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***HOUSING AND DINING SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2009 and 2008

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, 2009, 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, 2009, 2008 and 2007:

(Dollars in Thousands)

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Assets			
Current Assets	\$9,585	\$12,939	\$10,590
Noncurrent assets	17,812	3,995	7,736
Capital assets , net	75,741	72,739	71,439
Total assets	<u>103,138</u>	<u>89,673</u>	<u>89,765</u>
Liabilities			
Current liabilities	6,319	7,708	7,991
Noncurrent liabilities	56,901	44,661	46,640
Total liabilities	<u>63,220</u>	<u>52,369</u>	<u>54,631</u>
Net Assets			
Invested in capital assets, net of related debt	31,569	26,456	26,587
Restricted for system renewals and replacements	3,033	2,900	2,768
Unrestricted	5,316	7,948	5,779
Total net assets	<u>\$39,918</u>	<u>\$37,304</u>	<u>\$35,134</u>

Current assets decreased \$3,354,211 (-25.9%) in fiscal 2009 from fiscal 2008 primarily due to the planned spending of cash on renovations. The change comparing 2008 to 2007 was an increase of \$2,348,927 (22.2%) due to increased occupancy and higher room and board rates. Total assets increased \$13,465,651 (15.0%) due to the sale of revenue bonds for the addition of 100 beds to the Buchanan Towers residence facility and the addition of capital projects. Comparing fiscal 2008 and 2007, total assets decreased \$92,778 due to a decrease

***HOUSING AND DINING SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2009 and 2008

in interest receivable and the amortization of bond issue costs. Capital assets increased \$3,002,489 (4.1%) between fiscal 2009 and fiscal 2008 and \$1,299,625 (1.8%) between fiscal 2008 and fiscal 2007, primarily due to completed buildings and additional construction in progress in both years.

Major projects completed during fiscal 2009 include the completion of the Gamma Hall sprinklers, Phase 1 of the Fairhaven sprinkler installation, and Edens North seismic upgrade. The planning and revenue bond sale for the new residence hall project at Buchanan Towers occurred in fiscal 2009. During fiscal 2008, the major projects completed include the Higginson Hall renovation and work performed on the Sunset Heights pump station.

Total liabilities increased \$10,850,997 (20.7%) in fiscal 2009 primarily due to the June revenue bond sale offset by payments made on outstanding debt and decreased \$2,262,153 (-4.1%) between fiscal 2008 and fiscal 2007 as payments were made on the outstanding bond issues.

Total net assets increase \$2,614,654 (7.0%) when compared to fiscal 2008 primarily due to the capitalization of in process and completed projects undertaken by the System. Fiscal 2008 compared to fiscal 2007 total net assets increased \$2,169,376 (6.2%) due to increased revenues from room rent and food services.

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 or non-operating.

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.

Nonoperating revenues are monies received for which goods and services are not provided, such as investment income. Nonoperating expenses include interest expense on outstanding debt and amortization of bond costs.

Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2009, 2008 and 2007:

(Dollars in thousands)

	2009	2008	2007
Operating Revenues	\$33,864	\$30,545	\$28,717
Operating Expenses	(29,356)	(26,760)	(25,156)
Income from operations	4,508	3,785	3,561
Nonoperating Revenues	407	774	1,006
Nonoperating Expenses	(2,301)	(2,389)	(2,492)
Increase in Net Assets	2,614	2,170	2,075
Net Assets, Beginning of year	37,304	35,134	33,059
Net Assets, End of year	<u>\$39,918</u>	<u>\$37,304</u>	<u>\$35,134</u>

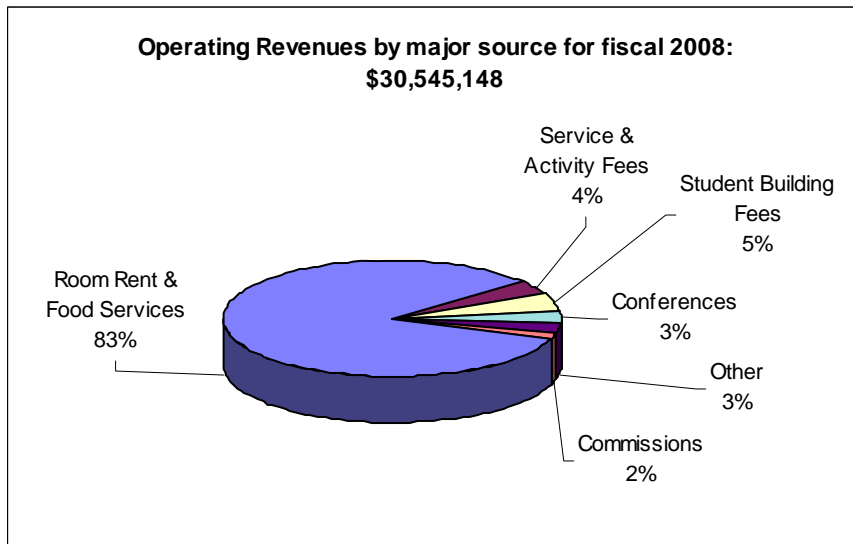
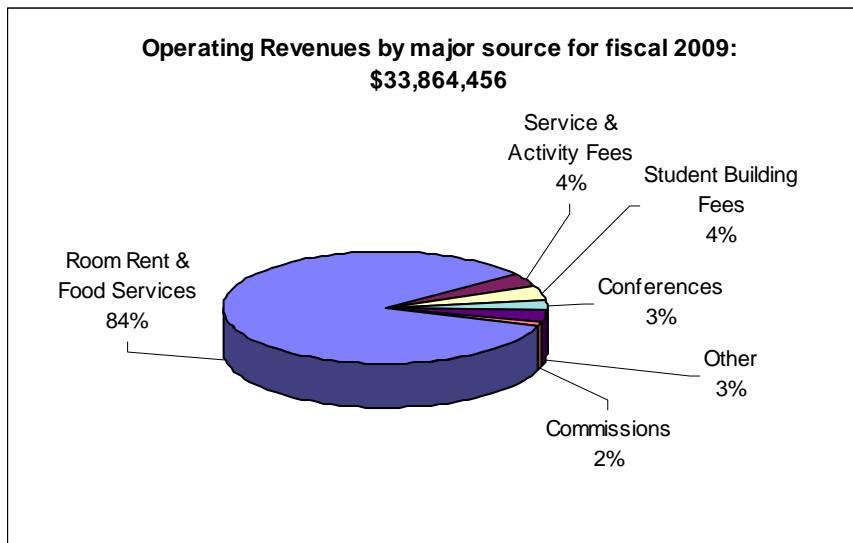
***HOUSING AND DINING SYSTEM
 MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2009 and 2008

The System's largest revenue source is room rent and food services totaling \$28,606,445 (84.4%) of the System's operating revenue in 2009 versus \$25,536,649 (83.5%) in 2008 and \$23,790,796 (82.8%) in 2007.

Room and food service revenues showed a \$3,070,796 (12.0%) increase over the prior year and an increase of \$1,744,853 (7.3%) over 2007. The room rental rate increased 4.5% over both 2008 and 2007.

Residence hall occupancy increased 1.3% from 2008 and 1.7% between 2008 and 2007. Birnam Wood and leased apartment occupancy increased 11.6% from fiscal year 2008 and 2.4% between fiscal 2008 and 2007. In fiscal 2009, the residence hall meals plans were changed resulting in increased food service revenue of \$1,549,587 (19.0%). Comparing fiscal 2008 to fiscal 2007, food service revenue increased \$708,458 (9.5%).



Cost of food services had an increase of \$1,739,168 (18.6%) over fiscal 2008 and \$809,853 (9.5%) over fiscal 2007, due to a change in the meal plan structure from all you can eat plans to block plans, coupled with a slight

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 MANAGEMENT'S DISCUSSION AND ANALYSIS***

June 30, 2009 and 2008

rate increase from University Dining services and increases in residence hall occupancy and voluntary meal plan sales.

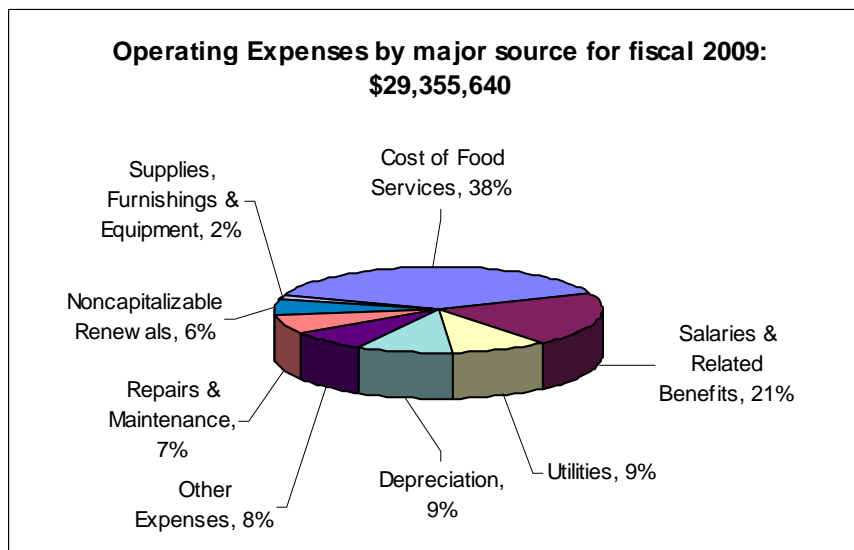
Salaries and benefits increased \$168,094 (2.8%) and \$400,526 (7.3%) over 2008 and 2007 respectively, primarily due to State of Washington cost of living increases and increased benefit expenses offset by some unfilled vacant positions.

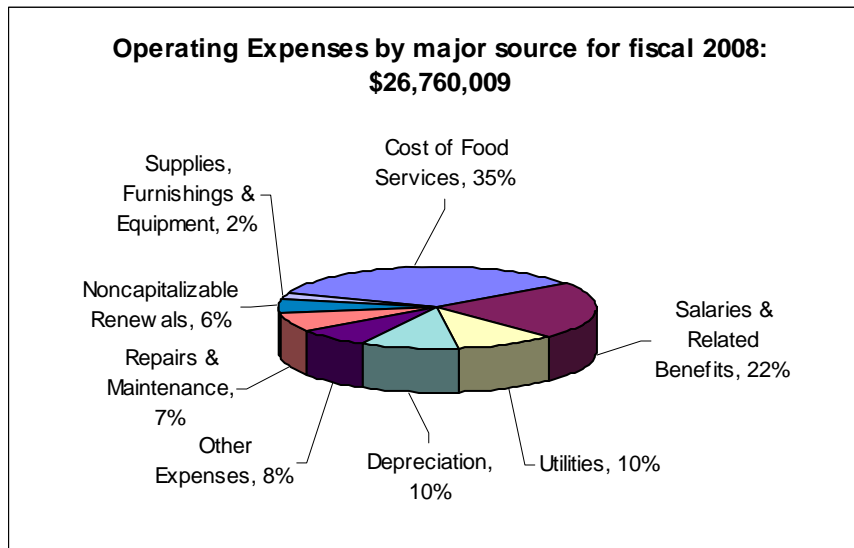
Utilities expense increased \$25,495 (0.9%) over fiscal 2008 compared to an increase of \$185,367 (7.1%) between fiscal 2008 and fiscal 2007 as energy conservation programs and strategic natural gas purchases drove expenses down from prior years.

Repairs and maintenance expense increased \$91,089 (4.5%) over 2008 and \$39,210 (2.0%) over 2007. This increase was influenced by increased labor and materials costs and the unanticipated repair due to the flooding of a residence hall.

Depreciation expense increased \$218,644 (8.3%) over fiscal 2008 and \$213,880 (8.9%) comparing fiscal 2008 to fiscal 2007 due to the addition of completed buildings and projects. Nonoperating expenses decreased in fiscal 2009, \$88,728, (-3.7%) and \$101,642 (-4.1%) comparing fiscal 2008 to fiscal 2007 as bond amortization and interest expense decreased.

The University's administrative services assessment fee, presented in other expenses, increased \$101,126 or 21.0% over fiscal 2008 and \$252,142 (112.1%) comparing fiscal 2008 to fiscal 2007. The rate charged against System revenues (less food service contract) was 2.75% in 2009 and 2.25% in fiscal 2008.





Nonoperating revenues decreased \$36,127 (-47.4%) from fiscal 2008 primarily due to lower interest earnings on investments. The decrease of \$231,267 (-22.9%) between 2008 and 2007 resulted from lower interest earnings as the 2006 bond issue proceeds were fully spent on the Higginson Hall renovation.

Economic Factors and Significant Events

The University's enrollment continues to grow, with full-time equivalent (FTE) enrollment increasing 2.21% over fiscal 2008 and 3.03% comparing fiscal 2008 to fiscal 2007. Opening occupancy for on-campus housing has grown concurrently causing the System to lease off campus housing during fiscal 2009. Per State budgeting forecasts, the University plans to add approximately 120 FTE per year until reaching an annual average of 12,500 FTE with just under 30% of enrolled students living on campus.

To meet the growing demand for on campus housing, the University issued \$14.3 million in revenue bonds in June 2009 to fund additional residence hall spaces. The new residence hall, designed to Leadership in Energy and Environmental Design (LEED) Silver certification, will add 100 beds to the Buchanan Towers residence facility and amenities to benefit the entire 500 student community including a café, bike storage, a computer lab and generous public areas. City upgrades of a crosswalk and plantings of trees and shrubs will enhance the visual image of the approach to campus. The student living spaces 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 budgeted at \$14.6 million and is planned to open September 2010 in time for Fall quarter. In the interim, beds are being leased off campus to meet fall demand for fiscal 2009-2010. Off campus leasing may continue next year to meet occupancy demand if still needed after the opening of the new residence hall. The System is on track with its multi-year capital plan for upcoming renovations including the addition of fire sprinklers, renovation of living spaces and renovations to residential and retail dining facilities.

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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, 2009 and 2008, 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, 2009 and 2008, 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, 2009 and 2008, 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 3 through 7 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 for the years ended June 30, 2009 and 2008 were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 25 through 28 for the years ended June 30, 2009 and 2008 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 audits 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, 2009 and 2008. We did not audit the information on pages 25 through 28 and express no opinion on them.

KPMG LLP

September 21, 2009

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**HOUSING AND DINING SYSTEM
 STATEMENTS OF NET ASSETS**
June 30, 2009 and 2008

Assets	2009	2008
Current assets		
Cash and cash equivalents (Note 2)	\$5,020,871	\$5,136,742
Investments (Note 2)	4,315,852	7,558,729
Accounts receivable, net of allowance of \$24,778 and \$29,428 in 2009 and 2008, respectively	129,837	160,803
Interest receivable	76,591	30,066
Other receivables	38,539	50,966
Inventory	2,871	1,466
Total current assets	<u>9,584,561</u>	<u>12,938,772</u>
Noncurrent assets		
Restricted investments (Note 2)	16,980,434	2,870,443
Investments (Note 2)	190,545	612,151
Capital assets, net (Note 3)	75,741,278	72,738,789
Other assets (Note 1)	641,451	512,463
Total noncurrent assets	<u>93,553,708</u>	<u>76,733,846</u>
Total assets	<u>103,138,269</u>	<u>89,672,618</u>
 Liabilities		
Current liabilities		
Accounts payable	756,981	1,910,241
Accrued expenses	584,604	567,863
Residents' housing deposits	1,256,033	1,200,000
Deferred revenue	1,075,814	1,452,314
Bonds interest payable	425,767	443,073
Current portion of bonds payable (Note 4)	2,220,000	2,135,000
Total current liabilities	<u>6,319,199</u>	<u>7,708,491</u>
 Bonds payable, less current portion (Note 4)	<u>56,900,731</u>	<u>44,660,442</u>
Total liabilities	<u>63,219,930</u>	<u>52,368,933</u>
 Net Assets		
Invested in capital assets, net of related debt	31,569,309	26,455,808
Restricted for system renewals and replacements	3,032,750	2,899,452
Unrestricted	5,316,280	7,948,425
Total net assets	<u>\$39,918,339</u>	<u>\$37,303,685</u>

HOUSING AND DINING SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS *June 30, 2009 and 2008*

	<u>2009</u>	<u>2008</u>
Operating Revenues		
Room rent and food services	\$28,606,445	\$25,535,649
Service and activity fees	1,253,082	1,224,544
Student building fees	1,422,069	1,393,386
Conferences	965,216	1,040,075
Viking Union income	171,172	159,766
Contribution for dining services	300,000	300,000
Rent	129,710	126,722
Commissions	538,496	466,148
Fees, penalties, and other income	478,266	298,858
Total operating revenue	<u>33,864,456</u>	<u>30,545,148</u>
Operating Expenses		
Cost of food services	11,065,325	9,326,157
Salaries and related benefits	6,073,217	5,905,123
Utilities	2,811,812	2,786,317
Repairs and maintenance	2,109,011	2,017,922
Communications	327,474	436,448
Insurance	354,572	325,748
Supplies	268,035	252,869
Furniture and equipment	184,568	291,030
Institutional services	718,574	638,448
Depreciation	2,838,392	2,619,748
Noncapitalizable renewals and replacements	1,753,380	1,513,950
Other	851,280	646,249
Total operating expenses	<u>29,355,640</u>	<u>26,760,009</u>
Income from operations	4,508,816	3,785,139
Nonoperating Revenues (Expenses)		
Investment income	407,277	774,404
Interest expense	(2,093,705)	(2,176,617)
Amortization of bond discounts and costs	(207,734)	(213,550)
Total nonoperating expenses	<u>(1,894,162)</u>	<u>(1,615,763)</u>
Increase in net assets	2,614,654	2,169,376
Net Assets, Beginning of Year	<u>37,303,685</u>	<u>35,134,309</u>
Net Assets, End of Year	<u><u>\$39,918,339</u></u>	<u><u>\$37,303,685</u></u>

**HOUSING AND DINING SYSTEM
 STATEMENTS OF CASH FLOWS**
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$33,572,371	\$30,352,927
Cash paid to employees	(6,058,458)	(5,881,778)
Cash paid to suppliers	(22,073,910)	(18,725,517)
Net cash flows provided by operating activities	<u>5,440,003</u>	<u>5,745,632</u>
Cash Flows from Capital and Related Financing Activities		
Payment of long-term debt	(2,135,000)	(2,055,000)
Proceeds from bond issue	14,307,311	-
Interest payments	(2,294,757)	(2,192,614)
Purchase of capital assets	(5,363,683)	(3,602,838)
Net cash flows provided by (used in) capital and related financing activities	<u>4,513,871</u>	<u>(7,850,452)</u>
Cash Flows from Investing Activities		
Investment income received	360,752	862,440
Net proceeds of restricted investments	(14,109,991)	3,170,119
Receipt of payment on note receivable	15,011	15,011
Purchases (sales) of investments in internal pool	3,664,483	(1,863,376)
Net cash flows (used in) provided by investing activities	<u>(10,069,745)</u>	<u>2,184,194</u>
Net change in cash and cash equivalents	(115,871)	79,374
Cash and Cash Equivalents, Beginning of Year	<u>5,136,742</u>	<u>5,057,368</u>
Cash and Cash Equivalents, End of Year	<u>\$5,020,871</u>	<u>\$5,136,742</u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	4,508,816	3,785,139
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	2,838,392	2,619,748
Change in operating assets and liabilities		
Accounts receivable	30,966	(18,038)
Other receivables	(2,584)	31,084
Inventory	(1,405)	945
Accounts payable	(1,628,474)	(491,324)
Accrued salaries and benefits	14,759	23,345
Residents' housing deposits	56,033	61,315
Deferred revenue	(376,500)	(266,582)
Cash flows from operating activities	<u>\$5,440,003</u>	<u>\$5,745,632</u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	<u>\$477,198</u>	<u>\$316,535</u>

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NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESOrganization

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 (GAAP) 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. To maximize investment income, WWU combines funds from all departments into an investment pool. The System records their share 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.

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.

***HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS******June 30, 2009 and 2008***

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. No interest was capitalized during fiscal 2009 or 2008.

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 fiscal year 2010 are deferred until the following fiscal year. Deferred revenue also includes \$900,000 and \$1,200,000 for 2009 and 2008, 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* - 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 \$4,173,001 and \$6,691,178 of this balance at June 30, 2009 and 2008, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenues and Expenses

The System has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

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 are presented in the Statement of Net Assets net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statement of Net Assets.

Administrative Assessment

The University provides support to the System through cash management, accounting, purchasing and Accounts Payable services, risk management, and other support services. The effects of these transactions are included as other expenses in these financial statements. The amount paid was \$578,287 and \$477,161 for the years ending June 30, 2009 and 2008, respectively.

Tax Exemptions

The University, and the System as an auxiliary enterprise, is a tax-exempt instrumentality of the State of

***HOUSING AND DINING SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS***

June 30, 2009 and 2008

Washington 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, 2008 financial statements have been reclassified to conform to the June 30, 2009 financial statement presentation.

Recently Adopted Accounting Standards

On July 1, 2007, the System adopted GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". This pronouncement includes provisions for recognition and disclosure of estimated costs for cleanup of pollution that the System may have an obligation to remediate. The System has not identified any obligations to remove pollution and thus has not recorded a liability.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

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). The LGIP is considered a cash equivalent.

	June 30, 2009	Weighted Average Maturity	June 30, 2008	Weighted Average Maturity
Cash and cash equivalents				
WWU Investment Pool	\$5,020,871	n/a	\$5,136,742	n/a
Investments				
WWU Investment Pool	4,506,397	6.1 months	8,170,430	5.7 months
Certificates of Deposit	2,780,142	14.5 months	2,870,893	20.4 months
LGIP (unspent bond proceeds)	14,200,292	n/a	-	n/a
	<u>\$26,507,702</u>		<u>\$16,178,065</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. 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.

**HOUSING AND DINING SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2009 and 2008

Restricted investments include the following:

	<u>2009</u>	<u>2008</u>
Renewal and replacements	\$2,780,142	\$2,870,443
Unspent bond proceeds	14,200,292	-
	<u>\$16,980,434</u>	<u>\$2,870,443</u>

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2009 and 2008 was \$2,838,392 and \$2,619,748, respectively.

Following are the changes in capital assets for the year ended June 30, 2009:

Description	June 30, 2008	Additions	Retirements	Transfers	June 30, 2009
Buildings	\$89,184,792	\$ -	\$ -	\$ -	\$89,184,792
Buildings improvements	11,064,189	2,359,855	-	702,556	14,126,600
Furniture, fixtures, and equipment	1,585,619	192,974	-	-	1,778,593
Infrastructure	4,492,564	-	-	-	4,492,564
Construction in progress	2,226,854	3,298,298	-	(712,802)	4,812,350
Total cost	<u>108,554,018</u>	<u>5,851,127</u>	<u>-</u>	<u>(10,246)</u>	<u>114,394,899</u>

Accumulated Depreciation

Buildings	32,340,994	1,925,561	-	-	34,266,555
Buildings improvements	1,492,683	627,524	-	-	2,120,207
Furniture, fixtures, and equipment	923,734	157,189	-	-	1,080,923
Infrastructure	1,057,818	128,118	-	-	1,185,936
Total accumulated depreciation	<u>35,815,229</u>	<u>2,838,392</u>	<u>-</u>	<u>-</u>	<u>38,653,621</u>
Capital assets, net	<u>\$72,738,789</u>	<u>\$3,012,735</u>	<u>\$ -</u>	<u>(\$10,246)</u>	<u>\$75,741,278</u>

**HOUSING AND DINING SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2009 and 2008

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

Description	June 30, 2007	Additions	Retirements	Transfers	June 30, 2008
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
Capital assets, net	\$71,439,164	\$1,356,249	(\$56,624)	\$ -	\$72,738,789

NOTE 4. BONDS PAYABLE

As part of the bond covenants, a Renewal and Replacement (R&R) 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 R&R Fund must equal at least 5% of the principal balance of outstanding bonds.

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 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or 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 R&R Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

On June 12, 2009, the Board of Trustees approved Resolution No. 2009-09, authorizing the issuance of revenue bonds, Series 2009 A&B Housing and Dining Revenue Bonds. On June 27, 2009, the University issued \$14,280,000 in revenue bonds with interest rates ranging from 3.0 to 7.4% to finance the addition to the Buchanan Towers residence facility. Of the \$14,280,000 in revenue bonds issued, \$12,835,000 are Build America Bonds (BABs), offering a taxable, higher rate of return for investors offset by a Federal government subsidy to the issuer.

**HOUSING AND DINING SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2009 and 2008

	<u>2009</u>	June 30, <u>2008</u>
Series 2009 A & B Housing and Dining Revenue Bonds with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from \$270,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$14,280,000 at June 30, 2009 which is reported net of the unamortized original issue premium of \$27,311.	\$14,307,311	\$ -
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$350,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$8,645,000 at June 30, 2009 which is reported net of the unamortized original premium of \$44,901.	8,689,901	9,044,653
Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates range from 3.375% to 4.50%, and principal payments due in annual amounts ranging from \$115,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$12,160,000 at June 30, 2009, which is reported net of the unamortized original discount and loss on defeasance of \$1,074,777.	11,085,223	11,100,060
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3% to 4.65%, and principal payments due in annual \$650,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$12,155,000 at June 30, 2009, which is reported net of the unamortized original issue discount and loss on defeasance of \$166,560.	11,988,440	12,592,074
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 \$420,000 to \$420,000 through June 1, 2010. The Series 1999 bonds have an aggregate face value of \$420,000 at June 30, 2009, which is reported net of the unamortized original issue discount of \$3,040.	416,960	815,342
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 \$670,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$12,995,000 at June 30, 2009, which is reported net of the unamortized original issue premium and loss on defeasance of \$362,104.	<u>12,632,896</u>	<u>13,243,313</u>
	\$59,120,731	\$46,795,442
Less current portion	<u>(2,220,000)</u>	<u>(2,135,000)</u>
	<u>\$56,900,731</u>	<u>\$44,660,442</u>

**HOUSING AND DINING SYSTEM
 NOTES TO THE FINANCIAL STATEMENTS**
June 30, 2009 and 2008

Following are the changes in long-term liabilities for the year ended June 30, 2009:

<u>Bonds Payable</u>	<u>June 30, 2008</u>	<u>Additions and amortization of premium/(discounts)</u>	<u>Retirements</u>	<u>June 30, 2009</u>	<u>Current Portion</u>
Series 2009 Revenue Bonds	\$ -	\$14,307,311	\$ -	\$14,307,311	\$ -
Series 2006 Revenue Bonds	9,044,653	(4,752)	(350,000)	8,689,901	365,000
Series 2005 Refunding Bonds	11,100,060	100,163	(115,000)	11,085,223	115,000
Series 2003 Revenue and Refunding Bonds	12,592,074	21,366	(625,000)	11,988,440	650,000
Series 1999 Junior Lien Revenue Bonds	815,342	1,618	(400,000)	416,960	420,000
Series 1998 Junior Lien Revenue Refunding Bonds	13,243,313	34,583	(645,000)	12,632,896	670,000
Total long-term liabilities	<u>\$46,795,442</u>	<u>\$14,460,289</u>	<u>\$(2,135,000)</u>	<u>\$59,120,731</u>	<u>\$2,220,000</u>

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

<u>Bonds Payable</u>	<u>June 30, 2007</u>	<u>Additions and amortization of premium/(discounts)</u>	<u>Retirements</u>	<u>June 30, 2008</u>	<u>Current Portion</u>
Series 2006 Revenue Bonds	\$ 9,389,588	\$ (4,935)	\$ (340,000)	\$9,044,653	\$ 350,000
Series 2005 Refunding Bonds	11,109,791	100,269	(110,000)	11,100,060	115,000
Series 2003 Revenue and Refunding Bonds	13,160,865	21,209	(590,000)	12,592,074	625,000
Series 1999 Junior Lien Revenue Bonds	1,192,948	2,394	(380,000)	815,342	400,000
Series 1998 Junior Lien Revenue Refunding Bonds	13,841,942	36,371	(635,000)	13,243,313	645,000
Total long-term liabilities	<u>\$48,695,134</u>	<u>\$ 155,308</u>	<u>\$(2,055,000)</u>	<u>\$46,795,442</u>	<u>\$2,135,000</u>

Total interest incurred on bonds payable for the years ended June 30, 2009 and June 30, 2008 was \$2,093,705 and \$2,176,617 respectively.

In prior years, the System defeased certain Revenue Bonds. The assets used to defease these bonds and the liabilities for the defeased bonds are not included in these financial statements. At June 30, 2009 and 2008, respectively, the total outstanding principal balance of defeased bonds was \$11,165,000 and \$11,405,000.

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>
2010	\$ 2,220,000	\$ 2,743,929	\$ 963,929
2011	2,580,000	2,885,173	5,465,173
2012	2,680,000	2,783,678	5,463,678
2013	2,785,000	2,676,711	5,461,711
2014	2,895,000	2,563,847	5,458,847
2015-2019	16,490,000	10,774,768	27,264,768
2020-2024	18,580,000	6,500,857	25,080,857
2025-2029	7,350,000	3,013,280	10,363,280
2030-2034	5,075,000	1,162,540	6,237,540
	<u>\$60,655,000</u>	<u>\$35,104,783</u>	<u>\$95,759,783</u>
Less unamortized (discounts)/premiums	<u>(1,534,269)</u>		
	<u>\$59,120,731</u>		

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, 2009 and 2008, these commitments totaled \$4,669,664 and \$6,503,386 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 a total of \$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. This contract expires August 31, 2012.

As of June 30, 2009, the System had received the entire \$3,000,000 from Sodexo per the agreement. At June 30, 2008, approximately \$10,000 was still owed to the System.

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 \$244,000 and \$194,000 to these plans in 2009 and 2008, 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.

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SUPPLEMENTAL INFORMATION

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SCHEDULE OF ROOM AND BOARD RATES
RESIDENCE HALLS

	Meals Per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	\$8,012	\$7,712	\$7,412	\$7,112
Single room/single occupancy	8,834	8,534	8,234	7,934
Double room/single occupancy (super single)	9,305	9,005	8,705	8,405
Triple room/triple occupancy	7,011	6,711	6,411	6,111

APARTMENTS

	Double (2/Bedroom)	Super Single (1/Bedroom)	Family Rate
Apartment Only Academic Year Contracts			
Birnam Wood - 2 bedroom	\$2,541	\$5,082	\$10,164
Leased Apartments – New York, 1 bedroom	3,285	6,615	-
Leased Apartments – New York, 3 bedroom	2,790	4,275	8,550
Leased Apartments – Viking Gardens, 1 bedroom	2,475	3,600	-

SCHEDULE OF OCCUPANCY

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed ⁽¹⁾	Operating ⁽²⁾		Designed Capacity	Operating Capacity
Fall 2008	4,166	4,063	4,081	98.0%	100.4%
Winter 2009	4,166	4,063	3,880	93.1	95.5
Spring 2009	4,166	4,063	3,669	88.1	90.3
Average	<u>4,166</u>	<u>4,063</u>	<u>3,877</u>	<u>93.1%</u>	<u>95.4%</u>

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.

SCHEDULE OF INSURANCE COVERAGE

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, 2009 is summarized as follows:

	Values Used for Fire and Extended 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
	<hr/>
Building Insured Values	223,737,517
Insured Contents	14,462,591
	<hr/> <hr/>
	\$238,200,108

EXPENDED FOR PLANT FACILITIES

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.

	<u>2009</u>	<u>2008</u>
Capitalized Projects		
Fairhaven Fire Sprinklers	\$1,970,521	\$800,605
Ridgeway Gamma Fire Sprinklers	1,734,758	618,395
New Residence Hall	873,611	186,667
Dining Capital Investment Projects	512,593	42,616
Triple Occupancy Beds	376,461	124,726
Edens North Seismic	214,230	42,557
Bond Proceeds	-	281
Other capitalizable	168,953	-
Higginson Hall Renovation	-	2,131,683
Armtzen Hall Food Service Remodel	-	28,467
	<u>\$5,851,127</u>	<u>\$3,975,997</u>
Non-Capitalized Projects		
Gamma Flood Restoration	\$677,915	\$ -
Other	408,140	350,501
Bathroom & Shower renovations	300,738	83,110
Painting	160,846	7,621
Elevator Upgrades	94,087	147,090
Plumbing, heating and electrical	91,018	27,167
Building Controls & Fire Alarm Panels	17,943	-
Asbestos abatement & flooring	2,693	-
Roof replacement & Coatings	-	369,828
Nash Hall Brick Restoration	-	399,322
Lighting Retrofits & Changes	-	31,669
Edens North Flooring	-	97,642
	<u>\$1,753,380</u>	<u>\$1,513,950</u>

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