HOUSING AND DINING SYSTEM

Table of Contents

This page intentionally left blank

Overview

Western Washington University's Housing and Dining System (the System) maintains over a million square feet of living space - home to 4,000 students. Nine residential communities consist of sixteen residence halls and one apartment complex. Residence halls are all equipped with laundry facilities, computer labs, study areas, community kitchens, TV lounges, game rooms, bicycle storage, 24-hour security, and staffed service desks. Western's campus is a 20-minute walk from end to end, so no matter where you live your classes and activities are nearby.

The following discussion and analysis provides an overview of the financial position and activities of the System for the years ended June 30, 2013, 2012 and 2011. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

Using the Financial Statements

The System's financial report includes the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows.

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The 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.

Statement of Net Position

The Statement of Net Position presents the financial condition of the System at the end of the fiscal years and reports all assets and liabilities of the System.

The amounts in this statement 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 Statement of Net Position as of June 30, 2013, 2012 and 2011:

(Dollars in Thousands)

	2013	2012	2011
Assets			
Current Assets	$10,009	$10,454	$9,986
Noncurrent assets	7,564	6,455	10,091
Capital assets, net	100,466	97,756	88,003
Total assets	118,039	114,665	108,080
Deferred Outflows			
Deferred loss on bonds	1,297	1,112	1,266
Liabilities			
Current liabilities	6,617	6,400	7,627
Noncurrent liabilities	47,790	50,410	53,208
Total liabilities	54,407	56,810	60,835
Net Position			
Net investment in capital assets	51,063	45,678	35,437
Restricted, expendable	3,235	3,212	3,184
Unrestricted	10,631	10,077	9,890
Total net position	$64,929	$58,967	$48,511

Current assets decreased $444,890 (-4.3%) in fiscal 2013 compared to 2012 due to expenditures for planned renovations. 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 fiscal 2012 in other receivables is primarily due to a guaranteed commission commitment from the Aramark contract. Total assets increased $3,373,861 (2.9%) in fiscal 2013 and $6,585,351 (6.1%) in fiscal 2012 compared to fiscal 2011 due to capital additions.

Noncurrent assets, excluding capital assets, increased $1,108,796 or 17.2% in fiscal 2013 over 2012 due to increases in US Agency investments along with a decrease in Other assets. The decrease in Other assets is due to the System implementing GASB Statement No. 65. This statement expensed bond costs that previously were being amortized over the life of the bonds. 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 Towers addition combined with a decrease in long-term investment maturities.

Capital assets increased $2,709,956 or 2.8% in fiscal 2013 over fiscal 2012 due to the completion of a sprinkler project and a contribution from Aramark, the System's dining contractor, for capital improvements to a dining facility. Capital assets increased $9,753,099 (11.1%) comparing fiscal 2012 with fiscal 2011 primarily due to the completion of the Buchanan Tower addition, first phase of two sprinkler projects, and a contribution from Aramark for capital improvements to several dining facilities.

Major projects completed during fiscal 2013 included Ridgeway Beta sprinklers and building enhancements, the residential WiFi project, and the replacement of the Lakewood boat dock. Major projects completed during fiscal 2012 include the Buchanan Tower addition and renovations to several residential and retail dining platforms.

Current liabilities increased $217,500 or 3.4% in fiscal 2013 compared to 2012 primarily due to the timing of releasing the 2013 housing deposits. 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.

Total net position increased $5,962,121 or 10.1% in fiscal 2013 over fiscal 2012 due to the completion of the planned renovations and an increase in unrestricted net assets. Total net position increased $10,456,052 (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.

Net investment in capital assets increased in fiscal 2013 by $5,384,636 or 11.9% due primarily to the capitalization of the Ridgeway Beta and residential WiFi projects. 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.

Statement of Revenues, Expenses and Changes in Net Position
The changes in total net position, as presented on the Statement of Net Position, are detailed in the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents 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, 2013, 2012 and 2011:

(Dollars in thousands)

	2013	2012	2011
Operating Revenues	$39,241	$38,161	$35,583
Operating Expenses	(31,287)	(29,491)	(27,889)
Income from operations	7,954	8,670	7,694
Nonoperating Revenues	1,124	4,746	455
Nonoperating Expenses	(3,116)	(2,960)	(2,928)
Increase in Net Position	5,962	10,456	5,221
Net Position, Beginning of year	58,967	48,511	43,290
Net Position, End of year	$64,929	$58,967	$48,511

Total operating revenue increased for fiscal 2013 primarily influenced by an increase to the room and board rate and occupancy/use levels.

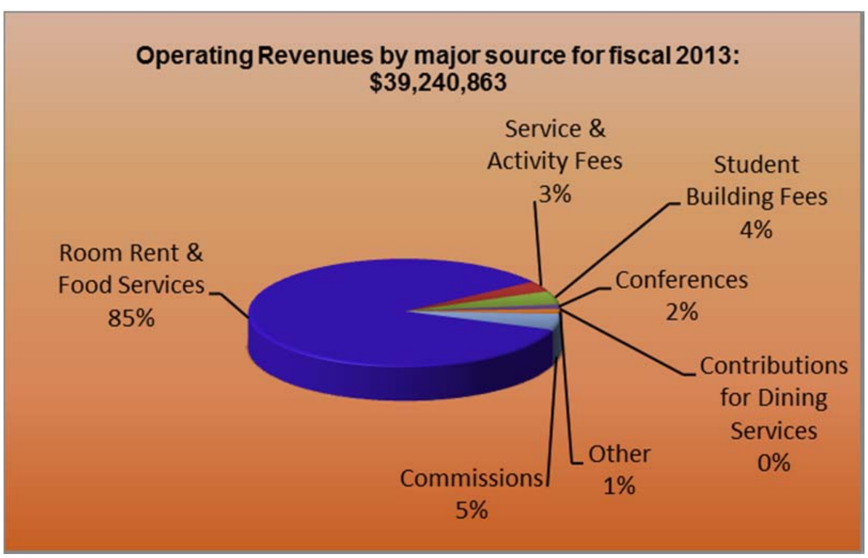
The System's largest revenue source is room rent and food services totaling $33,349,604 (84.9%) of the System's operating revenue compared to $31,957,200 (83.7%) in fiscal 2012 and $30,572,528 (85.9%) in fiscal 2011.

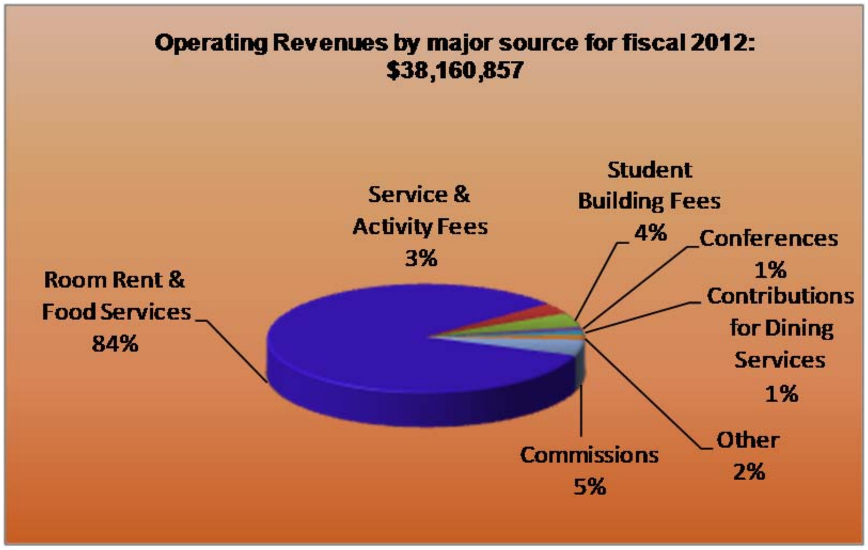
Room and food service revenues increased $1,392,404 or 4.4% due to the effects of a 3% rate increase and increased occupancy. Room and food service revenues increased $1,384,672 (4.5%) in fiscal 2012 when compared to fiscal 2011 influenced primarily by a 4.0% rate increase.

During fiscal 2013 student building fee revenue decreased $9,266 (-0.6%) compared to fiscal 2012 due to changes in enrollment patterns. 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. Conference revenue increased $42,726 or 8.3% in fiscal 2013 over 2012 due to a slight rate increase and increased bookings. Conference revenue increased slightly by $2,261 (0.4%) in fiscal 2012 over 2011, also due to a slight increase in bookings. Commission revenue increased $88,898 (4.9%) in fiscal 2013 primarily due to guaranteed dining commissions. Commission revenue increased $1,180,573 (186.4%) in fiscal 2012 primarily due to the transition to the new dining contract.

In September 2011 the University selected Aramark as the new dining contractor under a 10-year management agreement. The new contract provided for a revised commission structure and substantial contractor-provided capital and non-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. The variance of $438,031 (-98.2%) in contribution for dining services between fiscal 2013 and fiscal 2012 is due to a larger number of in-kind, non-capital renovations during FY12, the first year of the new dining contract where one resident dining hall and several retail dining platforms were renovated. See Note 6 for further information.

Overall annual occupancy increased 1.22% in fiscal 2013 from fiscal 2012. Average annual residence hall occupancy increased 1.4% while Birnam Wood and leased apartment occupancy increased 0.4%.





Overall operating expenses were up $1,795,497 (6.1%) in fiscal 2013 primarily due to increases in depreciation and cost of food services. 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.

Cost of food services increased $666,602 (6.2%) in fiscal 2013 due to the combination of rate increase, increased residence hall occupancy, and additional voluntary meal plan purchases. 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.

The year-to-year percent of expense by category was generally consistent across all major categories. Salaries and benefits decreased $111,312 (-1.8%) in fiscal 2013 compared to fiscal 2012 due to position vacancies. 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.

Utilities expense increased $57,192 or 2.4% over fiscal 2012 due to increases in all utility areas except natural gas. Utilities expense decreased $73,656 (-3.1%) during fiscal 2012 due to reduced heating/natural gas expenditures.

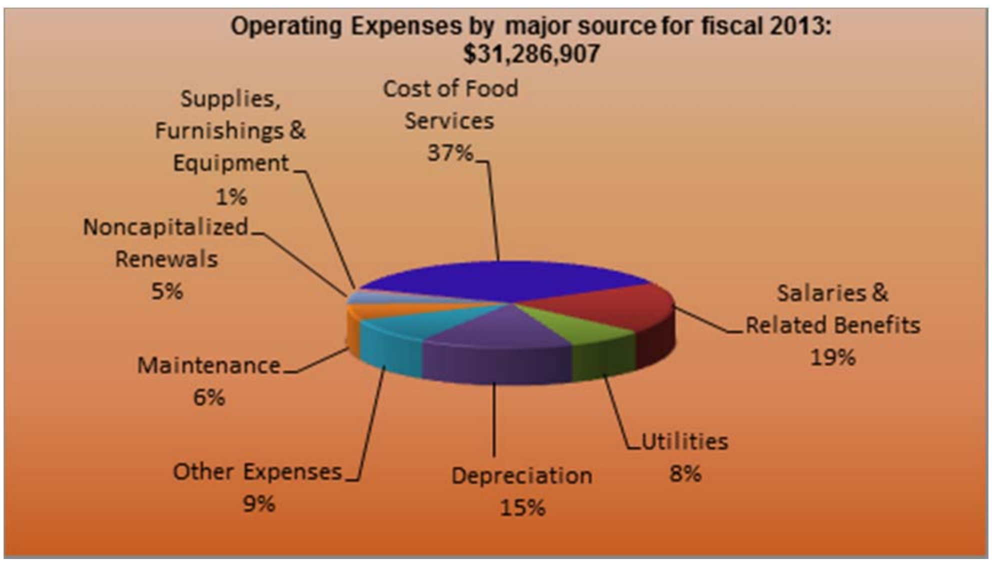
Repairs and maintenance expense decreased $191,387 (-9.1%) from fiscal 2012 as some larger repair projects were classified as non-capitalized renewal & replacements. Repairs and maintenance expense increased $227,290 (12.1%) when comparing fiscal 2012 to fiscal 2011 due to increased work order maintenance and a transfer of a non-capitalized project expense to operating maintenance. There were no major unanticipated incidents in fiscal 2013.

Depreciation expense increased $1,065,372 (29.1%) in fiscal 2013 due to the addition of completed renovations. Depreciation expense increased $315,500 (9.4%) during fiscal 2012 due to the Buchanan Towers remodel completion.

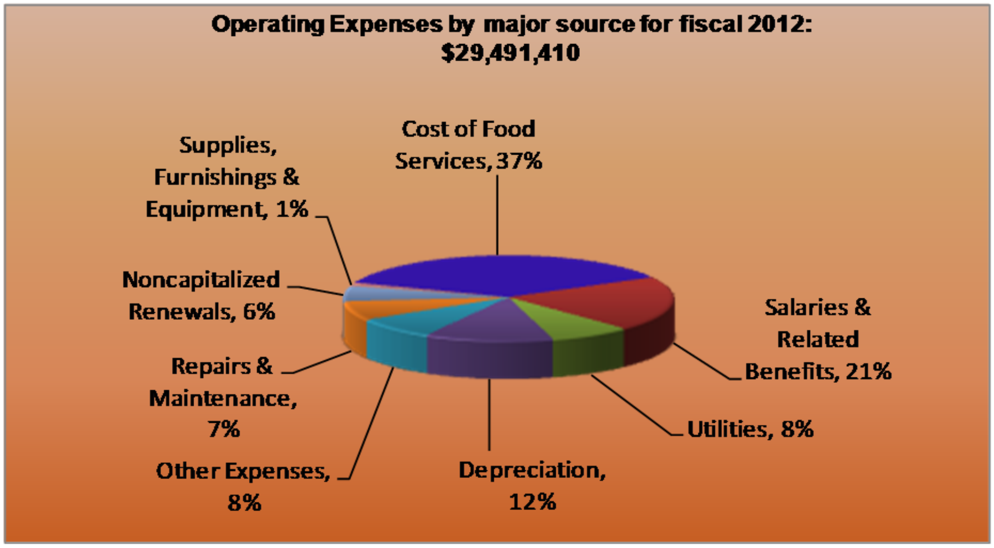
The University's administrative services assessment fee (included in institutional services) increased $69,745 (6.3%) in fiscal 2013 compared to 2012. In fiscal 2012 the assessment increased $177,112 (19.0%) over fiscal 2011. The rate charged against the System revenues (less food service contract) was 4.5% in fiscal 2013, 4.5% in fiscal 2012, and 4.0% in fiscal 2011.

Other expenses increased $483,165 (109%) during fiscal 2013 compared to 2012 primarily due to an increase in other goods and services expense and interdepartmental activities support. Other expenses decreased $296,610 (-40.1%) during fiscal 2012 due to the elimination of rental expense from the leased apartments.

Non-operating expenses increased $155,996 or 5.3% in fiscal 2013 due to the net of increased bond cost amortization (GASB 65 implementation) and decreased interest expense (from recent refunding and reduced principal balances). Non-operating expenses increased $31,548 (1.1%) in fiscal 2012 due primarily to increased bond interest expense.



Non-Operating revenue decreased $3,622,442 or -76.3% in fiscal 2013 due to the lower capital contribution from Aramark compared with fiscal 2012. Non-operating revenue increased $4,291,275 (942.96%) when comparing fiscal 2012 to fiscal 2011 due to Aramark's capital contribution for the renovation of certain dining facilities.



Economic Factors and Significant Events

The University's Fall quarter of fiscal 2013 enrollment headcount of 14,065 represents a 0.24% increase over Fall fiscal 2012 enrollment. The average annual fiscal 2013 enrollment was slightly less than fiscal 2012. Management will address housing demand independent of enrollment through room capacity practices.

The revised 10-year auxiliary capital plan for University Residences, shared with the University's Board of Trustees in December 2012, 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 have been completed. System leadership is reviewing options for the renovation or replacement of the Edens North facility.

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.

This page intentionally left blank

Washington State Auditor
Troy Kelley

INDEPENDENT AUDITOR'S REPORT

November 15, 2013

Board of Trustees
Western Washington University Housing and Dining System
Belliingham, Washington

REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Western Washington University Housing and Dining System (Housing and Dining), Whatcom County, Washington, as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Housing and Dining's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Housing and Dining's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Housing and Dining's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As discussed in Note 1, the financial statements of Western Washington University Housing and Dining System are intended to present the financial position, 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, 2013 and 2012, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As described in Note 1, during the year ended June 30, 2013, Housing and Dining has implemented the Governmental Accounting Standards Board Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 our audit 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.

Supplementary and Other Information

The information identified in the table of contents as Supplemental 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 audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

Assets	**2013**	**2012**
Current assets		
Cash and cash equivalents (Note 2)	$5,679,981	$6,460,372
Investments (Note 2)	3,400,305	3,123,679
Accounts receivable, net of allowance of $55,958 and $37,930 in 2013 and 2012, respectively	190,825	117,867
Interest receivable	7,041	14,866
Other receivables	728,644	735,383
Inventory	2,091	1,609
Total current assets	10,008,887	10,453,777
Noncurrent assets		
Restricted cash and cash equivalents (Note 2)	-	6,080
Restricted investments (Note 2)	3,048,011	3,019,505
Investments (Note 2)	4,516,518	2,976,726
Capital assets, net (Note 3)	100,465,580	97,755,624
Other assets (Note 1)	-	453,423
Total noncurrent assets	108,030,109	104,211,358
Total assets	118,038,996	114,665,135
Deferred outflows		
Deferred loss on bond refunding	1,297,571	1,111,539
Total deferred outflows	1,297,571	1,111,539
Liabilities		
Current liabilities		
Accounts payable	989,308	1,316,532
Accrued expenses	594,204	675,696
Residents' housing deposits	1,287,276	804,931
Deferred revenue	281,712	216,027
Bonds interest payable	554,703	601,517
Current portion of bonds payable (Note 4)	2,910,000	2,785,000
Total current liabilities	6,617,203	6,399,703
Bonds payable, less current portion (Note 4)	47,790,329	50,410,057
Total liabilities	54,407,532	56,809,760
Net Position		
Net investment in capital assets	51,062,822	45,678,186
Restricted, expendable	3,235,269	3,212,474
Unrestricted	10,630,944	10,076,254
Total net position	$64,929,035	$58,966,914

	2013	2012
Operating Revenues		
Room rent and food services	$33,349,603	$31,957,200
Service and activity fees	1,272,423	1,283,770
Student building fees	1,594,350	1,603,616
Conferences	560,237	517,511
Viking Union income	160,449	158,085
Contribution for dining services	8,107	446,138
Rent	112,276	99,341
Commissions	1,902,760	1,813,862
Fees, penalties, and other income	280,657	281,334
Total operating revenue	39,240,862	38,160,857
Operating Expenses		
Cost of food services	11,463,480	10,796,878
Salaries and related benefits	5,978,738	6,090,050
Utilities	2,395,748	2,338,556
Repairs and maintenance	1,920,631	2,112,018
Communications	307,041	259,523
Insurance	387,504	406,602
Supplies	259,100	195,313
Furniture and equipment	156,292	199,120
Institutional services	1,340,014	1,285,351
Depreciation	4,727,858	3,662,486
Noncapitalized renewals and replacements	1,424,581	1,702,758
Other	925,920	442,755
Total operating expenses	31,286,907	29,491,410
Income from operations	7,953,955	8,669,447
Nonoperating Revenues (Expenses)		
Investment income	79,781	80,221
Build America Bonds interest subsidy	318,574	318,574
Other Capital Contribution	725,563	4,347,565
Interest expense	(2,555,954)	(2,760,691)
Amortization of bond discounts and costs	(559,798)	(199,065)
Total nonoperating revenues (expenses)	(1,991,834)	1,786,604
Increase in net position	5,962,121	10,456,051
Net Position, Beginning of Year	58,966,914	48,510,863
Net Position, End of Year	$64,929,035	$58,966,914

See Notes to the Financial Statements

HOUSING AND DINING SYSTEM
STATEMENT OF CASH FLOWS *June 30, 2013 and 2012*

	2013	2012
Cash Flows from Operating Activities		
Cash received from students and other customers	39,722,673	$36,721,574
Cash paid to employees	(5,957,199)	(6,098,863)
Cash paid to suppliers	(20,540,016)	(20,981,298)
Net cash flows provided by operating activities	13,225,458	9,641,413
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	(100,000)	100,000
Capital Contribution	725,563	4,347,565
Payment of long-term debt	(2,787,135)	(2,678,615)
Interest payments	(2,602,768)	(2,783,678)
Build America Bonds interest subsidy	318,574	318,574
Purchase of capital assets	(7,808,845)	(12,701,851)
Net cash flows (used in) by capital and related financing activities	(12,254,611)	(13,398,005)
Cash Flows from Investing Activities		
Investment income received	87,606	102,233
Net (loss) proceeds of restricted investments	(28,506)	(42,247)
Receipt of payment on note receivable	-	-
Sales of investments	(1,816,418)	1,429,600
Net cash flows (used in) provided by investing activities	(1,757,318)	1,489,586
Net change in cash and cash equivalents	(786,471)	(2,267,006)
Cash and Cash Equivalents, Beginning of Year	6,466,452	8,733,458
Cash and Cash Equivalents, End of Year	$5,679,981	$6,466,452
Reconciliation of Operating Income to Net Cash Provided to Operating Activities		
Operating income	7,953,955	8,669,447
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	4,727,858	3,662,486
Loss on disposal of fixed asset	-	38,720
Change in operating assets and liabilities		
Accounts receivable	(72,958)	(10,979)
Other receivables	6,739	(556,049)
Inventory	(482)	(51)
Accounts payable	40,777	(1,281,093)
Accrued salaries and benefits	21,539	(8,813)
Residents' housing deposits	482,345	(471,269)
Deferred revenue	65,685	(400,986)
Cash flows from operating activities	$13,225,458	$9,641,413
Supplemental Disclosure of Noncash Capital and Related Financing Activities		
Change in capital asset additions included in accounts payable	($371,033)	$752,454

This page intentionally left blank

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.

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.

Deferred Outflows
For the year ended June 30, 2013, the System implemented GASB 65 "*Items Previously Reported as Assets and Liabilities."* Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred outflow of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized as outflow of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of this standard reclassified the deferred losses on defeasance from the refunding of bonds as a deferred outflow of resources. The deferred outflow amounts are $1,297,571 and $1,111,539 for fiscal years 2013 and 2012, respectively and are reported on the statement of net position.

Unearned 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 2013 are recorded as unearned revenue until the following fiscal year.

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 $8,591,434 and $8,118,045 of this balance at June 30, 2013 and 2012, 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. Nonoperating 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 and discounts 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. The System adopted GASB 65 "*Items Previously Reported as Assets and Liabilities*" during fiscal year 2013. This pronouncement removed bond issuance costs as an asset and as such the remaining unamortized bond costs were fully amortized during fiscal 2013. The remaining unamortized bond costs for fiscal 2012 are reported 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 $1,179,174 and $1,109,429 for the years ending June 30, 2013 and 2012, 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, 2012 financial statements have been reclassified to conform to the June 30, 2013 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 2.25 years, with no more than 3 years for weighted average maturity.

The System's investments of $3,048,011 and $3,019,505 in fiscals 2013 and 2012 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, 2013	Weighted Average Maturity (in years)	June 30, 2012	Weighted Average Maturity (in years)
Cash and cash equivalents	5,679,981	0.00	$6,460,008	n/a
LGIP (unspent bond proceeds)	-	0.00	6,080	n/a
Investments				
Certificates of deposit-restricted	1,521,563	3.241	1,493,498	0.013
U.S. Agencies-restricted	1,526,449	0.411	1,526,007	0.025
Certificates of deposit	858,183	0.057	899,700	0.028
U.S. Treasury	-			
U.S. Agencies	7,058,639	1.311	5,201,070	0.68
	$16,644,815		$15,586,363	

NOTE 3. CAPITAL ASSETS, NET

The depreciation expense for the fiscal years ended June 30, 2013 and 2012 was $4,727,858 and $3,662,486, respectively.

Following are the changes in capital assets for the year ended June 30, 2013:

Description	June 30, 2012	Additions	Retirements	Transfers	June 30, 2013
Non-depreciable capital assets					
Construction in progress	$7,067,916	$3,536,676	$ -	($5,345,280)	$5,259,312
Depreciable capital assets					
Buildings	104,021,951				$104,021,951
Buildings improvements	26,458,414	933,346		5,345,280	32,737,040
Furniture, fixtures, and equipment	3,828,881	2,967,791	(20,243)		6,776,429
Infrastructure	4,492,564				4,492,564
Total cost	145,869,726	7,437,813	(20,243)	-	153,287,296
Accumulated Depreciation					
Buildings	40,027,695	2,112,136			42,139,831
Buildings improvements	5,171,679	1,587,225			6,758,904
Furniture, fixtures, and equipment	1,344,089	900,379	(20,243)		2,224,225
Infrastructure	1,570,639	128,117			1,698,756
Total accumulated depreciation	48,114,102	4,727,857	(20,243)	-	52,821,716
Capital assets, net	$97,755,624	$2,709,956	$ -	$ -	$100,465,580

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

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, 2013	June 30, 2012
Series 2012 Revenue and Refunding Bonds with interest rates ranging from 3.0% to 5.0% and principal payments due in annual amounts beginning in fiscal 2014 ranging from $750,000 to $980,000 through October 31, 2023. The Series 2012 bonds have an aggregate face value of $9,205,000 at June 30, 2013 which is reported net of the unamortized original issues premium of $533,980.	$9,738,980	$ -
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 $13,440,000 at June 30, 2013 which is reported net of the unamortized original issue premium of $4,224.	13,444,224	13,738,420
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 $7,110,000at June 30, 2013 which is reported net of the unamortized original premium of $27,851.	7,137,851	7,546,806
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 $10,305,000 at June 30, 2013, which is reported net of the unamortized original discount of $95,502.	10,209,498	10,796,536
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 $0 at June 30, 2013, which is reported net of the unamortized original issue discount of $0.	-	10,125,202
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 $10,055,000 at June 30, 2013, which is reported net of the unamortized original issue premium of $114,776.	10,169,776	10,988,092
	50,700,329	53,195,056
Less current portion	(2,910,000)	(2,785,000)
	$47,790,329	$50,410,056

Following are the changes in long-term liabilities for the year ended June 30, 2013:

Bonds Payable	June 30, 2012	Additions	Reductions	June 30, 2013	Current Portion
Series 2012 Refunding Bonds	-	9,205,000	-	9,205,000	750,000
Series 2009 Revenue Bonds	13,730,000	-	(290,000)	13,440,000	295,000
Series 2006 Revenue Bonds	7,515,000	-	(405,000)	7,110,000	420,000
Series 2005 Refunding Bonds	10,905,000	-	(600,000)	10,305,000	620,000
Series 2003 Revenue and Refunding Bonds	10,175,000	-	(10,175,000)	-	-
Series 1998 Junior Lien Revenue Refunding	10,850,000	-	(795,000)	10,055,000	825,000
	53,175,000	9,205,000	(12,265,000)	50,115,000	2,910,000
Plus unamortized premium	178,318	622,775	(120,262)	680,831	-
Less unamortized discount	(158,261)		62,759	(95,502)	-
Total Long-term liabilities	53,195,057	9,827,775	(12,322,503)	50,700,329	2,910,000

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	(158,262)	-
Total Long-term liabilities	55,888,068	-	(2,693,011)	53,195,056	2,785,000

Total interest incurred on bonds payable for the years ended June 30, 2013 and June 30, 2012 was $2,555,954 and $2,760,691, respectively.

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

	Principal	Interest	Total
2014	2,910,000	2,393,684	5,303,684
2015	3,035,000	2,384,039	5,419,039
2016	3,145,000	2,259,952	5,404,952
2017	3,285,000	2,121,325	5,406,325
2018	3,430,000	1,976,333	5,406,333
2019-2023	18,910,000	7,411,334	26,321,334
2024-2028	9,445,000	3,555,693	13,000,693
2029-2033	4,840,000	1,490,700	6,330,700
2034-2035	1,115,000	82,510	1,197,510
	$50,115,000	$23,675,570	$73,790,570
Less unamortized (discounts)/premiums & loss on defeasence	585,329		
	$50,700,329		

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, 2013 and 2012, these commitments totaled $3,019,441 and $5,937,915 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 as a financial commitment for the acquisition of capital and non-capital assets. $733,670 and $4,793,703 of that amount was used in fiscals 2013 and 2012 respectively. 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 $190,774, $200,869 and $173,908 to these plans in fiscal 2013, 2012 and 2011 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, 2013

RESIDENCE HALLS

	Meals per Quarter			
	Unlimited	125	100	75
Room and Board Academic Year Contracts				
Double room/double occupancy	$9,373	$9,019	$8,671	$8,317
Single room/single occupancy	$10,336	$9,982	$9,634	$9,280
Double room/single occupancy (super single)	$10,887	$10,533	$10,185	$9,831
Triple room/triple occupancy	$8,203	$7,849	$7,501	$7,147

APARTMENTS

	Double with 2/bedroom	Super Single 1/bedroom	Family Rate
Apartment only Academic Year Contracts			
Birnam Wood - 2 Bedroom Units	$2,973	$5,940	$11,899

Unaudited

SCHEDULE OF OCCUPANCY
Year Ended June 30, 2013

	OCCUPANCY CAPACITY		ACTUAL	ACTUAL OCCUPANCY AS A PERCENT OF	
	Designed (1)	Operating (2)	OCCUPANCY	Designed Capacity	Operating Capacity
Fall 2012	4,159	4,043	4,030	96.9%	99.7%
Winter 2013	4,159	4,043	3,882	93.3%	96.0%
Spring 2013	4,159	4,043	3,739	89.9%	92.5%
Average	4,159	4,043	3,884	93.4%	96.1%

(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 2013

The University purchases buildings, contents, and business interruption insurance for the System through its participation in the State of Washington Master 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 direct physical loss or damage, including earthquake and flood.
- The policy 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 subject to a $250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance: State of Washington Program, $50,000,000 per accident, $5,000 deductible on insured objects and $50,000 deductible for property damage.
- Third-party bodily injury and property damage liability insurance: 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, 2013 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 2013 and 2012

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.

	2013	2012
Capitalized Projects		
Aramark Contracted Renovations	$725,563	$4,793,703
New Residence Hall	-	3,382,200
Buchanan Towers Fire Sprinklers	-	10,776
Ridgeway Beta Renovation	2,012,976	2,415,974
Mathes Fire Sprinklers	1,989,372	1,690,562
Nash Fire Sprinklers	383,202	-
Dining Capital Investment Projects	17,650	-
Voice Safety Systems & Network Upgrades	-	-
Wireless Data Infrastructure	535,474	1,639,578
Lakewood Dock Replacement	445,544	-
Edens & Alpha Fire Sprinklers	1,146,452	32,074
	$7,256,233	$13,964,867
Non-Capitalized Projects		
Other	288,844	205,401
Equipment	256,211	99,800
Bathroom & Shower renovations	202,361	141,627
Furniture & Carpet	119,575	329,289
Door Replacements	113,180	-
Painting	111,328	105,792
Media Installations	111,097	-
Plumbing, heating and electrical	81,884	653
Lighting Retrofits & Changes	77,475	6,230
ADA Upgrades	65,886	-
Edens Main Floor Remodel	61,542	-
Roof Repair/Recoat/Replace	41,761	-
Viking Union Projects	5,966	79,435
Asbestos abatement & flooring	-	116,707
Lakewood Dock Replacement		78,079
Fairhaven Flood Restoration		71,189
Laundry Room Remodel		28,504
	$1,537,110	$1,262,706

This page intentionally left blank