2019 ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2019

An Agency of the State of Washington.

WASHINGTON STATE UNIVERSITY

19

ANNUAL FINANCIAL REPORT

For information about the financial data included in this report, contact:

Business Services/Controller
Washington State University
PO Box 641025
Pullman, Washington 99164-1025
509-335-2022

You may view the financial report at genacct.wsu.edu/finstat.html.

For information about enrollment, degrees awarded, research, or academic programs at WSU, contact:

Institutional Research
Washington State University
PO Box 641043
Pullman, Washington 99164-1043
509-335-4553

or

Visit the WSU home page at wsu.edu.

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INTRODUCTION

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Mollie Holt, Executive Director/Controller, Business Services

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WSU SPOKANE

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Domanic Thomas, Vice Chancellor for Student Affairs and Enrollment

Lynn Valenter, Vice Chancellor for Finance and Operations

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Larry W. (Chip) Hunter, Dean, Carson College of Business

Matthew Jockers, Dean, College of Arts and Sciences

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Robert H. Mealey, Dean, College of Veterinary Medicine

M. Grant Norton, Dean, Honors College

Bruce Pinkleton, Dean, Edward R. Murrow College of Communication

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John Tomkowiak, Dean, Elson S. Floyd College of Medicine

Michael Trevisan, Dean, College of Education

André-Denis Girard Wright, Dean, College of Agricultural, Human, and Natural Resource Sciences

LEGAL COUNSEL

Danielle A. Hess, Senior Assistant Attorney General and WSU Division Chief, Washington State Office of the Attorney General

Officer list effective 1/2/2020

Message from the President

Message from the President

The future holds great promise for WSU

I am delighted to share Washington State University's annual report for the 2019 fiscal year with you. This publication provides detailed information about the University's fiscal health and operations during the period beginning July 1, 2018, and concluding on June 30, 2019.

During the past year, WSU continued to advance its land-grant mission and service to the state of Washington by providing access to higher education, conducting research to boost lives and the economy, and delivering knowledge and services to communities statewide.

As we enter a new decade, I cannot help but reflect on how fantastic the past ten years have been from the University's standpoint.

In 2010, WSU's system enrollment was 25,989, research expenditures totaled $304 million, and philanthropic support amounted to $97.9 million for the prior year. The nation had just emerged from the Great Recession, which led to an unprecedented set of reductions in financial support for public higher education, including WSU.

Today, we enroll nearly 31,500 students, research expenditures surpass $365 million, and philanthropic support totaled more than $145 million last year. In the last 10 years, we have added a medical school headquarter in Spokane and an additional physical campus in Everett, and we now enroll more than 3,000 students through our Global Campus. We have enjoyed record levels of financial support from the Washington legislature.

Clearly, we are a valued asset to the state, and we are delivering the results that are our stakeholders seek.

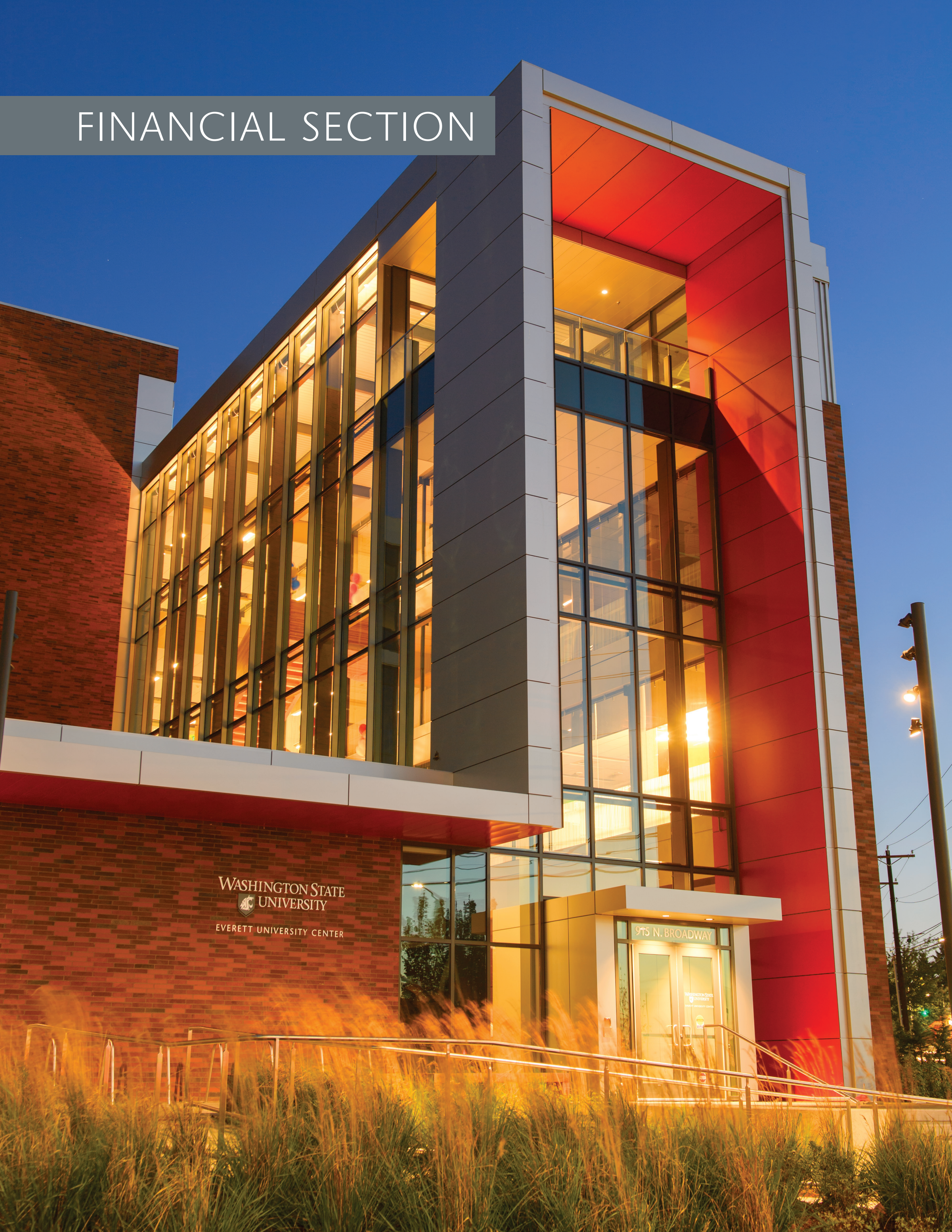
As we consider the future of WSU's statewide enterprise during the next decade, we are in the midst of creating a new system strategic plan addressing the 2020–2025 time period. The plan is centered around an ambitious goal: to be recognized as one of the nation's top 25 public research universities. We believe that by achieving this goal the people of the state of Washington will benefit to even greater degree from the impacts we make through scientific innovation, research-based program delivery, and University-led practical problem solving.

Nearly four years into my presidency at WSU, I remain bullish and energized about our future as the state's land-grant institution. It's a great time to be a Coug!

Best regards,

Kirk H. Schulz
President
Washington State University

FINANCIAL SECTION



Office of the Washington State Auditor
Pat McCarthy

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

February 19, 2020

Board of Regents
Washington State University

Pullman, 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 Washington State University, as of and for the years ended June 30, 2019 and 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 audits. We did not audit the financial statements of the Washington State University Foundation (the Foundation), which represents 100 percent of the assets, net position and revenues of the aggregate discretely presented component unit. We also

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did not audit the financial statements of the Washington State University Intercollegiate Athletics Department (Athletics) which represent 5.8 percent, (4.7) percent, and 6.4 percent, respectively, of the assets, net position and revenues of the University business-type activities.

Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation and Athletics, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation and Athletics 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.

Opinions

In our opinion, based on our audit and the reports 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 Washington State University, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Matters of Emphasis

As discussed in Note 1, the financial statements of the Washington State University, an agency of the state of Washington, are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of the activities of the state of Washington that is attributable to the transactions of the University and its aggregate discretely presented component units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2019, and 2018 the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements as a whole. The information identified in the table of contents as the Introduction and Acknowledgments 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.

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OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we will also issue our report dated February 19, 2020, 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.

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Washington State University (the University) for the fiscal year ended June 30, 2019, with comparative information for the fiscal years 2018 and 2017. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying footnote disclosures.

Using the Financial Statements

The University's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

The financial statements presented in this report encompass the University and its discretely presented component unit, the Washington State University Foundation. The University's financial reports include the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The University presents component unit information on pages immediately following the statements of the University.

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

Financial Highlights for Fiscal Year 2019

The University's overall net financial position as of June 30, 2019 reflects an increase of $103 million (7.9%) over the previous year, resulting in a net position of $1.4 billion.

In fiscal year 2019, the University implemented GASB 83 *Certain Asset Retirement Obligations*, which required the University to report certain asset retirement obligations (AROs) which are legally enforceable liabilities associated with the retirement of tangible capital assets. To account for the cumulative effect of the accounting principle change, the University restated its operating expense and net position for 2018, resulting in a $7 million decrease in net position. The university also reclassified assets held in custody for others that resulted in an increase in both assets and liabilities in the amount of $4 million with no impact to net position.

Below are financial highlights from fiscal year 2019:

- Assets and deferred outflows increased by $114 million to end the year at $2.8 billion.
- Liabilities and deferred inflows increased by $11 million to end the year at $1.4 billion.
- Capital assets, net of depreciation increased by $1 million, totaling $1.7 billion.
- Pension and Other Post-employment Benefits (OPEB) liability decreased $40 million, totaling $422 million due to changes in actuarial assumptions and discount rates. Specifically, the decrease was caused by a higher than expected investment rate of return on pension assets and the actuarial assumptions for future healthcare cost trends for OPEB were reduced. These changes more than offset the higher than expected salary increases and decreased discount rate for the Washington State University Supplemental Retirement Plan (WSURP).

Other significant changes to operations were as follows:

- Operating revenues totaled $800 million, increasing $50 million from last year with tuition and fees, and grant and contract revenue contributing $31 million of the increase.
- Operating expenses decreased slightly from the previous year, a total of $1 million, ending at $1.1 billion. Expenses that showed decreases include benefits, primarily comprised of pensions $17 million, scholarships and fellowships $2 million, and depreciation $2 million. These were partially offset by increases in payments to suppliers of $11 million, purchased services $10 million and utilities $1 million.

Condensed Financial Information and Analysis

Financial Position - Statement of Net Position

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

Assets are classified as current, non-current or capital. Current assets are expected to benefit the University within twelve months and include cash, accounts receivable, inventories, prepaid expenses and investments that can easily be converted into cash to meet University expenses. Non-current assets include endowment fund assets, student loans receivable and investments expected to be held more than one year. Capital assets include construction in progress, library materials, furniture and equipment, land, buildings and improvements and are reported net of accumulated depreciation.

Liabilities are classified as current or non-current. Current liabilities are claims that are due and payable within twelve months and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Non-current liabilities are obligations payable beyond one year and include bond obligations, installment contracts, leases and earned but unused vacation and sick leave.

Net position is divided into five categories:

- **Net investment in capital assets:** The University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted – non-expendable:** The University's endowment funds, land grant endowment funds and similar funds for which donors or external parties have imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- **Restricted – expendable:** Funds that are subject to externally imposed restrictions in which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions; such as scholarships, fellowships, research, loans, professorships, capital projects and debt service.
- **Restricted – loans:** Funds that have been established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- **Unrestricted:** Funds that are available to the University for any lawful purpose.

Condensed **Statements of Net Position (in millions)** for the last three fiscal years are as follows:

	June 30, 2019	Restated June 30, 2018	Restated June 30, 2017
Assets			
Current assets	$ 282	$ 208	$ 185
Non-current assets:			
Long term investments	101	108	140
Endowment and other restricted investments	616	585	568
Other non-current assets	64	63	35
Capital assets, net of accumulated depreciation	1,704	1,703	1,753
Total assets	**2,767**	**2,667**	**2,681**
Deferred outflows of resources	**59**	**45**	**46**
Total assets and deferred outflows of resources	**2,826**	**2,712**	**2,727**
Liabilities			
Current liabilities	$ 111	$ 140	$ 134
Non-current liabilities:			
Accrued leave and unearned compensation	28	30	24
Unearned revenue	7	8	9
Long-term liabilities	634	632	659
Asset retirement obligation	17	15	
Pension	162	179	215
OPEB liabilities	260	283	337
Other non-current liabilities	43	37	17
Total liabilities	**1,262**	**1,324**	**1,395**
Deferred inflows of resources	**165**	**92**	**23**
Total liabilities and deferred inflows of resources	**1,427**	**1,416**	**1,418**
Net position			
Net investment in capital assets	1,073	1,051	1,074
Restricted nonexpendable	565	534	522
Restricted loans	29	29	33
Restricted expendable	169	155	157
Unrestricted	(437)	(473)	(477)
Total net position	**$1,399**	**$1,296**	**$ 1,309**

Significant Changes in the Statements of Net Position from 2018 to 2019

- Total current assets increased by approximately $74 million from the prior year primarily due to $37 million of increased net cash activities including increased operating activities, unspent bond proceeds and collection of loans from students. Other increases include accounts receivable of $13 million as a result of an increase in the amount due from the Office of the State Treasurer due to timing of the capital budget. Short term investments increased $24 million which was partially from sale of long term investments, investment returns and net gains and bond proceeds.
- Non-current assets, other than capital assets, increased by $25 million from fiscal year 2018. This was mostly due to endowment investments increasing by $31 million, and an increase in assets held in custody for others by $4 million. The increase in endowment investments is due to stronger investment returns, realized and unrealized gains over the last three years. Deposits held in escrow for construction companies decreased by $1 million due to project completions. There was a decrease of $8 million in long term investments as they were converted to shorter term investments. Loans receivable decreased $2 million as student loans were paid off.
- Capital assets, net increased slightly in 2019 for a total of $1 million. Several projects were placed in full year service from construction in progress, major projects include including refurbished student housing, new dairy equipment installed at the Food Quality Building, Everett academic building, Eastlick Hall renovations, Veterinary Hospital copper shielding and Spokane Academic renovations totaling $34 million and $73 million was spent on construction projects during the year, resulting in a net increase of $39 million in construction in progress. Land purchases and retirements netted a decrease of $1 million. Other improvements, machinery and equipment and library resources increased $24 million, net of retirements. These increases were offset by the total increase in accumulated depreciation of $95 million, net of retirements.
- Current liabilities decreased by $29 million in fiscal year 2019 primarily as the result of a decrease in accounts payable of $7 million attributable to quicker payments to vendors, a $25 million decrease in the current portion of long term OPEB liabilities and long term debt. These were offset by a $1 million increase in unearned revenue, and amount due to the Foundation of $1 million which was due to timing.
- Non-current liabilities decreased by $32 million in fiscal year 2019 primarily due to the $39 million decrease in pension and OPEB liabilities reflected by increased performance returns and changes in actuarial assumptions. The University continues to pay down long term debt and issued new debt, resulting in a $2 million increase. Deposits held in custody for others increased $4 million. The Assets Retirement Obligation (ARO) increased due to the reevaluation of the cost to retire the nuclear radiation center which increased $2 million.
- Overall net position improved to $1.4 billion with an increase of $103 million from fiscal year 2018 restated net position.

Significant Changes in the Statements of Net Position from 2017 to 2018

- Total current assets increased by approximately $23 million from the prior year primarily due to $48 million of increase in short term investments which resulted from the conversion of long term investments and cash from the sale of land to the Pullman-Moscow Regional Airport project. The increase was offset by a decrease in accounts receivable of $19 million due to improved collection efforts and decreased activity from State Grants of approximately $6 million.
- Non-current assets, other than capital assets, increased by $13 million from fiscal year 2017. This was primarily due to reclassification of assets held in custody for others in the amount of $34 million and the $17 million increase in endowment investments due to stronger investment returns, realized and unrealized gains over the last three years. These were partially offset by a $32 million decrease in short term investments as funds were moved to long term investments. Deposits held in escrow for construction companies decreased by $6 million due to project completions.
- For capital projects, in fiscal year 2018, several bond funded buildings were placed in full year service including WSU's Cultural Center, Jordan Schnitzer Museum of Art and additional expenditures for Everett Campus improvements, Digital Classroom and Food Quality Building totaling $65 million in additions to Capital Assets, net of retirements. This amount was offset by construction in process which decreased by $19 million due to completion of many projects and offset by the total increase in accumulated depreciation of $96 million, net of retirements, totaling $50 million decrease in net capital assets.
- Current liabilities increased by $6 million in fiscal year 2018 primarily as the result of a $26 million increase in the current portion of long term OPEB liabilities and a decrease in accounts payable of $19 million attributable to less spending in departments, overall budget decreases and quicker payments to vendors.
- Non-current liabilities decreased by $76 million in fiscal year 2018 primarily due to the $90 million decrease in pension liability reflected by increased performance returns and a higher discount rate as compared to previous years. The University continued to pay down long term debt without additions totaling $27 million. These decreases were offset by the recognition of Asset retirement obligation of $15 million as the result of implementation of GASB 83 *Certain Asset Retirement Obligations*, the reclassification of deposits held in custody for others in the amount of $21 million and an increase in the long term portion of accrued leave.
- Overall net position remained steady at $1.3 billion with a slight decrease of $13 million from fiscal year 2017 restated net position.

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

The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operations and non-operating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as either operating or non-operating.

Operating revenues are the inflows of funds from providing goods and services to the University's customers. They 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 funds used up in generating operating revenues and in carrying out the University's mission.

Non-operating revenues are revenues earned for which goods and services are not provided and include state appropriations, current-use gifts and grants that are designated for purposes other than capital construction, land grant endowment income, endowment distributions and investment income. Non-operating expenses include interest expense on long-term debt.

Other revenues and expenses include capital appropriations, capital gifts or grants, additions to permanent endowments and gains or losses on the disposal of capital assets.

	June 30, 2019	Restated June 30, 2018	Restated June 30, 2017
Operating revenues (expenses)			
Tuition and fees, net	$ 295	$ 280	$ 286
Grants and contracts	275	258	256
Sales and services, net	199	189	186
Other operating revenues	31	23	23
Total operating revenues	**800**	**750**	**751**
Operating expenses	(1,133)	(1,134)	(1,440)
Operating loss	**(333)**	**(384)**	**(689)**
Non-operating revenues (expenses)			
State and federal appropriations	254	243	235
Federal financial aid	38	39	33
Interest on debt	(30)	(31)	(29)
Federal interest subsidy on debt	3	3	3
Gifts and contributions	44	35	36
Investment income, net	65	48	52
Other nonoperating revenues(expenses)	6	16	6
Net nonoperating revenues (expenses)	**380**	**353**	**336**
Income (loss) before other changes	**47**	**(31)**	**(353)**
Capital additions			
Capital appropriations	45	5	52
Capital gifts and grants	1	2	1
Additions to permanent endowments	10	11	9
Total capital additions	**56**	**18**	**62**
Increase (decrease) in net position	103	(13)	(291)
Net position—beginning of year	1,296	1,309	1,600
Change in accounting principle		(7)	(337)
Change in net position	103	(6)	46
Net position—end of year	**$ 1,399**	**$ 1,296**	**$ 1,309**

Significant Changes in the Statement of Revenues, Expenses and Changes in Net Position from 2018 to 2019:

Operating revenue improved significantly with a $50 million increase in fiscal year 2019 due to the below:

- Total tuition and fees (without waivers) increased from $419 million in FY18 to $442 million in FY19 due to a 2.0% increase in resident undergraduate tuition, increases for medical, pharmacy and veterinary medicine tuition, and an overall enrollment increase of 2.8%. The $23 million increase in gross tuition was partially offset by an $8 million increase in the scholarship allowance (estimated using the National Association of College and University Business Officers (NACUBO) model). The increase in the scholarship allowance is attributable to a $4 million increase each for in waivers and other scholarship allowances.
- Grants and contracts from federal, state and private sources were up approximately 6.3% over last year to $275 million. The majority of the increase this fiscal year came in federal research caused by an overall increase in average award values, and significant increases in awards from the USDA of $11 million, National Science Foundation $6 million and the Department of Health and Human Services $3 million. These were offset by slight decreases in other federal, state and local funding.
- Revenues in WSU auxiliaries increased by $10 million primarily due to an increases in Housing & Dining of $6 million, Student Health $2 million and Athletics $2 million.
- Other operating revenue increased $9 million due to $4 million increase in royalties due to the launch of the Cosmic Crisp Apple, $1 million increase in unearned revenue from summer session, $4 million increase in revenue generated by internal services.

Overall operating expenses were consistent with the previous year with a slight decrease of $1 million.

- Salaries and Wages increased only slightly despite classified employees receiving 2.0% increase in July 2018 and another on January 1, 2019, and a 1.0% increase for faculty, exempt staff, and graduate students effective January 1, 2019 and a minimum wage increase January 1, 2019. These were offset by decreased staffing.
- Benefits decreased $17 million which is attributable to a decrease in pension expenses due to the University's percentage of the proportionate share of expense related to PERS plans decreasing as well as favorable earnings on plan assets.
- Payments to suppliers increased by $11 million due to a $4 million housing and dining increase related to strong occupancy, $2 million for expenditures associated with development of a new enterprise system for human resources, payroll and finance that were not eligible to be capitalized, increased grant activity totaling $3 million and a $2 million increase in self-sustaining activities.
- Purchased Services increased $9 million, primarily due to grant subcontracts which increased $6 million. WSU awarded 45 more sub-awards than in the previous year. Additionally, there was $1 million in additional personal service contracts within self-sustained funds and other miscellaneous increases.
- Depreciation decreased $2 million due to building retirements in FY2018 due to the sale of the buildings on land sold for the City of Pullman airport expansion.

Non-operating revenues (net of expenses) increased $28 million due to the following:

- State Appropriations increased by $13 million due to funding for College of Medicine of $4 million, salary and benefit appropriations of $6 million, and other programs increasing by approximately $3 million.
- Interest on capital assets decreased by $1 million due to reduced principal on outstanding debt.
- Gifts and contributions increased $9 million.
- Investment income, net of expenses increased by $16 million. The overall portfolio continuously generates income, however fiscal year 2019 was higher than fiscal year 2018 due to better overall performance by the fixed income investments in the permanent land grant funds. Large unrealized gains were recorded in FY 2019 as reported by the State Investment Board Financial Report.
- Other non-operating revenues decreased by $9 million primarily due to the one-time sale of the land to the Pullman-Moscow Regional Airport that occurred in fiscal year 2018, and not in fiscal year 2019.

Other revenue increased $38 million as a result of:

- Capital appropriations increased $40 million while capital gifts and grants decreased $1 million.
- Additions to permanent endowments decreased $1 million.

Significant Changes in the Statement of Revenues, Expenses and Changes in Net Position from 2017 to 2018:

Current operating revenue remained steady with a $1 million decrease in fiscal year 2018 due to the below:

- Gross tuition and fees increased by $14 million largely driven by a 2.2% increase in resident undergraduate tuition rates, and a 2.0% increase in students enrolled. The increase was offset by a $2 million decrease in accrued tuition revenue, and an $18 million increase in waivers and scholarship allowance, resulting in a net tuition decrease of $6 million.
- Grants and contracts from federal, state and private sources increased approximately $2 million to $258 million. The majority of the increase this fiscal year came in the federal research area, with $6 million growth led by increased awards in the Department of Defense, Education, Health and Human Sciences offset by a decrease in spending of State awards of $4 million.
- Auxiliary revenues increased by $3 million primarily due to Housing and Dining increases resulting for high demand for on-campus housing and rate increases pacing with inflation.

Overall operating expenses decreased by $306 million primarily due to the following:

- The cumulative effect of the change in accounting principle for OPEB (GASB 75) had the largest impact on benefit expense decreasing by $322 million. Fiscal year 2017 benefit expense was restated to properly account for the cumulative effect of the accounting change, resulting in $337 million increase in cumulative benefit expense to reflect the retroactive adjustment to date. The fiscal year 2018 benefits expense totaled $25 million with a proportionate share of $313 million of the State's OPEB liability. The decrease in the year over year liability is attributable to a lower discount rate and changes in actuarial assumptions.
- Salaries and wage increases of $11 million are attributable to classified employees 2.0% increase in July 2017, 1.0% increase for faculty, exempt staff, and graduate students effective January 1, 2018, totaling a just over $3 million. In addition, there was new salary cost of $4 million for medical salaries and $4 million increase in salary costs for other departments (period incremental increases, hiring new employees at higher rates). The overall number of employees remained flat from fiscal year 2017 to fiscal year 2018.
- Payments to suppliers decreased by $1 million due to conservative spending of lab supplies, interdepartmental supplies and delays on major repairs for facilities.
- Depreciation increased $5 million due to new buildings placed in service at the end of fiscal year 2017 incurring a full year of depreciation including the Cultural Center, Museum of Art and Everett Campus Center.

Non-operating revenues (net of expenses) increased by $16 million due to the following:

- State Appropriations increased by $8 million due to funding for College of Medicine of $3 million, salary appropriations of $4 million, and other programs increasing by approximately $1 million.
- Federal Pell Grants increased by $5 million due to increased need on campus for grants after the Perkins Loans program expired in September 2017.
- Interest on capital assets decreased by $2 million due to lower debt.
- Investment income, net of expenses decreased by $4 million due to larger unrealized gains in fiscal year 2017. The overall portfolio continuously generates income, however fiscal year 2018 was slightly lower than fiscal year 2017 on the increase in the permanent land trust endowment and increase in market value.
- Other non-operating revenues increased by $10 million primarily due to sale of the land to the Pullman-Moscow Regional Airport resulting in a $13 million increase offset by the associated loss on the disposal of the buildings located on that property totaling $3 million.

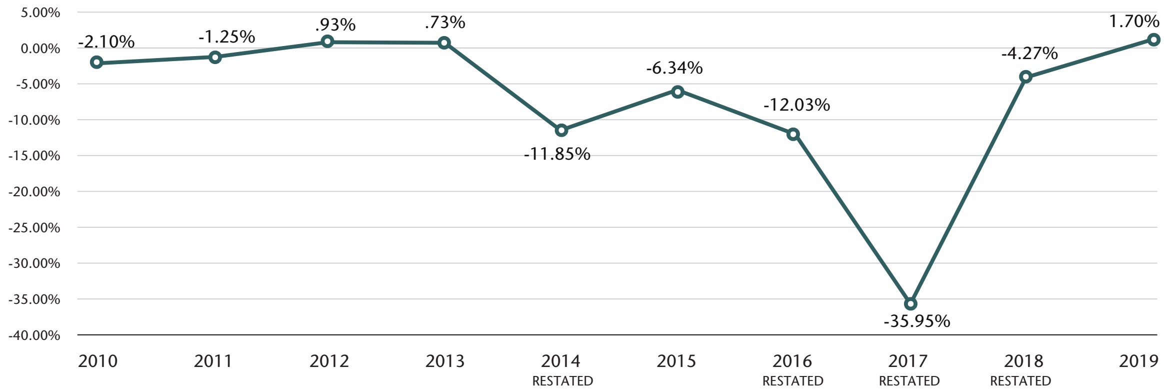
Other revenue decreased $44 million as a result of:

- Capital appropriations decreased $47 million.
- Additions to permanent endowments increased $3 million.

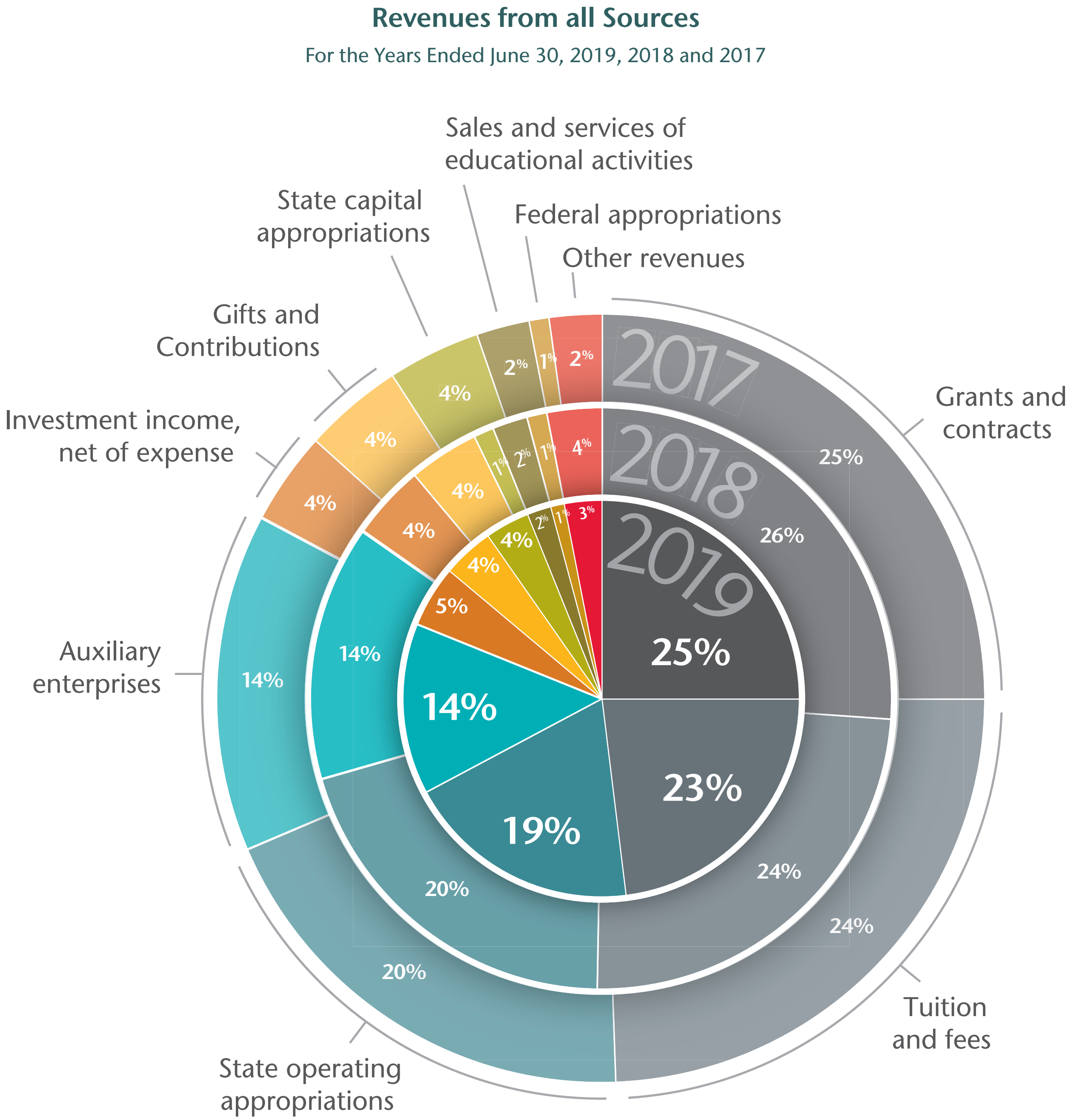
Financial Health and Flexibility

The annual operating margin compares the operating surplus (or deficit) to operating revenues. Moody's definition of operating revenues includes several non-operating revenues in determining margin and an estimated spending rate of the University's investments rather than actual investment income. This ratio indicates the extent to which the University is balancing revenues with expenses and growing its resource base.

Annual Operating Margin



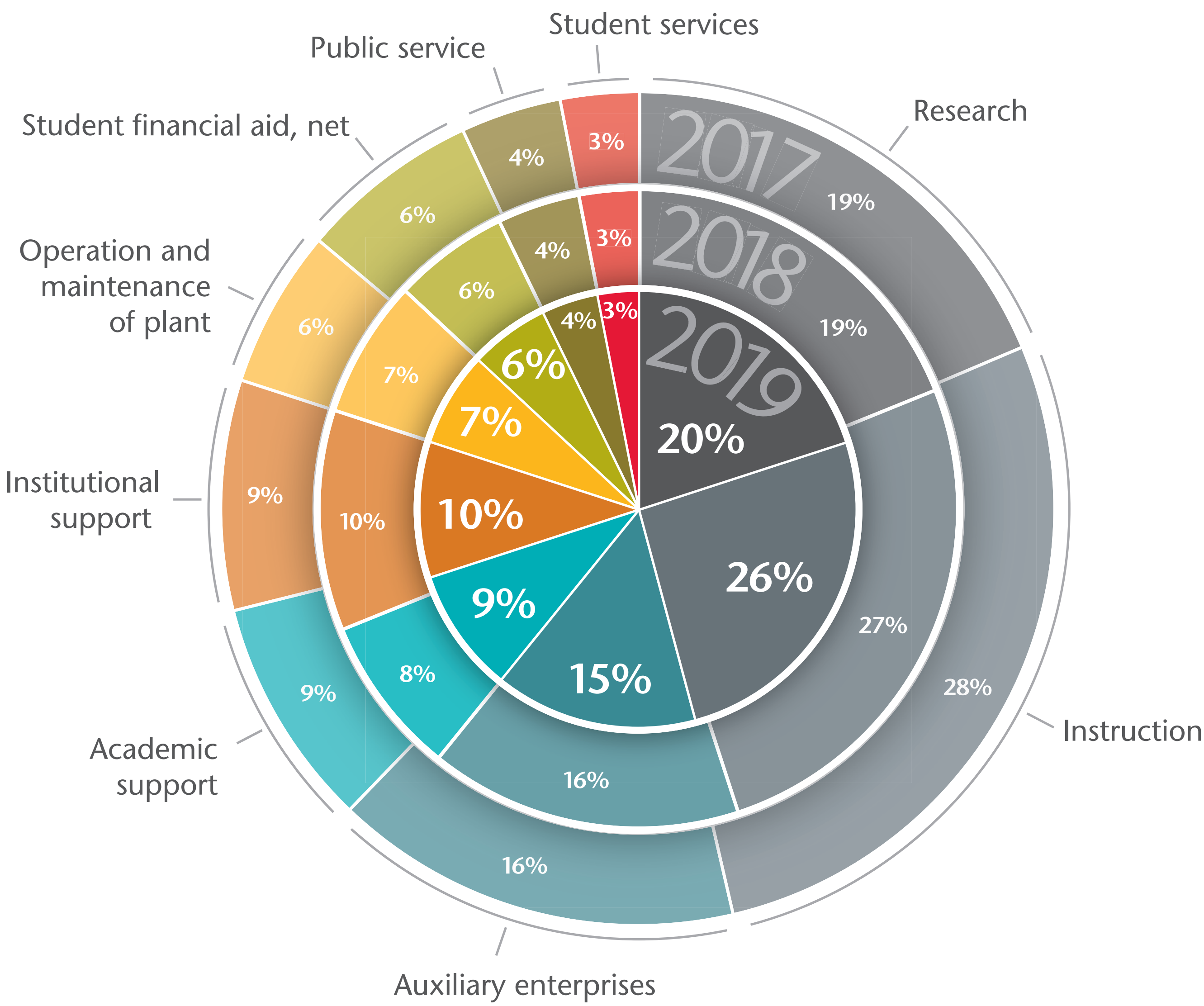
In fiscal year 2014 onwards, there have been numerous changes in accounting principles that have impacted this ratio and others. In fiscal year 2015 GASB 68 (Pensions) was implemented which required a restatements of the fiscal year 2014 Statement of Net Position to record the University's share of the State's net pension obligation resulting in operating expenses to increase by $85 million. In fiscal year 2016, additional pension expense of $14 million increased operating expenses. In fiscal year 2016, GASB 73 was implemented, which required a restatement of pension expense of $48 million. In fiscal years 2017 and 2018, GASB 75 (OPEB) resulted in a restatement of $337 million for fiscal year 2017 and an additional benefit expense of $25 million in fiscal year 2018. Fiscal year 2018 experienced considerable improvement compared to both fiscal years 2017 and 2016, increasing to -4.27%, the highest this ratio has reached since fiscal year 2013. Fiscal year 2019 continued this trend with an increase to 1.70%, the highest ratio in ten year period.



As the above graphs show, the University has a diversified revenue base. No single source of revenue generated more than a quarter of the total fiscal year revenues for fiscal year 2019. In fiscal year 2019 grants and contracts generated $313 million or 25% of total all revenue. These funds support the university's research activities, which allow students to work with nationally recognized faculty as part of their educational experience. Net tuition and fees set by the State legislature for all public universities in Washington, generated $295 million or 23% in 2019, followed by State appropriations at 19%. Auxiliary revenue represented 14% of the total and has stayed consistent for the last three years. Investment income, net of expenses, represents 5% of total revenue and gifts and contributions 4%.

Operating Expenditures by Functional Classification

For the Years Ended June 30, 2019, 2018 and 2017
(Note: for the purposes of these graphs, depreciation expense has been allocated to the programs.)



The cost of instruction lands at approximately 26% in fiscal year 2019, the same as the previous year. Research costs rose slightly in fiscal year 2019 as did academic support. Auxiliary enterprise decreased to 15% and Institutional support to 10%. Public service, student service and student financial aid expenses continue to stay constant.

Capital Assets and Long-Term Liabilities

Capital Assets

In fiscal year 2019, key projects substantially completed and were placed in service totaling $34 million. Construction in process increased by $39 million due to construction of several projects including refurbished student housing, new dairy equipment installed at the Food Quality Building, Everett academic building, Eastlick Hall renovations, Veterinary Hospital copper shielding and Spokane Academic renovations totaling $34 million and $73 million was spent on construction projects during the year, resulting in a net increase of $38 million in construction in progress. Land purchases and retirements netted a decrease of $1 million. Other improvements, machinery and equipment and library resources increased $24 million, net of retirements. These increases were offset by the total increase in accumulated depreciation of $95 million, net of retirements.

The increase in fiscal year 2018 is a result of continued completion of construction on multiple campuses including the Elson S. Floyd Cultural Center, the Jordan Schnitzer Museum of Art WSU and additional expenditures for WSU Everett campus improvements, the SPARK and the Food Quality Building, totaling $65 million. These increases were offset by depreciation.

See note 8 for more information.

	June 30, 2019	June 30, 2018	June 30, 2017
Land	$ 34	$ 34	$ 34
Buildings, net	1,328	1,358	1,371
Construction in progress	70	31	50
Equipment, net	50	53	65
Library, net	60	58	57
Other improvements and infrastructure, net	162	169	176
Total capital assets, net	**$ 1,704**	**$ 1,703**	**$ 1,753**

Long Term Liabilities

In fiscal year 2019, the University's long term liabilities decreased by $60 million to end the year at $1.1 billion.

In fiscal year 2018 the University issued new debt for its financial system modernization. In fiscal year 2017, the University did not issue any new debt allowing for decreases in general revenue bonds, State of Washington General Obligation bonds and capital leases.

Pension obligation continues to fluctuate year after year to accommodate changes in actuarial assumptions and the discount rate as determined by the State.

In fiscal year 2018, the University implemented GASB 75 *Accounting and Financial Reporting for Other Post-Employment Benefits other than Pensions* (OPEB), which required the University to report the proportionate share of the State of Washington's actuarially determined liabilities for these post-employment benefits. This cumulative change reflects $337 million in fiscal year 2017 and a slight decrease in liability for fiscal year 2018 to $313 million due to changes in actuarial assumptions and the discount rate.

See note 15 for more information.

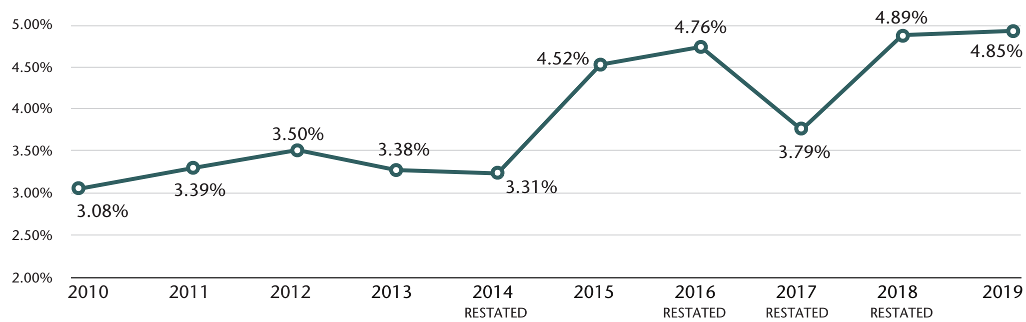
The table below summarizes outstanding liabilities:

	June 30, 2019	Restated June 30, 2018	Restated June 30, 2017
Revenue and refunding bonds payable	$ 632	$ 624	$ 647
State of Washington general obligation bonds	16	19	21
Capital leases	12	14	15
Pension obligation liability	162	179	215
Other post-employment benefits	265	313	342
Asset retirement obligation	17	15	–
Total long-term liabilities	**$ 1,104**	**$ 1,164**	**$1,240**

Debt Ratios

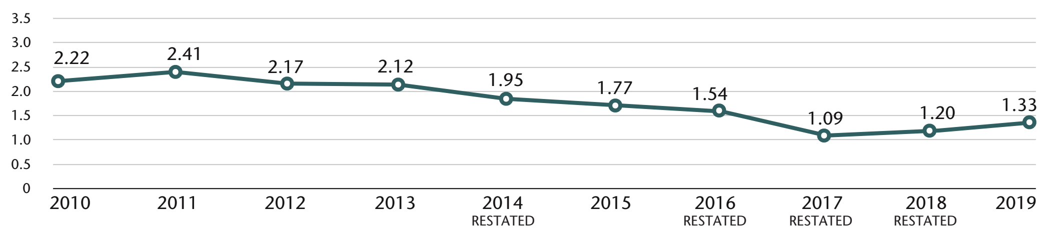
The debt service to operating expense ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. A lower percentage indicates the greater ability to repay debt service. In fiscal year 2016 the University issued general revenue bonds that increased the amount of principal and interest payments in fiscal year 2017, however, the OPEB restatement increased operating expenses by of $337 million in that same year. As a result the ratio improved to 3.79 % for fiscal year 2017. For fiscal year 2018 total debt service levels remained relatively flat, and operating expenses declined versus fiscal year 2017, resulting in a ratio of 4.89%. During fiscal year 2019, additional debt was issued while continuing to pay down bonds. These slight offsets decreased the ratio slightly to 4.85%.

Debt Service to Expenses



The financial reserves ratio (as defined by Moody's) measures coverage of debt by financial reserves or funds a university can access in the intermediate term. The fiscal year 2018 ratio shows a slight increase over the fiscal year 2017 ratio, after several years of decline, increasing expendable resources to debt to 1.20 times over. The trend continued into fiscal year 2019 with an increase to 1.36.

Financial Resources to Direct Debt



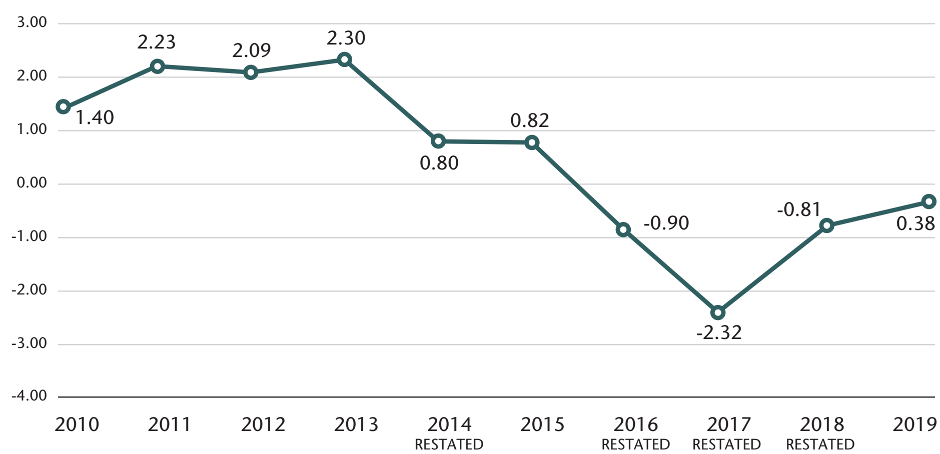
Financial Health and Flexibility

There are many ratios used to gauge financial health and flexibility. Each ratio measures one aspect of performance. The composite financial index (CFI), recommended in the book, Strategic Financial Analysis for Higher Education, Seventh Edition, combines four core ratios into a single measure. Blending the four key measures of financial health into a single number provides a more balanced view of the state of the institution's finances. A weakness in one measure may be offset by the strength of another measure.

The four core ratios are the primary reserve ratio, the net operating revenues ratio, the return on net assets ratio and the viability ratio. Each of these ratios is converted to a strength factor using a common scale then multiplied by specific weighting factors and combined to form the composite financial index.

The graph below shows Washington State University's Composite Financial Index over the past ten years. The ratio was climbing until the global economic downturn reduced operating budgets and investment returns. The University put proactive measures in place to generate greater diversity of revenues and combined that with strategic spending increases. The rate dropped in fiscal year 2014 as a result of recognizing WSU's share of the State's pension liability (GASB 68), decreasing in fiscal year 2016 due to a spending down of reserves and the restatement of the supplemental retirement plan (GASB 73). In fiscal year 2017 we saw a dramatic decrease due to the OPEB restatement (GASB 75) with a slight recovery in fiscal year 2018 to a level just higher than fiscal year 2016. Fiscal year 2019 saw continued improvement to a position .50 due to improved overall fiscal health resulting from university-wide efforts to improve fiscal health.

Composite Financial Index



Economic Outlook

The Washington State Economic and Revenue Forecast Council's November 2019 estimate of state general fund revenues indicated an increase of $274 million for the current 2019-21 biennium and $175 million in the 2021-23 biennium. The increased forecast is attributed to higher-than expected assessed property values for next year's levy, which increases forecasted property tax collections.

WSU's 2019-21 state biennial budget provided new state funding for medical education, faculty and staff salary increases, and research initiatives. The University's other, non-state appropriated operating revenue sources are expected to increase slightly in the coming fiscal year due to tuition rate increases. Resident undergraduate tuition was increased by 2.4% for the 2019-20 academic year as allowed by the Washington Legislature. Non-resident undergraduate and graduate rates were increased by 2.4% as well. Tuition for professional programs in Veterinary Medicine and Medicine increased 1% - 3% for the 2019-20 academic year. Student services and activities (S&A) fees increased by 3% for the Everett campus and 4% for the Pullman campus and remained unchanged at all other campuses. Enrollment is expected to be about 27,379 annual average full time equivalent students in the 2019-20 academic year for the WSU system, about the same as the 2018-19 academic year.

The capital budget for 2019-21 is estimated at $163.1 million. The budget includes state appropriations and locally funded capital projects. Federal appropriations for the University's land-grant programs are expected to remain near the $10 million funding level in 2020.

Federally sponsored research programs are the largest portion of externally funded grant expenditures. 70% of University sponsored projects were supported by federal funding and 30% by non-federal funding in 2019. Federal and non-federal funded project expenditures in 2019 were about 8% higher than fiscal year 2018. Through the first five months of fiscal year 2020 sponsored program expenditures have grown about 3% over the same time period in fiscal year 2019.

Washington State University

Statement of Net Position as of June 30, 2019, and June 30, 2018

Assets	2019	2018 Restated
Current assets		
Cash and cash equivalents *(Note 2)*	$ 110,246,888	$ 73,727,571
Prepaid expenses	748,516	686,927
Inventories *(Note 5)*	14,843,786	15,134,983
Accounts receivable, net *(Note 6)*	72,545,280	59,135,314
Investments, current portion *(Note 3)*	83,826,237	59,807,678
Subtotal current assets	282,210,707	208,492,473
Non-current assets		
Long-term investments *(Note 3)*	100,741,584	108,412,822
Endowment investment *(Note 3)*	615,709,612	584,706,672
Deposits in escrow	409,149	1,646,176
Assets held in custody for others	42,548,077	38,246,236
Loans receivable, net *(Note 7)*	20,092,526	21,918,704
Capital assets, net of accumulated depreciation *(Note 8)*	1,703,636,664	1,702,512,761
Pension assets, net *(Note 16)*	2,223,495	1,259,899
Subtotal non-current assets	2,485,361,107	2,458,703,270
Total assets	**2,767,571,814**	**2,667,195,743**
Deferred outflows of resources *(Note 15)*	58,844,920	44,686,265
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(Note 9)*	55,666,780	62,520,069
Due to Washington State University Foundation	6,478,818	5,118,612
Deposits	4,863,190	4,676,674
Unearned revenue, current portion *(Note 10)*	13,276,928	12,058,140
Long-term liabilities, current portion *(Note 15)*	30,383,508	55,427,191
Subtotal current liabilities	110,669,224	139,800,686
Non-current liabilities		
Accrued leave *(Note 9)*	28,453,977	29,588,319
Deposits held in custody for others	42,548,077	38,246,236
Unearned revenue *(Note 10)*	7,381,758	8,007,924
Long-term liabilities *(Note 15)*	634,215,486	631,830,647
Asset retirement obligation *(Note 13)*	17,014,860	14,974,500
Pension liability *(Note 16)*	161,931,755	178,883,817
Other post-employment benefits liability *(Note 17)*	260,275,123	282,670,934
Subtotal non-current liabilities	1,151,821,036	1,184,202,377
Total liabilities	**1,262,490,260**	**1,324,003,063**
Deferred inflows of resources *(Note 10)*	165,320,522	91,851,165
Net Position		
Net investment in capital assets	1,072,809,960	1,051,010,988
Restricted nonexpendable	565,038,187	534,361,171
Restricted loans	28,650,280	29,153,308
Restricted expendable	168,525,376	154,849,490
Unrestricted	(436,417,851)	(473,347,177)
Total net position	**$1,398,605,952**	**$1,296,027,780**

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

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statements of Financial Position
June 30, 2019, and 2018

Assets	2019	2018
Cash and cash equivalents	$ 175,879	$ 320,903
Due from Washington State University	6,847,926	5,118,612
Other receivables	1,384,078	6,065,528
Pledges receivable, net	36,257,013	35,417,044
Endowment investment securities	453,053,627	439,594,009
Notes receivable, net	707,794	534,072
Notes receivable from joint venture	1,450,000	800,000
Furniture, fixtures, and equipment (net of accumulated depreciation of $1,577,774 and $1,682,042, respectively)	19,803	62,091
Land and real estate	1,235,000	1,360,433
Assets held in charitable trusts	31,408,633	31,857,922
Contributions receivable from charitable trusts	5,816,753	5,768,728
Beneficial interest in perpetual trusts	34,538,022	33,851,262
Total assets	$ 572,894,528	$ 560,750,604
Liabilities		
Accounts payable and accrued liabilities	$ 1,490,858	$ 1,097,688
Annuities payable	13,697,082	13,671,976
Remainder interest payable	1,645,325	1,613,739
Notes payable for joint venture	1,500,000	850,000
Total liabilities	18,333,265	17,233,403
Net Assets		
Without donor restrictions	6,531,918	5,310,614
With donor restrictions	548,029,345	538,206,587
Total net assets	554,561,263	543,517,201
Total liabilities and net assets	**$ 572,894,528**	**$ 560,750,604**

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

Washington State University

Statement of Revenues, Expenses, and Changes in Net Position for the Years Ended June 30, 2019, and June 30, 2018

Revenues	**2019**	**2018 Restated**
Operating revenues		
Tuition and fee revenue, net	$ 294,861,056	$ 279,746,459
Federal grants and contracts	151,921,433	141,353,800
State grants and contracts	87,883,556	86,412,571
Local grants and contracts	34,795,985	30,441,829
Sales and services of educational departments	25,220,940	25,617,049
Auxiliary enterprises	173,789,065	163,827,555
Other operating revenues	31,477,007	22,628,651
Total operating revenues	799,949,042	750,027,914
Expense		
Operating expenses		
Salaries and wages	523,908,013	524,282,994
Benefits	152,770,188	170,024,695
Scholarships and fellowships	61,616,095	63,480,962
Utilities	28,590,409	27,731,982
Payments to suppliers	156,874,392	146,357,105
Purchased services	107,357,058	97,875,474
Depreciation	102,317,684	104,315,068
Total operating expenses	1,133,433,839	1,134,068,280
Net operating loss	**(333,484,797)**	**(384,040,366)**
Non-operating revenues (expenses)		
State appropriations	245,923,021	232,903,044
Federal appropriations	7,990,392	9,769,670
Federal Pell Grants	38,324,292	38,623,107
Interest on capital assets—related debt	(30,015,312)	(31,089,282)
Federal bond interest subsidy	2,549,250	2,596,254
Gifts and contributions	44,489,022	35,493,876
Investment income, net of expense	64,602,836	48,314,441
Other non-operating revenues (expenses)	6,392,654	15,809,027
Total non-operating revenues (expenses)	380,256,155	352,420,137
Income before capital additions and additions to permanent endowments	**46,771,358**	**(31,620,229)**
Capital additions (deductions)		
Capital appropriations	45,082,191	5,401,080
Capital grants and gifts	370,054	1,565,894
Additions to permanent endowments	10,354,569	11,324,369
Total capital additions	55,806,814	18,291,343
Increase (decrease) in net position	**102,578,172**	**(13,328,886)**
Net position		
Net position, beginning of year	1,296,027,780	1,309,356,666
Change in accounting principle as a result of GASB 83		(7,501,859)
Net position, beginning of year restated	1,296,027,780	1,301,854,807
Increase (decrease) in net position	**102,578,172**	**(5,827,027)**
Net position, end of year	**$ 1,398,605,952**	**$ 1,296,027,780**

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

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statement of Activities
Year ended June 30, 2019, and June 30, 2018

	2019		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	$ 2,227,423	$ 58,771,658	$ 60,999,081
Investment return, net of expenses	(44,903)	18,168,191	18,123,288
Management and advancement fees	7,101,678	—	7,101,678
Change in value of split-interest agreements	—	(3,495,889)	(3,495,889)
Support provided by Washington State University	4,835,751	—	4,835,751
Other income	432,759	1,942,107	2,374,866
Total revenue and support	14,552,708	75,386,067	89,938,775
Net assets released from restrictions	65,563,309	(65,563,309)	—
Expenses:			
Support provided to/for Washington State University:			
Restricted distributions	41,039,134	—	41,039,134
Endowment income distributions	16,987,259	—	16,987,259
Endowment administration fees	6,166,450	—	6,166,450
Fundraising	7,302,016	—	7,302,016
General and administrative expenses	7,399,854	—	7,399,854
Total expenses	78,894,713	—	78,894,713
Change in net assets	1,221,304	9,822,758	11,044,062
Net assets—beginning of year	5,310,614	538,206,587	543,517,201
Net assets—end of year	**$ 6,531,918**	**$ 548,029,345**	**$ 554,561,263**

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

	2018		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	$ 1,571,634	$ 61,639,954	$ 63,211,588
Investment return, net of expenses	(99,068)	34,874,819	34,775,751
Management and advancement fees	6,642,001	—	6,642,001
Change in value of split-interest agreements	—	(4,618,521)	(4,618,521)
Support provided by Washington State University	4,695,255	—	4,695,255
Other income	469,549	2,055,010	2,524,559
Total revenue and support	13,279,371	93,951,262	107,230,633
Net assets released from restrictions	61,307,497	(61,307,497)	—
Expenses:			
Support provided to/for Washington State University:			
Restricted distributions	39,774,551	—	39,774,551
Endowment income distributions	15,958,512	—	15,958,512
Endowment administration fees	5,741,176	—	5,741,176
Fundraising	6,858,665	—	6,858,665
General and administrative expenses	4,465,739	—	4,465,739
Total expenses	72,798,643	—	72,798,643
Change in net assets	1,788,225	32,643,765	34,431,990
Net assets – beginning of year	3,522,389	505,562,822	509,085,211
Net assets – end of year	**$ 5,310,614**	**$ 538,206,587**	**$ 543,517,201**

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

Washington State University

Statement of Cash Flows for the Year Ended June 30, 2019, and June 30, 2018

Cash flows from operating activities	2019	2018 Restated
Tuition and fees	$ 366,592,676	$ 347,215,359
Grant and contracts	267,062,263	270,787,332
Payments to suppliers	(149,157,282)	(142,706,919)
Payments for utilities	(29,819,670)	(29,268,651)
Purchased services	(106,602,836)	(89,455,617)
Payments to employees	(526,630,393)	(523,325,224)
Payments for benefits	(157,803,320)	(157,514,499)
Payments for scholarships and fellowships	(133,991,678)	(131,542,809)
Loans issued to students	(1,649,054)	(3,244,610)
Collection of loans to students	3,411,891	2,674,786
Auxiliary enterprise receipts	172,759,604	163,835,999
Sales and service of educational departments	25,006,765	24,787,403
Other receipts	32,243,729	21,774,021
Net cash used by operating activities	**(238,577,305)**	**(245,983,429)**
Cash flows from noncapital financing activities		
State appropriations	244,027,051	230,936,487
Federal appropriations	11,890,921	9,324,259
Gifts for other than capital purposes		
Private gifts	39,987,399	35,403,059
Additions to permanent endowment	10,354,569	11,324,369
Agency fund receipts	171,231	(30,880)
Agency fund disbursements	(401,535)	(1,092,442)
Federal Direct Loan receipts	176,041,529	176,371,753
Federal Direct Loan disbursements	(175,973,415)	(168,915,172)
Federal Pell Grants	38,324,292	38,623,106
Cash received from property	1,806,181	16,056,989
Net cash provided by noncapital financing activities	**346,228,223**	**348,001,528**
Cash flows from capital and related financing activities		
Proceeds of capital debt	31,325,000	–
Capital appropriations	42,962,797	(327,046)
Capital grants and gifts received	365,821	1,570,862
Purchases of capital assets	(98,563,588)	(59,949,029)
Principal paid on capital debt and leases	(24,365,400)	(24,276,031)
Interest paid on capital debt and leases	(28,583,659)	(29,146,700)
Net cash used by capital and related financing activities	**(76,859,029)**	**(112,127,944)**
Cash flows from investing activities		
Proceeds from sales of investments	1,525,173,637	1,057,490,595
Purchases of investments	(1,559,011,195)	(1,095,885,568)
Investment income	39,564,986	42,751,740
Net cash provided by investing activities	**5,727,428**	**4,356,767**
Net increase (decrease) in cash and cash equivalents	36,519,317	(5,753,078)
Cash—beginning of year	73,727,571	79,480,649
Cash—end of year	**$ 110,246,888**	**$ 73,727,571**

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

Statement of Cash Flows—*continued*
Reconciliation of Net Loss to Net Cash Used by Operating Activities

	2019	2018 Restated
Operating loss	$ (333,484,797)	$ (384,040,366)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation expense	102,317,684	104,315,068
Changes in assets and liabilities		
Changes in assets		
Prepaid expenses	(61,588)	498
Inventories	291,197	32,271
Accounts receivable, net	(6,239,704)	22,398,817
Pension asset	(963,596)	(707,461)
Pension and OPEB related deferred outflows of resources	(13,504,030)	8,016,876
Asset retirement obligation deferred outflows of resources	(915,586)	(7,501,859)
Changes in liabilities		
Accounts payable and accrued liabilities	2,635,116	(554,712)
Due to Washington State University Foundation	1,360,206	1,569,944
Unearned revenue	592,622	(1,810,142)
Deposits	186,156	(1,156,766)
Accrued leave	729,703	4,149,059
Pension obligation	(16,952,062)	(36,156,970)
OPEB liability	(48,295,705)	(23,191,777)
Pension and OPEB related deferred inflows of resources	73,727,079	68,654,091
Net cash used by operating activities	**$ (238,577,305)**	**$ (245,983,429)**

Significant noncash transactions		
Loss on disposal of capital assets	$ 803,427	$ 3,177,193
Amortization expense	$ 3,243,988	$ 3,226,475

Washington State University Foundation (A Nonprofit Corporation)

Consolidated Statements of Cash Flows
Years ended June 30, 2019, and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 11,044,062	$ 34,431,990
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	49,539	89,228
Net realized and unrealized (gains) on investments	(14,593,636)	(31,956,489)
Decrease in value of split-interest agreements	3,495,889	4,618,521
Contributions and income restricted for investments in endowments and trusts	(18,744,251)	(25,268,043)
Changes in assets and liabilities:		
Due from Washington State University	(1,729,314)	(1,569,944)
Other receivables	4,681,450	(2,968,612)
Pledges receivable	(839,969)	3,167,859
Contribution receivable from charitable trusts	22,495	22,495
Accounts payable and accrued liabilities	419,205	(174,444)
Net cash used in operating activities	(16,194,530)	(19,607,439)
Cash flows from investing activities:		
Purchases of investments	(80,075,254)	(139,719,759)
Sales of investments	77,436,047	133,682,807
Purchase of property and equipment	(7,249)	—
Issuance of notes receivable	(853,868)	(800,000)
Proceeds from sale of land	125,433	302,500
Proceeds from principal payments on notes receivable	30,146	30,683
Net cash (used in) investing activities	(3,344,745)	(6,503,769)
Cash flows from financing activities:		
Contributions and income restricted for investments in endowments and trusts	18,744,251	25,268,043
Issuance of debt	650,000	850,000
Net cash provided by financing activities	19,394,251	26,118,043
Net increase (decrease) in cash and cash equivalents	(145,024)	6,835
Cash and cash equivalents—beginning of year	320,903	314,068
Cash and cash equivalents—end of year	**$ 175,879**	**$ 320,903**

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

Notes to the Financial Statements

June 30, 2019
These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America (GAAP), the financial reporting entity includes both the primary government and all of its component units. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Washington State University (WSU) is a constituent agency of the State of Washington and is included as an integral part of the State's Comprehensive Annual Financial Report. Washington State University issues separate financial statements which encompass the university and it's discretely presented component unit, the Washington State University Foundation.

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Codification Section 2100, *Defining the Financial Reporting Entity*, consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statement to be misleading or incomplete. The accompanying financial statements present all funds belonging to WSU, including individual colleges and departments of the University. WSU's component unit is discretely presented in the University's financial statements. Legally separate, related organizations are included in WSU's operations if they meet the criteria for blending or discrete presentation as set forth in GASB Codification Section 2600, *Reporting Entity and Component Unit Presentation and Disclosure*.

Discretely Presented Component Unit

The WSU Foundation ("the Foundation") is a legally separate, tax-exempt entity, and serves contractual asset management functions in support of the University's mission. The Foundation is a significant component unit based on the criteria of GASB Statement 39. This report presents the Foundation's financial condition and activities as a discretely presented separate component unit in the University's financial statements.

The Foundation reports its financial results in accordance with Financial Accounting Standards Board (FASB) pronouncements and guidance. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences. The Foundation presents information about its financial position and activities according to the following two classes of net assets, depending on the existence and nature of donor restrictions. Under FASB, the Foundation's net assets are described as follows:

- Without Donor Restrictions-Net assets without donor restrictions represent resources which are not subject to donor restrictions and over which the trustees of the Foundation retain control to use the funds in order to achieve the Foundation's purpose.
- With Donor Restrictions-Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose and that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are to maintain resources in perpetuity. This consists predominantly of endowment funds and charitable trusts. Donor-restricted endowment funds represent funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. Also included are trust funds that represent donor contributions of irrevocable trusts and other instruments wherein the Foundation has a remainder interest in the trust assets upon the death of the last surviving income beneficiary.

For clearer presentation purposes, the University has included the Foundations statements and selected notes in this report.

The Foundation's full financial statements can be acquired at the following address:

WSU Foundation
P.O. Box 641925
Pullman, WA 99164-1925

Blended Component University Units

The Washington State Alumni Association (WSUAA) is a 501(c)-(3) corporation that is presented as a blended component unit of WSU. Condensed financial information can be found in note 20. The WSUAA full financial statements can be obtained by contacting the Lewis Alumni Centre on the WSU Pullman campus or calling (509)335-2586.

Affiliated Organizations

The Students Book Corporation is a legally separate 501(c)-(3) corporation, for whom the University acts as the fiscal agent. Their balances and transactions are reported within agency funds of the University and reported as assets and liabilities held in custody for others by the University.

Financial statements for the Students Book Corporation may be obtained by contacting the Business Services/Controller's Office at 220 French Administration Bldg., P. O. Box 641025, Pullman, WA 99164-1025 or calling (509) 335-2022.

Global Operations & Leadership Development (GOLD) is a legally separate corporation and was granted 501(c)-(3) status July 3, 2019. GOLD board members include WSU employees and administrative support is provided by the university. The entity is fiscally independent and only financial activity between WSU and GOLD as independent entities is reported in the university's financial statements.

Basis of Presentation

The financial statements of the University have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis, as amended by GASB Statement No. 35, for Public Colleges and Universities." The University, along with its discretely presented component unit is considered a special purpose government engaged in business type activities (BTA). In accordance with BTA reporting, the University presents management's discussion and analysis, statement of net positions, statements of revenues, expenses and changes in net positions, statements of cash flows, and notes to the financial statements. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net position, revenues, expenses, deferred outflows, deferred inflows, changes in net position, and cash flows.

Basis of Accounting

The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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

Bond premiums/discounts and insurance costs are deferred and amortized over the term of the bonds using the effective interest method. Unamortized balances are presented as reductions of the face amount of bonds payable. Related amortization is included in interest expense in the statements of revenues, expenses and changes in net position.

Gains or losses on bond refundings are deferred and amortized over the term of the bonds using the effective interest method. Unamortized balances are presented as deferred outflows or inflows of resources.

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. For the financial statements, the interfund receivables and payables have been eliminated. Both revenue and expenses relating to internal services, such as central stores, printing and publications, and information technology, have been eliminated.

New Accounting Pronouncements

GASB has issued Statement No.83, Certain Asset Retirement Obligations. This Statement address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. This is effective for fiscal years beginning after June 15, 2018. The University has reported this obligation both on the Statement of Net Positions and in the Notes.

GASB has issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This is effective for fiscal years beginning after December 15, 2018. The University will be evaluating this statement for the fiscal year 2020 financial report.

GASB has issued Statement No. 86, Certain Debt Extinguishment Issues, effective for reporting periods beginning after June 15, 2017. This statement applies to financial statements using the economic resources measurement focus to improve consistency in accounting and financial reporting for in-substance defeasance of debt. It provides guidance for transactions in which cash and other monetary assets are acquired with only existing resources and are placed in an irrevocable trust for the sole purpose of extinguishing debt. The University holds no debt that is defeased in-substance.

GASB has issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This is effective for fiscal years beginning after June15, 2018.

Cash, Cash Equivalents and Investments

Cash balances in excess of current requirements are pooled and invested in treasury securities, time deposits, deposits with the Washington State Local Government Investment Pool (LGIP), federal agency bills, and notes. Cash equivalents are short term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss. The University considers investments with a maturity of three months or less when purchased to be cash equivalents. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in various funds. In accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, cash, cash equivalents and investments are stated at fair value.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. This 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 sponsored agreements. Accounts receivable are shown net of estimated uncollectible amounts.

Inventories

Inventories, consisting primarily of supplies and merchandise for resale, are valued at cost using various methods.

Capital Assets

Land, buildings and equipment are recorded at cost, or if acquired by gift, at aquisition value at the date of the gift. Capital additions, replacements and major renovations are capitalized. The value of assets constructed includes all material direct and indirect construction costs.

Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, only fixed assets with a unit cost of $5,000 or greater are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and components, 20 to 25 years for infrastructure and land improvements, 20 years for library resources and 5 to 7 years for equipment.

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress, with interest earned on invested proceeds over the same period. The net capitalized interest for fiscal year 2019 and 2018 was $1,098,733 and $500,159 respectively.

In accordance with GASB Statement 42, the University reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2019 and at June 30, 2018 no assets had been written down.

Deferred Outflows of Resources

Deferred outflow of resources are a consumption of net position by the University that are applicable to future reporting periods. Similar to assets, they have a positive effect on the University's net position.

Unearned Revenues

Unearned revenues include funds that have been collected in advance of an event, such as summer semester tuition and certain auxiliary activities prior to the end of the fiscal year but are related to the subsequent fiscal year.

Deferred Inflows of Resources

Deferred inflows of resources are an acquisition of net position that is applicable to future reporting periods. Similar to liabilities, they have a negative effect on net position.

Tax Exemption

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

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 not included as a component of capital assets.
- *Restricted—nonexpendable*. This consists of endowment and similar type funds for 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 the principle.
- *Restricted—loans*. The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Restricted—expendable*. These include resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.
- *Unrestricted*. These represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues

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

Operating Revenues. This includes 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 and (3) most federal, state and local grants and contracts.

Non-operating Revenues. This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the difference between the published charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and an allowance. Discounts and allowances for the year ending June 30, 2019 and June 30, 2018 were $149,104,519 and $139,941,085 respectively.

Reclassifications, Restatements, and Changes in Accounting Principles

The University implemented Statement No. 83 of the Governmental Accounting Standards Board (GASB) *Certain Asset Retirement Obligations (ARO)* for the fiscal year 2019 financial reporting. Since the University reports two years of comparison information on the Statement of Revenues, Expenses, and Changes in Net Positions, this change in accounting principle resulted in a restatement of ending net position for fiscal year 2018.

GASB No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resource for ARO's. This statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgements, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This statement requires the measurement of an ARO be based on the best estimate of the current value of outlays expected to be incurred. It also requires the current value of ARO's to be adjusted for the effects of general inflation or deflation at least annually. These changes are reflected in the Statement of Revenue, Expenses, and Changes in Net Positions. Note 13 has been added to give explanation of the assets included in the figure as well as a two year comparison.

Net position at June 30, 2018 (As previously reported)	$ 1,303,529,639
Change in accounting principle as a result of GASB 83	
Asset retirement obligation liability	(14,974,500)
Deferred outflows of resources	7,472,641
Net position at June 30, 2018 (As restated)	**$ 1,296,027,780**

The University reclassed agency funds so that assets and deposits held in custody for others offset each other. The net change had no impact on net positions, but will restate the statement of net position, as shown in the following, table, as well as multiple notes.

Assets	2018	Change	2018 Restated
Current assets			
Cash and cash equivalents (*Note 2*)	$ 97,334,330	$ (23,606,759)	$ 73,727,571
Inventories (*Note 5*)	15,394,531	(259,548)	15,134,983
Accounts receivable, net (*Note 6*)	62,579,997	(3,444,683)	59,135,314
Subtotal current assets	**175,308,858**	**(27,310,990)**	**147,997,868**
Non-current assets			
Long-term investments (*Note 3*)	109,283,818	(870,996)	108,412,822
Assets held in custody for others	3,965,140	34,281,095	38,246,235
Subtotal non-current assets	**$ 113,248,958**	**33,410,099**	**$ 146,659,057**
Total asset change		**$ 6,099,109**	
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (*Note 9*)	$ 66,253,920	$ (3,733,851)	$ 62,520,069
Deposits	6,543,848	(1,867,176)	4,676,672
Subtotal current liabilities	**72,797,768**	**(5,601,027)**	**67,196,741**
Non-current liabilities			
Accrued leave (*Note 9*)	29,670,238	(81,919)	29,588,319
Deposits held in custody for others	26,464,181	11,782,055	38,246,236
Subtotal non-current liabilities	**$ 56,134,419**	**11,700,136**	**$ 67,834,555**
Total liability change		**$ 6,099,109**	

2. Cash, Cash Equivalents

Cash

Cash includes cash on hand, petty cash and bank deposits. Cash equivalents include treasury securities that are readily convertible to known amounts of cash and present insignificant risk of value changes due to interest rate changes. As of June 30, 2019 and as of June 30, 2018, the carrying amount of these University's cash funds, were $110,246,888 and $73,727,571 respectively as represented in the table below.

Table 1: Cash and Cash Equivalents

	2019	2018 Restated
Cash	$ 48,612,337	$ 31,767,794
Cash equivalents	61,611,946	41,937,172
Deposits with fiscal agents	22,605	22,605
Cash and cash equivalents	**$ 110,246,888**	**$ 73,727,571**

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure, the University's deposits may not be returned to it. All cash, except for change funds and petty cash held by the University, is insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC). The majority of the University's demand deposits are with the Bank of America.

3. Investments

(A) University Investments

University investments are classified as cash equivalents, current investments, or non-current, long-term investments. Cash equivalents include investments in Rule 2a-7 type funds, commercial paper, discount notes, repurchase agreements and Treasury bills. Current investments include short-term debt securities with less than one year to maturity and do not fit the University's definition of cash equivalents. Non-current, long-term investments include debt securities with more than one year to maturity.

Cash Equivalents, Current and Non-Current, Long-Term Investments

University invested assets include operating funds, current use gift funds, and proceeds from bond issues dedicated to specific capital projects. As of June 30, 2019 the University had the following investments, maturities, credit ratings and effective durations:

Table 1: Cash equivalents, current and non-current, long-term investments

		2019 Maturity					
University investments	**Fair value**	**Less than 1 year**	**1–5 years**	**6–10 years**	**More than 10 years**	**Effective duration**	**Credit rating**
Cash equivalents							
Commercial paper	$ 13,551,900	$ 13,551,900				0.08	A1/P1
Discount notes	28,844,379	28,844,379				0.02	AAA
Other—Bank short-term investment funds*	527	527				0.01	NR
Local Government Investment Pool*	19,215,140	19,215,140				0.23	NR
Total cash equivalents	**61,611,946**						
Current Investments							
U.S. Treasury	83,826,237	83,826,237				0.30	AAA
Total current investments	**83,826,237**						
Non-Current, long-term investments							
U.S. Treasury	14,986,350		$ 14,986,350			0.01	AAA
Mortgage-backed securities	75,799,437		14,307,461	$ 13,849,606	$ 47,642,370	0.88	AAA
Fixed income mutual funds	9,955,797		9,955,797			1.95	N/A
Subtotal non-current operating fund investments	100,741,584						
Total non-current, long-term investments	**100,741,584**						
Total university investments	**$ 246,179,767**						

Valued at amortized cost as per GASB79

As of June 30, 2018 the University had the following investments, maturities, credit ratings and effective durations:

Table 1: Cash equivalents, current and non-current, long-term investments

		2018 Maturity Restated					
University investments	**Fair value**	**Less than 1 year**	**1–5 years**	**6–10 years**	**More than 10 years**	**Effective duration**	**Credit rating**
Cash equivalents							
Commercial paper	$ 22,922,790	$ 22,922,790				0.18	A1/P1
U.S. Treasury	240,537	240,537				0.11	AAA
Other—Bank short-term investment funds*	1,447	1,447				0.01	NR
Local Government Investment Pool*	18,772,398	18,772,398				0.09	NR
Total cash equivalents	**41,937,172**						
Current investments							
U.S. Treasury	46,056,868	46,056,868				0.65	AAA
Agency securities	13,270,495	13,270,495				0.28	AAA
Mortgage backed securities	480,315	480,315				0.07	AAA
Total current investments	**59,807,678**						
Non-current, long-term investments							
U.S. Treasury	39,584,300		$ 39,584,300			1.38	AAA
Mortgage-backed securities	58,963,969		8,612,826	$8,884,310	$41,466,833	0.86	AAA
Fixed income mutual funds	9,864,553		9,864,553			1.02	N/A
Subtotal non-current operating fund investments	108,412,822						
Total non-current, long-term investments	**108,412,822**						
Total university investments	**$ 210,157,672**						

**Valued at amortized cost as per GASB79*

Interest Rate Risk—Investments

Through its investment policies, the University manages exposure to fair value losses arising from increasing interest rates by limiting the modified duration of the operating portfolio to 1.1 years and by cash matching the dedicated bond portfolios to the anticipated construction schedules of the underlying projects.

Current use gift funds are segmented into short-term, intermediate-term and long-term pools. University policies limit the portfolio average maturity of the short-term pool to one year or less, the portfolio average maturity of the intermediate-term pool to three years or less, and the portfolio average maturity of the long-term pool to ten years or less.

Concentration of Credit Risk—Investments

State law limits University operating investments to obligations of the U.S. government, obligations of U.S. government agencies, highest quality commercial paper and highest quality corporate notes. University policy does not limit the amount the University may invest in any one issuer.

Investments in Local Government Investment Pool (LGIP)

The University is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2019 and June 30, 2018, $217,008,303 and $181,519,274 of the University's operating fund investments, held by Wells Fargo in the bank's name as agent for the University, and $438,839 and $437,619 of endowment assets, held in street name by E*trade for the account of the University, are exposed to custodial credit risk as follows:

Table 2: Investments exposed to custodial credit risk

University investment type	Fair value 2019	Fair value 2018
Commercial paper	$ 13,551,900	$ 22,922,790
U.S. Agency discount notes	28,844,379	–
U.S. Treasury	98,812,587	85,881,705
Agency securities	–	13,270,495
Mortgage backed securities	75,799,437	59,444,284
Subtotal	217,008,303	181,519,274
Marketable global equities	438,839	437,619
Total investments exposed to custodial credit risk	**$ 217,447,142**	**$ 181,956,893**

Investment Expenses

Under implementation of GASB 35, investment income for the University is shown net of investment expenses. The investment expenses incurred for the fiscal years ended June 30, 2019 and June 30, 2018 are $416,589 and $237,933 respectively.

(B) University Investments measured by fair value level

Investments are measured at fair value on a recurring basis. The three-tier hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows.

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- **Level 2** – Pricing inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly
- **Level 3** – Pricing inputs that are generally unobservable from objective sources for an asset or liability.

Table 3: Investments by fair value hierarchy

Investments by fair value level	2019	Level 1	Level 2	Level 3
Fixed income				
U.S. Treasury	$ 98,812,587	$ 98,812,587	–	–
Agency bonds	–	–	–	–
Mortgage-backed securities	75,799,437	–	$ 75,799,437	–
Fixed income mutual fund	9,955,797	9,955,797	–	–
Discount notes	28,844,379	28,844,379		
Commercial paper	13,551,900	–	13,551,900	–
Total fixed income investments	**226,964,100**	**137,612,763**	**89,351,337**	**–**
Total fair value by level investments	**226,964,100**			
Cash equivalents at amortized cost	19,215,666			
Total investments	**$ 246,179,766**			

Table 3: Investments by fair value hierarchy

Investments by fair value level	2018 Restated	Level 1	Level 2	Level 3
Fixed income				
U.S. Treasury	$ 85,881,705	$ 85,881,705	–	–
Agency securities	13,270,495	–	$ 13,270,495	–
Mortgage backed securities	59,444,284	–	59,444,284	–
Fixed income mutual funds	9,864,553	9,864,553	–	–
Commercial paper	22,922,790	–	22,922,790	
Total fixed income investments	**191,383,827**	**95,746,258**	**95,637,569**	**–**
Total fair value by level investments	**191,383,827**			
Cash equivalents at amortized cost	18,773,845			
Total investments	**$ 210,157,672**			

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using observable inputs including quoted prices for similar securities and interest rates. Private equity, real assets and other investments classified in Level 3 are valued using either discounted cash flow or market comparable techniques.

(C) Land Grant and Permanent Fund

The University has two land grant endowments and two permanent funds established by legislation. The University's two land grant endowments total 155,335 acres of timber, agricultural and grazing lands managed by the Washington State Department of Natural Resources. The income from this land is distributed to the Agricultural College Permanent Fund, established under RCW 43.79.136, and the Scientific School Permanent Fund, established under RCW 43.79.110. The Washington State Investment Board manages these two permanent funds for the sole benefit of the University. All distributed income is used for capital projects, facility maintenance, or debt service. The fair value of these funds after settlement of all pending transactions, receivables and payables, is shown in the table below.

Table 4: Permanent fund

University permanent fund investments	Fair value 2019	Effective duration	Credit rating	Fair value 2018	Effective duration	Credit rating
Cash and cash equivalents	$ 580,873			$ 1,247,085		
Commingled monthly bond fund	383,134,672	6.41	Aa3	356,860,359	6.1	Aa3
Commingled monthly equity fund	166,375,045			159,193,861		
Cash at state treasurer	297,124			1,473,910		
Pending transactions, receivables and payables	(297,124)			(1,787,020)		
Total permanent fund investments	**$ 550,090,590**			**$ 516,988,195**		

(D) University Endowments

Total University endowed investments consist of University-held endowments valued at $65,619,022 as of June 30, 2019 and $67,718,477 as of June 30, 2018 (as detailed below the in table 5), and permanent fund endowment of $550,090,590 and $516,988,195 (as detailed on prior page in table 4). The total of $615,709,612 as of June 30, 2019 and $584,706,672 as of June 30, 2018 is found on the Statement of Net Position.

As of June 30, 2019 the University had the following endowment investments, maturities, credit ratings and effective durations:

Table 5: University endowments by classification

		2019 Maturity					
University endowments	**Fair value**	**Less than 1 year**	**1–5 years**	**6–10 years**	**More than 10 years**	**Effective duration**	**Credit rating**
Fixed income mutual funds	$ 2,905,152			$ 2,905,152		5.87	AA
Marketable global equities	8,534,089						
Marketable liquid real assets	3,546,107						
Non-marketable equities	9,165,998						
Equity funds	8,641,726						
Fixed income funds	2,313,104				$ 2,313,104	5.48	A+
Hedge funds	12,911,622						
Illiquid real assets	3,821,257						
Private equity funds	12,419,329						
Cash equivalents at amortized cost	1,360,638						
Total endowment investments	**$ 65,619,022**						

As of June 30, 2018 the University had the following endowment investments, maturities, credit ratings and effective durations:

Table 5: University endowments by classification

		2018 Maturity					
University endowments	**Fair value**	**Less than 1 year**	**1–5 years**	**6–10 years**	**More than 10 years**	**Effective duration**	**Credit rating**
Fixed income mutual funds	$ 2,857,515			$ 2,857,515		5.94	A+
Marketable global equities	9,107,390						
Marketable liquid real assets	3,715,024						
Non-marketable equities	9,017,326						
Equity funds	9,318,933						
Fixed income funds	2,346,831			2,346,831		2.96	A+
Hedge funds	13,469,123						
Illiquid real assets	4,380,643						
Private equity funds	12,638,272						
Cash equivalents at amortized cost	867,420						
Total endowment investments	**$ 67,718,477**						

Foreign Currency Risk—Investments

Foreign currency risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The Washington State University Foundation (Foundation) invests the University's endowed assets. As such the Foundation's investment policy controls foreign currency exposure by limiting foreign equity and fixed income investments to 24%-36% of the total endowment with a current target of 22%. University endowment exposure to foreign currency risk at June 30, 2019 and June 30, 2018, is described in the table below.

Table 6: University foreign currency risk

Foreign currency	Fair value 2019	Fair value 2018
Japan—Yen	$ 2,758,303	$ 3,212,331
Euro	2,106,977	2,386,357
UK—Pound	1,449,971	1,949,015
China—Yuan	987,556	936,657
Switzerland—Francs	732,300	835,052
S. Korea—Won	735,941	793,911
Other (less than 5%)	5,033,627	5,782,602
Total foreign currency	**$ 13,804,675**	**$ 15,895,925**

Consolidated Endowment Investment Pool

The University contracts with the Foundation for the management of the consolidated endowment investment pool. University and Foundation endowment assets are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The total amount of the consolidated endowment pool is $518,672,649 and $507,312,486 for 2019 and 2018 respectively. See note 4(A) for information on the Foundations endowment investment securities. In the past, the Foundation has held certain endowments in trust for the University. In 2017, the Foundation removed those endowments from the face of their financial report due to a change in the memorandum of understanding between the parties. The University is now reporting these endowments as part of their consolidated endowments. The fair values of the University's equity in the consolidated endowment pool at June 30, 2019 were $65,619,022 and $67,718,477 at June 30, 2018. See table below:

Table 7: Consolidated endowment pool

	2019	
University endowments	$ 65,619,022	12.65%
Foundation endowments	453,053,627	87.35%
Total pooled endowments	**$ 518,672,649**	**100.00%**

	2018	
University endowments	$ 67,718,477	13.36%
Foundation endowments	439,594,009	86.64%
Total pooled endowments	**$ 507,312,486**	**100.00%**

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. At June 30, 2019 net appreciation of the University's portion of the consolidated endowment pool of $50,671,425 was available to be spent. All of which is restricted to specific purposes and is included in restricted expendable net position. At June 30, 2018 net appreciation of $50,345,501 was available to be spent, but was restricted to specific purposes. This amount was included in restricted expendable net position.

(E) University Endowments measured by fair value level

The Foundation reports their results of the consolidated endowment pool in accordance with FASB pronouncements and guidance. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation presentation of the internal endowment pool. See note 4 (B) for information on the Foundation's endowments measured at fair value.

Investments are measured at fair value on a recurring basis. The three-tier hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows.

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- **Level 2** – Pricing inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly
- **Level 3** – Pricing inputs that are generally unobservable from objective sources for an asset or liability.

Table 8: Investments by fair value hierarchy

Investments by fair value level	2019	Level 1	Level 2	Level 3
Fixed Income				
Fixed income mutual funds	$ 2,905,152	$ 2,905,152	–	–
Total fixed income investments	**2,905,152**	**2,905,152**	**–**	
Equity				
Marketable global equities	8,534,088	8,534,088	–	–
Marketable liquid real assets	3,546,107	3,546,107	–	–
Non-marketable equities	9,165,998	–	$ 9,165,998	–
Total equity investments	**21,246,193**	**12,080,195**	**9,165,998**	**–**
Total fair value by level investments	**24,151,345**			
Investments by NAV				
Equity funds	8,641,726			
Fixed income funds	2,313,104			
Hedge funds	12,911,623			
Illiquid real assets	3,821,257			
Private equity funds	12,419,329			
Total NAV investments	**40,107,039**			
Total investments at fair value	64,258,384			
Cash equivalents at amortized cost	1,360,638			
Total investments	**$ 65,619,022**			

Table 8: Investments by fair value hierarchy

Investments by fair value level	2018	Level 1	Level 2	Level 3
Fixed Income				
Fixed income mutual funds	$ 2,857,515	$ 2,857,515	–	–
Total fixed income investments	**2,857,515**	**2,857,515**	**–**	
Equity				
Marketable global equities	9,107,390	9,107,390	–	–
Marketable liquid real assets	3,715,024	3,715,024	–	–
Non-marketable equities	9,017,326	–	$ 9,017,326	–
Total equity investments	**21,839,740**	**12,822,414**	**9,017,326**	**–**
Total fair value by level investments	**24,697,255**			
Investments by NAV				
Equity funds	9,318,933			
Fixed income funds	2,346,831			
Hedge funds	13,469,123			
Illiquid real assets	4,380,643			
Private equity funds	12,638,272			
Total NAV investments	**42,153,802**			
Total investments at fair value	66,851,057			
Cash equivalents at amortized cost	867,420			
Total investments	**$ 67,718,477**			

Fixed income and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using observable inputs including quoted prices for similar securities and interest rates. Private equity, real assets and other investments classified in Level 3 are valued using either discounted cash flow or market comparable techniques.

The University's interest in certain non-readily marketable alternative investments, such as hedge funds and private equity funds, are stated at fair value based on net asset values (NAV) estimates reported by investment fund managers.

The valuation method for investments measured using the NAV for June 30, 2019 and June 30, 2018 are presented below

Table 9: Investments measured using NAV

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
2019				
Equity funds	$ 8,641,726		Daily to semimonthly	5–30 days
Fixed income funds	2,313,104		Monthly	30 days
Hedge funds	12,911,623		Monthly to biennially	30–90 days
Illiquid real assets and private equities funds	16,240,586	$ 10,489,722	Years: 2019–2029	End of agreement
Total NAV investments	**$ 40,107,039**	**$ 10,489,722**		

	Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
2018				
Equity funds	$ 9,318,933		Daily to semimonthly	5–30 days
Fixed income funds	2,346,831		Monthly	30 days
Hedge funds	13,469,123		Monthly to biennially	30–100 days
Illiquid real assets and private equities funds	17,018,915	$ 12,806,125	Years: 2018–2029	End of agreement
Total NAV investments	**$ 42,153,802**	**$ 12,806,125**		

- **Equities, fixed income, and hedge funds** - Certain common stock securities, U.S. government securities, and mutual funds for which market prices are not readily available or for which market prices do not represent the value at the time of pricing are fair valued by the investment manager based upon other inputs. These inputs include valuations of services that are comparable in coupon, rating, maturity, and industry. The investments cover a broad range of risk and diversification by industry with the dual objectives of generating income and providing long-term growth.
- **Illiquid real assets and private equities** – Multiple limited partnerships that invest in securities designed for generating current income and/or long-term growth using conservative, moderate and aggressive risk strategies, and real estate. Risk strategies for private equities range from moderate to aggressive with growth of capital being the primary objective.

Hedge fund investments allow for monthly, quarterly, annual and biennial redemptions. Illiquid real assets and private equities investments do not allow for periodic redemptions, but rather liquidate upon the termination date as stated in the partnership agreement.

Washington State University Foundation

4. Washington State University Foundation Endowments

The following notes are an excerpt of the Foundations published financial statements. The Foundation reports their results in accordance with FASB pronouncements and guidance. As such, certain revenue recognition criteria and presentation features are different from GASB. No modification have been made to the Foundation's presentation of the notes below. The full set of notes and other financial information for the Foundation can be acquired at the following address:

WSU Foundation
PO Box 641925
Pullman, WA 99164-1925

(A) Endowment Investment Securities

The Foundation's endowment consists of approximately 2,397 individual funds, established for a variety of purposes, which are jointly managed with the University's endowments. Of the total value of the investments managed, the Foundation's endowment funds represent 87.33% and 86.64% of that total at June 30, 2019 and 2018, respectively. The remainder of the pool comprises the University's true endowments and the University's funds functioning as endowments (quasi-endowments) which are not recorded in the Foundation's financial statements. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including quasi-funds that function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. There are no board designated endowments.

Interpretation of Relevant Law

The Board of Directors of the Foundation, on the advice of legal counsel and the Foundation's Investment Committee, has interpreted Washington State's Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the prudent management of donor-restricted gifts based on the spending and other investment policies of the organization, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified the following amounts as net assets with donor restrictions in the accompanying consolidated financial statements:

- The fair value of the gifts donated to the donor-restricted endowment
- Accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument or statute at the time the accumulation is added to the fund
- The remaining portion of the donor-restricted endowment funds that is not required to be held in perpetuity consisting of accumulated investment gains and losses which are included in net assets with donor restrictions until those amounts are appropriated to WSU in a manner consistent with the donors' stipulations.

In accordance with WA-UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- The fund's special relationship or value to the Foundation's and WSU's mission
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or WA-UPMIFA requires the Foundation to retain as a fund of perpetual duration. Deficiencies of this nature are classified in net assets with donor restrictions. Deficiencies of this nature totaled $1,341,327 and $716,885 at June 30, 2019 and 2018, respectively, and are included in the accumulated investment gains (loss) in the tables below.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs. These appropriations were made under the terms of the gift use agreement executed between the donor and the Foundation or in accordance with the Board of Director's prudent interpretation of WA-UPMIFA. The Board allows for continued appropriations to sustain programs with a moratorium on distributions if an endowment's market value is 30% or more below contributions to the fund. Continued appropriation by the Board was deemed prudent during the year ended June 30, 2019.

	Year ended June 30, 2019				
	Without donor restrictions	**With donor restrictions**			
		Original gift	**Accumulated gains/(losses)**	**Total**	**Total funds as of June 30, 2019**
Donor-restricted funds:					
Underwater funds	—	$ 49,442,048	$ (1,341,327)	$ 48,100,721	$ 48,100,721
Other funds	—	358,114,747	46,838,159	404,952,906	404,952,906
Total endowment funds	—	**$ 407,556,795**	**$ 45,496,832**	**$ 453,053,627**	**$ 453,053,627**

	Year ended June 30, 2018				
	Without donor restrictions	**With donor restrictions**			
		Original gift	**Accumulated gains/(losses)**	**Total**	**Total funds as of June 30, 2018**
Donor-restricted funds:					
Underwater funds	—	$ 55,570,790	$ (716,885)	$ 54,853,905	$ 54,853,905
Other funds	—	331,214,692	53,525,412	384,740,104	384,740,104
Total endowment funds	—	**$ 386,785,482**	**$52,808,527**	**$ 439,594,009**	**$439,594,009**

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity as well as quasi-endowments (funds functioning as endowments). Under this policy, as approved by the Investment Committee of the Foundation, the endowment assets are invested in a manner that is intended to produce a relatively predictable and stable payout stream each year and maintain purchasing power of the assets over the investment horizon.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation's spending policy allows for the fund to distribute 5.5% per year (4% for individual accounts and 1.5% for the endowment administration fees) computed quarterly based on the average market value for the 36 months preceding and including the quarter ended prior to the distribution date, adjusted for new gifts on the first day of the distribution quarter.

In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return. Distribution to colleges or departments from the University's quasi-endowments (funds functioning as endowments) can be in full or in $50,000 increments upon six months' notice to the Foundation.

Endowment Net Asset Composition, by Type of Fund

	Year ended June 30, 2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift amount	—	$ 407,556,795	$ 407,556,795
Accumulated investment gains	—	45,496,832	45,496,832
Total	**—**	**$ 453,053,627**	**$ 453,053,627**

	Year ended June 30, 2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds:			
Original donor-restricted gift amount	—	$ 386,785,482	$ 386,785,482
Accumulated investment gains	—	52,808,527	52,808,527
Total	**—**	**$ 439,594,009**	**$ 439,594,009**

Changes in Endowment Net Assets

	Year ended June 30, 2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Net asset balance—beginning of year	—	$ 439,594,009	$ 439,594,009
Investment return	—	15,298,623	15,298,623
Contributions	—	21,314,704	21,314,704
Distribution of endowment assets to/for WSU	—	(23,153,709)	(23,153,709)
Total	**—**	**$ 453,053,627**	**$ 453,053,627**

	Year ended June 30, 2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Net asset balance—beginning of year	—	$ 407,062,978	$ 407,062,978
Investment return	—	31,335,523	31,335,523
Contributions	—	22,895,196	22,895,196
Distribution of endowment assets to/for WSU	—	(21,699,688)	(21,699,688)
Total	**—**	**$ 439,594,009**	**$ 439,594,009**

Endowments Managed at Fair Value

The Foundation's endowment funds are jointly managed with certain endowments of the University. The University's endowment funds are excluded from on the Foundation's financial statements as they are not an agent nor a principal in these endowments. The breakout of the jointly managed funds of the University and the Foundation is as follows:

	Year ended June 30	
	2019	**2018**
Jointly managed endowment funds:		
Cash and short-term investments	$ 10,722,885	$ 5,889,207
Accrued interest and dividends	57,420	406,155
Managed investments	507,892,344	501,017,124
Endowment investments at fair value	518,672,649	507,312,486
Less University endowment funds	(65,619,022)	(67,718,477)
Managed endowment funds recorded by the Foundation	**$ 453,053,627**	**$ 439,594,009**

Endowments Managed at Cost

	Year ended June 30	
	2019	**2018**
Investments at cost	$ 388,948,664	$ 380,063,934
Less University endowment funds, at cost	(49,294,720)	(50,756,157)
Managed endowment funds recorded by the Foundation, at cost	**$ 339,653,944**	**$ 329,307,777**

(B) Fair Value Measurements

The Foundation adopted the provisions of FASB guidance on fair value related to its financial assets measured at fair value on a recurring basis. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

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

- ***Level 1*** – Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- ***Level 2*** – Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.
- ***Level 3*** – Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the endowment's needs.

As required by FASB guidance on fair value, financial assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and their placement within the fair value hierarchy levels.

Investments are stated at fair value according to U.S. GAAP (note 3), which requires that the valuation of investments reported at fair value be made in the context of market conditions as of the valuation date. Whenever available, quotations from organized securities exchanges are used as the basis for fair value. For investments not traded on organized exchanges, fair value estimates are provided by investment managers. For applicable investments, manager-reported net asset value (NAV) is used as a practical expedient to estimate fair value. Valuations provided by fund managers consider variables such as the financial performance and sales of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. The Foundation reviews valuations and assumptions provided by fund managers for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of the fair value. Investments are stated at fair value, which is determined by using market quotations and other information available at the valuation date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table discloses by level, within the fair value hierarchy, investment assets measured at fair value on a recurring basis as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Endowment investments:				
Cash and equivalents	$ 9,530,724	—	—	$ 9,530,724
Marketable equities:				
Equities	59,567,414	—	—	59,567,414
Fixed income mutual funds	20,017,287	—	—	20,017,287
Liquid real assets	24,433,638	—	—	24,433,638
Total marketable equities	**104,018,339**	**—**	**—**	**104,018,339**
Nonmarketable equities	—	**$ 63,156,207**	—	63,156,207
Investments measured at NAV:				
Equity funds				59,543,834
Fixed income funds				15,937,912
Hedge funds				88,964,576
Illiquid real assets				41,888,695
Private equities funds				70,013,340
Total investments measured at NAV				**276,348,357**
Total endowment investments				**453,053,627**
Assets in charitable trusts:				
Cash equivalents	943,805	—	—	943,805
Marketable equities:				
Equities	15,650,525	—	—	15,650,525
Fixed income mutual funds	10,239,317	—	—	10,239,317
Liquid real assets	4,574,986	—	—	4,574,986
Total marketable equities	**30,464,828**	**—**	**—**	**30,464,828**
Total assets in charitable trusts	**$ 31,408,633**	**—**	**—**	**$ 31,408,633**
Other:				
Beneficial interest in perpetual trusts	—	—	$ 34,538,022	$ 34,538,022

The following table presents the change in fair value measurements for the Level 3 investments during the year ended June 30, 2019:

	Beneficial interest in perpetual trusts
Other:	
Balance—July 1, 2018	$ 33,851,262
Contributions	
Change in value, net	686,760
Balance—June 30, 2019	**$ 34,538,022**

The following table discloses by level, within the fair value hierarchy, investment assets measured at fair value on a recurring basis as of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Endowment investments:				
Cash and equivalents	$ 5,485,901	—	—	$ 5,485,901
Marketable equities:				
Equities	59,465,112	—	—	59,465,112
Fixed income mutual funds	18,539,659	—	—	18,539,659
Liquid real assets	24,103,210	—	—	24,103,210
Total marketable equities	**102,107,981**	**—**	**—**	**102,107,981**
Nonmarketable equities	**—**	**$ 58,504,736**	**—**	**58,504,736**
Investments measured at NAV:				
Equity funds				60,461,576
Fixed income funds				15,226,326
Hedge funds				87,388,154
Illiquid real assets				44,379,175
Private equities funds				66,040,160
Total investments measured at NAV				**273,495,391**
Total endowment investments				**439,594,009**
Assets in charitable trusts:				
Cash equivalents	661,548	—	—	661,548
Marketable equities:				
Equities	17,189,570	—	—	17,189,570
Fixed income mutual funds	9,641,829	—	—	9,641,829
Liquid real assets	4,364,975	—	—	4,364,975
Total marketable equities	**31,196,374**	**—**	**—**	**31,196,374**
Total assets in charitable trusts	**$ 31,857,922**	**—**	**—**	**$ 31,857,922**
Other:				
Beneficial interest in perpetual trusts	—	—	$ 33,851,262	$ 33,851,262

The following table presents the change in fair value measurements for the Level 3 investments during the year ended June 30, 2018:

	Beneficial interest in perpetual trusts
Other:	
Balance—July 1, 2017	$ 31,806,751
Contributions	1,000,000
Change in value, net	1,044,511
Balance—June 30, 2018	**$33,851,262**

Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)

Equities, Fixed Income, and Hedge Funds

Certain common stock securities, U.S. government securities, and mutual funds for which market prices are not readily available or for which market prices do not represent the value at the time of pricing are fair valued by the investment manager based upon other inputs (including valuations of securities that are comparable in coupon, rating, maturity, and industry). These investments cover a broad range of risk and diversification by industry with the dual objectives of generating income and providing long-term growth.

Illiquid Real Assets and Private Equities

Multiple limited partnerships that invest in securities designed for generating current income and/or long-term growth using conservative, moderate, and aggressive risk strategies, and real estate. Risk strategies for private equities range from moderate to aggressive with growth of capital being the primary objectives.

Hedge fund investments allow for monthly, quarterly, annual, and biennial redemptions. Illiquid real assets and private equities investments do not allow for periodic redemptions, but rather liquidate upon the termination date as stated in the partnership agreement.

The following table presents the redemption frequency for investments measured at net asset value at June 30, 2019 and June 30, 2018, respectively.

	NAV			
	2019	**2018**	**Redemption schedule**	**Redemption notice period**
Equity funds	$ 59,543,834	$ 60,461,576	Daily to semimonthly	5–30 days
Fixed income funds	15,937,912	15,226,326	Monthly	30 days
Hedge funds	88,964,576	87,388,154	Monthly to biennially	30–90 days
Illiquid real assets and private equities funds	111,902,035	110,419,335	Years: 2018–2029	End of agreement
	$ 276,348,357	**$ 273,495,391**		

5. Inventories

Inventories as of June 30, 2019, and June 30, 2018, were as follows:

Location	**Method**	**2019**	**2018 Restated**
Athletics	FIFO	$ 1,699,373	$ 1,677,441
Bulletin office	FIFO	134,841	128,271
University stores	FIFO	263,136	238,621
Facilities services	FIFO	1,392,738	1,275,180
Ferdinand's	FIFO	4,630,810	4,828,653
Housing and dining	LIFO	695,501	664,687
Telecommunications	FIFO	380,034	413,065
University publishing	FIFO	499,863	501,374
Veterinary hospital and pharmacy	FIFO	1,562,236	1,546,769
Veterinary microbiology/pathology	FIFO	2,066,575	2,067,990
Other inventory	Various	1,518,679	1,792,932
Inventories		**$ 14,843,786**	**$ 15,134,983**

6. Accounts Receivable

At June 30, 2019, and June 30, 2018, accounts receivable were as follows:

	2019	2018 Restated
Student tuition and fees	$ 34,749,588	$ 36,518,019
Due from the federal government	8,599,726	12,368,627
Due from the office of the state treasurer	17,409,173	8,001,260
Due from other state agencies	11,611,619	6,255,527
Interest and dividends receivable	774,986	661,677
Auxiliary enterprises	17,982,922	11,840,319
Due from other governments	668,590	505,966
Other	239,087	261,689
Subtotal accounts receivable	92,035,691	76,413,084
Less allowance for doubtful accounts	(19,490,411)	(17,277,770)
Accounts receivable, net	**$ 72,545,280**	**$ 59,135,314**

7. Loans Receivable

Loans receivable consisted of the following at June 30, 2019, and June 30, 2018:

	2019	2018
Federal programs	$ 20,212,571	$ 22,114,661
Institutional loans	487,797	479,955
Subtotal	20,700,368	22,594,616
Less allowance for doubtful accounts	(607,842)	(675,912)
Loans receivable, net	**$ 20,092,526**	**$ 21,918,704**

8. Capital Assets

A summary of changes in the capital assets for the year ended June 30, 2019, is presented as follows:

Capital assets, non-depreciable	Beginning balance	Additions/ transfers	Retirements	Ending balance
Land	$ 34,443,743	$ 1,004,750	$ (1,539,750)	$ 33,908,743
Construction in progress	30,986,543	72,748,055	(33,934,913)	69,799,685
Total capital assets, non-depreciable	**65,430,286**	**73,752,805**	**(35,474,663)**	**103,708,428**
Capital assets, depreciable				
Buildings	2,346,196,445	33,425,374	(252,850)	2,379,368,969
Other improvements and infrastructure	361,257,999	4,194,249		365,452,248
Machinery and equipment	326,356,632	20,069,225	(6,846,131)	339,579,726
Library resources	171,013,966	8,279,576	(183,799)	179,109,743
Total capital assets, depreciable	**3,204,825,042**	**65,968,424**	**(7,282,780)**	**3,263,510,686**
Less accumulated depreciation				
Buildings	988,490,826	63,088,475	(3,858)	1,051,575,443
Other improvements and infrastructure	192,237,201	11,440,902		203,678,103
Machinery and equipment	273,689,521	22,298,514	(6,290,143)	289,697,892
Library resources	113,325,019	5,489,793	(183,800)	118,631,012
Total accumulated depreciation	**1,567,742,567**	**102,317,684**	**(6,477,801)**	**1,663,582,450**
Total capital assets, depreciable, net	**1,637,082,475**	**(36,349,259)**	**(804,980)**	**1,599,928,236**
Capital assets, net	**$ 1,702,512,761**	**$ 34,403,546**	**$ (36,279,643)**	**$ 1,703,636,664**

The current year depreciation expense was $102,317,684. Total interest expense was $27,776,123 of which $1,098,733 was capitalized.

A summary of changes in the capital assets for the year ended June 30, 2018 is presented as follows.

Capital assets, non-depreciable	Beginning balance	Additions/ transfers	Retirements	Ending balance
Land	$ 34,557,582		$ (113,839)	$ 34,443,743
Construction in progress	50,418,892	$ 24,412,793	(43,845,142)	30,986,543
Total capital assets, non-depreciable	**84,976,474**	**24,412,793**	**(43,958,981)**	**65,430,286**
Capital assets, depreciable				
Buildings	2,298,860,836	51,226,716	(3,891,107)	2,346,196,445
Other improvements and infrastructure	356,252,228	5,005,771		361,257,999
Machinery and equipment	320,387,053	13,328,464	(7,358,885)	326,356,632
Library resources	164,383,525	6,792,960	(162,519)	171,013,966
Total capital assets, depreciable	**3,139,883,642**	**76,353,911**	**(11,412,511)**	**3,204,825,042**
Less accumulated depreciation				
Buildings	928,098,681	62,277,454	(1,885,309)	988,490,826
Other improvements and infrastructure	180,674,138	11,563,063		192,237,201
Machinery and equipment	255,227,118	24,758,763	(6,296,360)	273,689,521
Library resources	107,771,751	5,715,787	(162,519)	113,325,019
Total accumulated depreciation	**1,471,771,688**	**104,315,067**	**(8,344,188)**	**1,567,742,567**
Total capital assets, depreciable, net	**1,668,111,954**	**(27,961,156)**	**(3,068,323)**	**1,637,082,475**
Capital assets, net	**$ 1,753,088,428**	**$ (3,548,363)**	**$ (47,027,304)**	**$ 1,702,512,761**

The current year depreciation expense was $104,315,067. Total interest expense was $28,195,490 of which $500,159 was capitalized.

9. Accounts Payable and Accrued Liabilities

At June 30, 2019, and June 30, 2018, accrued liabilities were as follows:

Current accrued liabilities	2019	2018 Restated
Accounts payable	$ 8,612,810	$ 17,268,705
Contract retainage	409,149	1,646,176
Payroll	25,854,422	24,678,834
Accrued leave, current portion	20,790,399	18,926,354
Subtotal	55,666,780	62,520,069
Non-current accrued liabilities		
Accrued annual leave	23,250,201	23,358,681
Accrued sick leave	5,196,412	5,970,141
Accrued compensatory leave	7,364	259,497
Subtotal	28,453,977	29,588,319
Total accrued liabilities	**$ 84,120,757**	**$ 92,108,388**

10. Unearned Revenue and Deferred Inflows of Resources

Unearned revenue is comprised of receipts which have not yet met revenue recognition criteria.

Current unearned revenue	**2019**	**2018**
Athletics	$ 3,443,094	$ 3,514,847
ALIVE! program	487,713	570,699
Pre-paid Tri-Cities BSEL building rent	500,000	500,000
Bookie building	126,166	122,646
Housing and dining services	1,801,101	1,754,007
Summer session	6,467,284	5,219,725
Parking	451,570	376,216
Subtotal	13,276,928	12,058,140
Non-current unearned revenue		
Pre-paid Tri-Cities BSEL building rent	3,940,278	4,440,278
Bookie building	3,441,480	3,567,646
Subtotal	7,381,758	8,007,924
Total unearned revenue	**$ 20,658,686**	**$ 20,066,064**

Deferred inflows of resources include revenue received that is intended for future periods and deferred inflows related to pension.

Deferred inflows of resources	**2019**	**2018**
General obligation bond refundings		
R2011A(2002A)	$ 157,998	$ 184,331
R2011B(2002A)	17,500	20,000
R2012A(R2002A(1995A-HEWSU))	45,000	90,000
R2014A(2004)(1995C)	18,571	37,142
R2014(2004)(1996A)	17,142	34,285
R2015SC(R2005A(1997A-HE-WSU))	60,880	85,165
R2017C(R2007A(2001A))	814,272	938,163
Subtotal general obligation bonds	1,131,363	1,389,086
Pension		
Pension net difference between projected and actual experience	18,954,409	19,311,390
Pension changes in proportion	2,324,073	1,183,635
Pension net difference between projected and actual investment earnings on pension plan investments	15,467,151	14,155,543
Pension changes in assumption	12,485,989	7,461,000
Subtotal pension	49,231,622	42,111,568
OPEB		
OPEB changes in assumption	101,152,891	43,157,600
OPEB changes in agency proportion	13,804,646	5,192,911
Subtotal OPEB	114,957,537	48,350,511
Total deferred inflows of resources	**$ 165,320,522**	**$ 91,851,165**

11. Risk Management

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. In accordance with state policy, the University self-insures unemployment compensation for all eligible employees. Buildings that were acquired with bond proceeds are insured through WSU's commercial insurance program, according to each covenant. The University assumes its potential property losses for most other buildings and contents. Other risk liabilities including professional, general, employment practices, automobile liability, information security and privacy protection are either or both insured through the State of Washington Self-Insurance Liability Program (SILP) as covered by the tort Claims Act (RCW 4.92 et seq.), or WSU commercial policies to provide adequate coverage as determined.

Payments made for unemployment compensation claims and cash reserve balances are as follows.

Fiscal year ending	Claims paid	Cash reserves
June 30, 2019	$926,061	$ 5,082,545
June 30, 2018	$836,658	$ 5,121,613
June 30, 2017	$ 560,158	$ 5,128,530

For all other insurance settlements the settlements did not exceed the coverages for the last three fiscal years.

12. Leases Payable

The University finances some capital asset purchases through the Washington State Treasurer's leasing program. Under this program, the interest rates range from .7% to 5.3% and the lease periods range from 4 to 15 years. As of June 30, 2019, the University had $20,122,940 and as of June 30, 2018, the University had $23,261,130 in machinery, software, and equipment acquired under capital lease. Depreciation for the capital assets associated with capital leases is included in depreciation expense. The University also has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2019, the minimum lease payments under capital leases and operating leases consisted of the following:

Leases Payable

Fiscal year	Capital leases	Operating leases
2020	$ 2,426,110	$ 3,818,507
2021	2,265,563	3,308,578
2022	2,133,680	2,604,047
2023	1,798,950	2,015,766
2024	1,803,818	930,302
2025–2029	3,277,790	1,032,039
2030–2034	–	69,062
Total minimum lease payments	**13,705,911**	**13,778,301**
Amount representing interest	**(1,709,888)**	**–**
Net present value	**$ 11,996,023**	**$13,778,301**

13. Asset Retirement Obligation

For fiscal year 2019 the University implemented GASB Statement No.83 *Certain Asset Retirement Obligations (ARO)*. This statement requires that recognition of the obligation occur when the liability is both incurred and reasonably estimable. This liability is reported based on the best estimate using all available evidence of the current value of outlays expected to be incurred.

The University has identified several legally enforceable liabilities associated with the retirement of tangible capital assets due to requirements included in state laws and contracts. As of June 30, 2019 the University has recorded an asset retirement obligation of $17,014,860. Following is a list of assets identified as having an asset retirement obligation.

Nuclear radiation center -The Nuclear Regulatory Commission and other oversite agencies such as Department of Health in the State of Washington require a decommissioning report valuing the cost of decommissioning the nuclear radiation center. A license was acquired in 2010 along with the decommissioning report and is good for 20 years. The original value of the decommissioning was $14,600,000. In July 2018 the value was reassessed with an inflation rate of 13.61% added to the original value making the estimate for decommissioning $16,587,060. The remaining useful life for the nuclear radiation center is 12 years. This was determined based on the remaining years of the decommissioning report.

Magnetic Resonance Imaging Machine (MRI) – This machine contains heavy metals such as lead, gold, silver or mercury for which state and federal hazardous waste regulations apply. The disposal of these metals is regulated by the Department of Ecology in the State of Washington. The cost of dismantling and disposing of this machine was estimated at $6,300 at year end based on an estimate given at trade in. It has a total useful life of 5 years with 4 years remaining

Cell Tower Contracts – The University has entered into multiple cell tower contracts that require the removal of equipment once the lease is terminated. The total estimated cost of equipment removal based on engineer's prior experience is $421,500. The remaining life of these contracts range from 1 to 10 years.

	Balance outstanding 6/30/2018	Additions	Reductions	Balance outstanding 6/30/2019
Nuclear radiation center	$ 14,600,000	$ 1,987,060		$ 16,587,060
Magnetic resonance imaging (MRI) machine		6,300		6,300
Cell tower contracts	374,500	47,000		421,500
Total	**$ 14,974,500**	**$ 2,040,360**		**$ 17,014,860**

	Balance outstanding 6/30/2017	Additions	Reductions	Balance outstanding 6/30/2018
Nuclear radiation center		$ 14,600,000		$ 14,600,000
Cell tower contracts		374,500		374,500
Total		**$ 14,974,500**		**$ 14,974,500**

14. Bonds Payable and Related Debt

Bonds Payable consist of specific and general revenue bonds issued by the University for construction and renovation of University buildings, for Housing and Dining System Facilities, for the Student Recreation Center, Parking Services, Compton Union Building and Athletics, as well as the University's share of Washington State General Obligation bonds issued for the construction of academic buildings. Washington State General Obligation bonds are backed by the full faith, credit and taxing power of the State. A portion of tuition and matriculation fees paid to the University are pledged for the payment of principal and interest on the University's share of these bonds.

Revenue bonds issued by the University include certain restrictive covenants. Certain revenue bonds have a specific revenue stream pledged to pay them. General revenue bonds are special fund obligations of the University, payable from general revenues which include non-appropriated, unrestricted income and revenues, including available auxiliary system revenues.

On Nov 20, 2018 the University issued $31,325,000 in General Revenue Bonds, Series 2018 as approved by the Board of Regents on June 8th, 2018 pursuant to Resolution 180608-586. The bonds will be used to modernize the University's Finance and Human Resource systems including the acquisition and implementation of an enterprise resource planning system and capitalized interest. $30,000,000 was issued for the project, $985,450 was issued as capitalized interest. The issue costs were $161,616 and the Underwriter's discount was $117,934. Average interest rate is 3.96%. Interest is payable semi-annually on April 1 and October 1, commencing October 1, 2018. Principal payments are due annually on October 1, commencing October 1, 2022.

Bond Refunding Activity

The scheduled liabilities as of June 30, 2019 do not include revenue bonds that were advance refunded. Government obligations in amounts, maturities and bearing interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts.

For the year ending June 30, 2019 and June 30, 2018 no bonds were advanced refunded.

Related Debt

The University does not hold any direct borrowings or direct placements as a form of debt. The University also does not hold any line of credit.

As of June 30, 2019, the University was indebted for bonds payable for the purposes shown in the following table.

Purpose	Series	Interest rate/ ranges	Final maturity date	Principal outstanding 2019	Principal outstanding 2018	Current portion 2019	See table below
Housing and Dining system	2010	3%–5%	2024	$ 7,365,000	$ 8,425,000	$ 1,100,000	
	2010B	7.1%–7.4%	2041	35,305,000	35,305,000	–	
Student Recreation Center	2009	3%–5.25%	2019	–	1,420,000	–	2
Compton Union Building	2006B	5%–6%	2038	20,980,000	22,945,000	2,085,000	3
Trust and building fee revenue bonds	2009B	3%–6.41%	2034	82,745,000	86,420,000	3,795,000	4
General revenue bonds	2012A & B	2%–5%	2037	84,715,000	87,560,000	2,960,000	
	2013A & B	3%–5%	2038	42,670,000	44,565,000	1,995,000	
	2014A & B	1.75%–5%	2039	48,640,000	50,090,000	1,470,000	
	2015	3%–5%	2045	138,095,000	141,910,000	3,995,000	
	2016	3%–5%	2041	85,715,000	87,705,000	3,415,000	
	2018	3%–5%	2040	31,325,000		–	
State of Washington general obligation bonds	HE-WSU	3.5%–6.4%	2022	2,165,000	3,380,000	1,270,000	
	2001A	5%–5.6%	2025	6,875,000	7,670,000	840,000	
	2001C	5%–5.3%	2026	4,015,000	4,480,000	495,000	
	2002A	4%–6%	2026	2,845,000	3,125,000	295,000	
				593,455,000	**585,000,000**	**23,715,000**	
Less: unamortized insurance costs				(56,651)	(63,316)		
Plus: unamortized premiums				54,336,297	57,676,083		
Net bonds payable				**$ 647,734,646**	**$ 642,612,767**		

The University has pledged future revenues, net of specific operating expenses, to repay the principal and interest on revenue bonds. The following is a schedule of pledged revenues and related debt, as of June 30, 2019.

Ref		2019 total future pledged revenues	2019 revenues, net of expenses	2019 principal and interest	2018 revenues, net of expenses	2018 principal and interest
1	Housing and Dining system (2010)	$ 8,495,775	$ 28,341,890	$ 1,421,750	$ 27,150,733	$ 2,040,175
2	Student Recreation Center (2009)	–	–	1,476,800	4,600,067	1,486,400
3	Compton Union Building (2006B)	26,457,180	6,404,964	3,275,639	5,747,095	3,272,621
4	Trust and building fee bonds (2009B)	$ 129,257,566	$ 32,585,867	$ 8,881,541	$ 37,436,662	$8,944,713

Annual Debt Service Requirements

Future debt service requirements at June 30, 2019, are as follows:

	Revenue bond obligations			State of Washington general obligation bonds		
Fiscal year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2020	$ 20,815,000	$ 26,923,009	$ 47,738,009	$ 2,900,000	$ 737,850	$ 3,637,850
2021	21,790,000	25,948,338	47,738,338	2,335,000	607,850	2,942,850
2022	22,815,000	24,925,573	47,740,573	2,060,000	498,975	2,558,975
2023	24,200,000	23,810,026	48,010,026	1,885,000	401,350	2,286,350
2024	25,385,000	22,609,933	47,994,933	1,985,000	305,850	2,290,850
2025–2029	138,500,000	94,295,159	232,795,159	4,735,000	303,750	5,038,750
2030–2034	162,010,000	58,867,150	220,877,150	–	–	–
2035–2039	144,545,000	22,269,708	166,814,708	–	–	–
2040–2041	17,495,000	934,200	18,429,200			
Subtotal	**577,555,000**	**300,583,096**	**878,138,096**	**15,900,000**	**2,855,625**	**18,755,625**
Less: unamortized issuance costs	(56,651)		(56,651)			
Plus: unamortized premiums	54,336,297		54,336,297			
Total	**$ 631,834,646**	**$ 300,583,096**	**$ 932,417,742**	**$ 15,900,000**	**$ 2,855,625**	**$ 18,755,625**

15. Deferred Outflows of Resources and Schedule of Long-Term Liabilities

Following are the changes in refunding of debt (representing the difference between the reacquisition price and the net carrying amount of the old debt), deferred outflows of resources related to pensions, bond payable, capital leases, and other post-employment benefit obligations for the years ending June 30, 2019, and June 30, 2018.

2019

Deferred outflows of resources	**Total amount issued**	**Restated balances outstanding 6/30/2018**	**Additions**	**Reductions**	**Balance outstanding 6/30/2019**	**Current portion**
Revenue bonds						
Student recreation series 2009		$ 1,025,132		$ (73,727)	$ 951,405	
Student fee 2006A refunding (CUB)		1,796,703		(86,814)	1,709,889	
General revenue bonds Athletics 2007 refunding		811,309		(58,351)	752,958	
Parking series 2005		40,153		(7,050)	33,103	
General revenue bonds series 2013 refunding		415,288		(61,524)	353,764	
Housing and Dining Services (HDS) series 2005		122,667		(10,488)	112,179	
Housing and Dining Services (HDS) series 2010		577,232		(96,206)	481,026	
General revenue bond 2016 HDS 2008 refunding		1,588,447		(75,988)	1,512,459	
Subtotal revenue bonds		6,376,931	–	(470,148)	5,906,783	
Pension					–	
Pension differences between expected and actual expense		4,775,944		(1,765,859)	3,010,085	
Pension differences between projected and actual investment earnings		–			–	
Pension changes in assumption		471,136		(218,443)	252,693	
Pension changes in proportion		3,025,802		(1,500,766)	1,525,036	
Contributions subsequent to measurement date		17,603,439	$ 947,353		18,550,792	
Subtotal pension		25,876,321	947,353	(3,485,068)	23,338,606	
Supplemental retirement						
Changes in assumptions			6,886,690		6,886,690	
Subtotal OPEB		–	6,886,690	–	6,886,690	
OPEB						
Differences between expencted and acutal experience			9,247,100		9,247,100	
Transactions Subsequent to the Measurement Date		4,960,373		(92,046)	4,868,327	
Sub total OPEB		4,960,373	9,247,100	(92,046)	14,115,427	
Asset retirement obligation						
Asset retirement obligation (ARO)		7,472,640	2,040,360	(915,586)	8,597,414	
Subtotal ARO		7,472,640	2,040,360	(915,586)	8,597,414	
Total		**$ 44,686,265**	**$ 19,121,503**	**$ (4,962,848)**	**$ 58,844,920**	
Schedule of long-term liabilities						
Revenue and refunding bonds, net	$ 662,700,000	$ 623,957,767	$ 31,325,000	$ (23,448,121)	$ 631,834,646	$ 20,815,000
State of Washington general obligation bonds, net	29,235,000	18,655,000		(2,755,000)	$15,900,000	2,900,000
Capital leases		13,876,852		(1,880,829)	$11,996,023	1,800,181
Pension obligation, net		178,883,816	33,685,417	(50,637,478)	$161,931,755	
OPEB liability		313,439,155		(48,295,705)	$265,143,450	4,868,327
Asset retirement obligation		14,974,500	2,040,360		$17,014,860	
Total	**$ 691,935,000**	**$ 1,163,787,090**	**$ 67,059,777**	**$ (127,017,133)**	**$ 1,103,820,734**	**$ 30,383,508**

2018 Restated

Deferred outflows of resources	Total amount issued	Restated balances outstanding 6/30/2017	Additions	Reductions	Balance outstanding 6/30/2018	Current portion
Revenue bonds refundings						
Student Recreation Series 2009		$ 1,098,861		$ (73,729)	$ 1,025,132	
Student fee 2006A refunding (CUB)		1,883,518		(86,815)	1,796,703	
General revenue bonds Athletics 2007 refunding		869,659		(58,350)	811,309	
Parking series 2005		47,202		(7,049)	40,153	
General revenue bonds series 2013 refunding		476,812		(61,524)	415,288	
Housing and Dining Services (HDS) series 2005		133,155		(10,488)	122,667	
Housing and Dining Services (HDS) series 2010		673,438		(96,206)	577,232	
General revenue bond 2016 HDS 2008 refunding		1,664,434		(75,987)	1,588,447	
Subtotal revenue bonds		6,847,079	–	(470,148)	6,376,931	
Certificate of participation refunding						
Consolidated Information Center 365-272-1		8,222		(8,222)	–	
Subtotal certificate of participation		8,222	–	(8,222)	–	
Pension						
Pension differences between expected and actual expense		3,605,197	$ 1,170,747		4,775,944	
Pension differences between projected and actual investment earnings		9,837,545		(9,837,545)	–	
Pension changes in assumption		676,195		(205,059)	471,136	
Pension changes in proportion		4,496,328		(1,470,526)	3,025,802	
Contributions subsequent to measurement date		15,076,369	2,527,070		17,603,439	
Subtotal pension		33,691,634	3,697,817	(11,513,130)	25,876,321	
OPEB						
Transactions subsequent to the measurement date		5,161,935		(201,562)	4,960,373	
Subtotal OPEB		5,161,935	–	(201,562)	4,960,373	
Asset retirement obligation						
Asset retirement obligation (ARO)			7,472,640		7,472,640	
Subtotal ARO		–	7,472,640	–	7,472,640	
Total		**$ 45,708,870**	**$ 11,170,457**	**$ (12,193,062)**	**$ 44,686,265**	

Schedule of long-term liabilities	Total amount issued	Restated balances outstanding 6/30/2017	Additions	Reductions	Balance outstanding 6/30/2018	Current portion
Revenue and refunding bonds, net	$ 631,375,000	$ 646,695,888		$ (22,738,121)	$ 623,957,767	$ 20,115,000
State of Washington general obligation bonds, net	30,835,000	21,330,000		(2,675,000)	$18,655,000	2,755,000
Capital leases		15,507,695	929,491	(2,560,334)	$13,876,852	1,788,970
Pension obligation, net		215,040,786	20,843,869	(57,000,839)	$178,883,816	
OPEB obligation		341,792,867		(28,353,712)	$313,439,155	30,768,221
Asset retirement obligations			14,974,500		$14,974,500	
Total	**$ 662,210,000**	**$ 1,240,367,236**	**$ 36,747,860**	**$ (113,328,006)**	**$ 1,163,787,090**	**$ 55,427,191**

16. Pension Plans

The University offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS) plan, the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) plan, and the Washington State University Retirement Plan (WSURP). PERS, TRS, and LEOFF are cost sharing multiple-employer defined benefit pension plans administered by the Washington State Department of Retirement Systems (DRS). WSURP is a defined contribution pension plan with a supplemental payment to beneficiaries when required and is administered by the University. WSURP is not subject to GASB 68 or 73 but the supplemental portion (SRP) is subject to GASB 73. The pension liabilities here in calculated are consistent with prior years.

As of June 30, 2019, the University's aggregate share of the unfunded liabilities associated with the defined benefit pension plans administered by DRS was $69,211,964. The liability associated with WSURP was $92,719,971. For the year ended June 30, 2019 total pension expense for University and DRS administered plans was $5,719,449.

PERS, TRS and LEOFF

The state of Washington, through the Department of Retirement Systems, administers the PERS, TRS, and LEOFF plans. Pension plans administered by the state are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, employee and employer contributions are recognized in the period in which employee services are performed, investment gains and losses are recognized as incurred, and benefits and refunds are recognized when due and payable in accordance with the terms of the applicable plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all plans, and additions to/deductions from all plan fiduciary net position have been determined in all material respects on the same basis as they are reported by the plans.

The authority to establish and amend benefit provisions resides with the legislature. Effective July 1, 2003 LEOFF Plan 2 Retirement Board was established to provide governance. The Board can adopt contribution rates and recommend policy changes to the legislature. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW, TRS retirement benefit provisions are established in chapters 41.32 and 41.34 RCW and LEOFF retirement benefits provisions are established in chapter 41.26 RCW. The Washington State Department of Retirement System (DRS) issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS, and LEOFF. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or on-line at http://www.drs.wa.gov/administration/annual-report.

Plan Descriptions.

PERS provides retirement, disability, and death benefits to eligible nonacademic employees not enrolled in other higher education retirement plans. PERS is a cost sharing, multiple employer retirement system comprised of three separate plans. Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. For reporting purposes Plan 2/3 is considered a single defined benefit plan. Plan 1 is closed to new entrants. Members are vested after five years of eligible service. The monthly benefit is calculated as two percent of average final compensation, (AFC) the average of the member's 24 highest consecutive service months, per year of service up to 60 percent. Members are eligible for retirement after 30 years of service, at age 60 with five years of service, or at age 55 with 25 years of service. Members retiring prior to age 65 may receive actuarially reduced benefits. Members may elect to receive an optional cost of living adjustment (COLA) based on the consumer price index. Plan 2 members are vested after five years of eligible service and eligible for retirement at age 65. The monthly benefit is two percent of the AFC per year of service with no cap on years of service credit and a COLA based on the consumer price index capped at three percent annually. For Plan 2 the AFC is the average of the member's 60 highest paid consecutive months. Members are eligible to retire early with reduced benefits. Plan 3 members are vested in the defined benefit portion after 10 years of service, or after 5 years of service if 12 months of that service are earned after age 44. The monthly benefit is 1 percent of the AFC per year of service with no cap on service years. The AFC and COLA are the same as Plan 2.

TRS provides retirement, disability, and death benefits to certified public school employees working in an instructional, administrative, or supervisory capacity. Similar to PERS, TRS Plan 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component. For reporting purposes Plan 2/3 is considered a single defined benefit plan. Plan 1 is closed to new entrants. Members are vested after five years of eligible service and can retire at any age after 30 years of service, at age 60 after 5 years of service, or age 55 with 25 years of service. The monthly benefit is calculated as two percent of the AFC (total earnable compensation for two consecutive highest paid fiscal years divided by two) for year of service up to 60 percent. Plan 1 members may elect to receive an optional COLA amount based on the consumer price index capped at 3 percent annually, reducing the benefit. Plan 2 members are vested after 5 years of eligible service. Members are eligible for retirement at age 65 with 5 years of service. The monthly benefit is 2 percent of the AFC, the average of the member's 60 highest paid consecutive months, per year of service. A COLA is granted based on the consumer price index capped at 3 percent annually. Members can retire early with reduced benefits. Plan 3 members are vested after 10 years of service or after 5 years of service if 12 months of that service is earned after age 44. The defined benefit portion provides members a monthly benefit of 1 percent of the AFC per year of service, with the same AFC as Plan 2. The same COLA is used as Plan 2 and members can retire early with reduced benefits.

LEOFF 2 provides retirement disability, and death benefits to full time, fully compensated local law enforcement commissioned officers, fire fighters, and as of July 24, 2005 emergency medical technicians. Plan 2 members are vested after 5 years of eligible service. Members are eligible for retirement at age 53 with five years of service or age 50 with 20 years of service. The monthly benefit is 2 percent of the FAS (final average salary), based on the highest consecutive 60 months, per year of service. A COLA is granted based on the consumer price index capped at 3 percent annually. Members can retire early with reduced benefits.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute. Under LEOFF, employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law.

Contributions for DRS Plans The University's contribution rates and required contributions for the above retirement plans for the year ending June 30, 2019 are as follows:

	Contribution rates*		Required employer contributions	
	Employee	University	FY2019	FY2018
PERS				
Plan 1	6%	12.70%	$ 6,645,224	$ 6,354,037
Plan 2	7.38%	12.70%	5,657,074	5,526,729
Plan 3	5%–15%	12.70%	3,891,517	3,609,199
TRS				
Plan 1	6%	15.20%	925,684	806,421
Plan 2	7.06%	15.20%	0	0
Plan 3	5%–15%	15.20%	974,731	868,149
LEOFF				
Plan 2	8.75%	8.93%	$ 199,047	$ 189,919

**Contribution rates as of measurment date 6/30/2018*

Actuarial Assumptions The total State pension liability was determined by an actuarial valuation performed by the Washington State Office of the State Actuary as of June 30, 2017 with the results rolled forward to the June 30, 2018 measurement date using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50%
Investment rate of return	7.40%
Discount rate	7.40%

Mortality rates were based on the RP-2000 "Combined Healthy Table and Combined Disabled Table" published by the Society of Actuaries. The Office of the State Actuary applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetime.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of OSA's 2007-2012 Experience Study and the 2017 Economic Experience Study. Additional assumptions are current for subsequent events and law changes as of the 2017 report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, but including inflation) are developed for each major asset class by the WSIB. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of the measurement date of June 30, 2018 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed income	20%	1.7%
Tangible assets	7%	4.9%
Real estate	18%	5.8%
Global equity	32%	6.3%
Private equity	23%	9.3%
Total	**100%**	

Discount Rate. The discount rate used to measure the total state pension liability was 7.4 percent, a .1 percent difference from the previous measurement date of 7.5 percent. To determine the discount rate, an asset sufficiency test was completed to test whether the pension plan's net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long- term expected rate of return, a 7.4 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue to be made at contractually required rates (including PERS Plans 2 and 3 and TRS Plans 2 and 3 whose rates include a component for the PERS/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 7.4 percent on pension plan investments was applied to determine the total pension liability.

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the state as an employer, calculated using the discount rate of 7.4 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the rate.

2019

	Discount rate sensitivity on net pension liability		
Plan	1% decrease	Current discount rate	1% increase
PERS 1	$ 52,173,462	$ 42,454,119	$ 34,035,206
PERS 2/3	92,467,688	20,215,832	(39,022,626)
TRS 1	7,078,222	5,663,057	4,437,929
TRS 2/3	5,478,293	878,956	(2,857,306)
LEOFF 2	$ (295,683)	$ (2,223,495)	$ (3,795,849)

2018

	Discount rate sensitivity on net pension liability		
Plan	1% decrease	Current discount rate	1% increase
PERS 1	$ 56,445,492	$ 46,335,497	$ 37,578,076
PERS 2/3	113,856,757	42,261,445	(16,400,292)
TRS 1	7,083,251	5,696,321	4,495,838
TRS 2/3	5,972,192	1,758,409	(1,663,972)
LEOFF 2	$ 272,640	$ (1,259,899)	$ (2,508,548)

Proportionate Share. The state net pension liability was calculated as of the valuation date of June 30, 2017 and rolled forward to the measurement date of June 30, 2018. The basis for determining the proportionate share was the amount of employer contributions processed by DRS during the fiscal year ended June 30, 2018. The University's proportionate share by plan for the year ended June 30, 2019 is in the following table.

	Plan	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
2019	Proportionate share	.95%	1.18%	.19%	.20%	.11%
2018	Proportionate share	.98%	1.22%	.19%	.19%	.09%

The following table represents the aggregate pension amounts for each plan subject to the requirements of GASB Statement No. 68 for the University as an employer for the fiscal years ended June 30, 2019 and 2018 respectively.

2019

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Pension liability	$42,454,119	$ 20,215,832	$5,663,057	$ 878,956		**$69,211,964**
Pension asset					$2,223,495	**2,223,495**
Pension expense	$ 2,430,651	$ 385,185	$ 774,008	$ 660,338	$ (84,796)	**$ 4,165,386**

2018

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Pension liability	$46,335,497	$42,261,445	$5,696,321	$ 1,758,409		**$ 96,051,672**
Pension asset					$1,259,899	**1,259,899**
Pension expense	$ 951,928	$ 6,892,868	$ 773,263	$ 928,236	$ 58,584	**$ 9,604,879**

Deferred Outflows and Deferred Inflows of Resources

The below tables detail the University's deferred outflows and deferred inflows of resources as well as the schedule of future impacts to pension expense from the deferred amounts amortization. The $18,550,792 reported as deferred outflows of resources related to state pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2020.

2019

Deferred outflows of resources

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		$ 2,477,931		$ 413,046	$ 119,108	**$ 3,010,085**
Changes in assumption		236,491		14,944	1,259	**252,694**
Changes in proportion		964,422		500,895	59,720	**1,525,037**
Contributions subsequent to the measurement date	$ 6,647,444	9,777,280	$ 925,786	997,140	203,142	**18,550,792**
Total	**$ 6,647,444**	**$ 13,456,124**	**$ 925,786**	**$ 1,926,025**	**$ 383,229**	**$ 23,338,608**

2018

Deferred outflows of resources

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		$ 4,282,081		$ 438,488	$ 55,375	**$ 4,775,944**
Changes in assumption		448,897		20,721	1,517	**471,135**
Changes in proportion		2,235,242		705,907	84,653	**3,025,802**
Contributions subsequent to the measurement date	$ 6,356,510	9,358,012	$ 806,520	888,559	193,838	**17,603,439**
Total	**$ 6,356,510**	**$ 16,324,232**	**$ 806,520**	**$ 2,053,675**	**$ 335,383**	**$ 25,876,320**

2019

Deferred inflows of resources

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		$ 3,539,421		$ 64,902	$ 51,630	**$ 3,655,953**
Changes in assumption		5,753,262		353,221	319,112	**6,425,595**
Net difference between projected and actual earnings on investments	$ 1,687,102	12,405,370	$ 242,175	743,362	389,142	**15,467,151**
Changes in proportion		2,118,522			205,551	**2,324,073**
Total	**$ 1,687,102**	**$ 23,816,575**	**$ 242,175**	**$ 1,161,485**	**$ 965,435**	**$ 27,872,772**

2018

Deferred inflows of resources

	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
Differences between expected and actual experience		$ 1,389,906		$ 89,707	$ 47,777	**$ 1,527,390**
Changes in assumption						
Net difference between projected and actual earnings on investments	$ 1,729,111	11,265,885	$ 241,325	636,366	282,856	**14,155,543**
Changes in proportion		1,153,289			30,346	**1,183,635**
Total	**$ 1,729,111**	**$ 13,809,080**	**$ 241,325**	**$ 726,073**	**$ 360,979**	**$ 16,866,568**

Deferred inflows and outflows will be recognized in pension expense with the exception of contributions made after the measurement date as follows:

Year	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	Total
2020	$ 73,811	$ (1,508,073)	$ 24,231	$ 166,896	$ (49,808)	**$ (1,292,943)**
2021	(368,810)	(4,352,081)	(50,133)	(23,075)	(121,629)	**(4,915,728)**
2022	(1,106,696)	(7,929,907)	(172,212)	(342,673)	(249,978)	**(9,801,466)**
2023	(285,407)	(3,148,506)	(44,061)	(84,432)	(103,025)	**(3,665,431)**
2024		(1,377,434)		20,190	(47,856)	**(1,405,100)**
Thereafter		(1,821,729)		30,493	(213,052)	**(2,004,288)**
Total	**$ (1,687,102)**	**$ (20,137,730)**	**$ (242,175)**	**$ (232,601)**	**$ (785,348)**	**$ (23,084,956)**

Washington State University Retirement Plan (WSURP)

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

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution which participates in TIAA-CREF.

WSURP has a supplemental payment (SRP) component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date when a member's goal income is greater than their assumed income. Assumed income must be calculated by an independent actuary. The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 62 with ten years of full-time service.

The University's Board of Regents are authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets.

Benefit payments made during the fiscal year ended June 30, 2019 were $2,438,920

Actuarial Assumptions Material assumption changes during the measurement period include a decrease in the discount rate from 3.87 percent to 3.50 percent, CREF investment experience was lower than expected at 4.97 percent which caused an increase in total pension liability, and an updated SRP member file and the actual returns on the TIAA and CREF investments used in the Assumed Income impacting the difference between expected and actual experience. The other change of assumption for WSURP was the CREF accumulation rate increased from 6.25 percent to 6.50 percent. The following table represents significant assumptions used to measure the total pension liability.

Inflation	2.75%
Discount rate	3.50%
Source of mortality assumptions	Healthy RP-2000 table, generational improvements using scale BB
Date of experience study	April 2016
Salary changes	3.75%
Source of discount rate	Bond Buyer's 20 bond index

The following table presents the net pension liability using a discount rate of 3.5 percent as well as what the pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Total pension liability 2019

1% decrease	Current discount rate	1% increase
$105,485,293	$ 92,719,791	$ 82,073,109

Total pension liability 2018

1% decrease	Current discount rate	1% increase
$94,146,000	$ 82,831,268	$73,380,000

Total Pension Liability. The total pension liability is based on an actuarial valuation performed as of June 30, 2018 using the entry age normal cost method and rolled forward to the measurement date of June 30, 2019. The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets.

Schedule of changes in total pension liability	2019	2018
Beginning balance	$ 82,831,268	$ 89,414,276
Service cost	2,111,920	2,762,663
Interest on TPL	3,240,556	3,261,236
Differences between expected and actual experience in the measurement of TPL	(1,022,479)	(7,171,294)
Change of assumptions	7,997,446	(3,254,535)
Benefit payments	(2,438,920)	(2,181,078)
Ending balance	**$ 92,719,791**	**$ 82,831,268**

Pension expense for WSURP for the year ended June 30, 2019 was $1,554,063.

Deferred Inflows and Outflows of Resources

The tables below detail the deferred inflows and outflows of resources and the amortization of those deferred amounts on pension expense in future periods.

	2019	
	Deferred outflows	**Deferred inflows**
Differences between expected and actual experience		$ 15,298,456
Changes in assumption	$ 6,886,690	6,060,394
Total	**$ 6,886,690**	**$ 21,358,850**

	2018	
	Deferred outflows	**Deferred inflows**
Differences between expected and actual experience		$ 17,784,000
Changes in assumption		7,461,000
Total		**$ 25,245,000**

Amortization of deferred inflows and outflows of resources	
Year	
2020	$ (3,798,413)
2021	(3,798,413)
2022	(3,798,413)
2023	(3,123,000)
2024	(421,366)
Thereafter	467,445
Total	**$ (14,472,160)**

17. Other Post-Employment Benefits (OPEB)

Plan Description

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

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

The employer's plan provides benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. This set dollar amount is recommended by PEBB and approved by the state Legislature annually and was set at $168 per member per month for fiscal year 2019. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.

For information on the actuarial valuation of the employer provided subsidies, refer to the Office of the State Actuary's website: https://leg.wa.gov/osa/additionalservices/Pages/OPEB.aspx.

Employees covered by benefit terms- The table below shows the University's PEBB membership as of June 30, 2019:

	2019	2018
Active employees	6,430	6,638
Inactive employees or beneficiaries currently receiving benefits	1,761	1,727
Inactive employees entitled to but not yet receiving benefits	313	323

Funding Status and Actuarial Methods and Assumptions:

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

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

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

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

Actuarial valuation date	6/30/2018
Inflation rate	2.75%
Health care trend rate	8.00% initial rate, 4.5% ultimate rate in 2080
Projected salary increases	3.50%
Discount rate	3.87%
Source of mortality assumptions	RP-2000 combined healthy table and combined disabled table using 100 percent scale BB
Date of experience study	2007–2012 experience study report
Source of discount rate	Bond buyer general obligation 20-bond municipal bond index as of June 30, 2018

A material assumption change for the measurement period was updating the discount rate from 3.58 to 3.87 which caused a decrease in the total OPEB liability.

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

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

2019

Health care cost trend rate sensitivity on OPEB liability

	1% decrease (7.00%)	Current health care cost trend rate (8.00%)	1% increase (9.00%)
Total OPEB liability	$217,657,079	$265,143,450	$328,291,317

2018

Health care cost trend rate sensitivity on OPEB liability

	1% decrease (6.00%)	Current health care cost trend rate (7.00%)	1% increase (8.00%)
Total OPEB liability	$253,215,704	$ 313,439,155	$394,264,401

The following presents the total OPEB liability of the state calculated using the discount rate of 3.87 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

2019

Discount rate sensitivity on OPEB liability

	1% decrease (2.87%)	Current discount rate (3.87%)	1% increase (4.87%)
Total OPEB liability	$319,700,665	$265,143,450	$222,577,012

2018

Discount rate sensitivity on OPEB liability

	1% decrease (2.58%)	Current discount rate (3.58%)	1% increase (4.58%)
Total OPEB liability	$382,434,466	$313,439,155	$260,047,860

Total OPEB Liability (TOL)

The TOL for the state of Washington was determined by an actuarial valuation, conducted by the Office of the State Actuary, using data as of June 30, 2018. The TOL reported at June 30, 2019 was calculated as of the valuation date. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is based on the proportionate share of the state's total active health care eligible employee head count

Changes in the total OPEB liability

The following is a schedule of the changes in the total OPEB liability for fiscal year 2019

Public Employee Benefits Board	2019
Total OPEB Liability at 7/1/2018	$ 313,439,155
Service cost	16,577,179
Interest	11,396,718
Differences between expected and actual experience	10,402,988
Changes of assumptions	(72,572,457)
Benefit payments	(4,813,404)
Changes in proportionate share	(9,286,729)
Total OPEB Liability at 6/30/2019	**$ 265,143,450**

Public Employee Benefits Board	2018
Total OPEB Liability at 7/1/2017	$ 341,792,867
Sevice cost	21,249,263
Interest	9,953,285
Changes of assumptions	(48,552,300)
Benefits payments	(5,072,353)
Other changes	(5,931,607)
Total OPEB Liability at 6/30/2018	**$ 313,439,155**

OPEB Costs WSU reported a liability of $265,143,450 and $313,439,155 for its proportionate share of the state's OPEB liability for the years ended June 30, 2019 and June 30, 2018 respectively. For fiscal year 2019 the OPEB values were measured as of June 30, 2018 by an actuarial valuation. WSU's share of the liability was 5.22% and 5.38% as of June 30, 2019 and June 30, 2018 respectively. For the years ended June 30, 2019 and June 30, 2018 the University's proportionate share of OPEB expense was $14,024,594 and $25,158,734 respectively.

For fiscal years 2019 and 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

2019	Deferred outflows of resources	Deferred inflows of resources
Difference between expected and actual experience	$ 9,247,100	
Changes of assumptions		$ 101,152,891
Changes in proportion		13,804,646
Payments subsequent to the measurement date	4,868,327	
Total	**$14,115,427**	**$114,957,537**

2018	Deferred outflows of resources	Deferred inflows of resources
Changes of assumptions		$ 43,157,600
Changes in proportion		5,192,911
Payments subsequent to the measurement date	$ 4,960,373	
Total	**$ 4,960,373**	**$ 48,350,511**

Deferred outflows of resources of $4,868,327 resulting from payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	$ (13,949,302)
2021	(13,949,302)
2022	(13,949,302)
2023	(13,949,302)
2024	(13,949,302)
Thereafter	(35,963,927)
Total	**$ (105,710,437)**

18. Federal Retirement Plans

Selected positions related to the College of Agricultural, Human, and Natural Resource Sciences are eligible to participate in two federal retirement systems maintained by the Office of Personnel Management.

Civil Service Retirement System

Civil Service Retirement System (CSRS) is a defined benefit retirement plan for employees with federal appointments hired prior to January 1, 1984, and who chose not to transfer to Federal Employees Retirement System (FERS). Retirement benefits are vested after an employee completes five years of eligible service.

As of June 30, 2019 the University had 1 employee enrolled in the plan.

Federal Employees Retirement System

The Federal Employees Retirement System (FERS) is a defined benefit retirement plan for employees with federal appointments hired after December 31, 1983, and those Civil Service Retirement System (CSRS) employees choosing to transfer into this system. Retirement benefits are vested after an employee completes five years of eligible service.

As of June 30, 2019 the University had 6 employees enrolled in the plan.

The University's retirement contribution rates for the Federal Retirement Plans are as follows

	Contribution rates		**Required employer contributions**	
	Employee	**University**	**2019**	**2018**
CSRS	7%	7%	$11,944	$17,551
FERS	0.8%	16%	$65,542	$66,920

19. Operating Expenses by Function

	2019				
	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 244,904,650	$ 21,216,551			$ 266,121,201
Research	133,831,612	72,363,820			206,195,432
Public service	29,320,498	8,835,426			38,155,924
Academic support	71,528,360	19,286,832			90,815,192
Student services	24,783,025	5,931,853			30,714,878
Institutional support	58,929,069	49,235,793			108,164,862
Operation and maintenance of plant	29,023,450	40,936,129			69,959,579
Auxiliary enterprises	84,357,537	75,015,455			159,372,992
Student financial aid			$ 61,616,095		61,616,095
Depreciation				$ 102,317,684	102,317,684
Total operating expenses	**$ 676,678,201**	**$ 292,821,859**	**$ 61,616,095**	**$ 102,317,684**	**$ 1,133,433,839**

	2018 Restated				
	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	$ 249,580,842	$ 22,756,100			$ 272,336,942
Research	133,120,911	61,052,313			194,173,224
Public service	33,708,376	8,458,490			42,166,866
Academic support	67,483,762	18,683,124			86,166,886
Student services	24,278,718	5,936,103			30,214,821
Institutional support	69,667,720	43,570,685			113,238,405
Operation and maintenance of plant	28,711,322	38,906,779			67,618,101
Auxiliary enterprises	87,756,037	72,600,968			160,357,005
Student financial aid			$ 63,480,962		63,480,962
Depreciation				$ 104,315,068	104,315,068
Total operating expenses	**$ 694,307,688**	**$ 271,964,562**	**$ 63,480,962**	**$ 104,315,068**	**$ 1,134,068,280**

20. Blended Component Unit

Below are the condensed financial statements for the Alumni Association.

Statement of financial position	2019	2018
Assets		
Total assets	**$ 14,567,133**	**$ 17,640,681**
Liabilities		
Other liabilities	$736,211	$177,874
Total liabilities	**736,211**	**177,874**
Net assets		
Without donor restrictions	11,681,067	12,698,654
With donor restrictions	2,149,855	4,764,153
Total net assets	**13,830,922**	**17,462,807**
Total liabilities and net assets	**$ 14,567,133**	**$ 17,640,681**

Statement of activities		
Revenue		
Support from WSU	$ 2,501,375	$ 2,465,941
Income from assets, net	742,358	1,431,963
Total revenue	**3,243,733**	**3,897,904**
Expense		
Program services	1,545,579	1,383,515
Support services	1,804,898	1,812,910
Total expenses	**3,350,477**	**3,196,425**
Nonoperating		
Nonoperating transfers out	(3,525,141)	–
Change in net assets	(3,631,885)	701,479
Net assets—beginning of year	17,462,807	16,761,328
Net assets—end of year	**$ 13,830,922**	**$ 17,462,807**

Statement of cash flows		
Operating activities		
Net cash used by operating activities	$ (317,763)	$ (503,761)
Investing activities		
Distribution from pooled endowment investment securities	166,617	648,044
Net increase (decrease) in cash	(151,146)	144,283
Cash—beginning of year	2,264,065	2,119,782
Cash—end of year	**$ 2,112,919**	**$ 2,264,065**

21. Commitments and Contingencies

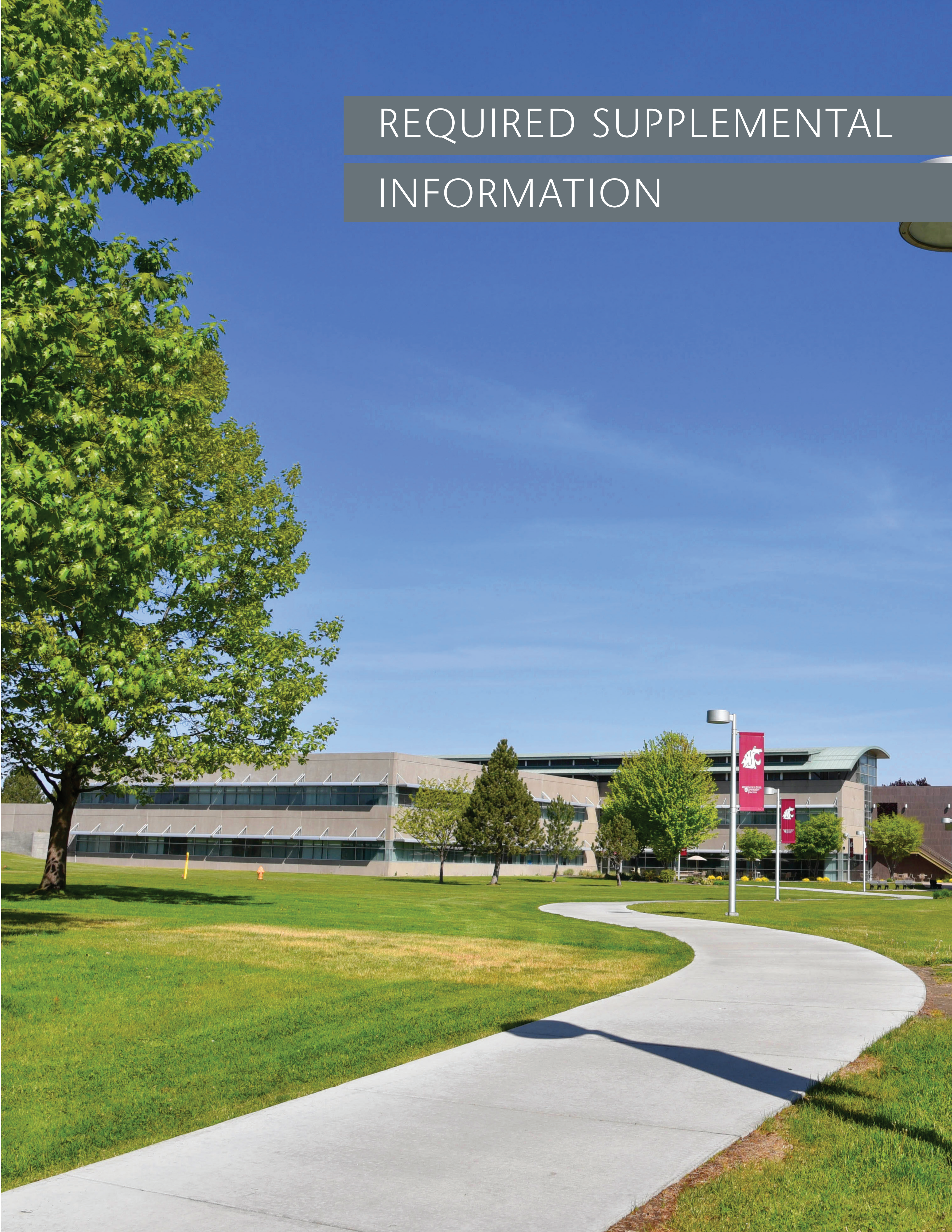
The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statement.

The University will refund the 2009 Trust and Building Fee series bonds early in fiscal year 2020. This will result in a zero cash exchange, but will have a present value savings on future cash flow of $12,570,522.

The University expects to issue new debt obligations with net proceeds after cost of issuance not to exceed $3,500,000 and a maximum term not to exceed 5.5 years. The debt proceeds will be used to complete the baseball clubhouse to include a locker room, pitching lab, academic space, team meeting rooms and areas for equipment and training.

The University has commitments of $43,215,647 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

REQUIRED SUPPLEMENTAL INFORMATION



Schedule of WSU Contributions

Public Employees' Retirement System (PERS) Plan 1 Last 10 Fiscal Years
Fiscal year ending June 30*

	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 6,645,224	$ 6,354,037	$ 5,873,872	$ 5,739,650	$ 4,445,539	$ 4,108,597
Contributions in relation to the contractually required contribution	(6,645,224)	(6,354,037)	(5,873,872)	(5,739,650)	(4,445,539	(4,108,597)
Contribution deficiency (excess)	–	–	–	–	–	–
Covered payroll	$128,281,013	$124,750,748	$ 120,938,855	$120,186,698	$ 107,767,738	$ 99,541,744
Contributions as a percentage of covered payroll	5.18%	5.09%	4.86%	4.78%	4.13%	4.13%

This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Public Employees' Retirement System (PERS) Plan 2/3 Last 10 Fiscal Years
Fiscal year ending June 30*

	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 9,548,591	$ 9,135,929	$ 7,429,172	$ 7,202,615	$ 5,285,672	$ 4,742,786
Contributions in relation to the contractually required contribution	(9,548,591)	(9,135,929)	(7,429,172)	(7,202,615)	(5,285,672)	(4,742,786)
Contribution deficiency (excess)	–	–	–	–	–	–
Covered payroll	$127,047,653	$123,376,553	$119,248,641	$118,023,229	$105,292,307	$96,729,193
Contributions as a percentage of covered payroll	7.52%	7.40%	6.23%	6.10%	5.02%	4.90%

This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Teachers Retirement System Last (TRS) Plan 1 Last Fiscal Years
Fiscal year ending June 30*

	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 925,684	$ 806,421	$ 659,336	$ 402,431	$ 292,813	$ 164,453
Contributions in relation to the contractually required contribution	(925,684)	(806,421)	(659,336)	(402,431)	(292,813)	(164,453)
Contribution deficiency (excess)	–	–	–	–	–	–-
Covered payroll	$12,505,211	$11,393,621	$10,512,086	$ 8,871,010	$6,390,188	$3,741,023
Contributions as a percentage of covered payroll	7.40%	7.08%	6.27%	4.54%	4.58%	4.40%

This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Teachers Retirement System (TRS) Plan 2/3 Last 10 Fiscal Years*
Fiscal year ending June 30*

	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 974,731	$ 868,149	$ 701,980	$ 712,476	$ 359,625	$ 207,092
Contributions in relation to the contractually required contribution	(974,731)	(868,149)	(701,980)	(712,476)	(359,625)	(207,092)
Contribution deficiency (excess)	–	–	–	–	–	–
Covered payroll	$ 12,448,690	$ 11,338,800	$ 10,446,117	$ 8,802,686	$ 6,327,223	$ 3,642,005
Contributions as a percentage of covered payroll	7.83%	7.66%	6.72%	8.09%	5.68%	5.69%

This schedule is to be built prospectively until it contains ten years of data.

Schedule of WSU Contributions

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Last 10 Fiscal Years
Fiscal year ending June 30*

	2019	2018	2017	2016	2015	2014
Contractually required contributions	$ 199,047	$ 189,919	$ 143,426	$ 145,308	$ 136,419	$ 122,092
Contributions in relation to the contractually required contribution	(199,047)	(189,919)	(143,426)	(145,308)	(136,419)	(122,092)
Contribution deficiency (excess)	–	–	–	–	–	–
Covered payroll	$ 2,274,829	$ 2,177,248	$1,705,430	$1,691,590	$ 1,638,448	$ 1,461,750
Contributions as a percentage of covered payroll	8.75%	8.72%	8.41%	8.59%	8.33%	8.35%

**This schedule is to be built prospectively until it contains ten years of data.*

Schedule of WSU Contributions

WSURP Supplemental Retirement Plan as of June 30*

	2019	2018	2017
Contractually required contributions	$ 25,478,226	$ 25,552,852	$ 25,429,397
Contributions in relation to the contractually required contribution	(25,478,226)	(25,552,852)	(25,429,397)
Contribution deficiency (excess)	–	–	–
Covered payroll	$171,012,253	$186,365,000	$ 196,596,000
Contributions as a percentage of covered payroll	14.90%	13.71%	12.93%

**This schedule is to be built prospectively until it contains ten years of data.*

Schedule of WSU's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 1
Measurement Date of June 30*

	2018	2017	2016	2015	2014
PERS 1 employers' proportion of the net pension liability	0.95%	0.98%	1.01%	0.97%	0.93%
PERS 1 employers' proportionate share of the net pension liability	$ 42,454,119	$ 46,335,497	$ 54,355,128	$ 50,597,060	$ 46,759,620
PERS 1 employers' covered payroll	$124,750,748	$120,938,855	$116,436,524	$108,182,777	$ 98,779,796
PERS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	34.03%	38.31%	46.68%	46.77%	47.34%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	61.19%

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

Schedule of WSU's Proportionate Share of the Net Pension Liability

Public Employees' Retirement System (PERS) Plan 2/3
Measurement Date of June 30*

	2018	2017	2016	2015	2014
PERS 2 employers' proportion of the net pension liability	1.18%	1.22%	1.25%	1.19%	1.12%
PERS 2 employers' proportionate share of the net pension liability	$ 20,215,832	$ 42,261,445	$ 62,818,595	$ 42,397,358	$ 22,694,083
PERS 2 employers' covered payroll	$ 123,376,553	$119,248,641	$ 114,375,414	$ 105,747,583	$ 95,879,972
PERS 2 employers' proportionate share of the net pension liability as a percentage of its covered payroll	16.39%	35.44%	54.92%	40.09%	23.67%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	93.29%

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

Schedule of WSU's Proportionate Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 1
Measurement Date of June 30*

	2018	2017	2016	2015	2014
TRS 1 employers' proportion of the net pension liability	0.19%	0.19%	0.18%	0.13%	0.08%
TRS 1 employers' proportionate share of the net pension liability	$ 5,663,057	$ 5,696,321	$ 6,014,486	$ 4,144,932	$ 2,452,825
TRS 1 employers' covered payroll	$11,393,621	$10,512,086	$ 8,491,289	$6,453,097	$ 3,791,772
TRS 1 employers' proportionate share of the net pension liability as a percentage of its covered payroll	49.70%	54.19%	70.83%	64.23%	64.49%
Plan fiduciary net position as a percentage of the total pension liability	66.52%	65.58%	62.07%	65.70%	68.77%

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

Schedule of WSU's Proportionate Share of the Net Pension Liability

Teachers' Retirement System (TRS) Plan 3
Measurement Date of June 30*

	2018	2017	2016	2015	2014
TRS 3 employers' proportion of the net pension liability	0.20%	0.19%	0.18%	0.14%	0.08%
TRS 3 employers' proportionate share of the net pension liability	$ 878,956	$ 1,758,409	$ 2,438,303	$ 1,141,883	$ 272,606
TRS 3 employers' covered payroll	$11,338,800	$ 10,446,117	$ 8,426,012	$ 6,390,132	$3,699,860
TRS 3 employers' proportionate share of the net pension liability as a percentage of its covered payroll	7.75%	16.83%	28.94%	17.87%	7.37%
Plan fiduciary net position as a percentage of the total pension liability	96.88%	93.14%	88.72%	92.48%	96.81%

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

Schedule of WSU's Proportionate Share of the Net Pension Asset

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2
Measurement Date of June 30*

	2018	2017	2016	2015	2014
LEOFF 2 employers' proportion of the net pension asset	0.11%	0.09%	0.09%	0.09%	0.09%
LEOFF 2 employers' proportionate share of the net pension asset	$ 2,223,495	$1,259,899	$ 552,438	$ 956,615	$1,152,604
LEOFF 2 employers' covered payroll	$ 2,177,248	$1,705,430	$1,694,590	$1,638,448	$1,461,750
LEOFF 2 employers' proportionate share of the net pension asset as a percentage of its covered payroll	102.12%	73.88%	32.60%	58.39%	78.85%
Plan fiduciary net position as a percentage of the total pension asset	118.50%	113.36%	106.04%	111.67%	116.75%

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

Schedule of Changes in Total Pension Liability and Related Ratios

WSURP Supplemental Retirement Plan
Measurement Date of June 30*

	2019	2018	2017
Total pension liability			
Service costs	$ 2,111,920	$ 2,763,000	$ 3,803,000
Interest	3,240,556	3,261,000	3,140,000
Changes of benefit terms	–	–	–
Differences between expected and actual experience	(1,022,479)	(7,171,000)	(16,390,000)
Changes in assumptions	7,997,446	(3,255,000)	(6,574,000)
Benefit payments	(2,438,920)	(2,181,000)	(1,890,000)
Other	–	1,268	–
Net change in total pension liability	**9,888,523**	**(6,581,732)**	**(17,911,000)**
Total pension liability—beginning	**82,831,268**	**89,413,000**	**107,324,000**
Total pension liability—ending	**92,719,791**	**82,831,268**	**89,413,000**
Covered-employee payroll	**$ 171,012,253**	**$ 186,365,000**	**$ 196,596,000**
Total pension liability as a percentage of covered payroll	54.22%	44.45%	45.48%

– indicates data not available.

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

Note: Figures may not total due to rounding.

Source: Washington State Office of the State Actuary

Schedule of Changes in Total OPEB Liability

Measurement Date of June 30*

	2019	2018
Total OPEB liability		
Service cost	$ 16,577,178	$ 21,249,263
Interest	11,396,717	9,953,285
Changes of benefit terms	10,402,988	–
Differences between expected and actual experience	(72,572,455)	(48,552,300)
Changes in assumption	–	–
Benefits payments	(4,813,404)	(5,072,353)
Changes in proportionate share	(9,286,729)	(5,931,607)
Other		-
Net changes in total OPEB liability	**(48,295,705)**	**(28,353,712)**
Total OPEB liability—beginning	**313,439,155**	**341,792,867**
Total OPEB liability—ending	**265,143,450**	**313,439,155**
Covered-employee payroll	**$ 70,794,306**	**$ 70,792,643**
Total OPEB liability as a percentage of covered-employee payroll	375%	443%

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

Schedule of WSU's Proportionate Share of the Net OPEB Liability

Measurement Date of June 30*

	2018	2017
OPEB employers' proportion of the net OPEB liability	5.22%	5.38%
OPEB employers' proportionate share of the net OPEB liability	$ 265,143,450	$ 313,439,155
OPEB employers' covered-employee payroll	$ 70,794,306	$ 70,792,643
OPEB employers' proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	375%	443%

Notes to Required Supplementary Information for the Year ended June 30, 2019

DRS Administered Plans

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

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

University Administered Plans

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

As required under GASB 73, the discount rate was changed from 3.87% to 3.50% reflected in the changes in assumption. This decrease in discount rate, increased the liability. Also, actual CREF return was lower than expected at 4.97% compared to the expected rate of 6.5%. This is reflected in the differences between expected and actual experience, resulting in an increase in the total pension liability.

Health Care Authority Administered OPEB Plan

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

A material assumption change was an increase to the discount rate from 3.58% to 3.87%, reflected in the change in assumptions. This decreased the total OPEB liability.

2019 Annual Financial Report

Fiscal year ended June 30, 2019

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We would like to acknowledge the following staff responsible for the content of this report:

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