



HOUSING AND DINING SYSTEM

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HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011 and 2010

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, 2011, 2010 and 2009. 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, 2011, 2010 and 2009:

(Dollars in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Assets			
Current Assets	\$9,986	\$12,231	\$12,231
Noncurrent assets	10,091	9,429	9,429
Capital assets, net	88,003	84,070	84,070
Total assets	<u>108,080</u>	<u>105,730</u>	<u>105,730</u>
Liabilities			
Current liabilities	7,627	7,966	6,319
Noncurrent liabilities	51,942	54,474	56,901
Total liabilities	<u>59,569</u>	<u>62,440</u>	<u>63,220</u>
Net Assets			
Invested in capital assets, net of related debt	35,437	33,060	30,928
Restricted, expendable	3,184	3,118	3,033
Unrestricted	9,890	7,111	5,957
Total net assets	<u>\$48,511</u>	<u>\$43,290</u>	<u>\$39,918</u>

Current assets decreased \$2,245,424 (-18.4%) in fiscal 2011 when compared to fiscal 2010 due to planned use of cash for renovations. Current assets increased \$2,641,970 (27.6%) in fiscal 2010 from fiscal 2009 primarily influenced by the reallocation of cash and cash equivalents based on the investment mix of the University. Additional funds were held in cash and cash equivalents due to low interest rates. Total assets increased \$2,350,252 (2.2%) in fiscal 2011 when compared to fiscal 2010 due to additions in construction in progress.

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011 and 2010

Total assets increased \$2,591,263 (2.5%) from fiscal 2009 influenced by the expenditure of bond proceeds and the addition of capital assets.

Noncurrent assets, excluding capital assets, increased \$662,851 (7.0%) when comparing fiscal 2011 to fiscal 2010 primarily due to the spending of restricted bond proceeds on the Buchanan Towers remodel offset by an increase in unrestricted long term investments. Noncurrent assets, excluding capital assets, decreased \$8,379,129 (-47.1%) over fiscal 2009 due to the spending of bond proceeds on the Buchanan Towers remodel and the investing of more funds in cash and cash equivalents.

Capital assets increased \$3,932,825 (4.7%) in fiscal 2011 compared to fiscal 2010 due to completed renovations and additional construction in progress. Capital assets increased \$8,328,422 (11.0%) between fiscal 2010 and fiscal 2009 primarily due to completed buildings and additional construction in progress.

Major projects completed during fiscal 2011 include the fire sprinkler installation in Buchanan Towers, and the enhancement of the System's network switches and the campus safety voice system. Major projects completed during fiscal 2010 include fire sprinkler installation (Phase 2) in the Fairhaven residential complex, the commencement of the Buchanan Towers sprinkler addition and the renovation of three retail dining venues.

Current liabilities decreased \$338,265 (-4.2%) in fiscal 2011 when compared to fiscal 2010 primarily due to the payment of contractor invoices and a reduction in deferred revenue related to the dining contract. Current liabilities increased by \$1,646,462 (26.1%) in fiscal 2010 primarily due to the receipt of contractor invoices for capital projects that were accrued at June 30, 2010. Long-term liabilities decreased \$2,532,505 (-4.6%) in fiscal 2011 and \$2,426,701 (-4.3%) in fiscal 2010 due to scheduled principle payments on outstanding debt.

Total net assets increased \$5,221,022 (12.1%) when comparing fiscal 2011 to fiscal 2010 due to increased net operating revenue from strong housing occupancy and continued operating cost reductions. Total fiscal 2010 net assets increased \$3,371,502 (8.4%) when compared to fiscal 2009. This is a direct result of unrestricted net assets increasing \$1,153,863 (19.4%). This increase is largely due to a reduction in operating expenses offset by an increase in non-operating expenses related to interest payments on the June 2009 bond issue. Invested in capital assets, net of related debt increased by \$2,376,644 (7.2%) in fiscal 2011 primarily due to the capitalization of renovation and fire sprinkler expenses related to the Buchanan Towers residence facility. Invested in capital assets, net of related debt increased by \$2,132,405 (6.9%) in fiscal 2010 due to the capitalization of renovation expenses related to the Buchanan Towers residence facility, reduced by principal payments on outstanding bond issues and the spending of the June 2009 bond proceeds.

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 nonoperating.

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.

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011 and 2010

Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Assets for the fiscal years ended June 30, 2011, 2010 and 2009:

(Dollars in thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating Revenues	\$35,583	\$33,535	\$33,864
Operating Expenses	<u>(27,889)</u>	<u>(27,630)</u>	<u>(29,356)</u>
Income from operations	7,694	5,905	4,508
Nonoperating Revenues	455	478	407
Nonoperating Expenses	<u>(2,928)</u>	<u>(3,011)</u>	<u>(2,301)</u>
Increase in Net Assets	5,221	3,372	2,614
Net Assets, Beginning of year	<u>43,290</u>	<u>39,918</u>	<u>37,748</u>
Net Assets, End of year	<u>\$48,511</u>	<u>\$43,290</u>	<u>\$39,918</u>

Total operating revenue increased for fiscal 2011 primarily influenced by an increase to the room and board rate for fiscal 2011 and improved occupant retention.

The System's largest revenue source is room rent and food services totaling \$30,572,528 (85.9%) of the System's operating revenue in fiscal 2011, compared to \$28,573,696 (85.2%) in fiscal 2010 and \$28,606,445 (84.5%) in fiscal 2009.

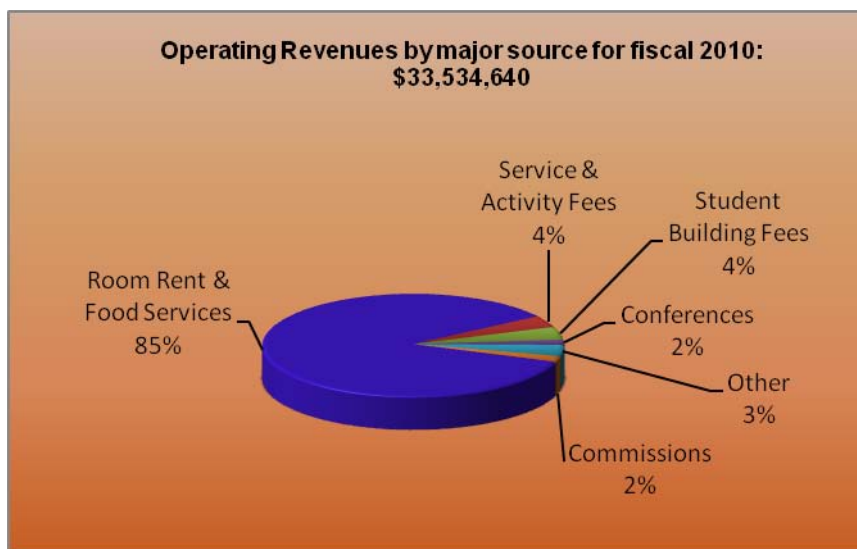
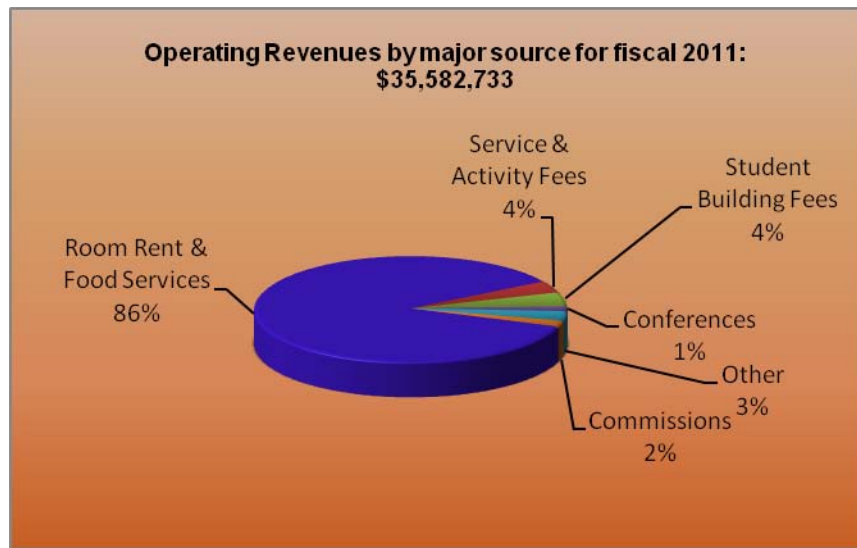
Room and food service revenues increased \$1,998,832 (7.0%) in fiscal 2011 when compared to fiscal 2010 due to the combination of a 4.25% rate increase and increased occupant retention. The \$32,749 (-0.1%) decrease between fiscal 2010 and fiscal 2009 is due to the change in the revenue and expense recordings by the System for food service provided by Sodexo. The fiscal 2010 room and board rental rate increased 4.75% over fiscal 2009.

During fiscal 2011, Student building fee revenue increased \$166,848 (12.2%) primarily due to an increase in this fee. Conference revenue decreased \$33,004 (-6.0%) due to fewer conference guests housed and commission revenue increased \$31,393 (5.2%) due to increases in dining and beverage commissions.

Average annual residence hall occupancy increased 2.3% in fiscal 2011 from fiscal 2010 due to higher opening occupancy and between-quarter retention. Average annual residence hall occupancy decreased 2.8% between fiscal 2010 and fiscal 2009 due to lower opening occupancy related to changes in the University's enrollment. Birnam Wood and leased apartment occupancy decreased slightly (-0.77%) in fiscal 2011 from fiscal 2010 and decreased 2.2% between fiscal 2010 and fiscal 2009.

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

June 30, 2011 and 2010



Overall operating expenses were up \$258,694 (0.9%) when comparing fiscal 2011 to fiscal 2010 primarily due to increases in depreciation and cost of food services offset by decreases in noncapitalizable renewals and replacements and repairs and maintenance expenses. Overall operating expenses were down \$1,725,746 (-5.9%) in fiscal 2010 compared with fiscal 2009, due to the change in how food service revenues were recorded by the System and expenses were charged by Sodexho as well as significantly lower expenses in utilities and non-capitalizable renewals and replacements.

Cost of food services increased \$338,722 (3.3%) when comparing fiscal 2011 to fiscal 2010 primarily due to an increase in voluntary meal plan sales and the increased retention of occupants. Cost of food services decreased \$931,610 (-8.4%) in fiscal 2010 from fiscal 2009. The decrease in fiscal 2010 is primarily due to a change in how discretionary dining dollars (“Munch Money”) purchases and conference food plans were managed. Beginning in fiscal 2010, Munch Money purchases were moved from the University to the dining contractor. Conference food plans were booked directly to the coordinating department instead of flowing first through

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011 and 2010

University Residences. Both changes were made to improve efficiencies and reduce costs. There was an average increase in meal plans sold of 124 or 3.5% over fiscal 2009 primarily due to the creation of a new “commuter” meal plan. Meal plan rates increased an average 2% over fiscal 2009.

Salaries and benefits decreased \$27,265 (-0.5%) in fiscal 2011 when compared to fiscal 2010 due to planned staffing decisions. Salaries and benefits decreased \$36,371 (-0.6%) in fiscal 2010 from fiscal 2009 primarily due to planned staffing reductions in the custodial and residence life units. There were no state wage increases in fiscal 2011 or in fiscal 2010.

Utilities expense decreased \$34,881 (-1.4%) in fiscal 2011 when compared to fiscal 2010 influenced primarily by continued reductions in natural gas expenditures. Utilities expense decreased \$364,719 (-13.0%) in fiscal 2010 from fiscal 2009. The largest portion of the decrease in fiscal 2010 was due to the strategic purchase of natural gas.

Repairs and maintenance expense decreased \$247,237 (-11.6%) in fiscal 2011 when compared to fiscal 2010 as efficiencies were gained in assigning work and in managing the preventative maintenance program. There were no major unanticipated incidents in fiscal 2011. Repairs and maintenance expense increased \$22,954 (1.1%) in fiscal 2010 over fiscal 2009.

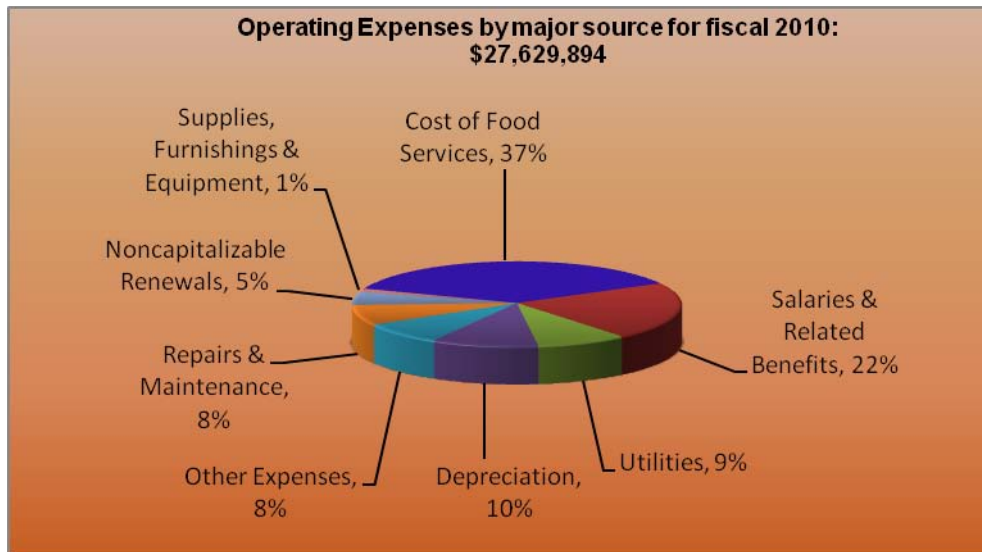
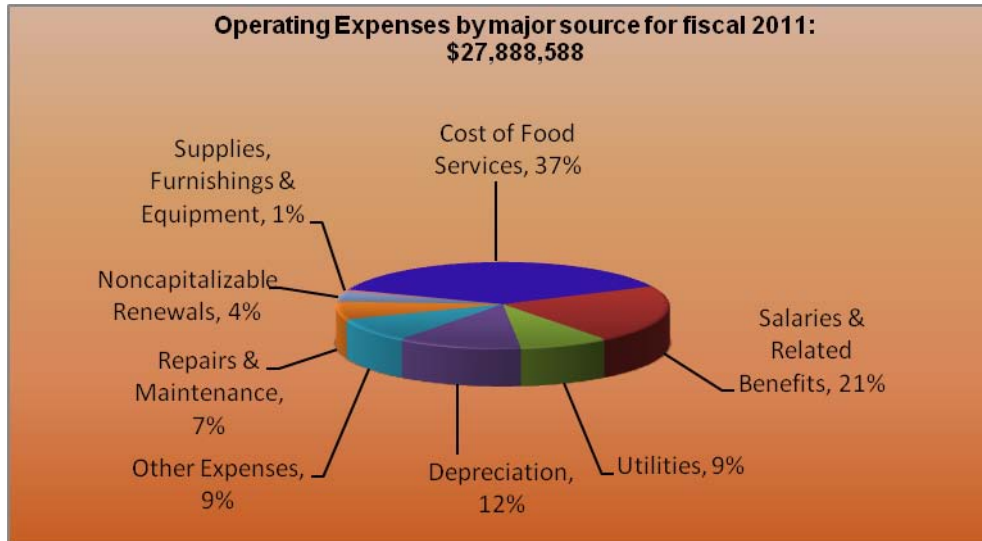
Depreciation expense increased \$467,187 (16.2%) when comparing fiscal 2011 to fiscal 2010 due to the addition of completed buildings and projects. Depreciation expense increased \$41,407 (1.5%) over fiscal 2009 due to the addition of completed buildings and projects.

Nonoperating expenses decreased \$82,904 (-2.8%) when comparing fiscal 2011 to fiscal 2010 due to reduced bond interest expense. Nonoperating expenses increased \$709,673 (30.8%) in fiscal 2010 when compared to fiscal 2009 as bond amortization and interest expense increased from the issuance of bonds in late June 2009 for the Buchanan Towers addition.

Nonoperating revenue decreased \$22,783 (-4.8%) when comparing fiscal 2011 to fiscal 2010 due to reduced investment income. Nonoperating revenue increased \$70,591 (17.3%) during fiscal 2010 as the result of interest subsidies of \$239,815 received from the Build America Bonds that were issued in fiscal 2009 combined with a \$169,224 (-41.6%) decrease in investment income.

Other expenses decreased \$44,539 (-6.0%) when comparing fiscal 2011 to fiscal 2010 due to a slight reduction in total rent paid for leased apartments and continued operating cost reductions. Other expenses decreased \$111,704 (-13.1%) between fiscal 2010 and fiscal 2009. The decrease in fiscal 2010 can be attributed to the System no longer leasing the Viking Gardens apartments, a decrease in printing with a shift to less expensive formats, a decrease in laundry expense as these services were brought in-house from a 3rd party, and a reduction in travel due to State travel restrictions.

The University's administrative services assessment fee (included in Institutional services) increased \$229,546 (32.7%) in fiscal 2011 compared to an increase of \$124,484 (21.5%) between fiscal 2010 and fiscal 2009. The rate charged against the System revenues (less food service contract) was 4.0% in fiscal 2011, 3.25% in fiscal 2010, and 2.75% in fiscal 2009.



Economic Factors and Significant Events

The University's fiscal 2011 enrollment continued a trend of gradual growth, with Fall quarter total university enrollment headcount of 14,095 increasing 2.24% over Fall fiscal 2010 which was 0.06% over Fall fiscal 2009. Management plans to address housing demand independent of enrollment through room capacity practices. With the addition of 104 beds in the new Buchanan Towers residence hall beginning Fall 2011, the lease for 79 off campus beds was terminated.

The revised 10-year capital plan for the System was approved by the University's Board of Trustees in December 2010 and is on track for renovations such as fire sprinkler installation, seismic upgrades, and general upgrades for residential and dining facilities. The new 10-year dining contract signed in June 2011 includes a commitment to provide \$7.3 million to renovate dining platforms by Aramark Educational Services, the successful bidder.

HOUSING AND DINING SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011 and 2010

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2005) to guide the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System exceeded the minimum requirements established within these principles. The Board periodically reviews the principles to ensure ongoing compliance.

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**Washington State Auditor
Brian Sonntag**

November 8, 2011

Board of Trustees
Western Washington University
Bellingham, Washington

We have audited the accompanying basic financial statements of the Western Washington University Housing and Dining System (the System) as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The basic financial statements of the System as of June 30, 2010, were audited by other auditors whose report dated October 12, 2010, expressed an unqualified opinion on the System's basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Western Washington University Housing and Dining System are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Housing and Dining System. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2011, the changes in its financial position or its cash flows for the year then

INDEPENDENT AUDITOR'S REPORT

ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Housing and Dining System as of June 30, 2011, and the changes in its financial position and its cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying information identified in the table of contents as the Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

BRIAN SONNTAG, CGFM
STATE AUDITOR

***HOUSING AND DINING SYSTEM
STATEMENTS OF NET ASSETS***

June 30, 2011 and 2010

Assets	2011	2010
Current assets		
Cash and cash equivalents (Note 2)	\$6,677,551	\$8,757,646
Investments (Note 2)	2,983,587	3,088,835
Accounts receivable, net of allowance of \$25,790 and \$27,110 in 2011 and 2010, respectively	106,888	155,006
Interest receivable	36,878	131,333
Other receivables	179,334	95,035
Inventory	1,558	3,365
Total current assets	<u>9,985,796</u>	<u>12,231,220</u>
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	2,055,907	6,044,593
Restricted investments (Note 2)	2,977,258	2,812,169
Investments (Note 2)	4,546,418	-
Capital assets, net (Note 3)	88,002,525	84,069,700
Other assets (Note 1)	511,880	571,850
Total noncurrent assets	<u>98,093,988</u>	<u>93,498,312</u>
Total assets	<u>108,079,784</u>	<u>105,729,532</u>
 Liabilities		
Current liabilities		
Accounts payable	1,861,023	2,064,098
Accrued expenses	568,656	562,349
Residents' housing deposits	1,276,200	1,236,930
Deferred revenue	617,013	876,026
Bonds interest payable	624,504	646,258
Current portion of bonds payable (Note 4)	2,680,000	2,580,000
Total current liabilities	<u>7,627,396</u>	<u>7,965,661</u>
 Bonds payable, less current portion (Note 4)	<u>51,941,525</u>	<u>54,474,030</u>
Total liabilities	<u>59,568,921</u>	<u>62,439,691</u>
 Net Assets		
Invested in capital assets, net of related debt	35,436,907	33,060,263
Restricted, expendable	3,184,240	3,117,984
Unrestricted	9,889,716	7,111,594
Total net assets	<u>\$48,510,863</u>	<u>\$43,289,841</u>

HOUSING AND DINING SYSTEM**STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET ASSETS** *June 30, 2011 and 2010*

	2011	2010
Operating Revenues		
Room rent and food services	\$30,572,528	\$28,573,696
Service and activity fees	1,288,148	1,264,473
Student building fees	1,531,024	1,364,176
Conferences	515,250	548,254
Viking Union income	152,185	156,103
Contribution for dining services	300,000	300,000
Rent	140,504	135,166
Commissions	633,289	601,896
Fees, penalties, and other income	449,805	590,876
Total operating revenue	<u>35,582,733</u>	<u>33,534,640</u>
Operating Expenses		
Cost of food services	10,472,437	10,133,715
Salaries and related benefits	6,009,581	6,036,846
Utilities	2,412,212	2,447,093
Repairs and maintenance	1,884,728	2,131,965
Communications	249,359	299,512
Insurance	407,008	437,089
Supplies	228,968	247,745
Furniture and equipment	22,823	133,560
Institutional services	1,139,493	804,073
Depreciation	3,346,986	2,879,799
Noncapitalizable renewals and replacements	1,019,956	1,338,921
Other	695,037	739,576
Total operating expenses	<u>27,888,588</u>	<u>27,629,894</u>
Income from operations	<u>7,694,145</u>	<u>5,904,746</u>
Nonoperating Revenues (Expenses)		
Investment income	136,511	238,053
Build America Bonds interest subsidy	318,574	239,815
Interest expense	(2,720,742)	(2,788,212)
Amortization of bond discounts and costs	(207,466)	(222,900)
Total nonoperating revenues (expenses)	<u>(2,473,123)</u>	<u>(2,533,244)</u>
Increase in net assets	<u>5,221,022</u>	<u>3,371,502</u>
Net Assets, Beginning of Year	<u>43,289,841</u>	<u>39,918,339</u>
Net Assets, End of Year	<u>\$48,510,863</u>	<u>\$43,289,841</u>

***HOUSING AND DINING SYSTEM
STATEMENTS OF CASH FLOWS***

June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities		
Cash received from students and other customers	\$35,326,809	\$33,219,073
Cash paid to employees	(6,003,274)	(6,059,101)
Cash paid to suppliers	<u>(17,882,567)</u>	<u>(18,851,907)</u>
Net cash flows provided by operating activities	11,440,968	8,308,065
Cash Flows from Capital and Related Financing Activities		
Payment of long-term debt	(2,580,000)	(2,220,000)
Interest payments	(2,742,496)	(2,567,721)
Build Amerca Bonds interest subsidy	318,574	239,815
Purchase of capital assets	<u>(8,130,535)</u>	<u>(9,762,940)</u>
Net cash flows (used in) by capital and related financing activities	(13,134,457)	(14,310,846)
Cash Flows from Investing Activities		
Investment income received	230,966	183,311
Net (loss) proceeds of restricted investments	(165,089)	(32,027)
Receipt of payment on note receivable	-	15,011
Sales of investments in internal pool	<u>(4,441,169)</u>	<u>1,402,845</u>
Net cash flows (used in) provided by investing activities	<u>(4,375,292)</u>	<u>1,569,140</u>
Net change in cash and cash equivalents	(6,068,781)	(4,433,641)
Cash and Cash Equivalents, Beginning of Year	<u>14,802,239</u>	<u>19,235,880</u>
Cash and Cash Equivalents, End of Year	<u><u>\$8,733,458</u></u>	<u><u>\$14,802,239</u></u>
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	7,694,145	5,904,746
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	3,346,986	2,879,799
Loss on disposal of fixed asset	3,139	-
Change in operating assets and liabilities		
Accounts receivable	48,118	(25,169)
Other receivables	(84,299)	(71,507)
Inventory	1,807	(494)
Accounts payable	644,508	(138,164)
Accrued salaries and benefits	6,307	(22,255)
Residents' housing deposits	39,270	(19,103)
Deferred revenue	<u>(259,013)</u>	<u>(199,788)</u>
Cash flows from operating activities	<u><u>\$11,440,968</u></u>	<u><u>\$8,308,065</u></u>
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	<u><u>(\$847,585)</u></u>	<u><u>\$1,445,281</u></u>

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

June 30, 2011 and 2010

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 (the University). 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 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

The University records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by the University are recorded at fair value. To maximize investment income, the University 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 University 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 the University and are unsecured. The System considers all accounts past due when they remain unpaid 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, 2011 and 2010

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 over the same period. Interest of \$142,677 and \$176,208 was capitalized during fiscal 2011 and 2010, respectively.

Deferred Revenue

Summer quarter, which is the first quarter of the University's fiscal year, begins shortly before June 30. Room and board charges related to fiscal year 2011 are deferred until the following fiscal year. Deferred revenue also includes \$300,000 and \$600,000 for 2011 and 2010, 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, Expendable* - 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 \$6,474,228 and \$4,934,530 of this balance at June 30, 2011 and 2010, 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:

Operating revenues. Operating revenues include activities that have the characteristics of exchange transactions, such as sales and services.

Operating expenses. Operating expenses are those incurred in daily operations such as salaries and wages, benefits, utilities and supplies.

Nonoperating revenues. Nonoperating revenues include activities that have the characteristics of non-exchange transactions such as investment income.

Nonoperating expenses. Non operating expenses include costs related to financing or investing activities such as interest on indebtedness and amortization of bond costs.

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.

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

June 30, 2011 and 2010

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 \$932,317 and \$702,771 for the years ending June 30, 2011 and 2010, respectively.

Tax Exemptions

The University, and the System as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under the provisions of Section 115(a) of the Internal Revenue Code and are 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 INVESTMENTS

Interest Rate and Credit Risk

The University investment pool is invested in demand deposits, time certificates of deposit, the Washington State Local Government Investment Pool (LGIP) and U.S. Treasury and Agency securities. The LGIP is considered a cash equivalent. The University's 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. The System's restricted investments of \$2,977,258 and \$2,812,169 in fiscals 2011 and 2010, respectively, are for renewals and replacements.

The University manages its exposure to fair value losses in the internal investment pool by limiting the duration of its portfolio to a maximum of 1.82 years, with a target of 1.46 years.

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

	June 30, 2011	Weighted Average Maturity (in years)	June 30, 2010	Weighted Average Maturity (in years)
Cash and cash equivalents	\$6,677,551	n/a	\$8,757,646	n/a
LGIP (unspent bond proceeds)	2,055,907	n/a	6,044,593	n/a
Investments				
Certificates of deposit-restricted	2,977,258	0.046	2,812,169	0.003
Certificates of deposit	1,101,639	0.046	3,088,835	0.003
U.S. Treasury	5,509,705	5.500		
U.S. Agencies	918,660	4.000		
	<u>\$19,240,721</u>		<u>\$20,703,243</u>	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2011 and 2010 was \$3,346,986 and \$2,879,799, respectively.

Following are the changes in capital assets for the year ended June 30, 2011:

Description	June 30, 2010	Additions	Retirements	Transfers	June 30, 2011
Non-depreciable capital assets					
Construction in progress	\$11,878,554	\$5,067,835	\$ -	(\$2,508,246)	\$14,438,143
Depreciable capital assets					
Buildings	89,184,792	-	-	-	\$89,184,792
Buildings improvements	18,124,708	1,703,821	-	2,508,246	22,336,775
Furniture, fixtures, and equipment	1,611,936	511,294	(15,062)	-	2,108,168
Infrastructure	4,492,564	-	-	-	4,492,564
Total cost	125,292,554	7,282,950	(15,062)	-	132,560,442
Accumulated Depreciation					
Buildings	36,191,948	1,864,491	-	-	38,056,439
Buildings improvements	2,771,329	1,170,439	-	-	3,941,768
Furniture, fixtures, and equipment	945,524	183,939	(11,923)	-	1,117,540
Infrastructure	1,314,053	128,117	-	-	1,442,170
Total accumulated depreciation	41,222,854	3,346,986	(11,923)	-	44,557,917
Capital assets, net	\$84,069,700	\$3,935,964	(\$3,139)	\$ -	\$88,002,525

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

June 30, 2011 and 2010

Following are the changes in capital assets for the year ended June 30, 2010:

Description	June 30, 2009	Additions	Retirements	Transfers	June 30, 2010
Non-depreciable capital assets					
Construction in progress	\$4,812,350	\$9,837,330	\$ -	(\$2,771,126)	\$11,878,554
Depreciable capital assets					
Buildings	89,184,792	-	-	-	89,184,792
Buildings improvements	14,126,600	1,226,982	-	2,771,126	18,124,708
Furniture, fixtures, and equipment	1,778,593	143,909	(310,566)	-	1,611,936
Infrastructure	4,492,564	-	-	-	4,492,564
Total cost	114,394,899	11,208,221	(310,566)	-	125,292,554
Accumulated Depreciation					
Buildings	34,266,555	1,925,393	-	-	36,191,948
Buildings improvements	2,120,207	651,122	-	-	2,771,329
Furniture, fixtures, and equipment	1,080,923	175,167	(310,566)	-	945,524
Infrastructure	1,185,936	128,117	-	-	1,314,053
Total accumulated depreciation	38,653,621	2,879,799	(310,566)	-	41,222,854
Capital assets, net	\$75,741,278	\$8,328,422	\$ -	\$ -	\$84,069,700

NOTE 4. BONDS PAYABLE

In accordance with 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.

Bond covenants also require that the System pledge net revenue (as defined) in each fiscal year at least equal to the greater of (i) 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (ii) 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.

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

June 30, 2011 and 2010

	<u>June 30, 2011</u>	<u>June 30, 2010</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 \$280,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$14,010,000 at June 30, 2011 which is reported net of the unamortized original issue premium of \$13,833.	\$14,023,833	\$14,300,417
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$390,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$7,905,000 at June 30, 2011 which is reported net of the unamortized original premium of \$35,971.	7,940,971	8,320,338
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 \$11,485,000 at June 30, 2011, which is reported net of the unamortized original discount and loss on defeasance of \$874,820.	10,610,180	11,070,275
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65%, and principal payments due in annual \$675,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$10,850,000 at June 30, 2011, which is reported net of the unamortized original issue discount and loss on defeasance of \$126,716.	10,723,284	11,358,882
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 that range from \$755,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$11,605,000 at June 30, 2011, which is reported net of the unamortized original issue premium and loss on defeasance of \$281,743.	<u>11,323,257</u>	<u>12,004,118</u>
	\$54,621,525	\$57,054,030
Less current portion	<u>(2,680,000)</u>	<u>(2,580,000)</u>
	<u>\$51,941,525</u>	<u>\$54,474,030</u>

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

June 30, 2011 and 2010

Following are the changes in long-term liabilities for the year ended June 30, 2011:

Bonds Payable	June 30, 2010	Additions	Reductions	June 30, 2011	Current Portion
Series 2009 Revenue Bonds	14,280,000	-	(270,000)	14,010,000	280,000
Series 2006 Revenue Bonds	8,280,000	-	(375,000)	7,905,000	390,000
Series 2005 Refunding Bonds	12,045,000	-	(560,000)	11,485,000	580,000
Series 2003 Revenue and Refunding Bonds	11,505,000	-	(655,000)	10,850,000	675,000
Series 1998 Junior Lien Revenue Refunding	12,325,000	-	(720,000)	11,605,000	755,000
	58,435,000	-	(2,580,000)	55,855,000	2,680,000
Plus unamortized premium	250,348	-	(37,486)	212,862	-
Less unamortized discount	(202,298)	-	22,503	(179,794)	-
Less unamortized deferred loss	(1,429,021)	-	162,478	(1,266,543)	-
Total Long-term liabilities	57,054,030	-	(2,432,505)	54,621,525	2,680,000

Following are the changes in long-term liabilities for the year ended June 30, 2010:

Bonds Payable	June 30, 2009	Additions	Reductions	June 30, 2010	Current Portion
Series 2009 Revenue Bonds	14,280,000	-	-	14,280,000	270,000
Series 2006 Revenue Bonds	8,645,000	-	(365,000)	8,280,000	375,000
Series 2005 Refunding Bonds	12,160,000	-	(115,000)	12,045,000	560,000
Series 2003 Revenue and Refunding Bonds	12,155,000	-	(650,000)	11,505,000	655,000
Series 1999 Junior Lien Revenue Bonds	420,000	-	(420,000)	-	-
Series 1998 Junior Lien Revenue Refunding	12,995,000	-	(670,000)	12,325,000	720,000
	60,655,000	-	(2,220,000)	58,435,000	2,580,000
Plus unamortized premium	289,829	-	(39,480)	250,348	-
Less unamortized discount	(228,377)	-	26,079	(202,298)	-
Less unamortized deferred loss	(1,595,721)	-	166,700	(1,429,021)	-
Total Long-term liabilities	59,120,731	-	(2,066,701)	57,054,030	2,580,000

Total interest incurred on bonds payable for the years ended June 30, 2011 and June 30, 2010 was \$2,720,742 and \$2,788,212, 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, 2011 and 2010, the total outstanding principal balance of defeased bonds was \$10,725,000 and \$11,165,000 respectively.

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

June 30, 2011 and 2010

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>
2012	2,680,000	2,783,678	5,463,678
2013	2,785,000	2,676,712	5,461,712
2014	2,895,000	2,563,847	5,458,847
2015	3,025,000	2,443,432	5,468,432
2016	3,145,000	2,311,835	5,456,835
2017-2021	18,025,000	9,179,379	27,204,379
2022-2026	15,705,000	4,848,730	20,553,730
2027-2031	4,405,000	2,158,550	6,563,550
2032-2034	3,190,000	479,520	3,669,520
	<u>\$55,855,000</u>	<u>\$29,445,683</u>	<u>\$85,300,683</u>
Less unamortized (discounts)/premiums & loss on defeasance	(1,233,475)		
	<u>\$54,621,525</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, 2011 and 2010, these commitments totaled \$2,392,342 and \$5,385,102, respectively, for all funds.

NOTE 6. CONTRACT WITH SODEXO AMERICA, LLC

Sodexo America, LLC (“Sodexo”) contracted with the University 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. The System will terminate the contract one year early (August 31, 2011) and will award a new contract effective September 1, 2011. The remaining unused contribution will be returned to Sodexo during fiscal 2012.

As of June 30, 2011, the System had received the entire \$3,000,000 from Sodexo per the agreement.

NOTE 7. PENSION PLAN

As employees of the University, 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. The University contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1,

HOUSING AND DINING SYSTEM
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2011 and 2010

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 the University. The University's Board of Trustees is authorized to establish and amend benefit provision.

Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by one or more fund sponsors. Benefits from fund sponsors are available upon separation or retirement at the member's option. Employees have a 100% vested interest in their contributions at all times.

The supplemental payment plan determines a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The University makes direct payments to qualified retirees when the retirement benefit provided by the fund sponsor does not meet the benefit goal.

Employee contribution rates, which are based on age, range from 5% to 10% of salary. The University matches the contributions. All required employer and employee contributions have been made.

The System contributed approximately \$173,908 and \$178,000 to these plans in 2011 and 2010, respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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 actuarial accrued liability (AAL) is not available for auxiliary entities. The University is responsible for the annual payment therefore, the annual required contribution (ARC) is not recorded on the Sytem's financial statements.

SUPPLEMENTAL INFORMATION

SCHEDULE OF ROOM AND BOARD RATES FISCAL 2011

RESIDENCE HALLS

	Meals Per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	\$8,749	\$8,419	\$8,093	\$7,765
Single room/single occupancy	9,648	9,318	8,992	8,663
Double room/single occupancy (super single)	10,163	9,832	9,507	9,178
Triple room/triple occupancy	7,657	7,327	7,000	6,672

APARTMENTS

	Double (2/Bedroom)	Super Single (1/Bedroom)	Family Rate
	Apartment Only Academic Year Contracts		
Birnam Wood - 2 bedroom	\$2,775	\$5,547	\$11,100
Leased Apartments – New York, 1 bedroom	3,597	7,239	-
Leased Apartments – New York, 3 bedroom	3,057	6,114	14,037

SCHEDULE OF OCCUPANCY FISCAL 2011

	OCCUPANCY CAPACITY		ACTUAL OCCUPANCY	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed ⁽¹⁾	Operating ⁽²⁾		Designed Capacity	Operating Capacity
Fall 2010	4,253	4,030	4,000	94.1%	99.3%
Winter 2011	4,253	4,030	3,848	90.5	95.5
Spring 2011	4,253	4,030	3,682	86.6	91.4
Average	4,253	4,030	3,843	90.4%	95.4%

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 FISCAL 2011

The University 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, 2011 is summarized as follows:

	Values Used for Fire and Extended Coverage of Buildings
Ridgeway Residences and Commons	\$79,117,000
Fairhaven Residences and Commons	51,051,000
Buchanan Towers	38,448,158
Edens Hall and Edens Hall North	28,413,000
Viking Union, Addition and Commons	38,677,000
Birnam Wood Residences	34,228,000
Nash Hall	24,112,000
Mathes hall	23,638,000
Higginson hall	15,102,000
Commissary	10,199,000
Highland Hall	7,190,000
Lakewood Recreational Facility	1,875,000
	<hr/>
Building Insured Values	352,050,158
Insured Contents	14,462,591
	<hr/>
Total	<u>\$366,512,749</u>

EXPENDED FOR PLANT FACILITIES FISCAL 2011 and 2010

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.

	2011	2010
Capitalized Projects		
New Residence Hall	\$3,804,956	\$7,171,685
Buchanan Towers Fire Sprinklers	\$1,412,159	2,157,166
Ridgeway Beta Renovation	\$1,192,861	918
Dining Capital Investment Projects	\$318,530	423,415
Voice Safety Systems & Network Upgrades	\$55,105	
Wireless Data Infrastructure	\$240,908	
Other capitalizable	\$3,686	
Fairhaven Fire Sprinklers		1,198,496
Ridgeway Gamma Fire Sprinklers		28,486
Sprinkler Study		11,489
Triple Occupancy Beds		1,494
	<u>\$7,028,205</u>	<u>\$10,993,149</u>
Non-Capitalized Projects		
Furniture & Carpet	\$371,921	\$375,239
Other	126,099	188,044
Campus Safety Voice System	220,750	
Equipment	80,794	174,557
Painting	81,466	
Asbestos abatement & flooring	76,464	
Lighting Retrofits & Changes	19,331	27,226
Plumbing, heating and electrical	18,349	98,995
Bathroom & Shower renovations	15,223	69,042
Laundry Room Remodel	9,505	17,180
Stairwell and Exit Door Replacements	54	17,976
Brick Restoration		117,287
Nash Deck Replacement		93,659
Window Coverings		93,036
Gamma Flood Restoration		30,921
Network Infrastructure and Switches		20,782
Roof replacement & Coatings		14,977
	<u>\$1,019,956</u>	<u>\$1,338,921</u>

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