WESTERN
WASHINGTON UNIVERSITY

HOUSING AND DINING SYSTEM

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Overview of the Financial Statements and Financial Analysis

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Housing and Dining System (the System) for the years ended June 30, 2012, 2011 and 2010. 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 Position

The Statements of Net Position 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 position, is one indicator of the current financial condition of the System.

Below is a condensed view of the Statements of Net Position as of June 30, 2012, 2011 and 2010:

(Dollars in Thousands)

	2012	2011	2010
Assets			
Current Assets	$10,454	$9,986	$12,231
Noncurrent assets	6,456	10,091	9,429
Capital assets, net	97,756	88,003	84,070
Total assets	114,665	108,080	105,730
Liabilities			
Current liabilities	6,400	7,627	7,966
Noncurrent liabilities	49,298	51,942	54,474
Total liabilities	55,698	59,569	62,440
Net Position			
Net investment in capital assets	45,678	35,437	33,060
Restricted, expendable	3,212	3,184	3,118
Unrestricted	10,077	9,890	7,112
Total net position	$58,967	$48,511	$43,290

Current assets increased $467,980 (4.7%) in fiscal 2012 when compared to 2011 primarily due to an increase in Other receivables combined with an increase in short-term investments and a decrease in cash and cash equivalents. The $556,049 (310.1%) increase in Other receivables is mostly due to a guaranteed commission commitment from the Aramark contract. Current assets decreased $2,245,424 (-18.4%) in fiscal 2011 when compared to fiscal 2010 due to planned use of cash for renovations. Total assets increased $6,585,352 (6.1%) in fiscal 2012 compared to fiscal 2011 due to capital additions. Total assets increased $2,350,251 (2.2%) in fiscal 2011 when compared to fiscal 2010 due to additions in construction in progress.

Noncurrent assets, excluding capital assets, decreased $3,635,728 (-36.0%) in fiscal 2012 compared to fiscal 2011 due to spending restricted bond proceeds on the Buchanan Tower addition combined with a decrease in long-term investment maturities. Noncurrent assets, excluding capital assets, increased $662,851 (7.0%) when comparing fiscal 2011 to fiscal 2010 primarily due to spending restricted bond proceeds on the Buchanan Towers remodel offset by an increase in unrestricted long term investments.

Capital assets increased $9,753,099 (11.1%) comparing fiscal 2012 with fiscal 2011 primarily due to the completion of the Buchanan Tower addition, the first phases of two sprinkler projects, and the contribution from Aramark, the System's new dining contractor, for capital improvements to several dining facilities. Capital assets increased $3,932,825 (4.7%) in fiscal 2011 compared to fiscal 2010 due to completed renovations and additional construction in progress.

Major projects completed during fiscal 2012 include the Buchanan Tower addition and renovations to several residential and retail dining platforms. 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.

Current liabilities decreased $1,227,693 (-16.1%) in fiscal 2012 compared to fiscal 2011 primarily due to a decrease in housing deposits resulting from the timing of releasing the fiscal 2012 deposits, and a decrease in deferred revenue primarily impacted by the termination of the prior dining contractor's investment. 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. Long-term liabilities decreased $2,643,007 (-5.1%) in fiscal 2012 and $2,532,505 (-4.6%) in fiscal 2011 due to scheduled principle payments on outstanding debt.

Total net position increased $10,456,051 (21.6%) when comparing fiscal 2012 to fiscal 2011 due to the completion of the Buchanan Towers project, and the Aramark contract for dining services that brought greater commissions and a large contribution towards capital improvements. Total net position 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.

Net investment in capital assets increased during fiscal 2012 by $10,241,279 (28.9%) due to the capitalization of the Buchanan Towers Addition and the Ridgeway Beta renovation and capital improvements to several dining facilities. Net investment in capital assets 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.

Statements of Revenues, Expenses and Changes in Net Position

The changes in total net position, as presented on the Statements of Net Position, are detailed in the activity presented in the Statements of Revenues, Expenses and Changes in Net Position. 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 Position for the fiscal years ended June 30, 2012, 2011 and 2010:

(Dollars in thousands)

	2012	2011	2010
Operating Revenues	$38,161	$35,583	$33,535
Operating Expenses	(29,491)	(27,889)	(27,630)
Income from operations	8,670	7,694	5,905
Nonoperating Revenues	4,746	455	478
Nonoperating Expenses	(2,960)	(2,928)	(3,011)
Increase in Net Assets	10,456	5,221	3,372
Net Position, Beginning of year	48,511	43,290	39,918
Net Position, End of year	$58,967	$48,511	$43,290

Total operating revenue increased for fiscal 2012 primarily influenced by an increase to the room and board rate and increased commissions.

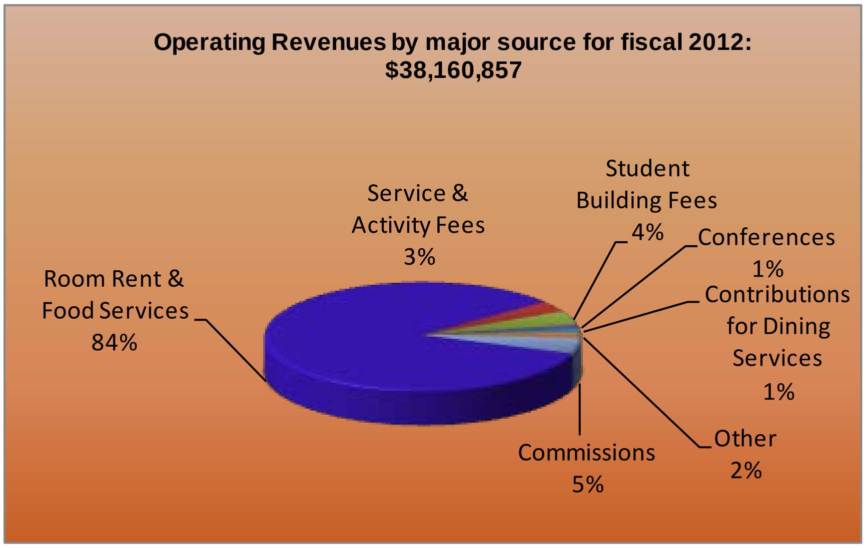
The System's largest revenue source is room rent and food services totaling $31,957,200 (83.7%) of the System's operating revenue in fiscal 2012, compared to $30,572,528 (85.9%) in fiscal 2011 and $28,573,696 (85.2%) in fiscal 2010.

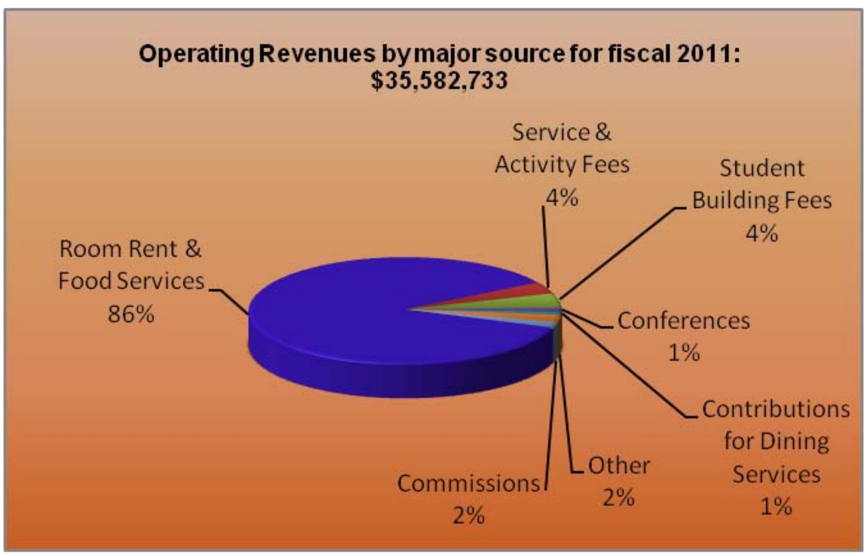
Room and food service revenues increased $1,384,672 (4.5%) in fiscal 2012 when compared to fiscal 2011 influenced primarily by a 4.0% rate increase. Room and food service revenues increased $1,998,832 (7.0%) in fiscal 2011 when compared to fiscal 2010 due to the combination of a 4.0% rate increase and increased occupant retention.

During fiscal 2012, Student building fees revenue increased $72,592 (4.7%) due primarily to an increase in the fee, from $37 to $39 for all students enrolled for at least 6 credits. During fiscal 2011, Student building fee revenue increased $166,848 (12.2%) primarily due to an increase in the fee from $35 to $37. Conference revenue increased slightly by $2,261 (0.4%) in fiscal 2012 reflecting a slight increase in bookings. Conference revenue decreased $33,004 (-6.0%) in fiscal 2011 due to fewer conference guests housed. Commission revenue increased $1,180,573 (186.4%) in fiscal 2012 primarily due to the transition to the new dining contract. Commission revenue in fiscal 2011 increased $31,393 (5.2%) due to increases in dining and beverage commissions.

In September 2011 the University selected Aramark as the new dining contractor under a 10-year management agreement. The new contract provides for a revised commission structure and substantial contractor-provided capital renovations. Those commissions are recorded in operating revenue as well as the non-capitalized portion of the contractor in-kind contribution. The capitalized portion of the contractor in-kind contribution is recorded as other capital contribution.

Overall annual residency declined 0.2% in fiscal 2012 from fiscal 2011. Average annual residence hall occupancy increased 1.7% primarily due to the opening of the Buchanan Towers addition while Birnam Wood and leased apartment occupancy decreased 11% due to the termination of the off-campus apartment leases upon the opening of the Buchanan Towers addition.





Overall operating expenses were up $1,602,822 (5.7%) when comparing fiscal 2012 to fiscal 2011 primarily due to an increase in depreciation and non-capitalized renewals and replacements. 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 non-capitalized renewals and replacements and repairs and maintenance expenses.

Cost of food services increased $324,441 (3.1%) when comparing fiscal 2012 to fiscal 2011 due to the new meal plan rate structure under the Aramark dining contract. 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.

The year-to-year percent of expense by category was consistent across all major categories. Salaries and benefits expense increased slightly in fiscal 2012 by $80,469 (1.3%) with approximately half of the increase due to various wages adjustments and the other half due to benefits increase. Salaries and benefits decreased $27,265 (-0.5%) in fiscal 2011 when compared to fiscal 2010 due to planned staffing decisions.

Utilities expense decreased $73,656 (-3.1%) during fiscal 2012 due to reduced heating/natural gas expenditures. Utilities expense decreased $34,881 (-1.4%) in fiscal 2011 when compared to fiscal 2010 influenced primarily by continued reductions in natural gas expenditures.

Repairs and maintenance expense increased $227,290 (12.1%) when comparing fiscal 2012 to fiscal 2011 due to increased work order maintenance and a transfer of a non-capitalized project expense to operating maintenance. 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 2012.

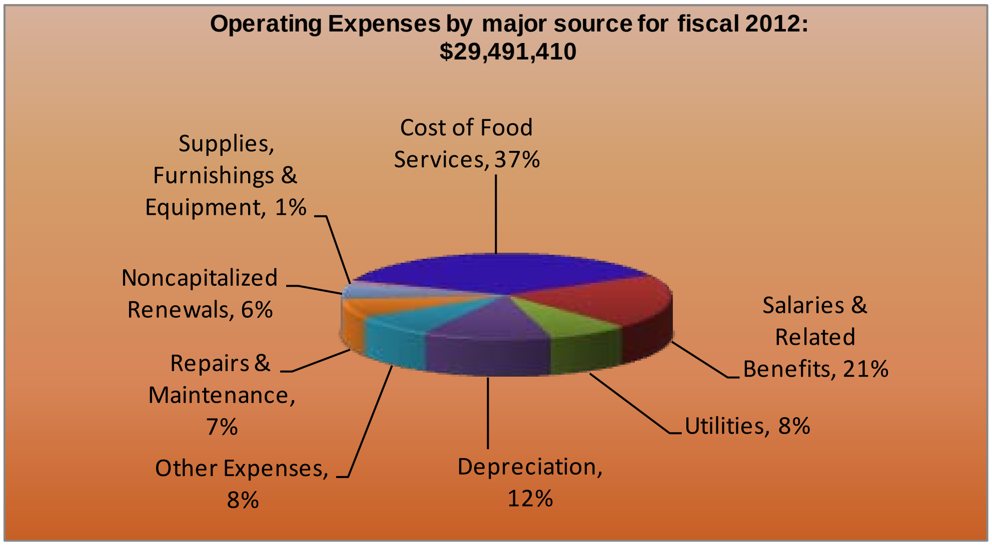
Depreciation expense increased $315,500 (9.4%) during fiscal 2012 due to the Buchanan Towers remodel completion. Depreciation expense increased $467,187 (16.2%) when comparing fiscal 2011 to fiscal 2010 due to the addition of completed buildings and projects.

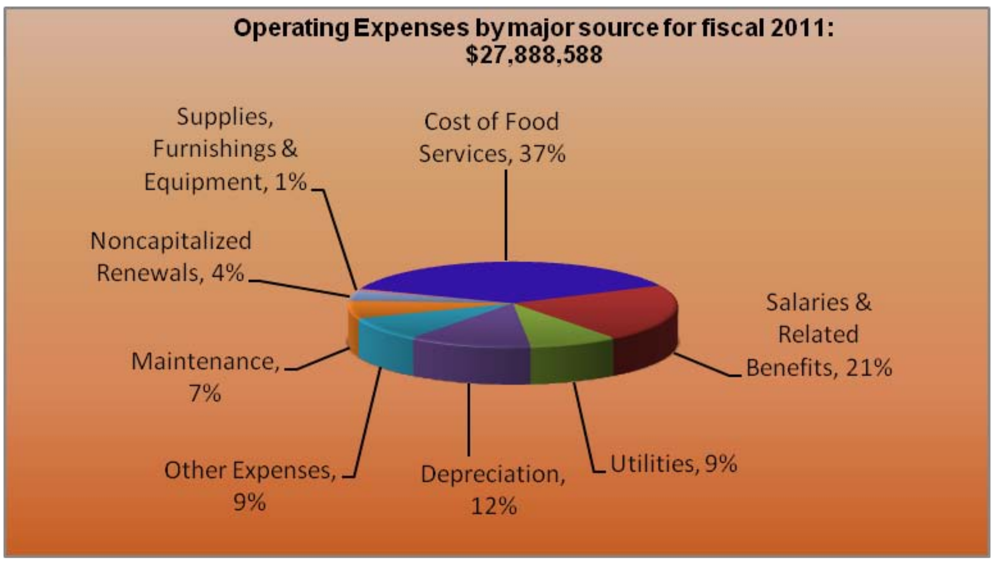
The University's administrative services assessment fee (included in Institutional services) increased $178,858 (16.2%) in fiscal 2012 compared to an increase of $302,420 (37.6%) between fiscal 2011 and fiscal 2010. The rate charged against the System revenues (less food service contract) was 4.5% in fiscal 2012, 4.0% in fiscal 2011, and 3.25% in fiscal 2010.

Other expenses decreased $296,610 (-40.1%) during fiscal 2012 due to the elimination of rental expense from the leased apartments. Other expenses decreased $211 (-0%) when comparing fiscal 2011 to fiscal 2010 due to continued operating cost reductions.

Nonoperating expenses increased $31,548 (1.1%) due primarily to increased bond interest expense. Nonoperating expenses decreased $82,904 (-2.8%) when comparing fiscal 2011 to fiscal 2010 due to reduced bond interest expense.

Nonoperating revenue increased $4,291,275 (942.96%) when comparing fiscal 2012 to fiscal 2011 and decreased $22,783 (-4.8%) when comparing fiscal 2011 to fiscal 2010 due to reduced investment income. The increase during fiscal 2012 is a result of the new dining contract with Aramark. Aramark agreed to provide up to $7.3 million to be used to renovate various dining areas across campus. During fiscal 2012, $4,347,565 in capital renovations was recognized.





Economic Factors and Significant Events

The University's Fall quarter during fiscal 2012 enrollment headcount of 14,031 represents a 0.5% decrease from Fall fiscal 2011 enrollment. The average annual fiscal 2012 enrollment was almost identical to fiscal 2011. Management will address housing demand independent of enrollment through room capacity practices.

The revised 10-year auxiliary capital plan for University Residences, approved by the University's Board of Trustees in December 2010 is on track for renovations such as fire sprinkler installation, seismic upgrades, and general upgrades for residential and dining facilities. Most of the remaining renovations to residential and retail dining platforms will be concluded by fiscal 2013.

In July 2012, the System issued revenue and refunding bonds in the par amount of $9,205,000 to defease its series 2003 revenue and refunding bonds. Management expects to achieve $760,746 net present value savings due to favorable interest rates.

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2010) 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

INDEPENDENT AUDITOR'S REPORT

November 9, 2012

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 (Housing and Dining) as of and for the years ended June 30, 2012 and 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 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 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 audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the 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 Housing and Dining. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2012 and 2011, the changes in its financial position or its cash flows for the years then 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, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Also, as described in Note 1, during the year ended June 30, 2012, Housing and Dining has implemented the Governmental Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The 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 Housing and Dining. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

HOUSING AND DINING SYSTEM
STATEMENTS OF NET POSITION — June 30, 2012 and 2011

Assets	2012	2011
Current assets		
Cash and cash equivalents (Note 2)	$6,460,372	$6,677,551
Investments (Note 2)	3,123,679	2,983,587
Accounts receivable, net of allowance of $37,930 and $25,790 in 2012 and 2011, respectively	117,867	106,888
Interest receivable	14,866	36,878
Other receivables	735,383	179,334
Inventory	1,609	1,558
Total current assets	10,453,777	9,985,796
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	6,080	2,055,907
Restricted investments (Note 2)	3,019,505	2,977,258
Investments (Note 2)	2,976,726	4,546,418
Capital assets, net (Note 3)	97,755,624	88,002,525
Other assets (Note 1)	453,423	511,880
Total noncurrent assets	104,211,358	98,093,988
Total assets	114,665,135	108,079,784
Liabilities		
Current liabilities		
Accounts payable	1,316,532	1,861,023
Accrued expenses	675,696	568,656
Residents' housing deposits	804,931	1,276,200
Deferred revenue	216,027	617,013
Bonds interest payable	601,517	624,504
Current portion of bonds payable (Note 4)	2,785,000	2,680,000
Total current liabilities	6,399,703	7,627,396
Bonds payable, less current portion (Note 4)	49,298,518	51,941,525
Total liabilities	55,698,221	59,568,921
Net Position		
Net investment in capital assets	45,678,186	35,436,907
Restricted, expendable	3,212,474	3,184,240
Unrestricted	10,076,254	9,889,716
Total net position	$58,966,914	$48,510,863

See Notes to the Financial Statements

	2012	2011
Operating Revenues		
Room rent and food services	$31,957,200	$30,572,528
Service and activity fees	1,283,770	1,288,148
Student building fees	1,603,616	1,531,024
Conferences	517,511	515,250
Viking Union income	158,085	152,185
Contribution for dining services	446,138	300,000
Rent	99,341	140,504
Commissions	1,813,862	633,289
Fees, penalties, and other income	281,334	449,805
Total operating revenue	38,160,857	35,582,733
Operating Expenses		
Cost of food services	10,796,878	10,472,437
Salaries and related benefits	6,090,050	6,009,581
Utilities	2,338,556	2,412,212
Repairs and maintenance	2,112,018	1,884,728
Communications	259,523	238,031
Insurance	406,602	407,008
Supplies	195,313	228,968
Furniture and equipment	199,120	22,823
Institutional services	1,285,351	1,106,493
Depreciation	3,662,486	3,346,986
Noncapitalized renewals and replacements	1,702,758	1,019,956
Other	442,755	739,365
Total operating expenses	29,491,410	27,888,588
Income from operations	8,669,447	7,694,145
Nonoperating Revenues (Expenses)		
Investment income	80,221	136,511
Build America Bonds interest subsidy	318,574	318,574
Other Capital Contribution	4,347,565	-
Interest expense	(2,760,691)	(2,720,742)
Amortization of bond discounts and costs	(199,065)	(207,466)
Total nonoperating revenues (expenses)	1,786,604	(2,473,123)
Increase in net assets	10,456,051	5,221,022
Net Position, Beginning of Year	48,510,863	43,289,841
Net Position, End of Year	$58,966,914	$48,510,863

See Notes to the Financial Statements

HOUSING AND DINING SYSTEM
STATEMENTS OF CASH FLOWS *June 30, 2012 and 2011*

	2012	2011
Cash Flows from Operating Activities		
Cash received from students and other customers	36,721,574	$35,326,809
Cash paid to employees	(6,098,863)	(6,003,274)
Cash paid to suppliers	(20,981,298)	(17,882,567)
Net cash flows provided by operating activities	9,641,413	11,440,968
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	100,000	-
Capital Contribution	4,347,565	-
Payment of long-term debt	(2,678,615)	(2,580,000)
Interest payments	(2,783,678)	(2,742,496)
Build America Bonds interest subsidy	318,574	318,574
Purchase of capital assets	(12,701,851)	(8,130,535)
Net cash flows (used in) by capital and related financing activities	(13,398,005)	(13,134,457)
Cash Flows from Investing Activities		
Investment income received	102,233	230,966
Net (loss) proceeds of restricted investments	(42,247)	(165,089)
Receipt of payment on note receivable	-	-
Sales of investments	1,429,600	(4,441,169)
Net cash flows (used in) provided by investing activities	1,489,586	(4,375,292)
Net change in cash and cash equivalents	(2,267,006)	(6,068,781)
Cash and Cash Equivalents, Beginning of Year	8,733,458	14,802,239
Cash and Cash Equivalents, End of Year	$6,466,452	$8,733,458
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	8,669,447	7,694,145
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	3,662,486	3,346,986
Loss on disposal of fixed asset	38,720	3,139
Change in operating assets and liabilities		
Accounts receivable	(10,979)	48,118
Other receivables	(556,049)	(84,299)
Inventory	(51)	1,807
Accounts payable	(1,281,093)	644,508
Accrued salaries and benefits	(8,813)	6,307
Residents' housing deposits	(471,269)	39,270
Deferred revenue	(400,986)	(259,013)
Cash flows from operating activities	$9,641,413	$11,440,969
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	$752,454	($847,585)

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 position, 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 position 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 consists of snack and sundry items and is stated at the lower of cost (first-in, first-out method) or market.

Capital Assets

The capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life of greater than one year. The basis of valuation for assets purchased or constructed is cost. The costs of normal maintenance and repairs that do not increase the value of the assets or materially extend asset lives are charged to operating expense in the year the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and building improvements, 20 to 25 years for infrastructure and other improvements, and 5 to 7 years for furniture, fixtures, and equipment.

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress over the same period. Interest of $0 and $142,677 was capitalized during fiscal 2012 and 2011, 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 2012 are deferred until the following fiscal year. Deferred revenue also includes $0 and $300,000 for 2012 and 2011, respectively, in funds received from Sodexo that were being amortized on a straight-line basis over ten years. The University terminated the contract with Sodexo one year early, and the unamortized amount of the Sodexo contribution was paid to Sodexo in fiscal 2012.

Net Position

The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.

- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities. The System has internally designated $8,118,045 and $6,474,228 of this balance at June 30, 2012 and 2011, 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 Position net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statement of Net Position.

Administrative Assessment

The University provides support to the System through cash and debt management, accounting, human resources, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included as institutional services in these financial statements. The amount paid was $1,109,429 and $932,317 for the years ending June 30, 2012 and 2011, 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.

Reclassifications

Certain amounts related to the June 30, 2011 financial statements have been reclassified to conform to the June 30, 2012 financial statement presentation.

NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS

Interest Rate and Credit Risk

The System's operating cash is part of the University's internal investment pool. The 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 comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The LGIP is an unrated investment pool. Bank balances (including time certificates of deposit) are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). U.S. Treasury and Agency securities are rated AA+ by Standard & Poor's and Aaa by Moody's Investors Service.

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.

The System's investments of $3,019,505 and $2,977,258 in fiscals 2012 and 2011 respectively are restricted for renewals and replacements and are separately invested in time certificates of deposit and U.S. Treasury and Agency securities.

	June 30, 2012	Weighted Average Maturity (in years)	June 30, 2011	Weighted Average Maturity (in years)
Cash and cash equivalents	$6,460,008	n/a	$6,677,551	n/a
LGIP (unspent bond proceeds)	6,080	n/a	2,055,907	n/a
Investments				
Certificates of deposit-restricted	1,493,498	0.013	2,977,258	0.046
U.S. Agencies-restricted	1,526,007	0.025	-	0.00
Certificates of deposit	899,700	0.028	1,101,639	0.046
U.S. Treasury	-		5,509,705	5.50
U.S. Agencies	5,201,070	0.680	918,660	4.00
	$15,586,363		$19,240,721	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2012 and 2011 was $3,662,486 and $3,346,986, respectively.

Following are the changes in capital assets for the year ended June 30, 2012:

Description	June 30, 2011	Additions	Retirements	Transfers	June 30, 2012
Non-depreciable capital assets					
Construction in progress	$14,438,143	$5,576,746	$ -	($12,946,973)	$7,067,916
Depreciable capital assets					
Buildings	89,184,792	14,837,159	-	-	$104,021,951
Buildings improvements	22,336,775	4,121,639	-	-	26,458,414
Furniture, fixtures, and equipment	2,108,168	1,865,734	(145,021)	-	3,828,881
Infrastructure	4,492,564	-	-	-	4,492,564
Total cost	132,560,442	26,401,278	(145,021)	(12,946,973)	145,869,726
Accumulated Depreciation					
Buildings	38,056,439	1,971,256	-	-	40,027,695
Buildings improvements	3,941,768	1,229,911	-	-	5,171,679
Furniture, fixtures, and equipment	1,117,540	332,850	(106,301)	-	1,344,089
Infrastructure	1,442,170	128,469	-	-	1,570,639
Total accumulated depreciation	44,557,917	3,662,486	(106,301)	-	48,114,102
Capital assets, net	$88,002,525	$22,738,792	($38,720)	$ (12,946,973)	$97,755,624

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

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.

	June 30, 2012	June 30, 2011
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 $290,000 to $1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of $13,730,000 at June 30, 2012 which is reported net of the unamortized original issue premium of $8,420.	$13,738,420	$14,023,833
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from $405,000 to $700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of $7,515,000 at June 30, 2012 which is reported net of the unamortized original premium of $31,806.	7,546,806	7,940,971
Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50%, and principal payments due in annual amounts ranging from $600,000 to $1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of $10,905,000 at June 30, 2012, which is reported net of the unamortized original discount and loss on defeasance of $778,478.	10,126,521	10,610,180
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 amounts ranging from $695,000 to $1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of $10,175,000 at June 30, 2012, which is reported net of the unamortized original issue discount and loss on defeasance of $108,359.	10,066,641	10,723,284
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 $795,000 to $1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of $10,850,000at June 30, 2012, which is reported net of the unamortized original issue premium and loss on defeasance of $244,870.	10,605,130	11,323,257
	$52,083,518	$54,621,525
Less current portion	(2,785,000)	(2,680,000)
	$49,298,518	$51,941,525

Following are the changes in long-term liabilities for the year ended June 30, 2012:

Bonds Payable	June 30, 2011	Additions	Reductions	June 30, 2012	Current Portion
Series 2009 Revenue Bonds	14,010,000	-	(280,000)	13,730,000	290,000
Series 2006 Revenue Bonds	7,905,000	-	(390,000)	7,515,000	405,000
Series 2005 Refunding Bonds	11,485,000	-	(580,000)	10,905,000	600,000
Series 2003 Revenue and Refunding Bonds	10,850,000	-	(675,000)	10,175,000	695,000
Series 1998 Junior Lien Revenue Refunding	11,605,000	-	(755,000)	10,850,000	795,000
	55,855,000	-	(2,680,000)	53,175,000	2,785,000
Plus unamortized premium	212,862		(34,544)	178,318	-
Less unamortized discount	(179,794)		21,533	(158,261)	-
Less unamortized deferred loss	(1,266,543)		155,004	(1,111,539)	-
Total Long-term liabilities	54,621,525	-	(2,538,007)	52,083,518	2,785,000

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

Total interest incurred on bonds payable for the years ended June 30, 2012 and June 30, 2011 was $2,760,691 and $2,720,742, 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, 2012 and 2011, the total outstanding principal balance of defeased bonds was $10,725,000 and $11,165,000 respectively.

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

	Principal	Interest	Total
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	3,290,000	2,164,459	5,454,459
2018-2022	18,870,000	8,306,254	27,176,254
2023-2027	12,370,000	4,119,426	16,489,426
2028-2032	4,620,000	1,832,580	6,452,580
2033-2034	2,175,000	243,460	2,418,460
	$53,175,000	$26,662,005	$79,837,005
Less unamortized (discounts)/premiums & loss on defeasence	(1,091,482)		
	$52,083,518		

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, 2012 and 2011, these commitments totaled $5,937,915 and $9,482,934, respectively, for all funds.

NOTE 6. CONTRACT WITH ARAMARK

In fiscal 2012 Aramark contracted with the University to manage the dining services provided by the System. As part of this contract, Aramark agreed to provide a total of $7,314,000 to the System for the acquisition of capital assets. $4,793,703 of that amount was used in the current fiscal year. The System terminated the former contract with Sodexo LLC one year early (August 31, 2011) and returned the remaining unused contribution of $347,544 to Sodexo LLC during fiscal 2012.

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, 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 single-employer 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 $200,869, $173,908 and $178,000 to these plans in fiscal 2012, 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 System's financial statements.

SUPPLEMENTAL INFORMATION

SCHEDULE OF ROOM AND BOARD RATES
YEAR ENDED JUNE 30, 2012

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	$9,100	$8,755	$8,417	$8,075
Single room/single occupancy	$10,034	$9,689	$9,351	$9,009
Double room/single occupancy (super single)	$10,570	$10,225	$9,887	$9,545
Triple room/triple occupancy	$7,962	$7,618	$7,279	$6,938

APARTMENTS

	Double with 2/bedroom	Super Single 1/bedroom	Family Rate
Apartment only Academic Year Contracts			
Birnam Wood - 2 Bedroom Units	$2,886	$5,769	$11,544

SCHEDULE OF OCCUPANCY

Year Ended June 30, 2012

	OCCUPANCY CAPACITY		ACTUAL	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed (1)	Operating (2)	OCCUPANCY	Designed Capacity	Operating Capacity
Fall 2011	4,170	4,054	4,003	96.0%	98.7%
Winter 2012	4,170	4,054	3,839	92.1%	94.7%
Spring 2012	4,170	4,054	3,667	87.9%	90.5%
Average	4,170	4,054	3,836	92.0%	94.6%

(1) Designed capacity is the number of students for which the Housing and Dining System was originally constructed and subsequently remodeled to accommodate.

(2) Operating capacity is the number of students that can effectively be accomodated in an academic quarter based on housing policies in effect for that quarter.

SCHEDULE OF INSURANCE COVERAGE FISCAL 2012

The University purchases buildings, contents, and business interruption insurance for the System through its participation in the State of Washington Property Master 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 limit of $100,000,000 for earthquake and flood damage. There is a $250,000 deductible per occurrence that increases to 3% of the 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, 2012 is summarized as follows:

		Values Used for Fire and Extended Coverage of Buildings
Ridgeway Residences and Commons		$81,424,142
Fairhaven Residences and Commons		52,538,419
Buchanan Towers		38,906,000
Edens Hall and Edens Hall North		29,241,890
Viking Union, Addition and Commons		39,805,365
Birnam Wood Residences		35,226,754
Nash Hall		24,815,214
Mathes hall		24,327,888
Higginson hall		16,695,016
Commissary		10,496,519
Highland Hall		7,399,881
Lakewood Recreational Facility		1,929,575
	Building Insured Values	362,806,663
	Insured Contents	15,238,761
	Total	$378,045,424

EXPENDED FOR PLANT FACILITIES FISCAL 2012 and 2011

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.

	2012	2011
Capitalized Projects		
Aramark Contracted Renovations	$4,793,703	$ -
New Residence Hall	3,382,200	3,806,038
Mathes Fire Sprinklers	1,690,562	-
Buchanan Towers Fire Sprinklers	10,776	1,412,159
Ridgeway Beta Renovation	2,415,974	1,192,861
Dining Capital Investment Projects	-	318,530
Voice Safety Systems & Network Upgrades	-	55,105
Wireless Data Infrastructure	1,639,578	240,908
Other capitalizable	-	3,686
Edens & Alpha Fire Sprinklers	32,074	-
	$13,964,866	$7,029,287
Non-Capitalized Projects		
Furniture & Carpet	$329,289	$371,921
Other	205,401	126,098
Bathroom & Shower renovations	141,627	15,223
Asbestos abatement & flooring	116,707	76,464
Painting	105,792	81,466
Equipment	99,800	80,794
Viking Union Projects	79,435	-
Lakewood Dock Replacement	78,079	-
Fairhaven Flood Restoration	71,189	-
Laundry Room Remodel	28,504	9,505
Lighting Retrofits & Changes	6,230	19,331
Plumbing, heating and electrical	653	18,349
Campus Safety Voice System	-	220,750
Stairwell and Exit Door Replacements	-	54
	$1,262,707	$1,019,956

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