



Western Washington University
Housing and Dining System
Financial Statements
June 30, 2006 and 2005

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Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Housing and Dining System (The System) for the years ended June 30, 2006 and 2005. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Presentation of the Financial Statements

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The System's financial statements have been prepared using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Statement of Net Assets

The Statements of Net Assets present the financial condition of the System at the end of the fiscal years and report all assets and liabilities of the System.

The amounts in these statements represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. The difference between total assets and total liabilities – net assets - is one indicator of the current financial condition of the System.

Below is a condensed view of the Statement of Net Assets as of June 30, 2006, 2005, and 2004:

(Dollars in Thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Current Assets	\$ 11,398	\$ 14,071	\$ 12,396
Noncurrent assets	10,507	2,374	7,739
Capital assets	66,969	61,280	56,786
Total assets	<u>88,874</u>	<u>77,725</u>	<u>76,921</u>
Liabilities			
Current liabilities	7,909	6,761	7,413
Noncurrent liabilities	47,905	40,105	41,575
Total liabilities	<u>55,814</u>	<u>46,866</u>	<u>48,988</u>
Net Assets			
Invested in capital assets, net of related debt	24,238	19,590	19,159
Restricted	2,633	2,422	2,361
Unrestricted	6,188	8,847	6,413
Total net assets	<u>\$ 33,059</u>	<u>\$ 30,859</u>	<u>\$ 27,933</u>

Total assets increased \$11,148,953 over 2005 primarily due to the issuance of revenue bonds in February 2006. The proceeds will be used to finance the renovation of Higginson Hall. Total assets for 2005 increased \$804,469 over 2004 balances. Total liabilities increased \$8,949,068 over 2005 due to the bond issuance. Liabilities for 2005 decreased \$2,122,706 compared to 2004 balances.

Capital assets increased \$5,688,293 and \$4,494,710 between 2006 and 2005 and 2004 respectively. The increases are due primarily to expenditures for renewals and replacements. During fiscal year 2006, the larger projects included the continuing renovation of Higginson Hall and the completion of renovations of Birnam Wood Apartments and of Arntzen Hall Food Service. During fiscal year 2005, the majority of the expenditures were for the continuing renovation of Birnam Wood Apartments.

Statement of Revenues, Expenses, and Changes in Net Assets

The changes in total net assets, as presented on the Statement of Net Assets, are detailed in the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The statement presents the System's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating, nonoperating or other.

Nonoperating revenues increased \$238,529 and \$98,449 over 2005 and 2004, respectively. The increase is a result of interest income earned on bond proceeds separately invested. Nonoperating expenses increased \$500,917 and \$37,819 over 2005 and 2004, respectively. The large increase in 2006 is a result of increased interest payments on issued debt.

In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

Non-operating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating revenue.

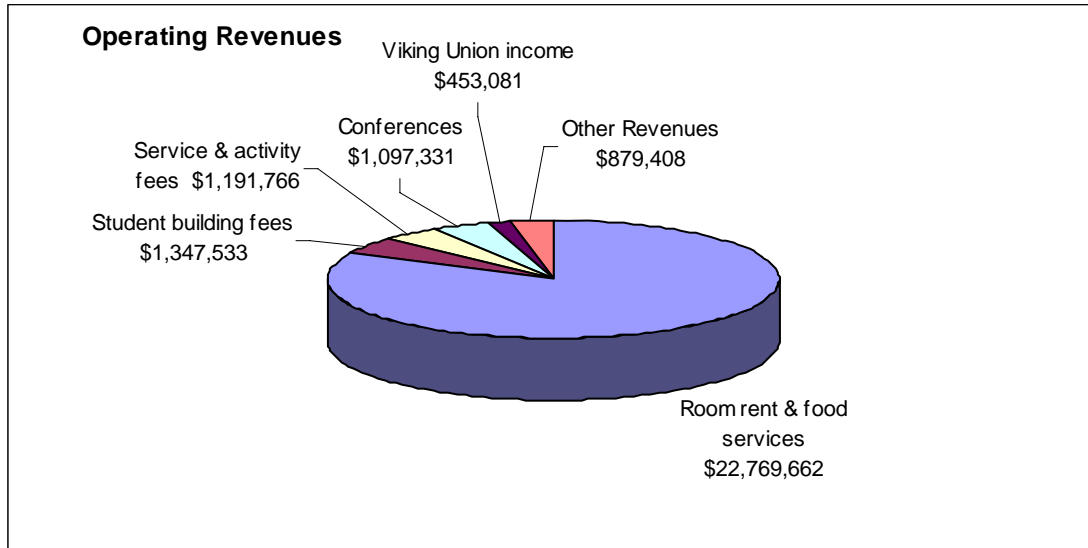
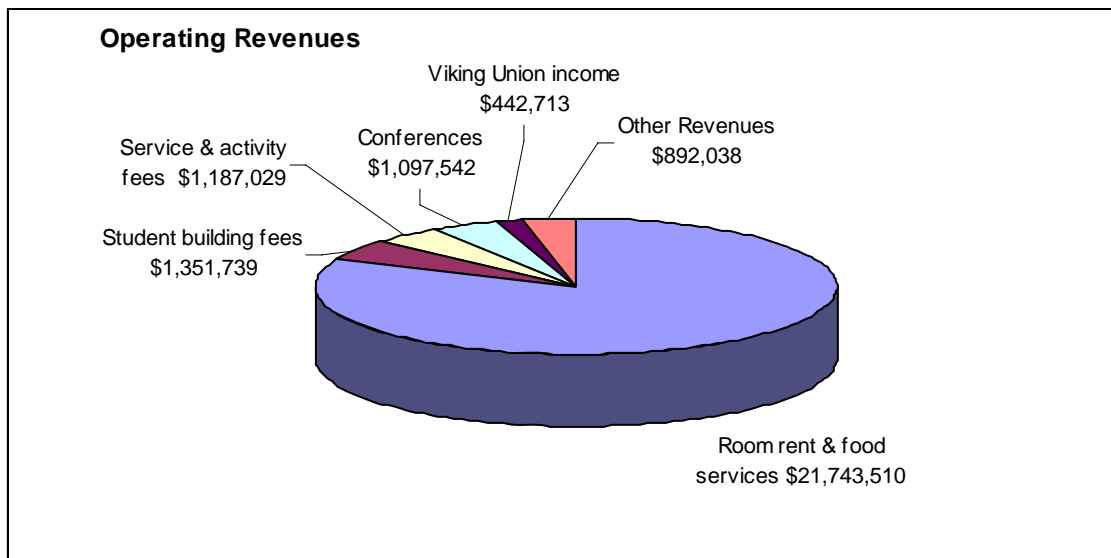
Following is a condensed view of the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2006, 2005, and 2004:

(Dollars in thousands)

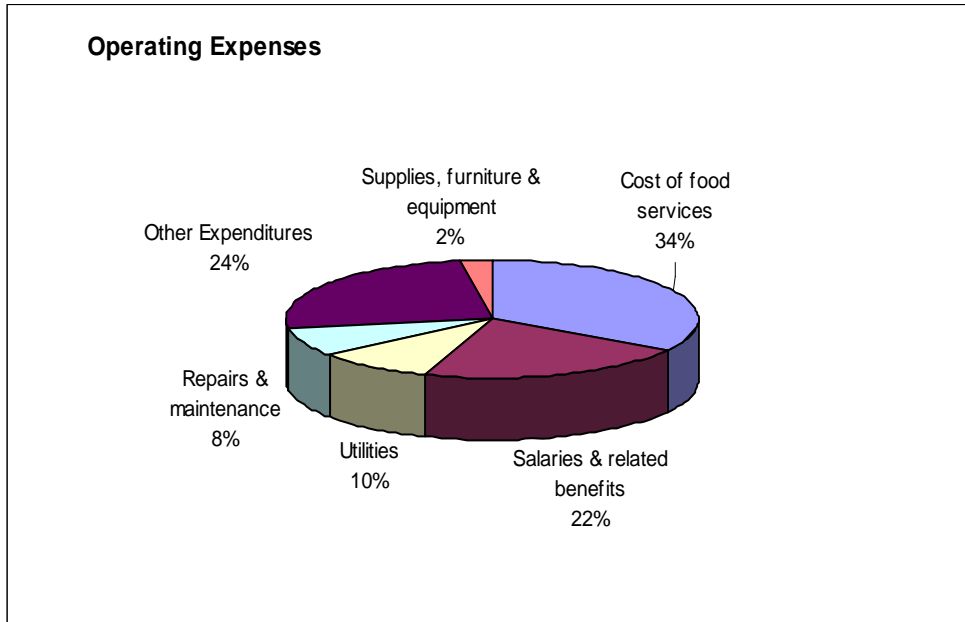
	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 27,739	\$ 26,715	\$ 25,208
Operating Expenses	<u>(23,959)</u>	<u>(22,470)</u>	<u>(21,278)</u>
Income/(Loss) from operations	3,780	4,245	3,930
Nonoperating Revenues	690	451	353
Nonoperating Expenses	<u>(2,271)</u>	<u>(1,769)</u>	<u>(1,732)</u>
Increase in Net Assets	2,199	2,927	2,551
Net Assets, Beginning of year	<u>30,860</u>	<u>27,933</u>	<u>25,382</u>
Net Assets, end of year	<u>\$ 33,059</u>	<u>\$ 30,860</u>	<u>\$ 27,933</u>

The System's largest revenue source is room and board rentals which comprises 82% of the System's revenue. Room and board revenues showed a \$1.03 million or 4.7% increase over the prior year and an increase of \$1,450,000 over 2004. Rental rates increased 4.5% over 2005 and 4-5% over 2004. Residence hall occupancy patterns were almost the same as fiscal year 2005 while Birnam Wood apartment rentals increased 9.6%. Residence hall occupancy was 1.4% higher in 2005 versus 2004 while apartment occupancy was 19% higher in 2005.

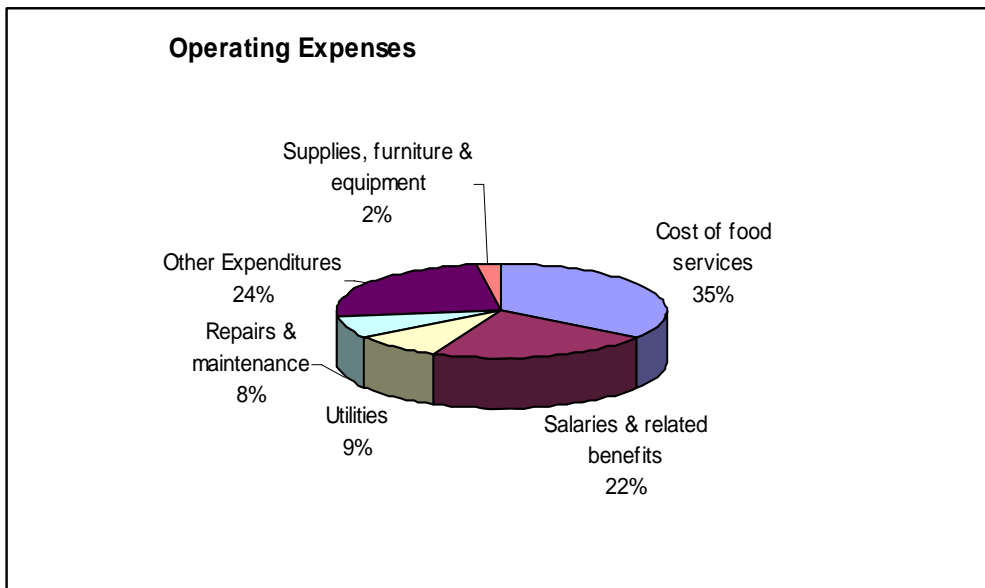
Food service expenditures, the System's largest operating expense category, showed an increase of 6.1% and 7.7% over 2005 and 2004, respectively. Salaries and benefits increased 5.7% and 2.1% over 2005 and 2004, respectively primarily due to State cost of living increases and increased benefit expenses. Utility expenses increased \$227,000 or 11% as heating, water/sewer and refuse disposal all showed increases in rates. Expenses to maintain the system's assets increased \$232,000 or 14%. This was influenced by increased labor, increased cost of materials, and increased preventative maintenance.

Operating Revenues by major source for fiscal 2006:

Operating Revenues by major source for fiscal 2005:


Operating Expenses by major source for fiscal 2006:



Operating Expenses by major source for fiscal 2005:





KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Board of Trustees
Western Washington University:

We have audited the accompanying statement of net assets of Western Washington University Housing and Dining System (the System) as of June 30, 2006, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the System as of and for the year ended June 30, 2005, were audited by other auditors whose report thereon dated August 26, 2005, expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements of the System are intended to present the net assets, results of operations, and cash flows of only that portion of the activities of Western Washington University that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of Western Washington University, as of June 30, 2006, the results of operations or changes in net assets, or its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit for the year ended June 30, 2006 was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 18, 19, and 21 for the year ended June 30, 2006 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 for the year ended June 30, 2006. We did not audit the information on page 20 or the 2005 information on page 21, and express no opinion on them.

KPMG LLP

September 29, 2006

STATEMENTS OF NET ASSETS
June 30, 2006 and 2005

Assets	<u>2006</u>	<u>2005</u>
Current assets		
Cash and cash equivalents	\$ 2,380,223	\$ 2,233,564
Investments	8,577,342	11,610,802
Accounts receivable, net of allowance of \$39,113 and \$57,017 in 2006 and 2005, respectively	128,005	149,949
Interest receivable	104,316	47,938
Other receivables	206,856	27,226
Inventory	1,552	1,553
Total current assets	<u>11,398,294</u>	<u>14,071,032</u>
Noncurrent assets		
Restricted investments	10,506,748	2,373,810
Capital assets, net	66,968,752	61,280,459
Total noncurrent assets	<u>77,475,500</u>	<u>63,654,269</u>
Total assets	<u>88,873,794</u>	<u>77,725,301</u>
 Liabilities		
Current liabilities		
Accounts payable	1,818,007	1,771,232
Accrued expenses	507,843	484,314
Residents' housing deposits	1,152,949	823,451
Deferred revenue	1,991,144	1,706,474
Bonds interest payable	494,216	390,039
Current portion of bonds payable	1,945,000	1,585,000
Total current liabilities	<u>7,909,159</u>	<u>6,760,510</u>
 Bonds payable, less current portion	<u>47,905,379</u>	<u>40,104,960</u>
Total liabilities	<u>55,814,538</u>	<u>46,865,470</u>
 Net Assets		
Invested in capital assets, net of related debt	24,237,723	19,590,499
Restricted for system renewals and replacements	2,632,985	2,421,749
Unrestricted	6,188,548	8,847,583
Total net assets	<u>\$ 33,059,256</u>	<u>\$ 30,859,831</u>

**STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS**
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Room rent and food services	\$ 22,769,662	\$ 21,743,510
Service and activity fees	1,191,766	1,187,029
Student building fees	1,347,533	1,351,739
Conferences	1,097,331	1,097,542
Viking Union income	453,081	442,713
Contribution for dining services	300,000	317,467
Rent	117,273	132,335
Commissions	130,804	114,518
Fees, penalties, and other income	331,331	327,718
Total operating revenue	<u>27,738,781</u>	<u>26,714,571</u>
Operating Expenses		
Cost of food services	8,274,519	7,794,913
Salaries and related benefits	5,236,229	4,953,575
Utilities	2,300,606	2,073,943
Repairs and maintenance	1,907,270	1,675,063
Communications	459,408	435,819
Insurance	279,673	361,312
Supplies	245,683	209,303
Furniture and equipment	359,940	334,469
Institutional services	287,202	279,333
Depreciation	2,169,510	2,030,234
Noncapitalizable renewals and replacements	1,655,730	1,662,549
Other	783,058	659,143
Total operating expenses	<u>23,958,828</u>	<u>22,469,656</u>
Income from operations	<u>3,779,953</u>	<u>4,244,915</u>
Nonoperating Revenues (Expenses)		
Investment income	689,887	451,358
Interest expense	(2,050,474)	(1,654,524)
Amortization of bond discounts and costs	(219,941)	(114,974)
Total nonoperating revenue (expenses)	<u>(1,580,528)</u>	<u>(1,318,140)</u>
Increase in net assets	2,199,425	2,926,775
Net Assets, Beginning of Year	<u>30,859,831</u>	<u>27,933,056</u>
Net Assets, End of Year	<u>\$ 33,059,256</u>	<u>\$ 30,859,831</u>

STATEMENTS OF CASH FLOWS
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$ 27,657,957	\$ 26,442,956
Cash paid to employees	(5,212,700)	(4,938,862)
Cash paid to suppliers	(17,316,157)	(16,849,924)
Net cash flows from operating activities	<u>5,129,100</u>	<u>4,654,170</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	9,525,479	12,182,677
Payment of long-term debt	(1,585,000)	(12,666,133)
Interest payments, net of amounts capitalized	(1,946,297)	(1,675,436)
Purchase of capital assets	(6,525,665)	(5,639,491)
Net cash flows from capital and related financing activities	<u>(531,483)</u>	<u>(7,798,383)</u>
Cash Flows from Investing Activities		
Investment income received	633,509	509,414
Net (sales) proceeds of restricted investments	(8,132,938)	5,245,377
Receipt of payment on note receivable	15,011	-
Purchase (sales) of investments	3,033,460	(2,612,623)
Net cash flows from investing activities	<u>(4,450,958)</u>	<u>3,142,168</u>
Net change in cash and cash equivalents	146,659	(2,045)
Cash and Cash Equivalents, Beginning of Year	<u>2,233,564</u>	<u>2,235,609</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,380,223</u>	<u>\$ 2,233,564</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	\$ 3,779,953	\$ 4,244,915
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	2,169,510	2,030,234
Gain on sale of capital assets	(52,854)	-
Change in operating assets and liabilities		
Accounts receivable	21,944	(14,675)
Insurance proceeds receivable	-	54,568
Other receivables	(87,211)	(2,902)
Inventory	1	(749)
Accounts payable	(757,407)	(1,325,531)
Accrued expenses	23,529	14,713
Residents' housing deposits	329,498	(330,009)
Deferred revenue	(297,863)	14,424
Due to another WWU department	-	(30,818)
Cash flows from operating activities	<u>\$ 5,129,100</u>	<u>\$ 4,654,170</u>

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOrganization

Western Washington University Housing and Dining System ("the Housing and Dining System") is a self supporting, auxiliary enterprise of Western Washington University ("WWU"). The Housing and Dining System operates residence halls and dining commons, an apartment complex, the Commissary/Warehouse, the Viking Union Complex and Lakewood Recreational Facility. These operations are located on or near the Western Washington University campus.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow guidance given by the Governmental Accounting Standards Board (GASB). 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. The Housing and Dining System has elected not to apply any FASB pronouncements issued after November 30, 1989.

Cash, Cash Equivalents, and Investments

WWU records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by WWU are recorded at fair value.

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. An allowance, based on historical collection rates, is established for recognizing potential 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, 40 years for buildings and building improvements, 20 to 25 years for infrastructure and other improvements, and 5 to 7 years for furniture, fixtures, and 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 2005 was \$467,708. No interest was capitalized in 2006.

Deferred Revenue

Summer quarter, which is the first quarter of Western's fiscal year, begins shortly before June 30. Room and board charges related to the first few weeks of each summer session are deferred until the following fiscal year. Deferred revenue also includes \$1,800,000 in funds received from Sodexo that are being amortized on a straight-line basis over ten years.

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. The Housing and Dining System has internally designated \$4,588,550 of this balance at June 30, 2006, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenue, Expenses and Transfers

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 rent and food services, (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.

Residents' Housing Deposits

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

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.

Administrative Assessment

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

Tax Exemptions

As a part of WWU, the operations of the Housing and Dining System 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts related to the June 30, 2005, financial statements have been reclassified to conform to the June 30, 2006 financial statement presentation.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENT

To maximize investment income, WWU combines funds from all departments into an investment pool. The Housing and Dining System records its percentage of Cash, Cash Equivalents, and Investments in the same relation as the WWU investment pool itself. Investment income is allocated to the Housing and Dining System in proportion to its average balance in the investment pool.

Interest Rate and Credit Risk

The WWU internal investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool ("LGIP").

	2006	Weighted Average Maturity	2005	Weighted Average Maturity
Cash and cash equivalents				
WWU Investment Pool	\$2,380,223	5.2 months	\$2,233,564	8.5 months
Investments				
WWU Investment Pool	8,742,314	5.2 months	11,782,721	8.5 months
Certificates of Deposit	3,312,729	14.6 months	2,170,602	14.6 months
LGIP	6,996,771	3.0 months	-	-
Demand Deposit Account	32,276	n/a	31,289	n/a
	<u>\$21,464,313</u>		<u>\$16,218,176</u>	

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 WWU pooled investments 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.

Restricted Investments include the following:

	2006	2005
Renewal and replacements	\$2,409,976	\$2,373,810
Bond proceeds	8,096,772	-
	<u>\$10,506,748</u>	<u>\$2,373,810</u>

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2006:

Description	June 30, 2005 Balance	Additions	Retirements	Transfers	June 30, 2006 Balance
Buildings	\$79,907,796	\$ -	\$(47,673)	\$ -	\$79,860,123
Buildings improvements	1,753,812	540,587	-	6,784,836	9,079,235
Furniture, fixtures, and equipment	968,873	67,387	-	-	1,036,260
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	2,924,995	7,262,460	-	(6,784,836)	3,402,619
Total cost	90,048,040	7,870,434	(47,673)	-	97,870,801
Accumulated Depreciation					
Buildings	27,038,833	1,758,349	(35,042)	-	28,762,140
Buildings improvements	299,053	208,682	-	-	507,735
Furniture, fixtures, and equipment	756,580	74,361	-	-	830,941
Infrastructure	673,115	128,118	-	-	801,233
Total accumulated depreciation	28,767,581	2,169,510	(35,042)	-	30,902,049
Net	\$61,280,459	\$5,700,924	\$(12,631)	\$ -	\$66,968,752

Following are the changes in capital assets for the year ended June 30, 2005:

Description	June 30, 2004 Balance	Additions	Retirements	Transfers	June 30, 2005 Balance
Buildings	\$69,356,218	\$2,604,739	\$ -	\$ 7,946,839	\$79,907,796
Buildings improvements	472,782	1,043,536	-	237,494	1,753,812
Furniture, fixtures, and equipment	889,181	84,994	(5,302)	-	968,873
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	8,317,653	2,791,675	-	(8,184,333)	2,924,995
Total cost	83,528,398	6,524,944	(5,302)	-	90,048,040
Accumulated Depreciation					
Buildings	25,295,513	1,743,320	-	-	27,038,833
Buildings improvements	216,123	82,930	-	-	299,053
Furniture, fixtures, and equipment	686,367	75,515	(5,302)	-	756,580
Infrastructure	544,646	128,469	-	-	673,115
Total accumulated depreciation	26,742,649	2,030,234	(5,302)	-	28,767,581
Net	\$56,785,749	\$4,494,710	\$ -	\$ -	\$61,280,459

NOTE 4. BONDS PAYABLE

	<u>2006</u>	June 30,	<u>2005</u>
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$285,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$9,620,000 at June 30, 2006 which is reported net of the unamortized original discount and debt issuance costs of \$90,625.	\$ 9,529,375	\$	-
Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50%, and principal payments due in annual amounts ranging from \$90,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$12,490,000 at June 30, 2006, which is reported net of the unamortized original discount and debt issuance costs of \$1,548,752.	10,941,248		10,917,256
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 2% to 4.65%, and principal payments due in annual \$555,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$13,960,000 at June 30, 2006, which is reported net of the unamortized original issue discount and debt issuance costs of \$387,254.	13,572,746		14,104,775
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 \$420,000 through June 1, 2010. The Series 2003 bonds have an aggregate face value of \$1,560,000 at June 30, 2006, which is reported net of the unamortized original issue discount and debt issuance costs of \$35,646.	1,524,354		1,856,051
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 I, 2022. The Series 1998 bonds have an aggregate face value of \$14,880,000 at June 30, 2006, which is reported net of the unamortized original issue premium and debt issuance costs of \$597,344.	<u>14,282,656</u>		<u>14,811,878</u>
	49,850,379		41,689,960
Less current portion	<u>(1,945,000)</u>		<u>(1,585,000)</u>
	\$ <u>47,905,379</u>	\$	<u>40,104,960</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, 2006 and 2005, 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 requires 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.

On February 3, 2006, the Board of Trustees approved Resolution No. 2006-02, authorizing the issuance of revenue bonds, Series 2006. On February 23, 2006 the University issued \$9,620,000 in Revenue Bonds, with interest of 4% to finance the remodel of Higginson Hall.

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>
2007	\$ 1,945,000	\$ 2,307,903	\$ 4,252,903
2008	2,055,000	2,192,614	4,247,614
2009	2,135,000	2,111,011	4,246,011
2010	2,220,000	2,022,665	4,242,665
2011	2,310,000	1,927,036	4,237,036
2012-2016	13,035,000	8,122,070	21,157,070
2017-2021	16,220,000	4,924,236	21,144,236
2022-2026	12,590,000	1,309,001	13,899,001
	<u>52,510,000</u>	<u>\$24,916,536</u>	<u>\$77,426,536</u>
Less unamortized charges	<u>2,659,621</u>		
	<u>\$49,850,379</u>		

Following are the changes in long-term liabilities for the year ended June 30, 2006:

Bonds Payable	Balance June 30, 2005	Additions and Amortization of Bond Costs	Retirements	Balance June 30, 2006	Current Portion
Series 2006 Revenue Bonds	\$ -	\$9,620,000	\$ (90,625)	\$ 9,529,375	\$ 285,000
Series 2005 Refunding Bonds	10,917,256	85,832	(61,840)	10,941,248	105,000
Series 2003 Revenue and Refunding Bonds	14,104,775	-	(532,029)	13,572,746	590,000
Series 1999 Junior Lien Revenue Bonds	1,856,051	-	(331,697)	1,524,354	360,000
Series 1998 Junior Lien Revenue Refunding Bonds	14,811,878	-	(529,222)	14,282,656	605,000
Total long-term liabilities	\$41,689,960	\$9,705,832	(\$1,545,413)	\$ 49,850,379	\$1,945,000

Following are the changes in long-term liabilities for the year ended June 30, 2005:

Bonds Payable	Balance June 30, 2004	Additions and Amortization of Bond Costs	Retirements	Balance June 30, 2005	Current Portion
Series 2005 Refunding bonds	\$ -	\$12,580,000	(\$1,662,744)	\$10,917,256	\$ 90,000
Series 2003 Revenue and Refunding Bonds	14,621,130	-	(516,355)	14,104,775	570,000
Series 1999 Junior Lien Revenue Bonds	13,077,184	-	(11,221,133)	1,856,051	345,000
Series 1998 Junior Lien Revenue Refunding Bonds	15,321,672	-	(509,794)	14,811,878	580,000
Total long-term liabilities	\$43,019,986	\$12,580,000	(\$13,910,026)	\$41,689,960	\$1,585,000

Total interest incurred on bonds payable for the years ended June 30, 2006 and June 30, 2005 was \$2,050,474 and \$2,122,232 respectively.

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 these financial statements. At June 30, 2006 and 2005, respectively, the total outstanding principal balance of defeased bonds was \$12,030,000 and \$12,465,000.

NOTE 5. 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, 2006, these commitments totaled approximately \$7,115,329 for all funds.

NOTE 6. CONTRACT WITH SODEXHO 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 agreed to provide \$3,000,000 to the Housing and Dining System for the acquisition of capital assets. This amount is being recognized as operating revenue on a straight-line basis over the ten-year life of the contract.

As of June 30, 2006, the Housing and Dining System had received approximately \$2,958,000 from Sodexo per the agreement. The remaining \$42,000 will be received during the 2007 fiscal year.

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”) or the Western Washington University Retirement Plan (“WWURP”). The WWURP plan is a defined contribution plan. PERS is a defined benefit pension plan. WWU contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits, and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service.

The Washington State Legislature establishes or amends benefit provision for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available for the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

Western Washington University Retirement Plan (WWURP) is a defined contribution pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by WWU. WWU’s Board of Trustees is authorized to establish and amend benefit provision.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member’s option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee’s retirement date. WWU makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. WWU matches the contributions. All required employer and employee contributions have been made.

The Housing and Dining System contributed approximately \$115,000 and \$94,000 to these plans in 2006 and 2005, respectively. An actuarial valuation of the PERS plan for the Housing and Dining System as an entity is not available.

SUPPLEMENTARY INFORMATION

(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	\$6,882	\$6,524	\$6,424	\$6,228
Single room/single occupancy	7,606	7,248	7,148	6,952
Double room/single occupancy (super single)	8,020	7,662	7,562	7,366
Triple room/triple occupancy	6,000	5,642	5,542	5,346

APARTMENTS

	Double with 2/Bedroom	Super Single 2/Bedroom	Family Rate
Apartment Only Academic Year Contracts			
Bimam Wood - 2 bedroom	\$2,238	\$4,476	\$8,952

(UNAUDITED)

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed ⁽¹⁾	Operating ⁽²⁾		Designed Capacity	Operating Capacity
Fall 2005	3,956	3,858	3,844	97.2%	99.6%
Winter 2006	3,956	3,858	3,646	92.2	94.5
Spring 2006	3,956	3,858	3,451	87.2	89.5
Average	<u>3,956</u>	<u>3,858</u>	<u>3,647</u>	<u>92.2%</u>	<u>94.5%</u>

NOTES:

- (1) Designed capacity is the number of beds for which the Housing and Dining System was originally constructed and subsequently remodeled to accommodate.
- (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.

(UNAUDITED)

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, 2006, is summarized as follows:

	Values Used for Fire and Extended Coverage of Buildings
Ridgeway Residences and Commons	\$ 33,086,905
Fairhaven Residences and Commons	30,094,145
Buchanan Towers	16,428,691
Edens Hall and Edens Hall North	14,822,160
Viking Union, Addition and Commons	22,747,400
Birnam Wood Residences	10,162,869
Nash Hall	12,465,192
Mathes Hall	12,220,081
Higginson Hall	5,993,890
Commissary	4,718,369
Highland Hall	2,457,393
Lakewood Recreational Facility	573,274
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Building Insured Values	165,770,369
Insured Contents	14,462,591
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	\$ 180,232,960
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(UNAUDITED)

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.

	<u>2006</u>	<u>2005</u>
Capitalized Projects		
Higginson Hall renovation	\$ 2,264,012	\$ 313,592
Birnam Wood renovation	2,268,250	4,588,645
Arntzen Hall food service remodel	1,234,275	252,187
Dining services improvements	540,587	17,467
Ridgeway Sigma	703,639	281,168
Ridgeway Pump Station (Sunset Heights)	389,262	-
Ridgeway Delta	349,950	-
Triple occupancy beds	44,881	30,681
Ridgeway Omega	-	818,990
Other	8,191	137,220
Totals	<u>\$ 7,803,047</u>	<u>\$ 6,439,950</u>
Noncapitalized Projects		
Buchanan Towers brick restoration	\$ 524,037	\$ 42,634
Other	293,777	494,961
Roof replacement	252,662	6,915
Elevator upgrades	164,964	461,290
Building controls	147,877	-
Haggard Hall Coffee Shop	88,675	1,316
Plumbing, heating and electrical	86,264	57,290
Fiber optics and network upgrades	66,203	-
Bathroom and shower renovations	16,278	6,595
Viking Commons/Viking Union renovations	14,993	26,839
Asbestos abatement and flooring	-	337,109
Nash Hall brick restoration	-	186,322
Viking Union improvements	-	41,278
Totals	<u>\$ 1,655,730</u>	<u>\$ 1,662,549</u>