WESTERN
WASHINGTON UNIVERSITY

Table of Contents

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provide 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, 2008 and 2007. 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.

Statements 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 Statements of Net Assets as of June 30, 2008, 2007, and 2006:

(Dollars in Thousands)

	2008	2007	2006
Assets			
Current Assets	$ 13,551	$ 11,715	$ 11,398
Noncurrent assets	2,870	6,041	10,507
Capital assets	72,739	71,439	66,969
Total assets	89,160	89,195	88,874
Liabilities			
Current liabilities	7,708	7,991	7,909
Noncurrent liabilities	44,148	46,069	47,905
Total liabilities	51,856	54,060	55,814
Net Assets			
Invested in capital assets, net of related debt	26,456	26,587	24,992
Restricted for system renewals and replacements	2,899	2,768	2,633
Unrestricted	7,949	5,779	5,434
Total net assets	$ 37,304	$ 35,134	$ 33,059

Cash, cash equivalents and investments increased $1,942,750 over 2007 due to increased occupancy and higher room and board rates. Total assets decreased $34,536 from 2007 as interest receivable was lower due to the bond proceeds being fully spent. Between fiscal 2006 and 2007, total assets increased $320,897 as a result of the

completion of Housing projects. Capital assets increased $1,299,625 between 2008 and 2007 and $4,470,412 between 2007 and 2006, respectively.
Major projects completed during fiscal 2008 include the completion of the Higginson Hall renovation and the Sunset Heights pump station. The second phase of the Higginson Hall renovation was started during fiscal 2007 and was funded with revenue bond proceeds.

Total liabilities decreased $2,203,912 from 2007 and $1,754,156 between 2007 and 2006 as payments were made on the outstanding bond issues.

Statements of Revenues, Expenses, and Changes in Net Assets
The changes in total net assets, as presented on the Statements of Net Assets, are detailed in the activity presented in the Statements of Revenues, Expenses, and Changes in Net Assets. The statements present 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 Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2008, 2007, and 2006:

(*Dollars in thousands)*

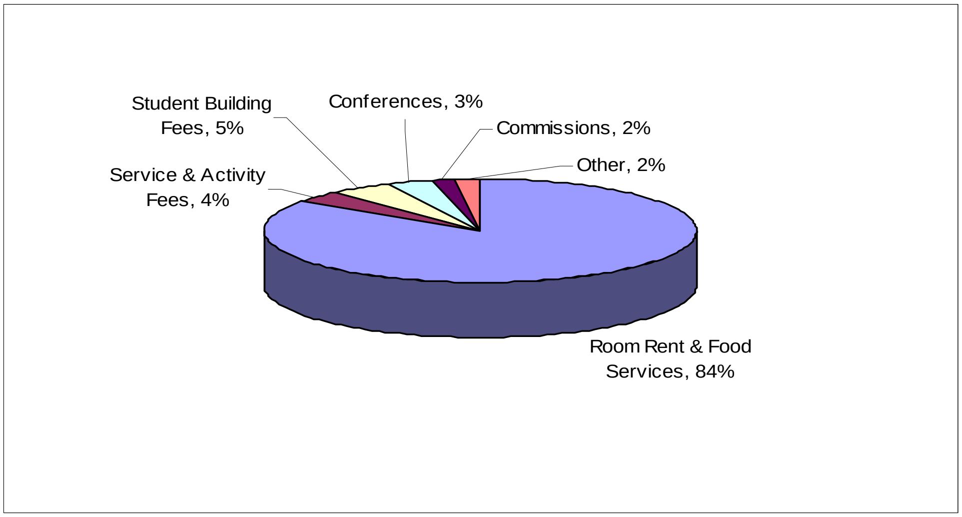
	2008	2007	2006
Operating Revenues	$ 30,545	$ 28,717	$ 27,739
Operating Expenses	(26,760)	(25,156)	(23,959)
Income from operations	3,785	3,561	3,780
Nonoperating Revenues	774	1,006	690
Nonoperating Expenses	(2,389)	(2,492)	(2,271)
Increase in Net Assets	2,170	2,075	2,199
Net Assets, Beginning of year	35,134	33,059	30,860
Net Assets, End of year	$ 37,304	$ 35,134	$ 33,059

The System's largest revenue source is room rent and food services which comprised 83.6% of the System's revenue in 2008 versus 82.8% in 2007 and 82% in 2006. Room and food service revenues showed a $1.7 million or 7.3% increase over the prior year and an increase of $1.02 million or 4.4% over 2006. The room rental rate increased 4.5% over 2007 and 4% over 2006. Residence hall occupancy increased 1.7% over 2007 and almost 1% over 2006. Birnam Wood apartment occupancy increased 2.4% over fiscal year 2007 and 2.5% between fiscal 2007 and 2006.

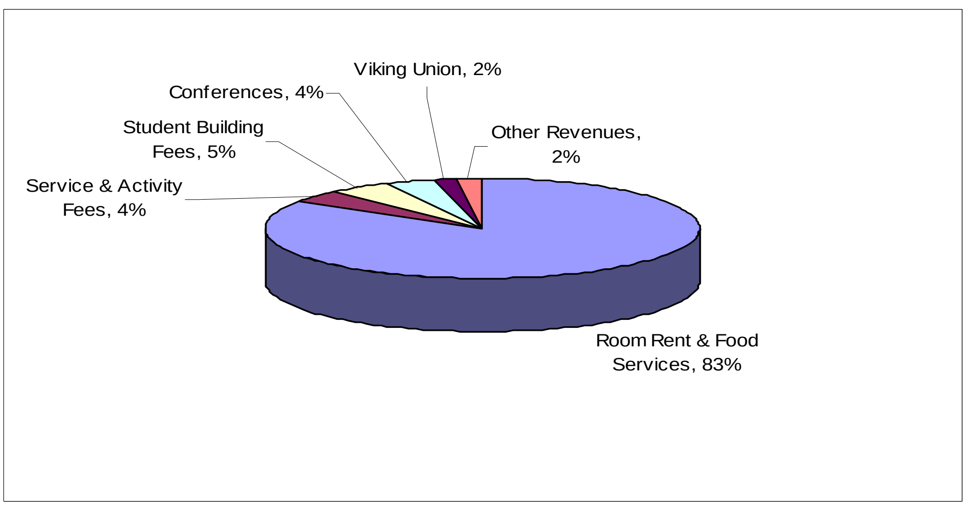
Non-operating revenues decreased $231,267 from fiscal 2007 due to lower interest earnings resulting from the spending of bond proceeds for the Higginson Hall renovation. The increase of $315,782 between 2007 and 2006 resulted from interest income earned on unspent bond proceeds.

Non-operating expenses decreased slightly, $101,642, in 2008 as bond amortization and interest expense decreased. The increase of $221,393 in non-operating expenses between 2007 and 2006 results from increased interest payments on issued debt.

Operating Revenues by major source for fiscal 2008:



Operating Revenues by major source for fiscal 2007:



Cost of food services showed an increase of 9.5% and 2.9% over 2007 and 2006 respectively, due to a rate increase of 5.5%; additional meal plans purchased by students and increased occupancy.

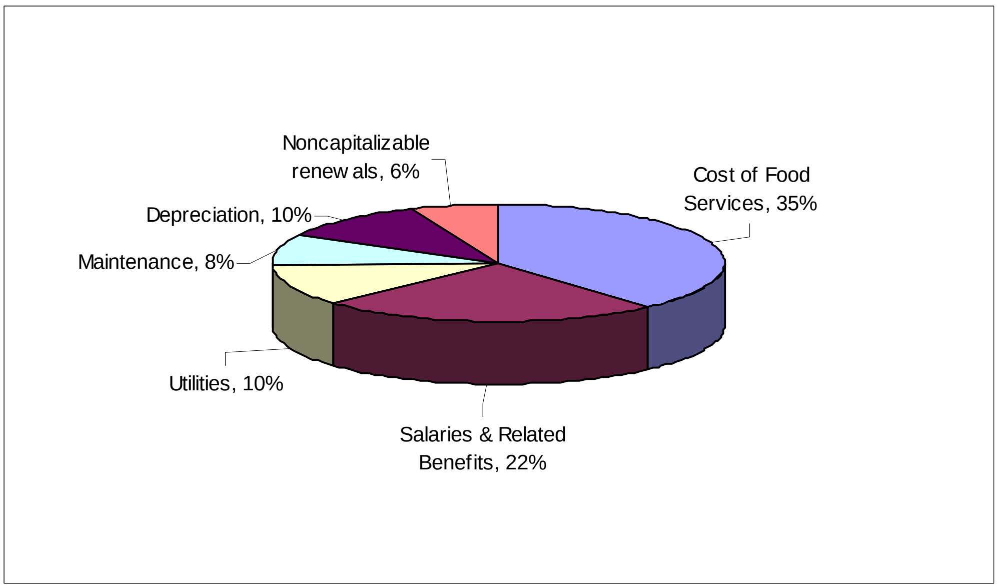
Salaries and benefits increased 7.2% and 5.1% over 2007 and 2006 respectively, primarily due to State cost of living increases and increased benefit expenses.

Utility expenses increased $185,367 or 7.1% over fiscal 2007 compared to increases of $300,344 or 13.1% between 2007 and 2006 as heating and electrical increased substantially in 2007.

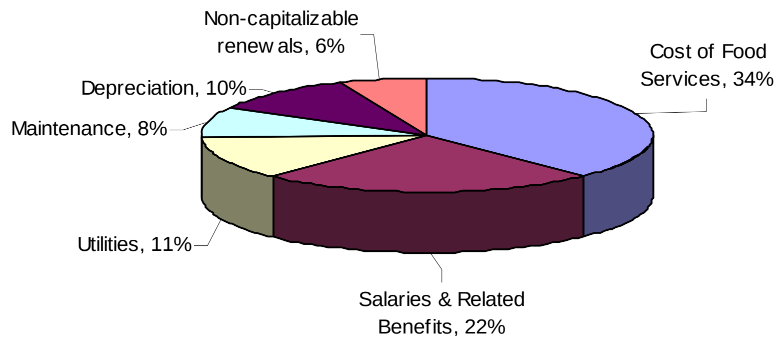
Expenses to maintain the system's assets increased $39,210 or 2.0% over 2007 and $71,442 or 3.7% over 2006. This was influenced by increased labor and materials costs.

A reevaluation of the University's administrative services assessment fee raised the percentage charged from just over 1.1% of System revenues (less food service contract) to 2.25% in fiscal 2008. This resulted in an increase of $252,142 during 2008.

Operating Expenses by major source for fiscal 2008:



Operating Expenses by major source for fiscal 2007:



Economic Factors and Significant Events

The University's enrollment growth continues to create strong student demand for on campus housing. The Housing and Dining System's 10 year plan to add new residence hall based is based on an enrollment target of 12,500 full-time equivalents (FTE) with an assumption of housing just under 30% of enrollment. An estimated 4,100 beds will be needed to achieve that goal. The current bed capacity is 3,934, creating a deficit of 166 beds by 2013. A new residence hall, built to LEEDS certification, will be added to Buchanan Towers to provide 100 beds by fall 2010; as well as amenities that will benefit the entire complex, including a café, bike storage, a computer lab, generous public areas, and city upgrades and investment in the surrounding area to enhance the visual image of campus. The student living areas are a flexible design that can convert from traditional four-person suites to four-person apartments in the event that reduced demand necessitates housing a different market segment. The project is estimated to cost $18.2 million and will be funded with a bond sale planned for June 2009. In the interim, beds are being leased off campus to meet fall demand for fiscal 2007-2009, and may continue to be utilized to meet peak occupancy demand if needed after the new residence hall opens.

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Independent Auditors' Report

The Board of Trustees
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Housing & Dining System (the System) as of June 30, 2008 and 2007, 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 System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 financial position, the changes in financial position, 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, 2008 and 2007, the changes in its financial position, 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, 2008 and 2007, 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 2 through 6 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 consist 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 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on page 20 and for the years ended June 30, 2008 and 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been

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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, 2008 and 2007. We did not audit the information on pages 21 through 23, and express no opinion on them.

KPMG LLP

Seattle, Washington
September 18, 2008

WESTERN
WASHINGTON UNIVERSITY

Assets	**2008**	**2007**
Current assets		
Cash and cash equivalents	$ 1,596,915	$ 2,649,388
Investments	11,710,707	8,715,484
Accounts receivable, net of allowance of $29,428 and $24,809 in 2008 and 2007, respectively	160,803	142,765
Interest receivable	30,066	118,102
Other receivables	50,966	86,815
Inventory	1,466	2,411
Total current assets	13,550,923	11,714,965
Noncurrent assets		
Restricted investments	2,870,443	6,040,562
Capital assets, net	72,738,789	71,439,164
Total noncurrent assets	75,609,232	77,479,726
Total assets	89,160,155	89,194,691
Liabilities		
Current liabilities		
Accounts payable	1,910,239	2,084,272
Accrued expenses	567,863	545,274
Residents' housing deposits	1,200,000	1,138,685
Deferred revenue	1,452,314	1,708,650
Bonds interest payable	443,073	459,070
Current portion of bonds payable	2,135,000	2,055,000
Total current liabilities	7,708,489	7,990,951
Bonds payable, less current portion	44,147,981	46,069,431
Total liabilities	51,856,470	54,060,382
Net Assets		
Invested in capital assets, net of related debt	26,455,808	26,587,406
Restricted for system renewals and replacements	2,899,452	2,767,889
Unrestricted	7,948,425	5,779,014
Total net assets	$ 37,303,685	$ 35,134,309

See Notes to Financial Statements

WESTERN
WASHINGTON UNIVERSITY

HOUSING AND DINING SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS — ***June 30, 2008 and 2007***

	2008	2007
Operating Revenues		
Room rent and food services	$ 25,535,649	$ 23,790,796
Service and activity fees	1,224,544	1,183,110
Student building fees	1,393,386	1,353,148
Conferences	1,040,075	1,026,502
Viking Union income	159,766	464,044
Contribution for dining services	300,000	300,000
Rent	126,722	121,544
Commissions	466,148	151,668
Fees, penalties, and other income	298,858	325,889
Total operating revenue	30,545,148	28,716,701
Operating Expenses		
Cost of food services	9,326,157	8,516,304
Salaries and related benefits	5,905,123	5,504,597
Utilities	2,786,317	2,600,950
Repairs and maintenance	2,017,922	1,978,712
Communications	436,448	456,619
Insurance	325,748	337,846
Supplies	252,869	231,190
Furniture and equipment	291,030	493,357
Institutional services	638,448	352,437
Depreciation	2,619,748	2,405,868
Noncapitalizable renewals and replacements	1,513,950	1,446,871
Other	646,249	830,759
Total operating expenses	26,760,009	25,155,510
Income from operations	3,785,139	3,561,191
Nonoperating Revenues (Expenses)		
Investment income	774,404	1,005,671
Interest expense	(2,176,617)	(2,272,757)
Amortization of bond discounts and costs	(213,550)	(219,052)
Total nonoperating expenses	(1,615,763)	(1,486,138)
Increase in net assets	2,169,376	2,075,053
Net Assets, Beginning of Year	35,134,309	33,059,256
Net Assets, End of Year	$ 37,303,685	$ 35,134,309

See Notes to Financial Statements

WESTERN
WASHINGTON UNIVERSITY

HOUSING AND DINING SYSTEM
STATEMENTS OF CASH FLOWS ***June 30, 2008 and 2007***

	2008	2007
Cash Flows from Operating Activities		
Cash received from students and other customers	$ 30,352,927	$ 28,478,513
Cash paid to employees	(5,881,778)	(5,469,936)
Cash paid to suppliers	(18,725,517)	(17,085,300)
Net cash flows provided by operating activities	5,745,632	5,923,277
Cash Flows from Capital and Related Financing		
Payment of long-term debt	(2,055,000)	(1,945,000)
Interest payments, net of amounts capitalized	(2,192,614)	(2,307,903)
Purchase of capital assets	(3,602,838)	(6,736,149)
Net cash flows used in capital and related financing activities	(7,850,452)	(10,989,052)
Cash Flows from Investing Activities		
Investment income received	862,440	991,883
Net proceeds of restricted investments	3,170,119	4,466,188
Receipt of payment on note receivable	15,011	15,011
Purchases of investments	(2,995,223)	(138,142)
Net cash flows provided by investing activities	1,052,347	5,334,940
Net change in cash and cash equivalents	(1,052,473)	269,165
Cash and Cash Equivalents, Beginning of Year	2,649,388	2,380,223
Cash and Cash Equivalents, End of Year	$ 1,596,915	$ 2,649,388
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	$ 3,785,139	$ 3,561,191
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	2,619,748	2,405,868
Change in operating assets and liabilities		
Accounts receivable	(18,038)	(14,760)
Other receivables	31,084	115,276
Inventory	945	(859)
Accounts payable	(491,324)	160,604
Accrued salaries and benefits	23,345	34,661
Residents' housing deposits	61,315	(14,264)
Deferred revenue	(266,582)	(324,440)
Cash flows from operating activities	$ 5,745,632	$ 5,923,277

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
Western Washington University Housing and Dining System (the System) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The 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 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 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 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 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 $1,200,000 and $1,500,000 for 2008 and 2007, respectively, in funds received from Sodexo that are being amortized on a straight-line basis over ten years.

Net Assets

The System's net assets are classified as follows:

- *Invested in Capital Assets, Net of Related Debt* - This represents the 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 System has internally designated $6,691,178 and $5,289,441 of this balance at June 30, 2008 and 2007, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenue, Expenses and Transfers

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

- *Operating Revenue* - Operating revenue includes 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 includes 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 System through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was $477,161 and $225,019 for the years ending June 30, 2008 and 2007, respectively.

Tax Exemptions

The University, and the 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.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENT

To maximize investment income, WWU combines funds from all departments into an investment pool. The 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 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).

	2008	Weighted Average Maturity	2007	Weighted Average Maturity
Cash and cash equivalents				
WWU Investment Pool	$1,596,915	n/a	$2,649,388	n/a
Investments				
WWU Investment Pool	11,856,046	3.1 months	8,854,682	4.1 months
Certificates of Deposit	2,725,104	6.0 months	3,685,855	6.7 months
LGIP	-	n/a	2,215,509	n/a
	$16,178,065		$17,405,434	

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. Investments in the LGIP 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:

	2008	2007
Renewal and replacements	$2,870,443	$2,725,053
Bond proceeds	-	3,315,509
	$2,870,443	$6,040,562

NOTE 3. CAPITAL ASSETS

The depreciation expense for the fiscal years ended June 30, 2008 and 2007 was $2,619,748 and $2,405,868, respectively.

Following are the changes in capital assets for the year ended June 30, 2008:

Description	June 30, 2007 Balance	Additions	Retirements	Transfers	June 30, 2008 Balance
Buildings	$79,860,123	$1,937,985	$ -	$7,386,684	$89,184,792
Buildings improvements	10,423,238	-		640,951	11,064,189
Furniture, fixtures, and equipment	1,188,976	222,447	(41,742)	215,938	1,585,619
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	8,711,487	1,815,565	(56,625)	(8,243,573)	2,226,854
Total cost	104,676,388	3,975,997	(98,367)	-	108,554,018
Accumulated Depreciation					
Buildings	30,510,628	1,830,366	-	-	32,340,994
Buildings improvements	958,867	533,816	-	-	1,492,683
Furniture, fixtures, and equipment	838,379	127,098	(41,743)	-	923,734
Infrastructure	929,350	128,468	-	-	1,057,818
Total accumulated depreciation	33,237,224	2,619,748	(41,743)	-	35,815,229
Net	$71,439,164	$1,356,249	$ (56,624)	$ -	$72,738,789

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	97,870,801	6,876,280	(70,693)	-	104,676,388
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	30,902,049	2,405,868	(70,693)		33,237,224
Net	$66,968,752	$4,470,412	$ -	$ -	$71,439,164

NOTE 4. BONDS PAYABLE

	June 30, 2008	June 30, 2007
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 $8,995,000 at June 30, 2008 which is reported net of the unamortized original discount and debt issuance costs of $75,057.	$ 8,919,943	$ 9,252,484
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 $12,275,000 at June 30, 2008, which is reported net of the unamortized original discount and debt issuance costs of $1,322,191.	10,952,809	10,949,625
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3% 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 $12,780,000 at June 30, 2008, which is reported net of the unamortized original issue discount and debt issuance costs of $314.681.	12,465,319	13,019,808
Series 1999 Housing and Dining Junior Lien Revenue Bonds, with interest rates ranging from 5.1% to 6.0%, and principal payments due in annual amounts ranging from $380,000 to $420,000 through June 1, 2010. The Series 1999 bonds have an aggregate face value of $820,000 at June 30, 2008, which is reported net of the unamortized original issue discount and debt issuance costs of $16,328.	803,672	1,175,280
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds, with interest rates ranging from 4.4% 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 $13,640,000 at June 30, 2008, which is reported net of the unamortized original issue premium and debt issuance costs of $498,762.	13,141,238	13,727,234
	$46,282,981	$48,124,431
Less current portion	(2,135,000)	(2,055,000)
	$44,147,981	$46,069,431

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 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 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 System has purchased surety bonds in satisfaction of the Bond Reserve Account requirements of each of the Series Resolutions.

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

	Principal	Interest	Total
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	2,495,000	1,735,075	4,230,075
2014-2018	14,195,000	6,963,104	21,158,104
2019-2023	16,995,000	3,377,748	20,372,748
2024-2026	5,760,000	445,739	6,205,739
	48,510,000	$20,416,019	$68,926,019
Less unamortized charges	(2,227,019)		
	$46,282,981		

Following are the changes in long-term liabilities for the year ended June 30, 2008:

Bonds Payable	Balance June 30, 2007	Amortization of Bond Costs	Retirements	Balance June 30, 2008	Current Portion
Series 2006 Revenue Bonds	$ 9,252,484	$ 7,459	$ (340,000)	$ 8,919,943	$ 350,000
Series 2005 Refunding Bonds	10,949,625	113,184	(110,000)	10,952,809	115,000
Series 2003 Revenue and Refunding Bonds	13,019,808	35,511	(590,000)	12,465,319	625,000
Series 1999 Junior Lien Revenue Bonds	1,175,280	8,392	(380,000)	803,672	400,000
Series 1998 Junior Lien Revenue Refunding Bonds	13,727,234	49,004	(635,000)	13,141,238	645,000
Total long-term liabilities	$48,124,431	$213,550	$(2,055,000)	$46,282,981	$2,135,000

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

Bonds Payable	Balance June 30,2006	Additions and 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	$49,850,379	$219,052	$ (1,945,000)	$48,124,431	$2,055,000

Total interest incurred on bonds payable for the years ended June 30, 2008 and June 30, 2007 was $2,176,617 and $2,272,757 respectively.

In prior years, the 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, 2008 and 2007, respectively, the total outstanding principal balance of defeased bonds was $11,405,000 and $11,725,000.

NOTE 5. COMMITMENTS

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2008 and 2007, these commitments totaled $6,503,386 and $3,026,348, respectively, for all funds.

NOTE 6. CONTRACT WITH SODEXO AMERICA, LLC

Sodexo America, LLC (“Sodexo”) contracted with WWU to manage the dining services provided by the System. As part of this contract, Sodexo agreed to provide $3,000,000 to the 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, 2008 and 2007, the System had received approximately $2,990,000 from Sodexo per the agreement. The remaining $10,000 will be received during the 2009 fiscal year.

NOTE 7. PENSION PLAN

As employees of WWU, the full-time 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 System contributed approximately $194,000 and $154,000 to these plans in 2008 and 2007, respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS

During the 2008 fiscal year, the University adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local governmental employers. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service. The Statement also provides information about actuarial accrued liabilities (AAL) associated with OPEB and whether and to what extent progress is being made in funding the plan.

The University funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. The University is ultimately responsible for the obligation therefore, the annual required contribution (ARC) is not recorded on Housing and Dining's financial statements.

SUPPLEMENTAL 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	$7,479	$7,090	$6,982	$6,768
Single room/single occupancy	8,266	7,877	7,769	7,555
Double room/single occupancy (super single)	8,715	8,327	8,218	8,005
Triple room/triple occupancy	6,521	6,132	6,023	5,810

APARTMENTS

	Double with 2/Bedroom	Super Single 2/Bedroom	Family Rate
Apartment Only Academic Year Contracts			
Birnam Wood - 2 bedroom	$2,433	$4,866	$9,732
Leased Apartments – 2 bedroom	-	$4,665	-

(UNAUDITED)

	OCCUPANCY CAPACITY			ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed [1]	Operating [2]	ACTUAL OCCUPANCY	Designed Capacity	Operating Capacity
Fall 2007	4,034	3,936	3,938	97.6%	100.1%
Winter 2008	4,034	3,936	4,147	102.8	105.4
Spring 2008	4,034	3,936	3,593	89.1	91.3
Average	4,034	3,936	3,893	96.5%	98.9%

NOTES:

1) Designed capacity is the number of beds for which the 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 System through its participation in the State of Washington Property Insurance program. The System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from insured property and is included in the policy limits with a $32,500,000 sub-limit. 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.
- 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 and $50,000 deductible for property damage.
- Bodily injury and property damage liability - State funded self-insurance program, $10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The System's property insurance in effect at June 30, 2008, is summarized as follows:

	Values Used for Fire and Coverage of Buildings
Ridgeway Residences and Commons	$ 43,674,515
Fairhaven Residences and Commons	37,849,002
Buchanan Towers	21,685,872
Edens Hall and Edens Hall North	19,565,251
Viking Union, Addition and Commons	35,841,922
Birnam Wood Residences	13,414,988
Nash Hall	16,454,053
Mathes Hall	16,130,507
Higginson Hall	7,911,935
Commissary	6,228,247
Highland Hall	3,243,759
Lakewood Recreational Facility	1,737,466
Building Insured Values	223,737,517
Insured Contents	14,462,591
	$ 238,200,108

(UNAUDITED)

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

	2008	2007
Capitalized Projects		
Higginson Hall renovation	$ 2,131,964	$ 5,026,048
Fairhaven fire sprinklers	800,605	-
Ridgeway Gamma fire sprinklers	618,395	-
New Residence Hall	186,667	91,028
Triple Occupancy beds	124,726	234,438
Edens North seismic	42,557	-
Dining capital investment projects	42,616	8,862
Arntzen food service remodel	2,627	136
Ridgeway Delta	-	967,062
Ridgeway Pump station	-	251,690
Other	-	46,680
Totals	$ 3,950,157	$ 6,625,944
Noncapitalized Projects		
Other	$ 362,343	$ 193,511
Buchanan Towers brick restoration	-	250,487
Roof replacement and coatings	369,828	184,834
Nash Hall brick restoration	399,322	142,077
Upgade kitchen hoods	-	110,822
Bathroom and shower renovations	83,110	95,585
Lighting retrofits and changes	31,669	79,732
Painting	7,621	-
Building controls	-	84,695
Asbestos abatement and flooring	-	84,549
Edens North flooring	97,642	-
Viking Commons/Viking Union renovation	-	70,481
Plumbing, heating, and electrical	27,167	66,817
Fiber optics and network upgrades	-	49,876
Elevator upgrades	147,090	31,133
Viking Union improvements	-	2,272
Totals	$ 1,525,792	$ 1,446,871