-operating transactions over a one-year period of time. The statement classifies activities as either “operating” or “non-operating.”

Operating revenues are inflows of funds generated through the provision of goods and services to the University’s customers which include tuition and fees, grant and contract payments, and sales and service revenue generated by student housing, student dining and other University enterprises. Operating expenses are the outflows of funds used to generate operating revenues and in carrying out the University’s mission.

Non-operating revenues include state operating and capital appropriations, Pell grants, and investment income. Non-operating expenses are mainly interest on indebtedness. Following is a condensed comparison of the University’s revenues, expenses, and changes in net position for the years ended June 30, 2018 and 2017.

SUMMARY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (IN THOUSANDS)

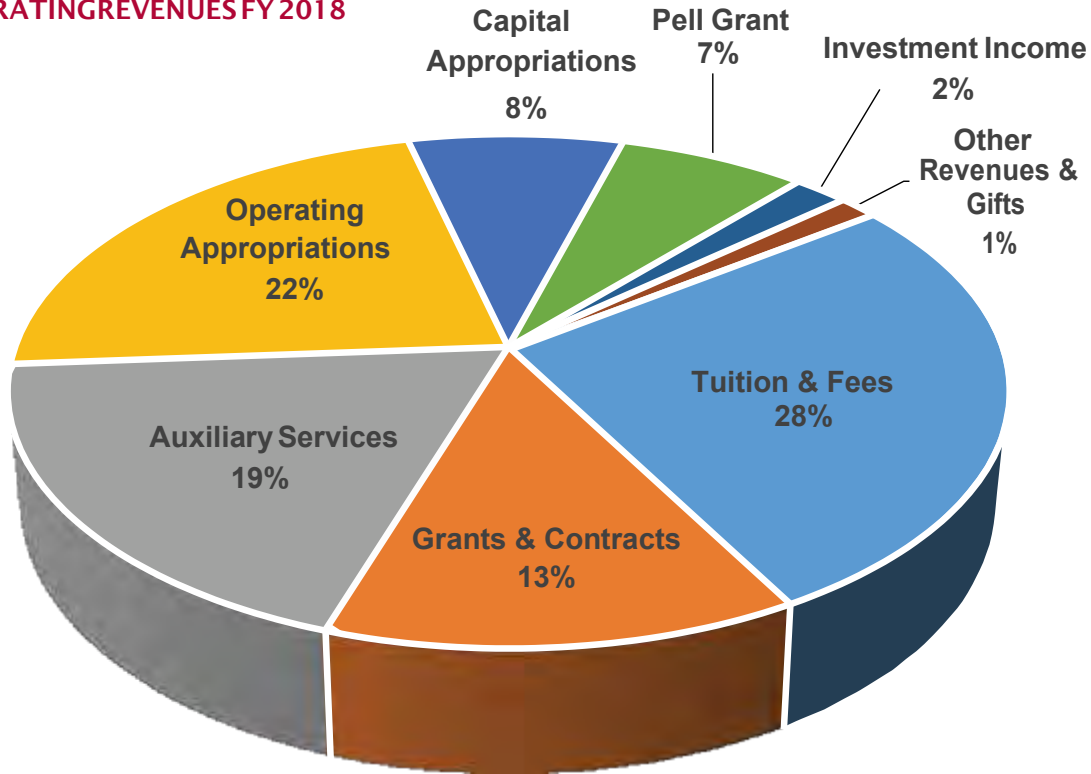
	2018	2017
Operating revenues	\$ 163,043	\$ 154,728
Operating expenses	247,385	246,281
Operating loss	(84,342)	(91,553)
Non-operating revenues and capital appropriations	\$ 106,951	\$ 143,153
non-operating expenses	(5,529)	(9,034)
Net non-operating revenues (expenses)	101,422	134,119
Increase (decrease) in net position	17,080	42,566
Net position beginning of year (as restated)	319,810	355,164
Net position end of year	\$ 336,890	\$ 397,730

The University maintains a diversified revenue base comprised of tuition and fees, state appropriations, grants and sponsored programs, auxiliary enterprises, and non-operating income. Operating revenues in fiscal year 2018 totaled \$163.0 million representing an increase of \$8.3 million or 5.4% from 2017.

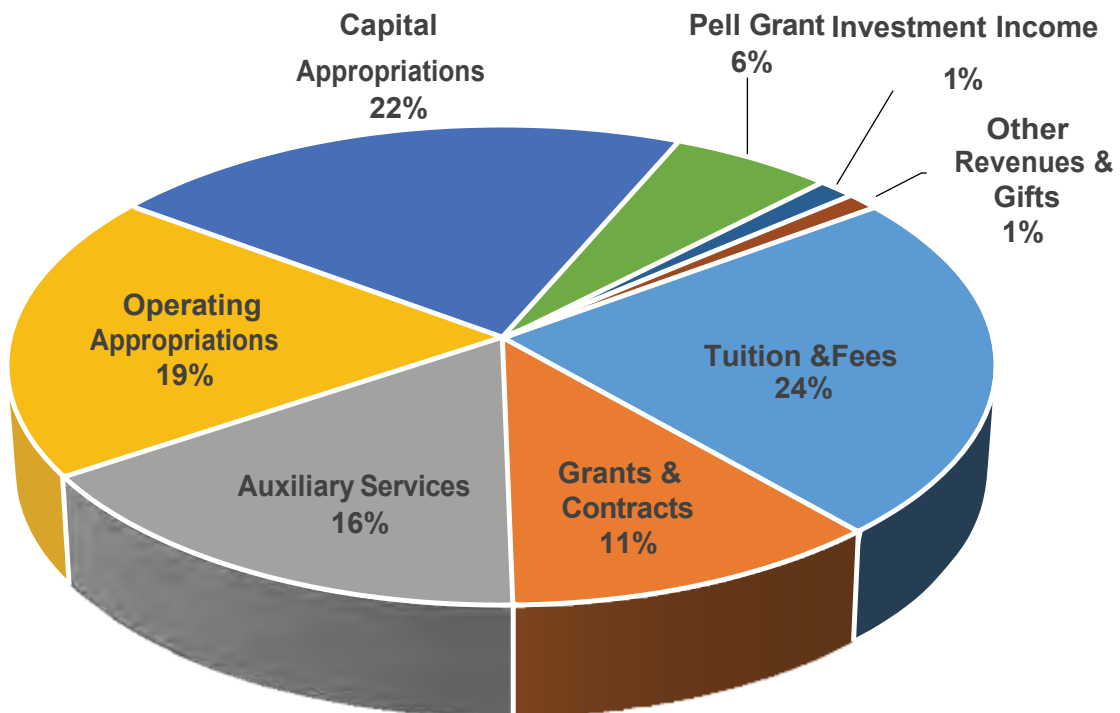


Revenues by Source

OPERATING REVENUES FY 2018



OPERATING REVENUES FY 2017



REVENUES BY SOURCE (IN THOUSANDS)

	2018		2017		2016	
Net Tuition and Fees	\$ 72,566	28%	\$ 69,667	24%	\$ 75,687	30%
Grants and Contracts	35,519	13%	33,716	11%	36,003	14%
Auxiliary Services	51,343	19%	48,228	16%	44,912	17%
Operating Appropriations	59,635	22%	57,354	19%	46,496	18%
Capital Appropriations	22,352	8%	64,171	22%	28,431	11%
Pell Grant	19,376	7%	17,560	6%	17,989	7%
Investment Income	5,589	2%	4,067	1%	5,385	2%
Other Revenue and Gifts	3,614	1%	3,433	1%	3,797	1%
Total	\$ 269,994		\$ 298,196		\$ 258,700	

Net tuition and fees remain the primary source of revenue. The increase of \$2.9 million was primarily due to an increased tuition rate and continued student head count growth from the previous year. Net tuition and fees represent 28% of the University’s revenue (see Statistics section for additional information on enrollment).

Auxiliary Enterprises generated 19% of total revenue representing an increase of \$3.1 million to \$51.3 million as of June 30, 2018. This was due to increased rates and participation in on-campus student activities such as housing and dining. Auxiliary Enterprises include essential support programs such as residential housing and dining, catering, bookstore, and conference program.

Grants and contracts provide student financial aid and support the University’s educational and research activities. In fiscal year 2018 grants and contracts revenues increased \$1.8 million from the prior year mainly due to increases in National Science Foundation grants, Asia University, and outside scholarships.

Capital appropriations decreased \$41.8 million from the prior year to \$22.4 million due to completion of Science Phase II. Current capital projects include final work on the Samuelson STEM Building, as well as continued work on Old Heat, the start of construction for Dugmore Hall, the Recreation Sports Complex, and various other ongoing residence hall projects.

Gross non-operating revenues totaled \$107.0 million in fiscal year 2018 representing a decrease of \$36.2 million from 2017 driven mainly by the large decrease in capital appropriations offset by minor increases in state appropriations, Pell grant, and investment income.

Investment income increased in fiscal year 2018 by \$1.5 million to \$5.6 million resulting mainly from increases in invested funds as well as improved investment performance in the current year.

Operating and Non-Operating Expenses

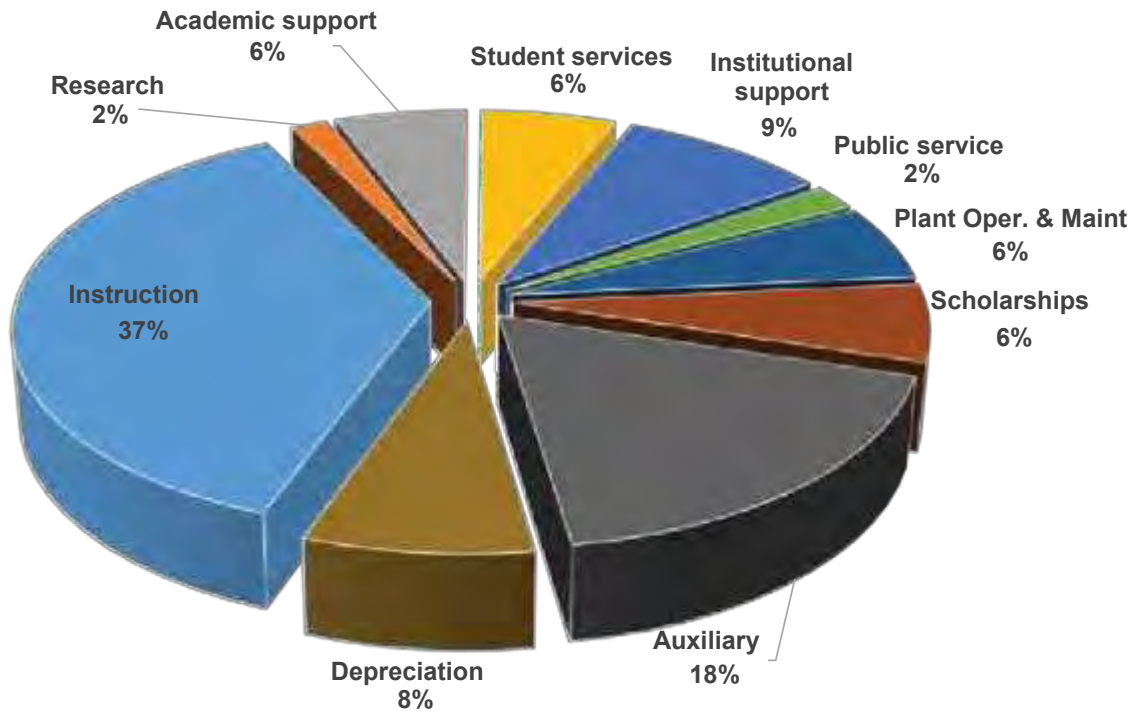
Operating expenses consist mainly of employee compensation, supplies and material costs, student scholarships and other aid. Operating expenses are displayed in the following table by functional area as this is the industry standard. (See Note 18 for a listing of operating expenses by natural classification.)

OPERATING AND NON-OPERATING EXPENSES

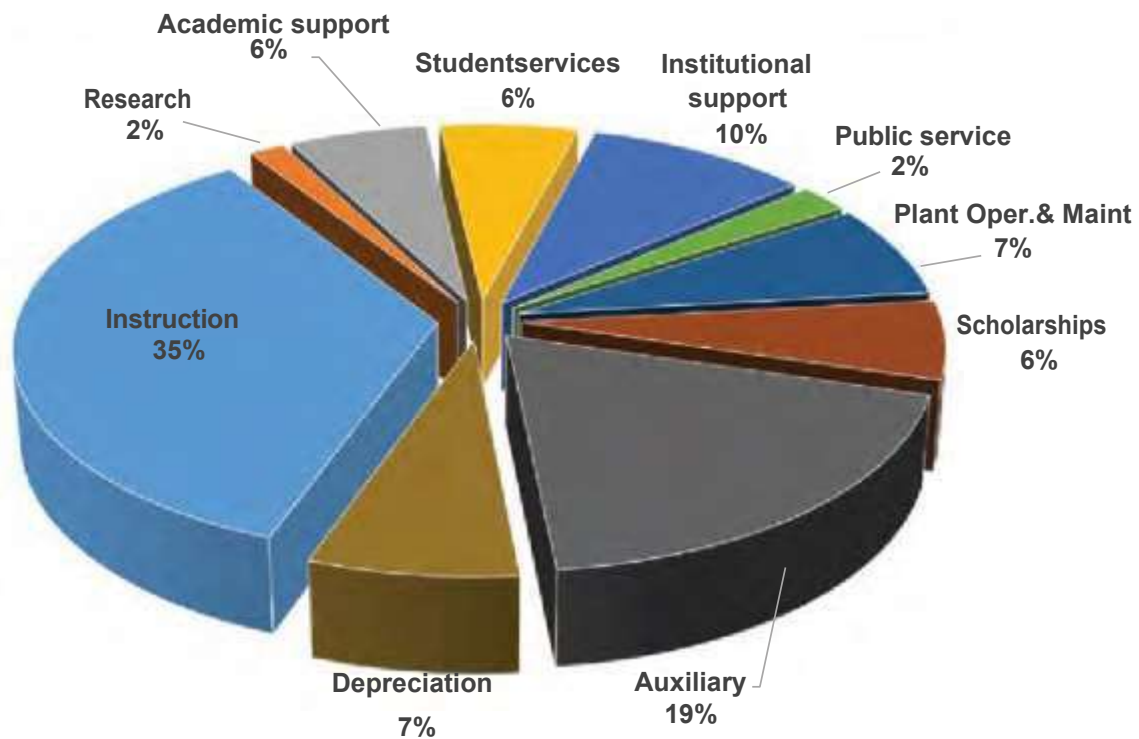
	2018	2017
Operating Expenses	\$ 247,385	\$ 246,281
Non-Operating Expenses	4,929	6,722
	\$ 252,314	\$ 253,003

Non-operating expenses are those that do not relate to the core operation of the University. Examples of non-operating expenses are interest expense and amortization expense.

OPERATING AND NON-OPERATING EXPENSES FY 2018



OPERATING AND NON-OPERATING EXPENSES FY 2017



OPERATING EXPENSES BY FUNCTION (IN THOUSANDS)

	2018		2017	
Instruction	\$ 91,551	37%	\$ 86,874	35%
Research	4,088	2%	3,780	2%
Public Service	4,971	2%	5,391	2%
Academic Support	14,633	6%	14,808	6%
Student Services	14,942	6%	13,656	6%
Institutional Support	23,072	9%	23,894	10%
Operations and maintenance of plant	14,912	6%	18,120	7%
Scholarships and other student aid	15,318	6%	15,308	6%
Auxiliary	44,427	18%	46,901	19%
Depreciation	19,471	8%	17,549	7%
Total operating expenses	\$ 247,385		\$ 246,281	

Total operating expenses increased by \$1.1 million to \$247.4 million with the highest proportional increases in Instruction, Research, and Student Services categories. Direct instruction expenses increased \$4.7 million to \$91.6 million as the University continued to augment the number of faculty to address class workloads. Student services increased by \$1.3 million to \$14.9 million as the University focused on providing more services to enhance the student experience. Research increased \$0.3 million to \$4.1 million due to increased National Science Foundation (NSF) grant activity.

Academic support remained relatively flat with only a \$0.2 million decrease to \$14.6 million. Auxiliary costs decreased by \$2.5 million from the fiscal year 2017, due to a reduction in cost of goods sold as the bookstore changes its format and a reduction in the pension expense related to GASB 68.

Instructional expenses totaled \$91.6 million and comprised 37% of all University operating expenses during fiscal year 2018 with a three year average of 37% of total operating expense. The University remains committed to its primary mission of preparing students for responsible citizenship, responsible stewardship of the earth, and to lead enlightened and productive lives.

CAPITAL CONSTRUCTION

Capital construction is a high priority as the University modernizes and replaces academic and residential facilities, continues to develop and improve campus infrastructure and utilities, and reduces deferred maintenance. Major remodeling and system upgrade projects continue on campus that will bring older buildings and infrastructure into compliance with current teaching methodology and technology, health and safety needs, and code requirements.

The University had \$489.4 million in capital assets net of depreciation at fiscal year-end 2018 and has the following major capital project priorities (see note 7 for additional capital asset information):

In a dramatic shift from recent biennium, the 19-21 capital budget was delayed and significantly reduced in scope. The University was appropriated \$23 million to start the construction phase of a \$62.5 million Nutrition/Health Sciences building and \$7.5 million for Minor Works preservation projects. In addition, a re-appropriation was granted for the completion on the Samuelson STEM Building.

- **Near Completion of Samuelson STEM Building.** The reconstruction of the pre-Depression era Samuelson Union Building into an integrated computer science technology center (Samuelson STEM Building) is nearly completed. The \$64.5 million facility which opens for fall classes in September of 2018 will house in-demand STEM programs offered by the departments of Computer Science, Mathematics, and Information Technology and Administrative Management (ITAM). It will also contain the office of Multimodal Learning and other distance learning options.

- **Dugmore Hall project** . CWU has experienced record enrollment and requests for campus housing exceed current supply. With the City of Ellensburg’s vacancy rate of less than 1%, the housing shortage could deter students, faculty and staff from choosing CWU. The \$45 million bond-funded Dugmore Hall is a new fast-tracked, design-build project that will provide 402 beds plus a dining hall that will transform the northwest area of the Ellensburg campus. This new freshman-oriented residence hall is 102,563 gsf (gross square feet) and will contain study spaces, community lounges, and Residence Hall Coordinator (RHC) support spaces. The adjacent 6,149 gsf dining hall provides a new branded-concept restaurant plus a C-store with coffee and grab-and-go food, and plenty of indoor and outdoor seating. The project is on schedule for occupancy fall quarter 2019.
- **Nutrition/Health Science project** . The current Hertz Hall location will be the site of a newly constructed Health Sciences building. The facility will consolidate the Department of Health Sciences which is currently disbursed among five aging and inadequate buildings across campus. The program prepares students in a variety of professions that focus on human health and physical abilities. The 80,000 gross square foot facility will include classrooms, class-labs, research laboratories, student study areas and offices. Demolition of Hertz Hall will begin January of 2019.
- **Recreation Expansion and Tomlinson Stadium Upgrades Project:** Tomlinson Stadium, constructed in 1959, is the home of the Wildcat Football and Track & Field programs. The playing surface is natural grass and is surrounded by a 400-meter rubberized track that has not been resurfaced since 1992. CWU has allocated \$14 million to build a new NCAA track and field venue at the corner of Wildcat Way and 18th Avenue, the Recreation Sports Complex, and renovate Tomlinson Stadium. The Tomlinson side of the project includes a 4-pole lighting system, synthetic turf for football, rugby and soccer, and two new end-zone plazas. The restrooms at Tomlinson Stadium have also been redesigned and renovated. The all-new RSC consists of an eight-lane, all-weather 400-meter track, a synthetic turf infield, a new throws venue, and 600 bleacher seats. This facility also includes a new office building and two all-gender restrooms. The new and upgraded facilities are scheduled to be completed fall of 2018. This project is partially funding the construction of a 375-stall parking lot in conjunction with Dugmore Hall.



Annual Financial Statements

CENTRAL WASHINGTON UNIVERSITY STATEMENT OF NET POSITION AS OF JUNE 30, 2018

Assets	2018
Current Assets	
Cash and cash equivalents	\$ 29,374,839
Receivables	23,822,866
Inventories	3,142,278
Total Current Assets	56,339,983
Non-current Assets	
Investments restricted for capital projects	43,338,125
Investments	50,600,797
Student loan receivable, net	3,846,950
Funds with State Treasurer	6,952,458
Non-Depreciable Assets	84,805,309
Capital assets, net of depreciation	404,551,360
Pension asset, net	685,040
Total non-current assets	594,780,039
Total assets	651,120,022
Deferred Outflows of Resources	
Deferred outflow from bond refunding	3,469,067
Deferred outflows from pension contributions	7,626,086
Total Deferred Outflows	11,095,153
Liabilities	
Current Liabilities	
Accounts payable	5,658,411
Accrued liabilities, current portion	10,705,182
OPEB liability	7,142,788
Deposits payable	3,479,457
Unearned revenues	9,682,711
Net bond premium/discount net of amortization	403,556
Leases & bonds payable, current portion	4,840,000
Total current liabilities	41,912,166
Non-current liabilities	
Construction accounts payable	-
Accrued liabilities	5,350,740
Net bond premium/discount, net of amortization	7,798,893
Leases & bonds payable	155,430,000
Pension liabilities	32,768,200
OPEB liability	65,621,559
Total non-current liabilities	266,969,392
Total Liabilities	308,881,558
Deferred Inflows of Resources	
Deferred inflow related to pensions	16,443,305
Net Position	
Net investment in Capital Assets	367,691,412
Restricted for:	
Nonexpendable:	
Scholarships and Professorships	3,465,054
Expendable:	
Endowment earnings	2,513,625
Loans	1,182,334
Other	4,101,948
Unrestricted	(42,064,061)
Total Net Position	\$ 336,890,312

See Accompanying Notes to the Financial Statements

CENTRAL WASHINGTON UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
AS OF JUNE 30, 2018

	2018
Student tuition and fees	\$ 114,610,298
Federal grants and contracts	10,012,540
Nongovernmental grants and contracts	5,632,126
Interest earned on loans to students	165,947
Other Auxiliary sales	12,460,249
Total Operating Revenue	<u>163,043,280</u>
Educational and General	
Research	4,088,041
Academic support	14,632,527
Institutional support	23,072,430
Scholarships and other student aid	15,318,115
Depreciation	19,470,853
Operating income (loss)	<u>(84,341,696)</u>
State appropriations	59,634,499
Investment income	5,588,708
Other Non-operational income net of expenses	<u>(600,058)</u>
Income or (loss) before other revenues, expenses, gains or losses	<u>(5,271,074)</u>
Increase (Decrease) in net position	<u>17,080,436</u>
Change in accounting principle	<u>(77,919,575)</u>
Net position, end of year	<u>\$ 336,890,312</u>

See Accompanying Notes to the Financial Statements

**CENTRAL WASHINGTON UNIVERSITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	2018
Cash flows from operating activities	
Tuition and fees	\$ 73,705,357
Grants and contracts	35,760,227
Payments to vendors	(83,758,908)
Payments to employees for salaries and benefits	(147,334,040)
Auxiliary enterprise charges	50,684,815
Sales and services of educational activities and other sources	6,163,764
Interest received on loans to students	165,947
Net cash use by operating activities	<u>(64,612,837)</u>
Cash flows from noncapital financing activities	
State appropriations	65,477,860
Pell Grants	19,376,307
Gifts for other than capital purposes	-
Net cash provided by noncapital financing activities	<u>84,854,167</u>
Cash flows from investing activities	
Purchases of investments	(12,728,703)
Proceeds from sales of investments	(38,353,058)
Investment income	5,588,708
Other investment activity	(4,005,910)
Net cash provided by investing activities	<u>(49,498,964)</u>
Cash flows from capital and related financing activities	
Capital appropriations	22,351,510
Purchases of capital assets	(32,514,845)
Proceeds from capital debt	45,425,000
Principal paid on capital debt	(4,655,000)
Interest paid on capital debt	(4,928,833)
Other capital activities	(5,640,434)
Net cash provided by capital and related financing activities	<u>20,037,398</u>
Net increase in cash and cash equivalents	(9,220,236)
Cash and cash equivalents, beginning of year	38,595,075
Cash and cash equivalents, end of year	<u>\$ 29,374,839</u>
Reconciliation of operating loss to net cash by operating activities	
Operating loss	\$ (84,341,696)
Adjustments to reconcile operating loss to net cash used	
operating activities	
Depreciation	19,470,853
Changes in assets and liabilities	
Accounts receivable	(218,815)
Student loans receivable	2,378,058
Interest receivable	(201,264)
Accounts payable	(3,620,123)
Accrued expenses	502,974
Student and other deposits	860,921
Net cash used by operating activities	<u>\$ (64,612,837)</u>

See Accompanying Notes to the Financial Statements

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,544,782	\$ 693,599
Investments	32,319,606	26,674,826
Pledges receivable, net	2,550,336	1,999,706
Cash surrender value of life insurance	50,813	49,034
Land (held for sale at June 30, 2018; held for use at June 30, 2017)	151,000	225,000
Other assets	10,918	8,307
Total assets	<u>36,627,455</u>	<u>29,650,472</u>
Liabilities and Net Assets		
Accounts payable	240,045	193,228
Trust and other liabilities	103,153	99,386
Total liabilities	<u>343,198</u>	<u>292,614</u>
Net assets		
Unrestricted		
Operating	3,689,533	1,969,086
Board-designated	671,735	642,413
Total unrestricted	<u>4,361,268</u>	<u>2,611,499</u>
Temporarily restricted	14,141,034	12,381,686
Permanently restricted	17,781,955	14,364,673
Total net assets	<u>36,284,257</u>	<u>29,357,858</u>
Total liabilities and net assets	<u>\$ 36,627,455</u>	<u>\$ 29,650,472</u>

See Accompanying Notes to the Financial Statements

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
COMBINED STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>				<u>2017</u>			
	Unrestricted	Temporary Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions	\$ 171,859	\$ 4,017,204	\$ 3,479,666	\$ 7,668,729	\$ 20,091	\$ 2,629,332	\$ 416,901	\$ 3,066,324
In-kind contributions	1,754,402	263,293		2,017,695	1,509,971	119,234		1,629,205
Special event revenue	130,746			130,746		71,162		71,162
Membership dues	68,434	3,190	600	72,224	1	75,921	200	76,122
Investment return	687,396	1,759,306	3,478	2,450,153	823,370	2,287,426	2,250	3,113,046
Other	61	1,500		1,561	2,516			2,516
Net assets released from restrictions and other transfers	4,134,871	(4,169,539)	61,668		3,099,486	(3,099,486)		
Total support and revenue	\$ 6,947,742	\$ 1,847,954	\$ 3,545,412	\$ 12,341,108	\$ 5,455,435	\$ 2,083,589	\$ 419,351	\$ 7,958,375
Expenses								
Program expenses	4,800,343			4,800,343	4,357,504			4,357,504
Management and general expenses	363,316			363,316	244,552			244,552
Fundraising expenses	251,050			251,050	143,800			143,800
Total program and administrative expenses	\$ 5,414,709			\$ 5,414,709	\$ 4,745,856			\$ 4,745,856
Re-designation of Net Assets	216,736	(88,606)	(128,130)		(20,151)	(240,056)	260,207	
Total change in net assets	\$ 1,749,769	\$ 1,759,348	\$ 3,417,282	\$ 6,926,399	\$ 689,428	\$ 1,843,533	\$ 679,558	\$ 3,212,519
Net Assets, beginning of year	2,611,499	12,381,686	14,364,673	29,357,858	1,922,071	10,538,153	13,685,115	26,145,339
Net Assets, end of year	\$ 4,361,268	\$ 14,141,034	\$ 17,781,955	\$ 36,284,257	\$ 2,611,499	\$ 12,381,686	\$ 14,364,673	\$ 29,357,858

See Notes to Combined Financial Statements

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018			Total	2017
	Program	Management and General	Fundraising		(Unaudited) Total
Support and Revenue					
Program support	439,546	26,212	88,209	553,967	836,811
Salary, wages and benefits	190,227	148,242	14,063	352,532	364,709
Professional development	145,197	8,921	21,564	175,682	132,988
Supplies	93,311	830	6,384	100,525	116,202
Miscellaneous	28,250	7,696	2,615	38,561	43,341
Total	<u>\$ 4,800,343</u>	<u>\$ 363,316</u>	<u>\$ 251,050</u>	<u>\$ 5,414,709</u>	<u>\$ 4,745,856</u>

See Notes to Combined Financial Statements

**CENTRAL WASHINGTON UNIVERSITY FOUNDATION
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
Cash flows from operating activities		
Cash received from contributions	\$ 3,376,726	\$ 3,106,308
Cash paid to suppliers, employees, and the University	(3,349,041)	(3,095,369)
Net dividends and interest received	628,228	631,586
Net cash flows from operating activities	<u>655,913</u>	<u>642,525</u>
Cash flows from investing activities		
Proceeds from sale of investments	3,334,615	3,135,509
Purchase of investments	(6,619,011)	(3,701,497)
Net cash flows from investing activities	<u>(3,284,396)</u>	<u>(565,988)</u>
Cash flows from financing activity		
Contributions received for long-term purposes	3,479,666	-
Net change in cash and cash equivalents	851,183	76,537
Cash and cash equivalents, beginning of year	693,599	617,062
Cash and cash equivalents, end of year	<u>\$ 1,544,782</u>	<u>\$ 693,599</u>
Reconciliation of increase in net assets to		
Net cash flows from operating activities		
Change in net assets	\$ 6,926,399	\$ 3,212,519
Donated stock	(538,459)	(86,999)
Realized loss (gain) on investments	(194,352)	201,163
Unrealized gain on investments	(1,627,573)	(2,682,623)
Allowance for doubtful pledges and discount on pledges	249,208	(53,229)
Write-down on sale of land	74,000	
Cash surrender value of life insurance	(1,799)	114
Contributions restricted for long-term purposes	(3,479,666)	
Changes in operating assets and liabilities		
Pledges receivable	(799,838)	(22,931)
Other assets	(2,611)	35,577
Accounts payable	46,817	38,840
Trust and other liabilities	3,767	94
Net cash flows from operating activities	<u>\$ 655,913</u>	<u>\$ 642,525</u>

See notes to combined financial statements



Notes to Financial Statements

CENTRAL WASHINGTON UNIVERSITY — JUNE 30, 2018 AND JUNE 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Central Washington University (the University) is a comprehensive regional institution of higher education offering baccalaureate and master degrees. The University is an agency of the State of Washington, governed by a Board of Trustees (BOT) appointed by the governor, and included in the general-purpose financial statements of the State of Washington. As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Central Washington University Foundation (the Foundation). The Foundation is an independent, non-profit organization established to raise private funds that support the students, faculty, and programs of the University. Accordingly, the Foundation has been reported as a discrete component unit in the financial statements. Separate financial statements of the foundation may be requested from its administrative office at Barge Hall, room 104, Ellensburg, WA 98926 or on the CWU Foundation website at <http://www.cwu.edu/foundation/foundation-accounting>.

Financial Statement Presentation

The financial statements of the University have been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

For financial reporting purposes, the University is considered a special-purpose government, engaged in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when obligations have been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met. All significant intra-agency transactions have been eliminated.

The financial statements include a management discussion and analysis, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, and notes to the financial statements. The notes to the financial statements focus on University activity in all years presented unless otherwise noted. The format provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in net position, and cash flows. Comparative totals for the year ended June 30, 2017, are presented where appropriate.

The Governmental Accounting Standards Board (GASB) issued Statement 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34 which along with Statement 39, Determining Whether Certain Organizations are Component Units, which amended GASB Statement 14, The Financial Reporting Entity. These statements provided additional guidance for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and to clarify reporting requirements for those organizations.

Under GASB 61 and 39 criteria the CWU Foundation is an affiliated organization that meets the criteria for discrete component unit presentation. The University and its discretely presented foundation unit are shown as separate statements following the CWU financial statements. The CWU Foundation has a separately audited financial statement. The provisions of GASB Statement 39 were effective for financial statements for periods beginning with fiscal year 2004, while GASB 61 became effective for financial statements beginning with fiscal year 2012.

Cash Equivalents

For purposes of the statement of cash flows, the University considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Funds invested through the State Treasurer's Local Government Investment Pool are considered cash equivalents.

Investments

The University accounts for its investments at fair value in accordance with the relevant GASB statements. Changes in unrealized gains or losses on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net position.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also includes amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. Uncollectible amounts are calculated using a fixed percentage of receivables.

Inventories

Inventories consist primarily of merchandise and consumables held by internal service, valued using the weighted average cost method, and auxiliary service departments valued using the retail cost method.

Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the statement of net position.

Fair Value of Investments

The University records financial instruments at estimated fair value. Fair value accounting defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value standard describes three levels of inputs that may be used to measure fair value:

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

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in valuation methodologies used at June 30, 2018 or June 30, 2017.

Where quoted market prices are available in an active market, investments are classified within Level 1 of the Valuation hierarchy. Level 1 investments include exchange-traded equities (mutual funds, stocks, and government bonds). If quoted market prices are not available, then fair market values are estimated by using pricing models, quoted prices of investments include foreign and corporate bonds. In certain cases where Level 1 or Level 2 inputs are not available, investments would be classified within Level 3 of the hierarchy. Realized and unrealized gains and/or losses on investments are included in the statement of revenue expenses and changes in net position.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, net of depreciation. The University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expenses in the year in which the expenses were incurred.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for building components, 20 to 50 years for infrastructure and land improvements, 5 to 7 years for equipment, 15 years for library books, and 3 to 15 years for intangibles. Inexhaustible resources such as the art collections and the library reserve collections are not depreciated. Donated capital assets are measured at acquisition value not fair market value. (See also Note 7 - Capital Assets).

Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net assets by the government that is applicable to a future reporting period.

Deferred Inflows of Resources

Deferred Inflows of resources are transactions that result in the acquisition of net assets in one period that are applicable to future periods.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period and amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation, compensatory time, and sick leave are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued liabilities in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position.

Non-current Liabilities

Non-current liabilities include: (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

Net Position

The University's net position is classified as follows:

Net Investment in Capital Assets: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are included as a component of Net Investment in Capital Assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvements of those assets or related debt are also included in this component of net position.

Restricted - expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
Restricted – non-expendable: Non-expendable restricted net position consists of endowments and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted: 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. Unrestricted net position represents resources derived from student tuition and fees, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any lawful purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

Income Taxes

The University, as a political subdivision of the State of Washington, is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

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

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, Pell grants, and investment income.

Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances in the statement of revenues, expenses, and changes in net position. Discounts and allowances are the difference between the stated charges for goods and services provided by the University and the amounts that are paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or non-governmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded discounts and allowances.

Change in Accounting Principle

On July 1, 2017, the University adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB), which establishes new actuarial methods and discount rate standards for the measurement and recognition of the cost of postemployment benefits provided to the employees of state and local governmental employers. This Statement replaces the requirements of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions." As a result of implementing Statement No. 75, the University has recognized its proportionate share of the state of Washington's actuarially determined total OPEB liability, deferred inflows of resources and deferred outflows of resources, and OPEB expense. Prior to adopting this Statement the University's financial statements did not reflect any OPEB liability or associated deferred inflows or outflows, and reported OPEB expense based on cash contributions paid to the OPEB plan administrator. In addition to the reporting changes described above, implementation of this Statement resulted in a change to the fiscal year 2018 beginning Unrestricted Net Position, reducing it by \$77,919,575. The University's Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows present only one fiscal year, since the change in accounting treatment required by Statement No. 75 is not able to be applied to the prior fiscal year due to the constraints of available information.

The beginning fiscal year 2018 net position was decreased due to the implementation of GASB 75, which requires each state employer to account for their proportionate share of the OPEB liability. This had a material impact on the Net Position on the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP) of (\$77.9) million and the Unrestricted Net Position on the Statement of Net Position (SNP).

RECONCILIATION OF CHANGE IN ACCOUNTING PRINCIPLE

Ending net position FY 2017	\$ 397,729,451
Restatement for GASB 75	77,919,575
Beginning net position FY 2018	<u>\$ 319,809,876</u>

New Accounting Standards Adopted

In fiscal year 2018, the University adopted and implemented one new accounting standard as follows:

GASB Statement No. 75, “Accounting and Financial Reporting for Post-employment Benefits other than Pensions” which provides for the accounting and financial reporting by state and local governments for post-employment benefits other than pensions (OPEB). This replaces the requirements of Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB Statement 45).

NOTE 2 – CASH AND INVESTMENTS

Cash and investments are managed under the guidance of the University investment policy. Investments are made using the prudent person standard with primary objectives being: (1) safety of principal; (2) liquidity (enabling the University to meet all operating requirements); and (3) return on investment (the objective of attaining a market rate of return through budgetary and economic cycles).

The University invests or deposits all temporary cash. These investments and time deposits do not result in reductions of the cash balances of the various funds and are considered to be cash equivalents to the funds. These amounts are reported on the SNP as part of cash and cash equivalents. Earnings from pool deposits are allocated to the funds owning the cash in proportion to the ending monthly balance in the investment pool.



As of June 30, 2018, the fair value of cash and investments was \$123,313,761. Of this total, \$28,862,967 is cash and cash equivalents with maturity dates of less than 90 days and \$94,450,794 is held in investments maturing in more than 90 days. Cash and cash equivalents include: Local Government Investment Pool (LGIP), Bank Demand and Time Deposits, and Petty Cash. Investments maturing in more than 90 days and/or more than a year include: U.S. Government and Non-State Government Securities at fair value, Investments in Equity, and Cash Surrender Value of Life Insurance (Foundation). All investments held by the University are considered level 1 for fair value calculations.

The SNP classification of cash and cash equivalents includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit, and temporary investments. All deposits of the University are insured by the FDIC up to \$250,000 and by the Washington Public Deposit Protection Commission for amounts over \$250,000.

The components of cash and investments are specified as follows:

CASH AND INVESTMENTS

	Carrying Amount June 30, 2018	Fair Value*
Local Government investment pool (LGIP)	\$ 20,523,401	\$ 20,523,401
Money market investments	62,231	62,231
Bank demand and time deposits	8,215,923	8,215,923
Other	61,412	61,412
Short-term securities/bonds	-	-
Total cash and cash equivalents	\$ 28,862,967	\$ 28,862,967
CD's	\$ 43,849,997	\$ 43,849,997
U.S. Government securities	11,794,711	11,611,625
Investments in equality - bonds	35,019,583	34,398,238
Investments in equality - foreign bonds	800,115	773,728
Investments in money markets	79,509	79,509
Investments in equity - stocks, mutual funds	3,737,697	3,737,697
Total investments	\$ 95,281,612	\$ 94,450,794
Total cash and investments	\$ 124,144,579	\$ 123,313,761

*CDs and LGIP are reported at amortized cost which approximates fair value.

GASB 40, Deposit and Investment Risk Disclosures, became effective for financial statements for periods beginning after June 15, 2004. It primarily amends existing accounting guidance under GASB 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Agreements, and under GASB 28, Accounting and Financial Reporting for Securities Lending Transactions. GASB 40 requires the University to disclose, as needed, any deposits and investments that are exposed to risks that have the potential to result in losses. The statement addresses risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to any risks as identified by using this statement also need to be disclosed.

Deposits

The University's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments

As of June 30, 2018, the University had the following investments:

INVESTMENTS

Level 1:	Fair Value FY 2018
Certificates of deposit	\$ 43,849,997
U.S. treasuries*	11,611,625
Money market*	79,509
Bonds*	35,171,966
Stocks*	3,737,697
Total	\$ 94,450,794

Participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit (quality) risk of the LGIP is limited as most investments are either obligations of the U.S. government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as category one risk level investments. They are either insured or held by a third-party custody provider in the LGIP's name.

Notes to Financial Statements | CONTINUED

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the University would not be able to recover the value of the investment or collateral securities. Of the University's total position, no funds are exposed to custodial credit risk because of investments being held by the University's brokerage firm, and by having that brokerage firm also being the counterparty in those particular securities.

*U.S. Bank Private Client Group are a trust company. They manage the investments, but the investments are still in Central Washington University's name. The U.S. Bank Private Client Group, is insured under the Security Investor's Protection Corporation. (This protection is to insure in case of loss of assets due to fraud, etc.)

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable, due from other agencies, interest receivable and related allowance for uncollectible accounts consist of the following:

ACCOUNTS RECEIVABLE		June 30, 2018
Student tuition and fees		\$ 4,694,650
Federal, state, and private grants and contract		4,619,618
State appropriations receivable		221,156
Auxiliary enterprises		3,531,644
Other student fees		3,278,502
Interest and dividends		613,975
Other operational activities		7,468,519
Subtotal		24,428,064
Allowance for doubtful accounts		(605,198)
Net accounts receivable		<u>\$ 23,822,866</u>

NOTE 4 – STUDENT LOANS RECEIVABLE

Student loans are comprised of non-current amounts of \$3,846,950 at June 30, 2018 and consist of the following:

STUDENT LOANS RECEIVABLE		June 30, 2018
Federal Perkins student loans		\$ 3,820,520
Institutional and long term loans		26,430
Subtotal		3,846,950
Allowance for doubtful accounts		-
Total student loans receivable		<u>\$ 3,846,950</u>

Student loans receivable write-off procedures are the same as accounts receivable write off procedures

NOTE 5 – INVENTORIES

Inventories consisted of the following:

INVENTORIES		June 30, 2018
Enterprise funds		\$ 2,504,191
Internal service funds		638,087
Total		<u>\$ 3,142,278</u>

NOTE 6 – FUNDS WITH STATE TREASURER

As of June 30, 2018, the balance invested with the State Treasurer was \$6,952,458. This represents the University's share of the net earnings of the Normal School Permanent Fund and the building fee portion of tuition, reduced by expenditures for capital projects, non-capitalized facility improvements and maintenance, and debt service incurred over the years (Fund 063), and the balance of licensing revenues held by the State Treasurer (Fund 783). 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 and timber. The investing activities are managed by the State Treasurer's Office, while the management of land and timber is administered by the Department of Natural Resources. Interest earned from investments is either reinvested or used exclusively for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

NOTE 7 – CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2018:

	Balance at June 30, 2017	Additions	Retirements	Adjustments	Balance at June 30, 2018
CAPITAL ASSETS					
Non-depreciable capital assets					
Land	\$ 4,801,900	\$ 621,478	\$ –	\$ –	\$ 5,423,378
Artworks	212,994	–	–	–	212,994
Library resources collectibles	38,122	–	–	–	38,122
Construction in progress	52,081,429	30,373,682	3,324,296	–	79,130,815
Subtotal	57,134,445	30,995,160	3,324,296	0	84,805,309
Depreciable Capital Assets					
Buildings	474,735,119	2,703,066	3,495,143	3,479,224	477,422,266
Improvements/infrastructure	118,026,042	761,453	148,973	(3,479,224)	115,159,298
Equipment	40,526,145	3,644,864	453,570	–	43,717,439
Leased equipment	1,496,424	–	–	–	1,496,424
Buildings - perpetuity rights	30,792,094	–	–	–	30,792,094
Library resources (depreciable)	29,450,119	503,867	1,101,175	–	28,852,811
Subtotal	695,025,943	7,613,250	5,198,861	0	697,440,332
Total Capital Assets	752,160,388	38,608,410	8,523,157	0	782,245,641
Less Accumulated Depreciation					
Buildings	143,979,528	9,510,922	1,895,333	699,865	152,294,988
Improvements/infrastructure	64,777,400	5,475,783	80,694	(699,865)	69,472,624
Library resources	24,078,910	615,571	–	–	25,694,481
Equipment	30,328,850	3,073,660	453,570	–	32,948,940
Leased equipment	1,496,424	–	–	–	1,496,424
Amortized perpetuity rights - Buildings	10,186,600	794,917	–	–	10,981,517
Total accumulated depreciation	275,847,712	19,470,853	2,429,597	0	292,888,968
Capital assets, net of depreciation	\$476,312,676	\$ 19,137,557	\$ 6,093,560	\$ 0	\$ 489,356,673

NOTE 8 – ACCRUED LEAVE LIABILITIES

Upon termination of employment, employees may receive cash payment for all accumulated vacation and compensatory time. Employees who retire receive 25 percent of the value of their accumulated sick leave credited to a Voluntary Employees' Beneficiary Association (VEBA) account, which can be used for future medical expenses or insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by University employees are accrued as expenses when incurred.

The amounts represent a liability to the University and are recorded and reported accordingly. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The amount of compensated time, vacation, and sick leave paid during fiscal year 2018 totaled \$4,334,088. The accrued compensated time balance as of June 30, 2018, was \$32,710.

NOTE 9 – LONG-TERM LIABILITIES

Long-term liability activity for the period ended June 30, 2018, is summarized as follows:

LONG-TERM LIABILITIES

Liabilities	June 30, 2017	Additions	Reductions	June 30, 2018	Current Portion	Long-term Portion
Accrued liabilities	\$ 15,553,448	\$ 3,352,114	\$ 2,849,640	\$ 16,055,922	\$ 10,705,182	\$ 5,350,740
State pension liability	31,943,238		6,448,016	25,495,222	-	25,495,222
OPEB liability				72,764,347	7,142,788	65,621,559
CWU pension liability	8,477,000	390,000	1,150,000	7,717,000	444,022	7,272,978
Bond premium/discount	6,185,153	2,363,004	345,708	8,202,449	403,556	7,798,893
Leases/contracts payable	3,280,000		400,000	2,880,000	405,000	2,475,000
Bonds payable	116,220,000	45,425,000	4,255,000	157,390,000	4,435,000	152,955,000
Total	\$ 181,658,839	\$ 51,530,118	\$ 15,448,364	\$ 290,504,940	\$ 23,535,548	\$ 266,969,392

The University issued System Revenue Bonds with a par amount of \$45,425,000 on March 19th 2018. The bonds have an average interest rate of 4.0% and an all-in true interest cost of 3.75%. The average life of the bonds is 19 years with a final maturity date of May 1st, 2049.

The net proceeds of \$47,037,049, including a bond premium of \$2,363,004 and after payment of \$750,943 in underwrite fees and other issuance costs, will be used to construct a 402 bed residence hall, a 6,000 square foot dining facility and to pay capitalized interest of \$2,037,051 through fall of 2019 (fiscal 2020).

Additional information regarding bonds payable is included in Note 11. Additional information regarding capital lease obligations is included in Note 13.



NOTE 10 —OTHER POST-EMPLOYMENT BENEFITS

During fiscal year 2018, the University adopted GASB Statement No.75 —Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local government employers

State Plan Description

The state of Washington implemented Statement No. 75 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Postemployment Benefits Other Than Pension for fiscal year 2018 financial reporting. The state, consisting of state agencies and its component units as well as higher education institutions, is considered a single employer based on guidance provided in GASB Statement No.75. The State Health Care Authority (HCA) administers this single employer defined benefit other postemployment benefit (OPEB) plan.

Per RCW 41.05.065, the Public Employees' Benefits Board (PEBB), created within HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage. PEBB establishes eligibility criteria for both active employees and retirees. Benefits purchased by PEBB include medical, dental, life, and long-term disability.

The relationship between the PEBB OPEB plan and its member employers and their employees and retirees is not formalized in a contract or plan document. Rather, the benefits are provided in accordance with a substantive plan. A substantive plan is one in which the plan terms are understood by the employers and plan members. This understanding is based on communications between HCA, employers and plan members, and the historical pattern of practice with regard to the sharing of benefit costs.

The PEBB OPEB plan is funded on a pay-as-you-go basis with contributions set by the Legislature each biennium as a part of the budget process. The PEBB OPEB plan has no assets and does not issue a publicly available financial report.

The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong. Retirees' access to the PEBB plan depends on the retirement eligibility of their respective retirement system.

As of June 2017, CWU membership in the PEBB plan consisted of the following:

Plan Participants	Count
Active Employees	1,541

Per RCW 41.05.022, retirees who are not yet eligible for Medicare benefits may continue participation in the state's non-Medicare community-rated health insurance risk pool on a self-pay basis. Retirees in the non-Medicare risk pool receive an implicit subsidy. The implicit subsidy exists because retired members pay a premium based on the claims experience for active employees and other non-Medicare retirees. The subsidy is valued using the difference between the age-based claims costs and the premium.

Retirees who are enrolled in both Parts A and B of Medicare may participate in the state's Medicare community-rated health insurance risk pool. Medicare retirees receive an explicit subsidy in the form of reduced premiums. Annually, the HCA administrator recommends an amount for the next calendar year's explicit subsidy for inclusion in the Governor's budget. The final amount is approved by the state Legislature. In calendar year 2018, the explicit subsidy was up to \$150 per member per month, and it will increase up to \$168 per member per month in calendar year 2019.

Presentations and Allocations

Allocation Method

OPEB implicit and explicit subsidies as well as administrative costs are funded by required contributions made by participating employers. State agency contributions are made on behalf of all active, health care eligible employees, regardless of enrollment status. Based on this funding practice, the allocation method used to determine proportionate share is each agency’s percentage of the state’s total active, health care eligible employee headcount.

The same headcount used in determining proportionate share is also used in determining the transactions subsequent to the measurement date, specifically, the retiree portion of premium payments made by agencies on behalf of active, health care eligible employees between the measurement date of June 30, 2017 and the reporting date of June 30, 2018. The portion of health care premiums attributed to retirees for both explicit and implicit subsidies is determined by using the Fiscal Year 2018 3rd Quarter Update in the PEBB Financial Projection Model (PFPM) from the State Health Care Authority.

Total OPEB Liability

As of June 30, 2018, components of the calculation of total OPEB liability determined in accordance with GASB Statement No. 75 for CWU are represented in the following table:

Proportionate Share (%)	1.2489969930%
Service Cost	\$ 4,932,979
Interest Cost	2,310,638
Differences between expected and actual experience	-
Changes in assumptions	(11,271,331)
Changes of benefit terms	-
Benefit of payments	(1,177,538)
Changes in proportionate share	(1,144,803)
Other	-
Net charge in total OPEB liability	(6,350,055)
Total OPEB liability - beginning	79,114,402
Total OPEB liability - ending	<u>\$ 72,764,347</u>

Deferred Inflows and Deferred Outflows Schedule

Amortization schedules of the deferred inflows and outflows of resources resulting from differences between expected and actual experience and changes of assumptions were calculated by the Office of the State Actuary for the state.

As of June 30, 2018, the deferred inflows and deferred outflows of resources for CWU are as follows:

Proportionate Share (%)	1.2489969930%	
Deferred inflows/outflows of resources	Deferred inflows	Deferred outflows
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	10,018,961	-
Transactions subsequent to the measurement date	-	1,151,542
Changes in proportion	1,002,235	-
Total deferred (inflows)/outflows	<u>\$ 11,021,196</u>	<u>\$ 1,151,542</u>

Amounts currently reported as deferred inflows and deferred outflows of resources related to OPEB will be recognized as OPEB expense in subsequent years for CWU as follows:

Proportionate Share (%)	1.2489969930%
2019	\$ (1,377,649.00)
2020	(1,377,649.00)
2021	(1,377,649.00)
2022	(1,377,649.00)
2023	<u>(1,377,649.00)</u>
Thereafter	\$ (4,132,951.00)

The change in CWU's proportionate share of OPEB liability and deferred inflows and deferred outflows of resources based on measurement date are represented in the following table:

Proportionate Share (%) 2016	1.26733561%
Proportionate Share (%) 2017	1.24899699%
Total OPEB liability - Ending 2016	\$ 79,114,402
Total OPEB liability - Beginning 2017 (chg in prop)	77,969,599
Total OPEB liability change in proportion	(1,144,803)
Total deferred inflows/outflows 2016	1,194,827
Total deferred inflows/outflows 2017 (chg in prop)	1,177,538
Total deferred inflows/outflows change in proportion	<u>(17,289)</u>
Total change in proportion	<u>\$ (1,127,514)</u>

OPEB Expense

As of June 30, 2018, the components that make up OPEB expense for Central Washington University (CWU) are as follows:

Proportionate Share (%)	1.2489969930%
Service Cost	\$ 4,932,979
Interest Cost	2,310,638
Amortization of differences between expected and actual experience	-
Amortization of changes in assumptions	(1,252,370)
Changes of benefit terms	-
Amortization of changes in proportion	(125,279)
Administrative expenses	-
Total OPEB expense	<u>\$ 5,865,968</u>

Actuarial Methods and Assumptions

Actuarial Assumptions

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	3.00%
Projected Salary Changes	3.75% including service-based salary increases
Health Care Trend Rates*	Trend rate assumptions vary slightly by medical plan. Initial rate is 7.00%, reaching an ultimate rate of approximately 5.00% in 2080.
Post-retirement participation Percentage	65.00%
Percentage with spouse coverage	45.00%

*For additional detail on the health care trend rates, please see Office of the State Actuary’s 2017 OPEB Actuarial Valuation Report.

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.

Most demographic actuarial assumptions, including mortality and when members are expected to terminate and retire, were based on the results of the 2007-2012 Experience Study Report. The post-retirement participation percentage and percentage with spouse coverage, were reviewed in 2017. Economic assumptions, including inflation and salary increases, were based on the results of the 2015 Economic Experience Study.

Actuarial Methodology

The total OPEB liability was determined using the following actuarial methodologies:

Actuarial valuation date	01/01/2017
Actuarial cost method	Entry age
Amortization method	The recognition period for the experience and assumption changes is 9 years. This is equal to the average expected remaining service lives of all active and inactive members.
Asset valuation method	N/A - No assets

In order to calculate the beginning total OPEB liability balance under GASB Statement No. 75, the January 1, 2017 actuarial valuation was projected backwards to the measurement date of June 30, 2016, while the ending balance was determined by projecting the January 1, 2017 valuation forward to June 30, 2017. Both the forward and backward projections reflect the plan’s service cost, assumed interest, and expected benefit payments.

The actuarial methodology used to determine the transactions subsequent to the measurement date were as follows:

Explicit Medicare Subsidy	Subsidy amounts are calculated at subscriber level, based on the benefit plan and enrollment tier selected, then summed over entire population to include Medicare retirees from the State, Higher Education, K-12, and Political Sub-division groups
Implicit Medicare Subsidy	Subsidy amounts are calculated using the implicit subsidy rate* (difference between theoretical early retiree rates and composite rates** for non-Medicare risk pool) and the enrollment counts for early retirees

*early retirees assumed to be 58% more expensive than non-Medicare risk pool as a whole on a per adult unit basis.

**calculated across non-Medicare risk pool for both self-insured and fully-insured plans using the PEBB Financial Projection Model (PFPM).

Discount Rate

Since OPEB benefits are funded on a pay-as-you-go basis, the discount rate used to measure the total OPEB liability was set equal to the Bond Buyer General Obligation 20-Bond Municipal Bond Index, or 2.85 percent for the June 30, 2016 measurement date and 3.58 percent for the June 30, 2017 measurement date.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The following represents the total OPEB liability of CWU calculated using the discount rate of 3.58 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate

Sensitivity of Total OPEB Liability to Changes in the Health Care Cost Trend Rates

DISCOUNT RATE SENSITIVITY

Agency	1% Decrease	Current Discount Rate	1% Increase
Central Washington University	\$ 88,781,487	\$ 72,764,347	\$ 60,369,652

The following represents the total OPEB liability of CWU calculated using the health care trend rates of 7.00 percent decreasing to 5.00 percent, as well as what the total OPEB liability would be if it were calculated using health care trend rates that are 1 percentage point lower (6.00 percent decreasing to 4.00 percent) or 1 percentage point higher (8.00 percent decreasing to 6.00 percent) than the current rate:

HEALTH CARE COST TREND RATE SENSITIVITY

Agency	1% Decrease	Current Discount Rate	1% Increase
Central Washington University	\$ 58,783,579	\$ 72,764,347	\$ 91,527,786

Additional Information

Additional actuarial and OPEB plan information is included in the Washington State 2018 CAFR on OFM's website: <https://www.ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report>. All other actuarial data, assumptions, and methods relied on for the preparation of this report for GASB Statement No. 75 can be found on Office of the State Actuary's website: <http://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx>

NOTE 11 – BONDS PAYABLE

State law requires that the University reimburse the State annually for debt service payments relating to the State of Washington General Obligation Bonds from tuition, timber sales, and earnings on investments held by the State Treasurer. Bonds payable at June 30, 2018, consisted of bonds issued by the State of Washington and Central Washington University.

BONDS PAYABLE

	Interest Rate %	Original Issue	Balance June 30, 2018
State of Washington general obligation bonds			
Series R-2003C(HE-CWU)	3.00 - 5.00	\$ 1,225,000	\$ 425,000
System revenue bonds			
Series 2008 bonds (Wendell Hill Hall)	3.00 - 5.00	1,795,000	0
Series 2010 bonds (Barto Hall Series A)	2.26 - 3.24	2,515,000	675,000
Series 2010 bonds (Barto Hall Series B)	1.50 - 6.95	31,950,000	29,770,000
Series 2012 bonds (Kamola Hall refunding)	2.00 - 3.80	7,665,000	5,795,000
Series 2013 bonds (SUB/REC-Sue L.)	3.13 - 5.00	53,415,000	46,125,000
Series 2016 bonds (Wendell Hill Hall refunding)	2.50 - 5.00	29,175,000	29,175,000
Series 2018 bonds (Dugmore Hall)	2.50 - 5.00	45,425,000	45,425,000
Total bonds payable		\$ 173,165,000	\$ 157,390,000
Bond discounts and issuance costs		-	-
Bond premium		-	8,202,449
Total		\$ 173,165,000	\$ 165,592,449

Maturity Information

The scheduled maturities of the general obligation and system revenue bonds are as follows:

DEBT SERVICE REQUIREMENTS

Fiscal Year	General Obligation Bonds			Revenue and Facilities Bonds			Total
	Principal	Interest	Total	Principal	Interest	Sub Total	
2019	\$ 425,000	\$ 21,250	\$ 446,250	\$ 4,025,000	\$ 7,061,319	\$ 11,086,319	\$ 11,532,569
2020				5,410,000	6,735,974	12,145,974	12,145,974
2021				5,645,000	6,482,373	12,127,373	12,127,373
2022				5,890,000	6,217,624	12,107,624	12,107,624
2023				6,170,000	5,930,423	12,100,423	12,100,423
2023-2028				35,255,000	24,986,493	60,241,493	60,241,493
2029-2033				40,425,000	16,647,210	57,072,210	57,072,210
2034-2038				28,360,000	9,101,890	37,461,890	37,461,890
2039-2043				12,575,000	4,082,835	16,657,835	16,657,835
2044-2048				10,785,000	1,813,200	12,598,200	12,598,200
2049				2,425,000	97,000	2,522,000	2,522,000
Totals	\$ 425,000	\$ 21,250	\$ 446,250	\$ 156,965,000	\$ 89,156,340	\$ 246,121,340	\$ 246,567,590

Debt Service Requirements

Central Washington University System Bonds, Series 2008, issued in the original amount of \$36,495,000 and mature in varying annual amounts to May 1, 2038. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. A principal payment of \$915,000 was required and paid during Fiscal 2018. This was the final payment on the Central Washington University System Bonds, Series 2008.

Central Washington University System Bonds, Series 2010 A, tax exempt issued in the original amount of \$2,515,000 maturing in varying annual amounts to May 1, 2019. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. A principal payment of \$645,000 was scheduled and paid during Fiscal 2018. A principal payment of \$675,000 is scheduled for May 1, 2019.

The Central Washington University System Bonds Series 2010 B, taxable Build America Bonds issued in the original amount of \$31,950,000 maturing in varying annual amounts to May 1, 2040. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. The Series 2010 B bonds were issued under the American Recovery Act of 2008 Build America Bond Program as taxable bonds. Under this program the university expects to receive a subsidy from the United States federal government of 35% of interest paid through maturity. The subsidy received during Fiscal 2018 was \$630,194. This amount is shown as non-operating revenue on the Statement of Revenue, Expenses and Changes in Net Position. No principal payment was scheduled during Fiscal 2018. No principal payment is scheduled for fiscal 2019.

Central Washington University System Bonds, Series 2012, issued in the original amount of \$7,655,000 and mature in varying annual amounts to May 1, 2032. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. A principal payment of \$325,000 was required and paid during Fiscal 2018. A principal payment of \$335,000 is scheduled for May 1, 2019.

Central Washington University System Bonds, Series 2013, issued in the original amount of \$53,415,000 and mature in varying annual amounts to May 1, 2034. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. A principal payment of \$1,960,000 was required and paid of scheduled during 2018. A principal payment of \$2,050,000 is scheduled for May 1, 2019.

Central Washington University System Bonds, Series 2016, issued in the original amount of \$29,175,000 and mature in varying annual amounts to May 1, 2038. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. The first principal payment of \$965,000 will be required on, and is scheduled for, May 1, 2019.

Central Washington University System Bonds, Series 2018, issued in the original amount of \$45,425,000 and mature in varying annual amounts to May 1, 2049. Principal and interest on these revenue bonds are collateralized by a pledge of revenues. The first principal payment of \$625,000 will be required on, and is scheduled for, May 1, 2020.

NOTE 12 - LEASES/CONTRACTS PAYABLE

In August 2002, the University entered a 20-year lease/purchase agreement for \$5,145,000 with the Office of the State Treasurer to pay for a portion of an instructional building at Edmonds Community College to house the CWU-Lynnwood Center. Average annual payments are \$384,000 to be paid from tuition revenues for 20 years. Under the terms of the project contract, Edmonds Community College receives ownership of the building and Central Washington University has a tenant right in perpetuity.

On March 29, 2012 the State of Washington in conjunction with the Certificate of Participation (COP) program issued \$3,345,000 in Washington General Obligation Bonds with an average interest rate of 2.28% on behalf of the University to defease \$3,350,000 in General Obligation Bonds with an average interest rate of 4.37% issued on August 15, 2002.

On March 19, 2013 the State of Washington in conjunction with the Certificate of Participation (COP) program issued \$1,660,000 in Washington General Obligation Bonds with an average interest rate of 2.53% on behalf of the University to fund the Central Washington University Boiler Stack Heat Recovery Project. Anticipated savings through reduced energy costs once the project is completed will be the source of funding to make the COP payments.



Notes to Financial Statements | CONTINUED

Leases/Contracts Payable for the two-year period ended June 30, 2018:

Contact #	Contract Name	% Rate	Original Issue	Balance June 30, 2018
S375-11-1	Edmonds COP 2012	2.28	\$ 3,345,000	\$ 1,650,000
S375-12-1	Heat recovery project COP 2013	2.53	1,660,000	1,230,000
Total			\$ 5,005,000	\$ 2,880,000

The University's lease and contracts payable payments for the next five years and thereafter are as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 405,000	\$ 105,100	\$ 510,100
2020	420,000	91,050	511,050
2021	440,000	76,450	516,450
2022	455,000	61,050	516,050
2023	470,000	45,100	515,100
2023-2027	690,000	80,150	770,150
Total	\$ 2,880,000	\$ 458,900	\$ 3,338,900

NOTE 13 – PENSION PLANS

Central Washington University adopted GASB 73 during the 2017 fiscal year. GASB 73 is meant to establish a single framework of comparison for the presentation of information relating to pension activity. These changes relate to single employer plans not covered within the scope of GASB 68.

Central Washington University Retirement Plan

Plan Description

The Central Washington University Retirement Plan (CWURP), a single-employer 403(b) defined contribution plan administered by the University. To qualify as an eligible participant, an employee must be employed at least fifty percent of the normal full-time work load as a CWU faculty, civil service exempt staff, or other salaried employee. Contributions to the plan are invested in annuity contracts or mutual fund accounts in which employees have, at all times, a 100 percent vested interest in their accumulations. Benefits from fund sponsors are available upon separation or retirement at the member's option.

The number of participants in the CWURP as of June 30, 2018 was 902.

Funding Policy

Current mandatory contribution rates are set at 5% for employees under the age of 35, 7.5% for employees between the ages of 35 – 49, and 10% for employees 50 and above. Contribution rates are established and amendable by Central Washington University's BOT per RCW 28.B.14.400. Employer contributions for the year ended June 30, 2018 were \$5,226,919.

Central Washington University Supplemental Retirement Plan

The Central Washington University Supplemental Retirement Plan (CWUSR), a single employer 401(a) defined-benefit retirement plan administered by the University operates in tandem with the 403(b) plan to supplement the expected defined-contribution retirement savings accumulated under the CWURP. The CWUSR was closed to new participants effective September 1, 1998. The plan has a supplemental payment component which guarantees a minimum retirement benefit to eligible retirees based upon a one-time calculation at the employee's retirement date. The University makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals, no assets are accumulated in trusts or equivalent arrangements. To qualify as an eligible participant, an employee must be employed at least fifty percent of the normal full-time work load as a CWU faculty, civil service exempt staff, or other salaried employee.

As of June 30, 2018 there were approximately 65 inactive employees receiving benefits, no inactive employee entitled but not yet receiving benefits, and one active employees participating in the CWUSRP plan. Participants of CWUSRP are considered vested once all of the following criteria are met: the participant has reached the age of 62 while employed at CWU or retires due to health and the participant has ten or more years of service. The monthly benefit amount due to the participant is one-twelfth of 2% of his or her average annual salary multiplied by the number of service years. If the participant retires early, the monthly benefit is reduced by .5% times the number of calendar months between the date of retirement and the normal retirement age. Benefit payments made during the fiscal year ending June 30, 2018 were \$411,781.

Total Pension Liability (TPL)

The total pension liability is based on an actuarial valuation performed as of June 30, 2016 using the entry age actuarial cost method. Any assets considered to offset the total pension liability are not held in an irrevocable trust. As such, the TPL is shown on the balance sheet under GASB 73 as opposed to the net pension liability reported for GASB 68. Procedures performed by the Office of the State Actuary were used to roll forward TPL liability to the measurement date of June 30, 2018. The CWURP pension expense for the fiscal year ending June 30, 2018 was (\$619,000).

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (AS OF JUNE 30, 2018)

Beginning balance	\$ 8,477,000
Service cost	91,000
Interest	299,000
Changes in benefit terms	0
Differences between expected and actual experience	(466,000)
Changes in assumptions	(272,000)
Benefit payments	(412,000)
Ending balance	\$ 7,717,000
TPL interest rate sensitivity discount rate	7,717,000
TPL interest rate sensitivity 1% decrease	8,593,000
TPL interest rate sensitivity 1% increase	\$ 6,976,000

Certain assumptions were applied in determining the total pension liability as of June 30, 2016 with the results rolled forward to the June 30, 2017 measurement date.

- Salary increases: 3.75% - 3.50%
- Investment returns: 4.25% - 6.25%
- Discount rate: 3.58% (Bond Buyer General Obligation 20-Bond Municipal Bond Index)
- Mortality rate assumptions: 100% Scale BB (RP-2000 Combined Healthy Table, April 2016)

Deferred Inflows

At June 30, 2018, the CWURP plan reported a deferred inflow of resources from the following sources.

DEFERRED INFLOW

Difference between expected and actual experience	\$513,000
Change in assumptions	282,000
Total	\$ 795,000

Amortization of Deferred Inflows

Amounts reported as deferred inflows of resources will be recognized in pension expense in the following fiscal years.

AMORTIZATION OF DEFERRED INFLOWS

2019	\$ (435,000)
2020	(189,000)
2021	(170,000)
Thereafter	-
Total	\$ (795,000)

PUBLICEMPLOYEESRETIREMENTSYSTEMPLANS 1,2,AND3;TEACHERSRETIREMENTSYSTEMSPLANS 1, 2, AND 3; LAW ENFORCEMENT OFFICERS AND FIRE FIGHTERS PLAN 2:

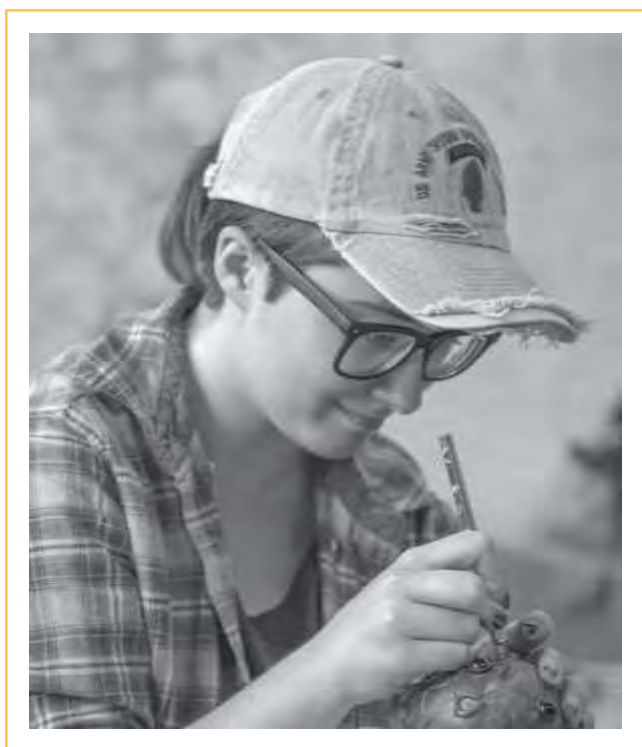
Plan Description

Central Washington University contributes to PERS, TRS, and LEOFF; cost-sharing multiple-employer defined benefit pension plans administered by the Washington State Department of Retirement Systems.

PERS plan 1 and TRS plan 1 provide retirement and disability benefits, and minimum benefit increases, beginning at any age with 30 years of service, or at age 55 with 25 years of service, or at age 60 with five years of service to eligible members hired prior to October 1, 1977.

PERS plan 2 and TRS plan 2 provide retirement and disability benefits, and a cost-of-living allowance, beginning at age 65 with five years of service, or an actuarially reduced benefit beginning at age 55 with 20 years of service, to eligible members hired on or after October 1, 1977.

LEOFF plan 2 provides retirement and disability benefits, and a cost-of-living allowance, beginning at age 53 with five years of service, or an actuarially reduced benefit beginning at age 50 with 20 years of service, to eligible law enforcement officer members hired on or after October 1, 1977.



PERS plan 3 and TRS plan 3 are hybrid defined-benefit and defined-contribution plans. University contributions fund the defined benefit component, providing retirement and disability benefits, and a cost-of-living allowance, beginning at age 65 with minimum service requirements, or an actuarially reduced benefit at age 55 with at least 10 years of service, to eligible members hired on or after July 1, 1996, and those who transferred from PERS plan 2 and TRS plan 2. Member contributions are fully vested in the defined contribution component of the plan and funds are available at separation or retirement at the member’s option.

The authority to establish and amend benefit provisions for PERS, TRS, and LEOFF plans resides with the legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380.

Funding Policy

The office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS, TRS, and LEOFF. Plan 1 members are required by statute to contribute 6 percent of their annual covered salary. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. Plan 3 members elect their contribution rate at employment from both flat and aggregated rate plans varying from 5 percent to 15 percent of annual covered salary. The contribution rates at June 30, 2017 were as follows:

PERS, TRS, LEOFF, AND CWURP CONTRIBUTIONS

Plan	2018		2017	
	Member	University	Member	University
PERS1	6.00%	11.18%	6.00%	11.18%
PERS2	6.12%	11.18%	6.12%	11.18%
PERS3	Various	11.18%	Various	11.18%
LEOFF	8.41%	8.59%	8.41%	8.59%
TRS1	6.00%	13.13%	6.00%	13.13%
TRS2	5.95%	13.13%	5.95%	13.13%
TRS3	Various	13.13%	Various	13.13%

University and member contributions for the current year previous year are as follows:

PERS, TRS, LEOFF, AND CWURP CONTRIBUTIONS

Plan	2018		2017	
	Member	University	Member	University
PERS1	\$ 41,731	\$ 88,330	\$ 41,212	\$ 91,953
PERS2	1,629,187	2,803,652	1,382,298	2,525,186
PERS3	640,433	1,210,002	651,722	1,096,526
LEOFF	76,868	78,450	77,469	79,127
TRS1	-	-	2,843	6,149
TRS2	7,226	15,569	5,337	11,777
TRS3	156,999	323,241	127,292	235,560
CWURP	6,969,138	5,525,767	5,044,264	5,340,071
Total	\$ 9,521,582	\$ 10,045,011	\$ 7,332,436	\$ 9,386,349

NOTE 14 – PENSION LIABILITY

During fiscal year 2015, the University adopted GASB Statement No.68—Accounting and Financial Reporting for Pensions. These changes in accounting policies for pensions are designed to improve transparency regarding pension obligations by requiring recognition of a liability equal to the net pension liability for the University's proportionate share of the Department of Retirement Systems (DRS) defined benefit plans. This standard requires recognition of pension expense using a systematic method, designed to match the cost of pension benefits with service periods for eligible employees, and to assist in paying for PERS1 and TRS1 future retiree costs. Because this was to be retroactively implemented, CWU also restated its beginning 2015 fund balance. The CWU financial data is now presented in accordance with the new accounting standards described above.

Central Washington University Retirement Benefits

Substantially all full-time classified employees at CWU participate in the DRS retirement plans. CWU has a financial responsibility for pension benefits associated with its defined benefit plans, and the University's financial statements for 2017 have been updated to include the University's proportionate share of the State's pension liability. Pension liability is allocated to multiple funds, based on their proportionate share of covered compensation for the fiscal year.

Prior to adopting the pension accounting changes, CWU reported pension expense based on cash contributions to DRS. All state employers are required to contribute at a rate set by the Washington State Legislature. Employer contribution rates were 11.18 percent for PERS, 13.13 percent for TRS and 8.59 percent for LEOFF2 in 2017. These pension accounting changes do not impact the University's requirements for making contributions to DRS.

Pension Plan Tables & Discussion

The following table represents the University's aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions, for the years 2017-2018.

AGGREGATE PENSION AMOUNTS - TOTAL OF ALL PLANS - GASB 68

	Beginning Balance	FY 2018	Total
Pension Liabilities	\$ 31,943,237	\$ (6,448,016)	\$ 25,495,221
Pension Assets	284,883	400,157	685,040
Deferred outflows of resources	4,728,769	1,474,674	6,203,443
Deferred inflows of resources	6,787,287	(2,431,176)	4,356,111
Total	\$ 43,744,176	\$ (7,004,361)	\$ 36,739,815

State Sponsored Pension Plans

Substantially all of CWU's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
 Communications Unit
 P.O. Box 48380
 Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS PLAN 1		
Actual contribution rates:	Employer	Employee
July 01, 2017 - June 30, 2018	9.21%	6.00%

CWU's actual contributions to the plan were \$87,232 for the year ended June 30, 2018.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

PERS PLAN 2/3		
Actual contribution rates:	Employer 2/3	Employee 2*
July 01, 2017 - June 30, 2018	11.18%	6.12%
Employee PERSPlan 3	11.18%	Varies

CWU’s actual contributions to the plan were \$ 4,125,578 for the year ended June 30, 2018.

Law Enforcement Officers’ and Fire Fighters’ Retirement System (LEOFF)

LEOFF membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters, and as of July 24, 2005, emergency medical technicians. Central Washington University participates solely in LEOFF Plan 2.

LEOFF Plan 2 provides retirement, disability, and death benefits. Retirement benefits are determined as two percent of the final average salary (FAS) per year of service (the FAS is based on the highest consecutive 60 months). Members are eligible for retirement with a full benefit at 53 with at least five years of service credit. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is three percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. LEOFF 2 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. LEOFF 2 members are vested after the completion of five years of eligible service.

Contributions

The **LEOFF Plan 2** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2. The employer rate included an administrative expense component set at 0.18 percent. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. The LEOFF Plan 2 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

LEOFF PLAN 2		
Actual contribution rates:	Employer 2/3	Employee 2*
Ports and Universities	8.59%	8.41%

Central Washington University’s actual contributions to the plan were \$ 79,790 for the year ended June 30, 2018.

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. This special funding situation is not mandated by the state constitution and could be changed by statute. For the state fiscal year ending June 30, 2017, the state contributed \$60,375,158 to LEOFF Plan 2.

Teachers' Retirement System

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

TRS is a cost-sharing, multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered a single defined benefit plan for reporting purposes. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

TRS members who joined the system by September 30, 1977, are a Plan 1 member. Plan 1 is closed to new entrants. Those who joined on or after October 1, 1977, and by June 30, 1996, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. TRS members joining the system on or after July 1, 1996 are members of TRS Plan 3. Legislation passed in 2007 gives TRS members hired on or after July 1, 2007, 90 days to make an irrevocable choice to become a member of TRS Plan 2 or Plan 3. At the end of 90 days, any member who has not made a choice becomes a member of Plan 3.

Contributions

The TRS Plan 1 member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The TRS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2018 were as follows:

TRS PLAN 1		
Actual contribution rates:	Employer	Employee*
July 01, 2014 - June 30, 2015	13.13%	6.00%

CWU's actual contributions to the plan were \$0 for the year ended June 30, 2018.

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.

Notes to Financial Statements | CONTINUED

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.

Actual Contributions

The TRS Plan 2/3 employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the TRS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The TRS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

TRS PLAN 2/3

Actual contribution rates:	Employer 2/3	Employee 2*
July 01, 2017 - June 30, 2018	13.13%	5.95%
Employee TRS Plan 3	13.13%	Varies

CWU's actual contributions to the plan were \$ 344,122 for the year ended June 30, 2018.

Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. Besides the discount rate, the actuarial assumptions used in the valuation are summarized in the Actuarial Section of DRS' Comprehensive Annual Financial Report

located on the DRS employer-resource GASB webpage. These assumptions reflect the results of OSA's 2007-2012 Experience Study and the 2015 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry age cost method), assumed interest and actual benefit payments.

- Inflation: 3.0% total economic inflation; 3.75% salary inflation
- Salary Increases: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- Investment rate of return: 7.50%

Mortality rates were based on the RP-2000 report's "Combined Healthy Table" and "Combined Disabled Table." The Society of Actuaries published the document. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB.

Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout the member's lifetime.

Change in Assumptions and Methods: Actuarial results that OSA provided within this publication reflect the following changes in assumptions and methods:

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 and TRS Plan 1 is valued for legal order payees was improved.
- The average expected remaining service lives calculation was revised. It is used to recognize the changes in pension expense to no longer discount future years of service back to the present day.

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for all plans included in this publication. To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members.

Consistent with current law, the asset sufficiency test included an assumed 7.70% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.70% except LEOFF Plan 2, which has assumed 7.50%.)

Consistent with the long-term expected rate of return, a 7.50% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS Plans 2 and 3, PSERS Plan 2, SERS Plans 2 and 3, and TRS Plans 2 and 3 employers, whose rates include a component for the PERS Plan 1 or 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% was used to determine the total liability.



Sensitivity of NPL

The table below presents the net pension liability of employers, calculated using the discount rate of 7.50% as well as what employers’ net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

Long-Term Expected Rate of Return

OSA selected a 7.50% long-term expected rate of return on pension plan investments using a building- block method. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns the WSIB provided.

The CMAs contain three pieces of information for each class of assets WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2017.

The inflation component used to create the table is 2.20% and represents the WSIB’s most recent long-term estimate of broad economic inflation.

AssetClass	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%

Sensitivity of NPL

The table below presents the net pension liability of employers, calculated using the discount rate of 7.50% as well as what employers’ net pension liability would be if it were calculated using a discount rate 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	CWU Allocation %	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
PERS 1	0.267831%	\$ 15,481,735	\$ 12,708,790	\$ 10,306,825
PERS 2/3	0.328308%	30,732,012	11,407,134	(4,426,738)
TRS 1	0.035188%	1,322,846	1,063,828	839,629
TRS 2/3	0.034181%	1,071,454	315,471	(298,528)
LEOFF	0.049366%	148,242	(685,040)	(1,363,963)

Pension Plan Fiduciary Net Position

Detailed information about the State’s pension plans’ fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, Central Washington University reported a total pension liability of \$25,495,222 and an asset of \$685,040 for its proportionate share of the net pension balances as follows:

PENSION PLAN FIDUCIARY NET POSITION			Liability(or Asset)	
	Liability	Asset		
PERS 1	\$ 12,708,790	-	LEOFF 2 -employer's proportionate share	\$ (685,040)
PERS 2/3	11,407,134	-	LEOFF 2 - State's proportionate share of the net pension liability/ (asset) associated with the employer	\$ (444,373)
TRS 1	1,063,828	-		
TRS 2/3	315,470			
LEOFF 2		(685,040)	Total	\$ (1,129,413)
Total	\$ 25,495,222	\$ (685,000)		

At June 30, the University's proportionate share of the collective net pension liabilities was as follows:

Plan	Proportionate Share 06/30/16	Proportionate Share 06/30/17	Change In Proportion
PERS 1	0.2679030%	0.2678310%	-0.0000720%
PERS 2/3	0.3242280%	0.3283080%	0.0040800%
TRS 1	0.033936%	0.035188%	0.001252%
TRS 2/3	0.0331940%	0.0341810%	0.0009870%

At June 30, the University's proportionate share of the collective net pension assets was as follows:

Plan	Proportionate Share 06/30/16	Proportionate Share 06/30/17	Change In Proportion
LEOFF 2	0.0489800%	0.0493660%	0.0003860%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the Schedules of Employer and Non-employer Allocations for all plans except LEOFF 1, a plan the University does not utilize.

In fiscal year 2018, the state of Washington contributed 39.46 percent of LEOFF 2 employer contributions pursuant to RCW 41.27.726 and all other employers contributed the remaining 60.54 percent of employer contributions.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2018, Central Washington University recognized a net pension expense as follows:

Plan	Pension Expense
PERS 1	\$ 768,719.75
PERS 2/3	1,407,850.81
TRS 1	110,128.62
TRS 2/3	99,376.55
LEOFF 2	25,606.92
Total	\$ 2,411,682.65

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, Central Washington University 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
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	(474,256)
Changes of assumptions	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	1,749,544	-
Total	<u>\$ 1,749,544</u>	<u>\$ (474,256)</u>

PERS 2/3

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,155,812	\$ (375,161)
Net difference between projected and actual investment earnings on pension plan investments	-	(3,040,867)
Changes of assumptions	121,165	-
Changes in proportion and differences between contributions and proportionate share of contributions	126,333	(79,499)
Contributions subsequent to the measurement date	2,463,266	-
Total	<u>\$ 3,866,576</u>	<u>\$ (3,495,528)</u>

LEOFF 2

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,037	\$ -
Net difference between projected and actual investment earnings on pension plan investments	102,370	-
Changes of assumptions	1,074	-
Changes in proportion and differences between contributions and proportionate share of contributions	277,120	(258,505)
Contributions subsequent to the measurement date	79,127	-
Total	<u>\$ 498,728</u>	<u>\$ (258,505)</u>

TRS 1

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 30,109	\$ (25,978)
Net difference between projected and actual investment earnings on pension plan investments	-	(153,796)
Changes of assumptions	825	-
Changes in proportion and differences between contributions and proportionate share of contributions	9,261	(3,813)
Contributions subsequent to the measurement date	79,790	-
Total	<u>\$ 119,985</u>	<u>\$ (183,558)</u>

TRS 2/3

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 78,668	\$ (16,094)
Net difference between projected and actual investment earnings on pension plan investments	-	(114,169)
Changes of assumptions	3,718	-
Changes in proportion and differences between contributions and proportionate share of contributions	40,830	(15,617)
Contributions subsequent to the measurement date	179,324	-
Total	<u>\$ 302,540</u>	<u>\$ (145,880)</u>

Deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PERS 1 | DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS

Proportionate Share: 0.267831%

	Amount	CWU's Share Amortization Table
2018	\$ (119,690,000)	\$ (320,567)
2019	37,788,000	101,208
2020	(8,774,000)	(23,499)
2021	(86,397,000)	(231,398)

PERS 2/3 | DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS

Proportionate Share: 0.328308%

	Amount	CWU's Share Amortization Table
2018	\$ (476,810,000)	\$ (1,565,405)
2019	58,854,000	193,222
2020	(104,435,000)	(342,868)
2021	(403,833,000)	(1,325,816)

LEOFF 2 | DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS

Proportionate Share: 0.049366%

	Amount	CWU's Share Amortization Table
2018	\$ (157,722,000)	\$ (77,861)
2019	17,814,000	8,794
2020	(35,982,000)	(17,763)
2021	(135,653,000)	(66,966)

PERS 2/3 | DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE

Proportionate Share: 0.328308%

	Amount		CWU's Share Amortization Table	
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
2018	\$ (51,942,000)	\$ 142,767,000	\$ (170,530)	\$ 468,715
2019	(51,941,000)	75,740,000	(170,526)	248,660
2020	(10,388,000)	31,056,000	(34,105)	101,959
2021	-	31,057,000	-	101,963
2022	-	31,057,000	-	101,963

TERS 2/3 | DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE

Proportionate Share: 0.034181%

	Amount		CWU's Share Amortization Table	
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
2017	\$ (13,848,000)	\$ 47,404,000	\$ (4,733)	\$ 16,203
2018	(13,849,000)	47,403,000	(4,734)	16,203
2019	(13,849,000)	32,562,000	(4,734)	11,130
2020	(5,539,000)	17,721,000	(1,893)	6,057
2021	-	17,721,000	-	6,057

LEOFF 2 | DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE

Proportionate Share: 0.049366%

	Amount		CWU's Share Amortization Table	
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
2017	\$ (5,481,000)	\$ 18,709,000	\$ (2,705.75)	\$ 9,235.88
2018	(5,481,000)	18,709,000	(2,705.75)	9,235.88
2019	(5,481,000)	18,709,000	(2,705.75)	9,235.88
2020	(5,481,000)	4,864,000	(2,705.75)	2,401.16
2021	(5,482,000)	-	(2,706.24)	-



PERS 2/3 | CHANGES IN ASSUMPTIONS

Proportionate Share: 0.328308%

	Amount	CWU's Share Amortization Table
2017	\$ 16,933,000	\$ 55,592
2018	15,917,000	52,257
2019	3,244,000	10,650
2020	246,000	808
2021	246,000	808

TRS 2/3 | CHANGES IN ASSUMPTIONS

Proportionate Share: 0.034181%

	Amount	CWU's Share Amortization Table
2017	\$ 3,223,000	\$ 1,102
2018	3,223,000	1,102
2019	3,142,000	1,074
2020	1,231,000	421
2021	12,000	4

LEOFF 2 | CHANGES IN ASSUMPTIONS

Proportionate Share: 0.049366%

	Amount	CWU's Share Amortization Table
2017	\$ 522,000	\$ 258
2018	522,000	258
2019	522,000	258
2020	105,000	52



PERS 2/3 | DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS

Proportionate Share: 0.0328308%

	Amount		CWU's Share Amortization Table	
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
2019	\$ (51,942,000)	\$ 142,767,000	\$ (170,530)	\$ 468,715
2020	(51,941,000)	75,740,000	(170,526)	248,660
2021	(10,388,000)	31,056,000	(34,105)	101,959
2022	-	31,057,000	-	101,963
2023	-	31,057,000	-	101,963

TRS 2/3 | DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS

Proportionate Share: 0.034181%

	Amount		CWU's Share Amortization Table	
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
2017	\$ (13,848,000)	\$ 47,404,000	\$ (4,733)	\$ 16,203
2018	(13,849,000)	47,403,000	(4,734)	16,203
2019	(13,849,000)	32,562,000	(4,734)	11,130
2020	(5,539,000)	17,721,000	(1,893)	6,057
2021	-	17,721,000	-	6,057

LEOFF 2 | DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS

Proportionate Share: 0.049366%

	Amount		CWU's Share Amortization Table	
	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows
2017	\$ (5,481,000)	\$ 18,709,000	\$ (2,705.75)	\$ 9,235.88
2018	(5,481,000)	18,709,000	(2,705.75)	9,235.88
2019	(5,481,000)	18,709,000	(2,705.75)	9,235.88
2020	(5,481,000)	4,864,000	(2,705.75)	2,401.16
2021	(5,482,000)	-	(2,706.24)	-



PERS 2/3 | CHANGES IN PROPORTION SHARE

	Deferred Inflows	Deferred Outflows
2018	\$ (108,212)	\$ 23,836
2019	(70,446)	23,836
2020	(9,054)	23,836
2021	-	23,836
2022	-	23,836
Thereafter	108,212	7,151
Total deferred (inflows)/outflows	<u>\$ (79,499)</u>	<u>\$ 126,333</u>

TRS 2/3 | CHANGES IN PROPORTION SHARE

	Deferred Inflows	Deferred Outflows
2018	\$ (10,412)	\$ 14,531
2019	(10,412)	14,531
2020	(5,206)	14,531
2021	-	6,474
2022	-	1,103
Thereafter	10,412	(10,339)
Total deferred (inflows)/outflows	<u>\$ (15,617)</u>	<u>\$ 40,830</u>

LEOFF 2 | CHANGES IN PROPORTION SHARE

	Deferred Inflows	Deferred Outflows
2018	\$ (318)	\$ 3,723
2019	(318)	3,723
2020	(318)	3,723
2021	(318)	1,816
2022	(318)	-
Thereafter	(1,144)	(3,723)
Total deferred (inflows)/outflows	<u>\$ (2,732)</u>	<u>\$ 9,261</u>

TOTALS (EXCLUDING CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATA)

	PERS 1 Yearly Amortization	PERS 2/3 Yearly Amortization	TRS 1 Yearly Amortization	TRS 2/3 Yearly Amortization	LEOFF 2 Yearly Amortization
2018	\$ (320,567)	\$ (1,296,002)	\$ (33,105)	\$ (40,612)	\$ (67,668)
2019	101,208	277,004	12,393	22,724	18,987
2020	(23,499)	(249,581)	(1,102)	3,301	(7,570)
2021	(231,398)	(1,199,209)	(23,256)	(38,348)	(65,721)
2022	-	126,607	-	7,164	(3,024)
Thereafter	-	248,964	-	23,106	(17,315)
Total Deferred (inflows)/outflows	<u>\$ (474,256)</u>	<u>\$ (2,092,218)</u>	<u>\$ (45,069)</u>	<u>\$ (22,665)</u>	<u>\$ (142,312)</u>

NOTE 15 - DEFERRED COMPENSATION

The University, through the State of Washington, offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, eligible employees can elect to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

NOTE 16 - RELATED PARTY TRANSACTIONS

The Central Washington University Foundation (the Foundation) is organized to operate exclusively for the purposes of encouraging, promoting, and supporting educational programs and scholarly pursuits at or in conjunction with Central Washington University. The Foundation provided \$3,118,148 in scholarships and program support to the University during the fiscal year ending June 30, 2018. Detailed financial information for the foundation may be obtained from its administrative office.

Summary financial information of the Central Washington University Foundation as of, and for, the years ended:

CWU FOUNDATION FINANCIAL INFORMATION | JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018
Income	\$ 6,947,742	\$ 1,847,954	\$ 3,545,412	\$ 12,341,108
Expenses	5,414,709	0	–	5,414,709
Re-designation of net assets	216,736	(88,606)	(128,130)	–
Change in net position	1,749,769	1,759,348	3,417,282	6,926,399
Net position at beginning of year	2,611,499	12,381,686	14,364,673	29,357,858
Net position at end of year	<u>\$ 4,361,268</u>	<u>\$ 14,141,034</u>	<u>\$ 17,781,955</u>	<u>\$ 36,284,257</u>

NOTE 17 - COMMITMENTS AND CONTINGENT LIABILITIES

The University had outstanding commitments under construction contracts of approximately \$1,720,633 at June 30, 2018. The University is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, the ultimate resolution of these matters will not have a material adverse effect upon the University's financial position. The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. Management believes disallowances, if any, will not be material.

The Risk Management Act of Washington State provides a \$5,000,000 self-insurance policy applying to all exposure to tort, general damage, and vehicle liability. The University purchases commercial property insurance for auxiliary enterprise buildings that were acquired with bond proceeds.

In accordance with State policy, the University self-insures unemployment compensation for all employees. Payments for State general fund employees are appropriated by the State. The University assesses a semi-monthly payroll expense for unemployment compensation for all local fund employees, based on employee earnings. The percentage charged is based primarily upon claims experience. Cash reserves for unemployment compensation for all local fund employees at June 30, 2018, were \$1,285,415. Payments made to employees are as follows:

UNEMPLOYMENT COMPENSATION PAID

	2018
State fund	\$ 198,932
Local fund	95,029
Total	<u>\$ 293,961</u>

NOTE 18 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The statement of revenues, expenses, and changes in net position displays operating expenses by functional classification. The following table summarizes operating expenses by natural classification for the years ended:

OPERATING EXPENSES BY NATURAL CLASSIFICATION

	June 30, 2018
Salary and wages	\$ 112,920,699
Benefits	34,915,815
Goods and services	50,913,815
Scholarships and fellowships	16,877,080
Non-capitalized facility improvements	3,527,109
Supplies and materials	3,741,238
Utilities	5,018,943
Depreciation	19,470,853
Total	<u>\$ 247,384,976</u>

NOTE 19 - PLEDGED REVENUES

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The revenue bonds are obligations of the University's reporting segment referred to as "The System" (Note 20) with all revenues pledged as a whole to all debt service repayment. The following is a schedule of the pledged revenues and related debt:

Source of Revenue Pledged	2018 Revenues Pledged	2018 Debt Service	Total Future Revenues Pledged*	Description of Debt	Purpose of Debt	Term of Commitment
Student and activity fees	\$ 5,024,000	\$ 2,873,000	\$ 39,711,415	Series 2013 bonds	Construction of new Student Union Building & Recreation Center (SURC)	2034
Bookstore revenues	331,646	202,317	3,235,627	Series 2013 bonds	Construction of new bookstore as part of the new SURC	2034
Housing, dining & parking revenues	22,807,199	6,358,884	203,174,306	Series 2010, 2012 2013, 2018 bonds	Construction of Wendall Hill Hall 20018, Barto Hall 2010, Refunding bonds of 2012, and 2013, Dougmore Hall 2018	2049
Total	<u>\$ 28,163,445</u>	<u>\$ 9,434,661</u>	<u>\$ 246,121,348</u>	*Total future principal and interest payments on debts		

NOTE 20 - SEGMENT INFORMATION

Central Washington University's System operates the Student Union & Recreation Center, residence halls, apartment complexes, a conference program, dining facilities, parking services and the Wildcat Shop bookstore located on the Ellensburg campus. The system owns its buildings, while the University owns the land. The system issues revenue bonds from time to time to renovate and build new facilities. The system pledges its net revenues to cover the costs of debt service, for accounting purposes the system is considered a segment of the University.

Presented below are condensed financial statements for the System.

CONDENSED STATEMENT OF NET POSITION

	June 30, 2018
Assets	
Current assets	\$ 39,779,202
Non-current assets	187,997,193
Deferred outflows	4,770,349
Total assets & deferred outflows	<u>232,546,744</u>
Liabilities	
Current liabilities	11,337,046
Non-current liabilities	174,650,444
Deferred inflows	2,320,031
Total liabilities & deferred inflows	<u>188,307,521</u>
Net position	
Net investment in capital assets	26,106,588
Unrestricted	18,132,634
Total net position	<u>\$ 44,239,222</u>

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

Operating revenues	\$ 63,688,424
Operating expenses	48,647,829
Depreciation	4,363,988
Net operating income (loss)	<u>10,676,607</u>
Non-operating revenues (expenses)	
Interest on indebtedness	(5,986,335)
Other non-operating revenue (expense), net	1,109,959
Total increase in net position	5,800,231
Total net position, beginning of year	48,663,732
Change in accounting principle	(10,224,741)
Total net position, beginning of year (as restated)	38,438,991
Total net position, end of year	<u>\$ 44,239,222</u>

CONDENSED STATEMENT OF CASH FLOWS

Net cash flows provided by:	
Operating activities	\$ 14,279,191
Non-capital financing activities	
Investing activities	(42,858,359)
Capital and related financing	27,224,919
Net increase (decrease) in cash	(1,354,249)
Cash — beginning of year	34,418,567
Cash — end of year	<u>\$ 33,064,318</u>

Required Supplementary Information

REQUIRED SUPPLEMENTARY INFORMATION (RSI) - ALL COST-SHARING EMPLOYERS

Under GASB Statement 68, government entities that participate in one or more of the State's cost-sharing, multiple employer pension plans (PERS, SERS, PSERS, TRS, and LEOFF) must present as RSI:

- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Employer Contributions

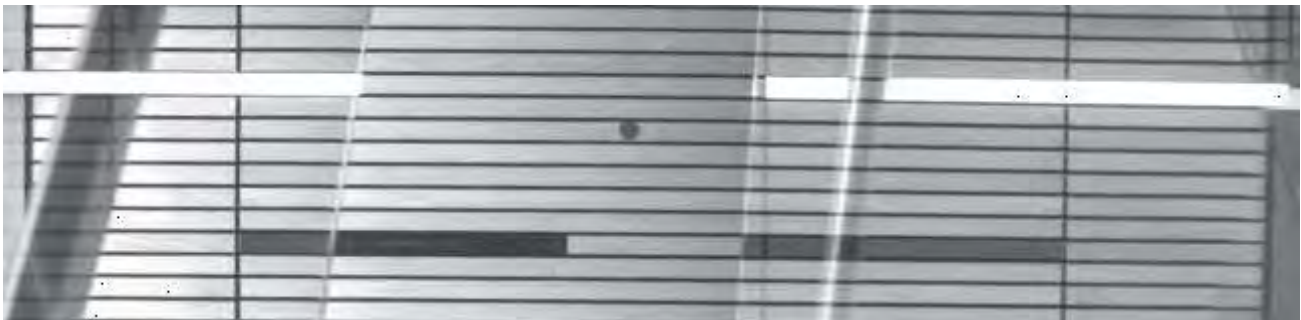
These are 10 year schedules. Until a full 10 year trend is compiled, Central is presenting information only for those years for which information is available.

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY PERS 1 AS OF JUNE 30,

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.0267831%	0.267903%	0.273865%	0.286822%
Employers' proportionate share of the net pension liability	\$ 12,708,790	\$ 14,387,653	\$ 14,325,686	\$ 14,448,793
Total	<u>\$ 12,708,790</u>	<u>\$ 14,387,653</u>	<u>\$ 14,325,686</u>	<u>\$ 14,448,793</u>
Employer's covered employee payroll	\$ 32,921,384	\$ 31,103,871	\$ 30,204,218	\$ 30,158,804
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	38.60%	46.26%	47.23%	47.91%
Plan fiduciary net position as a percentage of the total pension liability (State)	61.24%	57.03%	59.10%	61.19%
Plan fiduciary net position as a percentage of the total pension liability (University)	0.16%	0.15%	0.16%	0.18%

SCHEDULE OF EMPLOYER CONTRIBUTIONS PERS 1 AS OF JUNE 30,

	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 1,749,544	\$ 1,611,068	\$ 1,537,185	\$ 1,530,761	\$ 1,260,439
Contributions in relation to the statutorily or contractually required contributions	(1,749,544)	(1,611,068)	(1,537,185)	(1,530,761)	(1,260,439)
Contribution deficient (excess)	-	-	-	-	-
Covered employer payroll	<u>\$33,818,936</u>	<u>\$32,921,384</u>	<u>\$31,103,871</u>	<u>\$30,204,218</u>	<u>\$30,158,804</u>
Contributions as a percentage of covered employee payroll	5.17%	4.89%	4.94%	5.07%	4.18%



**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY PERS 2/3
AS OF JUNE 30,**

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.328308%	0.324228%	0.328819%	0.335470%
Employer's proportionate share of the net pension liability	\$ 11,407,134	\$ 16,324,624	\$ 11,748,890	\$ 6,781,060
Total	\$ 11,407,134	\$ 16,324,624	\$ 11,748,890	\$ 6,781,060
Employer's covered employee payroll	\$ 32,232,145	\$ 30,347,916	\$ 29,208,644	\$ 29,208,644
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	35.39%	53.79%	40.22%	23.22%
Plan fiduciary net position as a percentage of the total pension liability (State)	90.97%	85.82%	89.20%	93.29%
Plan fiduciary net position as a percentage of the total pension liability (University)	0.30%	0.28%	0.29%	0.31%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS PERS 2/3
AS OF JUNE 30,**

	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 2,463,266	\$ 2,015,926	\$ 1,556,120	\$ 1,871,738	\$ 1,464,731
Contributions in relation to the statutorily or contractually required contributions	(2,463,266)	(2,015,926)	(1,556,120)	(1,871,738)	(1,464,731)
Contribution deficient (excess)	-	-	-	-	-
Covered employer payroll	\$33,119,012	\$32,232,145	\$30,347,916	\$29,208,644	\$29,208,644
Contributions as a percentage of covered employee payroll	7.44%	6.25%	5.13%	6.41%	5.01%

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY TRS 1
AS OF JUNE 30,**

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.035188%	0.033936%	0.026544%	0.026263%
Employer's proportionate share of the net pension liability	\$ 1,063,828	\$ 1,158,655	\$ 840,952	\$ 774,615
Total	\$ 1,063,828	\$ 1,158,655	\$ 840,952	\$ 774,615
Employer's covered employee payroll	\$ 1,932,755	\$ 1,675,334	\$ 1,274,367	\$ 1,522,643
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	55.04%	69.16%	65.99%	50.87%
Plan fiduciary net position as a percentage of the total pension liability (State)	65.58%	62.07%	65.70%	68.77%
Plan fiduciary net position as a percentage of the total pension liability (University)	0.02%	0.02%	0.02%	0.02%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS TRS 1
AS OF JUNE 30,**

	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 164,798	\$ 123,137	\$ 104,733	\$ 59,801	\$ 54,658
Contributions in relation to the statutorily or contractually required contributions	(164,798)	(123,137)	(104,733)	(59,801)	(54,658)
Contribution deficient (excess)	-	-	-	-	-
Covered employer payroll	\$ 2,321,620	\$ 1,932,755	\$ 1,675,334	\$ 1,274,367	\$ 1,522,643
Contributions as a percentage of covered employee payroll	7.10%	6.37%	6.25%	4.69%	3.59%

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY TRS 2/3
AS OF JUNE 30,**

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.034181%	0.033194%	0.026201%	0.031582%
Employer's proportionate share of the net pension liability	\$ 315,471	\$ 455,852	\$ 221,085	\$ 102,006
Total	\$ 315,471	\$ 455,852	\$ 221,085	\$ 102,006
Employer's covered employee payroll	\$ 1,885,366	\$ 1,641,897	\$ 1,236,791	\$ 1,401,164
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	16.73%	27.76%	17.88%	7.28%
Plan fiduciary net position as a percentage of the total pension liability (State)	93.14%	88.72%	92.48%	96.81%
Plan fiduciary net position as a percentage of the total pension liability (University)	0.03%	0.03%	0.02%	0.03%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS TRS 2/3
AS OF JUNE 30,**

	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	179,324	125,562	109,267	70,311	80,622
Contributions in relation to the statutorily or contractually required contributions	(179,324)	(125,562)	(109,267)	(70,311)	(80,622)
Contribution deficient (excess)	-	-	-	-	-
Covered employer payroll	2,321,620	1,885,366	1,641,897	1,236,791	1,401,164
Contributions as a percentage of covered employee payroll	7.22%	6.66%	6.65%	5.68%	5.75%



**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY LEOFF 2
AS OF JUNE 30,**

	2017	2016	2015	2014
Employer's proportion of the net pension liability (asset)	0.049366%	0.048980%	0.049973%	0.052338%
Employer's proportionate share of the net pension liability	\$ (685,040)	\$ (284,882)	\$ (513,622)	\$ (694,548)
Total	\$ (685,040)	\$ (284,882)	\$ (513,622)	\$ (694,548)
Employer's covered employee payroll	\$ 921,151	\$ 893,567	\$ 874,609	\$ 876,364
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-74%	-32%	-59%	-79%
Plan fiduciary net position as a percentage of the total pension liability (State)	113.36%	106.04%	111.67%	116.75%
Plan fiduciary net position as a percentage of the total pension liability (University)	0.06%	0.05%	0.06%	0.06%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS LEOFF 2
AS OF JUNE 30,**

	2018	2017	2016	2015	2014
Statutorily or contractually required contributions	\$ 79,790	\$ 77,985	\$ 74,932	\$ 73,246	\$ 74,161
Contributions in relation to the statutorily or contractually required contributions	(79,790)	(77,985)	(74,932)	(73,246)	(74,161)
Contribution deficient (excess)	-	-	-	-	-
Covered employer payroll	\$ 913,166	\$ 921,151	\$ 893,567	\$ 874,609	\$ 876,364
Contributions as a percentage of covered employee payroll	8.74%	8.47%	8.39%	8.37%	8.46%

GASB 73 RSI | CWURP SCHEDULE OF CHANGES IN THE TOTAL PENSION LIABILITY

	2018	2017
Total pension liability - beginning	\$ 8,477,000	\$ 10,331,000
Service cost	91,000	150,000
Interest	299,000	293,000
Difference between expected and actual experience	(466,000)	(1,270,000)
Change in assumptions	(272,000)	(616,000)
Benefit payments	(412,000)	(411,000)
Other	-	-
Total pension liability	7,717,000	8,477,000
CWURP covered employee payroll	\$ 61,372,710	\$ 11,028,000
Total pension liability as a percentage of covered employee payroll	12.57%	76.87%

GASB 75 RSI | SCHEDULE OF CHANGES FOR CWU'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	2018
Proportionate Share (%)	1.2489969930%
Service cost	\$ 4,932,979
Interest cost	2,310,638
Differences between expected and actual experience	-
Changes in assumptions	(11,271,331)
Changes in benefit terms	-
Benefit payments	(1,177,538)
Changes in proportionate share	(1,144,803)
Other -	
Net change in total OPEB liability	(6,350,055)
Total OPEB liability - beginning	79,114,402
Total OPEB liability - ending	<u>\$ 72,764,347</u>

Schedule of Central Washington University's OPEB

Contributions-Prior 10 Fiscal Years

Total OPEB liability	\$ 72,764,347
Covered-employee payroll	93,216,733
Total OPEB liability as a percentage of covered-employee payroll	78.06%



Appendix

EXHIBIT I - BUDGETED/PROJECTED VERSUS ACTUAL ENROLLMENT | AVERAGE ANNUAL FTE

Year	Budgeted	Actual
2017-18	11,090	9,905
2016-17	9,694	9,721
2015-16	9,105	9,392
2014-15	9,105	9,089
2013-14	9,105	9,292
2012-13	8,808	9,480
2011-12	8,808	9,581
2010-11	8,808	9,982
2009-10	8,469	9,673

EXHIBIT II - ENROLLMENT STATISTICS (IPEDS) FOR FISCAL YEARS ENDED JUNE 30

	2018	2017	2016	2015	2014	2013
Full quarter headcount						
Undergraduates						
Full-time	9,810	9,482	9,103	8,753	9,172	9,256
Part-time	1,566	1,637	2,009	2,211	1,636	1,481
Total undergraduates	11,376	11,119	11,112	10,964	10,808	10,737
Graduates						
Full-time	466	509	503	461	286	366
Part-time	355	343	378	374	374	165
Total graduates	821	852	881	835	531	550
Total - undergraduates and graduates						
Full-time	10,276	9,991	9,606	9,214	9,458	9,826
Part-time	1,921	1,980	2,387	2,585	1,829	1,494
Total full and part-time	12,197	11,971	11,993	11,799	11,287	11,268
Fall quarter FTE	11,149	10,776	10,597	9,752	10,193	10,177
	2018	2017	2016	2015	2014	2013
Freshman						
Applications	8,597	7,377	4,923	4,108	4,434	4,528
Percent applicants admitted	86%	79%	82%	87%	82%	80%
Enrolled	2,133	1,906	1,652	1,363	1,502	1,438
Enrolled percent of admissions	29%	33%	34%	38%	41%	40%
Transfer students						
Applications	2,533	2,553	2,338	2,227	2,313	2,607
Percent applicants admitted	84%	83%	85%	87%	87%	85%
Enrolled	1,387	1,369	1,383	1,333	1,374	1,406
Enrolled percent of admissions	65%	65%	59%	68%	68%	63%

**EXHIBIT III - HISTORICAL OPERATIONS FOR THE SYSTEM
FOR FISCAL YEARS ENDED JUNE 30**

	2018	2017	2016	2015	2014	2013
Gross revenue						
Housing and dining	\$ 39,854,400	\$ 36,029,703	\$ 33,337,205	\$ 29,417,542	\$ 30,102,132	\$ 28,236,359
Services and activities	13,188,290	13,176,896	12,908,906	12,254,949	12,482,937	12,964,152
University store	9,187,452	9,804,374	9,446,753	8,974,063	8,950,740	9,343,347
Parking	1,458,281	1,145,258	1,139,005	1,043,339	1,032,651	1,083,270
Total gross revenue	\$ 63,688,423	\$ 60,156,231	\$ 56,831,869	\$ 51,689,953	\$ 52,568,660	\$ 51,627,127
Operating expenses ⁽¹⁾						
Housing and dining	26,836,571	26,486,151	25,118,269	23,594,530	23,914,703	22,714,484
Services and activities	10,447,874	10,210,918	10,121,569	9,412,566	8,633,986	8,130,565
University store	10,316,632	9,599,478	9,074,478	8,775,264	8,711,474	8,812,802
Parking	1,046,751	1,277,868	1,294,528	1,016,916	1,027,033	1,064,399
Total operating expenses	48,647,828	47,574,415	49,868,443	42,779,276	42,287,196	40,722,249
Net revenue	\$ 15,040,595	\$ 12,581,816	\$ 11,223,025	\$ 8,890,678	\$ 10,281,464	\$ 10,904,878
Total debt service ⁽²⁾	\$ 8,804,467	\$ 8,704,387	\$ 8,701,899	\$ 8,700,508	\$ 8,949,260	\$ 8,894,792

(1) Excludes depreciation (2) Excludes capitalized interest



EXHIBIT IV

SCHEDULE OF SYSTEM REVENUE BOND DEBT SERVICE

Fiscal Year	The Series 2010 Bonds		The Series 2012 Bonds		The Series 2013 Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 675,000	\$ 1,964,640	\$ 355,000	\$ 193,265	\$ 2,050,000	\$ 1,803,825
2020	1,290,000	1,930,890	345,000	184,890	2,150,000	1,701,325
2021	1,335,000	1,866,390	355,000	174,540	2,260,000	1,593,825
2022	1,375,000	1,799,640	365,000	163,890	2,375,000	1,480,825
2023	645,000	1,730,890	380,000	152,940	2,495,000	1,362,075
2024	665,000	1,693,480	390,000	141,540	2,620,000	1,237,325
2025	690,000	1,654,910	405,000	129,645	2,725,000	1,132,525
2026	1,515,000	1,614,890	415,000	116,483	2,835,000	1,023,525
2027	1,580,000	1,516,415	425,000	102,580	2,945,000	910,125
2028	1,650,000	1,413,715	445,000	87,917	3,065,000	792,325
2029	1,715,000	1,306,465	460,000	72,120	3,160,000	696,544
2030	1,790,000	1,194,990	475,000	55,330	3,265,000	593,844
2031	1,260,000	1,078,640	490,000	37,755	3,370,000	487,731
2032	1,320,000	991,070	510,000	19,380	3,485,000	373,994
2033	1,380,000	899,330			3,600,000	256,375
2034	1,440,000	803,420			3,725,000	130,375
2035	1,505,000	703,340				
2036	1,575,000	598,743				
2037	1,645,000	489,280				
2038	1,720,000	374,952				
2039	1,795,000	255,412				
2040	1,880,000	130,660				
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
2049						
Total	\$ 30,445,00	\$ 26,012,162	\$ 5,795,000	\$ 1,632,275	\$ 46,125,000	\$ 15,576,563

Continued on page 79



EXHIBIT IV (CONTINUED)

SCHEDULE OF SYSTEM REVENUE BOND DEBT SERVICE (CONTINUED)

Fiscal Year	The Series 2016 Bonds		The Series 2018 Bonds		Total Principal	Total Interest	Total
	Principal	Interest	Principal	Interest			
2019	\$ 965,000	\$ 1,062,538	\$ —	\$ 2,037,051	\$ 4,025,000	\$ 7,061,319	\$ 11,086,319
2020	1,000,000	1,023,937	625,000	1,894,932	5,410,000	6,735,974	12,145,974
2021	1,040,000	983,937	655,000	1,863,681	5,645,000	6,482,373	12,127,373
2022	1,085,000	942,337	690,000	1,830,932	5,890,000	6,217,624	12,107,624
2023	1,140,000	888,087	1,510,000	1,796,431	6,170,000	5,930,423	12,100,423
2024	1,195,000	831,087	1,585,000	1,720,932	6,455,000	5,624,364	12,079,364
2025	1,255,000	771,337	1,660,000	1,641,681	6,735,000	5,330,098	12,065,098
2026	1,320,000	708,587	960,000	1,558,682	7,045,000	5,022,167	12,067,167
2027	1,385,000	642,587	1,010,000	1,510,681	7,345,000	4,682,388	12,027,388
2028	1,455,000	573,377	1,060,000	1,460,182	7,675,000	4,327,476	12,002,476
2029	1,525,000	500,587	1,115,000	1,407,181	7,975,000	3,982,897	11,957,897
2030	1,565,000	466,275	1,170,000	1,351,431	8,265,000	3,661,870	11,926,870
2031	1,605,000	419,325	1,225,000	1,291,931	7,950,000	3,316,382	11,266,382
2032	1,645,000	379,000	1,275,000	1,243,931	8,235,000	3,007,575	11,242,575
2033	1,695,000	329,850	1,325,000	1,192,931	8,000,000	2,678,486	10,678,486
2034	1,750,000	279,000	1,380,000	1,139,931	8,295,000	2,352,726	10,647,726
2035	1,805,000	226,500	1,435,000	1,084,731	4,745,000	2,014,571	6,759,571
2036	1,860,000	172,350	1,490,000	1,027,331	4,925,000	1,798,424	6,723,424
2037	1,915,000	116,550	1,545,000	975,181	5,105,000	1,581,011	6,686,011
2038	1,970,000	59,000	1,600,000	921,106	5,290,000	1,355,158	6,645,158
2039			1,655,000	865,106	3,450,000	1,125,518	4,570,518
2040			1,715,000	805,113	3,595,000	935,773	4,530,773
2041			1,775,000	742,944	1,755,000	742,944	2,517,944
2042			1,840,000	678,600	1,840,000	678,600	2,518,600
2043			1,915,000	605,000	1,915,000	605,000	2,520,000
2044			1,990,000	528,400	1,990,000	528,400	2,518,400
2045			2,070,000	448,800	2,070,000	448,800	2,518,800
2046			2,155,000	366,000	2,155,000	366,000	2,521,000
2047			2,240,000	279,800	2,240,000	279,800	2,519,800
2048			2,330,000	190,200	2,330,000	190,200	2,520,200
2049			2,425,000	97,000	2,425,000	97,000	2,522,000
	\$ 29,175,000	\$ 30,445,000	\$ 26,012,162	\$ 5,795,000	\$ 1,632,275	\$ 46,125,000	\$ 15,576,563



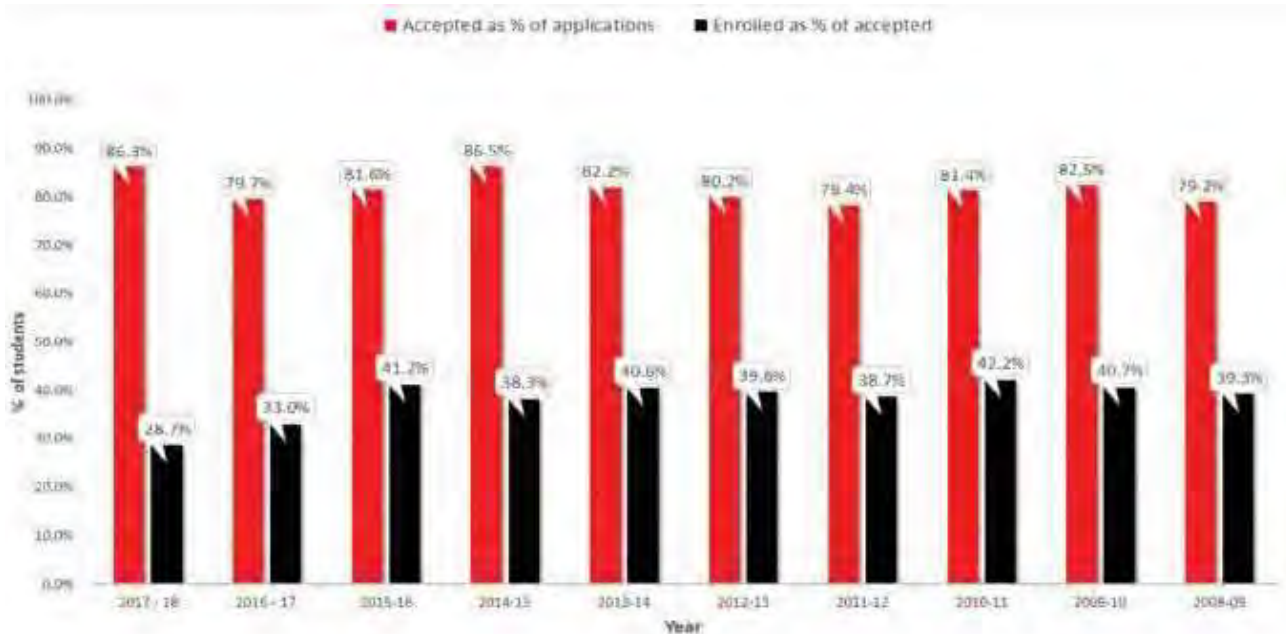
STATISTICS

**ADMISSIONS, ENROLLMENT, AND DEGREES EARNED
(IPEDS ADMISSIONS)**

Admissions - Freshman	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Applications	8,597	7,255	4,934	4,120	4,507	4,528	4,558	4,856	4,902	5,013
Accepted	7,423	5,783	4,027	3,562	3,703	3,630	3,573	3,953	4,044	3,968
Enrolled	2,133	1,911	1,661	1,363	1,502	1,438	1,384	1,667	1,645	1,559
Accepted as % of applications	86.3%	79.7%	81.6%	86.5%	82.2%	80.2%	78.4%	81.4%	82.5%	79.2%
Enrolled as % of accepted	28.7%	33.0%	41.2%	38.3%	40.6%	39.6%	38.7%	42.2%	40.7%	39.3%

Source: Central Washington University Office of Institutional Effectiveness

PERCENTAGE OF ACCEPTED AND ENROLLED

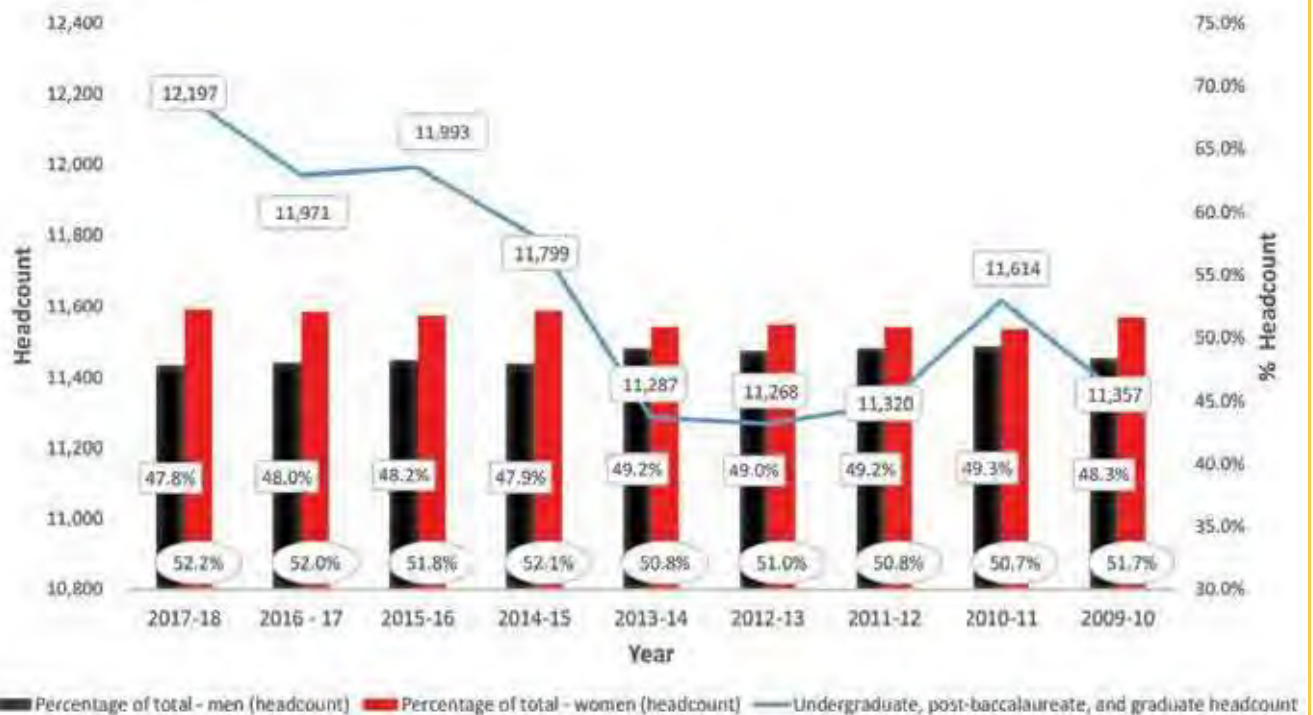
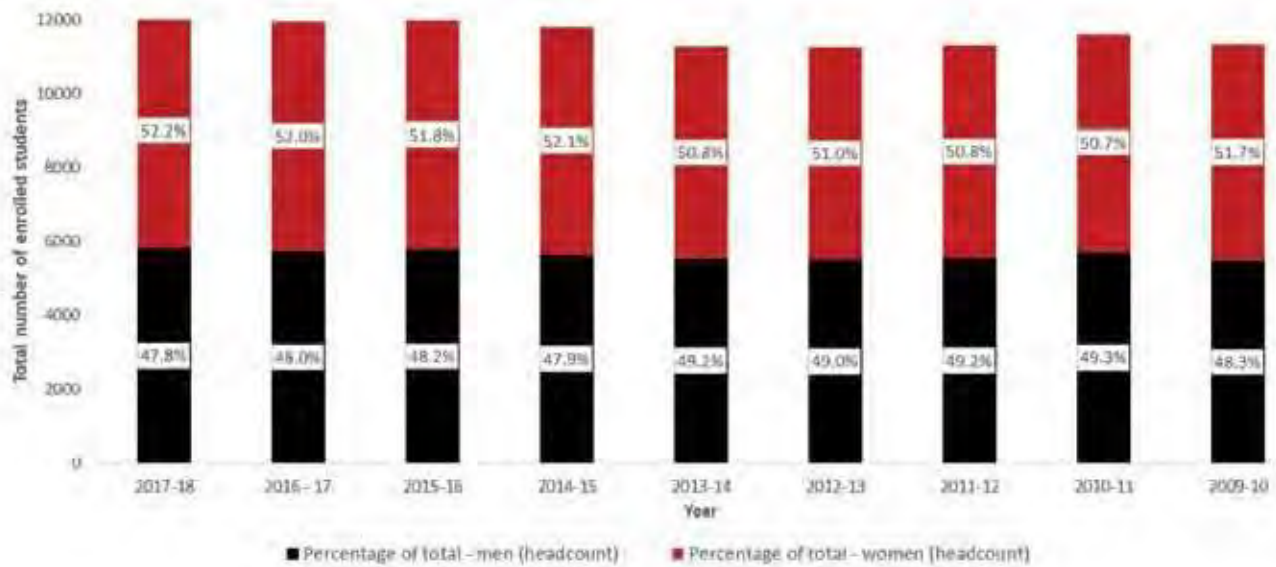


**ADMISSIONS, ENROLLMENT, AND DEGREES EARNED
(FALL ENROLLMENT_PART A)**

Enrollment	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10
Undergraduate, post-baccalaureate, and graduate head count	12,197	11,971	11,993	11,799	11,287	11,268	11,320	11,614	11,357
Men (head count)	5,828	5,746	5,786	5,652	5,552	5,520	5,564	5,727	5,491
Percentage of total - men(head count)	47.8%	48.0%	48.2%	47.9%	49.2%	49.0%	49.2%	49.3%	48.3%
Women (head count)	6,369	6,225	6,207	6,147	5,735	5,748	5,756	5,887	5,886
Percentage of total - women (head count)	52.2%	52.0%	51.8%	52.1%	50.8%	51.0%	50.8%	50.7%	51.7%

Source: Central Washington University Office of Institutional Effectiveness

PERCENTAGE OF MEN AND WOMEN - HEAD COUNT
FALL - ENROLLMENT

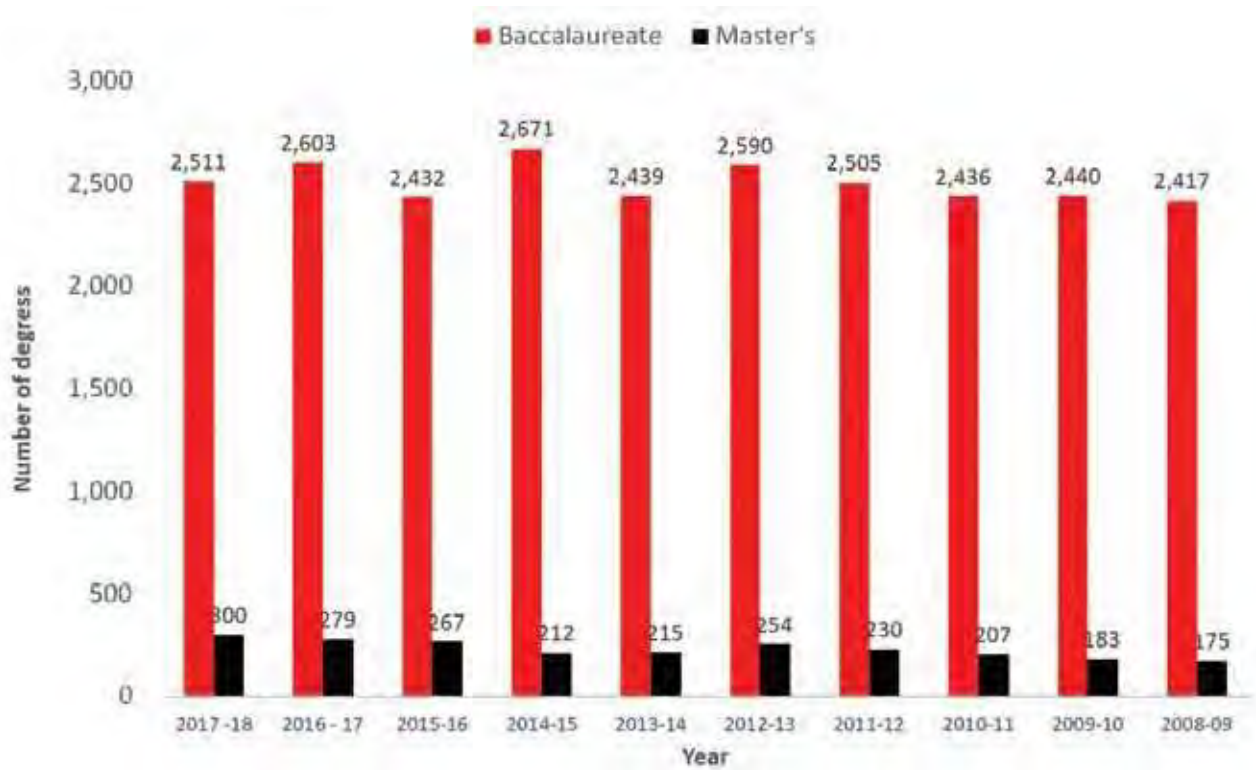


**ADMISSIONS, ENROLLMENT, AND DEGREES EARNED
(1ST MAJOR)**

Degrees earned	2017-18	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	2009-10	2008-09
Baccalaureate	2,511	2,603	2,432	2,671	2,439	2,590	2,505	2,436	2,440	2,417
Master's	300	279	267	212	215	254	230	207	183	175
Total earned	2,811	2,882	2,699	2,883	2,654	2,844	2,735	2,643	2,623	2,592

Source: Central Washington University Office of Institutional Effectiveness

DEGREES EARNED



FACULTY AND STAFF

Fall employment of fiscal year - FTE

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty	626	633	637	622	609	598.5	562.4	570.2	560	563.9
Administrative professional	344	329	303	282	247.3	218.8	202.7	206.9	221.7	222.6
Classified staff	581	588	582	581	591.2	598.2	591.3	632.7	632.5	1,551
			1,485	1,447.5	1,415.5	1,361.8	1,368.4	1,414.4		1,419

Fall employment of fiscal year - Head count

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Faculty	703	721	724	730	696	695	655	689	682	683
Administrative professional	346	332	303	288	252	224	212	213	231	235
Classified staff	596	602	597	602	616	623	625	625	675	677
	1,645	1,655	1,624	1,620	1,564	1,542	1,492	1,527	1,588	1,595

FTE - percent of total

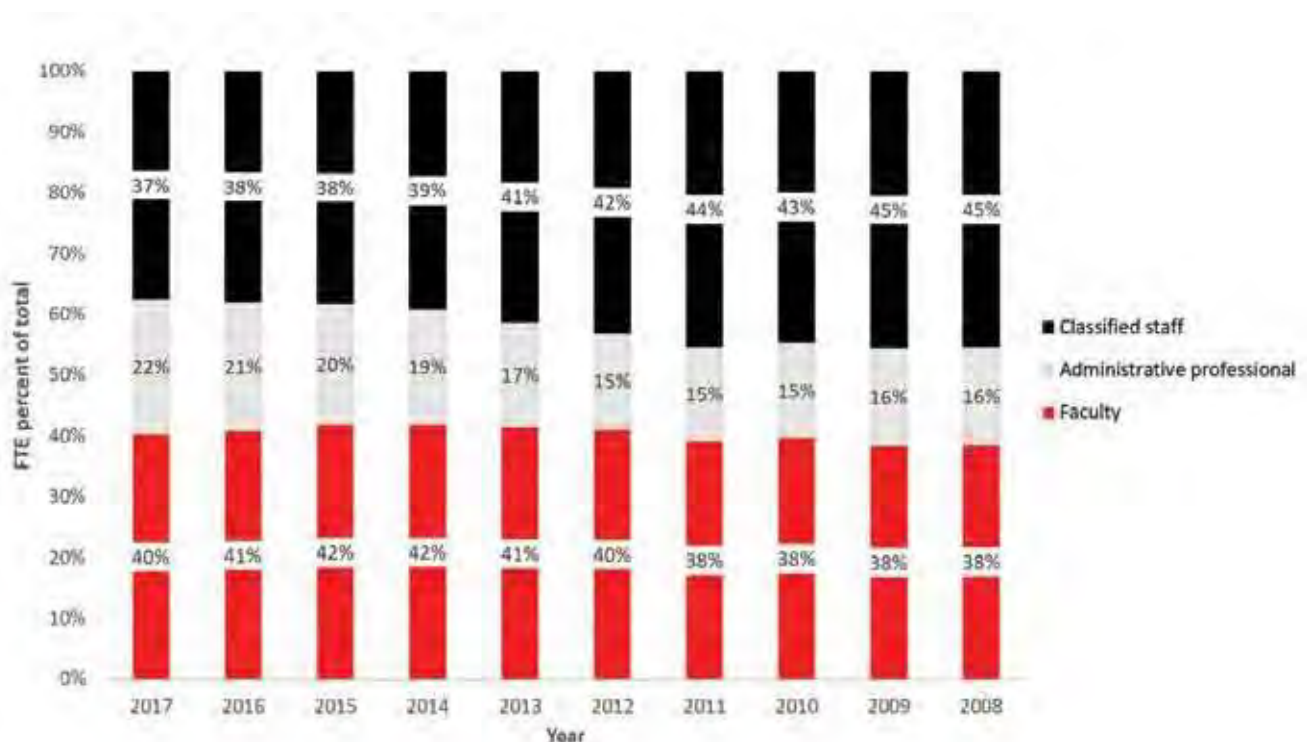
Faculty	40%	41%	42%	42%	41%	40%	38%	38%	38%	38%
Administrative professional	22%	21%	20%	19%	17%	15%	15%	15%	16%	16%
Classified staff	37%	38%	38%	39%	41%	42%	44%	43%	45%	45%

Head count - percent of total

Faculty	43%	44%	45%	45%	45%	45%	44%	45%	43%	43%
Administrative professional	21%	20%	19%	18%	16%	15%	14%	14%	15%	15%
Classified staff	36%	36%	37%	37%	39%	40%	42%	41%	43%	42%

Source: Central Washington University Office of Institutional Effectiveness

FACULTY AND STAFF - FTE FALL DATA



Notes



2018

