

**WESTERN WASHINGTON UNIVERSITY
BELLINGHAM, WASHINGTON**

HOUSING AND DINING SYSTEM

FINANCIAL REPORT

JUNE 30, 2004

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Western Washington University
Bellingham, Washington

We have audited the accompanying statements of net assets of Western Washington University Housing and Dining System as of June 30, 2004 and 2003, and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of Western Washington University Housing and Dining System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Washington University Housing and Dining System as of June 30, 2004 and 2003, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Peterson Sullivan PLLC

August 26, 2004

**WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM**

STATEMENTS OF NET ASSETS

June 30, 2004 and 2003

ASSETS	2004	2003
Current Assets		
Cash and cash equivalents (See Note 2)	\$ 12,074,772	\$ 5,304,673
Accounts receivable, net of allowance of \$57,017 and \$81,372 in 2004 and 2003, respectively	135,274	223,492
Interest receivable	105,994	22,327
Other receivables	24,324	253,002
Inventory	804	1,696
Insurance proceeds receivable (See Note 3)	54,568	1,343,416
Total current assets	12,395,736	7,148,606
Noncurrent Assets		
Restricted cash and cash equivalents (restricted for system renewals and replacements)	2,346,730	2,301,559
Restricted cash and cash equivalents (restricted for capital asset acquisitions)	5,393,017	11,732,988
Capital assets, net (See Note 4)	56,785,749	53,244,282
Total noncurrent assets	64,525,496	67,278,829
Total assets	76,921,232	74,427,435
 LIABILITIES		
Current Liabilities		
Accounts payable	1,911,310	2,493,397
Accrued expenses	469,601	445,245
Due to another WWU department (See Note 3)	30,818	678,682
Residents' housing deposits	1,153,460	1,009,270
Deferred revenue	1,992,050	189,544
Bonds interest payable	410,951	379,597
Current portion of bonds payable	1,445,000	945,000
Total current liabilities	7,413,190	6,140,735
Bonds Payable, less current portion (See Note 5)	41,574,986	42,904,370
Total liabilities	48,988,176	49,045,105
 NET ASSETS		
Invested in capital assets (including cash and cash equivalents restricted for capital asset acquisitions), net of related debt	19,158,780	17,127,900
Restricted for system renewals and replacements	2,361,282	2,554,560
Unrestricted (Revenue Fund and Capital Plan Fund)	6,412,994	5,699,870
Total net assets	\$ 27,933,056	\$ 25,382,330

See Notes to Financial Statements

**WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM**

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating revenue		
Room rent and food services	\$ 20,293,291	\$ 19,420,709
Service and activity fees	1,160,102	1,145,986
Student building fees	1,317,443	1,308,257
Conferences	1,112,731	1,041,375
Viking Union income	429,958	390,976
Rent	128,595	126,099
Commissions	157,095	146,371
Fees, penalties, and other income	308,305	355,794
	24,907,520	23,935,567
Operating expenses		
Cost of food services	7,235,445	6,913,851
Salaries and related benefits	4,849,560	4,804,007
Utilities	1,827,981	1,900,997
Repairs and maintenance	1,637,725	1,666,073
Communications	457,027	443,568
Insurance	422,246	424,234
Supplies	216,252	220,225
Furniture and equipment	212,538	241,615
Rent	29,051	63,760
Institutional services	265,137	258,832
Depreciation	1,744,745	1,649,427
Non-capitalizable renewals and replacements	1,905,304	1,434,103
Other	590,628	653,873
	21,393,639	20,674,565
Income from operations	3,513,881	3,261,002
Non-operating revenue (expenses)		
Investment income	352,909	179,542
Other non-operating revenue	300,000	300,000
Interest expense	(1,616,064)	(1,908,929)
	(963,155)	(1,429,387)
Change in net assets before transfers	2,550,726	1,831,615
Transfers in		62,110
Change in net assets	2,550,726	1,893,725
Net assets, beginning of year	25,382,330	23,488,605
Net assets, end of year	\$ 27,933,056	\$ 25,382,330

See Notes to Financial Statements

**WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM**

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2004 and 2003

	2004	2003
Cash flows from operating activities		
Cash received from students and other customers	\$ 28,886,322	\$ 22,572,360
Cash paid to suppliers and employees	(20,979,959)	(16,578,514)
Net cash flows from operating activities	7,906,363	5,993,846
Cash flows from noncapital financing activities		
Transfer in for Viking Union renovation		62,110
Cash flows from capital and related financing activities		
Proceeds from bond issuance		15,180,000
Payment of long-term debt	(829,384)	(4,024,600)
Payments on bond issuance costs		(340,037)
Interest payments, net of amounts capitalized	(1,584,710)	(1,756,488)
Purchase of capital assets	(4,740,279)	(2,975,451)
Net cash flows from capital and related financing activities	(7,154,373)	6,083,424
Cash flows from investing activities		
Interest received	269,242	182,504
Net change in cash	1,021,232	12,321,884
Cash and cash equivalents, beginning of year	19,339,220	7,017,336
Cash and cash equivalents, end of year	\$ 20,360,452	\$ 19,339,220
Current cash and cash equivalents	\$ 12,074,772	\$ 5,304,673
Restricted cash and cash equivalents (restricted for system renewals and replacements)	2,346,730	2,301,559
Restricted cash and cash equivalents (restricted for capital asset acquisitions)	5,393,017	11,732,988
	\$ 19,814,519	\$ 19,339,220
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 3,513,881	\$ 3,261,002
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	1,744,745	1,649,427
Change in operating assets and liabilities		
Accounts receivable	88,218	19,022
Insurance proceeds receivable	1,288,848	(1,343,416)
Other receivables	228,678	
Inventory	892	
Accounts payable	(582,087)	1,578,395
Accrued expenses	24,356	8,014
Residents' housing deposits	144,190	181,533
Deferred revenue	2,102,506	(38,813)
Due to another WWU department	(647,864)	678,682
Cash flows from operating activities	\$ 7,906,363	\$ 5,993,846

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization

Western Washington University Housing and Dining System ("the Housing and Dining System") operates residence halls, an apartment complex, the Commissary/Warehouse, the Viking Union and Lakewood Recreational Facility located on or near the Western Washington University ("WWU") campus.

WWU allocates certain general and administrative charges to departments for which services are performed. The effects of these transactions are included in these financial statements.

Financial Statement Presentation

The financial statements are presented in accordance with governmental accounting principles generally accepted in the United States. These statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the Housing and Dining System. The statements presented herein are: Statements of Net Assets, Statements of Revenue, Expenses and Changes in Net Assets, and Statements of Cash Flows. These financial statements present only a selected portion of the activities of WWU. As such, they are not intended to and do not present either the financial position, results of operations or changes in net assets of WWU.

Basis of Accounting

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

Net Assets

The Housing and Dining System's net assets are classified as follows:

- Invested in Capital Assets, Net of Related Debt – This represents the Housing and Dining System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- Restricted for System Renewals and Replacements – Restricted net assets represent resources restricted by bond covenants for system renewals and replacements.
- Unrestricted Net Assets – Unrestricted net assets represent resources derived from operations and investing activities.

Classification of Revenues

The Housing and Dining System has classified its revenue as either operating or non-operating according to the following criteria:

- **Operating Revenue** – Operating revenue include activities that have the characteristics of exchange transactions, such as (1) student room and board fees, (2) service and activity fees, and (3) conference and commission revenue.
- **Non-operating Revenue** – Non-operating revenue include activities that have the characteristics of non-exchange transactions, such as investment income.

Investments

Investments held by the Housing and Dining System include time certificates of deposit with original maturities of one to four years. The Housing and Dining System also invests in the Washington State Local Government Investor Pool ("LGIP"). The LGIP is administered by the Washington State Treasurer for short-term investments by Washington local governments and higher education organizations. The investments include short-term instruments, primarily U.S. Treasuries and repurchase agreements. The funds are available for immediate access by the Housing and Dining System. All investments except LGIP deposits are held in WWU's name and are partially insured through the Federal Deposit Insurance Corporation and further collateralized by assets held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

Accounts Receivable

Receivables are primarily from students of WWU and are unsecured. The Housing and Dining System considers all accounts past due when they remain unpaid three days after their due dates. The allowance method (based on historical collection rates) is used for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

The capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. The basis of valuation for assets purchased or constructed is cost. The costs of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 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 in 2004 and 2003 was \$543,933 and \$103,855, respectively.

Residents' Housing Deposits

Residents' housing deposits are security deposits for the school year and pre-payments to secure housing for the following school year.

Deferred Revenue

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. Revenue related to the first few weeks of each summer session (room and board charges) are deferred until the following fiscal year since the amount is immaterial.

Bond Premiums/Discounts and Issuance Costs

Bond premiums/discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts and issuance costs are presented net of the face amount of bonds payable.

Income Taxes

As a part of WWU, the Housing and Dining System is exempt from federal income taxes.

Fund Accounting

For internal accounting purposes, the Housing and Dining System uses fund accounting. Funds are defined as follows:

- **Revenue Fund** – This fund accounts for operating revenues and expenditures of the Ridgeway Residences and Dining Hall, Higginson Hall, Highland Hall, Edens Hall and Edens Hall North, Viking Union Complex, Viking Commons Dining Hall, Mathes Hall, Nash Hall, Commissary, Fairhaven Residences and Dining Hall, Birnam Wood Apartments, Buchanan Towers, and Lakewood Recreational Facility. A portion of the revenue fund is designated for capital improvements. Designated amounts at June 30, 2004 and 2003 totaled \$5,553,349 and \$4,114,348, respectively.
- **Plant Funds** – These funds account for resources used for minor capital projects, public works projects, renewal and replacement projects, and new construction. It is also used to record funds set aside for renewal and replacement of the Housing and Dining System properties, funds accumulated for the retirement of bonded indebtedness on the Housing and Dining System facilities, and funds already expended in plant assets.

Assets of the investment in plant fund consist of the Housing and Dining System's investment in buildings, improvements other than buildings, construction in progress, and equipment. The fund generally excludes all land because it is owned by WWU. The investment in plant fund also includes the outstanding balance of long-term debt obtained to finance the construction of the Housing and Dining System assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Financial Statement Reclassification

Certain amounts on the June 30, 2003, financial statements have been reclassified to conform to the June 30, 2004, financial statement presentation.

Note 2. Cash and Cash Equivalents

In order to maximize investment income, the Housing and Dining System pools cash with other WWU funds which are commonly invested. For purposes of the statements of cash flows, the Housing and Dining System considers funds advanced to WWU as cash equivalents. Investment income is allocated to the Housing and Dining System in proportion to its average balance in the investment pool. The WWU investment pool is invested in demand deposits, time certificates of deposit, and the LGIP. These securities have varying maturities of up to four years.

The market value of pooled fund investments approximates the cost of these investments. The portion of the investments comprising the pooled fund that are invested in demand deposits, time certificates of deposit, and the LGIP are partially insured through the Federal Deposit Insurance Corporation and further collateralized by assets held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission.

The Housing and Dining System's cash and cash equivalents are categorized to give an indication of the level of custodial risk assumed by the Housing and Dining System. Category 1 includes cash and cash equivalents that are insured or registered and are held by the Housing and Dining System or its agent in the Housing and Dining System's name. Category 2 includes uninsured and unregistered cash and cash equivalents held by the Housing and Dining System or its agent.

On June 30, the cost basis of cash and cash equivalents was as follows:

	2004		2003	
	Cost	Category	Cost	Category
Investment in WWU investment pool	\$12,252,757	2	\$ 7,891,099	2
Certificates of deposits municipal investors accounts	6,652,192	1	11,267,000	1
U.S. Treasury securities	30,810	1	30,633	1
Local Government Investment Pool	371,957	2	150,488	2
Savings account	506,803	1		
	<u>\$19,814,519</u>		<u>\$19,339,220</u>	

Note 3. Insurance Proceeds Receivable

The Housing and Dining System occupies two floors of the three-story Fairhaven Administration building on campus. On November 26, 2002, a fire broke out on the second floor of the building in the laundry room. The fire and smoke damaged all three floors of the building and the loss was estimated at \$3,124,097. WWU was insured for the majority of the loss. The uninsured portion of the loss was \$616,780. The insurance proceeds of \$2,507,317 were split between the Housing and Dining System and another WWU department with two-thirds going to the Housing and System and one-third to the other department. The uninsured loss and deductible were split in the same proportion.

As of June 30, 2004, WWU had settled negotiations with the insurer regarding the final claim value. The remaining amount due from the insurer is \$54,568 of which the Housing and Dining System owes WWU \$30,818. All repair costs related to the fire were recognized as of June 30, 2003. The actual loss to the Housing and Dining System in excess of the reimbursement from the insurance company was \$226,275 and was recognized in 2003 as part of non-capitalizable renewals and replacements.

Note 4. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2004:

Description	June 30, 2003, Balance	Additions	Retirement s	Transfers	June 30, 2004, Balance
Buildings and building improvements	\$ 69,333,778	\$ 22,440	\$ -	\$ -	\$ 69,356,218
Improvements other than buildings	472,782				472,782
Furniture, fixtures, and equipment	796,838	97,392	(5,049)		889,181
Infrastructure	4,197,856			294,708	4,492,564
Construction in progress	3,445,981	5,166,380		(294,708)	8,317,653
Total cost	78,247,235	5,286,212	(5,049)		83,528,398
<u>Accumulated Depreciation</u>					
Buildings and building improvements	23,795,709	1,499,804			25,295,513
Improvements other than buildings	179,636	36,487			216,123
Furniture, fixtures, and equipment	606,481	84,935	(5,049)		686,367
Infrastructure	421,127	123,519			544,646
Total accumulated depreciation	25,002,953	1,744,745	(5,049)		26,742,649
Net	<u>\$ 53,244,282</u>	<u>\$ 3,541,467</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,785,749</u>

Following are the changes in capital assets for the year ended June 30, 2003:

Description	June 30, 2002, Balance	Additions	Retirement s	Transfers	June 30, 2003, Balance
Buildings and building improvements	\$ 69,118,588	\$ 85,016	\$ -	\$ 130,174	\$ 69,333,778
Improvements other than buildings	472,782				472,782
Furniture, fixtures, and equipment	750,754	52,499	(6,415)		796,838
Infrastructure	3,231,740			966,116	4,197,856
Construction in progress	1,682,626	2,859,645		(1,096,290)	3,445,981
Total cost	75,256,490	2,997,160	(6,415)		78,247,235
<u>Accumulated Depreciation</u>					
Buildings and building improvements	22,293,226	1,502,483			23,795,709
Improvements other than buildings	143,248	36,388			179,636
Furniture, fixtures, and equipment	620,574	(7,678)	(6,415)		606,481
Infrastructure	302,893	118,234			421,127
Total accumulated depreciation	23,359,941	1,649,427	(6,415)		25,002,953
Net	<u>\$ 51,896,549</u>	<u>\$ 1,347,733</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,244,282</u>

Note 5. Bonds Payable

	June 30,	
	2004	2003
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 2% to 4.65%, and principal payments due in annual amounts ranging from \$555,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$15,085,000 at June 30, 2004, which is reported net of the unamortized original issue discount and debt issuance costs of \$463,870.	\$ 14,621,130	\$ 14,675,825
Series 1999 Housing and Dining Junior Lien Revenue Bonds, with interest rates ranging from 4.5% to 6.0%, and principal payments due in annual amounts ranging from \$315,000 to \$1,040,000 through June 1, 2026. The Series 1999 bonds have an aggregate face value of \$13,400,000 at June 30, 2004, which is reported net of the unamortized original issue discount and debt issuance costs of \$322,816.	13,077,184	13,368,792
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds, with interest rates ranging from 4.2% to 5.5%, and principal payments due in annual amounts ranging from \$560,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$16,020,000 at June 30, 2004, which is reported net of the unamortized original issue premium and debt issuance costs of \$698,328.	<u>15,321,672</u>	<u>15,804,753</u>
	43,019,986	43,849,370
Less current portion	<u>(1,445,000)</u>	<u>(945,000)</u>
	<u>\$ 41,574,986</u>	<u>\$ 42,904,370</u>

As part of the bond covenants, a Renewal and Replacement Fund has been established to pay extraordinary operating and maintenance expenses, to make capital replacements, expansions, additions, repairs and renewals of the Housing and Dining System, and to pay bond principal and interest to the extent other funds are not legally available. The balance of the Renewal and Replacement Fund must equal at least 5% of the principal balance of outstanding bonds. At June 30, 2004 and 2003, the fund balance of the Renewal and Replacement Fund was in compliance with this requirement.

Also, as part of the bond covenants, the Housing and Dining System pledged net revenue (as defined) in each fiscal year which must equal at least the greater of (1) 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (2) amounts required to be deposited during such fiscal year from net revenues into debt service and reserve funds established for outstanding bonds and into the Renewal and Replacement Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service. The actual ratio achieved complies with this requirement.

Each of the Series Resolutions require that Bond Reserve Accounts be created to secure principal and interest payments due on all outstanding bonds. The reserve may be funded by surety bonds. The Housing and Dining System has purchased surety bonds in satisfaction of the Bond Reserve Account requirements of each of the Series Resolutions.

The principal and interest maturities of bonds payable for years ending June 30 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,445,000	\$ 2,143,145	\$ 3,588,145
2006	1,495,000	2,091,970	3,586,970
2007	1,555,000	2,036,658	3,591,658
2008	1,605,000	1,976,930	3,581,930
2009	1,670,000	1,912,640	3,582,640
2010 - 2014	9,510,000	8,380,995	17,890,995
2015 - 2019	12,065,000	5,793,881	17,858,881
2020 - 2024	13,140,000	2,338,744	15,478,744
2025 - 2026	<u>2,020,000</u>	<u>181,000</u>	<u>2,201,000</u>
	44,505,000	<u>\$26,855,963</u>	<u>\$71,360,963</u>
Less unamortized charges	<u>1,485,014</u>		
	<u>\$ 43,019,986</u>		

Following are the changes in long-term liabilities for the year ended June 30, 2004:

<u>Bonds Payable</u>	<u>Balance, June 30, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance, June 30, 2004</u>	<u>Current Portion</u>
Series 2003 Revenue and Refunding Bonds	\$ 14,675,825	\$ -	\$ (54,695)	\$ 14,621,130	\$ 555,000
Series 1999 Junior Lien Revenue Bonds	13,368,792		(291,608)	13,077,184	330,000
Series 1998 Junior Lien Revenue Refunding Bonds	<u>15,804,753</u>		<u>(483,081)</u>	<u>15,321,672</u>	<u>560,000</u>
Total long-term liabilities	<u>\$ 43,849,370</u>	<u>\$ -</u>	<u>\$ (829,384)</u>	<u>\$ 43,019,986</u>	<u>\$1,445,000</u>

Following are the changes in long-term liabilities for the year ended June 30, 2003:

Bonds Payable	Balance, June 30, 2002	Additions	Retirements	Balance, June 30, 2003	Current Portion
Series 2003 Revenue and Refunding Bonds	\$ -	\$ 14,675,825	\$ -	\$ 14,675,825	\$ 95,000
Series 1999 Junior Lien Revenue Bonds	13,644,920		(276,128)	13,368,792	315,000
Series 1998 Junior Lien Revenue Refunding Bonds	16,050,570		(245,817)	15,804,753	535,000
Series 1992 Revenue Bonds	984,804		(984,804)		
Series 1991 Revenue and Refunding Bonds	2,241,208		(2,241,208)		
Total long-term liabilities	<u>\$ 32,921,502</u>	<u>\$ 14,675,825</u>	<u>\$(3,747,957)</u>	<u>\$ 43,849,370</u>	<u>\$ 945,000</u>

Total interest incurred on bonds payable for the year ended June 30, 2004, was \$2,161,997 (which includes approximately \$30,000 of bond amortization costs). Total interest incurred on bonds payable for the year ended June 30, 2003, was \$1,908,929 (which includes approximately \$76,000 of bond amortization costs).

In prior years, the Housing and Dining System defeased certain other Revenue Bonds. The assets used to defease these bonds and the liability for the defeased bonds are not included in the Housing and Dining System's financial statements. At June 30, 2004, the aggregate outstanding principal balance of these defeased bonds was \$1,825,000.

Note 6. Contract with Sodexo American, LLC

Sodexo America, LLC ("Sodexo") contracted with WWU to manage the dining services provided by the Housing and Dining System. As part of this contract, Sodexo provided \$3,000,000 to the Housing and Dining System for the acquisition of capital assets. This amount is being recognized as non-operating revenue on a straight-line basis over the ten-year life of the contract.

As of June 30, 2004, the Housing and Dining System had received a total of \$2,400,000 from Sodexo per the agreement. The remaining \$600,000 was withheld by Sodexo to purchase equipment for the Arntzen Hall eatery remodel and the Viking Commons bakery. These projects are anticipated to be completed by June 30, 2005.

Note 7. Pension Plan

As employees of WWU, the full-time Housing and Dining System employees are participants in the State of Washington Public Employees' Retirement System ("PERS") and the Teacher's Insurance and Annuity Association ("TIAA") or College Retirement Equities Fund ("CREF"). PERS is a defined benefit pension plan. The TIAA-CREF plan is a defined contribution plan. Under these plans, the employee and employer contribute a percentage of the employee's compensation. The Housing and Dining System contributed approximately \$88,000 and \$85,000 to these plans in 2004 and 2003, respectively. An actuarial valuation of the PERS plan for the Housing and Dining System as an entity is not available.

Note 8. Commitments

The Housing and Dining System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2004, these commitments totaled approximately \$3,388,000 for all funds.

Note 9. Expended for Plant Facilities

Expenditures by the Housing and Dining System to maintain and improve its facilities are listed below. Some of these projects are capitalized and increase the value of the Housing and Dining System's buildings. Others are costs to maintain the buildings and infrastructure and are expensed.

	June 30,	
	2004	2003
Birnam Wood Residences renovation	\$ 2,863,169	\$ 785,222
Highland Hall	1,408,723	1,724,916
Furnishings and equipment	339,981	199,626
Elevator upgrades	307,679	
Ridgeway Omega	237,494	
Fairhaven Residences fire restoration	232,261	1,737,107
Viking Union improvements	154,549	96,729
Mathes Hall carpet replacement	149,011	
Asbestos abatement and flooring	147,997	23,765
Arntzen Hall food service remodel	131,270	
Mathes Hall brick restoration	123,862	324,714
Viking Commons/Viking Union renovations	105,604	62,110
Nash Hall brick restoration	65,671	
Plumbing, heating and electrical	61,007	59,363
Fiber optics and network upgrades	52,916	43,927
Roof replacement	37,585	40,599
Bathroom and shower renovations	32,943	182,077
Higginson Hall renovation	1,023	
Student room renovations		45,346
Fairhaven Residences sewer improvements		245,638
Other	235,221	411,271
	<u>\$ 6,687,966</u>	<u>\$ 5,982,410</u>

S U P P L E M E N T A R Y I N F O R M A T I O N

PETERSON SULLIVAN PLLC

601 UNION STREET SUITE 2300 SEATTLE WA 98101 (206) 382-7777 FAX 382-7700
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Trustees
Western Washington University
Bellingham, Washington

Our audits were made for the purpose of forming an opinion on the basic financial statements of Western Washington University Housing and Dining System taken as a whole. The supplementary information on pages 17 through 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information on page 17 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental schedules of room and board rates and occupancy on pages 18 and 19 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

/s/ Peterson Sullivan PLLC

August 26, 2004

**WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM**

SCHEDULE OF INSURANCE COVERAGE

June 30, 2004

SUMMARY OF INSURANCE COVERAGE

WWU purchases buildings, contents, and business interruption insurance for the Housing and Dining System through its participation in the State of Washington Property Insurance program. The Housing and Dining System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from all real property up to \$100,000,000 per occurrence with a \$50,000 deductible. This \$100,000,000 coverage applies to each occurrence for all State of Washington agencies which participate in the program. Other highlights of insurance coverage are as follows:

- Replacement cost coverage for all scheduled buildings for all risk of physical loss or damage, including earthquake and flood coverage.
- The limit is \$100,000,000 per occurrence, with an aggregate of \$100,000,000 for earthquake and flood damage. There is a \$250,000 deductible per occurrence that increases to 3% of value of damaged property with a \$250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance – private insurance program, \$50,000,000 per accident, \$5,000 deductible on all insured objects.
- Bodily injury and property damage liability – State funded self-insurance program, \$12,500,000 per occurrence, zero deductible.

The Housing and Dining System's property insurance in effect at June 30, 2004, is summarized as follows:

	Values Used for Fire and Extended Coverage of Buildings
Ridgeway Residences and Commons	\$ 32,383,009
Fairhaven Residences and Commons	24,434,674
Buchanan Towers	16,027,991
Edens Hall and Edens Hall North	14,519,181
Viking Union, Addition and Commons	22,747,400
Birnam Wood Residences	9,914,995
Nash Hall	12,161,163
Mathes Hall	11,922,030
Higginson Hall	5,847,698
Commissary	4,603,288
Highland Hall	2,397,457
Lakewood Student Center	559,292
	\$ 157,518,178

**WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM**

SCHEDULES OF ROOM AND BOARD RATES

Year Ended June 30, 2004

(UNAUDITED)

RESIDENCE HALLS

	Meals Per Week			
	Platinum (or Unlimited/ Week)	Gold (or Unlimited/ Week)	Silver (or 15/Week)	Bronze (or 10/Week)
Room and Board Academic Year Contracts				
Double room/double occupancy	\$ 6,271	\$ 5,945	\$ 5,854	\$ 5,676
Single room/single occupancy	6,931	6,605	6,514	6,336
Double room/single occupancy (super single)	7,309	6,983	6,892	6,714
Triple room/triple occupancy	5,469	5,143	5,052	4,874

APARTMENTS

	Double with 2/Bedroom	Super Single 2/Bedroom	Family Rate
Apartment Only Academic Year Contracts			
Birnam Wood - 2 bedroom	\$ 2,061	\$ 4,122	\$ 8,247

**WESTERN WASHINGTON UNIVERSITY
HOUSING AND DINING SYSTEM**

SCHEDULE OF OCCUPANCY
Year Ended June 30, 2004

(UNAUDITED)

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed ⁽¹⁾	Operating ⁽²⁾		Designed Capacity	Operating Capacity
Fall 2003	3,927	3,822	3,645	92.8%	95.4%
Winter 2004	3,927	3,822	3,478	88.6%	91.0%
Spring 2004	3,927	3,822	3,338	85.0%	87.3%
Average	<u>3,927</u>	<u>3,822</u>	<u>3,487</u>	<u>88.8%</u>	<u>91.2%</u>

NOTES:

- (1) Designed capacity is the number of beds for which the Housing and Dining System was originally constructed and subsequently remodeled.
- (2) Operating capacity is the number of students that can effectively be accommodated in an academic quarter based on housing policies in effect for that quarter.