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## ***PARKING SERVICES***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

#### **Overview of the Financial Statements and Financial Analysis**

The following discussion and analysis provide an overview of the financial activities and financial position of Western Washington University's Parking Services (Parking Services) for the years ended June 30, 2012, 2011, and 2010. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and accompanying notes.

#### **Presentation of the Financial Statements**

Parking Services financial reports include the Statements of Net Position, the Statements of Revenue, Expenses, and Changes in Net Position and the Statements of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standard 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. Parking Services financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

#### **Statements of Net Position**

The Statements of Net Position present the financial condition of Parking Services at the end of the fiscal year and report all assets and liabilities.

The amounts in these statements represent the assets available to continue the operations of Parking Services and identify what is owed to vendors and other parties. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of Parking Services. The change in net position measures whether the overall financial condition has improved or deteriorated during the fiscal year.

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

	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
<b>Assets</b>			
Current assets	\$826,843	\$779,422	\$1,159,317
Noncurrent assets	249,831	379,240	16,947
Land	3,503,223	3,503,223	3,503,223
Capital assets, net	<u>713,435</u>	<u>783,268</u>	<u>830,903</u>
Total assets	5,293,332	5,445,153	5,510,390
<b>Liabilities</b>			
Current liabilities	425,975	396,972	364,632
Noncurrent liabilities	<u>2,070,885</u>	<u>2,212,174</u>	<u>2,352,677</u>
Total liabilities	2,496,860	2,609,146	2,717,309
<b>Net Position</b>			
Net investment in capital assets	2,002,949	1,932,214	1,844,934
Unrestricted	<u>793,523</u>	<u>903,793</u>	<u>948,147</u>
Total net position	<u>\$2,796,472</u>	<u>\$2,836,007</u>	<u>\$2,793,081</u>

## ***PARKING SERVICES***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

Total current assets increased \$47,421 (6.1%) when comparing fiscal 2012 to fiscal 2011 primarily due to the early recording of a prepaid expense for Parking Services' T2 System maintenance agreement. Total current assets decreased \$379,895 (-32.8%) over fiscal 2010. The decrease in fiscal 2011 is due to a reduction in cash and cash equivalents used to purchase investments.

Total noncurrent asset, excluding land and capital assets, decreased \$129,409 (-34.1%) primarily due to a decrease in long-term investments held. Total noncurrent assets, excluding land and capital assets, increased \$362,293 (2,137.8%) in fiscal 2011 due to the purchase of long-term investments.

Capital assets, net decreased \$69,833 (-8.9%) in fiscal 2012 due to depreciation and amortization and no additional purchases of capital assets. Capital assets, net decreased \$47,635 (-5.7%) when comparing fiscal 2011 to fiscal 2010 due to the continued depreciation and amortization offset by the purchase of a new vehicle.

Current liabilities increased \$29,003 (7.3%) during fiscal 2012 primarily due to the recording of Parking Services' system maintenance agreement offset by a decrease in deferred revenue. The decrease of \$8,831 (-7.9%) in deferred revenue is attributable to reduce sales for Summer parking passes and Summer bus passes. Current liabilities increased \$32,340 (8.9%) when comparing fiscal 2011 to fiscal 2010 primarily due to an increase in deferred revenue.

Noncurrent liabilities decreased \$141,289 (-6.4%) when comparing fiscal 2012 to fiscal 2011 due to principal payments made on existing long-term notes payable. Noncurrent liabilities decreased \$140,503 (-6.0%) in fiscal 2011 when compared to fiscal 2010 due to principal payments on long-term notes payable.

Total net position decreased \$39,535 (-1.4%) in fiscal 2012 due to an increase in net investment in capital assets offset by a decrease in unrestricted net position. Unrestricted net position decreased due to the use of unrestricted resources for operations. Total net position increased \$42,926 (1.5%) when comparing fiscal 2011 to fiscal 2010 due primarily to an increase in investment in capital assets.

#### **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 Parking Services results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating and non-operating. Also in accordance with GASB Statement 34, fines revenues are recognized when collected.

In general, operating revenues are those received for providing goods and services to the customers of Parking Services, primarily permit sales to staff, faculty and students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues are monies received for which goods and services are not provided. Under GASB reporting principles, investment income is classified as non-operating.

Parking permit revenue comprises the largest source of revenue for Parking Services. Permits are required for all parties parking on campus property.

Following is a condensed version of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2012, 2011 and 2010:

***PARKING SERVICES***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2012 and 2011***

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$1,657,788	\$1,679,519	\$1,598,974
Operating expenses	<u>(1,668,440)</u>	<u>(1,565,876)</u>	<u>(1,515,651)</u>
Operating income	(10,652)	113,643	83,323
Nonoperating (expenses) revenues	<u>(65,268)</u>	<u>(70,717)</u>	<u>(65,686)</u>
Income from operating and non-operating activities	(75,920)	42,926	17,637
Capital grant revenue	<u>36,385</u>	-	<u>2,730</u>
Increase in net position	(39,535)	42,926	20,367
Net position, beginning of year	<u>2,836,007</u>	<u>2,793,081</u>	<u>2,772,714</u>
Net position, end of year	<u><u>\$2,796,472</u></u>	<u><u>\$2,836,007</u></u>	<u><u>\$2,793,081</u></u>

**Revenues**

Permit revenues decreased \$16,789 (-1.5%) when comparing fiscal 2012 to fiscal 2011 due to selling less full time quarterly permits and event permits. Permit revenues decreased \$13,423 (-1.2%) in fiscal 2011 when comparing to fiscal 2010 due to an increase in deferral of revenue from summer permit sales in 2011.

Parking meter and pay box revenues increased \$16,899 (8.8%) when comparing fiscal 2012 to fiscal 2011 due to the implementation of the coupon function for pay boxes. Pay boxes are being used for events to allow for a more convenient way to obtain parking permits within the lot the patrons are parking. Parking meter and pay box station revenues increased \$60,752 (46.4%) in fiscal 2011 from fiscal 2010 due to pay stations being available for the entire fiscal year, compared to 8 months in fiscal 2010.

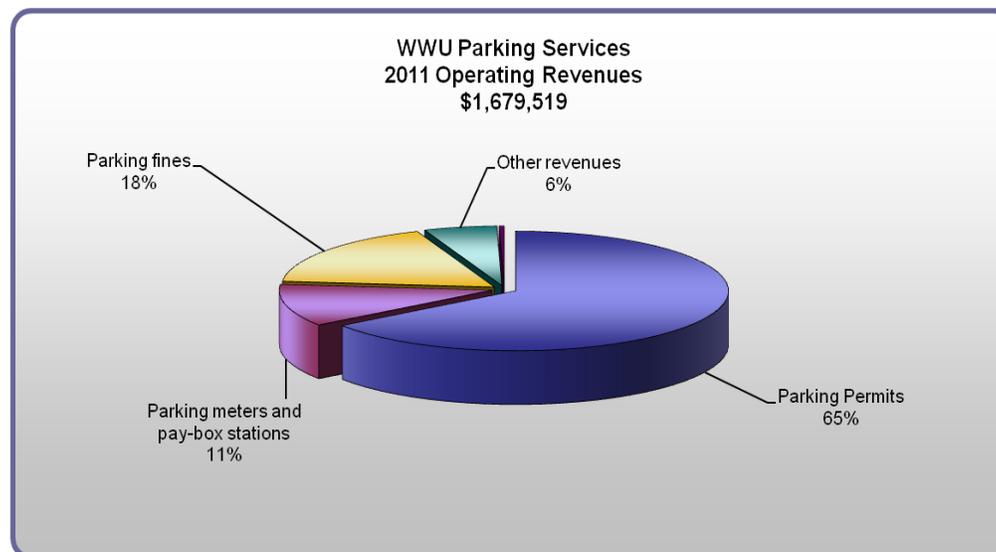
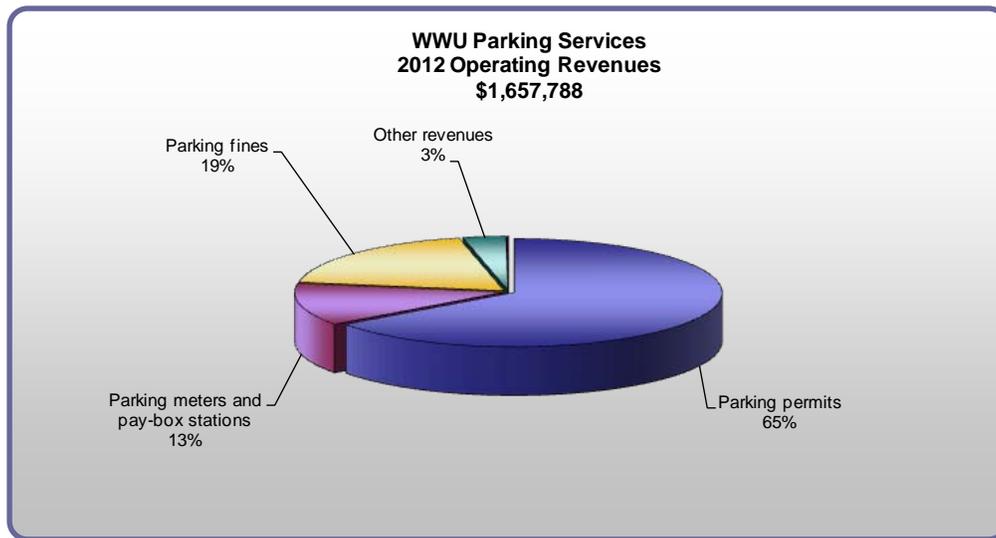
Parking fines revenue increased \$19,591 (6.6%) when comparing fiscal 2012 to fiscal 2011 due to a change in processes. First time offenders were offered a reduction of the fine if paid up front which allowed Parking Services to recognize the fine revenue more timely. Parking fines revenue increased \$14,693 (5.2%) in fiscal 2011 when comparing to fiscal 2010 due to the automation of billing for fines as well as the ability to place holds that will prevent students from registering for classes or receiving transcripts until the fine has been satisfied.

Other revenues decreased \$37,712 (-40.6%) when comparing fiscal 2012 to fiscal 2011 due to ending the funding for the Miller Hall project position. Funding was provided and recorded as revenue to cover the expenses for the Gate House attendant and other related expenses. The project position ended mid-August 2011 causing a substantial decrease in other revenues. Other revenues increased \$14,766 (18.9%) when comparing fiscal 2011 to fiscal 2010 due to funding received through the Miller Hall capital project to fund a security position. This position was funded for 12 months in fiscal 2011 compared to 9 months in fiscal 2010. The security position monitored traffic flow and only allowed authorized vehicles to proceed to the project site.

Capital grant revenue increased \$36,385 (100.0%) from fiscal 2011 due the extension of the Federal Transit Administration (FTA) grant that was award to renovate the Lincoln Creek Transportation Center (LCTC). During fiscal 2012, Parking Services design work was performed for the continued restoration of LCTC. During fiscals 2011 and 2010, \$0 and \$2,730 of this grant was utilized, respectively.

***PARKING SERVICES  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*



**Expenses**

Salaries and benefits decreased \$56,349 (-5.0%) when comparing fiscal 2012 to fiscal 2011 due mainly to the elimination of the project position that was hired during the Miller Hall project renovation. This position ended in mid-August 2011. In addition, student positions previously funded by Parking Services were covered through student employment program offered by the University. Salaries and benefits increased slightly by \$9,847 (0.9%) when comparing fiscal 2011 to fiscal 2010 due primarily to an increase to benefit costs.

Contract services expense increased \$18,514 (28.6%) when comparing fiscal 2012 to fiscal 2011 due to an increase in the maintenance agreement of Parking Service's T2 System and Pay Station technical support.

## ***PARKING SERVICES***

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS***

***June 30, 2012 and 2011***

Contract services expense decreased \$8,942 (-12.1%) in fiscal 2011 as services for system implementation were no longer required.

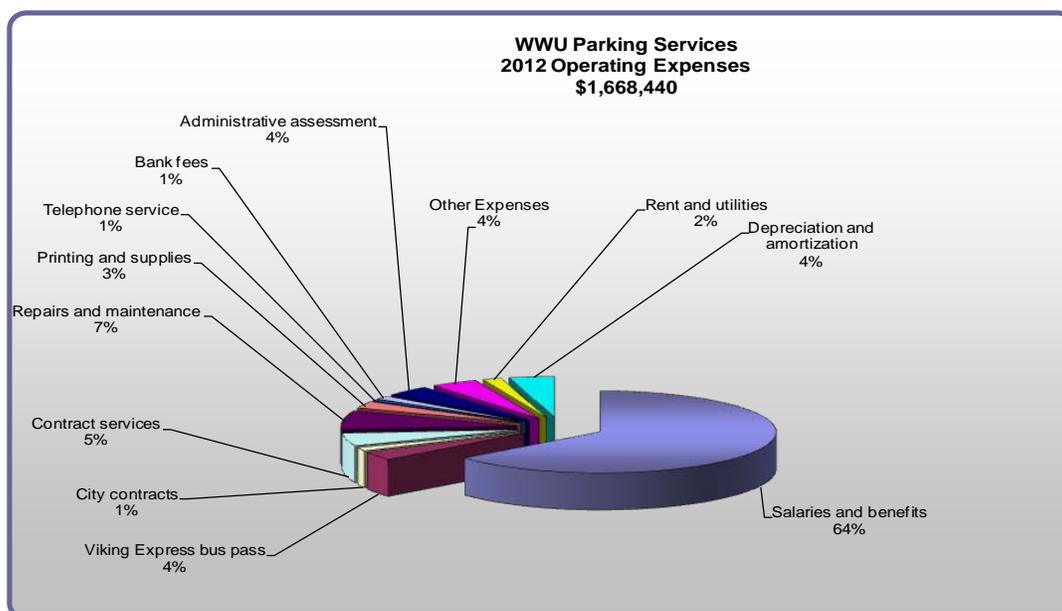
The administrative assessment fee, which is calculated based on revenues, increased \$10,271 (17.0%) when comparing fiscal 2012 to fiscal 2011 due to the approved increment increase. The administrative assessment fee increased \$19,199 (46.6%) in 2011 as a result of a university-wide re-evaluation of the fee which is based on the total operating revenues for Parking Services.

Depreciation expense increased \$1,660 (2.4%) during fiscal 2012 when compared to fiscal 2011 due to the continued depreciation of capitalized assets. When comparing fiscal 2011 to fiscal 2010, depreciation expense increased \$24,734 (56.9%) due to continued depreciation on capitalized assets.

City contracts increased \$1,045 (4.8%) in 2012 over fiscal 2011 and decreased \$859 (-3.8%) when comparing fiscal 2011 to fiscal 2010. The changes in this expense category are due to annual adjustments made to the contract with the City of Bellingham. This contract determines the fee the City of Bellingham charges the University for the Residential Parking Zones (RPZ) located around the university's campus. This fee is to reimburse the City of Bellingham for parking enforcement of this RPZ.

Repairs increased substantially \$104,660 (593.8 %) during fiscal 2012 when compared to fiscal 2011 due to the completion of the Parking Lot 12A project that was required to address surface water issues. When comparing fiscal 2011 to fiscal 2010, repairs expense had a minimal decrease of \$420 (-2.3%).

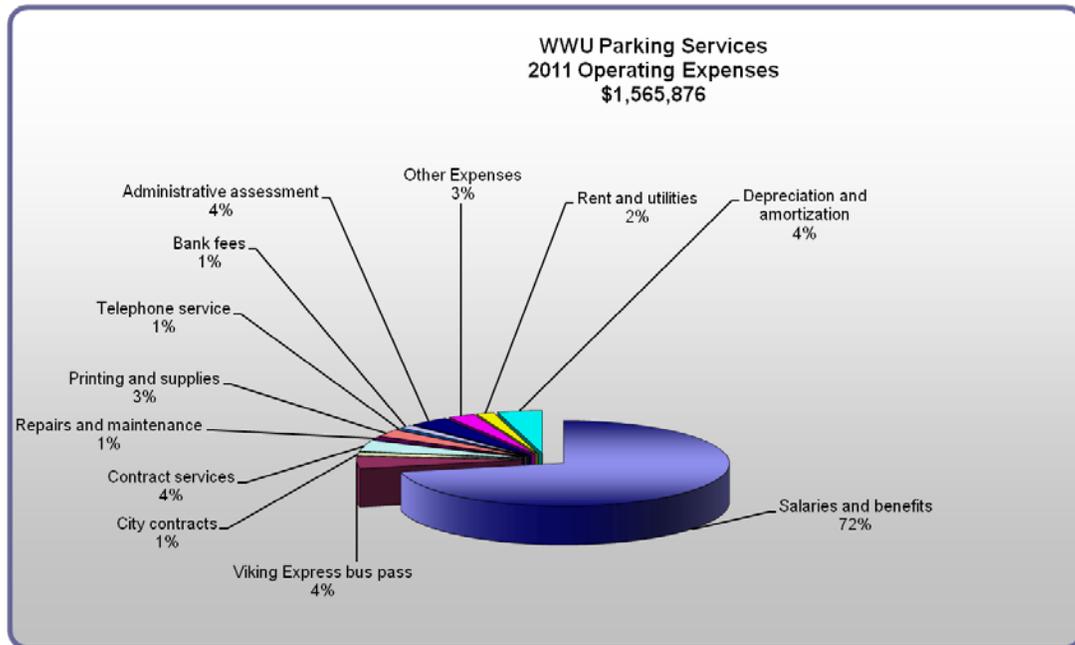
The remaining operating expenses increased \$22,763 (10.9%) when comparing fiscal 2012 to fiscal 2011, primarily due to expenditures related to the grant funded project at LCTC. Remaining operating expenses increased \$6,666 (3.3%) in fiscal 2011, attributable to higher bank card expenses due to the increased usage of pay box stations and higher printing and supplies expense.



***PARKING SERVICES***

***MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*



**Economic Factors and Significant Events**

The University has begun a comprehensive review of Parking Services' operations for long-term improvements which will include integration of various financial and payment modules to Parking Service's system.

Parking is anticipating an increase in parking lot maintenance due to the condition of the lots and the increased labor expense to address painting cost. Rather than painting parking designation lines, Parking Services will use more permanent traffic buttons to extend the life of line designation.

Parking will be purchasing an enforcement truck in 2013 due to constant maintenance issues with the oldest truck in the fleet.



## 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 Western Washington University Parking Services (Parking Services) 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 Western Washington University Parking Services 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 Parking Services. 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 Western Washington University Parking Services 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.

Also, as described in Note 1, during the year ended June 30, 2012, Parking Services 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 8 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.

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

***PARKING SERVICES***  
***STATEMENTS OF NET POSITION***

*June 30, 2012 and 2011*

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets		
Cash and cash equivalents (Note 2)	\$513,511	\$534,640
Investments (Note 2)	247,908	238,882
Accounts receivable	18,836	275
Prepaid expenses	46,588	5,625
Total current assets	<u>826,843</u>	<u>779,422</u>
Noncurrent assets		
Investments (Note 2)	236,245	364,010
Land (Note 5)	3,503,223	3,503,223
Capital assets, net (Note 5)	713,435	783,268
Other assets	13,586	15,230
Total noncurrent assets	<u>4,466,489</u>	<u>4,665,731</u>
Total assets	<u>5,293,332</u>	<u>5,445,153</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	66,875	27,630
Accrued salaries and benefits	113,620	115,752
Current portion of notes payable (Note 4)	142,824	142,103
Deferred revenue	102,656	111,487
Total current liabilities	<u>425,975</u>	<u>396,972</u>
Noncurrent liabilities		
Note payable, less current portion (Note 4)	<u>2,070,885</u>	<u>2,212,174</u>
Total liabilities	<u>2,496,860</u>	<u>2,609,146</u>
<b>Net Position</b>		
Net investment in capital assets	2,002,949	1,932,214
Unrestricted	793,523	903,793
Total net position	<u>\$2,796,472</u>	<u>\$2,836,007</u>

**PARKING SERVICES**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION** *June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Parking permits	\$1,076,766	\$1,093,555
Parking meters and pay box stations	208,697	191,798
Parking fines	314,539	294,948
Other revenues	55,202	92,914
Services funded by WWU	2,584	6,304
Total operating revenues	<u>1,657,788</u>	<u>1,679,519</u>
<b>Operating Expenses</b>		
Salaries and benefits	1,067,177	1,123,526
Viking Express bus pass	56,275	68,042
City contracts	22,875	21,830
Contract services	83,324	64,810
Repairs and maintenance	122,284	17,624
Printing and supplies	43,727	42,829
Telephone service	9,949	10,233
Bank fees	22,012	20,706
Administrative assessment	70,656	60,385
Other expenses	71,901	41,202
Rent and utilities	28,427	26,516
Depreciation and amortization	69,833	68,173
Total operating expenses	<u>1,668,440</u>	<u>1,565,876</u>
Operating income	(10,652)	113,643
<b>Nonoperating Revenues (Expenses)</b>		
Contribution for building rent and utilities	28,427	26,516
Interest income	3,809	5,072
Interest on indebtedness	(94,261)	(98,987)
Amortization of bond issuance costs	(3,243)	(3,318)
Total nonoperating revenues (expenses)	<u>(65,268)</u>	<u>(70,717)</u>
Income before capital grant revenue	(75,920)	42,926
<b>Capital Grant Revenue</b>	<u>36,385</u>	<u>-</u>
<b>Increase in Net Assets</b>	(39,535)	42,926
<b>Total Net Position, Beginning of Year</b>	<u>\$2,836,007</u>	<u>2,793,081</u>
<b>Total Net Position, End of Year</b>	<u><u>\$2,796,472</u></u>	<u><u>\$2,836,007</u></u>

***PARKING SERVICES***  
***STATEMENTS OF CASH FLOWS***

*June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Cash received from students, employees and visitors	\$1,627,812	\$1,695,603
Cash received from the university	2,584	6,304
Cash paid to employees	(1,069,309)	(1,117,720)
Cash paid to suppliers	(504,721)	(348,925)
Net cash provided by operating activities	<u>56,366</u>	<u>235,262</u>
 <b>Cash flows from investing activities</b>		
Interest income received	3,809	5,072
Net sales of investments in internal pool	118,739	(302,490)
Net cash provided by investing activities	<u>122,548</u>	<u>(297,418)</u>
 <b>Cash flows from capital and related financing activities</b>		
Cash received from grant revenue	36,385	-
Payments on note payable	(142,167)	(136,516)
Purchase of capital assets	-	(20,538)
Interest paid on indebtedness	(94,261)	(98,987)
Net cash provided by (used in) capital and related financing activities	<u>(200,043)</u>	<u>(256,041)</u>
 Net decrease in cash and cash equivalents	(21,129)	(318,197)
 Cash and cash equivalents, beginning of year	<u>534,640</u>	<u>852,837</u>
 Cash and cash equivalents, end of year	<u><u>\$513,511</u></u>	<u><u>\$534,640</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating income	(\$10,652)	\$113,643
Adjustments to reconcile operating income to net cash flows from operating activities		
Loss on disposal of fixed asset	-	-
Depreciation and amortization	69,833	68,173
Contributed building rent and utilities	28,427	26,516
Net changes in assets and liabilities		
Receivables	(18,561)	23
Prepaid	(40,963)	155
Accounts payable and accrued liabilities	39,245	(1,419)
Accrued salaries and benefits	(2,132)	5,806
Deferred revenue	(8,831)	22,365
Net cash provided by operating activities	<u><u>\$56,366</u></u>	<u><u>\$235,262</u></u>

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## ***PARKING SERVICES***

### ***NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

#### **NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### Organization

Western Washington University Parking Services (Parking Services), a division of Business and Financial Affairs, is a self-supporting, auxiliary enterprise of Western Washington University (the University) and is responsible for the oversight and operation of the parking facilities and public transportation services of the University.

Parking Services facilitates access to the University for over 15,000 students, faculty, staff, vendors and guests. To supplement approximately 3,400 campus parking spaces, the transportation program provides assistance, education and incentives for walking, transit use, bicycling and carpooling.

##### Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations and cash flows of Parking Services. The financial statements present only a selected portion of the activities of the University. 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 financial statements of Parking Services have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Parking Services 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. Parking Services records their share of cash, cash equivalents and investments in the same relation as the University investment pool itself. Investment income is allocated to Parking Services in proportion to its average balance in the investment pool.

##### Accounts Receivable

Accounts receivable are unsecured, recorded at the net balance, and are due from students and employees. Outstanding receivables at June 30, 2012 and 2011 resulted from summer bus pass sales to employees and students on payroll deduction. The next payroll deduction occurred on July 10<sup>th</sup>, paying the outstanding receivable.

##### Capital Assets, net

Land, vehicles, pay box stations, and improvements other than buildings and equipment are stated at cost. Parking Services capitalizes items with a cost of \$5,000 or more and an estimated useful life greater than one year. Depreciation is calculated on the straight-line basis over the estimated lives of the assets, five to seven years for vehicles, pay box stations, and equipment.

##### Other Assets

Certificate of participation (state financing agreements) issuance costs are amortized over the life of the note payable and shown as other assets on the Statements of Net Position.

## PARKING SERVICES

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012 and 2011

#### Deferred Revenue and Revenue Recognition

Deferred revenues are parking permit sales collected in advance that relate to subsequent accounting periods.

Parking permit revenues are recognized during the period to which the permits relate. Grant revenues are recognized when the related expenditures are incurred. Citation and pay-box revenues are recognized when earned. Fines revenues are recognized when collected.

#### Net Position

Parking Services' net position is classified as follows:

*Net investment in capital assets.* This represents the total investment in capital assets, net of outstanding debt obligations related to those capital assets.

*Unrestricted.* This represents resources derived from operations and investing activities.

#### Classification of Revenue, Expenses and Transfers

Operating revenue includes activities that have the characteristics of exchange transactions, such as the sale of parking permits, parking meter, pay box and fine revenue. Operating expenses are those costs incurred in daily operations, such as salaries, repairs and depreciation.

Nonoperating revenue includes items that do not have the characteristics of exchange transactions, such as contributed income and interest income. Nonoperating expenses include costs related to financing or investing activities, such as interest on indebtedness.

#### Administrative Assessment

The University provides support to Parking Services through cash management, accounting, purchasing and accounts payable services, risk management, and other support services. The effects of these transactions are included in these financial statements. The amounts incurred were \$70,656 and \$60,385 for fiscal years ended June 30, 2012 and 2011, respectively.

#### Tax Exemption

The University, and Parking Services as an auxiliary enterprise, is an instrumentality of the State of Washington organized under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

#### Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***PARKING SERVICES***

***NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

**NOTE 2. CASH, CASH EQUIVALENTS AND INVESTMENTS**

Interest Rate and Credit Risk

Parking Services' 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.

	2012	Weighted Average Maturity (in years)	2011	Weighted Average Maturity (in years)
Cash and cash equivalents	\$513,511	n/a	\$ 534,640	n/a
Investments				
Certificates of deposit	71,413	0.028	88,203	0
U.S. Treasury	-		441,136	5.500
U.S. Agencies	412,740	0.680	73,553	4.040
	<u>\$ 997,664</u>		<u>\$ 1,137,532</u>	

**NOTE 3. LINCOLN CREEK TRANSPORTATION CENTER (LCTC)**

The LCTC project is a key component to an overall transportation management plan of providing access to the University and local region while supporting transit services and traffic mitigation. The LCTC encourages alternative modes of transportation, including carpooling and bicycling, and provides incentives to reduce use of single occupancy vehicles. The site is located approximately 2 miles east of the main campus.

Phase I of the project is complete and design plans are finished for installation of storm water retention vaults, which must be in place before any additional permits will be authorized by the City of Bellingham. Most of the

***PARKING SERVICES***

***NOTES TO THE FINANCIAL STATEMENTS***

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project was funded with Federal Transit Administration (FTA) funds, with the University providing funding for the land acquisition (See Note 4). In fiscal 2009, the majority of grant funds were incurred for architectural and engineering design. In fiscal 2012, \$36,385 was spent on LCTC for lighting and security, compared to expenditures of \$0 during fiscal 2011 and \$2,730 during fiscal 2010.

The University will use the remaining grant funds to complete Phase 2 and 3 of the project, which includes construction of two underground concrete storm water retention vaults, drainage catch basins and piping, final grading of the site from Consolidation Street north to the edge of the Lincoln Creek restoration area, parking lot paving for 524 cars, striping, signage, a central passenger concourse with bus shelters and public information kiosks, lighting improvements, data lines and security phones, bicycle storage and related amenities. Associated off-site improvements include widening of the Lincoln Street frontage road to include a two-way left turn lane between Byron Avenue and Maple Street.

**NOTE 4. NOTES PAYABLE**

Parking Services financed the purchases of the Lincoln Creek property and parking pay box stations through the issuance of Certificates of Participation by the Washington State Treasurer at an interest rate of 4.42% and 1.9% payable over 20 years and 4 years. The program offers lease financing to state agencies to purchase capital assets and property. The University will own the property and equipment outright after all payments have been made. The long-term debt has a carrying value of \$2,213,709 at June 30, 2012, which is reported net of the unamortized discount of \$12,674.

Following are the changes in noncurrent long-term liabilities for the year ended June 30, 2012 and 2011:

<u>Notes Payable</u>	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Payments</u>	<u>Amortization of Discount</u>	<u>Balance June 30, 2012</u>	<u>Current Portion</u>
Certificates of Participation	\$2,354,277	-	(142,103)	1,535	\$2,213,709	\$142,824

<u>Notes Payable</u>	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Payments</u>	<u>Amortization of Discount</u>	<u>Balance June 30, 2010</u>	<u>Current Portion</u>
Certificates of Participation	\$2,489,191		(136,515)	1,601	\$2,354,277	\$142,103

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Parking Services debt service requirements for this agreement for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	142,824	89,750
2014	148,559	84,715
2015	115,000	79,655
2016	120,000	74,955
2017	125,000	70,055
2018-2022	705,000	268,238
2022-2027	870,000	100,194
	<u>2,226,383</u>	<u>767,562</u>
Unamortized discount	(12,674)	-
Total	<u>\$2,213,709</u>	<u>\$767,562</u>

**NOTE 5. LAND AND CAPITAL ASSETS, NET**

The depreciation and amortization expense for the fiscal years ended June 30, 2012 and 2011 was \$69,833 and \$68,173, respectively.

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

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>June 30, 2012</u>
Land	\$3,503,223	\$ -	\$ -	\$ -	\$3,503,223
Capital Assets					
Pay-box stations	148,650	-	-	-	148,650
Vehicles and equipment	187,412	-	(9,489)	-	177,923
Improvements other than building	1,019,303	-	-	-	1,019,303
Construction in progress	-	-	-	-	-
Total capital assets	<u>1,355,365</u>	<u>-</u>	<u>(9,489)</u>	<u>-</u>	<u>1,345,876</u>
Accumulated depreciation	(221,922)	(69,833)	9,489	-	(282,266)
Accumulated amortization	(350,175)	-	-	-	(350,175)
Total depreciation and amortization	<u>(572,097)</u>	<u>(69,833)</u>	<u>9,489</u>	<u>-</u>	<u>(632,441)</u>
Capital assets, net	<u>\$783,268</u>	<u>(\$69,833)</u>	<u>\$ -</u>	<u>-</u>	<u>\$713,435</u>

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

	June 30, 2010	Additions	Retirements	Transfers	June 30, 2011
Land	\$3,503,223	\$ -	\$ -	\$ -	\$3,503,223
Capital Assets					
Pay-box stations	148,650	-	-	-	148,650
Vehicles and equipment	166,874	20,538	-	-	187,412
Improvements other than building	1,019,303	-	-	-	1,019,303
Construction in progress	-	-	-	-	-
Total capital assets	1,334,827	20,538	-	-	1,355,365
Accumulated depreciation	(153,749)	(68,173)	-	-	(221,922)
Accumulated amortization	(350,175)	-	-	-	(350,175)
Total depreciation and amortization	(503,924)	(68,173)	-	-	(572,097)
Capital assets, net	\$830,903	(\$47,635)	\$ -	\$ -	\$783,268

**NOTE 6. PENSION PLAN**

Parking employees in eligible positions are participants in the State of Washington Public Employees' Retirement System (PERS) and the Western Washington University Retirement Plan (WWURP). 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.

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 provisions.

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.

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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.

Parking Services contributed approximately \$49,593, \$39,264 and \$39,806 to these plans in fiscal 2012, 2011 and 2010, respectively. An actuarial valuation of the plans for Parking Services as a standalone entity is not available.

**NOTE 7. 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 liabilities (AAL) are not available for auxiliary entities. The University is responsible for the annual payment, the annual required contribution (ARC) is not recorded on Parking Service's financial statements.

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