



Western Washington University
Wade King Student Recreation Center
Financial Statements
June 30, 2006 and 2005

Table of Contents

Management’s Discussion and Analysis	1-5
Independent Auditors’ Report.....	6
Financial Statements	
Statements of Net Assets	7
Statements of Revenues, Expenses, and Changes in Net Assets	8
Statements of Cash Flows	9
Notes to the Financial Statements.....	10-15

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 Wade King Student Recreation Center (the Recreation Center) 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.

The Wade King Student Recreation Center is still a relatively new facility and operation on Western Washington University's campus, having opened in September of 2003. The comparison of fiscal 2006 with 2005 will be the first comparison that reflects two complete years of operations. Fiscal year 2004 reflected only 9 months of operations. The year ended 2006 was strong financially with growth in revenue, savings from several vacant administrative positions and conservative levels of expenditures in other areas of operations.

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 Wade King Student Recreation Center's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Statements of Net Assets

The condensed Statements of Net Assets shown below present the financial condition of the Recreation Center at the end of the last three fiscal years and report all assets and liabilities of the Recreation Center.

The amounts in these statements represent the assets available to continue the operations of the Recreation Center, also identifying how much the Recreation Center owes vendors or other parties. The difference between total assets and total liabilities – net assets - is one indicator of the current financial condition of the Recreation Center. Below is a condensed view of the Statements of Net Assets as of June 30, 2006, 2005, and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Assets			
Current assets	\$ 1,383,601	\$ 1,143,718	\$ 648,767
Noncurrent assets	612,394	440,000	404,172
Capital assets	<u>25,804,940</u>	<u>26,496,925</u>	<u>27,188,388</u>
Total assets	<u>27,800,935</u>	<u>28,080,643</u>	<u>28,241,327</u>
Liabilities			
Current liabilities	1,012,398	1,040,312	943,487
Noncurrent liabilities	<u>25,686,357</u>	<u>26,164,793</u>	<u>26,614,497</u>
Total liabilities	<u>26,698,755</u>	<u>27,205,105</u>	<u>27,557,984</u>
Net Assets			
Invested in capital assets, net	(406,417)	(172,868)	258,063
Restricted for systems renewals	612,394	440,000	290,000
Unrestricted	<u>896,203</u>	<u>608,406</u>	<u>135,280</u>
Total net assets	<u>\$ 1,102,180</u>	<u>\$ 875,538</u>	<u>\$ 683,343</u>

Unaudited – See Accompanying Auditors' Notes

Total assets decreased \$279,708 in 2006 compared to a decrease of \$160,684 in 2005 due to increased depreciation on the capital assets. Total liabilities decreased \$506,350 in 2006 compared to a decrease of \$352,879 in 2005 as a result of increased payments on the outstanding bonds.

Capital assets decreased \$691,985 and \$691,463 between 2006 and 2005 and 2004, respectively. This is primarily a result of depreciation expense on the building.

Reserve Funds

In accordance with the bond covenants, \$150,000 was transferred in both 2006 and 2005 to the Renewal and Replacement Reserve. In 2004, \$290,000 was transferred. The total balance including interest is now \$612,394.

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 \$286,000 was placed in this reserve at the end of 2006, along with an additional \$656,000 at the end of 2005, resulting in a year-end balance of approximately \$942,000.

The Wade King donation of \$50,000 per year totals \$150,000 after three years and is dedicated to maintain the quality of the facility and its programs. A portion of the donation is being used for youth programming scholarships and upgrades in point of sales and membership software.

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 Recreation Center's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating, nonoperating or other.

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

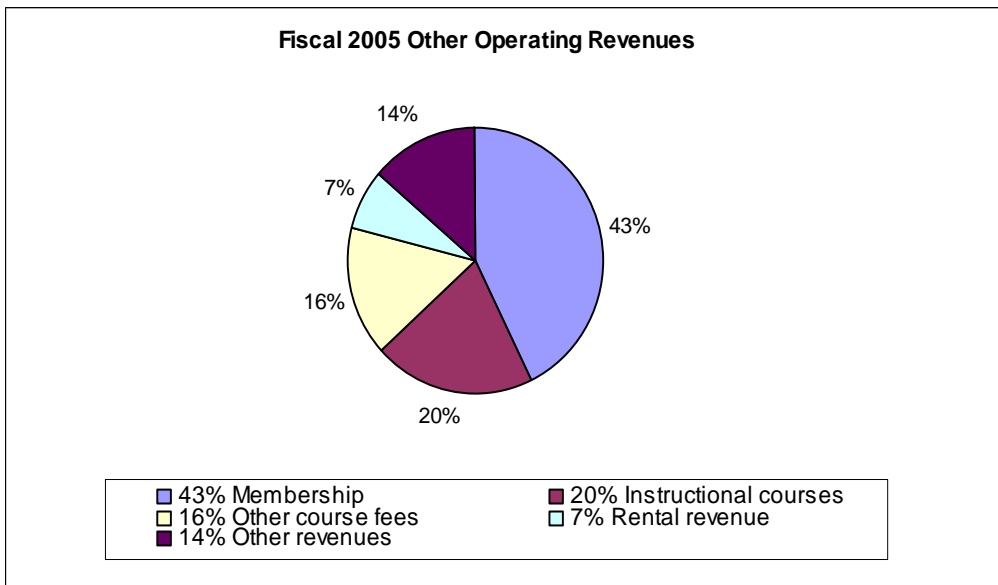
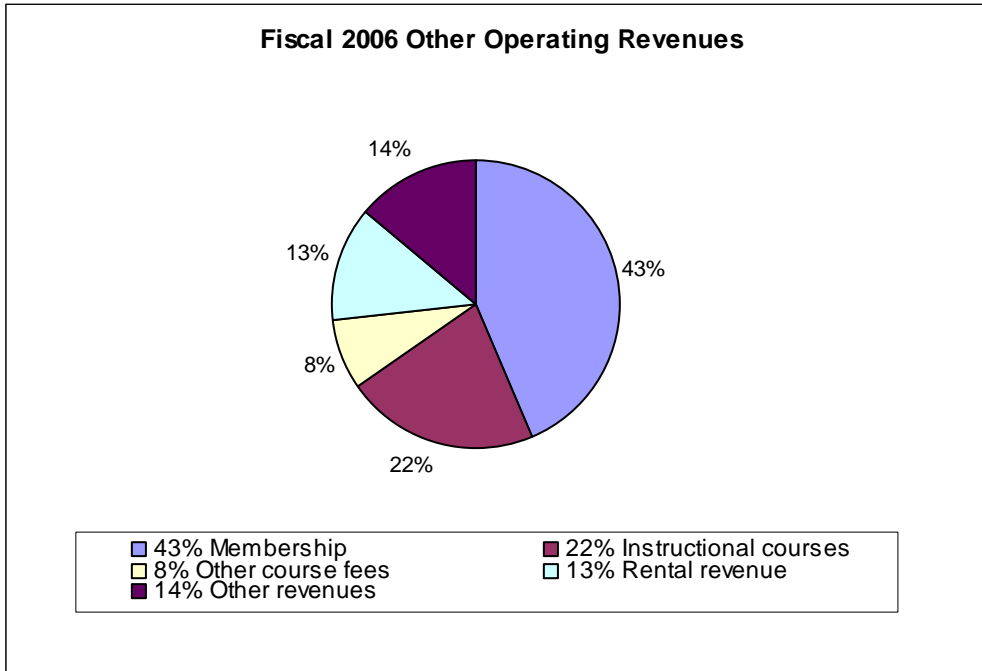
Nonoperating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as nonoperating revenue.

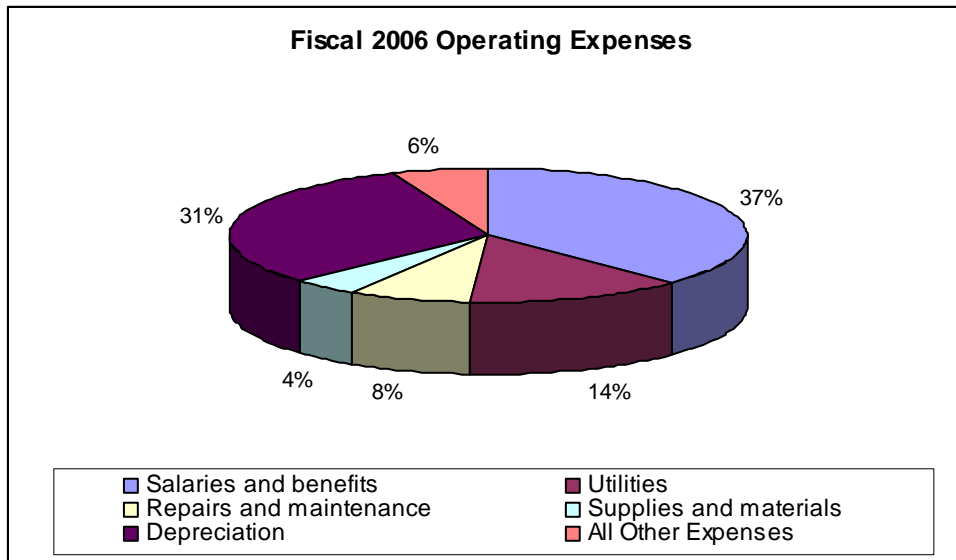
Following is a condensed view of the Statement of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2006, 2005, and 2004:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating revenues	\$ 3,851,267	\$ 3,658,931	\$ 2,967,634
Operating expenses	<u>(2,338,547)</u>	<u>(2,175,213)</u>	<u>(1,895,470)</u>
Income (loss) from operations	1,512,720	1,483,718	1,072,164
Nonoperating revenues	119,714	140,974	13,902
Nonoperating expenses	<u>(1,405,792)</u>	<u>(1,432,497)</u>	<u>(652,723)</u>
Increase in net assets	226,642	192,195	433,343
Net assets, beginning of year	875,538	683,343	250,000
Net assets, end of year	<u>\$ 1,102,180</u>	<u>\$ 875,538</u>	<u>\$ 683,343</u>

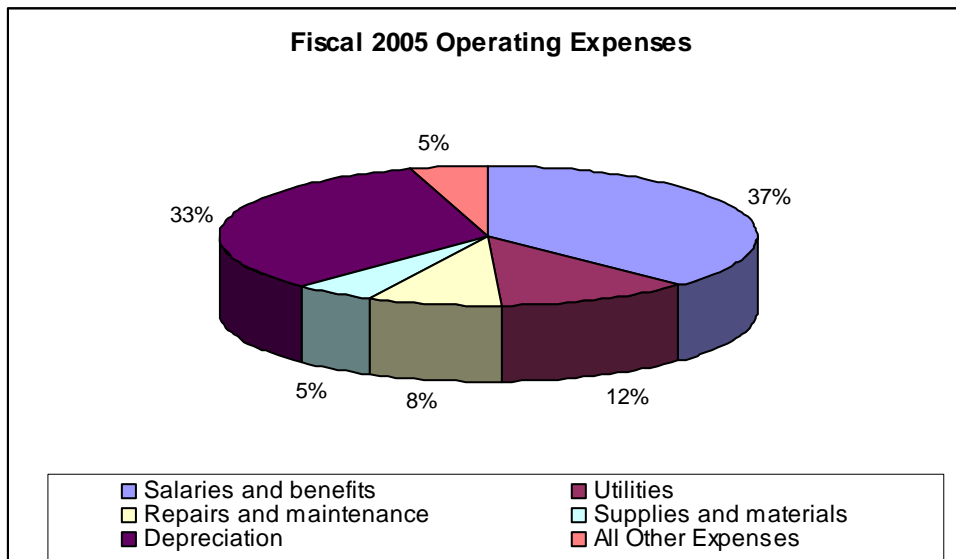
Operating Revenues

The Recreation Center's largest source of revenues is an \$89 per quarter mandatory student fee for students on the main campus taking six or more credits (increased from \$85 in fiscal 2005 and \$80 in fiscal 2004.) With increased enrollment, student fee revenue for fiscal year 2006 was \$3,404,925 versus \$3,206,442 in 2005 and \$2,765,986 in 2004. The composition of other operating revenues is as follows:



Operating Expenses


The majority of fiscal year 2006 operating expenses were in salaries and benefits (37%), yet it was 94% of the budgeted amount due to a number of vacancies. This is a 8% increase over 2005 figures. The most significant cost increase was a 25% increase (\$64,094) in utilities, primarily in steam and electricity.



During fiscal year 2005, the most significant increases in operating expenses were for the administrative assessment and depreciation. The administrative assessment had not been charged during the nine months of operation in fiscal year 2004 and 2005 was the first year of depreciation on the new building.

Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The Recreation Center has responsibility to service the bonds issued for construction of the facility. Bond covenants require that a minimum 1.25 debt service ratio be maintained. The ratio for 2006, 2005, and 2004 was 2.13, 2.07, and 1.68, respectively.

Utilization Rates and Awards

Student utilization rates are remaining high with 11,551 of 13,951 enrolled students using the facility during the course of the year. Visits by members and non-members totaled 411,049 in 2006 compared to 411,843 visits in 2005. Visits exceeded 3,300 in a given day during 2006 compared to 3,000 per day in 2005.



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Independent Auditors' Report

The Board of Trustees
Western Washington University:

We have audited the accompanying statement of net assets of Western Washington University Wade King Student Recreation Center (Recreation Center) 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 Recreation Center. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the Recreation Center as of and for the year ended June 30, 2005, were audited by other auditors whose report thereon dated August 4, 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 Recreation Center'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 Recreation Center 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 Recreation Center. 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 Recreation Center 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 5 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We and the 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.

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	\$ 375,592	\$ 219,221
Investments	767,118	719,529
Accounts receivable, net of allowance of \$4,627 in 2006 and \$3,113 in 2005	89,512	92,652
Receivable from Western Washington University Foundation	147,660	100,350
Inventory	3,719	11,966
Total current assets	<u>1,383,601</u>	<u>1,143,718</u>
Noncurrent assets		
Restricted investments	612,394	440,000
Building and equipment, net	25,804,940	26,496,925
Total noncurrent assets	<u>26,417,334</u>	<u>26,936,925</u>
Total assets	<u>27,800,935</u>	<u>28,080,643</u>
 Liabilities		
Current liabilities		
Accounts payable and accrued expenses	91,232	109,247
Deferred revenue	176,808	203,340
Interest payable	219,358	222,725
Current portion of bonds payable	525,000	505,000
Total current liabilities	<u>1,012,398</u>	<u>1,040,312</u>
Noncurrent liabilities		
Bonds payable, less current portion	25,686,357	26,164,793
Total liabilities	<u>26,698,755</u>	<u>27,205,105</u>
 Net Assets		
Invested in building and equipment, net of related debt	(406,417)	(172,868)
Restricted for system renewals and replacements	612,394	440,000
Unrestricted	896,203	608,406
Total net assets	<u>\$ 1,102,180</u>	<u>\$ 875,538</u>

See Notes to Financial Statements

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

	<u>2006</u>	<u>2005</u>
Operating Revenues		
Service and activity fees, net of mandatory transfer	\$ 3,404,925	\$ 3,206,442
Staff, faculty, and alumni membership fees	194,758	193,178
Instructional course fees	96,233	91,767
Other course fees	36,336	72,007
Rental revenue	56,568	41,559
Other revenues	62,447	53,978
Total operating revenues	<u>3,851,267</u>	<u>3,658,931</u>
Operating Expenses		
Salaries and benefits	875,397	813,495
Depreciation	721,342	717,619
Utilities	319,332	255,238
Repairs and maintenance	185,017	176,826
Supplies and materials	93,210	108,167
Administrative assessment	32,902	32,000
Equipment and furnishings	25,341	6,144
Insurance	19,766	13,334
Other	66,240	52,390
Total operating expenses	<u>2,338,547</u>	<u>2,175,213</u>
Income from operations	1,512,720	1,483,718
Nonoperating Revenues (Expenses)		
Investment income	69,714	40,974
Gift income	50,000	100,000
Interest expense	(1,332,983)	(1,350,683)
Amortization of bond discounts and costs	(47,170)	(56,201)
Parberry Fitness Center support	(25,639)	(25,613)
Total nonoperating expenses	<u>(1,286,078)</u>	<u>(1,291,523)</u>
Increase in net assets	226,642	192,195
Net Assets, Beginning of Year	875,538	683,343
Net Assets, End of Year	<u>\$ 1,102,180</u>	<u>\$ 875,538</u>

See Notes to Financial Statements

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	\$ 3,827,875	\$ 3,827,032
Payments to employees	(976,473)	(863,305)
Payments to suppliers	(650,500)	(659,322)
Net cash flows provided by operating activities	<u>2,200,902</u>	<u>2,304,405</u>
Cash Flows from Noncapital Financing Activities		
Payment of gift income	2,690	-
Transfer to Parberry Fitness Center	(25,639)	(25,613)
Net cash flows used by noncapital financing activities	<u>(22,949)</u>	<u>(25,613)</u>
Cash Flows from Investing Activities		
Net sales of investments	(219,982)	(438,905)
Investment income received	69,714	40,624
Net cash flows used by investing activities	<u>(150,268)</u>	<u>(398,281)</u>
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(29,357)	(26,156)
Interest paid on capital debt	(1,336,957)	(1,354,455)
Principal paid on capital debt	(505,000)	(430,000)
Net cash used by capital and related financing activities	<u>(1,871,314)</u>	<u>(1,810,611)</u>
Net change in cash and cash equivalents	156,371	69,900
Cash and cash equivalents, beginning of year	219,221	149,321
Cash and cash equivalents, end of year	<u>\$ 375,592</u>	<u>\$ 219,221</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Income from operations	\$ 1,512,720	\$ 1,483,718
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	721,342	717,619
Change in operating assets and liabilities		
Accounts receivable	3,140	82,511
Accounts payable and accrued expenses	(18,015)	(8,888)
Deferred revenue	(26,532)	33,580
Inventory	8,247	(4,135)
Net cash flows from operating activities	<u>\$ 2,200,902</u>	<u>\$ 2,304,405</u>

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIESOrganization

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 lifetime gift of \$50,000 per year to the WWU Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center plans to draw the funds from the WWU Foundation when the expenditures are incurred.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the Recreation Center. 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. The Recreation Center has elected not to apply any FASB pronouncements 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 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 \$4,627 and \$3,113 at June 30, 2006 and June 30, 2005 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, net of accumulated depreciation. 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, 40 years for buildings and 5 to 7 years for equipment.

Interest during the construction period is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is offset with interest earned on invested proceeds over the same period. No interest was capitalized in 2006 or 2005.

Deferred Revenue

Summer quarter, which is the first quarter of Western's fiscal year, begins shortly before June 30. Cash received for service and activity fees related to summer session in fiscal year 2007 are deferred until the following fiscal year.

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 in accordance with bond covenants for system renewals and replacements.

Unrestricted net assets. Unrestricted net assets represent resources derived from operations and investing activities.

Classification of Revenues Expenses and Transfers

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

Bond Premium/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.

Administrative Assessment

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.

Tax Exemptions

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.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

To maximize investment income, WWU combines funds from all departments into an investment pool. The Recreation Center records their percentage of cash, cash equivalents, and investments in the same relation as the WWU investment pool itself. Investment income is allocated to the Recreation Center in proportion to its average balance in the investment pool.

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").

	2006	Weighted Average Maturity	2005	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	\$ 375,592	5.2 months	\$ 219,221	8.5 months
Investments				
WWU Investment Pool	\$ 1,379,512	5.2 months	\$ 1,159,529	8.5 months

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 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.

Restricted investments are restricted for renewals and replacements.

NOTE 3. BUILDING AND EQUIPMENT

Following are the changes in building and equipment:

	June 30, 2005	Additions	Retirements	June 30, 2006
Building	\$ 27,687,761	\$	\$ -	\$ 27,687,761
Equipment	116,682	29,357		146,039
	<u>27,804,443</u>	<u>29,357</u>	<u>-</u>	<u>27,833,800</u>
Less accumulated depreciation	(1,307,518)	(721,342)		(2,028,860)
Building and equipment, net	<u>\$ 26,496,925</u>	<u>\$ (691,985)</u>	<u>\$ -</u>	<u>\$ 25,804,940</u>

	June 30, 2004	Additions	Retirements	June 30, 2005
Building	\$ 27,661,605	\$ 26,156	\$ -	\$ 27,687,761
Equipment	116,682			116,682
	<u>27,778,287</u>	<u>26,156</u>		<u>27,804,443</u>
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>\$ 26,496,925</u>

NOTE 4. 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 \$27,070,000 and \$27,575,000 at June 30, 2006 and 2005, which is reported net of the unamortized original issue discount, bond issuance costs, and a loss on defeasance (discussed below) of \$858,643 and \$905,207, respectively.

On May 1, 2004, Western defeased \$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>Payment</u>
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	615,000	1,225,888	1,840,888
2012-2016	3,500,000	5,700,980	9,200,980
2017-2021	4,440,000	4,761,000	9,201,000
2022-2026	5,655,000	3,536,250	9,191,250
2027-2031	7,225,000	1,972,750	9,197,750
2032-2033	3,415,000	258,250	3,673,250
	<u>27,070,000</u>	<u>\$ 22,590,518</u>	<u>\$ 49,660,518</u>
Less unamortized costs	(791,153)		
Less unamortized loss on defeasance	(67,490)		
	<u>\$ 26,211,357</u>		

Following are the changes in bonds payable:

	<u>Beginning</u>	<u>Additions and</u>	<u>Ending</u>	<u>Current</u>	
	<u>Balance</u>	<u>Amortization</u>	<u>Balance</u>	<u>Portion</u>	
		<u>of Bond Costs</u>			
			<u>Retirements</u>		
As of June 30, 2006:					
Series 2002 Revenue Bonds, net of unamortized bond costs of \$791,153 and \$834,204 at June 30, 2006 and 2005, respectively	<u>\$26,669,793</u>	<u>\$46,564</u>	<u>(\$505,000)</u>	<u>\$26,211,357</u>	<u>\$525,000</u>
As of June 30, 2005:					
Series 2002 Revenue Bonds, net of unamortized bond costs of \$834,204 and \$885,707 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>

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.

NOTE 5. 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").

The University 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 provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in the Comprehensive Annual Financial Report publicly available from 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 the University. The University'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. The University 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. The University matches the contributions. All required employer and employee contributions have been made.

The Recreation Center contributed approximately \$16,421 and \$14,300 to these plans in 2006 and 2005, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.