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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 Wade King Student Recreation Center (the Recreation Center) for the years ended June 30, 2008, 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.

The Recreation Center opened in 2002 and operates on the Western Washington University campus. The fiscal year end with larger than planned transfers to reserve funds and additional course revenue from improved student programs. New programmatic marketing helped increase course revenue substantially, and larger balances in reserve accounts generated increased investment earnings. This increase in revenue from sources other than the mandatory fees helped offset the cost of additional staff, higher utilities, and increases in other expenses.

Presentation of the Financial Statements

The Recreation Center's financial reports include the Statements of Net Assets; the Statements of Revenues, Expenses, and Changes in Net Assets; and the Statements of Cash Flows.

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 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 Statements of Net Assets present the financial condition of the Recreation Center at the end of the fiscal year 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 and identify the amount 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. The change in net assets measures whether the overall financial condition has improved or deteriorated during the year.

Below is a condensed view of the Statements of Net Assets as of June 30, 2008, 2007, and 2006:

	2008	2007	2006
Assets			
Current assets	$ 1,971,430	$ 1,749,642	$ 1,383,601
Noncurrent assets	1,081,904	843,480	612,394
Capital assets	24,397,281	25,083,324	25,804,940
Total assets	27,450,615	27,676,446	27,800,935
Liabilities			
Current liabilities	1,146,196	1,042,186	1,012,398
Noncurrent liabilities	24,674,972	25,191,065	25,686,357
Total liabilities	25,821,168	26,233,251	26,698,755
Net Assets			
Invested in capital assets, net	(842,691)	(652,741)	(406,417)
Restricted for system renewals	1,081,904	843,480	612,394
Unrestricted	1,390,234	1,252,456	896,203
Total net assets	$ 1,629,447	$ 1,443,195	$ 1,102,180

Current and non-current assets increased $460,212 over fiscal 2007 and $597,127 between fiscal 2007 and 2006 as a result of increased operating and investment income. The capital asset balance decreased $686,043 and $721,616 over fiscal 2007 and 2006 respectively as the building continues to be depreciated.

Current liabilities increased $104,009 over fiscal 2007 primarily due to the accrual of approximately $60,000 to repair a gym floor damaged by flooding from a burst pipe. The increase over fiscal 2006 was $29,788. Non current liabilities decreased $516,093 and $495,292 over fiscal 2007 and 2006 respectively due to debt payments on the outstanding bonds relating to the Recreation Center building.

Overall net assets increased $186,252 and $341,015 over fiscal 2007 and 2006. Invested in capital assets, net of related debt continues to decrease as the Recreation Center facility is depreciated and the outstanding debt obligation is met. Restricted for system renewals increased $238,424 and $231,086 over the two prior fiscal years as management contributes funds for this purpose at a level that exceeds the five year annual contribution plan required by the debt covenants. These funds are legally restricted and any excess cannot be withdrawn for purposes other than system renewals. These assets are classified as restricted on the Statement of Net Assets.

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

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.

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 version of the Statements of Revenues, Expenses, and Changes in Net Assets for the fiscal years ended June 30, 2008, 2007, and 2006:

	2008	2007	2006
Operating revenues	$ 4,109,538	$ 3,947,500	$ 3,851,267
Operating expenses	(2,746,150)	(2,390,729)	(2,338,547)
Income from operations	1,363,388	1,556,771	1,512,720
Nonoperating revenues	189,479	172,794	119,714
Nonoperating expenses	(1,366,615)	(1,388,550)	(1,405,792)
Increase in net assets	186,252	341,015	226,642
Net assets, beginning of year	1,443,195	1,102,180	875,538
Net assets, end of year	$ 1,629,447	$ 1,443,195	$ 1,102,180

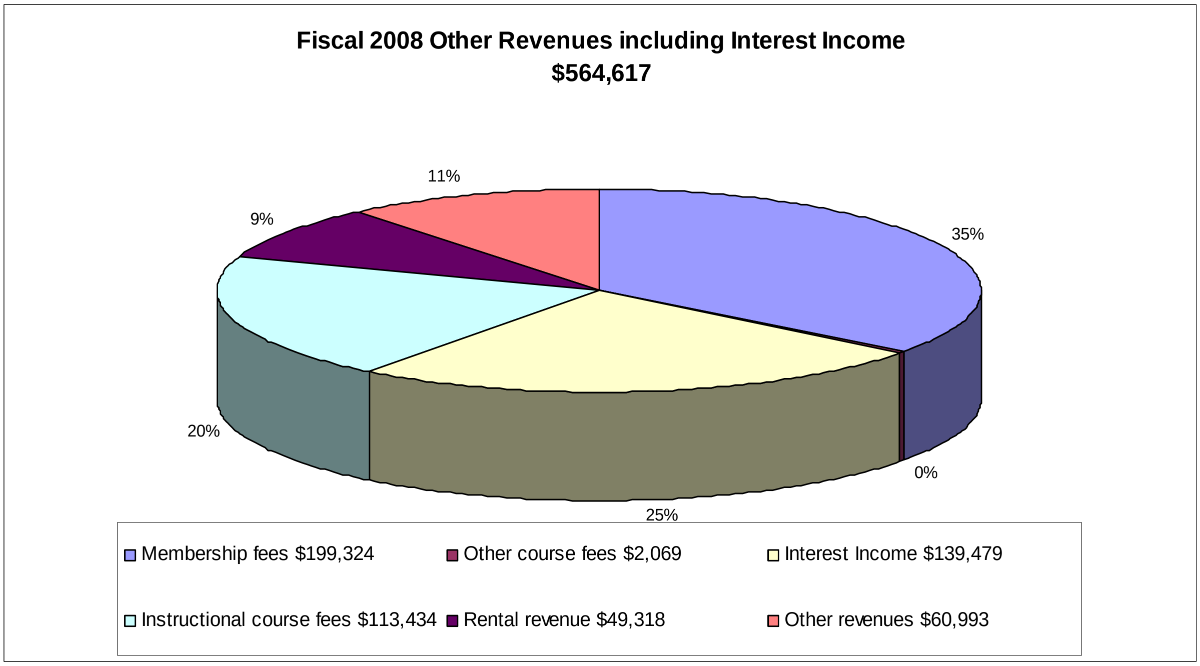
Revenues

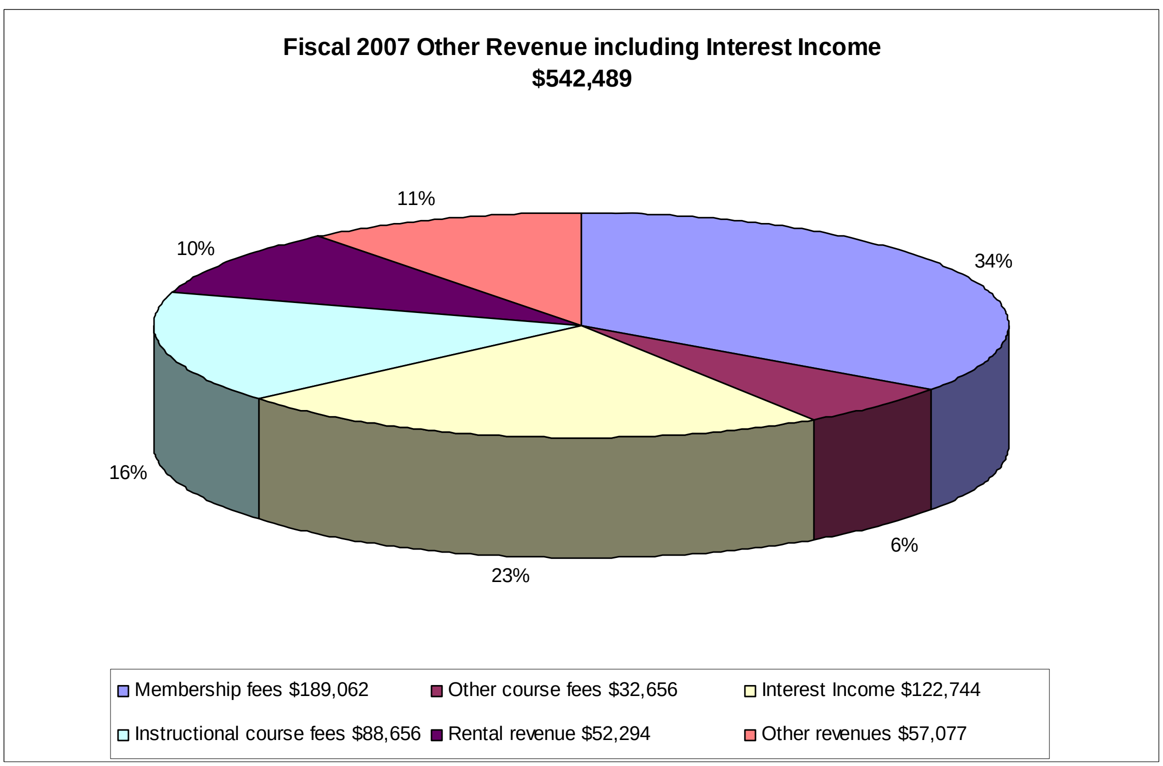
The Recreation Center's largest source of revenue is a $94 per quarter mandatory student fee for those students on the main campus taking 6 or more credits. This fee increased from $93 in fiscal year 2007, and $89 in fiscal year 2006. With increased enrollment consistent with the previous fiscal year, the student fee revenue for fiscal year 2008 was $3,684,400, $156,645 above fiscal year 2007. The increase in student fee revenue from fiscal year 2006 to fiscal 2007 was $122,830.

Other sources of revenue, excluding gift income, increased from $516,056 in fiscal year 2006 to $542,489 in fiscal year 2007 and to $564,617 in fiscal year 2008. This increase in other sources of revenue can be attributed primarily to an increase in instructional course fees and investment income. Investment income was $139,479 in fiscal year 2008 compared to $122,744 in fiscal year 2007. Investment income is 2006 was $69,714. This increase in investment income is due to additional amounts transferred into the reserve funds.

Instructional course fee revenue increased due to a new non-credit course program called the Fitness X-Pass. Instructional course fees increased to $113,434 from the prior year's revenue of $88,656 and fiscal 2006's revenue of $96,233.

Other course fees revenue decreased approximately $31,000 from fiscal 2007 due to the timing of revenue from the summer youth camps. Other revenues decreased minimally between fiscal 2006 and 2007.


Fiscal 2008 Other Revenues including Interest Income
$564,617
11%
9%
35%
20%
0%
25%
Membership fees $199,324
Other course fees $2,069
Interest Income $139,479
Instructional course fees $113,434
Rental revenue $49,318
Other revenues $60,993


Fiscal 2007 Other Revenue including Interest Income
$542,489
11%
10%
34%
16%
6%
23%
Membership fees $189,062
Other course fees $32,656
Interest Income $122,744
Instructional course fees $88,656
Rental revenue $52,294
Other revenues $57,077

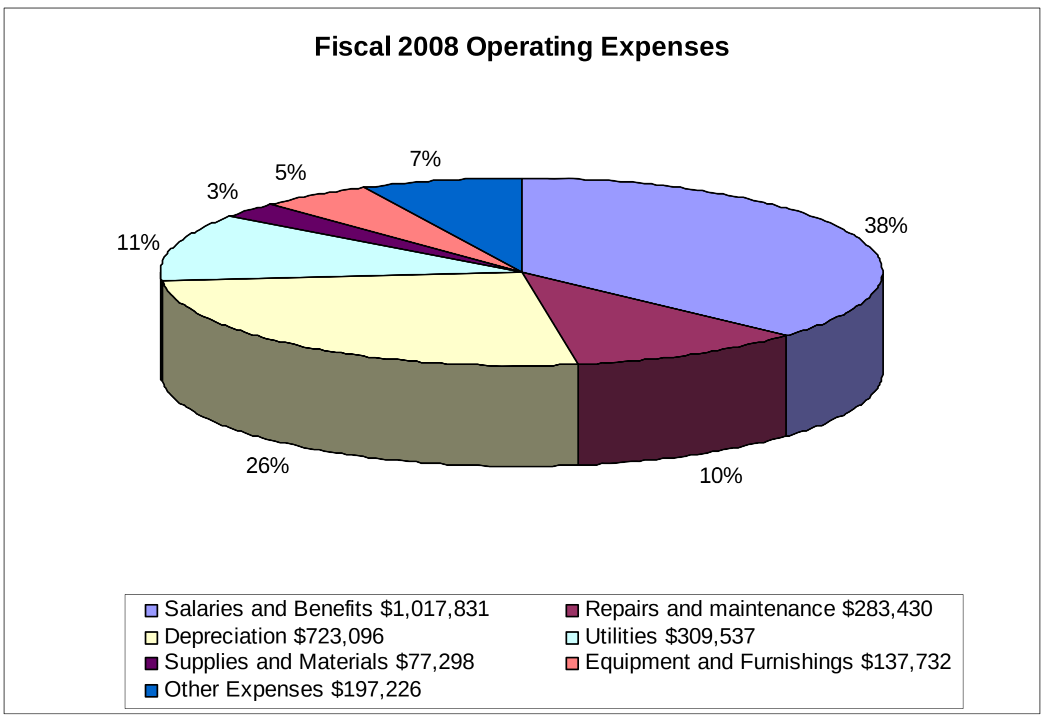
Expenses

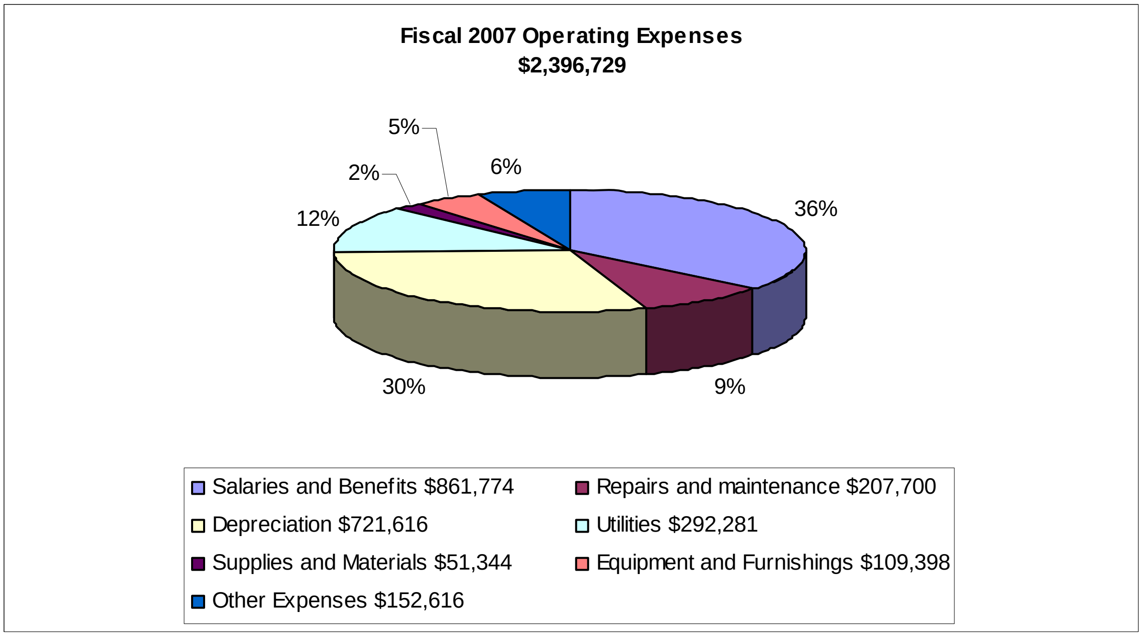
Similar to the previous fiscal year, the majority of fiscal 2008 expenses were in student and professional salaries and benefits with depreciation being the second largest expense. Salaries and benefits comprised 38% of the total operating expenses compared to 36% in fiscal 2007. The amount increased by $156,057 during fiscal 2008 from $861,774 in 2007 due to filled vacant positions. These expenses were $875,397 in 2006.

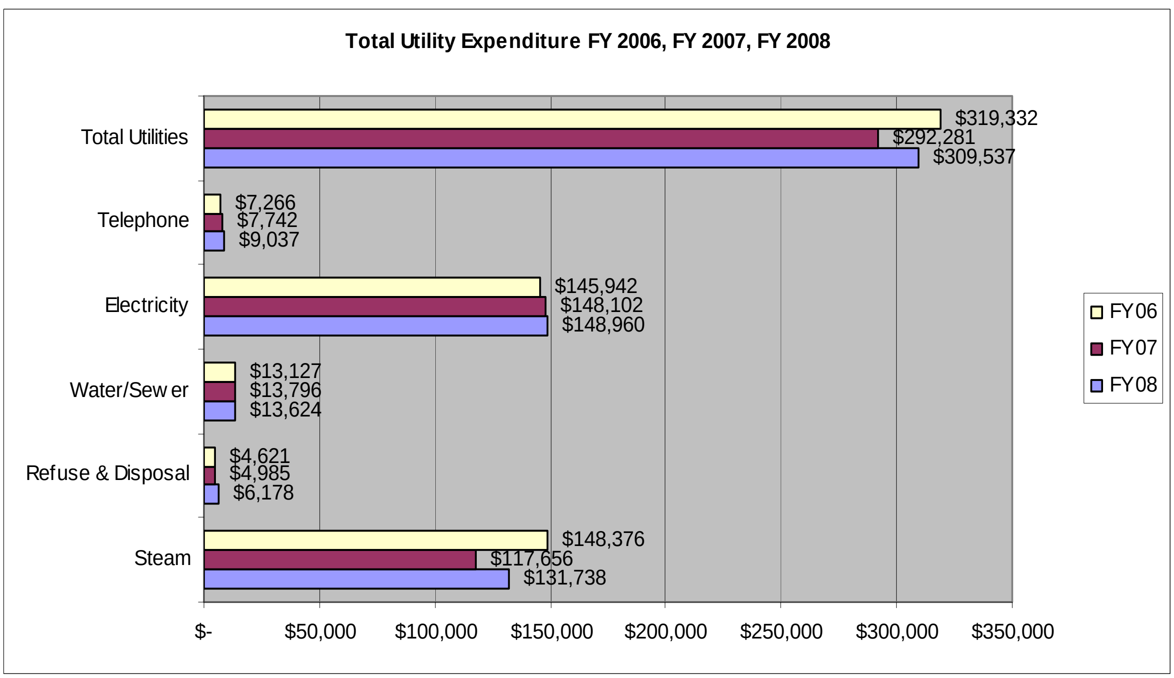
A reevaluation of the University's administrative services assessment fee was performed that raised the percentage charged from 1.5% in fiscal 2007 to 2.25% in fiscal 2008. This resulted in an increase to $97,948 in fiscal 2008 from $34,014 in fiscal 2007 and $32,902 in 2006.

During fiscal 2008, management shifted the funding for the annual equipment purchases to the operating budget rather than funding the purchases from the operating reserve. Equipment purchases resulted in an increase of $28,334 over fiscal 2007's expense for equipment and furnishings.

Utility expense for the year was $309,357, an increase of $17,256 over 2007. Fiscal 2007 utility expense was $27,011 lower than in 2006.




Fiscal 2007 Operating Expenses
$2,396,729
5%
2%
6%
12%
36%
30%
9%
Salaries and Benefits $861,774
Repairs and maintenance $207,700
Depreciation $721,616
Utilities $292,281
Supplies and Materials $51,344
Equipment and Furnishings $109,398
Other Expenses $152,616


Total Utility Expenditure FY 2006, FY 2007, FY 2008
Total Utilities
$319,332
$292,281
$309,537
Telephone
$7,266
$7,742
$9,037
Electricity
$145,942
$148,102
$148,960
Water/Sewer
$13,127
$13,796
$13,624
Refuse & Disposal
$4,621
$4,985
$6,178
Steam
$148,376
$117,656
$131,738
$-
$50,000
$100,000
$150,000
$200,000
$250,000
$300,000
$350,000
FY06
FY07
FY08

Reserve Funds

- Bond Covenants require an annual addition to the Renewal and Replacement (R&R) Reserve. The initial five year requirement was for fund transfers of $100,000 in 2004, $150,000 in each of 2005 and 2006, and $200,000 in 2007 and 2008. All of the transfers were made as planned including an additional $190,000 in fiscal 2004. The Bond Covenants also require management to review fund balances and long term facility renewal needs and to set the planned annual contribution level for the next five years accordingly. Management has calculated and determined that the following five years will require an annual transfer of $250,000 to the R&R Reserve. The total R&R balance including interest at June 30, 2008 was $1,081,904.

- An Operating Reserve was initially established by management to address increased equipment costs due to higher utilization. Considering that Campus Recreation is now utilizing the operating budget for equipment, the reserve acts as an emergency fund for unpredicted repairs, insurance deductible levels, as well as the general volatility of this type of operation. Approximately $656,000 was placed in this reserve at the end of 2005, plus $285,749 in 2006, and $300,000 in 2007 and 2008. The reserve balance at June 30, 2008 was $1,442,031. These assets are reported as unrestricted on the Statement of Net Assets.

- The Wade King donation commitment of $50,000 per year now totals $250,000 after five years. This reserve fund is dedicated to maintaining the facility and its programs and supports students directly as well. A portion of the donations have been used for youth programming scholarships and equipment upgrades. The available balance at June 30, 2008 was $163,568.

Ratio Analysis

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The Recreation Center is a stand alone entity with regard to the bonds issued for construction of the facility. Bond covenants require that a 1.25 Debt Service Ratio be maintained. The ratios for 2008, 2007 and 2006 were 2.31, 2.21 and 2.13, respectively.

Utilization Rates

Student utilization rates are remaining high with 11,867 of 13,006 (91%) enrolled students using the facility during the course of the year. Visits by members and non-members totaled 415,239 during fiscal year 2008 with the highest number of visits at nearly 3,200 in a given day.

Economic Factors and Significant Events

The Division of Student Affairs will begin charging the Recreation Center for central administrative support as it has done for other auxiliary operations within the division. This charge will result in an additional expenditure of approximately $45,000 beginning in fiscal 2009.

KPMG

Independent Auditors' Report

The Board of Trustees
Western Washington University:

We have audited the accompanying statements of net assets of Western Washington University Wade King Student Recreation Center (the Recreation Center) as of June 30, 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 Recreation Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Recreation Center 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 Recreation Center. 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 Recreation Center 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 1 through 7 for the years ending June 30, 2008, 2007, and 2006 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.

KPMG LLP

Seattle, Washington
September 18, 2008

WESTERN
WASHINGTON UNIVERSITY

WADE KING STUDENT RECREATION CENTER
STATEMENTS OF NET ASSETS ***June 30, 2008 and 2007***

Assets	**2008**	**2007**
Current assets		
Cash and cash equivalents	$ 206,998	$ 536,342
Investments	1,517,988	949,063
Accounts receivable, net of allowance of $4,708 in 2008 and $4,409 in 2007	78,693	78,345
Receivable from Western Washington University Foundation	163,568	181,719
Inventory	4,183	4,173
Total current assets	1,971,430	1,749,642
Noncurrent assets		
Restricted investments	1,081,904	843,480
Building and equipment, net	24,397,281	25,083,324
Total noncurrent assets	25,479,185	25,926,804
Total assets	27,450,615	27,676,446
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	86,558	13,241
Accrued wages and benefits	94,510	78,493
Deferred revenue	187,903	189,594
Interest payable	212,225	215,858
Current portion of bonds payable	565,000	545,000
Total current liabilities	1,146,196	1,042,186
Noncurrent liabilities		
Bonds payable, less current portion	24,674,972	25,191,065
Total liabilities	25,821,168	26,233,251
Net Assets		
Invested in building and equipment, net of related debt	(842,691)	(652,741)
Restricted for system renewals and replacements	1,081,904	843,480
Unrestricted	1,390,234	1,252,456
Total net assets	$ 1,629,447	$ 1,443,195

See Notes to Financial Statements

WADE KING STUDENT RECREATION CENTER
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

June 30, 2008 and 2007

	2008	2007
Operating Revenues		
Service and activity fees, net of mandatory transfer	$ 3,684,400	$ 3,527,755
Staff, faculty, and alumni membership fees	199,324	189,062
Instructional course fees	113,434	88,656
Other course fees	2,069	32,656
Rental revenue	49,318	52,294
Other revenues	60,993	57,077
Total operating revenues	4,109,538	3,947,500
Operating Expenses		
Salaries and benefits	1,017,831	861,774
Depreciation	723,096	721,616
Utilities	309,537	292,281
Repairs and maintenance	283,430	207,700
Equipment and furnishings	137,732	109,398
Supplies and materials	77,298	51,344
Administrative assessment	97,948	34,014
Insurance	21,759	26,287
Other	77,519	86,315
Total operating expenses	2,746,150	2,390,729
Income from operations	1,363,388	1,556,771
Nonoperating Revenues (Expenses)		
Investment income	139,479	122,744
Gift income	50,000	50,050
Interest expense	(1,291,517)	(1,312,650)
Amortization of bond discounts and costs	(49,514)	(50,316)
Parberry Fitness Center support	(25,584)	(25,584)
Total nonoperating expenses	(1,177,136)	(1,215,756)
Increase in net assets	186,252	341,015
Net Assets, Beginning of Year	1,443,195	1,102,180
Net Assets, End of Year	$ 1,629,447	$ 1,443,195

See Notes to Financial Statements

WESTERN
WASHINGTON UNIVERSITY

WADE KING STUDENT RECREATION CENTER

STATEMENTS OF CASH FLOWS ***June 30, 2008 and 2007***

	2008	2007
Cash Flows from Operating Activities		
Cash received from students and other customers	$ 4,107,498	$ 3,971,454
Payments to employees	(1,001,814)	(863,413)
Payments to suppliers	(931,915)	(805,654)
Net cash flows provided by operating activities	2,173,769	2,302,387
Cash Flows from Noncapital Financing Activities		
Gift income	68,151	15,991
Transfer to Parberry Fitness Center	(25,584)	(25,584)
Net cash flows provided by (used) in noncapital financing activities	42,567	(9,593)
Cash Flows from Investing Activities		
Purchases of investments	(807,348)	(413,031)
Investment income received	139,479	122,744
Net cash flows used in investing activities	(667,869)	(290,287)
Cash Flows from Capital and Related Financing Activities		
Purchases of equipment	(37,053)	-
Interest paid on capital debt	(1,295,757)	(1,316,757)
Principal paid on capital debt	(545,000)	(525,000)
Net cash used in capital and related financing activities	(1,877,810)	(1,841,757)
Net (decrease) increase in cash and cash equivalents	(329,344)	160,750
Cash and cash equivalents, beginning of year	536,342	375,592
Cash and cash equivalents, end of year	$ 206,998	$ 536,342

Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Income from operations	$ 1,363,388	$ 1,556,771
Adjustments to reconcile operating income to net		
Cash flows from operating activities		
Depreciation	723,096	721,616
Change in operating assets and liabilities		
Accounts receivable	(348)	11,167
Accounts payable, accrued expenses, salaries and benefits	89,334	501
Deferred revenue	(1,691)	12,786
Inventory	(10)	(454)
Net cash flows from operating activities	$ 2,173,769	$ 2,302,387

See Notes to Financial Statements

NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization
The Western Washington University Wade King Student Recreation Center (the Recreation Center) is a self-supporting, auxiliary enterprise of Western Washington University (WWU). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of WWU. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, a wellness resource room, therapeutic massage room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on the WWU Campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with WWU. Faculty and staff members may use the Parberry Fitness Center in addition to the 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 draws funds from the WWU Foundation when 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 $4,708 and $4,409 at June 30, 2008 and 2007 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.

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 2009 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 along with operating reserves established for future replacement of assets.

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.

Service and Activity Fees
Per Revised Code of Washington Section 28B.15.820, WWU is required to transfer 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. Service and activity fee revenue is reported net of this transfer.

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
The University provides support to the Recreation Center 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 $97,948 and $34,014 for fiscal years ended June 30, 2008 and 2007, respectively.

Tax Exemptions
The University, and the Recreation Center as an auxiliary enterprise, is a tax-exempt organization under Section 115(a) of the Internal Revenue Code and is exempt from federal 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications
Certain amounts related to the June 30, 2007 financial statements have been reclassified to conform to the June 30, 2008 financial statement presentation.

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").

	2008	Weighted Average Maturity	2007	Weighted Average Maturity
Cash and Cash Equivalents				
WWU Investment Pool	$ 206,998	n/a	$ 536,342	n/a
Investments				
WWU Investment Pool	2,599,892	3.1 months	1,792,543	4.1 months
	$ 2,806,890		$ 2,328,885	

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. 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 are restricted for renewals and replacements and held in the WWU investment pool.

NOTE 3. BUILDING AND EQUIPMENT

The depreciation expense for the fiscal years ended June 30, 2008 and 2007 was $723,096 and $721,616, respectively.

Following are the changes in building and equipment:

	June 30, 2007	Additions	Retirements	June 30, 2008
Building	$ 27,687,761	$ -	$ -	$ 27,687,761
Equipment	146,039	37,053	-	183,092
	27,833,800	-	-	27,870,853
Less accumulated depreciation	(2,750,476)	(723,096)	-	(3,473,572)
Building and equipment, net	$ 25,083,324	$ (686,043)	$ -	$ 24,397,281

	June 30, 2006	Additions	Retirements	June 30, 2007
Building	$ 27,687,761	$ -	$ -	$ 27,687,761
Equipment	146,039	-	-	146,039
	27,833,800	-	-	27,833,800
Less accumulated depreciation	(2,028,860)	(721,616)	-	(2,750,476)
Building and equipment, net	$ 25,804,940	$ (721,616)	$ -	$ 25,083,324

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 $26,000,000 and $26,545,000 at June 30, 2008 and 2007, which is reported net of the unamortized original issue discount, bond issuance costs, and a loss on defeasance (discussed below) of $760,028 and $805,935, respectively.

On May 1, 2004, the Recreation Center 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 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 and thereafter are as follows:

	Principal	Interest	Payment
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	640,000	1,199,750	1,839,750
2013	670,000	1,172,230	1,842,230
2014-2018	3,840,000	5,362,250	9,202,250
2019-2023	4,885,000	4,306,250	9,191,250
2024-2028	6,240,000	2,956,250	9,196,250
2029-2033	7,960,000	1,232,500	9,192,500
	$ 26,000,000	$ 19,979,218	$ 45,979,218
Less unamortized costs	(699,381)		
Less unamortized loss on defeasance	(60,647)		
	$ 25,239,972		

Following are the changes in bonds payable:

As of June 30, 2008	Beginning Balance	Additions and Amortization of Bond Costs	Retirements	Ending Balance	Current Portion
Series 2002 Revenue Bonds, net of unamortized bond costs of $699,381 and $744,897 at June 30, 2008 and 2007, respectively	$25,736,065	$48,907	($545,000)	$25,239,972	$565,000
As of June 30, 2007					
Series 2002 Revenue Bonds, net of unamortized bond costs of $744,897 and $791,153 at June 30, 2007 and 2006, respectively	$26,211,357	$49,708	($525,000)	$25,736,065	$545,000

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).

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 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.

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. 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 Recreation Center contributed approximately $23,752 and $18,432 to these plans in 2008 and 2007, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

NOTE 6. 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 the Recreation Center's financial statements.