

**WESTERN WASHINGTON UNIVERSITY  
BELLINGHAM, WASHINGTON**

**WADE KING STUDENT RECREATION CENTER**

FINANCIAL REPORT

JUNE 30, 2005

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**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 Wade King Student Recreation Center ("the Recreation Center") as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Recreation Center's management. 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 Wade King Student Recreation Center as of June 30, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

/s/ Peterson Sullivan PLLC

August 4, 2005

**WESTERN WASHINGTON UNIVERSITY  
WADE KING STUDENT RECREATION CENTER**

**MANAGEMENT DISCUSSION AND ANALYSIS  
June 30, 2004 and 2005**

The following discussion and analysis provides an overview of the financial position and activities of the Wade King Student Recreation Center for the years ending June 30, 2004 and 2005. This discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes which follow this section.

**Financial Statement Overview**

The Wade King Student Recreation Center's financial reports include the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets, and the Statements of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board principles, which establish standards for external financial reporting for public colleges and universities. The statements have been prepared using the economic resources measurement focus and the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Wade King Student Recreation Center is a new facility, having opened in September of 2003. The comparison of fiscal years 2004 and 2005 must be viewed with the knowledge that fiscal year 2004 reflects 9 months of operations and fiscal year 2005 an entire fiscal year.

**Goals**

For fiscal year 2005, goals included increases in revenue, decreases the cost of operations, and increasing the maintenance reserve. This was to be accomplished while maintaining a quality facility and continuing to provide our clientele with a high standard of service and a wide selection of programs.

**Utilization Statistics**

Attendance for fiscal year 2005 totaled 411,843 visits by members and non-members. This figure does not include group attendance, such as participation in youth camps and facility rentals.

Membership continues to be almost equally divided among males and females. Facility utilization is most evident on Mondays, Tuesdays and Wednesdays; exceeding 3,000 members in a given day.

**Results of Operations**

Overall, net assets increased by \$192,195. This result is after consideration for increases from scheduled bond payments and required transfers to the WWU student loan fund.

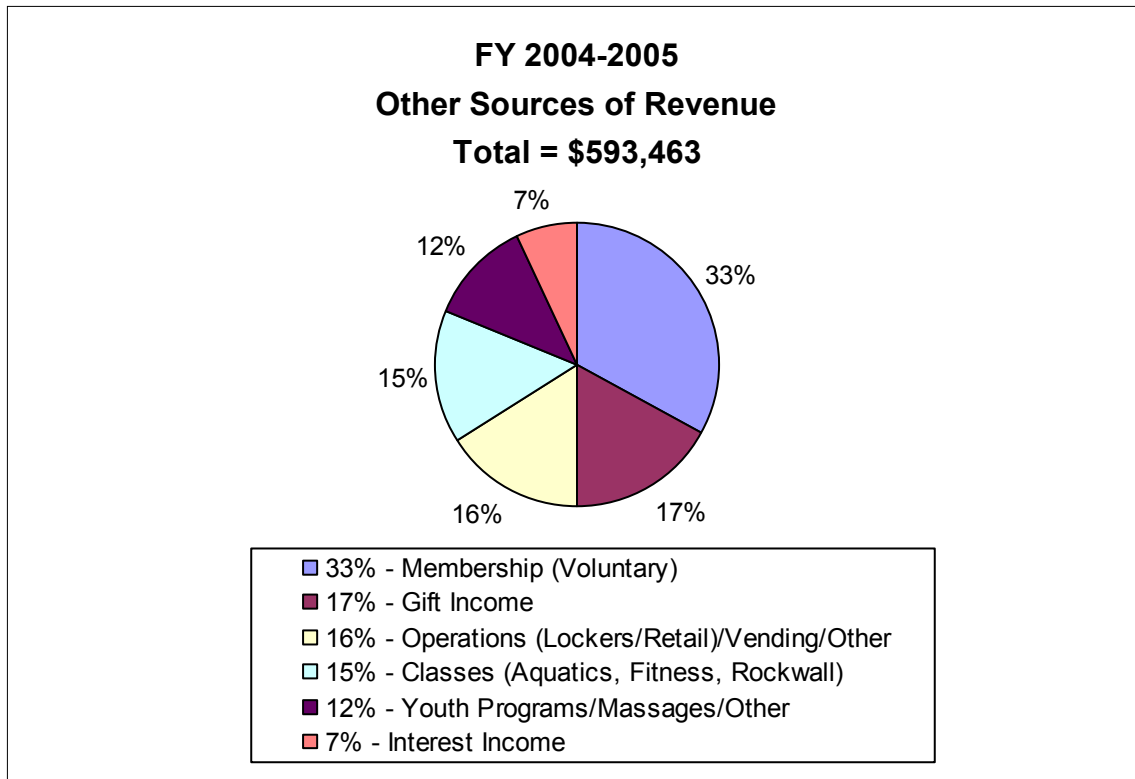
## Increased Revenues

The Mandatory Student Fee was increased from \$80 a quarter to \$85 per quarter. With increased enrollment, student fee revenue for FY 05 was \$3,323,124 or \$456,817 above fiscal year 2004.

Other sources of revenue (not including the Mandatory Student Fee) increased \$250,841 from the previous year. Voluntary memberships dominated 41% of the total of "other sources of revenue" in fiscal year 2005. The Voluntary Membership Fee was increased \$5 per quarter to match the increase to the Mandatory Student Fee. Actual membership revenue for Fiscal year 2005 was \$193,178, or \$91,271 above fiscal year 2004.

Other increases in revenue were due to increases in prices (for classes/lockers/other), expanded programming and new services. Overall demand increased the numbers of participants in classes and summer programs.

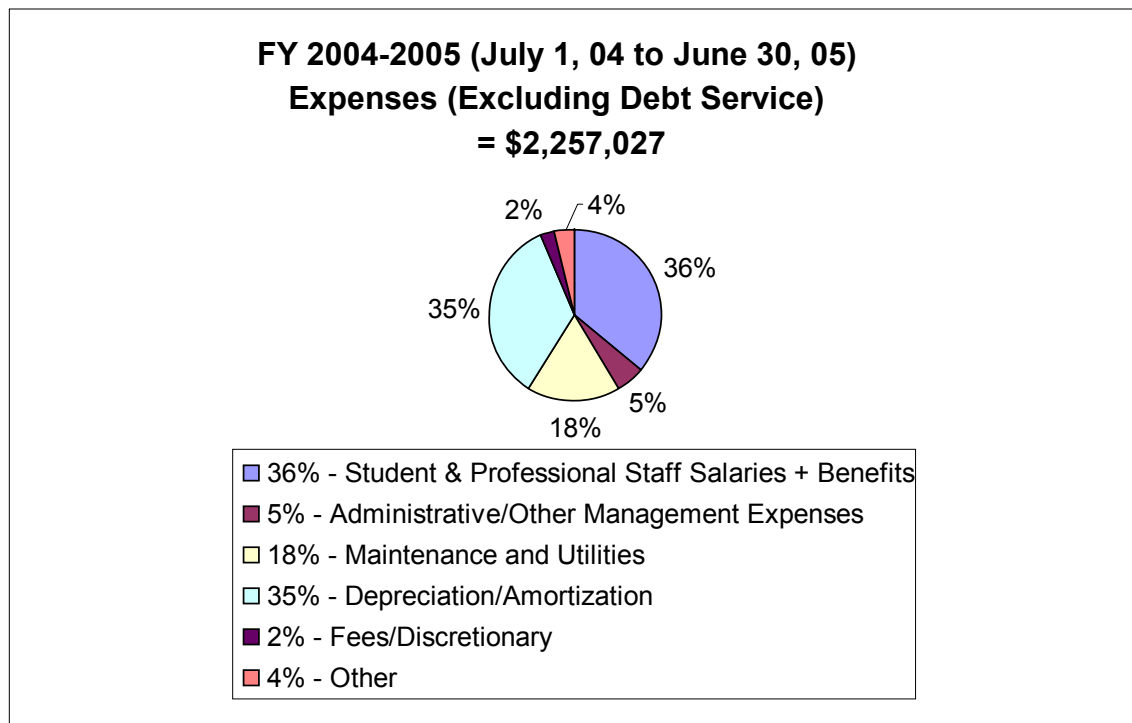
- Programming adjustments allowed for class participation to 2,282 members/non-members in over 222 classes offered during the 2005 academic year.
- Youth camps were expanded by establishing a new partnership with WWU's Extended Education Program. "Western's Kids Camp" total sales for summer 2005 equal \$65,205.
- Another new service of "contracted massage therapy" was established in February, 2005. Services are expected to expand.



## Reductions in Expenses

The majority of fiscal year 2005 expenses (not including Debt Service) were in student and professional salaries and benefits (37%).

- Student and Professional Staff Salaries and Benefits for fiscal year 2005 equal \$813,495 (for 12 month period). Most significant, Student and Professional Staff Salaries and Benefits from fiscal year 2004 equal \$811,104 (9 month period), less than a \$3,000 total increase.
- Hours of operation were reduced by 5 hours per week from 112 to 107. The hours reduced during times when the facility was utilized by less than 25 members. The resulting hours of operation are better than the national average of recreation centers. This reduction created substantial savings in student salaries.
- Student payroll was reduced as methods and systems were created to increase efficiency and minimize labor. Again, no decrease in the quality of service was reported.

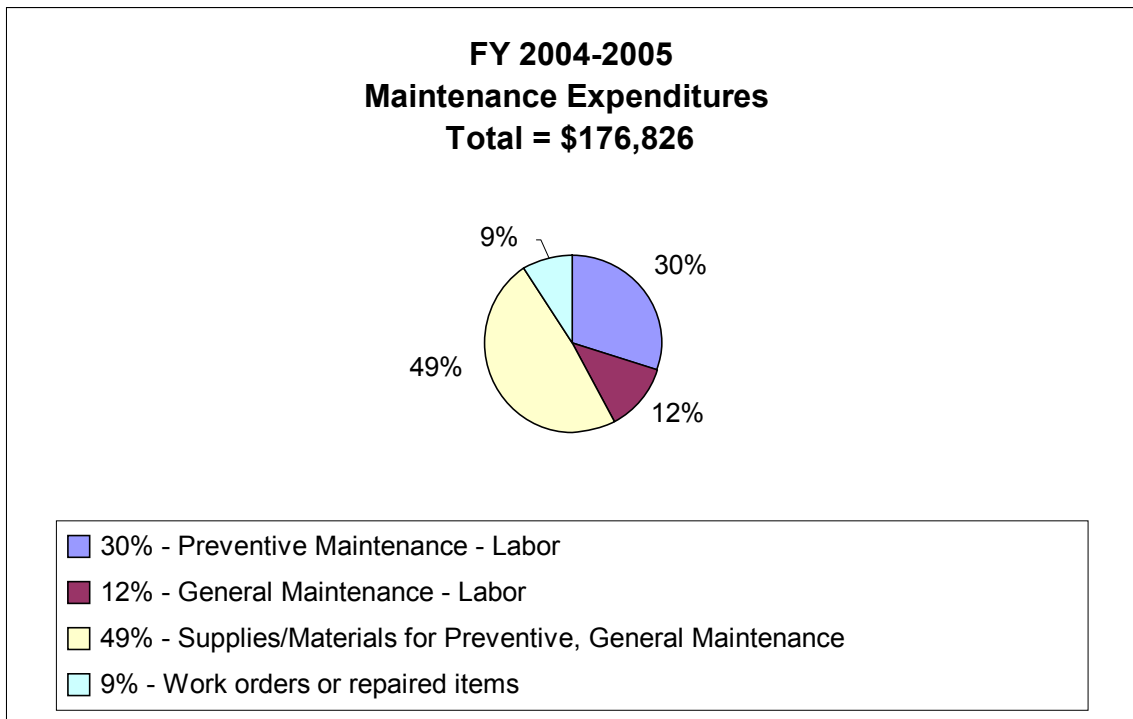


## Facilities and Maintenance

In order to maintain the "state of the art" facility, efforts continue to be made in the overall cleaning and maintenance of the facility.

- First year warranty items were all addressed and completed.
- Maintenance (building, equipment, facility improvements) and utilities accounted for 13% of total revenue.

- The building maintenance cost per member or non-member visit is estimated to be 54 cents. The estimated cost per visit for utilities is 62 cents.
- Due to the increased utilization, the fiscal year 2005 budget included \$50,000 for replacing fitness equipment. Instead, due to daily cleaning and preventive maintenance, replacement was not required. \$10,000 has been added to the fiscal year 2006 budget to repair the equipment, extending its life for an additional year.
- The focus for fiscal year 2005 was on preventive and general maintenance; and preserving warranties. Budgeted funds for building and equipment maintenance for fiscal year 2005 were \$221,000; actual expenditures totaled \$176,826 and are categorized as follows:

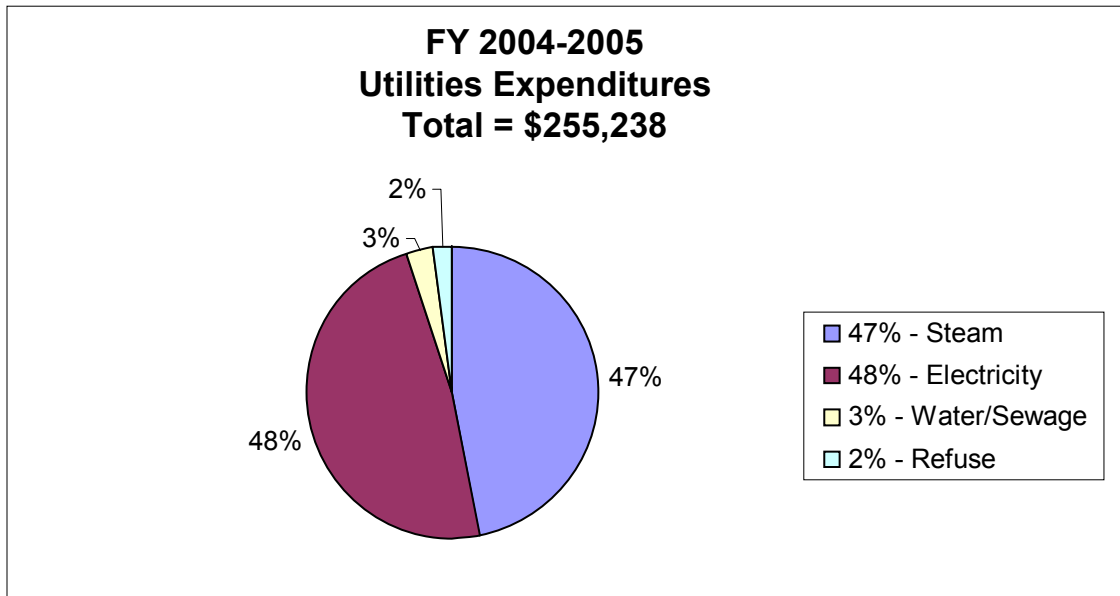


- \$20,709 was received in maintenance refunds, lowering the cost for maintenance.
- Funds were encumbered (\$42,360) for a sound system and the addition of lockers. Projects are scheduled for completion in fiscal year 2006.
- The pool is a "Calcium Hypo Chlorine System", which minimizes the use of sanitizing agents. Adjustments in the chemicals have been necessary to control water quality. Any long-term maintenance budget impact will be determined and included in future budget projections.

## Utilities

The goal for the utilities budget is to build in a contingency to absorb some of the additional costs due to market fluctuations associated with energy consumption and price increases.

There was an unbudgeted "13<sup>th</sup> month payment" of utilities this year due to changes in accounting practices. There was also an additional \$11,000 expense for steam due to an adjustment in the University's cost allocation. Fiscal year 2005 expenditures were therefore over budget. The fiscal year 2005 budgeted amount was \$251,000; actual expenditures totaled \$255,238 and were as follows:



The Wade King Student Recreation Center will be utilizing Renewable Energy Sources in 2005-06 for Electricity. This additional cost of energy will be borne by a portion of the Renewable Energy Fee that resulted from the student-generated initiative approved by the Board of Trustees in 2004-05.

## Reserves

- As planned, \$150,000 was transferred in fiscal year 2005 to the Renewal and Replacement Reserve. In fiscal year 2004, \$290,000 was transferred which was \$190,000 higher than planned in that year. The total balance is now \$440,000.
- An Operating Reserve was created to address increased equipment costs due to higher utilization as well as the general volatility of this type of operation; approximately \$650,000 was placed in this reserve at the end of fiscal year 2005.
- The Wade King donation commitment of \$50,000 per year now totals \$100,000 after two years and is dedicated to maintain the quality of the facility and its programs.



## **Future Challenges**

- With the potential for utility cost increases, contingencies will be built to minimize the need for additional reserves. Future student fee increases may need to account for any long-term level of utility cost increases.
- The level of reserves set aside for maintenance of equipment and the renewal and replacement of components of the facility will continue to be reviewed at least every 5 years as outlined in the bond covenants.
- Revenues from renting portions of the facility help the overall budget. However, facility rentals may continue to be a challenge due to the heavy utilization of the building and the desire to maintain service levels to student members.

## **Summary**

Overall Fiscal Year 2005 was a very successful year measure by increased membership/attendance and a financially sound status. Operating revenues and expenses are generating a sufficient level of net income to continue to fund reserves as planned. The current combined reserve level is approximately one million dollars.

If you have questions about this report or need additional financial information, contact the Wade King Student Recreation Center, at Western Washington University, 516 High Street, Bellingham, WA 98225.

**WESTERN WASHINGTON UNIVERSITY  
WADE KING STUDENT RECREATION CENTER**

STATEMENTS OF NET ASSETS

June 30, 2005 and 2004

ASSETS	<u>2005</u>	<u>2004</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 938,750	\$ 530,445
Accounts receivable, net of allowance of \$3,113 in 2005 and \$3,000 in 2004	92,652	110,491
Receivable from Western Washington University Foundation	100,350	
Inventory	<u>11,966</u>	<u>7,831</u>
Total current assets	1,143,718	648,767
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	440,000	290,000
Investments		114,172
Building and equipment, net	<u>26,496,925</u>	<u>27,188,388</u>
Total noncurrent assets	<u>26,936,925</u>	<u>27,592,560</u>
Total assets	28,080,643	28,241,327
 <b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	109,247	118,135
Deferred revenue	203,340	169,760
Interest payable	222,725	225,592
Current portion of bonds payable	<u>505,000</u>	<u>430,000</u>
Total current liabilities	1,040,312	943,487
<b>Noncurrent Liabilities</b>		
Bonds payable, less current portion	<u>26,164,793</u>	<u>26,614,497</u>
Total liabilities	<u>27,205,105</u>	<u>27,557,984</u>
 <b>NET ASSETS</b>		
Invested in Building and Equipment, net of related debt	(172,868)	258,063
Net Assets, restricted for system renewals and replacements	440,000	290,000
Net Assets, unrestricted, undesignated	<u>608,406</u>	<u>135,280</u>
Total net assets	<u>\$ 875,538</u>	<u>\$ 683,343</u>

See Notes to Financial Statements

**WESTERN WASHINGTON UNIVERSITY  
WADE KING STUDENT RECREATION CENTER**

STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
For the Years Ended June 30, 2005 and 2004

	2005	2004
Operating revenues		
Service and activity fees, net of mandatory transfer of \$116,682 in 2005 and \$100,321 in 2004	\$ 3,206,442	\$ 2,765,986
Staff, faculty, and alumni membership fees	193,178	101,907
Instructional course fees	91,767	51,360
Other course fees	72,007	25
Other revenues	95,537	48,356
Total operating revenues	3,658,931	2,967,634
Operating expenses		
Salaries and benefits	813,495	811,104
Utilities	255,238	210,080
Repairs and maintenance	176,826	110,253
Supplies and materials	108,167	98,286
Administrative assessment	32,000	
Depreciation	717,619	589,899
Other	71,868	75,848
Total operating expenses	2,175,213	1,895,470
<b>Income from operations</b>	<b>1,483,718</b>	<b>1,072,164</b>
Non-operating revenue (expense)		
Investment income	40,974	13,902
Interest expense	(1,350,683)	(560,526)
Amortization of bond discounts and costs	(56,201)	(50,197)
Gift income	100,000	
Parberry Fitness Center support	(25,613)	(42,000)
Total non-operating expenses	(1,291,523)	(638,821)
<b>Change in net assets</b>	<b>192,195</b>	<b>433,343</b>
Net assets, beginning of year	683,343	250,000
Net assets, end of year	\$ 875,538	\$ 683,343

See Notes to Financial Statements

**WESTERN WASHINGTON UNIVERSITY  
WADE KING STUDENT RECREATION CENTER**

**STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2005 and 2004**

	2005	2004
Cash Flows from Operating Activities		
Cash received from students and other customers	\$ 3,827,032	\$ 3,127,224
Cash paid to suppliers and employees	(1,466,426)	(2,019,498)
Net cash flows from operating activities	2,360,606	1,107,726
Cash Flows from Capital and Related Financing Activities		
Payments to contractors for construction of building		(3,252,068)
Purchases of equipment	(26,156)	(101,004)
Interest paid, net of amounts capitalized in 2004	(1,358,996)	(570,999)
Repayment of bonds payable	(430,000)	(1,379,919)
Transfer to WWU loan fund	(116,682)	(100,321)
Transfer to Parberry Fitness Center Support	(25,613)	(42,000)
Net cash flows from capital and related financing activities	(1,957,447)	(5,446,311)
Cash Flows from Investing Activities		
Sales of investments	114,172	3,938,904
Interest income	40,974	90,803
Net cash flows from investing activities	155,146	4,029,707
<b>Net change in cash and cash equivalents</b>	<b>558,305</b>	<b>(308,878)</b>
Cash and cash equivalents, beginning of year	820,445	1,129,323
Cash and cash equivalents, end of year	\$ 1,378,750	\$ 820,445
Current cash and cash equivalents	938,750	530,445
Restricted cash and cash equivalents	440,000	290,000
	\$ 1,378,750	\$ 820,445
Reconciliation of Operating Income to Net Cash Flows from Operating Activities		
Income from operations	\$ 1,483,718	\$ 1,072,164
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	717,619	589,899
Amortization of bond discounts	56,201	50,197
Change in operating assets and liabilities		
Accounts receivable	82,511	(110,491)
Accounts payable and accrued expenses	(8,888)	(655,972)
Deferred revenue	33,580	169,760
Inventory	(4,135)	(7,831)
Net cash flows from operating activities	\$ 2,360,606	\$ 1,107,726

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1. Organization and Significant Accounting Policies**

#### **Organization**

The Western Washington University Wade King Student Recreation Center ("the Recreation Center") is a self-supporting, auxiliary enterprise of Western Washington University ("WWU"). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of WWU. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, a wellness resource room, therapeutic massage room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on the WWU Campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU. Faculty and staff members may use the Parberry Fitness Center in addition to the Wade King Student Recreation Center when a membership is purchased. The Recreation Center supports the facility and equipment upgrades to the Parberry Fitness Center. Other revenues come from operating activities such as course fees and locker and facility rentals.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. His parents, Frank and Mary King, pledged a major gift to the WWU Foundation for athletic scholarships and for support to ensure continued quality facilities and programs at the Recreation Center. Currently, the WWU Foundation expects to distribute (but has not pledged) \$50,000 plus interest in perpetuity per year to the Recreation Center from the Kings' pledge.

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**

These 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 Recreation Center. The statements presented herein are: Statements of Net Assets, Statements of Revenues, 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 Recreational Center'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 Recreation Center's net assets are classified as follows:

Invested in building and equipment, net of related debt. This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets. The deficit in net assets relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

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

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

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

## **Mandatory Transfer**

Per Revised Code of Washington Section 28B.15.820, WWU is required to deposit a minimum of 3.5% of revenues collected from tuition and services and activities fees in an institutional financial aid fund.

This fund shall only be used to fund short or long term loans and grants to students in need.

## **Cash, Cash Equivalents, and Investments**

Cash, cash equivalents, and investments represent funds pooled with other WWU funds and commonly invested. Cash, cash equivalents, and investments that are used to fund WWU operations are classified as current assets. Cash, cash equivalents, and investments which are held for renewal and replacement are classified as non-current assets. WWU records all cash and cash equivalents at amortized cost, which approximates fair value. See Notes 2 and 3 to the financial statements for additional detail.

### **Accounts Receivable**

Receivables are recorded at their principal balances and are due primarily from WWU students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$3,113 and \$3,000 at June 30, 2005 and June 30, 2004 respectively, is adequate.

### **Inventory**

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

### **Building and Equipment**

The building used for the Recreation Center's operations is located on WWU property.

Building and equipment are stated at cost. The Recreation Center capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets.

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest costs 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. No interest was capitalized in 2005. The net interest capitalized in 2004 was \$826,227.

### **Deferred Revenue**

Summer quarter, which is the first quarter of WWU's fiscal year, begins shortly before June 30. Service and activity fees related to the first few weeks of each summer session are deferred until the following fiscal year.

### **Bond Discounts and Issuance Costs**

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

### **Income Taxes**

As part of WWU, the operations of the Recreation Center are exempt from federal income taxes.

## **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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **Financial Statement Reclassification**

Certain amounts on the June 30, 2004, financial statements have been reclassified to conform to the June 30, 2005, financial statement presentation.

## **Note 2. Cash and Cash Equivalents**

To maximize investment income, WWU combines funds from all departments into an investment pool. Investment income is allocated to the Recreation Center in proportion to its average balance in the investment pool. Recreation Center funds invested in the pool are classified as cash equivalents in these financial statements.

## **Interest Rate and Credit Risk**

The WWU investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool ("LGIP"). WWU manages exposure to fair value losses by employing a "laddered maturity" strategy, in which investments mature at varying times throughout the year. In accordance with WWU's Investment Policy, no investment maturity exceeds five years. The weighted average maturity of the WWU investment pool at June 30, 2005, is 8.5 months. Demand deposits and time certificates of deposit are partially insured through the Federal Deposit Insurance Corporation ("FDIC") and further collateralized by assets held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission ("PDPC").

The WWU pooled investment with the LGIP is invested in high-quality, short-term investments. All investments are required to be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations ("NRSROs") at the time of purchase. Investments are restricted to securities that mature in 397 days or less, and the portfolio maintains a weighted average maturity of 90 days or less.

## **Note 3. Investments**

At June 30, 2004, the Wade King Student Recreation Center bond funds were invested in the WWU pool and the LGIP. The bond funds were completely spent as of June 30, 2005.



#### Note 4. Building and Equipment

	June 30, 2004	Additions	Disposals	Transfers	June 30, 2005
Building	\$ 27,661,605	\$ 26,156	\$ -	\$ -	\$ 27,687,761
Equipment	116,682				116,682
Total building and equipment	27,778,287	26,156			27,804,443
Less accumulated depreciation	(589,899)	(717,619)			(1,307,518)
Building and equipment, net	<u>\$ 27,188,388</u>	<u>\$ (691,463)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,496,925</u>

	June 30, 2003	Additions	Disposals	Transfers	June 30, 2004
Building	\$ -	\$ -	\$ -	\$ 27,661,605	\$ 27,661,605
Equipment	15,678	101,004			116,682
Construction in progress	24,409,537	3,252,068		(27,661,605)	
Total building and equipment	24,425,215	3,353,072			27,778,287
Less accumulated depreciation		(589,899)			(589,899)
Building and equipment, net	<u>\$ 24,425,215</u>	<u>\$ 2,763,173</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,188,388</u>

#### Note 5. Bonds Payable

The Recreation Center issued the Revenue Bonds Series, 2002, in February 2002. The bonds bear interest at rates of 4% to 5% and mature serially until 2033. The bonds have an aggregate face amount of \$27,575,000 and \$28,005,000 at June 30, 2005 and 2004, which is reported net of the unamortized original issue discount, bond issuance costs, and a loss on defeasance (discussed below) of \$905,207 and \$960,503, respectively.

On May 1, 2004, the President of WWU approved a proposal to defease \$1,190,000 of the 2002 Revenue Bonds that were uncommitted due to lower than anticipated construction costs. Of these funds, \$191,000 was used toward the May 1, 2004, interest payment with the remaining \$999,000 placed in an escrow account to purchase United States Treasury securities used to legally defease \$945,000 of the bonds and pay related costs of \$54,000.

Management expects the defeasance will provide a savings of approximately \$2.3 million in debt service over the life of the bonds. WWU incurred an accounting loss of \$74,795 as a result of the defeasance. This loss is being amortized over the remaining life of the bonds.

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>
2006	\$ 505,000	\$ 1,336,350	\$ 1,841,350
2007	525,000	1,316,150	1,841,150
2008	545,000	1,295,150	1,840,150
2009	565,000	1,273,350	1,838,350
2010	585,000	1,250,750	1,835,750
2011-2015	3,350,000	5,851,868	9,201,868
2016-2020	4,230,000	4,972,500	9,202,500
2021-2025	5,385,000	3,805,500	9,190,500
2026-2030	6,880,000	2,316,750	9,196,750
2031-2033	5,005,000	508,500	5,513,500
	<u>27,575,000</u>	<u>\$23,926,868</u>	<u>\$51,501,868</u>
Less unamortized costs	(834,205)		
Less unamortized loss on defeasance	<u>(71,002)</u>		
	<u>\$26,669,793</u>		

Following are the changes in bonds payable:

	<u>Balance June 30, 2004</u>	<u>Additions and Amortization of Bond Costs</u>	<u>Retirements (including the defeasance)</u>	<u>Balance June 30, 2005</u>	<u>Current Portion</u>
Series 2002 Revenue Bonds, net of unamortized bond costs of \$834,204 and \$885,708 at June 30, 2005 and 2004, respectively	<u>\$27,044,497</u>	<u>\$ 55,296</u>	<u>\$ (430,000)</u>	<u>\$26,669,793</u>	<u>\$ 505,000</u>
	<u>Balance June 30, 2003</u>	<u>Additions and Amortization of Bond Costs</u>	<u>Retirements</u>	<u>Balance June 30, 2004</u>	<u>Current Portion</u>
Series 2002 Revenue Bonds, net of unamortized bond costs of \$885,708 and \$965,584 at June 30, 2004 and 2003, respectively	<u>\$28,424,416</u>	<u>\$ 5,081</u>	<u>\$(1,385,000)</u>	<u>\$27,044,497</u>	<u>\$ 430,000</u>

In accordance with resolutions of the Board of Trustees, WWU sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center. The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees.

Pursuant to the 2002 series resolution, the Recreation Center purchased a surety bond as a substitute for the 2002 series resolution debt service reserve account requirements. The surety bond guarantees payment of the bonds in the event net revenues from operations are not sufficient to meet required payments. The bond covenants also require that the Recreation Center transfer monies each year to an account held as restricted net assets for renewals and replacements of the facilities. At June 30, 2005 and 2004, the Recreation Center was in compliance with all bond covenants.

#### **Note 6. Pension Plan**

Recreation Center employees in eligible positions are participants in the State of Washington Public Employees' Retirement System ("PERS") and the Western Washington University Retirement Plan ("WWURP"). PERS is a defined benefit pension plan. The WWURP is a defined contribution plan. Under these plans, the employee and employer contribute a percentage of the employee's compensation. The Recreation Center contributed approximately \$14,300 and \$11,600 to these plans in 2005 and 2004, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.