



Western Washington University
Housing and Dining System
Financial Statements
June 30, 2007 and 2006

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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, 2007 and 2006. 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, 2007, 2006, and 2005:

(Dollars in Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Current Assets	\$ 11,715	\$ 11,398	\$ 14,071
Noncurrent assets	6,041	10,507	2,374
Capital assets	<u>71,439</u>	<u>66,969</u>	<u>61,280</u>
Total assets	89,195	88,874	77,725
Liabilities			
Current liabilities	7,991	7,909	6,761
Noncurrent liabilities	<u>46,069</u>	<u>47,905</u>	<u>40,105</u>
Total liabilities	54,060	55,814	46,866
Net Assets			
Invested in capital assets, net of related debt	26,587	24,992	19,590
Restricted	2,768	2,633	2,422
Unrestricted	<u>5,779</u>	<u>5,434</u>	<u>8,847</u>
Total net assets	<u>\$ 35,134</u>	<u>\$ 33,059</u>	<u>\$ 30,859</u>

Total assets increased \$320,897 over fiscal 2006 as capital assets increased as a result of the completion of Housing projects. Total assets increased \$11,148,953 between fiscal 2006 and 2005 primarily due to the issuance of revenue bonds in February 2006. The proceeds are being spent on the renovation of Higginson Hall. Total liabilities decreased \$1,754,156 from 2006 as payments are made on the outstanding bond issues. Total liabilities in 2006 increased \$8,949,068 over 2005 due to the issuance of revenue bonds.

Capital assets increased \$4,470,412 between 2007 and 2006 and \$5,688,293 between 2006 and 2005, respectively. The increases are due primarily to expenditures for renewals and replacements.

During fiscal 2007, major projects included the second phase of the Higginson Hall renovation which is expected to be completed prior to fall 2007 quarter start. Fiscal 2006 projects included the continuing renovation of Higginson Hall and the completion of renovations of Birnam Wood Apartments and of Arntzen Hall Food Service.

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, non-operating or other.

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, 2007, 2006, and 2005:

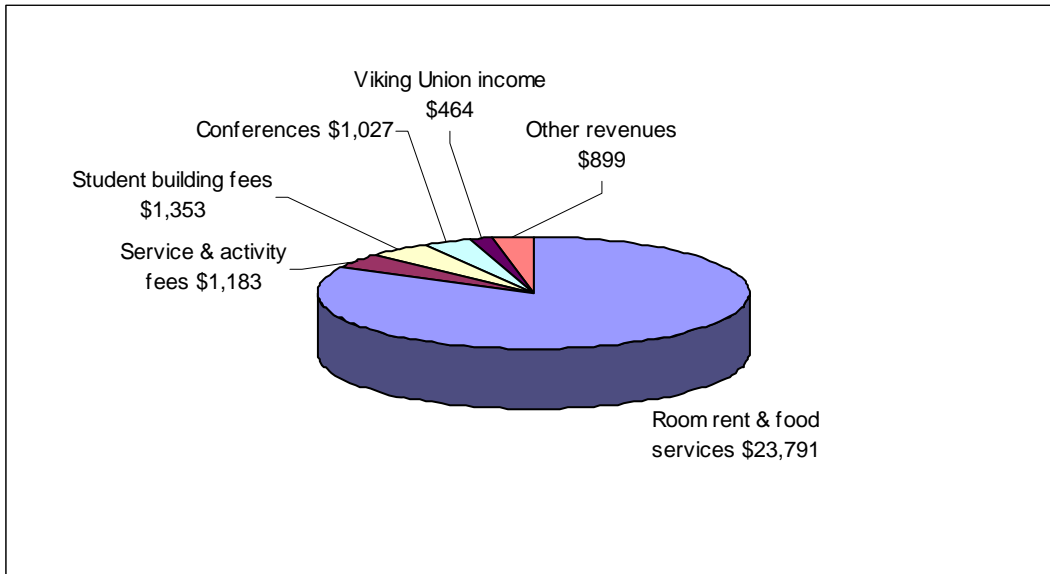
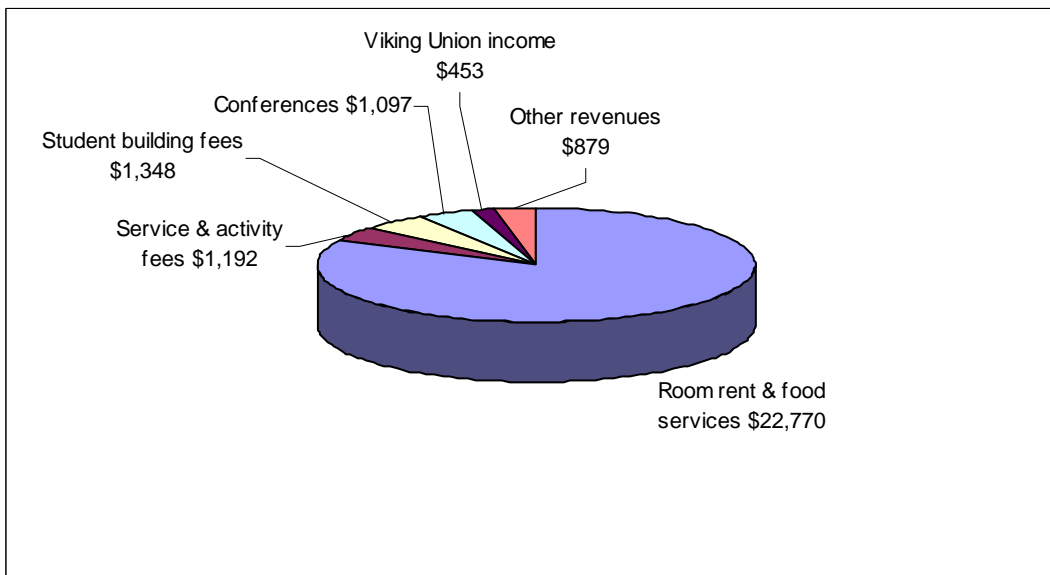
(Dollars in thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating Revenues	\$ 28,717	\$ 27,739	\$ 26,715
Operating Expenses	(25,156)	(23,959)	(22,470)
Income/(Loss) from operations	3,561	3,780	4,245
Nonoperating Revenues	1,006	690	451
Nonoperating Expenses	(2,492)	(2,271)	(1,769)
Increase in Net Assets	2,075	2,199	2,927
Net Assets, Beginning of year	33,059	30,860	27,933
Net Assets, End of year	<u>\$ 35,134</u>	<u>\$ 33,059</u>	<u>\$ 30,860</u>

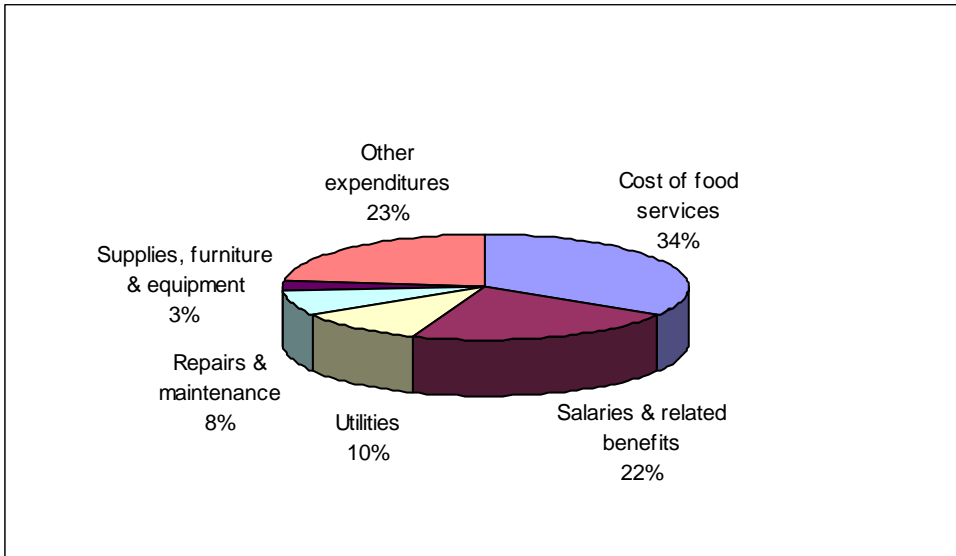
The System's largest revenue source is room and board rentals which comprises 82.8% of the System's revenue in 2007 versus 82% in 2006. Room and board revenues showed a \$1.02 million or 4.4% increase over the prior year and an increase of \$1.03 million over 2005. The room rental rate increased 4% over 2006 and 4.5% over 2005. Residence hall occupancy increased almost 1% over 2006 and 1.4% over 2005. Birnam Wood apartment occupancy increased 2.5% over fiscal year 2006.

Non-operating revenues increased \$315,782 and \$238,529 over 2006 and 2005, respectively. The increase is a result of interest income earned on bond proceeds separately invested. Non-operating expenses increased \$221,393 and \$500,917 over 2006 and 2005, respectively. The large increase in both fiscal years results from increased interest payments on issued debt.

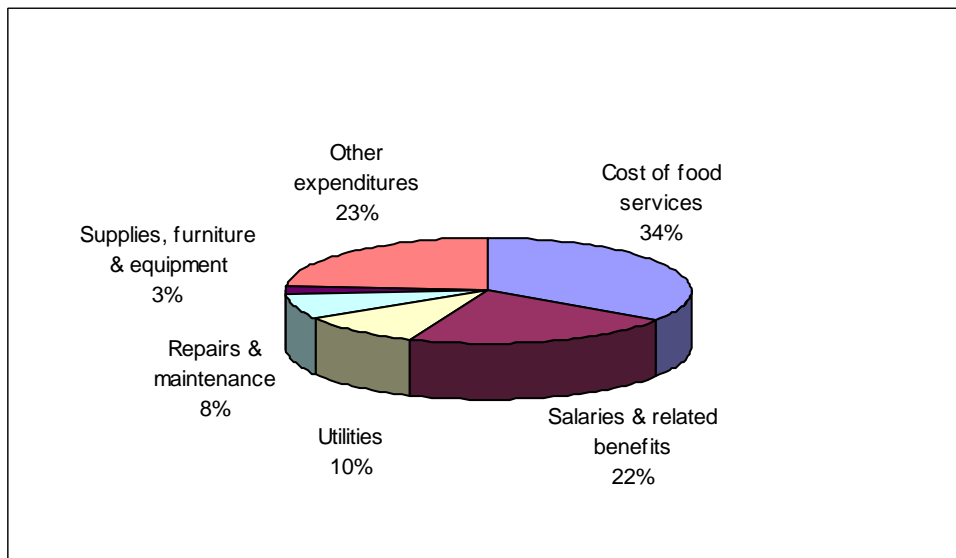
Food service expenditures, the System's largest operating expense category, showed an increase of 2.9% and 6.1% over 2006 and 2005, respectively. Salaries and benefits increased 5.1% and 5.7% over 2006 and 2005, respectively primarily due to State cost of living increases and increased benefit expenses. Utility expenses increased \$300,344 or 13.1% over fiscal 2006 compared to increases of \$227,000 or 11% between 2006 and 2005 as heating and electrical rates increased substantially. Expenses to maintain the system's assets increased \$71,442 or 3.7% over 2006 and \$232,000 or 14% over 2005. This was influenced by increased labor and materials costs.

Operating Revenues by major source for fiscal 2007:
(Dollars in thousands)

Operating Revenues by major source for fiscal 2006:
(Dollars in thousands)


Operating Expenses by major source for fiscal 2007:



Operating Expenses by major source for fiscal 2006:





KPMG LLP
Suite 900
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Seattle, WA 98104

Independent Auditors' Report

The Board of Trustees
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Housing and Dining System (the System) as of June 30, 2007 and 2006, 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 management of the System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits provide 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, 2007 and 2006, the results of operations or changes in net assets, or its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years 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 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 audits for the years ended June 30, 2007 and 2006 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on page 19 and for the years ended June 30, 2007 and 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 years ended June 30, 2007 and 2006. We did not audit the information on pages 20 through 22, and express no opinion on them.

KPMG LLP

September 28, 2007

**HOUSING AND DINING SYSTEM
 STATEMENTS OF NET ASSETS**
June 30, 2007 and 2006

Assets	2007	2006
Current assets		
Cash and cash equivalents	\$ 2,649,388	\$ 2,380,223
Investments	8,715,484	8,577,342
Accounts receivable, net of allowance of \$24,809 and \$39,113 in 2007 and 2006, respectively	142,765	128,005
Interest receivable	118,102	104,316
Other receivables	86,815	206,856
Inventory	2,411	1,552
Total current assets	<u>11,714,965</u>	<u>11,398,294</u>
Noncurrent assets		
Restricted investments	6,040,562	10,506,748
Capital assets, net	71,439,164	66,968,752
Total noncurrent assets	<u>77,479,726</u>	<u>77,475,500</u>
Total assets	<u>89,194,691</u>	<u>88,873,794</u>
 Liabilities		
Current liabilities		
Accounts payable	2,084,272	1,818,007
Accrued expenses	545,274	507,843
Residents' housing deposits	1,138,685	1,152,949
Deferred revenue	1,708,650	1,991,144
Bonds interest payable	459,070	494,216
Current portion of bonds payable	2,055,000	1,945,000
Total current liabilities	<u>7,990,951</u>	<u>7,909,159</u>
 Bonds payable, less current portion	<u>46,069,431</u>	<u>47,905,379</u>
Total liabilities	<u>54,060,382</u>	<u>55,814,538</u>
 Net Assets		
Invested in capital assets, net of related debt	26,587,406	24,992,136
Restricted for system renewals and replacements	2,767,889	2,632,985
Unrestricted	5,779,014	5,434,135
Total net assets	<u>\$ 35,134,309</u>	<u>\$ 33,059,256</u>

**HOUSING AND DINING SYSTEM
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN NET ASSETS**
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Room rent and food services	\$ 23,790,796	\$ 22,769,662
Service and activity fees	1,183,110	1,191,766
Student building fees	1,353,148	1,347,533
Conferences	1,026,502	1,097,331
Viking Union income	464,044	453,081
Contribution for dining services	300,000	300,000
Rent	121,544	117,273
Commissions	151,668	130,804
Fees, penalties, and other income	325,889	331,331
Total operating revenue	<u>28,716,701</u>	<u>27,738,781</u>
Operating Expenses		
Cost of food services	8,516,304	8,274,519
Salaries and related benefits	5,504,597	5,236,229
Utilities	2,600,950	2,300,606
Repairs and maintenance	1,978,712	1,907,270
Communications	456,619	459,408
Insurance	337,846	279,673
Supplies	231,190	245,683
Furniture and equipment	493,357	359,940
Institutional services	352,437	287,202
Depreciation	2,405,868	2,169,510
Noncapitalizable renewals and replacements	1,446,871	1,655,730
Other	830,759	783,058
Total operating expenses	<u>25,155,510</u>	<u>23,958,828</u>
Income from operations	<u>3,561,191</u>	<u>3,779,953</u>
Nonoperating Revenues (Expenses)		
Investment income	1,005,671	689,887
Interest expense	(2,272,757)	(2,050,474)
Amortization of bond discounts and costs	(219,052)	(219,941)
Total nonoperating revenue (expenses)	<u>(1,486,138)</u>	<u>(1,580,528)</u>
Increase in net assets	<u>2,075,053</u>	<u>2,199,425</u>
Net Assets, Beginning of Year	<u>33,059,256</u>	<u>30,859,831</u>
Net Assets, End of Year	<u>\$ 35,134,309</u>	<u>\$ 33,059,256</u>

**HOUSING AND DINING SYSTEM
 STATEMENTS OF CASH FLOWS**
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$ 28,478,513	\$ 27,657,957
Cash paid to employees	(5,469,936)	(5,212,700)
Cash paid to suppliers	(17,085,300)	(17,316,157)
Net cash flows from operating activities	<u>5,923,277</u>	<u>5,129,100</u>
Cash Flows from Capital and Related Financing Activities		
Proceeds from bond issuance	-	9,525,479
Payment of long-term debt	(1,945,000)	(1,585,000)
Interest payments, net of amounts capitalized	(2,307,903)	(1,946,297)
Purchase of capital assets	(6,736,149)	(6,525,665)
Net cash flows used by capital and related financing activities	<u>(10,989,052)</u>	<u>(531,483)</u>
Cash Flows from Investing Activities		
Investment income received	991,885	633,509
Proceeds (sales) of restricted investments	4,466,186	(8,132,938)
Receipt of payment on note receivable	15,011	15,011
Purchase (sales) of investments	(138,142)	3,033,460
Net cash flows from (used) by investing activities	<u>5,334,940</u>	<u>(4,450,958)</u>
Net change in cash and cash equivalents	269,165	146,659
Cash and Cash Equivalents, Beginning of Year	2,380,223	2,233,564
Cash and Cash Equivalents, End of Year	<u>\$ 2,649,388</u>	<u>\$ 2,380,223</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	\$ 3,561,191	\$ 3,779,953
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	2,405,868	2,169,510
Gain on sale of capital assets	-	(52,854)
Change in operating assets and liabilities		
Accounts receivable	(14,760)	21,944
Other receivables	115,276	(87,211)
Inventory	(859)	1
Accounts payable and accrued expenses	160,604	(757,407)
Accrued salaries and benefits	34,661	23,529
Residents' housing deposits	(14,264)	329,498
Deferred revenue	(324,440)	(297,863)
Cash flows from operating activities	<u>\$ 5,923,277</u>	<u>\$ 5,129,100</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 statements are special purpose reports reflecting the net assets, results of operations, and cash flows of the Housing and Dining System. The financial statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present either the financial position, results of operations or changes in net assets of the University.

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.

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 \$1,500,000 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 \$5,289,441 of this balance at June 30, 2007, 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

The University provides support to the Housing and Dining system through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are included in these financial statements.

Tax Exemptions

The University, and the Housing system as an auxiliary enterprise, is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, 2006, financial statements have been reclassified to conform to the June 30, 2007 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 investment pool is invested in demand deposits, time certificates of deposit, and the Washington State Local Government Investment Pool (LGIP).

	2007	Weighted Average Maturity	2006	Weighted Average Maturity
Cash and cash equivalents				
WWU Investment Pool	\$2,649,388	4.1 months	\$2,380,223	5.2 months
Investments				
WWU Investment Pool	8,854,682	4.1 months	8,742,314	5.2 months
Certificates of Deposit	3,685,855	6.7 months	3,312,729	10.4 months
LGIP	2,215,509	n/a	6,996,771	n/a
Demand Deposit Account	-	n/a	32,276	n/a
	<u>\$17,405,434</u>		<u>\$21,464,313</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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2007 and 2006

Restricted Investments include the following:

	2007	2006
Renewal and replacements	\$2,725,053	\$2,409,976
Bond proceeds	3,315,509	8,096,772
	<u>\$6,040,562</u>	<u>\$10,506,748</u>

NOTE 3. CAPITAL ASSETS

Following are the changes in capital assets for the year ended June 30, 2007:

Description	June 30, 2006 Balance	Additions	Retirements	Transfers	June 30, 2007 Balance
Buildings	\$79,860,123	\$ -	\$ -	\$ -	\$79,860,123
Buildings improvements	9,079,235	994,054	-	349,949	10,423,238
Furniture, fixtures, and equipment	1,036,260	223,409	(70,693)	-	1,188,976
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	3,402,619	5,658,817	-	(349,949)	8,711,487
Total cost	<u>97,870,801</u>	<u>6,876,280</u>	<u>(70,693)</u>	<u>-</u>	<u>104,676,388</u>
Accumulated Depreciation					
Buildings	28,762,140	1,748,488	-	-	30,510,628
Buildings improvements	507,735	451,132	-	-	958,867
Furniture, fixtures, and equipment	830,941	78,131	(70,693)	-	838,379
Infrastructure	801,233	128,117	-	-	929,350
Total accumulated depreciation	<u>30,902,049</u>	<u>2,405,868</u>	<u>(70,693)</u>	<u>-</u>	<u>33,237,224</u>
Net	<u>\$66,968,752</u>	<u>\$4,470,412</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$71,439,164</u>

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	<u>90,048,040</u>	<u>7,870,434</u>	<u>(47,673)</u>	<u>-</u>	<u>97,870,801</u>
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	<u>28,767,581</u>	<u>2,169,510</u>	<u>(35,042)</u>	<u>-</u>	<u>30,902,049</u>
Net	<u>\$61,280,459</u>	<u>\$5,700,924</u>	<u>\$ (12,631)</u>	<u>\$ -</u>	<u>\$66,968,752</u>

NOTE 4. BONDS PAYABLE

	<u>2007</u>	June 30,	<u>2006</u>
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$340,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$9,335,000 at June 30, 2007 which is reported net of the unamortized original discount and debt issuance costs of \$82,516.	\$ 9,252,484	\$	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 \$110,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$12,385,000 at June 30, 2007, which is reported net of the unamortized original discount and debt issuance costs of \$1,435,375.	10,949,625		10,941,248
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 2% to 4.65%, and principal payments due in annual \$590,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$13,370,000 at June 30, 2007, which is reported net of the unamortized original issue discount and debt issuance costs of \$350,192.	13,019,808		13,572,746
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 \$380,000 to \$420,000 through June 1, 2010. The Series 2003 bonds have an aggregate face value of \$1,200,000 at June 30, 2007, which is reported net of the unamortized original issue discount and debt issuance costs of \$24,720.	1,175,280		1,524,354
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 \$635,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$14,275,000 at June 30, 2007, which is reported net of the unamortized original issue premium and debt issuance costs of \$547,766.	<u>13,727,234</u>		<u>14,282,656</u>
	48,124,431		49,850,379
Less current portion	<u>(2,055,000)</u>		<u>(1,945,000)</u>
	\$ <u>46,069,431</u>	\$	<u>47,905,379</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.

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.

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>
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	2,400,000	1,833,641	4,233,641
2013-2017	13,590,000	7,561,140	21,151,140
2018-2022	16,995,000	4,162,145	21,157,145
2023-2026	8,860,000	798,381	9,658,381
	<u>50,565,000</u>	<u>\$ 22,608,633</u>	<u>\$ 73,173,633</u>
Less unamortized charges	<u>2,440,569</u>		
	<u>\$ 48,124,431</u>		

Following are the changes in long-term liabilities for the year ended June 30, 2007:

Bonds Payable	Balance June 30, 2006	Amortization of Bond Costs	Retirements	Balance June 30, 2007	Current Portion
Series 2006 Revenue Bonds	\$ 9,529,375	\$ 8,109	\$ (285,000)	\$ 9,252,484	\$ 340,000
Series 2005 Refunding Bonds	10,941,248	113,377	(105,000)	10,949,625	110,000
Series 2003 Revenue and Refunding Bonds	13,572,746	37,062	(590,000)	13,019,808	590,000
Series 1999 Junior Lien Revenue Bonds	1,524,354	10,926	(360,000)	1,175,280	380,000
Series 1998 Junior Lien Revenue Refunding Bonds	14,282,656	49,578	(605,000)	13,727,234	635,000
Total long-term liabilities	<u>\$ 49,850,379</u>	<u>\$ 219,052</u>	<u>\$ (1,945,000)</u>	<u>\$ 48,124,431</u>	<u>\$2,055,000</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	\$ -	\$ 9,529,375	\$ -	\$ 9,529,375	\$ 285,000
Series 2005 Refunding bonds	10,917,256	113,992	(90,000)	10,941,248	105,000
Series 2003 Revenue and Refunding Bonds	14,104,775	37,971	(570,000)	13,572,746	590,000
Series 1999 Junior Lien Revenue Bonds	1,856,051	13,303	(345,000)	1,524,354	360,000
Series 1998 Junior Lien Revenue Refunding Bonds	14,811,878	50,778	(580,000)	14,282,656	605,000
Total long-term liabilities	<u>\$ 41,689,960</u>	<u>\$ 9,745,419</u>	<u>\$ (1,585,000)</u>	<u>\$ 49,850,379</u>	<u>\$1,945,000</u>

Total interest incurred on bonds payable for the years ended June 30, 2007 and June 30, 2006 was \$2,272,757 and \$2,050,474 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, 2007 and 2006, respectively, the total outstanding principal balance of defeased bonds was \$11,725,000 and \$12,030,000.

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, 2007, these commitments totaled \$3,026,348 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, 2007, the Housing and Dining System had received approximately \$2,990,000 from Sodexo per the agreement. The remaining \$10,000 will be received during the 2008 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 \$154,000 and \$115,000 to these plans in 2007 and 2006, 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	\$7,157	\$6,785	\$6,681	\$6,477
Single room/single occupancy	7,910	7,538	7,434	7,230
Double room/single occupancy (super single)	8,340	7,968	7,864	7,661
Triple room/triple occupancy	6,240	5,868	5,764	5,560

APARTMENTS

	Double with 2/Bedroom	Super Single 2/Bedroom	Family Rate
Apartment Only Academic Year Contracts			
Bimam Wood - 2 bedroom	\$2,328	\$4,656	\$9,312
Leased Apartments – 2 bedroom	2,232	4,464	-

(UNAUDITED)

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed ⁽¹⁾	Operating ⁽²⁾		Designed Capacity	Operating Capacity
Fall 2006	4,003	3,904	3,859	96.4%	98.8%
Winter 2007	4,003	3,904	3,721	93.0	95.3
Spring 2007	4,003	3,904	3,461	86.5	88.7
Average	4,003	3,904	3,680	91.9%	94.3%

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, 2007, 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>2007</u>	<u>2006</u>
Capitalized Projects		
Higginson Hall renovation	\$ 5,026,047	\$ 2,264,012
Ridgeway Delta	967,062	349,950
Ridgeway Pump Station (Sunset Heights)	251,690	389,262
Triple occupancy beds	234,438	44,881
So Campus Residence facility	91,028	-
Dining services improvements	26,990	540,587
Ridgeway Sigma	-	703,639
Birnam Wood renovation	-	2,268,250
Arntzen Hall food service remodel	-	1,234,275
Other	55,616	8,191
Totals	<u>\$ 6,652,871</u>	<u>\$ 7,803,047</u>
Noncapitalized Projects		
Other	\$ 273,243	\$ 293,777
Buchanan Towers brick restoration	250,487	524,037
Roof replacement and coatings	184,834	252,662
Nash Hall brick restoration	142,077	-
Upgrade kitchen hoods	110,822	-
Bathroom and shower renovations	95,585	16,278
Building controls	84,695	147,877
Asbestos abatement and flooring	84,549	-
Viking Commons/Viking Union renovations	70,481	14,993
Plumbing, heating and electrical	66,817	86,264
Fiber optics and network upgrades	49,876	66,203
Elevator upgrades	31,133	164,964
Viking Union improvements	2,272	-
Haggard Hall Coffee Shop	-	88,675
Totals	<u>\$ 1,446,871</u>	<u>\$ 1,655,730</u>