

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard  
**DATE:** December 14, 2012  
**SUBJECT:** **Approval of Minutes**  
**PURPOSE:** Action Items

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**Purpose of Submittal:**

Approval of the Board of Trustees Meeting Minutes.

**Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the following minutes:

- October 11, 12, 2012 Board of Trustees Meeting

**Supporting Information:**

Minutes of the October 11, 12, 2012 Board of Trustees Meeting

**WESTERN WASHINGTON UNIVERSITY  
BOARD OF TRUSTEES  
MINUTES  
October 11, 2012**

**1. CALL TO ORDER**

Chair Peggy Zoro called the regular meeting of the Board of Trustees of Western Washington University to order at 3:00 p.m., October 11, 2012, in Old Main 340, Western Washington University, Bellingham, WA.

**Board of Trustees**

Betti Fujikado, Secretary  
Joseph Meyer  
Ralph Munro  
Karen Lee, Vice Chair  
Sue Sharpe  
Dick Thompson  
Peggy Zoro, Chair

**Western Washington University**

Bruce Shepard, President  
Wendy Bohlke, Assistant Attorney General  
Stephanie Bowers, Vice President for University Advancement  
Paul Cocke, Director, University Communications  
Eileen Coughlin, Vice President for Enrollment and Student Services  
Paul Dunn, Sr. Executive Assistant to the President  
Ethan Glemaker, President, Associated Students  
Catherine Riordan, Provost and Vice President for Academic Affairs  
Karen Stout, President, Faculty Senate  
Liz Sipes, Secretary to the Board of Trustees  
Steve Swan, Vice President for University Relations  
Richard Van Den Hul, Vice President for Business and Financial Affairs

**2. SPECIAL REPORTS**

**A. PREPARING STUDENTS TO SUCCEED IN CHANGING WORLD: INPUTS AND OUTCOMES**

**1. Senior Exit Survey**

Bruce Shepard, President, opened the presentation stating that the university measures data for two purposes -- statistical information for the legislature and accrediting agencies, and for information that allows us to evaluate and continue to improve our programs. The Board of Trustees holds the university accountable for well- informed decisions that are based on this information.

Catherine Riordan, Provost, introduced John Krieg, Professor of Economics and Director of the Office of Survey Research. Krieg said the primary goal of the Office of Survey Research is to conduct surveys of Western's students and alumni to learn about what we do well and what areas need improvement. Krieg described that Western Educational Longitudinal Study (WELS). This study surveys incoming freshman and transfer students a month prior to their coming to campus. This cohort of students is surveyed again at the end of their second year to assess their general education experience and what things we are doing well in their first two years at Western. The Exit Survey is conducted of both undergraduate and graduate students every quarter. The goal of the Exit Survey is for students to look back at their educational experience and to look forward and ask "how well has Western prepared them for their future?" Every other year Alumni are asked, "how well did Western prepare them for this stage of their life?"

Krieg presented data from the Western Educational Longitudinal Study (WELS) for 2009 – 2012.

## **2. GUR Strands**

Steve Vanderstaay, Vice Provost for Undergraduate Education, noted that the data collected from both freshman and senior students and as well as nationally benchmarked data, is used to inform program improvements in the Liberal Arts & Sciences core --our General University Requirements (GUR). To improve on the freshman year experience, Western is piloting the GUR Strands.

Emily Borda, Chemistry and Johann Neem, History gave a brief presentation on how a GUR Strand works. A GUR Strand consists of 3 GUR classes that are taken in successive quarters. The purpose of the GUR Strand is to enhance the first year experience by providing a year-long "learning community" of peers and a "strand" of three courses connected by a theme or question. Students would be able to see the connection between these courses and ultimately better understand the connection between the liberal arts and sciences. For example Strand One is "Science and Religion". Classes in this Strand are LBRL 23, Introduction to the Study of Religion (Fall qtr.); FAIR 297J, Evolutionary Biology (Winter qtr.); and LBRL 297, Science and Religion (Spring qtr.).

There are four different strands, each consisting of a three course sequence. Strand Two: "How do you know? Evidence and Argument"; Strand Three: "Understanding Human-Environment Interactions"; and Strand Four: "Global Citizenship."

Chair Zoro said that they would like an updated report on the GUR Strands pilot program at the October 2013 Board of Trustees meeting.

At 3:17 p.m. Chair Zoro announced a five minute break.

## **3. EXECUTIVE SESSION**

At 3:22 p.m. Chair Zoro announced that the Board would convene in Executive Session for approximately 90 minutes to discuss personnel, real estate and legal issues as authorized in RCW 42.30.110. The Board reconvened in Open Session at 5:00 p.m. No action was taken.

Meeting recessed at 5:00 p.m.

**WESTERN WASHINGTON UNIVERSITY  
BOARD OF TRUSTEES  
MINUTES  
October 12, 2012**

**1. CALL TO ORDER, APPROVAL OF MINUTES**

Chair Peggy Zoro reconvened the regular meeting of the Board of Trustees of Western Washington University to order at 8:05 a.m. October 12, 2012, in OM 340, Western Washington University, Bellingham, WA.

**Board of Trustees**

Betti Fujikado, Secretary  
Joseph Meyer  
Ralph Munro  
Karen Lee, Vice Chair  
Sue Sharpe  
Dick Thompson  
Peggy Zoro, Chair

**Western Washington University**

Bruce Shepard, President  
Wendy Bohlke, Assistant Attorney General  
Stephanie Bowers, Vice President for University Advancement  
Sherry Burkey, Associate Vice President for University Relations  
Paul Cocke, Director, University Communications  
Eileen Coughlin, Vice President for Enrollment and Student Services  
Paul Dunn, Sr. Executive Assistant to the President  
Ethan Glemaker, President, Associated Students  
Catherine Riordan, Provost and Vice President for Academic Affairs  
Karen Stout, President, Faculty Senate  
Liz Sipes, Secretary to the Board of Trustees  
Steve Swan, Vice President for University Relations  
Richard Van Den Hul, Vice President for Business and Financial Affairs

MOTION 10-01-2012      Karen Lee moved that the Board of Trustees of Western Washington University, upon the recommendation of the President, approve the minutes of the Board of Trustees Meeting, August 16, 17, 2012 and the Special Meeting of the Board of Trustees, September 17,18, 2012.

Motion carried.

## 2. PUBLIC COMMENT

Per Substitute House Bill 2313, time was provided for public comment at the October 12, 2012 regular meeting of the Board of Trustees. There were no requests for public comment.

## 3. RECOGNITIONS AND INTRODUCTIONS

The following faculty and staff were recognized by the Board of Trustees as recipients of the following awards:

- Karen Hoelscher Outstanding Faculty Leadership
- Kevin Dixey Outstanding Classified Staff Award
- Dana Edward Professional Staff Award for Excellence
- Willy Hart Diversity Achievement Award
- Andy Bunn Carl H. Simpson Bridging Award
- James Loucky Philip E. Sharpe, Jr. Community Engagement Award

President Shepard said the Team Recognition Award was presented to over 100 faculty and staff from across the university who were involved in the Back2Bellingham Weekend.

## 4. BOARD CHAIR

Chair Zoro invited Trustee Karen Lee to read Resolution 2012-09 Welcoming Trustee Susan K. Sharpe.

### **RESOLUTION NO. 2012 - 09**

#### **A RESOLUTION OF THE BOARD OF TRUSTEES OF WESTERN WASHINGTON UNIVERSITY WELCOMING TRUSTEE SUSAN K. SHARPE**

WHEREAS, on October 1, 2012, Governor Christine Gregoire appointed Susan K. Sharpe of Bellingham, Washington, to serve a term on the Western Washington University Board of Trustees through September 30, 2018; and

WHEREAS, Susan K. Sharpe brings to her appointment as a trustee years of professional experience as Executive Director of St. Luke's Foundation; Sue Sharpe Consulting; and as a Health care planner and hospital manager and executive; and

WHEREAS, Susan K. Sharpe has served her local community by being a board member of the Northwest Economic Development Council; member and former president of Bellingham Bay Rotary, chair of the WAHA "Transforming Healthcare in Whatcom County" Steering Committee; former board member and interim director of the Whatcom Community Foundation; board member and chair of the Health Policy Committee of Whatcom Alliance for Healthcare Access (WAHA); co-chaired the successful Bellingham School District bond and levy campaign to rebuild Bellingham High School, and in 2004 was inducted into the Northwest Women's Hall of Fame; and

WHEREAS, Susan K. Sharpe has served the State of Washington as a member of the Washington State Health Insurance Partnership Board, co-chair of the Office of Insurance Commission Healthcare Reform Realization Committee; and as past chair of the Communities Connect, a statewide association of community based health care collaboratives; and

WHEREAS, Susan K. Sharpe earned her bachelor's degree in Speech Communication and Journalism at Western Washington State College and MBA at Western Washington University; and

WHEREAS, Susan K. Sharpe has declared her commitment to serve as a member of the Western Washington University Board of Trustees;

NOW, THEREFORE BE IT RESOLVED, that the Board of Trustees of Western Washington University officially extends a warm welcome to Susan K. Sharpe as she begins her term on the Board.

PASSED AND APPROVED by the Board of Trustees of Western Washington University at its regular meeting on October 12, 2012.

MOTION 10-02-2012                      Ralph Munro moved that the Board of Trustees of Western Washington University approve Resolution 2012-09 Welcoming Susan K. Sharpe to the WWU Board of Trustees.

Motion carried.

- **Board of Trustees Retreat**

Chair Zoro provided a brief summary of the Board of Trustees Retreat facilitated by Dr. John Moore, Penson Associates, on September 17, 18, 2012 in Seattle. Discussion topics included the President-Board relationship, Board responsibilities, nature of the presidency, external driving forces of the university, and academic culture and context. The Board completed President Shepard's annual performance evaluation and also established the Board's priorities for 2012-2013. The Trustees agreed to establish a Committee for Trustees to address such topics as succession planning for Trustees, orientations for new Trustees, board development and Trustee Rules of Engagement. Trustee Karen Lee agreed to chair this committee.

## **5. UNIVERSITY PRESIDENT**

President Shepard highlighted some of the events that took place at the beginning of Fall Quarter, including Opening Convocation for the incoming students. The annual President's Breakfast and Opening Convocation & Employee Awards for faculty and staff was held on September 20<sup>th</sup>. Shepard's address focused on Western's Olympia agenda, diversity on campus, the campus climate, and longer term challenges for higher education.

Shepard announced that Paula Gilman, Executive Director for Planning and Budgeting, has retired from Western. She will be recognized for her years of service at a future meeting.

## 6. ASSOCIATED STUDENTS

Ethan Glemaker, AS President, updated the Board on recent activities of the Associated Students. He highlighted the AS Priority Goals, Long-Term/Ongoing Goals, and Short-Term Goals for 2012-2013. Glemaker reported that the AS had a very successful Voter Registration Drive and as part of the Fall Opening hosted an outdoor film attended by 2,700 students.

## 7. FACULTY SENATE

Karen Stout, Faculty Senate President, updated the Board on recent activities of the Faculty Senate. Stout reported that the 2012-2013 agenda for the Senate Executive Committee and the Faculty Senate includes working on Olympia issues, encouraging a culture of academic honesty, continuing development of a program review policy, and revising the By Laws in the Faculty Handbook.

## 8. ESTABLISHMENT OF DESIGN DEPARTMENT, COLLEGE OF FINE AND PERFORMING ARTS

Catherine Riordan, Provost & VP for Academic Affairs, stated that the College of Fine and Performing Arts is asking for the Board's approval for the division of the Department of Art into two separate departments, specifically the Department of Art and the new Department of Design.

Elsi Vassdal-Ellis, Chair of the new Department of Design, and Gaye Green, Chair of the Department of Art, gave a brief background on the differences of the two departments. This past year the two departments implemented a very successful pilot separation. The department chairs worked with the dean to define how resources would be divided, including faculty, staff, budgets and facilities. Both departments have restructured their curriculum and the quality of both programs will be significantly strengthened to better serve the needs of Washington State for well-prepared graduates in both Art and Design.

MOTION 10-3-12

Ralph Munro moved, that the Board of Trustees of Western Washington University, on recommendation of the President, approve the following institutional and administrative actions of the College of Fine and Performing Arts and divide the existing Department of Art into two separate departments, specifically the Department of Art and the new Department of Design effective September 1, 2012.

Motion carried.

## 9. ABOLISHMENT OF EDUCATION LEADERSHIP DEPARTMENT, WOODRING COLLEGE OF EDUCATION

Catherine Riordan, Provost & VP for Academic Affairs, stated that the Woodring College of Education is asking the Board's approval of the elimination of the Educational Leadership Department and subsequent incorporation of existing academic programs into other existing Woodring College of Education Departments.

Francisco Rios, Dean, Woodring College of Education and Don Larsen, Program Director of the Educational Administration program presented to the Board the background for this decision and recommendation. Rios said the current academic programs within the Department of Educational Leadership will be incorporated into different departments within the College with all of the associated administrative and programming support. Because the academic programs will continue to exist, there will be no impact on students.

MOTION 10-4-12

Betti Fujikado moved, that the Board of Trustees of Western Washington University, on recommendation of the President, approve the following institutional and administrative actions of Woodring College of Education with regard to the dissolution of the Educational Leadership Department and the subsequent incorporation of existing academic programs into other existing Woodring College of Education Departments effective September 1, 2012.

- Approval for the dissolution of the Department of Educational Leadership;
- Approval for incorporation of the academic program in College and Continuing Education into the Department of Human Services and Rehabilitation Counseling;
- Approval for incorporation of the academic program in Educational Administration into the Department of Special Education; and,
- Approval for incorporation of the academic program in Instructional Technology into the Department of Elementary Education.

Motion carried.

## 10. COMPASS 2 CAMPUS UPDATE

Cyndie Shepard, Director of the Compass 2 Campus Program, and Shar Sarte-Prince, Program Manager, updated the Board on the C2C program. Shepard noted that the WWU Campus 2 Compass Mentorship Initiative is a pilot program implemented by House Bill 1986 which passed both Houses of the legislature in 2009.

The Compass 2 Campus program's recently created Vision Statement is, "*to foster community and university academic collaborations that promote a college-going culture for all students, developing leaders that are empowered to create the future.*" The program's mission is to encourage underrepresented, low-income, diverse students, starting at the 5<sup>th</sup> grade to

complete high school and enroll in some form of post-secondary education. Shepard said that the program is in all of the Title I schools in Whatcom County, three districts in Skagit County, and the Lummi Nation School. The Western students involved are learning service learning and communication and mentoring skills that they can use in their future careers. Shepard highlighted the many successes and growth of the program over the past three years.

The 2012 Compass 2 Campus Day is scheduled for Tuesday, October 23. Over 900 5<sup>th</sup> graders will participate in 145 tours on Western's campus.

At 9:50 a.m. Chair Zoro announced a 20 minute break. The Board reconvened in Open Session at 10:10 a.m.

## **11. CARVER ACADEMIC RENOVATION**

Richard Van Den Hul, Vice President for Business & Financial Affairs, noted that the Carver Academic Renovation has been a long time priority of the Capital Planning process. He introduced Ed Simpson, Assistant Director, Facilities Development and Capital Budget and Mark Reddington, Design Partner and Tom Burgess, Project Manager from LMN Architects.

Simpson reported that Western received design funding in July 2011. They organized committees to review and update the building program by looking at user needs, selected the architects for the design team, received state approval and selected Morton Construction to be the GCCM (General Contractor Construction Manager). Simpson said a schematic design was developed and study model is on display today.

Simpson and the LMN architects presented a PowerPoint that highlighted the proposed renovations of the historic structures, and the redevelopment and additions to the existing building. This is a preliminary design that will continue to be developed. Simpson said the next step is to secure funding. He noted that when this project is constructed it will need to be sequenced to minimize the impact on campus.

Van Den Hul noted that the Carver Academic Renovation project is estimated to reduce the current deferred maintenance backlog by \$10.8 million plus address future maintenance items. The addition of the Food Service and the Hall of Fame Room will allow us to partner with The Western Foundation and Dining Services. Shepard noted that this project also offers some fund raising opportunities.

## **12. FALL OPENING**

Eileen Coughlin, Vice President for Student Affairs, reported that the enrollment numbers for the opening of 2012 Fall Quarter are estimated to remain close to those of Fall 2011.

Coughlin introduced Eric Nissen, Assistant Director for Marketing Communications in the Admissions Office. Nissen demonstrated two web-based partnerships to increase Western's presence online.

- CollegeWeekLive is an online environment hosting virtual college fairs and private events for universities. Western has a virtual booth on this site that prospective students can access. In addition, students can log in and chat with Admissions representatives

and current students during these events. We have interacted with approximately 800 students through our virtual booth, 500 of which are prospective new students.

- YouVisit creates web-based virtual tours for universities. When complete prospective students and their families will be able to “tour” campus from anywhere.

### **13. CENTER FOR INTERNATIONAL STUDIES REORGANIZATION**

Catherine Riordan, Provost & Vice President for Academic Affairs, introduced Earl Gibbons, Vice Provost for Extended Education and Vicki Hamblin, Executive Director of International Studies. They presented a plan that they developed toward increased commitment to the internationalization of Western’s population, its curriculum and its partnerships with other institutions.

Hamblin noted that Western has the fewest number of international students than any other campus in the state and the smallest office of International Studies and Programs. They have developed a curricular initiative to define models that Western might follow and are working with offices across campus to coordinate efforts with regard to visiting scholars and international students, etc. Hamblin described the internal changes being made that will help support the services needed by both international students and students who wish international internships or to study abroad.

Gibbons said the Intensive English Program (ESL) and the AUAP (Asian University American Program) are essentially businesses/commercial programs that generate revenue for Western. They will be moved into Extended Education where they will be restructured to be more efficient. These programs will be repositioned both academically and commercially to better serve the university’s larger mission of internationalization.

### **14. HONORS PROGRAM**

Catherine Riordan, Provost & Vice President of Academic Affairs, introduced Steve VanderStaay, Vice Provost for Undergraduate Education, George Mariz, Director of the Honors Program and honor student, Morgan Schurr. Their presentation summarized the impact of the expansion and external review of Western’s Honors program. VanderStaay noted that Honors students are in all colleges of the university, but most are drawn to our STEM programs. He said that Honors student have a high retention rate and are more likely to graduate in four years. This year, about 40% of Western’s Honors students are from out-of-state.

Mariz and Schurr described Western’s Honors program and the many opportunities it provides students.

### **12. CAMPAIGN UPDATE**

Stephanie Bowers, Vice President for University Advancement and Executive Director of the Western Foundation, updated the Board on the campaign efforts. Bowers reported that the campaign has raised \$15.9 million in donations and gifts. The Campaign leadership will be identified this academic year.

Bowers reported that former Trustee David Cole helped fund a faculty position in the Entrepreneurship program and the Department of Geology has developed a three part proposal for a \$2.5 million gift for the department.

### **13. AUDIT COMMITTEE REPORT**

Dick Thompson, Chair of the Board Audit Committee, reported that at the October 11<sup>th</sup> meeting, the committee:

- Met with the State Auditors Entrance interview
- Heard the Semi-annual Internal Controls Report
- Reviewed and approved the President's travel expenses
- Heard Internal Audit Updates
- Met with the President in private session
- Met with the Internal Auditor in private session

Thompson noted that the Internal Audit Annual Report is included in the Information Items.

### **14. INFORMATION ITEMS**

- **Academic Report**  
Provost Riordan provided general information from a national report about liberal education outcomes.
- **Alumni Association Report**  
Vice President Bowers provided a written report on the university's Alumni Relations activities.
- **Capital Program Report**  
Vice President Van Den Hul provided a written report on the university's capital projects.
- **Development Report**  
Vice President Bowers provided a written report on activities of the Western Washington University Foundation.
- **2011-2012 Office of the Internal Auditor Annual Report**  
Kim Herrenkohl, Director of Internal Audit, provided a report of the 2011-2012 operations of the Office of the Internal Auditor.
- **University Relations Report**  
Vice President Swan provided a written report on the recent activities of University Relations.

### **15. MEETING EVALUATION & FUTURE AGENDA TOPICS**

### **16. DATE FOR NEXT REGULAR MEETING: December 13, 14, 2012**

**17. ADJOURNMENT**

The meeting adjourned at 11:35 a.m.

**18. LUNCH**

The Board of Trustees was joined by members of the Associated Students Board of Directors for lunch in the Viking Union Commons.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** Bruce Shepard, President

**DATE:** December 14, 2012

**SUBJECT:** **Public Comment Period**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

Substitute House Bill 2313, effective June 7, 2012, restates that governing boards of all institutions of higher education follow procedures for open public meetings in the Open Public Meetings Act. It also requires that Governing boards provide time for public comment at regular meetings.

Persons wishing to comment will sign in between 7:45 – 8:00 a.m. the day of the Board of Trustees meeting. The signup sheet will be given to the Board Chair at 8:00 a.m.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard  
**DATE:** December 14, 2012  
**SUBJECT:** Introduction and Recognition of Faculty & Staff

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**Steve Hollenhorst, Dean, Huxley College of the Environment**

Steven Hollenhorst assumed the deanship of Huxley College of the Environment on September 1, 2012. He has more than 25 years of experience in developing, implementing and enhancing innovative academic programs. Hollenhorst previously served at the University of Idaho as the founding director of the award-winning *Building Sustainable Communities Initiative*, as director of the university's Park Studies Unit, and as the department head of the Department of Conservation Sciences. Prior to his service at the University of Idaho, he was a professor and program coordinator in the Division of Forestry at Western Virginia University. Hollenhorst is the author or co-author of numerous scholarly publications, including refereed articles, peer-reviewed agency research reports, book chapters and research reports.

Hollenhorst received his bachelor's and master's degrees from the University of Oregon and his doctorate from Ohio State University.

**Clara Capron, Assistant Vice President, Enrollment & Student Services**

Clara has been with Western nearly 22 years. She was the director of Financial Aid from 1997 until earlier this year when she also assumed the oversight of the Office of Admissions. In recognition of the critical importance of the admissions and financial aid functions to the well-being of Western and every one of its students – and of Clara's immense capabilities, she was named assistant vice president for Enrollment and Student Services on November 16 of this year.

**Ted Pratt, Dean of Students**

Ted Pratt, Dean of Students was awarded The Whatcom Dispute Resolution Center (WDRC) 2012 Peace Builder Award. Pratt received the award for building peace through his daily activities, striving for awareness of diversity, overcoming barriers through understanding, and for increasing community connection between and within WWU and the surrounding community.

The WDRC's mission is to provide and promote constructive and collaborative approaches to conflict through mediation, training, facilitation and communication education. The 2012 Peace Builder Award recipients were honored at a gala event on November 16, 2012.

**Peggy Zoro, Chair, WWU Board of Trustees**

Peggy Zoro, Chair of the WWU Board of Trustees, was awarded the Bellingham/Whatcom Chamber of Commerce & Industry's Woman of the Year Award at the Chamber's 8<sup>th</sup> Annual Awards Banquet, December 5, 2012. Zoro has a 40-year career, mostly in banking, working in leadership roles at several banks, including Security Pacific Bank, KeyBank and Wells Fargo. Zoro is past chair of the Bellingham/Whatcom County Economic Development Council. Most recently she has been director of the Northwest Economic Council

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** Peggy Zoro, Chair, Board of Trustees  
**DATE:** December 14, 2012  
**SUBJECT:** **Board Chair Report**  
**PURPOSE:** Information Item

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**Purpose of Submittal:**

Board Chair Peggy Zoro will report to members of the Board, and President Shepard and his staff, on topics related to the Board of Trustees.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** Bruce Shepard, President

**DATE:** December 14, 2012

**SUBJECT:** **President's Report**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

President Shepard will present brief reflections on issues of interest to the Board.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard on behalf of the Associated Students

**DATE:** December 14, 2012

**SUBJECT:** **Associated Students**

**PURPOSE:** Associated Students Report

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**Purpose of Submittal**

AS President Ethan Glemaker will review with the Trustees this year's legislative agenda for the Washington Student Association (attached) and for Western's Associated Students (not finalized as of the deadline to submit this written report).

**Supporting Information**

Please see attached.



**Washington Student Association**  
State Board of Directors  
200 Union Avenue, S.E. 360.786.1139  
Olympia, WA 98501 [www.WAstudents.org](http://www.WAstudents.org)

## **Priorities for the 2013 Legislative Session**

### **Voter Registration**

Work with University administrations to institutionalize student voter engagement plans as well as grant student governments access to residential halls for the purpose of voter registration.

Support revised HB 2205, which would allow minors to queue voter registration prior to their 18th Birthday, as well as other voter access bills which would break down institutional barriers to voting

### **Expand Financial Aid**

Restore funding for State Work Study to the 2010-2011 level of \$15 million/year. Lower the employer match to its previous level in order to expand work study opportunities to employers in the community.

Restore funding for the Health Professional Loan Repayment and Scholarship program and the Future Teachers Conditional Scholarship and Loan Repayment Program.

Increase funding for the State Need Grant in order to cover the nearly 30,000 students who are eligible but don't receive funding.

### **New and Dedicated Revenue**

Support passage of a capital gains tax.

End state spending on tax exemptions that have outlived their usefulness.

Dedicate some of the funds from marijuana legalization for higher education.

Support tax increases that do not disproportionately affect low income individuals.

### **Aid for Undocumented Students**

Allow undocumented students access to state financial aid.

## **Legislative Action Items for the 2013 Session**

### **Sip and Spit**

Support the passage of a “sip and spit” policy for accredited colleges and universities with degree programs relating to viticulture, oenology, and wine business and restaurant management. This policy would allow students within these programs to taste wine within a classroom setting if they are underage.

### **Funding for STEM Majors**

Support re-introduced HB 2532, which redirects revenue from tax credits into a fund that schools compete for to increase slots for STEM degrees.

### **Accountability and Transparency: Western Governor's University**

Western Governor's University was recently recognized as a public university here in the State of Washington; as such it should be subject to the same reporting requirements as other public institutions. Specifically, WGU is exempt from the degree-granting Institutions Act and thus exempt from many of the transparency and accountability requirements that ensure students are receiving a quality education.

### **Differential Tuition**

Oppose the implementation of differential tuition that was authorized under HB 1795 two years ago, until safeguards are in place to guarantee that tuition increases are affordable, predictable, and that financial aid will be provided to offset the increased cost of tuition.

### **Shared Governance**

Support the Creation of boards similar to the University of Washington’s (Provost Action Committee for Students) program that allow for direct student input, but not direct student oversight in university budget matters.

### **Veteran Residency**

Support in state tuition for non-resident active duty personnel or non-resident veterans who are stationed in Washington state.

### **Veteran Benefits**

Oppose any cuts for student veterans.

### **Pay it Forward**

Support budget proviso to offer one 2-year and one 4-year university to study impacts of “pay it forward”

### **Expanding Childcare**

Expand state funding of the Childcare Matching Grant program, from \$150,000/biennium to \$500,000/biennium.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard for Senate President Karen Stout  
**DATE:** December 14, 2012  
**SUBJECT:** **Faculty Senate**  
**PURPOSE:** Information Items

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Karen Stout, President of the Faculty Senate, will update the Board on recent Faculty Senate activities.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard

**DATE:** December 14, 2012

**SUBJECT:** **Consent Items**

**PURPOSE:** Action Items

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**Purpose of Submittal:**

Approval of the university recommendations provided on the consent item agenda.

**Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the president, approve the following consent items:

- Approval of Fall Quarter Degrees
- Approval of Construction Contract for Fraser Hall Renovation (PW657)
- Approval of Consultant Contract for Nash Hall Renovation (PW664)

**Supporting Information:**

Materials supporting the consent item agenda are attached.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Provost Catherine Riordan  
**DATE:** December 14, 2012  
**SUBJECT:** **Approval of Fall Quarter Degrees**  
**PURPOSE:** Action Item

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**Purpose of Submittal:**

Board of Trustees responsibility to approve awarding of degrees

**Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the faculty and subject to the completion of any unmet requirements, approves awarding undergraduate and graduate degrees to the candidates listed in the files of the Registrar and Graduate Dean, for Fall Quarter 2012, effective December 15, 2012.

**Supporting Information:**

Lists on file with the Registrar and Graduate Dean.

<b><i>Students</i></b>	<b><i>December 2012</i></b>	<b><i>Comparison: December 2011</i></b>
<i>Undergraduates</i>	620	585
<i>Masters</i>	40	39

# WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Vice President Richard Van Den Hul

**DATE:** December 14, 2012

**SUBJECT:** Construction Contract for Fraser Hall Renovation, PW657

**PURPOSE:** Action Item

**Purpose of Submittal:**

Award a construction contract for the Fraser Hall Renovation project, PW657. Contract award following Board action. Construction to start January 2013.

**Proposed Motion:**

MOVED that the Board of Trustees of Western Washington University, upon the recommendation of the President, award a contract to Dawson Construction, Bellingham, WA, for the amount of \$3,392,500 (base bid, plus alternate #4) for the construction contract for the Fraser Hall Renovation, PW657.

**Supporting Information:**

The renovation is intended to upgrade the facility mechanical and electrical systems, energy efficiency of the building exterior envelope, and ADA accessibility. Programmatic needs will also be addressed by the replacement of some fixed seating and the addition of technology to support a variety of learning modalities.

This project was advertised for competitive bidding on October 22, 2012 with the bid opening held at 3:00 p.m. on November 21, 2012. Seven bids were received by the University (see bid summary). Mahlum Architects, Seattle, WA, prepared the plans and specifications for this project.

Bid Summary:

	MJ Takisaki Inc.	Faber Construction Corp.	Dawson Construction Inc.	Collacurcio Brothers Inc.	Tiger Construction Ltd.	CDK Construction Services Inc.	Bristol Design Build Services Inc.
Base Bid	<b>3,749,500</b>	<b>3,594,990</b>	<b>3,225,000</b>	<b>3,627,000</b>	<b>3,478,000</b>	<b>3,556,000</b>	<b>3,547,000</b>
Alt. #1 Additional AV Scope at LH2 & LH3	88,453	96,000	91,800	87,000	88,000	88,300	98,000
Alt. #2 Motorized Projection Screens & Whiteboards	32,959	30,000	54,200	45,000	47,972	51,000	28,000
Alt. #3 Replace Fixed Seating at LH2	108,330	84,500	105,800	93,000	94,400	101,400	106,000
* Alt. #4 Campus Fire Line Upgrades *	<b>284,754</b>	<b>156,000</b>	<b>167,500</b>	<b>138,000</b>	<b>128,400</b>	<b>150,000</b>	<b>155,000</b>
Alt. #5 Brick Paver Replacement	150,453	9,900	24,700	61,000	19,750	48,000	83,000
(* accepted alternate)							
Total Base Bid & Accepted Alternates	<b>4,034,254</b>	<b>3,750,990</b>	<b>3,392,500</b>	<b>3,765,000</b>	<b>3,606,400</b>	<b>3,706,000</b>	<b>3,702,000</b>

**Source of Funding:** State Building Construction Account – Appropriated

# WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Vice President Richard Van Den Hul

**DATE:** December 14, 2012

**SUBJECT:** **Consultant Contract for Nash Hall Renovation, PW664**

**PURPOSE:** Action Item

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## **Purpose of Submittal:**

Approval of a consultant contract for Architectural and Engineering services for Nash Hall Renovation. Award following Board action. Services to start in December 26, 2012.

## **Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, upon the recommendation of the President, award a consultant contract to RMC Architects, Bellingham, WA, for a fee of **\$606,450** (including reimbursables), to provide Architectural and Engineering services for the design of Nash Hall Renovation. Scope of project to include fire sprinkler system, upgrade existing fire alarm system, seismic upgrades and architectural finishes.

## **Supporting Information:**

RMC Architects was selected from ten (10) teams responding to the Request for Proposals. The firms responding to the Request for Proposals included:

- Berger ABAM, Seattle
- SHKS Architects, Seattle
- HKP Architects, Mt Vernon
- King Architecture, Bellingham \*
- CNJA Architects, Everett \*
- John Stewart Architects, Bellingham
- Studio Meng Strazzara, Seattle
- NAC Architecture, Seattle
- Rolluda Architects, Seattle
- RMC Architects, Bellingham \*

RMC Architects was recommended by the Nash Hall Renovation Consultant Selection Committee following review of all firms' proposals and interviews with the three highest scoring proposals.(\*). Western's Consultant Selection Committee was composed of the following members: Jeff Maurer, Project Manager, Facilities Design and Capital Budget; Dale Krause, Construction Coordinator, Facilities Design and Capital Budget; Martin Reed, Associate Director for University Residences; and, Karen Neely, Interior Designer, University Residences.

**Source of Funding:** Housing & Dining System – Non-appropriated

# **WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 14, 2012

**SUBJECT:** **Approval of 2013 Summer Session Tuition and Fees**

**PURPOSE:** Action Item

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## **Purpose of Submittal:**

It is the Board of Trustees responsibility to approve summer quarter tuition and fees.

## **Proposed Motion:**

MOVED, that the Board of Trustees of Western Washington University, on recommendation of the President, approves the recommended Summer Session Tuition for Summer 2013: specifically that tuition be set at \$227.00 per credit for undergraduate courses and \$243.00 per credit for graduate courses. Non-resident students would pay tuition at \$241.00 per credit for undergraduate courses and \$257.00 for graduate courses. Student tuition will be charged on a per credit basis for Summer Session.

The Summer Session Registration Fee will be eliminated for both resident and non-resident students.

## **Supporting Information:**

In order to prepare for publication of summer offerings, summer quarter tuition is generally set at the Board's December meeting. Revisions to summer session tuition may be adopted at the April Board meeting, if necessary.

Summer 2013 undergraduate resident tuition rates represent a 5.1 percent increase over Summer 2012 tuition rates; Summer 2013 graduate resident tuition rates represent a 5.2 percent increase over Summer 2012 tuition rates. The increase is expected to cover expenditures related to the increases in faculty salaries mandated by the Collective Bargaining Agreement, as well as the associated increase in non-HCA benefits.

The Summer Session Registration Fee is no longer required as Extended Education has developed alternate models for funding the overhead expenditures related to Summer Session.

Source of funds: Self-supporting Dedicated Revenue

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard

**DATE:** December 14, 2012

**SUBJECT:** Facility Naming

**PURPOSE:** Action Item

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**Purpose of Submittal:**

**POL-U6000.02 NAMING UNIVERSITY BUILDINGS, LARGE OPEN SPACES AND ALL OTHER UNIVERSITY FACILITIES.** This policy applies when naming university buildings, large open spaces and facilities in honor of a benefactor(s) or person(s) of distinction.

The Board anticipates acting on a motion for a naming opportunity on campus.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by:  
Richard Van Den Hul, Vice President for Business and Financial Affairs

**DATE:** December 14, 2012

**SUBJECT:** **Gateway Complex Presentation**

**PURPOSE:** To update the Board on the current status of the Gateway Complex.

A presentation of the Gateway Complex will be made by:

- Richard Van Den Hul, Vice President for Business and Financial Affairs
- Rick Benner, University Architect / Director, Facilities Development and Capital Budget

# **Gateway Complex Board of Trustees Presentation**

**December 2012**



## Context

To better identify the role of this project, Western has renamed the Academic Services & Performing Arts Facility the “Gateway Complex”. This project will advance the institution’s concept of a dynamic and sustainable campus; replace undersized and outdated facilities; unify and integrate fragmented programs; improve delivery of prospective and new student advisory services to students via a central and highly visible service point; and enhance relationships with our neighbors and the broader Bellingham community. The Gateway Complex will include a high density parking structure to accommodate public and student access to the Admissions Center, the Western Gallery, and performance venues within the campus core.

The Gateway Complex will replace cramped and technologically obsolete facilities with relevant multi-disciplinary academic and performance spaces that meet contemporary technology and curriculum requirements. It will further Western’s goals of cross-disciplinary and collaborative learning, and encourage shared use of critical resources to support both academic and administrative services.

The Gateway Complex will achieve its objectives by:

- Creating a front-door to Western Washington University as a primary link to the local and regional community, and as a first point of face-to-face connection for prospective students.
- Locating a highly visible and easily accessible Admissions Center at the most prominent location on the campus. The Center will streamline admissions, advising and campus orientation for new and prospective students and their families.
- Providing critically needed 21st century learning facilities for the College of Fine and Performing Arts (CFPA) to prepare our students to meet the vigorous demands of the performing arts industry.
- Providing modular and highly adaptable multi-disciplinary performance venues that are appropriately sized and equipped for academic productions.
- Providing ‘down-stream’ capacity at the completion of the project by repurposing a total of 21,392 square feet in the core of campus for critical academic needs:
  - the Western Gallery (currently located in the Fine Arts building) into expansion space for the growing Art and Design departments (7,886 square feet);
  - the Old Main Theatre into a 220-seat lecture hall (3985 square feet);
  - Admissions and NSS offices in Old Main for administrative departments now housed within academic buildings in the core of campus (4,464 square feet);
  - Production Lab in Bond Hall into academically-purposed space (1,397 square feet); and,
  - CFPA offices and costume lab into academic functions in Performing Arts and broader Bellingham community as a resource (1,913 square feet).
- Increasing the availability of large section instruction space by 7% as CFPA need for general use space is absorbed.
- Distinguishing the Center for Canadian American Studies as a national center of expertise on cross-border issues as well as a resource to business, government and media.

- Connecting the Western Arts Consortium and WWU Outdoor Sculpture Collections to the community by relocating the Western Gallery to the front door of campus.
- Constructing Western's first, high density parking lot. This structure (and subsequent structures) will enable the University to substantially accommodate current and future needs at the core campus.

### ***Design Concept***

The Gateway Complex will contain 63,000 net assignable square feet of program area within a total 98,000 gross square foot facility located adjacent to the existing Performing Arts Center (PAC). It will provide direct connections to the existing PAC; enhance back-of-house service access to performance spaces; strengthen connectivity between CFPA departments; and promote shared use of instructional spaces and resources.

Key elements of the design concept include the following:

- Create a prominent campus front door identity from High Street that welcomes prospective students and the public to Western. The main lobby/reception space of the facility will be shared with all of the departments in the building, providing extensive opportunities to communicate with alumni, donors, and local/regional community members as well.
- Develop an efficient five level structure that steps down the steep slope aligning floor levels with the existing PAC to facilitate service and programmatic connections.
- Arrange multi-disciplinary performance spaces to maximize shared use of the adjoining PAC support facilities and strengthen access and identity for performing and visual arts programs.
- Position the Western Gallery and Admissions Center at the High Street front door and locate the Center for Canadian American Studies to overlook Bellingham Bay with views to Canada.
- Provide a multi-level parking structure east of High Street to serve the Gateway Complex, PAC, event space at Carver and the core campus.

### ***Existing Canada House and High Street Hall***

The University will continue to explore options for the existing Canada House including sale and relocation off-campus or re-use of architectural elements on-campus. High Street Hall would be considered for sale to be relocated off-campus or demolition. If demolished, consideration will be made to recycle as much material as feasible.

**Program Summary Chart**

Program Element	Existing		2012 Predesign	
	NSF	NSF	NSF	GSF
<b>CFPA</b>	<b>46,989</b>	<b>40,020</b>	<b>62,430</b>	
Admin Office & Support	1,325	1,680		
Faculty Offices	1,950	840		
Costume Lab	588	2,360		
Dressing Rooms	1,496	1,000		
Dance	4,747	6,520		
Experimental Performance Lab	*NA	14,750		
EPL Support	NA	2,500		
Western Gallery	7,886	10,370		
Theatre/Dance Department Office	808	NA		
* Other Performance/Rehearsal Space	28,189	NA		
<b>GENERAL CLASSROOMS</b>	<b>6,558</b>	<b>13,690</b>	<b>21,360</b>	
Production Design Lab	1,397	1,400		
STEAM Lab	NA	2,920		
Digital Media Lab	2,004	900		
Classroom, 30 Seats	790	900		
Classroom, 60 Seats	1,227	1,400		
Recital Hall	NA	4,270		
Collaborative Learning	NA	1,900		
Music Classroom	1,140	NA		
<b>ADMISSIONS/NSS</b>	<b>4,687</b>	<b>6,500</b>	<b>10,020</b>	
<b>CANADIAN STUDIES</b>	<b>2,086</b>	<b>1,110</b>	<b>1,720</b>	
<b>FACILITIES</b>		<b>1,594</b>	<b>2,470</b>	
<b>Total</b>	<b>60,320</b>	<b>62,910</b>	<b>98,000</b>	

\* Existing CFPA performance/rehearsal spaces not listed include: Mainstage, Blackbox Theatre, and Theatre Rehearsal

**Parking Structure**

Existing Parking	Existing Stalls	Stalls Saved	Stalls Removed
11G & 25 G at PAC	64	0	64
14G south of College Hall	122	49	73
<b>Replacement Stalls Required: 137</b>			
Proposed Parking	Phase I Option A	Phase I Option B	Full Build Out
Level 1	138	138	56
Level 2			102
Level 3			102
Level 4			98
Subtotal	138	138	358
With Additional	8	16	0
Total Capacity	146	154	358
<b>Total Capacity (replace 137 &amp; add 221) = 358</b>			

GATEWAY COMPLEX

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<b>Main Facility</b>	Cost Estimate
Predesign	\$350,000
Consultant Services	\$5,211,000
Construction	\$37,783,000
Constr. Contingency	\$3,674,000
Sales Tax	\$3,607,000
Equipment*	\$1,866,000
<i>(*Excludes CFPA Equipment to be fundraised)</i>	
Equip. Sales Tax	\$162,000
Artwork	\$187,000
Other Costs	\$744,000
PM Fees	\$1,967,000
<hr/>	
Total	\$55,551,000
Combined Total	\$69,360,000
<b>Design Phase</b>	<b>\$7,235,000</b>
Const. Phase	\$61,775,000

<b>Parking Structure</b>	Cost Estimate
Consultant Services	\$1,488,000
Construction	\$9,591,000
Constr. Contingency	\$959,000
Sales Tax	\$918,000
Equipment	\$56,000
Equip. Sales Tax	\$5,000
Artwork	\$48,000
Other Costs	\$368,000
PM Fees	\$376,000
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Total	\$13,809,000

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by:  
Eileen Coughlin, Senior Vice President and Vice President for Enrollment and Student Services  
Richard Van Den Hul, Vice President for Business and Financial Affairs

**DATE:** December 14, 2012

**SUBJECT:** **Multipurpose Field Presentation**

**PURPOSE:** To update the Board on the funding sources, scope and planning steps for the Multipurpose Field project.

A presentation of the Multipurpose Field Project will be made by:

- Richard Van Den Hul, Vice President for Business and Financial Affairs
- Rick Benner, University Architect / Director, Facilities Development and Capital Budget
- Linda P. Beckman, Division Director of Budget and Administration, Enrollment and Student Services

# **Multipurpose Field Board of Trustees Presentation**

**December 2012**





*Existing Site*

### ***Project Goals and Student Support***

Replacing grass fields with turf and adding lighting meets University goals for safety and making the most efficient use of limited space by increasing usable hours each day and during inclement weather months. By creating a field of regulation soccer size (also meeting regulation size for rugby, lacrosse and other sports), the University will achieve operating budget savings from eliminating rental of fields off-campus and reduced maintenance costs for grass fields.

This project will address Western's Institutional Master Plan commitments for correcting the long-standing problem of insufficient field space. Western has significantly less field space per student than its Washington State peers. Currently, Western has one all-weather lighted turf field, three grass fields and one all-weather softball field. All are shared among Physical Education, Health and Recreation, Athletics and Campus Recreation. Nearly 65% of Western's student body actively participates in club, intramural or NCAA II activities and/or competition. The field will enhance Western's ability to attract, recruit and retain students, and the addition of spectator seating for use by Athletics and Club Sports will enhance campus community.

Students have been major supporters and drivers for this project, beginning with the allocation of Student Recreation Center bond refunding savings along with some reserve funds to fund over 57% of the current project scope. The Multipurpose Field Steering Committee includes student representatives from Campus Recreation (intramural and sport club use of the field), Athletics and the Associated Students. A student survey was conducted Spring of 2012 to assess demand and prioritize amenities at the site, and focus groups were held to gain more insight into student needs and anticipated uses of the multipurpose site.

### Funding Sources

Funding for the project is a partnership:

- \$2,750,000 Wade King Student Recreation Center (57.3%)
  - Students pledged savings from bond refunding and reserves  
*The Student Recreation Fee will not be increased to fund this project.*
- \$1,500,000 Private Donors (31.3%)
  - \$1M Gift – Turf Field named after Robert S. Harrington
  - Gifts-in-Kind and cash donations
- \$ 550,000 Institution (11.5%)
  - Commitment of maintenance/utility savings from grass fields

Total: \$4,800,000

### Project Scope

#### Initial Phase:

- One level, 130,000 sq. ft. artificial turf field with lighting and perimeter fencing
- Covered team benches and scorer's tables, 500 spectator bleachers, restrooms and ticketing
- Paved pathways and ADA parking

#### Future Phases (or as additive alternates in Phase I to the extent funding allows):

- Team locker/meeting rooms to be shared by Campus Recreation and Athletics
- Equipment storage
- Covering for spectator seating and additional seating up to 1,500 total
- Lighting, spectator seating and batting cages for Softball Field

*Note: The presentation will include architect site plans showing field layout and amenities*

### Project Structure and Financing

This project will use innovative funding and delivery mechanisms to stretch resources. The project funding includes multiple sources of funds, including private donations of both cash and gifts-in-kind. The State equipment lease program and/or internal borrowing will be utilized to bridge some funding until bond savings and donor pledges are received.

We are still in the process of finalizing the components of the delivery method. We are currently considering using a purchasing cooperative for the field including installation and site preparation. Included under this structure is a potential major earthwork gift-in-kind. The remaining portions of the project would be bid as a public works project.

### Timeline and Next Steps

- December 2012 / January 2013:
  - Finalize scope, estimates, alternates and additional donations
  - Secure competitive purchasing cooperative pricing
  - Prepare construction documents and obtain permits
- February/March – Bid public works portion of project
- April – Request Board approval
- Mid-May – Begin construction
- Mid-November – Complete project

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Provost Catherine Riordan  
**DATE:** December 14, 2012  
**SUBJECT:** **Educational Needs in the Kitsap Peninsula**  
**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

Western Washington University continues communication with educational leaders on the Kitsap Peninsula in order to explore higher educational needs in what is currently the largest under-served area in Washington State. Provost Riordan will provide an update on what we are learning.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 14, 2012

**SUBJECT:** **Entrepreneurship and the 21<sup>st</sup> Century Graduate**

**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

An opportunity is provided to discuss the need for Western to educate students who can innovate in new and existing organizations in all sectors (for-profit, not-for-profit, and public) and Western's intentions for addressing this need. A strong entrepreneurial focus will help students succeed in a changing business environment in which the resources of the past may no longer be available, and the problems that businesses must address eclipse shareholder value creation. Beyond the contribution of entrepreneurship to personal success, attention will be given to the possibilities that exist for leveraging free-market activity to create sustained revenue streams for enterprises principally devoted to social value creation.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 14, 2012

**SUBJECT:** **Western Reads**

**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

Western Reads is a campus-wide reading program that provides an academic first-impression of the university, introducing new students to Western as a campus in which engaging intellectual discussions occur both in and outside of class. Copies of the book are provided for first year students and yearlong programming provides a range of dynamic and participatory academic activities concerning the book and its topic.

This year's text, *The Immortal Life of Henrietta Lacks*, tells the scientific and ethical story of how the cancer cells of a poor, Southern tobacco farmer—taken without her permission--became the first "immortal" human cells grown in culture, leading to the development of the polio vaccine, in vitro fertilization, gene mapping, dozens of scientific discoveries, and numerous pharmaceutical products.

In this Board of Trustees Presentation, faculty describe how use of the book on campus has fostered dynamic and engaging curricula concerning medical ethics, human rights, race, ethnicity and social justice.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Sherry Burkey, Associate Vice President for University Relations

**DATE:** December 14, 2012

**SUBJECT:** **50/50 BY 2020**

**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

Sherry Burkey, Associate Vice President for University Relations will give an update on the Council of Presidents' Legislative Proposal.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Sherry Burkey, Associate Vice President for University Relations

**DATE:** December 14, 2012

**SUBJECT:** **Olympia Update**

**PURPOSE:** Discussion Item

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**Purpose of Submittal:**

Sherry Burkey, Associate Vice President for University Relations will give an update on the upcoming legislative session.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** Dick Thompson, Chair, Board Audit Committee  
**DATE:** December 14, 2012  
**SUBJECT:** **Audit Committee Report**  
**PURPOSE:** Information Item

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**Purpose of Submittal:**

Trustee Thompson will report to members of the Board of Trustees, and the university president and his staff, topics related to the Board Audit Committee.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 14, 2012

**SUBJECT:** **Academic Report: Fall New Student Profile Report and Quarterly Enrollment Statistics**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

To provide the Board of Trustees with overviews on quarterly enrollment statistics for the fall quarter 2012 and new student profile. The reports include fall 2011 and fall 2012 peak date enrollment comparisons and enrollment trend analysis of new students and overall student population for the past six years.

**Supporting Information:**

Full Reports may be found on Internal Reports tab of the Factbook site and are linked here:

- a) *New Student Profile Report, Fall 2012*, prepared by The Office of Institutional Research  
[https://admin-rptnet.wvu.edu/student/TextReports/Pdf/New\\_Freshmen\\_and\\_Transfer\\_Fall\\_2012.pdf](https://admin-rptnet.wvu.edu/student/TextReports/Pdf/New_Freshmen_and_Transfer_Fall_2012.pdf)
  
- b) *Student Profile Report, Fall 2012*, prepared by The Office of Institutional Research  
[https://admin-rptnet.wvu.edu/student/TextReports/Pdf/Student\\_Enrollment\\_Fall\\_2012\\_Report.pdf](https://admin-rptnet.wvu.edu/student/TextReports/Pdf/Student_Enrollment_Fall_2012_Report.pdf)

**WESTERN WASHINGTON UNIVERSITY**  
**ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Senior Vice President Eileen Coughlin

**DATE:** December 14, 2012

**SUBJECT:** Admissions and Enrollment Summary

**PURPOSE:** Information Item

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**Purpose of Submittal:**

To provide a general update on enrollment and admissions

**December 2012 Enrollment and Admissions Report**  
Prepared by Clara Capron,  
Assistant Vice President for Enrollment and Student Services

Admissions preparations are well underway for fall 2013.

- Western Fall Welcome provided future Western students and high school counselors with opportunities to learn about Western and interact with current students and families on October 27. A total of 1,055 participants (293 students and 762 parents and other guests) enjoyed campus tours, application review sessions to help students write competitive applications, specialized workshops, and a campus fair showcasing academic and co-curricular options for all students.
- Admissions has nearly concluded 10 weeks of recruitment efforts at high schools and community colleges throughout the state of Washington, as well as in California, Oregon, Alaska, Nevada, Hawaii, Idaho, Montana, Colorado, Utah, Arizona, and New Mexico. Travel goals include providing a personal connection to Western, encouraging prospective students to complete their admissions applications, answering questions related to Western and our admissions processes, and exploring, creating, developing, and fostering relationships with high school counselors, parents, and future Western students.
- Western had a presence in the *Seattle Times* higher education special section, "On Course", which ran on October 28, 2012. In partnership with Extended

Education and Summer Programs, Admissions ads were viewed by hundreds of thousands of readers.

- In early November, a large e-mail communication campaign highlighted current events at Western, including new opportunities to virtually tour campus online, as well as news and exciting research being done by Western faculty and students.
- Surrounding the Thanksgiving holiday, a coordinated “Apply Now” campaign was deployed, touching thousands of prospective students through e-mails, postcards, and social media messaging.
- In addition to providing quarterly visits to recruit international students at our local feeder colleges, Admissions participates in the Seattle-area International Community College Transfer Fairs both fall and winter quarters, hosted by Edmonds, highline, North Seattle, South Seattle, Cascadia, Shoreline, Seattle Central, Green River, and Bellevue Colleges. International Connections Day, an on-campus visit program, was held on Friday, November 30, to provide both international students and advisors with an in-depth look at Western. In addition to regular virtual events that include participation by international students, Admissions has signed up for two College Week Live events that are specifically marketed to international students during fall and winter quarters.
- In a recent phoneathon held in late November, Admissions StARs (peer paraprofessionals) phoned 2,182 prospective students who had visited or otherwise expressed interest in Western to encourage them to complete their admissions applications and respond to any questions they had. Additional calls will be made to another 1,000 prospective students by the second week in December.

#### Winter 2013 Admissions Targets

- For Winter Quarter 2013, Admissions plans to enroll 40-50 freshman students and 300-325 transfer students. For sake of comparison, we enrolled 27 freshmen and 265 transfer students last Winter 2012.
- We are purposefully aiming as high as our pool will allow without sacrificing quality due to the slight (0.5%) decrease in FTE measured for Fall 2012 (13,836) compared to Fall 2011 (13,909) and a projected loss of 40+ FTE associated with PE activity classes going self-support.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Stephanie Bowers, Vice President for University Advancement and Executive Director, WWU Foundation

**DATE:** December 14, 2012

**SUBJECT:** Alumni Association Report

**PURPOSE:** Information Item

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**Purpose of Submittal:**

Provide an update to the Board on Alumni Relations activities.

**Supporting Information:**

- Chris Roselli and the Back2Bellingham team will present our efforts and results from the 2012 Back2Bellingham Reunion Weekend at the 2013 CASE Conference in Portland this February.
- The Alumni Association is focused on fostering the culture of philanthropy with students while they are at Western and exposing them to the benefits of the alumni association through a couple of new initiatives:
  - We launched the Student Alumni Membership program; 215 students joined since July 1, 2012
  - The "Get Your Blue On" Western Wednesday outreach has been extended to students. We now have student groups participating in the Traveling Goodies Basket program.
- One of the ways we measure alumni engagement with Western is through paid memberships in the Alumni Association. Results are positive:
  - Of the alumni who are AA members, **185** have donated since July 2012 a **14% increase** in donors from our AA Alumni member-donors over this time last year
  - Total memberships have **increased** by **23%** for a total of **3,416** from 2,771. (Oct. 2011 vs. Oct. 2012)
  - Since Aug. 1, 2012, more than 1,400 members have attended Alumni Association events and programs; many alumni show their satisfaction with the programs by joining or renewing during the events.
- We continue to see a steady rise in engagement with our alumni via social media and steady open rates for our email communications leading up to events.
  - Testing ActionSprout on Facebook to see if it helps increase reach of news and Western highlights. Results show a slight bump from previous social media efforts.
  - We're preparing to launch our Back2Bellingham 2013 marketing campaign, beginning with the February ad in Alaska Airlines/Horizon Airlines in-flight magazines.

**RECENT PROGRAMS:**

<b>Student Programming</b>	<b>Broad Based Alumni Programs</b>
	10/17-19 Harley Tat Reading on Campus
	10/24 WWU vs UW game and pre-game event—Sold out!
	10/25-28 WWU vs Duke game and events—Sold out!
	11/8 Exclusive Student Alumni Member Career Coffee
	11/15 Campaign Training—Seattle
	11/17 Wine Tasting at Medicine Creek Winery—Sold out!
	11/24 WWU Alumni at Zoolights, Pt. Defiance—Sold out!

**UPCOMING PROGRAMS:**

<b>Student Programming</b>	<b>Broad Based Alumni Programs</b>
On-going ASK! Promotion	12/6 Western in San Diego Networking Event
On-going GYBO/Western Wednesday events	1/10 CWU vs WWU pre-game event
	1/18 or 19 Alumni Event at Harley Tat's, Los Angeles
	1/22 Executive Committee meeting
12/13 Senior Celebration	1/26 Alumni Board of Directors Meeting—Wing Luke Museum
12/15 Graduation	1/26 Alumni Event & Reception—Wing Luke Museum
	1/30 "Don't End up Living in Your Parent's Basement" Career Networking Event
	1/31 Exclusive Student Alumni Member Bowling Event
	1/31 Larry Estrada Jr./TJ Martin Event—Rainer Club
	2/13-15 CASE Conference in Portland
	2/28 "Selected Shakespeare" pre-show reception--campus
	3/2 Curling in Canada
	3/13 Blind Wine Tasting with Campus Alumni & Members--campus
3/21 Senior Celebration	4/10 Rebecca Skloot, Western Reads author—PAC
3/23 Graduation	4/16 Executive Committee Meeting
	4/18 Student Alumni Member Coffee Hour with Employers prior to Career Fair—Campus
	4/19-28 Travel Program: Antebellum South Riverboat Cruise
	4/20 Alumni Board of Directors meeting
	4/20-28 Travel Program: Mediterranean Marvels
	5/16 Alumni Awards programs and dinner
	5/16-19 Back2Bellingham Alumni & Family Weekend
	5/18 Golden Vikings Brunch & Ceremony—Class of 1963

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Senior Vice President Eileen Coughlin

**DATE:** December 14, 2012

**SUBJECT:** **Auxiliary Capital Plan Update for University Residences**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

To provide the Board of Trustees with information regarding the capital plan for Western's housing and dining facilities. Capital plan updates are required every two years according to the Housing and Dining System's Board of Trustees approved Guiding Principles.

**Supporting Information:**

Detailed information is attached.

## **Auxiliary Capital Plan Update for University Residences December 2012**

This report responds to Principle D of the Board of Trustees Guiding Principles for the Western Washington University Housing and Dining System, adopted in 1994 and last revised in October 2010. Per the Principles, capital plan updates are provided to the Board every two years. The Auxiliary Capital Plan for University Residences was last presented to the Board of Trustees at the December 2010 meeting and a financing plan at the April 2009 meeting. In June 2009 the Board approved the bond sale for the new residence hall. Periodic updates on specific projects have been included as part of the Housing & Dining Mid-Year Report in February of each year.

The capital plan meets four goals:

- 1) Provide housing to support Western's current enrollment plan
- 2) Meet or exceed the Board of Trustees fiscal principles
- 3) Invest in infrastructure to ensure longevity, health and safety
- 4) Respond to changing student needs and expectations

The supply of campus housing beds meets the current enrollment plan for the University.

Increased demand is anticipated for new out-of-state students and growth in matriculated international students. Returning student demand for double occupancy rooms is expected to remain flat. As new student enrollment increases, space available for Western students returning from off campus and for Whatcom Community College students may be limited. Current capacity can accommodate housing 150-200 additional new students.

The capital plan expenditures are scheduled to assure that performance standards are met for the Board of Trustees' Guiding Principles. The principles cover operating fund balance, repair and replacement reserve, planned major maintenance, short- and long-term planning, adequate revenues, and consistent room occupancy. The plan envisions \$78 million of improvements over the next ten years. The Housing and Dining System can develop the capacity to bond approximately \$30 - \$35 million to construct additional beds if needed.

Projects in the plan invest in infrastructure to ensure longevity. The sprinkler and seismic projects will be completed by September 2016 (FY17). A building condition survey to identify future projects has been drafted, and the information is reflected in this update. Upgrades to hydronic heating systems in Ridgeway and Fairhaven are priorities.

Projects in the plan provide enhancements to respond to the changing needs of students and remain competitive as students make enrollment choices. These projects include room and bathroom renovations, window replacement, and dining renovations in addition to those scheduled as part of the ARAMARK dining contract investment.

Please find attached information on specific projects (Appendix A) and long-term projections and assumptions (Appendix B).

## Appendix A

### Project Descriptions FY 2013 to FY 2022, Estimates and Timing

(See attached chart, Planned Funding Sources of Projects, Appendix B)

#### **Seismic Upgrades**

Approximately \$952,000 of seismic upgrades is scheduled for Highland Hall Lounge and the Commissary Warehouse. These are the last two seismic upgrades recommended in the 1992 Dames and Moore report.

#### **Sprinklers**

Sprinkler installation project began in 2004, estimated at \$22 million. The attached chart reflects the plan to install sprinklers based on the August 2000 Residence Hall Fire Sprinkler Study by the Henry Klein Partnership. Sprinkler and alarm installation continues with Ridgeway Alpha. Edens North will be pulled out of the sprinkler schedule and is under active review for a comprehensive renovation or demolition/new construction. The final two buildings, Nash Hall and Ridgeway Kappa, are scheduled for 2014 and 2015 respectively. The alarm standard was modified to add voice annunciation capability to communicate with students more effectively during emergencies. The standard will be local until a centralized capability is added to the campus system. Project estimates are being reviewed and increased accordingly.

#### CAPITAL SPRINKLER PROJECTS

<u>Sprinkler Building</u>	<u>FY</u> <u>Scheduled</u>
Mathes Hall Phase 2	2012-14
Ridgeway Alpha	2013-14
Edens North	2013-14
Nash Hall	2014-15
Ridgeway Kappa	2015-16

#### **Other Projects:**

Initiate a contract for design consultants to study Edens North for a comprehensive renovation or demolition/build new residence hall project. Edens North is the oldest residential building (1956) and has not had a comprehensive renovation. The best value for dollars spent suggests that a renovation or new construction be given serious consideration. Preliminary internal estimates suggest that a renovation of the existing 111 bed building would be in the range of \$12 million; demolition and new construction for 150 beds would be \$22.5 million. Evaluation and design is scheduled to begin June 2013. Additional anticipated impacts on future room and board rates FY 2015-2021 would be in the range of 0.25% - 0.5%. The project has been tentatively scheduled to begin in June 2016 and open in September 2018. The schedule can be delayed if demand studies, financial market conditions, or other considerations suggest a later start date is more advantageous to the university.

Building infrastructure and Room Upgrades are planned in several buildings beginning FY16 and continuing through FY22. This work includes heating systems in Ridgeway and Fairhaven, and rooms, bathrooms, and window systems in all areas.

Funds have been set aside to add a retail food location and upgrade the concessions platform as part of the Carver Gym renovation, with planned construction during FY14 and FY15.

Edens Administrative Level is being redesigned to consolidate five service counters to one or two, and to incorporate offices for the ResTek staff that have been in remote locations for a number of years. Space in the Ridgeway Commons will be converted to residential service space, consolidated area desk and resident director offices, and study/recreational space.

## **Appendix B**

### **Long-Term Demand, Fiscal Projections, & Assumptions**

- Demand projections & ability to manage system occupancy
  - Demand projections take into account freshman class sizes and projected Washington high school graduation rates peaking in 2013.
  - Current or slightly increased enrollment levels to 2013.
  - In addition to using triples, students returning to campus and Whatcom Community College students are housed on a space available basis. The number of super single rooms is also adjusted each year depending on demand.
- Residence Hall rental rate increases
  - Assumptions for residence hall rate increases have been kept conservative, especially in later years of the Capital Plan, with 10-year projections in the 4.5 – 5.0% percent range.
- Apartment rental rate increases
  - Local Bellingham apartment rental rates have increased approximately 6-7% over the past two years. New apartment plat activity has increased over the past couple of years, and vacancy rates have risen over that same time period. Demand for Birnam Wood double occupancy apartments remains strong.
  - Birnam Wood has potential as faculty housing, particularly for new faculty who relocate over the summer and need short-term accommodations.
- General revenue & expense assumptions

The assumed growth rates for revenues and operating expenses in the fiscal projections average 3.62% and 3.59% respectively. The rate may increase to absorb construction costs if they begin to rise as the economy recovers and to provide additional institutional support through the Administrative Services Assessment fee or the Facilities Management Department recharge rate.

**PLANNED FUNDING SOURCES OF PROJECTS: WWU Housing and Dining System**

<b>Bond-Funded</b>		Est. in Millions <sup>1</sup>	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Edens North Renovation or Rebuild <sup>2</sup>		\$12.2 - \$22.5										
<b>Cash-Funded</b>		Est. in Millions <sup>1</sup>	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
Retail Food Platforms (Carver Gym Retail)		\$ 0.75										
Ridgeway Beta sprinklers, upgrade rooms (Phase 2)		\$ 2.0										
Data Switches & Wireless Infrastructure (Phase 2)		\$ 0.4										
Ridgeway Upgrades & Sprinklers <sup>3</sup>		\$ 13.2										
Seismic - Various Bldgs <sup>4</sup>		\$ 0.7										
Anticipated Infrastructure Upgrades <sup>5</sup>		\$ 46.0										
Sprinklers - Various Buildings <sup>6</sup>		\$ 11.3										
Dining Commons Kitchen Renovations		\$ 2.1										
Other projects (smaller capital projects, Viking Union)		\$ 1.7										
<b>Total Cash-Funded</b>		<b>\$ 78.2</b>										

**Notes:**

- (1) Project costs are escalated to future dollars.
- (2) Bond size varies based on whether the Edens North project is a renovation with existing capacity, or a re-build with additional capacity.
- (3) Ridgeway upgrades will be completed building by building over time, and will include sprinklers, seismic, abatement, electrical, lighting and other upgrades (RA, RG, RK)
- (4) Seismic work already completed from 1995-2009 exceeds \$2.5 million. Remaining work is in Highland Lounge and Commissary Warehouse.
- (5) Upgrades to various buildings include building heating systems, room and bathroom renovations, window replacements
- (6) Remaining buildings for sprinklers are: Mathes, Nash. Remaining Ridgeway sprinkling is included in separate major capital projects for those buildings (e.g. infrastructure upgrades). All Highland Hall rooms have ground level access and will not be sprinkled.



## Capital Program Report

Board of Trustees

December 14, 2012

### **MAJOR/INTERMEDIATE CAPITAL PROJECTS**

- **Carver Academic Renovation**

The Carver Academic Renovation project is nearing completion of the design development phase. The consultants are scheduled to submit the documents to Western on December 21, 2012 for review. During the design development phase the design team has been meeting with the University's project representatives to integrate building systems (e.g. mechanical, electrical, data, and telecom) and to further develop individual room information regarding user functions.

For Preconstruction Services, Mortenson Construction contracted with VECA Electrical as the Electrical Contractor/Construction Manager (EC/CM), and Diamond B Mechanical as the Mechanical Contractor/Construction Manager (MC/CM). The EC/CM and MC/CM are reviewing the electrical and mechanical designs, offering constructability suggestions, and providing updated cost information.

Following review and approval of the design development documents, the project will begin the construction document phase. Construction is planned to start mid-2013 and for completion by late-2014/early-2015, but is dependent upon state funding.

- **Fraser Hall Renovation**

Bids were received from seven general contractors on November 21, 2012. Dawson Construction, Bellingham, WA is the apparent low bidder and the construction contract will be presented at the December 2012 Board of Trustees meeting for approval. Construction will begin winter quarter 2013 and be complete by fall quarter 2013.

- **Classroom and Lab Upgrades – Phase 1**

This project has been completed. Work included: hazardous materials abatement; new lecture podium systems with computer, video and projection equipment; projection screens; whiteboards; modifications to doors, walls and ceilings; new flooring, ceilings and acoustical wall treatments; modifications to mechanical and electrical systems; and updated furnishings in some rooms.

For more information about the major projects, the Capital Program, and the Capital Planning Process, visit the Office of Facilities Development and Capital Budget website:

<http://www.wvu.edu/wwuarchitect/>.

# WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Stephanie Bowers, Vice President for University Advancement and Executive Director, WWU Foundation

**DATE:** December 14, 2012

**SUBJECT:** **Development Report**

**PURPOSE:** Information Item

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## **Purpose of Submittal:**

Provide an update to the Board on Western Washington University Foundation activities.

## **Supporting Information:**

### **OFFICE OF DEVELOPMENT**

- The “Western Stands for Washington” campaign gift commitments are in excess of \$16.3 million since July 1, 2011. Members of the Foundation and Alumni Boards participated in a campaign messaging training session in November to become better versed in the main tenants of the campaign.
- The 2012 Bellingham Business Forum lunch set a new record for fundraising by generating more than \$32,000 for student scholarships. The twelfth consecutive sell-out audience enjoyed a keynote from alumna, Foundation Board member and WWU parent Julie Larson-Green, who days earlier, was named President of the Windows division of Microsoft.
- Jim Sinegal, co-founder of Costco, will be the speaker at the spring Seattle Business Forum, scheduled for Friday, April 26, 2013 at the Seattle Sheraton.
- We are pleased to announce new members of the Foundation Governing Board:
  - Scott Harrington ('98), Group Accounting Manager at Microsoft
  - Dan McConnell, President & Chief Strategist at DMCPR
  - Scott Houghton ('84), SVP & GM, Field Operations at Open-Silicon Inc.
  - Robin Russell ('81), Senior Client Advisor/Director at Laird Norton Tyee
  - Jack Cullen ('73), Attorney/Partner at Foster Pepper

- We have hired Dana Carr, Program Assistant for Special Events, and Steffany Kraft, Program Assistant for Development and Leadership Gifts. We are searching for a research assistant and a major gift officer for the College of Business and Economics.

### **Gifts and Commitments of Note**

- A gift of \$15,000 from Peoples Bank to add to their scholarship endowment to support the College of Business and Economics.
- A gift of \$15,000 from The Norcliffe Foundation in support of the Western Gallery and the Bagley Wright Memorial Fund for Sculpture Preservation.
- A gift of \$40,000 as part of their campaign commitment from Dave and Ann Mann to expand their scholarships for Woodring students.
- A gift of \$10,000 from The Seattle Foundation to support scholarships.
- A gift of \$36,000 from Ingersoll-Rand Company in support of the Institute for Energy Studies (operating support).
- A gift of \$25,000 from Frank and Mary King to support athletic scholarships.
- A gift of \$250,000 from David and Denise Cole as part of their campaign commitment to begin the David Cole Professorship in Entrepreneurship
- \$434,061 from the estate of Liz Balas to support Women's Basketball scholarships.
- A commitment of \$20,000 from Rod Roth to create a new endowment supporting an internship program in Plastics Engineering Technology.
- A commitment of \$140,000 with an initial gift of \$10,000 from Paul and Suzanne Merriman to support a new program in Personal/Micro Economics and Finance for the College of Business and Economics.
- A gift of \$100,000 from Jane and Stowe Talbott for special projects in the Dean's office at Huxley College of the Environment.
- A bequest intention of \$600,000 from Margaret and Michael Town to support a professorship of Conservation Policy (if funds allow) for Huxley College of the Environment.

### **Upcoming Events**

- February 12 or 13: Seattle-area scholarship lunch
- February 26 and 27, and March 12 and 13: Bellingham-area scholarship events
- April 26: Seattle Business Forum featuring Jim Sinegal as the keynote speaker

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Catherine Riordan, Provost & Vice President for Academic Affairs

**DATE:** December 14, 2012

**SUBJECT:** **2nd Year Survey Report**

**PURPOSE:** Information Item

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Per John Krieg, Office of Survey Research:

As you may know, Western's Office of Survey Research conducts an annual survey of native freshmen and running start students who are completing their second year on campus. Conducted in conjunction with the Vice Provost for Undergraduate Education, the purpose of this survey is to shed light on issues relating to the university's first year and GUR programs, advising, major choice, and student satisfaction. As with all OSR's surveys, we also open the 2nd year survey up to university offices and departments for assessment and accreditation purposes.

This survey consists of open ended, multiple choice, and numerical response questions. All 2,182 continuing students who were native freshmen in the fall of 2010 were asked to participate. OSR received responses from 1,443 students, a response rate of 66.1%.

The attached document contains descriptive statistics on every question asked within the survey. If you need clarification, more information, or want to participate in our surveying efforts, please contact me.

While I leave it to the reader to choose what is most interesting about the survey, here I list a few things that caught my attention.

- Eighty-seven percent of students claimed to be "satisfied" or "very satisfied" with Western, a number similar to prior years.
- Interestingly, 65% of students claimed they were "very unlikely" to leave Western prior to graduation, an increase over the prior year of five percentage points.

However, both of these statistics are marginally lower than the second year responses to the 2010 survey when 91% of students were satisfied with their Western experience and 66% were unlikely to leave.

In order to gauge the difficulty of registering for courses, students > were asked how many classes which they wanted to take in the spring quarter were full. 64% of respondents were unable to take at least one class because it was full.

Of students who had yet to declare a major, 62% were certain of what their major would be and a further 30% had "some idea" of what they would study. When asked what delayed their major declaration, students most frequently responded that they needed more courses in order to declare or they were not sure about which major to declare. Very few students cited inadequate academic advising as causing their delay.

When asked about General Education courses, one-half of students replied that GURs were about a difficult as expected with equal numbers of students claiming they were easier or harder than expected.

Sadly, only 8% of students strongly agreed that "Taking GUR courses gives me useful skills" and 19% strongly agreed that "completing courses in a broad range of disciplines is something I would choose to do myself even if it were not required." About half of respondents demonstrated a positive level of satisfaction with the size and structure of GUR courses and 58% of students were positively satisfied with the quality of instruction in their GUR courses; a number slightly higher than the prior year.

Over the entire academic year, 36% of students claim they did not write a single paper longer than 5 pages and 56% claimed to write between one and four such papers. This lack of writing experience may explain why only 15% of students are "very satisfied" with the writing skills they have developed

Of all respondents, 41% did not work for pay during the quarter; the average hours worked per week of all students was 8.4 hours, up from 6.9 the year before. Fifty-seven percent of respondents claimed that they or someone else on their behalf has borrowed money to fund their education. Of those that have borrowed, the average education debt to date was \$16,583 an increase of 10.2% over the respondents from the prior year. Of this amount, respondents averaged \$488 in education-related credit card debt. Three-fifths of students expect to borrow more to complete their Western education.

**SPRING 2012 FOLLOW-UP SURVEY OF FRESHMEN WHO ENTERED WESTERN IN FALL OF 2010 – DESCRIPTIVE STATISTICS – Report 2012-04**

<http://www.wvu.edu/osr/documents/2ndYearReport2012FINAL.pdf>

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees  
**FROM:** President Bruce Shepard by Provost Catherine Riordan  
**DATE:** December 14, 2012  
**SUBJECT:** The Essential Learning Outcomes  
**PURPOSE:** Information Item

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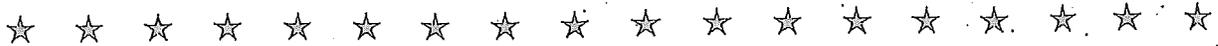
**Purpose of Submittal:**

FYI Only

This was an Information Item at the October 12, 2012 Board of Trustees Meeting. Some people were unable to open attachment.

FIGURE 1

# The Essential Learning Outcomes



Beginning in school, and continuing at successively higher levels across their collegé studies, students should prepare for twenty-first-century challenges by gaining:

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★ **Knowledge of Human Cultures and the Physical and Natural World**

- Through study in the sciences and mathematics, social sciences, humanities, histories, languages, and the arts

*Focused by engagement with big questions, both contemporary and enduring*

---

★ **Intellectual and Practical Skills, including**

- Inquiry and analysis
- Critical and creative thinking
- Written and oral communication
- Quantitative literacy
- Information literacy
- Teamwork and problem solving

*Practiced extensively, across the curriculum, in the context of progressively more challenging problems, projects, and standards for performance*

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★ **Personal and Social Responsibility, including**

- Civic knowledge and engagement—local and global
- Intercultural knowledge and competence
- Ethical reasoning and action
- Foundations and skills for lifelong learning

*Anchored through active involvement with diverse communities and real-world challenges*

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★ **Integrative and Applied Learning, including**

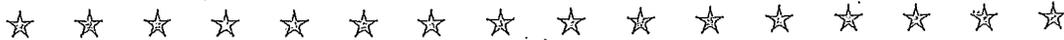
- Synthesis and advanced accomplishment across general and specialized studies

*Demonstrated through the application of knowledge, skills, and responsibilities to new settings and complex problems*

**Note:** This listing was developed through a multiyear dialogue with hundreds of colleges and universities about needed goals for student learning; analysis of a long series of recommendations and reports from the business community; and analysis of the accreditation requirements for engineering, business, nursing, and teacher education. The findings are documented in previous publications of the Association of American Colleges and Universities: *College Learning for the New Global Century* (2007) and *The LEAP Vision for Learning* (2011). For more information, see [www.aacu.org/leap](http://www.aacu.org/leap).

FIGURE 2

## *Percentage of Employers Who Want Colleges to "Place More Emphasis" on Essential Learning Outcomes*



### ★ Knowledge of Human Cultures and the Physical and Natural World

◦ Science and technology	70%
◦ Global issues	67%*
◦ The role of the United States in the world	57%
◦ Cultural diversity in the United States and other countries	57%
◦ Civic knowledge, participation, and engagement	52%*

---

### ★ Intellectual and Practical Skills

◦ Written and oral communication	89%
◦ Critical thinking and analytic reasoning	81%
◦ Complex problem solving	75%
◦ Teamwork skills in diverse groups	71%*
◦ Creativity and innovation	70%
◦ Information literacy	68%
◦ Quantitative reasoning	63%

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### ★ Personal and Social Responsibility

◦ Ethical decision making	75%
◦ Intercultural competence (teamwork in diverse groups)	71%*
◦ Intercultural knowledge (global issues)	67%*
◦ Civic knowledge, participation, and engagement	52%*

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### ★ Integrative and Applied Learning

◦ Applied knowledge in real-world settings	79%
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Note: These findings are taken from *Raising the Bar: Employers' Views on College Learning in the Wake of the Economic Downturn*, a survey of employers conducted for AAC&U by Hart Research Associates and published in 2010. For a full report on this survey and related employer findings, see [www.aacu.org/leap](http://www.aacu.org/leap).

\*Starred items are shown in multiple learning outcome categories because they apply to more than one.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by:  
Senior Vice President Eileen Coughlin, Enrollment and Student Services /  
Vice President Richard Van Den Hul, Business and Financial Affairs

**DATE:** December 14, 2012

**SUBJECT:** **Student Right-to-Know and Clery Act**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

Provide the Board of Trustees with information regarding Western Washington University's compliance with the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act.

**Western Washington University  
Security and Fire Safety Report Update**

**December 2012**

Background: In November 1990, the Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (referred to as the "Clery Act") was signed into law. As a result, all institutions participating in federal student aid programs are required to:

- Prepare and distribute an annual security and fire safety report to all members of the campus community (<http://www.wvu.edu/vpsa/asr.shtml>) which sets forth the law enforcement authority of campus police, includes information on where and how crimes should be reported, and discloses three years worth of crime statistics, arrests and disciplinary referrals for the campus, areas immediately adjacent to or running through the campus, and certain non-campus facilities including leased housing and remote classrooms; and
- Provide timely warning to the campus community of crimes which may pose a threat to the safety and/or welfare of students and employees.

In 2011, the Western Alert System, through which timely warnings are conveyed, was utilized on three occasions to send messages to the campus community regarding safety concerns and four times to issue inclement weather warnings. The system is also tested on a quarterly basis.

Security and Fire Safety Report: All information that Western is required to distribute annually to the campus community under state and/or federal mandates is compiled into one publication, the Security and Fire Safety Report. Published each fall, the report includes educational materials, key policies and procedures, resources for students and employees, and an annual summary of campus crime and residence hall fire statistics.

- The Clery Act specifies the crimes/violations that are to be published. These are reflected in the 2011-2012 Security and Fire Safety Report, on pages 13 and 14.

Campus Security Authorities: Staff members who have “significant responsibility for student and campus activities” are required to document any Clery Act-designated crime reported to them for inclusion in Western’s annual campus crime statistics. Western has identified 52 staff members whose positions fall under the Department of Education’s definition of campus security authorities (CSAs). Reports submitted by CSAs are forwarded to University Police for follow-up and verification.

#### Notable Changes in Crime Statistics in 2011:

- The two reported “Forcible Sex Offenses” were acquaintance encounters that were investigated and referred to the Whatcom County Prosecutor. Formal charges were not filed in either incident.
- In 2010 arrests for liquor law violations were reported at 96, in large part due to the University Police participating in joint party patrols with the City of Bellingham Police. The statistical category of arrests “On Adjacent Public Property” was incorrectly interpreted, resulting in the over-reporting of 52 arrests in that category. Those arrests, although made by University Police officers, should have been reported only through the Bellingham Police Department as those incidents took place totally within their jurisdictional boundaries. That corrected number, 44, will be submitted through the Department of Education’s reporting site.

In 2011, the reported number of arrests for liquor law violations was 66, which is comparable to the corrected number of 44 for 2010.

The number of “On Campus” liquor law arrests increased from 44 in 2010 to 56 in 2011.

- Disciplinary referrals for drug-related violations increased significantly, from 83 in 2010 to 170 in 2011. Similarly, arrests for drug related violations increased, from 19 in 2010 to 40 in 2011. Both increases reflected an apparent increase in marijuana usage.

**WESTERN WASHINGTON UNIVERSITY  
ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Steve Swan, V.P. for University Relations

**DATE:** December 14, 2012

**SUBJECT:** **University Relations Report**

**PURPOSE:** Information Item

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**Purpose of Submittal:**

A written report is provided on the recent activities of University Relations.

**Supporting Information:**

Report Attached

**WESTERN WASHINGTON UNIVERSITY  
OFFICE OF THE VICE PRESIDENT FOR UNIVERSITY RELATIONS**

**REPORT FROM THE VICE PRESIDENT TO THE BOARD OF TRUSTEES**

**GOVERNMENT RELATIONS**

State Relations

The Office of Government Relations has been working to try to find support for our 2013-15 Operating Budget Decision Packages and our 2013-15 Capital Budget request. Bruce and others members of the WWU leadership team have been meeting with legislators, staff and interested business leaders seeking support for our initiatives. We have been working closely with the other four year institutions in developing a unified approach to the session based on reinvesting in higher education.

We have had a number of legislators and legislative staff visitors to campus and have been meeting legislators in their legislative districts. With the election finally over, we are starting to learn who will be on the Legislative Committees and who will be in leadership positions. We are also attempting to meet some of the newly elected legislators.

The main issues of the upcoming session will be finding the funding to meet the court mandate to fully fund K-12. We will be working to have all of education be part of the agenda for reinvesting in education. It appears that the session will start with a deficit of somewhere close to \$1 Billion and we expect it to be another very challenging session for WWU and higher education.

**UNIVERSITY RELATIONS**

Economic Development

Behind the leadership of Executive Director Peggy Zoro, the Northwest Economic Council (NWECC) is migrating from a practitioner organization in economic development to one which will play an enhanced role in policy development, process and procedure through a merger into the Whatcom County Council of Governments (WCOG). This shift is significant as it is another step in the process to create greater efficiencies and improved outcomes in economic development in the county.

Among the efficiencies is the previously announced decision by Western to close the doors of its Center for Economic Vitality effective December 31, 2012. The improved outcomes include adding the existing board of directors of the NWECC under the WCOG umbrella. As such it would assume a codified responsibility for the process of implementing the outcomes of the Whatcom Futures Project, which was co-chaired by Western Trustee Sue Sharpe, into the updating of the Whatcom County Comprehensive Economic Development Strategy. The NWECC BOD will then make recommendations in updating CEDS goals and strategies which will lead to the identification of specific

economic development projects that will be included in the CEDS Project List. The NWECC BOD will then review, and make recommendations on potential projects from the CEDS Project list that could receive funding from the Whatcom County Economic Development Investment Fund. The NWECC BOD will also be responsible for gathering and assessing outcomes of its work in this new process.

In addition to Trustees Zoro and Sharpe, Western VP Steve Swan and CBE Dean Brian Burton helped to draft the proposed changes. The WCOG Board will take final action on the proposed changes at its meeting on December 12<sup>th</sup>.

#### Print and Copy Services

Effective January 2, 2013, Western will eliminate the printing operations in its Print and Copy Services. This action will result in the elimination of 1.6 FTE in that operation.

#### Western Window

As was announced earlier, The Western Window television show is now being shown on KVOS-TV throughout Western Washington. A scheduling change has been made by KVOS-TV and the show will now be shown on Saturdays at 11 a.m.

KVOS, which is affiliated with MeTV, is carried via Comcast from Seattle through Bellingham and on Direct TV from Seattle through Olympia. The students who produce this show are part of an internship program in Fairhaven College and produce one show per month. Previous shows are recycled to fill the monthly schedule.

#### Waterfront Development

Review of the draft Subarea Plan document for the Bellingham Waterfront Development by the Waterfront Advisory Group (WAG) took place during public meetings on November 28<sup>th</sup> and December 6<sup>th</sup>. VP Steve Swan represents Western on the WAG.

Changes recommended by the WAG will be incorporated into the Subarea Plan and forwarded to the City of Bellingham Planning Commission early next year for its review, public comment and approval. The document will then be forwarded to the COB City Council and to the POB Commissioners in the Spring of 2013 for final review and approval.

## **OFFICE OF COMMUNICATIONS AND MARKETING**

Our skilled professionals worked hard on a wide range of online, print, social media, video and graphic design communications and marketing, which included:

- Our latest edition of [Window magazine](#) just arrived, with a story about an Anthropology alumnus who uses his skills to help the military locate and identify the remains of POW/MIAs, a short profile of opera star and Western alumna Heidi Grant-Murphy, and a look inside Western's Speech-Language-Hearing Clinic. **Mary Gallagher** is the editor of Window.
- Our staff successfully placed a number of stories in the media, including a [KING 5 story on Western's Compass 2 Campus program](#), highlighting the Oct. 23 campus tour day. Other media also covered the tour day as well. Also, the Bellingham Herald ran a front page story about [Julie Larson-Green, Western alumna](#) and recently named president of Microsoft's Windows division, who was

- the keynote speaker at Western's Bellingham Business Forum. The story also ran in the Tacoma News Tribune.
- The office assisted in the campus wide test of the [Western Alert emergency notification system](#) on Oct. 18. The test and delivery of messages was a success. Western conducts such tests twice a year. Also, we've been working with Human Resources and Facilities Management to be proactive in disseminating information about our policies and procedures – including messaging – regarding weather closures. Additionally, New Media Coordinator **Matthew Anderson** updated our [weather information website](#) to reflect these changes.
  - Assistant director and marketing manager **John Thompson** is leading a comprehensive rebuild of the Office of Communications and Marketing website, in order for the website to be more user friendly for the campus and descriptive of our services.
  - Booking **faculty speakers** by **Pam Smith** through [Western's Speakers Bureau](#). Pam Smith also was instrumental in the successful move for our office within Old Main.
  - Completion of **graphic design projects** by **Chris Baker** and **Derek Bryson** with many campus offices, including Admissions (such as print ad and three online flash ads for the Seattle Times special higher education publication), Extended Education, Athletics, the College of Business and Economics, International Studies, Office of Sustainability, Human Resources and the Campus Directory.



**FINANCIAL STATEMENTS**

**AND**

**REQUIRED SUPPLEMENTAL  
INFORMATION**

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November 8, 2012

Peggy Zoro, Chair  
Board of Trustees  
Western Washington University  
Bellingham, WA 98225

Dear Chair Zoro:

We are pleased to submit the Annual Financial Report of Western Washington University. The accounts of the University are maintained in accordance with policies and regulations established by Washington State and its Office of Financial Management. This report has been prepared in accordance with generally accepted accounting principles and following the guidance of the Governmental Accounting Standards Board.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The Washington State Auditors' Office has issued an unqualified (clean) opinion on the Western Washington University financial statements for the year ended June 30, 2012. This opinion is included in the independent auditor's report.

Management's discussion and analysis, located at the front of the financial section of this report, provides a narrative introduction, overview, and analysis of the basic financial statements. Western Washington University is recognized nationwide as a premier public comprehensive university. Western Washington University is the highest-ranking public, master's-granting university in the Pacific Northwest, according to the 2012 U.S. News & World Report college rankings. Western's national academic reputation, excellent faculty, as well as its prime location, make it an institution "in demand", factors which will continue to help it weather the current economic challenges.

Sincerely,



Bruce Shepard  
President



Richard Van Den Hul  
Vice President for Business and Financial Affairs

***BOARD OF TRUSTEES\****

Peggy Zoro, Chair  
Karen Lee, Vice Chair  
Betti Fujikado, Secretary  
Joseph Meyer, Student Trustee  
Phil Sharpe, Jr.  
Dick Thompson  
Dennis Madsen  
Ralph Munro

***ADMINISTRATIVE OFFICERS***

Bruce Shepard, President  
Catherine Riordan, Provost and Vice President for Academic Affairs  
Eileen V. Coughlin, Senior Vice President for Enrollment and Student Services  
Richard Van Den Hul, Vice President for Business and Financial Affairs  
Steve Swan, Vice President for University Relations  
Stephanie Bowers, Vice President for University Advancement  
Brian Sullivan, Assistant Vice President for Business and Financial Affairs  
Teresa Mroczkiewicz, Director, Financial Services  
Michael Ulrich, Accounting Manager, Accounting Services

\*as of Independent Auditors' report date

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

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University (the University) for the years ended June 30, 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.

**Reporting Entity**

The University is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. One of the members is a full-time student of the University. The University was established in 1893 and currently has approximately 15,000 full-time and part-time students.

Located on the shores of Bellingham Bay with Mount Baker as its backdrop, Bellingham is the last major city before the Washington coastline meets the Canadian border. The City of Bellingham, which serves as the county seat of Whatcom County, is at the center of a uniquely picturesque area offering a rich variety of recreational, cultural, educational and economic activities.

**Using the Financial Statements**

The University's financial reports include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the Notes to the Financial Statements. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements include all funds.

**Statements of Net Position**

The Statements of Net Position present the financial condition of the University at the end of the last three fiscal years and report all assets and liabilities of the University.

A summarized comparison of the University's assets, liabilities and net position as of June 30, 2012, 2011 and 2010, follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(Dollars in thousands)</i>		
<b>Assets</b>			
Current assets	\$77,346	\$61,660	\$81,794
Noncurrent assets	46,606	52,958	34,627
Capital assets, net	<u>442,253</u>	<u>435,638</u>	<u>413,200</u>
Total assets	<u>566,205</u>	<u>550,256</u>	<u>529,621</u>
<b>Liabilities</b>			
Current liabilities	30,634	31,323	36,046
Noncurrent liabilities	<u>84,133</u>	<u>82,020</u>	<u>83,786</u>
Total liabilities	<u>114,767</u>	<u>113,343</u>	<u>119,832</u>
<b>Total net position</b>	<u><u>\$451,438</u></u>	<u><u>\$436,913</u></u>	<u><u>\$409,789</u></u>

### Assets

Current assets consist primarily of cash and cash equivalents, short-term investments, funds held with the State Treasurer, and accounts receivable from students. The \$15.7 million (25.4%) increase in total current assets during fiscal 2012 compared to fiscal 2011 is primarily due to an increase of \$7.1 million (20.8%) in current cash and cash equivalents as a result of maturing investments coupled with increases of \$3.9 million (79.4%) in Funds with the State Treasurer and \$4.4 million (27.2%) in short-term investments. The increase in Funds with the State Treasurer is attributable to the remaining unspent \$2.7 million in Certificate of Participation (COP) funding to be used to fund an energy savings capital project during the next fiscal year. The increase in short-term investments is due to the change in maturities. The \$20.1 million (-24.6%) decrease in total current assets during fiscal 2011 compared to fiscal 2010 is primarily due to a reduction in cash and cash equivalents of \$16.2 million (-32.2%), used in fiscal 2011 to purchase investments.

Noncurrent assets (excluding capital assets) decreased \$6.4 million (-12.0%) when comparing fiscal 2012 to fiscal 2011 due to changes in restricted cash and cash equivalents offset by changes in restricted and long-term investments. The decrease of \$1.7 million (-53.7%) in restricted cash and cash equivalents is due to spending down the remaining \$2.1 million 2009 bond funds paired with increases in restricted cash and cash equivalents from the Student Recreation Center's renewal and replacement fund and additional bond proceeds from the Revenue and Refunding Series 2012 issuance. Noncurrent assets (excluding capital assets) increased \$18.3 million (52.9%) in fiscal 2011 over fiscal 2010 primarily due to the increase in long-term restricted and unrestricted investments offset by decreases in cash and cash equivalents and the amount due from State Treasurer. The increase in long-term restricted and unrestricted investments was due to purchases of U.S. Treasury and Agency Securities. The change in the amount due from the State Treasurer is attributable to an increase in capital expenditures that occurred at the end of fiscal 2010 with cash requested in fiscal 2011. Restricted cash and cash equivalents decreased \$3.8 million (-54.6%) in fiscal 2011 primarily due to spending \$4.0 million of the remaining amount of the \$14.3 million in Housing and Dining System 2009 revenue bond proceeds.

Growth in total net position over the last three fiscal years is due to the continuation of the University's capital program and an increase in investments and cash and cash equivalents. Capital assets grew in fiscal 2012 by \$6.6 million (1.5%) as a result of the capitalization of the completion of the Buchanan Towers addition and the Miller Hall renovation along with the beginning of the Carver Gymnasium remodel. Capital assets grew in fiscal 2011 by \$22.4 million (5.4%) when compared to fiscal 2010, primarily due to the capitalization of work performed on the Miller Hall renovation and the Buchanan Towers remodel.

### Liabilities

The excess of current assets over current liabilities of \$41.9 million in fiscal 2012 and \$30.3 million in fiscal 2011 reflects the continuing ability of the University to meet its short-term obligations with liquid or easily liquidated assets. Current liabilities decreased \$689 thousand (-2.2%) when comparing fiscal 2012 to fiscal 2011 primarily due to the decrease in accounts payable and accrued liabilities of \$656 thousand (-6.2%). Current liabilities decreased \$4.7 million (-13.1%) comparing fiscal 2011 to fiscal 2010 due to the payment of capital expenditure invoices recorded at fiscal 2010 year end. Deferred revenues increased in fiscal 2012 by \$308 thousand (4.9%) when compared to fiscal 2011 due to a 16.0% summer session undergraduate tuition increase and the implementation of a specialized grant module in the University's financial system, allowing for more accurate recording of deferred grant revenue. Deferred revenues increased \$826 thousand (15.3%) when comparing fiscal 2011 to fiscal 2010 due to a 14.0% increase in summer session undergraduate tuition and an enrollment increase of over 2.0%. The current portion of bonds and notes payable decreased \$377 thousand (-10.4%) due to the current refunding of the Recreation Center's revenue bonds series 2002 and the addition of a State Certificate of Participation to fund an energy savings capital project. In April 2012, the University issued Revenue and Refunding Bonds Series 2012 to refund the Recreation Center's revenue bonds series 2002. The series 2012 bonds do not have a current portion due during the next fiscal year as part of the debt service savings. The current portion of bonds and notes payable increased slightly by \$150 thousand (4.3%) when comparing fiscal 2011 to fiscal 2010 due to the addition of two State Certificates of Participation to fund equipment purchases in Athletics.

Long-term liabilities increased \$2.1 million (2.6%) when comparing fiscal 2012 to fiscal 2011 due to a net increase in bonds and notes payable and a \$1.3 million (31.5%) increase in unfunded net pension obligation to certain state employees based on the estimated State Actuarial valuation of the plan. The net increase in bonds and notes payable includes the addition of a \$3.0 million State Certificate of Participation to fund an energy savings capital project and net savings of \$1.9 million in refunding outstanding Student Recreation Center bonds offset by \$1.1 million in additional bond funds to be used for development of the Multipurpose Field capital project in fiscal 2013 and 2014. Long-term liabilities decreased \$1.8 million (-2.1%) when comparing fiscal 2011 to fiscal 2010 due to the retirement of \$3.6 million in bonds and notes

payable offset by an increase of \$1.3 million to the unfunded net pension obligation and the addition of \$450 thousand in new notes payable to fund equipment in the Athletic Department.

**Net Position**

The difference between total assets and total liabilities is net position, or equity. The change in net position measures whether the overall financial condition has improved or deteriorated during the year. The net position is reported in the following categories:

*Net Investment in Capital Assets* – The University’s total investments in property, plant equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

*Restricted:*

- Nonexpendable consists of funds on which the donor or other external party has imposed the restriction that the corpus is not available for expenditures but for investment purposes only.
- Expendable are resources which the University is legally or contractually obligated to spend in accordance with time or purpose restrictions placed upon them by donors or other external parties.

*Unrestricted*– All remaining funds available to the institution for any purpose, although these are often internally designated for specific purposes.

The University’s net position as of June 30, 2012, 2011 and 2010 are summarized as follows:

	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<i>(Dollars in thousands)</i>		
<b>Net Position</b>			
Net investment in capital assets	\$361,803	\$357,815	\$336,630
Restricted:			
Nonexpendable	4,629	4,629	4,629
Expendable	29,460	24,391	26,321
Unrestricted	<u>55,546</u>	<u>50,078</u>	<u>42,209</u>
Total net position	<u>\$451,438</u>	<u>\$436,913</u>	<u>\$409,789</u>

Net investment in capital assets increased \$4.0 million (1.1%) in fiscal 2012 when compared to fiscal 2011 due to the completions of the Buchanan Towers addition and the Miller Hall renovation and increases to construction in progress for various new capital projects, offset by an increase of \$856 thousand (1.1%) in long-term debt. Net investment in capital assets increased \$21.2 million (6.3%) when comparing fiscal 2011 to fiscal 2010 due to increases in construction in progress for the Miller Hall and Buchanan Towers renovations, along with a reduction in long-term debt from principal payments.

Restricted nonexpendable includes donations and matching State contributions for the purpose of establishing distinguished professorships and graduate fellowships. When comparing fiscal 2012 to fiscal 2011 and fiscal 2011 to fiscal 2010, there were no changes to restricted nonexpendable net position as no new additions to endowments were received.

Restricted expendable increased \$5.1 million (20.8%) in fiscal 2012 compared to fiscal 2011, primarily due to a \$3.8 million (79.4%) increase in Funds with the State Treasurer and a \$1.2 million (9.3%) increase in the institutional financial aid fund, which is collected as a part of tuition. The increase in Funds with the State Treasurer is primarily due to funds held on behalf of the University to fund a capital energy savings project. Restricted expendable decreased \$1.9 million (-7.3%) when comparing fiscal 2011 to fiscal 2010 due to a decrease in funds held by the State Treasurer, offset by increases to student loan funds and grants. The State Permanent Funds represents the University’s share of net earnings of the Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects.

Unrestricted increased \$5.5 million (10.9%) when comparing fiscal 2012 to fiscal 2011 due to increases in tuition and fees, Housing & Dining capital reserves, and administrative overhead revenue generated by the Carver Gym project. Unrestricted increased \$7.9 million (18.6%) in fiscal 2011 over fiscal 2010 due to increases in tuition, Housing and Dining capital plan reserves, investment gains on endowments and other program fees.

### **Capital Improvements and Related Debt**

During fiscal 2012 and fiscal 2011, \$16.7 million and \$35.8 million (excluding library materials and equipment) respectively, were expended on capital improvements compared to \$40.1 million in fiscal 2010. Of the \$16.7 million in capital improvements, \$3.8 million was expended on the completion of the Miller Hall building remodel, \$2.7 million on the completion of the Buchanan Towers renovations, \$5.6 million on Housing & Dining residence facilities, and \$1.7 million on the Carver Gym renovation. In addition to the \$16.7 million, the dining contract with Aramark provides a financial commitment up to \$7.3 million in dining area improvements. During fiscal 2012, the financial commitment was valued at \$4.3 million in capitalized improvements. Also, the Western Washington University Foundation provided a gift in kind of \$1.1 million with capital improvements to the women's Softball Field. In fiscal 2010, \$40.1 million (excluding library materials and equipment) was expended on capital improvements; \$18.2 million on the Miller hall building remodel, \$9.3 million on the Buchanan Towers renovation, \$3.9 million on the Chemistry Building addition, \$1.2 million on the Fairhaven Fire Sprinkler project, and \$972 thousand on the Haggard Hall/Wilson Library renovation.

Specific projects completed or underway in fiscal 2012 include:

*Buchanan Towers Addition.* A 105-bed, 37,000 square feet addition was constructed on the east side of the Buchanan Towers building. The project was designed with principles of day lighting and natural ventilation to achieve a USGBC LEED Silver and possibly Gold rating.

*Miller Hall Renovation.* Due to the historical significance and its prominent location in the heart of campus, Miller Hall was selected to undergo a major renovation beginning in the 2009-2011 biennium. The project provided general University classrooms, computer labs, instructional space, and support facilities for the Woodring College of Education and the Department of Modern and Classical Languages.

*Carver Gymnasium Renovation* The estimated \$75.6 million addition of 41,977 square feet will provide additional general classroom seats as well as dedicated lab and instructional spaces that will allow the consolidation and growth of Physical Education, Health, & Recreation department. Large general University functions such as commencement, student activities and conferences will also be served in the refurbished 2,600 seat event space.

### **Statement of Revenues, Expenses and Changes in Net Position**

The Statements of Revenues, Expenses and Changes in Net Position present the University's results of operating and nonoperating items that result in the changes in net position for the year. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2012, 2011 and 2010 follows:

	2012	2011	2010
	<i>(Dollars in thousands)</i>		
Operating revenues	\$181,778	\$167,904	\$156,162
Operating expenses	<u>235,518</u>	<u>244,230</u>	<u>237,989</u>
Operating loss	(53,740)	(76,326)	(81,827)
State appropriations revenue	43,083	63,761	64,621
Other nonoperating revenues	14,702	16,355	13,180
Nonoperating expenses	<u>(4,189)</u>	<u>(4,061)</u>	<u>(4,156)</u>
(Loss) income before other revenues	(144)	(271)	(8,182)
Other revenues	<u>14,669</u>	<u>27,395</u>	<u>31,674</u>
Increase in net position	14,525	27,124	23,492
Net position, beginning of year	<u>436,913</u>	<u>409,789</u>	<u>386,297</u>
Net position, end of year	<u>\$451,438</u>	<u>\$436,913</u>	<u>\$409,789</u>

### Primary Funding Sources

The University relies primarily on student tuition and fees and state appropriations as revenue sources to support operations. Tuition revenue, net of scholarship allowances, has continued to grow, increasing \$11.5 million (13.0%) and \$8.5 million (10.7%) in fiscal 2012 and fiscal 2011, respectively. During fiscal 2012, the University provided \$20.7 million in financial aid in the form of scholarship allowances that offset tuition and fees, compared to \$18.4 million in fiscal 2011 and \$14.8 million in fiscal 2010.

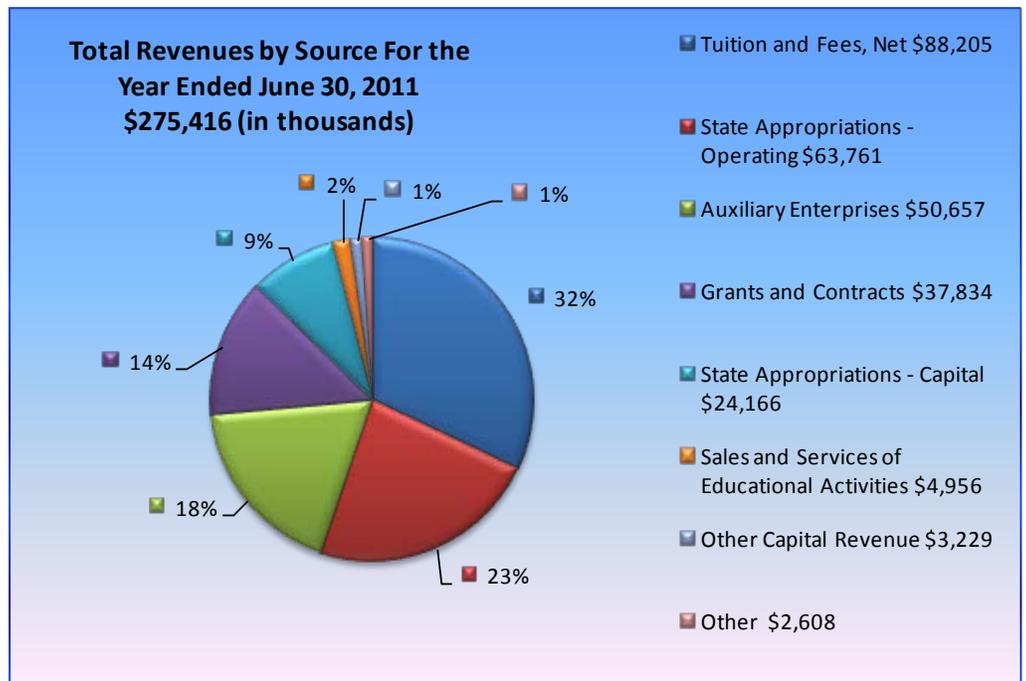
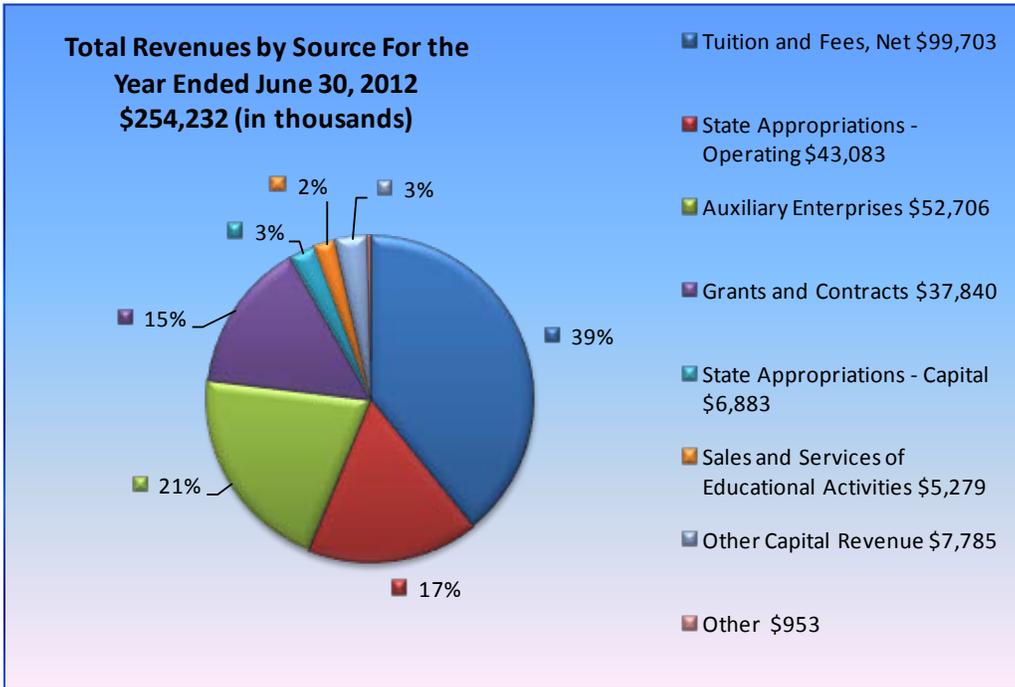
The Washington State Legislature provides the Board of Trustees with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The University is free to set tuition at any level. Tuition increased 16.0% during fiscal 2012 and 14.0% during fiscal 2011 and fiscal 2010 with enrollment decreasing slightly to an average annual headcount of 13,513 in fiscal 2012 compared to 13,521 in fiscal 2011 and 13,300 students in fiscal 2010.

During fiscal 2012, state appropriations used for operations declined \$20.7 million (32.4%) compared to a decrease of \$861 thousand (-1.3 %) in fiscal 2011. The fiscal 2012 decrease is attributable to ongoing budget challenges at the state level that resulted in a reduction of \$12.4 million in state appropriations to the University, along with an \$8.3 million reduction in capital appropriations used for operations as these capital expenditures are below the University's capitalization threshold. The fiscal 2011 decrease is attributable to budget challenges at the state level that resulted in a reduction of \$5.8 million in state appropriations to the University, offset by \$4.9 million in capital appropriation funds that are used to support operations. The University's state supported budgeted enrollments (FTE) were 11,762 and the actual average FTE was 12647 for fiscals 2012 and 2011. The 885 additional FTE were not supported by State dollars.

Capital appropriations are recognized as revenue when expenditures are incurred on capital projects, and the University is entitled to receive the cash. Capital appropriations decreased \$17.3 million (-71.5%) when comparing fiscal 2012 to fiscal 2011 due to a reduction in capital funds received as the new Carver Gymnasium renovation project has just begun the design stage and previously existing capital projects have been completed. Capital appropriations decreased by \$3.4 million (-12.5%) when comparing fiscal 2011 to fiscal 2010 due to a reduction in capital funds received as some smaller capital projects were completed in fiscal 2010, such as improvements to Wilson Library and Parks Hall.

Other capital revenue is the revenue earned from the State of Washington Normal School Permanent Fund and capital gifts/contributions received. The increase of \$4.6 million (141.1%) in fiscal 2012 is due to a gift from the Western Washington University Foundation of \$1.1 million for capital improvements to the women's softball field along with a capital contribution of \$4.3 million from Aramark, offset with reduced investment earnings on the Permanent Fund. The capital contribution from Aramark is part of the dining services contract. Aramark has agreed to provide up to \$7.3 million in funding for renovations and improvements to several dining areas at the University. The majority of the improvements are reported as capitalized assets on the Statements of Net Position. The decrease of \$785 thousand (-19.6%) when comparing fiscal 2011 to fiscal 2010 is due to reduced investment earnings on the Permanent Fund.

The following graphs illustrate revenues by source for the years ended June 30, 2012 and 2011:



The University's operating expenses decreased \$8.7 million (-3.6%) when comparing fiscal 2012 to fiscal 2011 and increased by \$6.2 million (2.6%) when comparing fiscal 2011 to fiscal 2010. A portion of the fiscal 2012 reduction can be attributed to decreased salary and wages and benefits expense of \$3.5 million (-2.2%) due to the elimination of positions

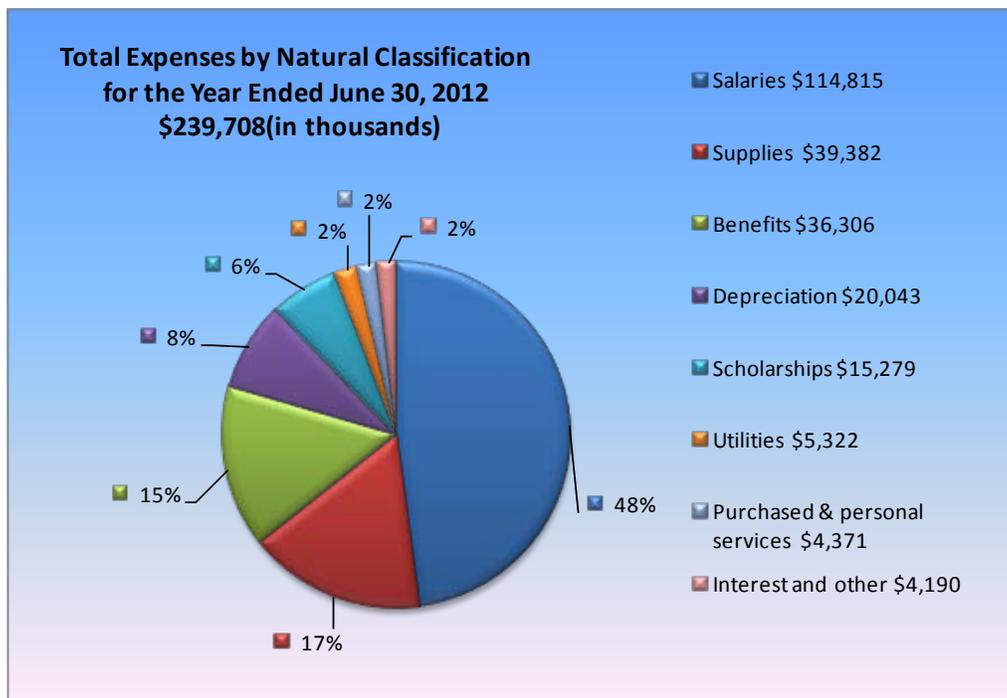
through attrition and layoffs. A large portion of the fiscal 2011 increase relates to benefits expense, which increased \$2.5 million (7.3%) in fiscal 2011 due to a \$105 per month increase in the employer cost for the state benefits package.

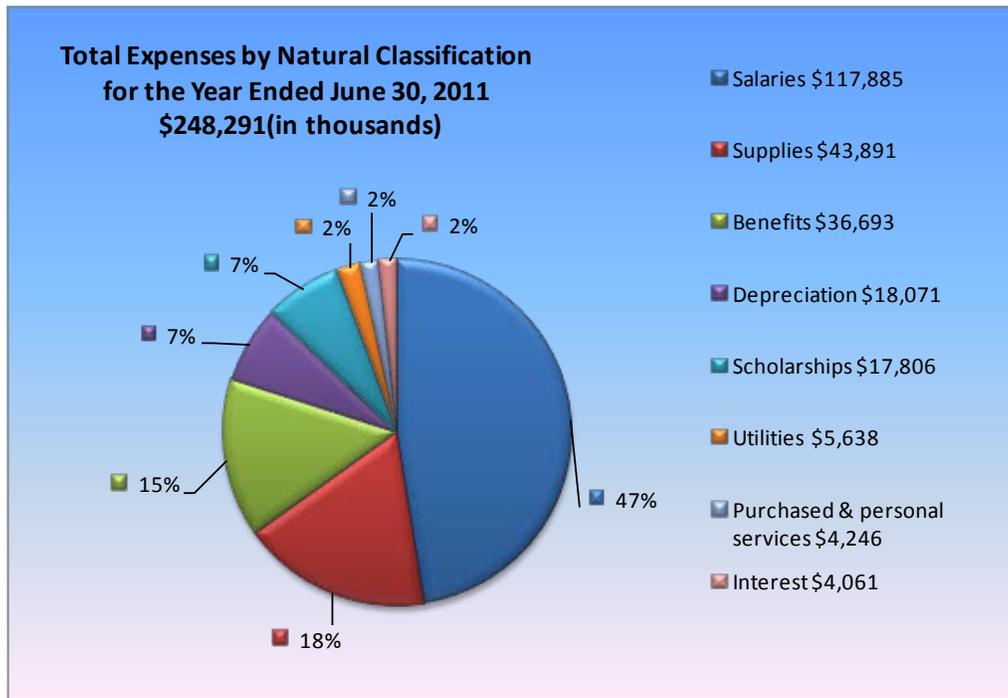
Scholarships and fellowships decreased in fiscal 2012 by \$2.5 million (-14.2%) when compared to fiscal 2011 due to decreases in financial aid payments made directly to students for non-institutional expenses. When comparing fiscal 2011 to fiscal 2010, scholarships and fellowships expenses increased \$172 thousand (1.0%).

Supplies and materials and purchased and personal services decreased \$4.5 million (-9.1%) when comparing fiscal 2012 to fiscal 2011 due to a reduction in non-capitalized office furnishing purchases with the completion of Miller Hall. Supplies and materials and purchased and personal services increased \$2.0 million (4.3%) when comparing fiscal 2011 to fiscal 2010 due to purchasing non-capitalized furnishings and equipment necessary for the Miller Hall and Buchanan Towers buildings.

Depreciation expense increased \$2.0 million (10.9%) over fiscal 2011 and \$1.7 million (10.6%) over fiscal 2010 as additional capital assets were completed and depreciated.

The following graphs illustrate expenses by natural classification for the years ended June 30, 2012 and 2011:





### Operating Loss

The University's operating losses were \$53.7 million in fiscal 2012, a decrease of \$22.6 million (-29.6%) from fiscal 2011, and \$76.3 million in fiscal 2011, a decrease of \$5.5 million (-6.7%) from fiscal 2010. Overall operating revenues increased \$13.9 million (8.3%) during fiscal 2012 and increased \$11.7 million (7.5%) during fiscal 2011, while operating expenditures decreased in fiscal 2012 by \$8.7 million (-3.6%) and increased in fiscal 2011 by \$6.2 million (2.6%). The increases in operating revenue are largely due to the 16.0% and 14.0% tuition rate increases in fiscal 2012 and fiscal 2011, respectively.

GASB standards require that State appropriations and Federal Pell grants are classified as nonoperating revenues, thereby creating the significant operating loss. If these revenues were classified as operating, the operating gain would be \$3.0 million in fiscal 2012 and \$1.3 million in fiscal 2011.

### Economic Factors That Will Affect the Future

During the current biennium (2011-2013), State support for operations will average 22.0% of the University's operating budget, with the balance of the operational requirements relying on tuition increases. Beginning with fiscal 2012, the legislature has provided the Board of Trustees (the Board) with tuition setting authority for all student categories at the University: resident undergraduate, non-resident undergraduate, resident graduate, and non-resident graduate. The legislature defines "tuition" as the tuition operating fee and the capital building fee. The operating fee contributes to the day-to-day operations of the university and supports the University's operating budget plans.

The 2011-2013 operating budget includes resident undergraduate tuition increases of 16.0% per year for the biennium, an increase of \$1,035 between fiscal 2012 and fiscal 2013. The University increased non-resident undergraduate and graduate tuition rates by a similar dollar amount as the resident undergraduate rate. Federal, state, and institutional financial aid and Federal education tax credits remain available to qualified students and can be used to offset the tuition increase. The State has also increased the Washington State Need Grant program to help lower and middle income families. Decreased state revenue projections may result in reduced state support in fiscal 2013.

The University agreed to a collective bargaining agreement with the United Faculty of Western Washington University (UFWW) that includes faculty raises during fiscals 2013 through fiscal 2015 ranging from 4.25% to 5.25%. The University as budgeted for a \$3.2 million increase in salaries during these fiscal years.



## 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 financial statements of the business-type activities and the discretely presented component unit of Western Washington University, as of and for the years ended June 30, 2012 and 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Western Washington University Foundation, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included in the accompanying financial statements, is based on the reports of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinions.

As discussed in Note 1, the financial statements of Western Washington University are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the governmental activities and business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2012 and 2011, 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.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the

business-type activities and the discretely presented component unit of Western Washington University as of June 30, 2012 and 2011, and the respective changes in financial position and, where applicable, 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, the University 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 5 through 12 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

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets:		
Cash and cash equivalents (Note 3)	\$ 41,090,684	\$34,003,071
Restricted cash and cash equivalents (Note 3)	-	-
Investments (Note 4)	20,354,587	16,000,000
Funds with State Treasurer (Note 5)	8,743,359	4,874,701
Interest receivable	565,983	557,219
Accounts receivable, net (Note 6)	4,891,069	4,247,368
Prepaid expenses	413,261	603,223
Inventories (Note 8)	1,286,705	1,374,790
Total current assets	<u>77,345,648</u>	<u>61,660,372</u>
Noncurrent assets:		
Restricted cash and cash equivalents (Note 3)	1,461,832	3,153,996
Restricted investments (Note 4)	9,024,321	7,607,275
Investments (Note 4)	24,396,299	30,227,617
Due from State Treasurer	3,375,099	3,367,960
Student loans receivable, net (Note 7)	7,778,036	7,709,833
Non-depreciable capital assets (Note 9)	24,544,930	75,803,387
Depreciable capital assets, net (Note 9)	417,707,959	359,834,230
Other assets (Note 1)	570,717	890,900
Total noncurrent assets	<u>488,859,193</u>	<u>488,595,198</u>
Total assets	<u>566,204,841</u>	<u>550,255,570</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	10,004,791	10,661,210
Deposits payable	2,513,625	2,375,317
Deferred revenues	6,536,220	6,227,956
Compensated absences (Note 11)	7,788,971	7,924,797
Current portion of bonds and notes payable (Notes 12,13,15)	3,254,025	3,630,585
Current portion of net pension obligations (Note 15,19)	214,000	214,000
Deposits held in custody for others	322,616	288,652
Total current liabilities	<u>30,634,248</u>	<u>31,322,517</u>
Noncurrent liabilities:		
Long-term portion of bonds and notes payable (Note 12, 13,15)	78,884,113	78,028,174
Long-term net pension obligations (Note 15,19)	5,248,938	3,991,455
Total noncurrent liabilities	<u>84,133,051</u>	<u>82,019,629</u>
Total Liabilities	<u>114,767,299</u>	<u>113,342,146</u>
<b>Net Position</b>		
Net investment in capital assets	361,802,573	357,814,998
Restricted for:		
Nonexpendable: scholarships and professorships	4,629,007	4,629,007
Expendable:		
Instruction and research	2,449,905	2,948,566
Loans	14,001,443	12,805,253
Capital Projects	13,008,185	8,637,422
Unrestricted	55,546,428	50,078,178
Total net position	<u>\$451,437,541</u>	<u>\$436,913,424</u>

WESTERN WASHINGTON UNIVERSITY  
 FOUNDATION STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	<u>\$1,750,884</u>	<u>\$1,725,048</u>
Investments:		
Operating investment pool	9,298,513	8,609,833
Endowment investment pool		
Externally managed investments	42,248,335	43,621,454
Real estate held for investment, net	2,659,200	2,531,800
Annuity and life income investments	4,157,673	4,426,814
Other	<u>458,757</u>	<u>458,757</u>
Total investments	<u>58,822,478</u>	<u>59,648,658</u>
Receivables:		
Promises to give, net	4,122,935	2,375,289
Other	<u>13,715</u>	<u>20,198</u>
Total receivables	<u>4,136,650</u>	<u>2,395,487</u>
Other assets	<u>26,113</u>	<u>34,506</u>
Total assets	<u>64,736,125</u>	<u>63,803,699</u>
 <b>Liabilities</b>		
Accounts payable	265,845	140,643
Due to Western Washington University	321,390	277,951
Annuity and life income obligations	1,178,199	1,296,441
Investments held in trust for		
Western Washington University	9,632,996	9,856,624
Contingent obligation to Northwest		
Indian College Foundation	<u>1,020,031</u>	<u>1,058,773</u>
Total liabilities	<u>12,418,461</u>	<u>12,630,432</u>
 <b>Net Assets</b>		
Unrestricted	11,863,437	12,172,122
Temporarily restricted	17,501,142	16,818,546
Permanently restricted	<u>22,953,085</u>	<u>22,182,599</u>
Total net assets	<u>52,317,664</u>	<u>51,173,267</u>
 Total Liabilities and Net Assets	<u>\$64,736,125</u>	<u>\$63,803,699</u>

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Student tuition and fees	\$120,437,058	\$106,569,013
Less scholarship allowances	<u>(20,733,825)</u>	<u>(18,363,862)</u>
Net student tuition and fees	99,703,233	88,205,151
Federal grants and contracts	6,940,282	8,268,690
State and local grants and contracts	14,279,909	13,319,279
Nongovernmental grants and contracts	2,720,510	2,357,881
Sales and services of educational activities	5,278,608	4,956,121
Interest earned on loans to students	150,206	140,522
Auxiliary enterprises	57,830,760	55,375,031
Less scholarship allowances	<u>(5,125,147)</u>	<u>(4,718,356)</u>
Net auxiliary enterprises	<u>52,705,613</u>	<u>50,656,675</u>
Total operating revenues	181,778,361	167,904,319
<b>Operating Expenses</b>		
Salaries and wages	114,814,608	117,885,280
Benefits	36,306,406	36,692,598
Scholarships and fellowships	15,278,601	17,805,709
Utilities	5,322,270	5,638,304
Supplies and materials	39,382,286	43,890,835
Purchased and personal services	4,371,367	4,246,383
Depreciation	<u>20,042,554</u>	<u>18,070,850</u>
Total operating expenses	<u>235,518,092</u>	<u>244,229,959</u>
Operating loss	(53,739,731)	(76,325,640)
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	43,083,007	63,760,769
Federal Pell grant revenue	13,899,353	13,887,899
Investment income	802,822	775,087
Interest on indebtedness	(4,041,655)	(4,061,271)
Gain (loss) on endowments	(111,274)	1,684,904
Nonoperating rental property expense/income	<u>(36,817)</u>	<u>7,118</u>
Total nonoperating revenues (expenses)	<u>53,595,436</u>	<u>76,054,506</u>
Income (Loss) before other revenues	(144,295)	(271,134)
<b>Other Revenues</b>		
Capital appropriations	6,883,439	24,166,239
Other capital revenue	7,784,973	3,229,426
Gifts to permanent endowments	-	-
Total other revenues	<u>14,668,412</u>	<u>27,395,665</u>
Increase in net position	14,524,117	27,124,531
Net position, beginning of year	<u>436,913,424</u>	<u>409,788,893</u>
Net position end of year	<u>\$ 451,437,541</u>	<u>\$ 436,913,424</u>

## WESTERN WASHINGTON UNIVERSITY

## FOUNDATION STATEMENTS OF ACTIVITIES &amp; CHANGES IN NET ASSETS

June 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2012</u>
<b>Support and Revenue</b>				
Contribution	\$569,784	\$5,006,747	\$769,277	\$6,345,808
Services and facilities provided by Western Washington University	2,197,121	-	-	2,197,121
Interest and dividends	425,529	608,696	-	1,034,225
Net realized gains (losses) on investments	962	(80,398)	-	(79,436)
Net unrealized gains (losses) on investments	(125,799)	(321,478)	-	(447,277)
Change in valuation of annuity obligations	-	(139,741)	-	(139,741)
Fund raising events and other	37,821	437,887	-	475,708
Total support and revenue before net assets released from restrictions	3,105,418	5,511,713	769,277	9,386,408
Net assets released from restrictions	4,865,323	(4,865,323)	-	-
Change in restrictions	(37,415)	36,206	1,209	-
Total support and revenue	<u>7,933,326</u>	<u>682,596</u>	<u>770,486</u>	<u>9,386,408</u>
<b>Expenses</b>				
Program services and grants	5,437,461	-	-	5,437,461
Management and general - WWU in-kind	1,217,709	-	-	1,217,709
Management and general - other	265,799	-	-	265,799
Fund raising - WWU in-kind	979,412	-	-	979,412
Fund raising	341,630	-	-	341,630
Total expenses	<u>8,242,011</u>	<u>-</u>	<u>-</u>	<u>8,242,011</u>
<b>Change in Net Assets</b>	(308,685)	682,596	770,486	1,144,397
<b>Net Assets</b> , beginning of year	<u>12,172,122</u>	<u>16,818,546</u>	<u>22,182,599</u>	<u>51,173,267</u>
<b>Net Assets</b> , end of year	<u>\$11,863,437</u>	<u>\$17,501,142</u>	<u>\$22,953,085</u>	<u>\$52,317,664</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2011</u>
<b>Support and Revenue</b>				
Contribution	\$496,580	\$3,642,647	\$555,360	\$4,694,587
Services and facilities provided by Western Washington University	2,682,678	-	-	2,682,678
Interest and dividends	452,194	551,594	112	1,003,900
Net realized gains (losses) on investments	132	39,243	-	39,375
Net unrealized gains (losses) on investments	1,972,115	4,606,198	1,000	6,579,313
Change in valuation of annuity obligations	(1,124)	(289,883)	-	(291,007)
Fund raising events and other	35,788	438,835	-	474,623
Total support and revenue before net assets released from restrictions	5,638,363	8,988,634	556,472	15,183,469
Net assets released from restrictions	5,420,237	(5,420,237)	-	-
Change in restrictions	84,383	(142,800)	58,417	-
Total support and revenue	<u>11,142,983</u>	<u>3,425,597</u>	<u>614,889</u>	<u>15,183,469</u>
<b>Expenses</b>				
Program services and grants	5,000,183	-	-	5,000,183
Management and general - WWU in-kind	1,525,786	-	-	1,525,786
Management and general - other	238,931	-	-	238,931
Fund raising - WWU in-kind	1,156,892	-	-	1,156,892
Fund raising	896,035	-	-	896,035
Total expenses	<u>8,817,827</u>	<u>-</u>	<u>-</u>	<u>8,817,827</u>
<b>Change in Net Assets</b>	2,325,156	3,425,597	614,889	6,365,642
<b>Net Assets, beginning of year</b>	<u>9,846,966</u>	<u>13,392,949</u>	<u>21,567,710</u>	<u>44,807,625</u>
<b>Net Assets, end of year</b>	<u>\$12,172,122</u>	<u>\$16,818,546</u>	<u>\$22,182,599</u>	<u>\$51,173,267</u>

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$100,196,266	\$88,402,182
Grants and contracts	24,390,823	23,527,054
Payments to vendors	(64,908,859)	(68,466,742)
Payments to employees for salaries and benefits	(150,370,134)	(153,646,109)
Loans issued to students	(1,027,167)	(1,325,722)
Collection of loans to students	1,257,169	1,350,172
Sales of auxiliary enterprises	51,619,995	50,680,489
Sales and services of educational activities	5,201,833	4,784,588
Interest received on loans to students	150,206	140,522
Net cash used by operating activities	<u>(33,489,868)</u>	<u>(54,553,566)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	43,447,168	63,760,769
Direct Lending proceeds	69,447,710	66,522,389
Direct Lending disbursements	(69,753,232)	(66,531,195)
Federal Pell grant receipts	13,899,353	13,887,899
Gifts to permanent endowments	-	-
Net cash provided by noncapital financing activities	<u>57,040,999</u>	<u>77,639,862</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(57,706,458)	(52,910,243)
Net proceeds from sales of investments	57,654,869	30,224,758
Interest received on investments	791,897	1,022,582
Net cash provided by investing activities	<u>740,308</u>	<u>(21,662,903)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	27,490,000	443,623
Interest earned on bond proceeds	2,161	8,078
Capital appropriations	6,512,139	28,700,658
Other capital (expense)/revenue	(1,376,639)	3,229,426
Contributions and gifts in-kind	5,406,954	-
Proceeds from disposal of capital assets	28,511	28,196
Purchases of capital assets	(26,149,394)	(46,300,988)
Principal paid on capital debt	(26,992,305)	(3,481,908)
Interest paid on capital debt	(3,780,600)	(4,030,322)
Other activities	(36,817)	7,118
Net cash used by capital and related financing activities	<u>(18,895,990)</u>	<u>(21,396,119)</u>
Net increase/(decrease) in cash and cash equivalents	5,395,449	(19,972,726)
Cash and cash equivalents, beginning of year	<u>37,157,067</u>	<u>57,129,793</u>
Cash and cash equivalents, end of year	<u><u>\$42,552,516</u></u>	<u><u>\$37,157,067</u></u>

**Reconciliation of Operating Loss to Net Cash Used by Operating Activities**

	<u>2012</u>	<u>2011</u>
Operating loss	(\$53,739,731)	(\$76,325,640)
Adjustments to reconcile operating loss to net cash used by operating activities		
Depreciation expense	20,042,554	18,070,850
Amortization of bond issuance cost	81,684	191,238
Gain on disposal of fixed assets	36,609	(23,291)
Changes in assets and liabilities:		
Funds with the State Treasurer	(114,000)	2,841,863
Accounts receivable	(643,701)	(1,266,260)
Student loans receivable	(68,203)	(17,655)
Inventories	88,085	(113,501)
Prepaid expenses	189,962	(90,502)
Accounts payable and accrued expenses	(1,170,842)	(65,993)
Deferred revenue	308,264	825,679
Student and other deposits	138,308	19,406
Deposits held in custody	239,486	117,087
Compensated absences	(135,826)	32,562
Net pension obligation expense	1,257,483	1,250,591
Net cash used by operating activities	<u>(\$33,489,868)</u>	<u>(\$54,553,566)</u>
Supplemental disclosure of cash flow information		
Acquisition of capital assets through accounts payable	<u>\$2,966,198</u>	<u>\$2,399,838</u>

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Reporting Entity

Western Washington University (the University) is a comprehensive, degree granting public university in the State of Washington. It is governed by a Board of eight Trustees appointed by the Governor. These financial statements summarize all the fund types of the University including agency funds.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Western Washington University Foundation (the Foundation).

The Foundation is a legally separate, tax-exempt entity. The Board of Directors is self-perpetuating and consists of 31 members. The University has an agreement with the Foundation to design and implement such programs and procedures so as to persuade continuous and special philanthropic support for the benefit of the University. In exchange, the University provides the Foundation with office facilities, furniture and equipment, and a significant number of full-time employees and support services, including depository, disbursing, and payroll and purchasing functions. Although the University does not control the timing or amount of receipts from the Foundation, the majority of the resources or income the Foundation holds and invests is restricted for the activities of the University by the donors. The Foundation's activity is reported in separate financial statements because of the difference in its reporting model as described below.

The Foundation reports its financial results under Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958-605, *Revenue Recognition*, and ASC 958-205, *Presentation of Financial Statements*.

As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences; however, significant note disclosures (see Note 2) to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

The Foundation's financial statements can be obtained by contacting the Foundation at (360) 650-3408.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and following the guidance given by GASB. The University has special purpose reports reflecting the net position, results of operations and cash flows for certain auxiliary units: Housing and Dining System, Wade King Recreational Center, Parking Services and Associated Students Bookstore. These financial statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present the financial position, results of operations, or changes in net position of the University. The auxiliary unit financial statements can be obtained by contacting Western Washington University at (360) 650-3675.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University'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. All intra-agency transactions have been eliminated. The University has elected not to apply any FASB pronouncements issued after November 30, 1989.

New Accounting Pronouncements

On July 1, 2010, the University adopted GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This pronouncement establishes fund balance classifications based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported. The reported fund balances of the University did not change based on this pronouncement.

On July 1, 2010, the University adopted GASB Statement No. 59, "Financial Instruments Omnibus". This pronouncement improves the consistency of investment measurements that are reported by pension and other postemployment benefit plans. The University financial statements did not change based on this pronouncement.

On July 1, 2011, the University adopted GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements". This pronouncement provides guidance on the reporting of assets used and provided by a service contractor. The University financial statements did not change based on this pronouncement.

On July 1, 2011, the University adopted GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements". The primary objective of this pronouncement is to directly incorporate the applicable provisions in FASB and AICPA pronouncements issued on or before November 30, 1989, into the state and local government accounting and financial reporting standards.

On July 1, 2011, the University adopted GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This pronouncement provides guidance on including deferred outflows of resources and deferred inflows of resources in addition to assets and liabilities, as well as the reporting of Net Position as opposed to Net Assets. The University's financial statements reflect these changes.

On July 1, 2011, the University adopted GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53". This pronouncement provides guidance on specific circumstances where hedge accounting may continue after the termination of the hedging derivative instrument. The University's statements did not change based on this pronouncement.

### **Other Accounting Policies**

#### Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, bank demand deposits, and deposits with the Washington State Local Government Investment Pool (LGIP). Cash and cash equivalents that are held with the intent to fund University operations are classified as current assets along with operating funds invested in the LGIP. Cash, cash equivalents, and investments that represent unspent bond proceeds or are held with the intent to fund capital projects are classified as noncurrent assets. Endowment investments are also classified as noncurrent assets. The University records all cash, cash equivalent, and investments at amortized cost, which approximates fair value.

The University combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated on a proportional basis. The internal investment pool is comprised of cash, cash equivalents, certificates of deposit, U.S. Treasuries and U.S. Agency securities.

#### Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. It also includes amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are shown net of estimated uncollectible amounts.

#### Inventories

Inventories are carried at the lower of cost or market value.

#### Capital Assets

Land, buildings and equipment are recorded at cost or, if acquired by gift, at fair market value on the date of the gift. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Interest expense incurred during capital construction is capitalized as part of the building cost. During fiscal 2012 and fiscal 2011, \$0 and \$142,677 in construction related interest was capitalized, respectively. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, 15 years for library resources, and 5 to 7 years for equipment.

#### Bond Premiums/Discounts and Issuance Costs

Bond premiums/discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statements of Net Position net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statements of Net Position.

#### Revenues

Deferred revenues occur when revenues have been collected for tuition and fees and certain auxiliary activities prior to the end of the fiscal year, but relate to services to be provided in the following fiscal year.

#### Net Position

The University's net position is classified as follows:

*Net investment in capital assets*

This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of capital assets but are included as a component of restricted expendable net position described below.

*Restricted net position, expendable*

Restricted expendable include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

*Restricted net position, nonexpendable*

Nonexpendable restricted consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

*Unrestricted net position*

Unrestricted represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Classification of Revenues and Expenses

The University has classified its revenues 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: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most Federal, State and local grants and contracts, and (4) interest on institutional student loans.

*Operating expenses*

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

*Nonoperating revenues*

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as State appropriations, Federal Pell grant revenue and investment income. Included in fiscal 2010 are State Appropriations one-time Federal Reinvestment and Recovery Act stimulus funds of \$8.9 million.

*Nonoperating expenses*

Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

*Other Revenues*

Other revenues include activities that have the characteristics of non-exchange transactions, such as state capital appropriations and gifts to endowments.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State or non-governmental programs are recorded as either operating or nonoperating revenues in the University's financial Statements.

To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Tax Exemption

The University is a tax-exempt 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.

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.

**2. COMPONENT UNIT**

The Foundation presents information about its financial position and activities according to the

following three classes of net position, depending on the existence and nature of donor restrictions:

*Unrestricted net assets*

Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control is classified as unrestricted.

*Temporarily restricted net assets*

Support received subject to donor-imposed use restrictions or time restrictions that will be met either through actions of the Foundation or by the passage of time is classified as temporarily restricted. In the period donor restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets*

Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity is classified as permanently restricted. In accordance with purposes stipulated by the donors, earnings from such funds may be either unrestricted or temporarily restricted.

### 3. CASH AND CASH EQUIVALENTS

The University combines unrestricted cash operating funds from all departments into an internal investment pool, the income from which is allocated to the departments on a proportional basis. The internal investment pool is comprised of cash and cash equivalents and investments.

Cash and cash equivalents include cash on hand, petty cash, change funds, bank balances, and funds held in the Local Government Investment Pool (LGIP).

Bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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.

At June 30, 2012 and 2011, the carrying amount of cash and cash equivalents is \$42,552,516 and \$37,157,067, respectively. These balances include restricted cash and cash equivalents of \$566,667 in unspent Housing and Dining System and Recreation

Center bond proceeds at June 30, 2012 and \$2,055,907 in unspent Housing and Dining bond proceeds at June 30, 2011. The carrying amount of cash and cash equivalents approximates the market value.

### 4. INVESTMENTS

Investments include internally pooled cash operating funds invested in certificates of deposit (CD's) and U.S. Treasury and Agency securities, renewal and replacement funds, unspent bond proceeds, and University endowment funds.

The certificates of deposit held in the internal investment pool are insured by the Federal Deposit Insurance Corporation (FDIC) or by a collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The University held \$6,064,351 and \$6,000,000 of certificates of deposits in pooled investments at June 30, 2012 and 2011, respectively. U.S. Treasury and Agency securities are rated AAA by Standard & Poor's and Fitch and Aaa by Moody's Investors Service. The University held \$35,057,345 and \$35,000,000 of U.S. Treasury and Agency securities in the investment pool at June 30, 2012 and 2011, respectively. These investments include \$529,413 in unspent bond proceeds as of fiscal 2012.

The University separately invests the Housing and Dining System Renewal and Replacement funds. As of June 30, 2012 and 2011, the Renewal and Replacement funds of \$3,019,505 were separately invested in CDs and U.S. Agencies and \$2,977,258 were separately invested in CD's.

University endowment funds are held and managed by the Western Washington University Foundation (the Foundation). The endowment funds are invested in accordance with the Foundation policy under the direction of the Foundation Finance and Audit Committee (the Committee). The committee is responsible for reviewing and defining investment policy, monitoring investment performances, and recommending managers to oversee the investment of the portfolio. The Committee reviews and updates its investment policy every three years.

As of June 30, 2012, the University's Endowment funds are comprised of \$5,464,938 in donor restricted and unrestricted funds and \$4,168,067 in Quasi-endowments. As of June 30, 2011, the balances were \$5,608,043 and \$4,248,581, respectively.

Interest Rate Risk

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.

Endowment funds are invested under the Foundation Investment Policy guidelines. These guidelines include the primary objective of achieving long-term growth, while using prudent investing practices and do not limit investment maturities as a means to managing interest rate exposure.

Concentration of Credit Risk

Concentration of credit risk for investments is the risk of loss attributable to the magnitude of an investment in a single issuer. The University does not have a formal policy for managing concentration of credit risk in the internal investment pool. The Endowment Investment Policy limits the endowment investments to no more than 5.0% of the portfolio for a single issuer.

At June 30, 2012, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$42,552,516	0.001
Time Certificates of Deposits (CDs)	6,064,351	0.028
U.S. Treasuries	-	
U.S. Agencies	35,057,345	0.680
WWU Endowment Funds:		
Cash & cash equivalents	137,910	0.003
Fixed income investments:		
U.S. Treasuries	115,480	12.004
U.S. Agencies	555,206	3.893
Other fixed income	1,542,910	n/a
Equity investments	5,940,369	n/a
Real estate	568,593	n/a
Alternative investments	772,537	n/a
Other Investments:		
Renewal and Replacement Time CDs	1,493,498	0.013
Renewal and Replacement U.S. Agencies	1,526,007	0.025
Miscellaneous	1,000	n/a
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$96,327,722</b>	

At June 30, 2011, the University held the following in cash, cash equivalents and investments:

Description	Fair Value	Weighted Average Maturity (in Years)
WWU Investment Pool:		
Cash & Cash Equivalents	\$37,157,067	0.003
Time Certificates of Deposits (CDs)	6,000,000	0.046
U.S. Treasuries	5,000,000	0.006
U.S. Agencies	30,000,000	0.722
WWU Endowment Funds:		
Cash & cash equivalents	100,050	0.003
Fixed income investments:		
U.S. Treasuries	271,759	5.500
U.S. Agencies	279,228	4.040
Other fixed income	1,336,638	n/a
Equity investments	6,332,456	n/a
Real estate	515,882	n/a
Alternative investments	1,020,611	n/a
Other Investments:		
Renewal and Replacement Time CDs	2,977,258	0.030
Miscellaneous	1,010	n/a
<b>TOTAL CASH AND INVESTMENTS</b>	<b>\$90,991,959</b>	

## 5. FUNDS WITH STATE TREASURER

This account represents the University's share of net earnings of the State of Washington Normal School Permanent Fund and tuition distributions, reduced by expenditures for capital projects and debt service incurred over the years. The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund. Earnings from the investment are either reinvested or used for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

The investing activities are the responsibility of the Washington State Treasurer's Office. The primary sources of new principal for the Normal School Permanent fund are revenues, primarily timber sales,

from certain State lands. The State lands include 100,000 acres granted by the United States government for state normal schools and are managed by the State Department of Natural Resources. In addition to the Permanent Fund, the Office of the State Treasurer held \$2.7 million in Certificate of Participation (COP) funds during fiscal 2012, which will be used for an energy saving capital project.

The University's earnings and distributions on the fund for the years ending June 30, 2012 and 2011 are \$2,378,019 and \$3,229,426, respectively, which are reported as other capital revenue along with any capital gifts or contributions.

**6. ACCOUNTS RECEIVABLE, NET**

At June 30, 2012 and 2011, the major components of accounts receivable are as follows:

	<u>2012</u>	<u>2011</u>
Student tuition and fees	\$1,826,263	\$1,736,767
Federal, State and private grants and contracts	2,418,437	2,316,255
Auxiliary enterprises and other operating activities	1,237,379	697,270
Total accounts receivable	<u>5,482,079</u>	<u>4,750,292</u>
Less allowance for doubtful accounts	<u>(591,010)</u>	<u>(502,924)</u>
Accounts receivable, net	<u>\$4,891,069</u>	<u>\$4,247,368</u>

**7. STUDENT LOANS RECEIVABLE, NET**

At June 30, 2012 and 2011, student loans receivable are as follows:

	<u>2012</u>	<u>2011</u>
Federal Perkins student loans	\$8,648,042	\$8,554,856
Other long-term loans	36,108	37,203
Institutional loans	47,738	50,817
Total student loans	<u>8,731,888</u>	<u>8,642,876</u>
Less allowance for doubtful accounts	<u>(953,852)</u>	<u>(933,043)</u>
Student loans receivable, net	<u>\$7,778,036</u>	<u>\$7,709,833</u>

**8. INVENTORIES**

At June 30, 2012 and 2011, inventories, stated at cost using various methods: retail, first-in, first-out (FIFO), or average cost, consist of the following:

Location	Valuation Method	<u>2012</u>	<u>2011</u>
Bookstore	Retail	\$767,989	\$854,083
Central Stores	Average Cost	86,512	103,773
Facilities Maintenance	FIFO	157,705	161,570
Lock Shop	FIFO	137,446	128,460
Other inventory	FIFO	<u>137,053</u>	<u>126,904</u>
Total inventory		<u>\$1,286,705</u>	<u>\$1,374,790</u>

**9. LAND AND CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2012 and 2011 was \$20,042,555 and \$18,070,849, respectively. Following are the changes in land and capital assets for the year ended June 30, 2012:

	6/30/2011	Additions/ Transfers	Retirements	6/30/2012
<b>Non-depreciable Capital Assets</b>				
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
Construction in progress	63,030,794	(51,258,457)		11,772,337
<b>Total non-depreciable capital assets</b>	<b>\$75,803,387</b>	<b>\$ (51,258,457)</b>	<b>\$ -</b>	<b>\$24,544,930</b>
<b>Depreciable Capital Assets</b>				
Infrastructure	\$53,656,654	\$ -		\$53,656,654
Buildings	383,069,453	15,502,961		398,572,414
Furniture, fixtures and equipment	30,215,805	4,092,600	540,800	33,767,605
Library materials, art collection	52,869,763	1,751,516		54,621,279
Improvements	69,965,790	56,634,326		126,600,116
<b>Total depreciable capital assets</b>	<b>589,777,465</b>	<b>77,981,403</b>	<b>540,800</b>	<b>667,218,068</b>
<b>Less Accumulated Depreciation</b>				
Infrastructure	23,457,104	1,382,190		24,839,294
Buildings	127,419,517	8,282,615		135,702,132
Furniture, fixtures and equipment	21,543,637	2,799,725	475,680	23,867,682
Library materials, art collection	38,303,440	1,856,746		40,160,186
Improvements	19,219,537	5,721,278		24,940,815
<b>Total accumulated depreciation</b>	<b>229,943,235</b>	<b>20,042,554</b>	<b>475,680</b>	<b>249,510,109</b>
<b>Capital Assets, Net of depreciation</b>	<b>\$359,834,230</b>	<b>\$ 57,938,849</b>	<b>\$ 65,120</b>	<b>\$417,707,959</b>

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

	6/30/2010	Additions/ Transfers	Retirements	6/30/2011
<b>Non-depreciable Capital Assets</b>				
Land	\$12,772,593	\$ -	\$ -	\$12,772,593
Construction in progress	42,880,222	20,150,572		63,030,794
Total non-depreciable capital assets	\$55,652,815	\$20,150,572	\$ -	\$75,803,387
<b>Depreciable Capital Assets</b>				
Infrastructure	\$53,656,654	\$ -	\$ -	\$53,656,654
Buildings	377,328,309	5,741,144	-	383,069,453
Furniture, fixtures and equipment	27,364,557	3,174,345	323,097	30,215,805
Library materials, art collection	50,909,835	1,959,928	-	52,869,763
Improvements	60,478,233	9,487,557	-	69,965,790
Total depreciable capital assets	569,737,588	20,362,974	323,097	589,777,465
<b>Less Accumulated Depreciation</b>				
Infrastructure	22,078,690	1,378,414	-	23,457,104
Buildings	119,195,893	8,223,624	-	127,419,517
Furniture, fixtures and equipment	19,306,952	2,554,877	318,192	21,543,637
Library materials, art collection	36,477,412	1,826,028	-	38,303,440
Improvements	15,131,630	4,087,907	-	19,219,537
Total accumulated depreciation	212,190,577	18,070,850	318,192	229,943,235
Capital Assets, Net of depreciation	\$357,547,011	\$2,292,124	\$4,905	\$359,834,230

## 10. ART COLLECTIONS

The University has several collections of art that it does not capitalize. The Outdoor Sculpture Collection is a public art collection displayed throughout the entire campus. There are also collections of 19<sup>th</sup> and 20<sup>th</sup> century prints and drawings, the Whittington Collection of Asian Ceramics, and the Chair Collection. These collections adhere to the University's policy to (a) maintain

them for public exhibition, education, or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. The University's policy is to permit collections maintained in this manner to be charged to operations at the time of purchase rather than capitalized.

## 11. COMPENSATED ABSENCES

The accrued leave balances as of June 30, 2012 and 2011 are \$7,788,971 and \$7,924,797, respectively. This consists of unused vacation leave and compensatory time earned for exempt professionals and classified staff. It also includes a percentage of earned and unused sick leave for exempt professionals and classified staff. For reporting purposes, the entire balance of accrued leave is considered a current liability.

In 2004, the University began participating in the Voluntary Employees' Beneficiary Association Medical Expense Plan (VEBA-MEP). The plan is a post-retirement medical expense reimbursement account available to professional staff employees of the University. The VEBA-MEP enables the University to deposit funds equivalent to the cash-out of compensable unused sick leave at retirement, tax free to a VEBA trust account on the employee's behalf.

Funds deposited into a VEBA-MEP account, as well as the earnings on the accounts, are not subject to federal income or social security taxes. During fiscal 2012 and fiscal 2011, \$92,985 and \$34,133, respectively, were contributed to VEBA accounts by the University on behalf of employees.

**12. NOTES PAYABLE**

The University finances certain land and equipment purchases through certificates of participation issued by the Washington State Treasurer. The University's debt service requirements for these agreements for the next five years and thereafter are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2013	469,025	203,516
2014	485,376	171,061
2015	449,463	157,919
2016	432,557	145,204
2017	449,767	132,406
2018-2022	2,049,924	470,086
2023-2027	<u>1,440,000</u>	<u>125,994</u>
Total	5,776,112	1,406,186
Plus unamortized premium	<u>2,098</u>	
Total	<u><u>5,778,210</u></u>	<u><u>1,406,186</u></u>

**13. BONDS PAYABLE**

Bonds payable consist of revenue bonds issued by the University for Housing and Dining System facilities and the Wade King Student Recreation Center. Bonds outstanding are shown on the following page.

Housing and Dining Revenue Bonds

As specified in Master Resolution 97-09, the Housing and Dining System Revenue Fund is used to pay operating expenses, principal and interest, fund debt service reserve accounts required in subsequent series resolutions, pay the renewal and replacement fund and, if desired, retire debt in the open market. Net revenues are pledged to equal at least 125% of debt service. The System has funded a reserve account for debt service, and maintains a renewal and replacement fund equal to at least 5% of outstanding bonds.

The Housing and Dining System has the following outstanding bond issues:

Series 2009 A and B Revenue Bonds with interest rates ranging from 3.0% to 7.4% and an aggregate

face value of \$13,730,000 at June 30, 2012, which is reported net of the original issue premium of \$8,420.

Series 2006 Revenue Bonds with an interest rate of 4% and an aggregate face value of \$7,515,000 at June 30, 2012, which is reported net of the original issue premium of \$31,806.

Series 2005 Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.0% and an aggregate face value of \$10,905,000 at June 30, 2012, which is reported net of the unamortized original discount and loss on defeasance of \$778,478.

Series 2003 Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65% and an aggregate face value of \$10,175,000 at June 30, 2012, which is reported net of the unamortized original issue discount and loss on defeasance of \$108,359.

Series 1998 Junior Lien Revenue and Refunding Bonds with interest rates ranging from 4.4% to 5.5% and an aggregate face value of \$10,850,000 at June

30, 2012, which is reported net of the unamortized original issue premium and loss on defeasance of \$244,871.

Wade King Student Recreation Center Revenue and Refunding Bonds

The Recreation Center issued Revenue and Refunding Bonds Series, 2012, on April 30 2012. The bonds bear interest at rates of 3% to 4% and have an aggregate face value of \$24,385,000 at June 30, 2012, which is reported net of the unamortized original issue discount and loss on defeasance of \$108,591.

Current refunding

On April 30, 2012, the Recreation Center issued at par \$24,385,000 Revenue and Refunding Bonds Series 2012. The purpose of the bonds is the refunding of then-outstanding Revenue Bonds Series 2002 with a principal balance of \$23,595,000. The refunded series 2002 bonds carried an interest rate of 4% to 5%. Unamortized series 2002 bond issuance costs were \$298,030 at the date of the refunding.

Management expects the refunding will provide a net present value savings of approximately \$2,723,000 in debt service over the life of the new bonds and loss on defeasance of \$532,441. The amount required to

refund the 2002 bonds remaining plus a refunding premium and underwriter's discount (total of \$23,721,064) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely on May 1, 2012.

Advance Refunding

The scheduled liabilities as of June 30, 2012 and 2011 do not include \$10,260,000 and 10,725,000 respectively, of Housing and Dining System revenue bonds which were advance refunded in October 1991 and May 2005.

In May 2004, the Wade King Student Recreation Center defeased \$945,000 of revenue bonds. The outstanding balances are \$750,000 and \$770,000 at June 30, 2012 and 2011, respectively. Government obligations in amounts, maturities and bearing interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts. Neither the assets of the trusts, nor their outstanding obligations, are included in the accompanying balance sheets.

The debt service requirements for the revenue/refunding bonds for the next five years and thereafter are as follows:

Fiscal Year	Housing and Dining Revenue and Refunding Bonds		Student Recreation Center Revenue and Refunding Bonds	
	Principal	Interest	Principal	Interest
2013	2,785,000	2,676,712	-	927,920
2014	2,895,000	2,563,847	-	925,350
2015	3,025,000	2,443,432	700,000	925,350
2016	3,145,000	2,311,835	725,000	904,350
2017	3,290,000	2,164,459	750,000	882,600
2018-2022	18,870,000	8,306,254	4,095,000	4,049,925
2023-2027	12,370,000	4,119,426	4,905,000	3,246,200
2028-2032	4,620,000	1,832,580	5,965,000	2,183,400
2033-2037	2,175,000	243,460	7,245,000	892,000
Total	\$53,175,000	\$26,662,005	24,385,000	\$14,937,095
Unamortized premium/(discount)	20,057		423,850	
Less unamortized loss on defeasance	1,111,538		532,441	
Total	<u>\$52,083,519</u>	<u>26,662,005</u>	<u>24,276,409</u>	<u>14,937,095</u>

**14. PLEDGED REVENUES**

The University has pledged certain revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The following is a schedule of the pledged revenues and related debt:

Source of Revenue Pledged	Total Future Revenues Pledged *	Description of Debt	Purpose of Debt	Term of Commitment	Proportion of Debt Service to Pledged Revenues (current yr)
Housing and Dining revenues, net of operating expenses	\$ 79,837,005	Housing and Dining bonds issued in 1998, 2003, 2005, 2006, 2009	Construction and renovation of student housing projects	2034	62.8%
Student Recreation Center gross revenues	\$39,322,095	Student Recreation Center bonds issued in 2012	Construction of the Student Recreation Center	2033	26.7%

\* Total future principal and interest payments on debt

**15. LONG-TERM LIABILITIES**

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

	6/30/2011	Additions/ Amortization	Retirements	6/30/2012	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	\$78,556,130	\$24,466,684	\$26,662,886	\$76,359,928	\$2,785,000
Notes payable	3,102,629	3,005,000	329,419	5,778,210	469,025
Net pension obligation	4,205,455	1,400,000	142,517	5,462,938	214,000
Total long term liabilities	<u>\$85,864,214</u>	<u>\$28,871,684</u>	<u>\$27,134,822</u>	<u>\$87,601,076</u>	<u>\$3,468,025</u>

	6/30/2010	Additions/ Amortization	Retirements	6/30/2011	Current Portion
Bonds and notes payable					
Revenue and refunding bonds	\$81,581,307	\$169,823	\$3,195,000	\$78,556,130	\$3,320,000
Notes payable	2,924,499	465,038	286,908	3,102,629	310,585
Net pension obligation	2,954,864	1,400,000	149,409	4,205,455	214,000
Total long term liabilities	<u>\$87,460,670</u>	<u>\$2,034,861</u>	<u>\$3,631,317</u>	<u>\$85,864,214</u>	<u>\$3,844,585</u>

**16. LEASES**

The University leases facilities for off-campus office and educational spaces under a variety of agreements. The University also finances certain equipment through non-cancelable operating leases. At June 30, 2012, future payments under these operating leases are as follows:

<u>Fiscal Year</u>	<u>Lease Payment</u>
2013	629,556
2014	484,020
2015	313,719
2016	106,916
2017	53,800
2018-2028	<u>247,762</u>
Total minimum lease payments	<u>\$ 1,835,773</u>

**17. DEFERRED COMPENSATION**

The University, through the State of Washington, offers its employees a Deferred Compensation Plan created under Internal Revenue Code Section 457. The plan, available to all State employees, permits individuals to defer a portion of their salary until

future years. The State of Washington administers the plan on behalf of the University's employees; the University does not have legal access to the funds.

**18. OPERATING EXPENSES BY FUNCTIONAL CATEGORIES**

In the Statement of Revenues, Expenses and Changes in Net Position, operating expenses are displayed by natural classifications which include salaries, employee benefits, goods and services, and other similar categories.

Operating expenses by functional classification for the years ended June 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Instruction	\$87,654,779	\$90,067,491
Research	4,685,940	4,861,733
Academic support	11,224,188	10,925,646
Student services	16,574,245	16,166,086
Institutional support	17,141,831	17,585,199
Operation and maintenance of plant	39,724,503	45,299,944
Scholarships and other student aid	15,278,601	17,805,709
Auxiliary enterprise expenditures	<u>43,234,005</u>	<u>41,518,151</u>
Total operating expenses	<u>\$235,518,092</u>	<u>\$244,229,959</u>

**19. PENSION PLANS**

The University offers four contributory pension plans: the Washington State Public Employees' Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), and the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF) and the Western Washington University Retirement Plan (WWURP).

The payroll for the University employees covered by PERS for the year ended June 30, 2012 and 2011 is \$32,271,085 and \$33,254,220; the payroll for employees covered by TRS is \$885,844 and \$977,518; the payroll covered by WWURP is \$70,767,054 and \$72,672,927; the payroll for LEOFF is \$781,159 and \$768,010, respectively.

Western Washington University Retirement Plan (WWURP)

*Plan Description*

The 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 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 at all times a 100% vested interest in their accumulations.

*Funding Policy*

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

The WWURP contributions for the years ending June 30, 2012, 2011 and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employee	\$5,436,281	\$5,612,217	\$5,598,912
University	5,427,185	5,624,889	5,595,963

Supplemental Component

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.

The University received an actuarial evaluation of the supplemental component of the WWURP during fiscal 2012. The previous evaluation was performed in 2009. The Unfunded Actuarial Accrued Liability (UAL) calculated as of June 30, 2011 and 2009 was

\$10,035,000 and \$7,287,000, respectively, and is amortized over a 13 year period.

The Annual Required Contribution (ARC) of \$1,400,000 consists of amortization of the UAL (\$810,000), normal cost (or current cost) (\$561,000) and interest. The UAL and ARC were established using the entry age normal cost method.

The actuarial assumptions included an investment rate of return of 6% to 8% and projected salary increases ranging from 2% to 4%. Approximately \$70,767,054 and \$72,672,927 of the University's payroll were covered under this plan during fiscal 2012 and fiscal 2011, respectively.

The following table reflects the activity in the Net Pension Obligation for the year ended June 30, 2012:

Balance as of June 30, 2010	\$2,954,864
Annual Required Contribution FY11	1,400,000
Payments to Beneficiaries FY11	<u>(149,409)</u>
Balance as of June 30, 2011	4,205,455
Annual Required Contribution FY12	1,400,000
Payments to Beneficiaries FY12	<u>(142,517)</u>
Balance as of June 30, 2012	<u>\$5,462,938</u>

PERS, TRS and LEOFF

*Plan Description*

The University contributes to PERS, TRS and LEOFF cost sharing multiple-employer defined benefit pension plans 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 eligible 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 eligible service.

TRS I provides retirement and disability benefits, a lump sum death benefit, and minimum benefits increases beginning at age 65 to certain eligible faculty hired prior to October 1, 1977. TRS II and III provide retirement benefits, and cost-of-living allowance to certain eligible faculty hired on or after October 1, 1977.

In addition TRS III has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF II provides retirement benefits and a cost of living allowance for eligible law enforcement officers. LEOFF System benefits are vested after an employee completes five years of eligible service.

The Washington State Legislature establishes or amends benefit provisions for PERS, TRS, and LEOFF. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from the Washington System Department of Retirement System, P.O. Box 48380, Olympia, WA, 98504.

*Funding Policy*

Each biennium, the Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required employee and/or employer contribution rates for PERS, TRS, and LEOFF plans, except where employee contribution rates are set by statute. All employers are required to contribute at the level established by State law.

The required contribution rates expressed as a percentage of current year covered payroll at June 30, 2012 are as follow:

	<u>Employee</u>	<u>University</u>
PERS		
Plan I	6.00%	7.07% - 7.25%
Plan II	4.59% - 4.64%	7.07% - 7.25%
Plan III	5% - 15%	7.07% - 7.25%
TRS		
Plan I	6.00%	6.14% - 8.04%
Plan II	3.36% - 4.69%	6.14% - 8.04%
Plan III	5% - 15%	6.14% - 8.04%
LEOFF		
Plan II	8.46%	8.62%

The required contributions for the years ending June 30, 2012, 2011 and 2010 are as follows:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
PERS			
Employee	\$1,603,586	\$1,466,592	\$1,518,542
University	2,289,213	1,738,991	1,794,471
TRS			
Employee	29,631	28,122	32,253
University	33,660	26,711	32,890
LEOFF			
Employee	66,086	65,066	55,337
University	67,336	66,202	56,384

All required employer and employee contributions have been made.

**20. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

During the 2008 fiscal year, the University adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. OPEB are those provided to retired employees beyond those provided by their pension plans. Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB expense in the year in which such benefits are earned by the member. Disclosure information, as required under GASB 45, does not exist at department levels and, as a result, the net OPEB obligation is recorded in the State of Washington comprehensive annual financial report which is available from the Office of Financial

Management, Insurance Building, PO Box 43113, Olympia, Washington 98504-3113.

Health care and life insurance programs for employees of the State of Washington are administered by the Washington State Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the State-wide health and life insurance programs on a pay-as-you-go basis. These costs are passed through to individual state agencies based upon active employee headcount; the agencies pay the premiums for active employees to the HCA. The agencies may also charge employees for certain higher cost options elected by the employees.

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during employees'

working careers, subsidize the “underpayments” of the retirees. An additional factor in the OPEB obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an “explicit subsidy”). For fiscal 2012, this amount was \$150 per retiree eligible for parts A and B of Medicare, per month. This is also passed through to State agencies via active employees rates charged to the agency.

There is no formal State or University plan that underlies the subsidy of retiree health and life insurance. An actuarial study performed by the Washington Office of the State Actuary calculated the total OPEB obligation of the State of Washington at July 1, 2011.

**21. RISK MANAGEMENT**

The University participates in a State of Washington risk management self-insurance program. Premiums to the State are based on actuarially determined projections and include allowances for payments of both outstanding and current liabilities. The University self-insures unemployment compensation for all employees.

In addition, sufficient insurance coverage for property casualty loss on the residence halls and the Wade King Student Recreation Center is maintained in accordance with the Housing and Dining System and Wade King Student Recreation Center Master Bond Resolutions.

**22. COMMITMENTS**

Goods and services for operating and capital projects, contracted for but not yet received, are considered commitments at year end. The amount of these commitments at June 30, 2012 and 2011 are:

	<u>2012</u>	<u>2011</u>
Operating	\$6,661,978	\$4,589,201
Research	677,966	785,125
Capital projects	<u>16,614,668</u>	<u>14,398,499</u>
Total commitments	<u>\$23,954,612</u>	<u>\$19,772,825</u>

The Actuary calculated the OPEB obligation based on individual state employee data, including age, retirement eligibility, and length of service. The probability of an employee of a given age and length of service retiring and receiving OPEB benefits is based on statewide historical data. Since sufficient specific employee data and other actuarial data are not available at levels below the statewide level, such amounts have not been determined nor recorded in the University’s financial statements.

The University was billed and paid approximately \$18.2 million for active and retiree health care expenses during fiscal 2012 and \$18.7 million in fiscal 2011.

The University has been named in several lawsuits. While the final outcome of the lawsuits cannot be predicted with certainty, it is the University’s opinion that the ultimate liability will not materially affect the financial statements.

The University participates in the State insurance program and is indemnified and will be reimbursed by the State for any claims paid related to these lawsuits.

**23. JOINT VENTURE**

In fiscal 2010, the University participated in the formation of a not-for-profit corporation titled Western Crossing Development Corporation (WCDC). WCDC was formally incorporated pursuant to the articles of incorporation dated October 7, 2009 and is a 501(c) (3) corporation under the Internal Revenue code of 1986, amended. The five member Board of Directors includes a member of the University Board of Trustees appointed by the University Board of Trustees, the President of the University, a member of the Commission of the Port of Bellingham appointed by the Commission of the Port, the Executive Director

of the Port of Bellingham, and a fifth board member who was appointed by a majority vote of the other four board members who are not affiliated with either entity. The board of directors may in the future allow other Washington governments or educational institutions to become members under such terms and conditions as they determine. The purpose of this joint venture is to help facilitate the timely development of new facilities on the Bellingham waterfront. This investment is not reflected on the University's Statement of Net Position.



*HOUSING AND DINING SYSTEM*

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

*June 30, 2012 and 2011*

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

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Housing and Dining System (the System) for the years ended June 30, 2012, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Presentation of the Financial Statements**

The statements are formatted following the guidelines of the Governmental Accounting Standards Board (GASB) pronouncements. These financial statements are prepared in accordance with GASB principles, which establish standards for external financial reporting for public colleges and universities. The System's financial statements have been prepared using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

**Statements of Net Position**

The Statements of Net Position present the financial condition of the System at the end of the fiscal years and report all assets and liabilities of the System.

The amounts in these statements represent the physical assets used to provide the housing, meal, and student activity programs, as well as assets available to continue the operations of the System, also identifying commitments to vendors and bond holders. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the System.

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

*(Dollars in Thousands)*

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

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

## *HOUSING AND DINING SYSTEM*

### *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*June 30, 2012 and 2011*

fiscal 2012 compared to fiscal 2011 due to capital additions. Total assets increased \$2,350,251 (2.2%) in fiscal 2011 when compared to fiscal 2010 due to additions in construction in progress.

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

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

Major projects completed during fiscal 2012 include the Buchanan Tower addition and renovations to several residential and retail dining platforms. Major projects completed during fiscal 2011 include the fire sprinkler installation in Buchanan Towers, and the enhancement of the System's network switches and the campus safety voice system.

Current liabilities decreased \$1,227,693 (-16.1%) in fiscal 2012 compared to fiscal 2011 primarily due to a decrease in housing deposits resulting from the timing of releasing the fiscal 2012 deposits, and a decrease in deferred revenue primarily impacted by the termination of the prior dining contractor's investment. Current liabilities decreased \$338,265 (-4.2%) in fiscal 2011 when compared to fiscal 2010 primarily due to the payment of contractor invoices and a reduction in deferred revenue related to the dining contract. Long-term liabilities decreased \$2,643,007 (-5.1%) in fiscal 2012 and \$2,532,505 (-4.6%) in fiscal 2011 due to scheduled principle payments on outstanding debt.

Total net position increased \$10,456,051 (21.6%) when comparing fiscal 2012 to fiscal 2011 due to the completion of the Buchanan Towers project, and the Aramark contract for dining services that brought greater commissions and a large contribution towards capital improvements. Total net position increased \$5,221,022 (12.1%) when comparing fiscal 2011 to fiscal 2010 due to increased net operating revenue from strong housing occupancy and continued operating cost reductions.

Net investment in capital assets increased during fiscal 2012 by \$10,241,279 (28.9%) due to the capitalization of the Buchanan Towers Addition and the Ridgeway Beta renovation and capital improvements to several dining facilities. Net investment in capital assets increased by \$2,376,644 (7.2%) in fiscal 2011 primarily due to the capitalization of renovation and fire sprinkler expenses related to the Buchanan Towers residence facility.

#### **Statements of Revenues, Expenses and Changes in Net Position**

The changes in total net position, as presented on the Statements of Net Position, are detailed in the activity presented in the Statements of Revenues, Expenses and Changes in Net Position. The statements present the System's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or non-operating.

In general, operating revenues are those received for providing housing, dining and related services to the customers of the System, the majority of which consists of room and board services to students. Operating expenses are those expenses paid to provide the services and resources to the students in return for the operating revenues.

## *HOUSING AND DINING SYSTEM*

### *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*June 30, 2012 and 2011*

Nonoperating revenues are monies received for which goods and services are not provided, such as investment income. Nonoperating expenses include interest expense on outstanding debt and amortization of bond costs. Following is a condensed view of the Statements of Revenues, Expenses and Changes in Net Position for the fiscal years ended June 30, 2012, 2011 and 2010:

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

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

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

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

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

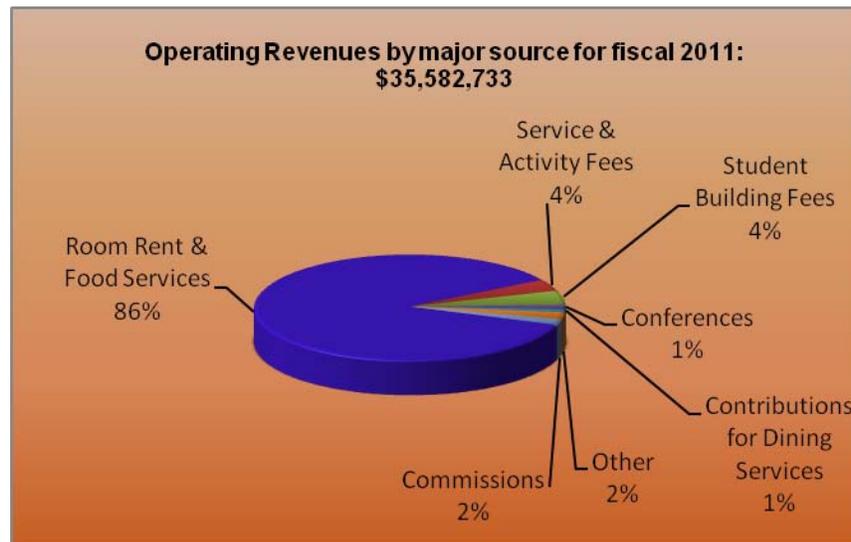
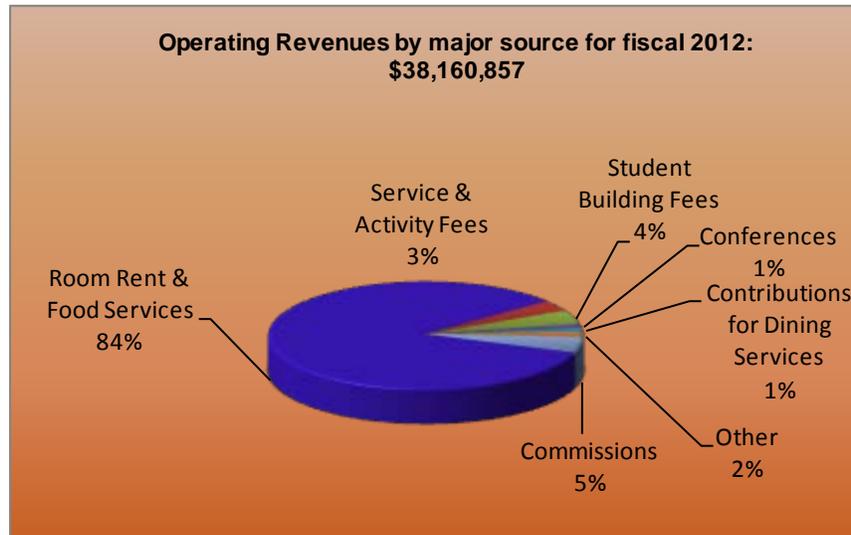
In September 2011 the University selected Aramark as the new dining contractor under a 10-year management agreement. The new contract provides for a revised commission structure and substantial contractor-provided capital renovations. Those commissions are recorded in operating revenue as well as the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

Overall annual residency declined 0.2% in fiscal 2012 from fiscal 2011. Average annual residence hall occupancy increased 1.7% primarily due to the opening of the Buchanan Towers addition while Birnam Wood

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

*June 30, 2012 and 2011*

and leased apartment occupancy decreased 11% due to the termination of the off-campus apartment leases upon the opening of the Buchanan Towers addition.



Overall operating expenses were up \$1,602,822 (5.7%) when comparing fiscal 2012 to fiscal 2011 primarily due to an increase in depreciation and non-capitalized renewals and replacements. Overall operating expenses were up \$258,694 (0.9%) when comparing fiscal 2011 to fiscal 2010 primarily due to increases in depreciation and cost of food services offset by decreases in non-capitalized renewals and replacements and repairs and maintenance expenses.

Cost of food services increased \$324,441 (3.1%) when comparing fiscal 2012 to fiscal 2011 due to the new meal plan rate structure under the Aramark dining contract. Cost of food services increased \$338,722 (3.3%) when

## *HOUSING AND DINING SYSTEM*

### *MANAGEMENT'S DISCUSSION AND ANALYSIS*

*June 30, 2012 and 2011*

comparing fiscal 2011 to fiscal 2010 primarily due to an increase in voluntary meal plan sales and the increased retention of occupants.

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

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

Repairs and maintenance expense increased \$227,290 (12.1%) when comparing fiscal 2012 to fiscal 2011 due to increased work order maintenance and a transfer of a non-capitalized project expense to operating maintenance. Repairs and maintenance expense decreased \$247,237 (-11.6%) in fiscal 2011 when compared to fiscal 2010 as efficiencies were gained in assigning work and in managing the preventative maintenance program. There were no major unanticipated incidents in fiscal 2012.

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

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

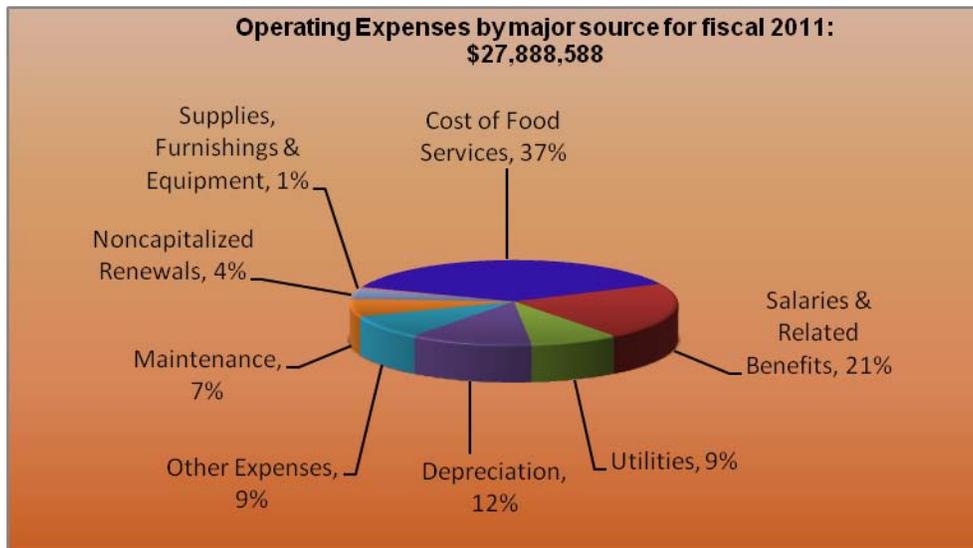
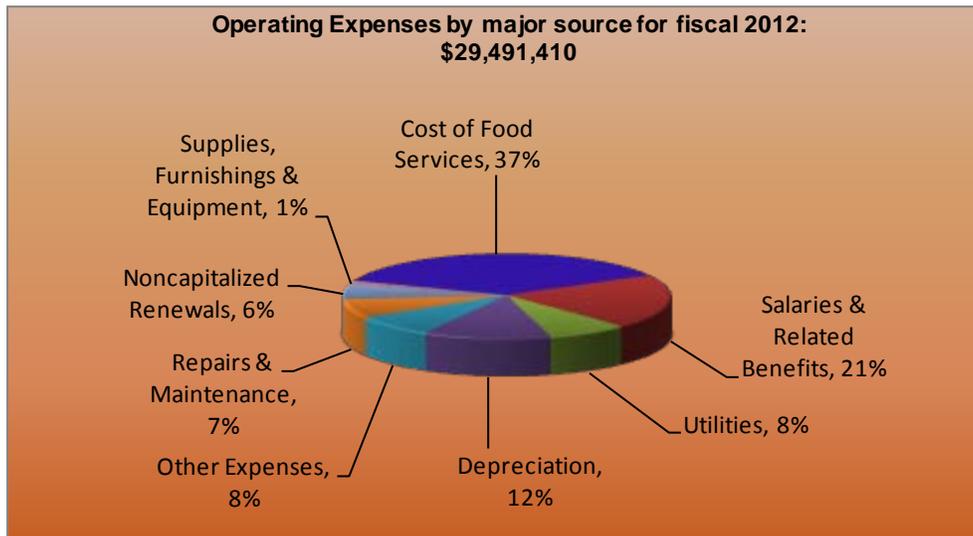
Other expenses decreased \$296,610 (-40.1%) during fiscal 2012 due to the elimination of rental expense from the leased apartments. Other expenses decreased \$211 (-0%) when comparing fiscal 2011 to fiscal 2010 due to continued operating cost reductions.

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

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

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

*June 30, 2012 and 2011*



**Economic Factors and Significant Events**

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

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

*HOUSING AND DINING SYSTEM*

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

*June 30, 2012 and 2011*

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

The Board of Trustees approved a set of housing and dining principles in 1993 (updated in 2010) to guide the System's financial planning. The six principles address (i) Revenue Fund levels, (ii) Renewal and Replacement Fund levels, (iii) Major maintenance expenditures, (iv) Capital planning efforts, (v) Debt Service Coverage Ratio, and (vi) Occupancy. The System exceeded the minimum requirements established within these principles. The Board periodically reviews the principles to ensure ongoing compliance.

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## Washington State Auditor Brian Sonntag

### INDEPENDENT AUDITOR'S REPORT

November 9, 2012

Board of Trustees  
Western Washington University  
Bellingham, Washington

We have audited the accompanying basic financial statements of the Western Washington University Housing and Dining System (Housing and Dining) as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As discussed in Note 1, the financial statements of the Western Washington University Housing and Dining System are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of Housing and Dining. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2012 and 2011, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Housing and Dining System as of June 30, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

The information identified in the table of contents as the Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of Housing and Dining. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

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

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

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

*June 30, 2012 and 2011*

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

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

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

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

See Notes to the Financial Statements

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

*June 30, 2012 and 2011*

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

Organization

Western Washington University Housing and Dining System (the System) is a self-supporting, auxiliary enterprise of Western Washington University (the University). The System operates residence halls and dining commons, an apartment complex, the Commissary/Warehouse, the Viking Union Complex and Lakewood Recreational Facility. These operations are located on or near the University campus.

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles (GAAP) and follow guidance given by the Governmental Accounting Standards Board (GASB). These statements are special purpose reports reflecting the net position, results of operations, and cash flows of the System. The financial statements present only a selected portion of the activities of the University. As such, they are not intended to and do not present either the financial position, results of operations, or changes in net position of the University.

Basis of Accounting

The System's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. The System has elected not to apply any FASB pronouncements issued after November 30, 1989.

Cash, Cash Equivalents, and Investments

The University records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by the University are recorded at fair value. To maximize investment income, the University combines funds from all departments into an investment pool. The System records their share of cash, cash equivalents and investments in the same relation as the University investment pool itself. Investment income is allocated to the System in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are primarily from students of the University and are unsecured. The System considers all accounts past due when they remain unpaid after their due dates. An allowance based on historical collection rates is established for recognizing potential bad debts. When an account is deemed uncollectible, it is written off against the allowance.

Inventory

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

Capital Assets

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

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

*HOUSING AND DINING SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS*

*June 30, 2012 and 2011*

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress over the same period. Interest of \$0 and \$142,677 was capitalized during fiscal 2012 and 2011, respectively.

Deferred Revenue

Summer quarter, which is the first quarter of the University's fiscal year, begins shortly before June 30. Room and board charges related to fiscal year 2012 are deferred until the following fiscal year. Deferred revenue also includes \$0 and \$300,000 for 2012 and 2011, respectively, in funds received from Sodexo that were being amortized on a straight-line basis over ten years. The University terminated the contract with Sodexo one year early, and the unamortized amount of the Sodexo contribution was paid to Sodexo in fiscal 2012.

Net Position

The System's net position is classified as follows:

- *Net Investment in Capital Assets* - Represents the System's total investment in capital assets, net of outstanding debt obligations related to those capital assets.
- *Restricted, Expendable* - Restricted net position represent resources restricted by bond covenants for system renewals and replacements.
- *Unrestricted* - Unrestricted net position represent resources derived from operations and investing activities. The System has internally designated \$8,118,045 and \$6,474,228 of this balance at June 30, 2012 and 2011, respectively, for funding the acquisition of future capital assets and the renovation of current capital assets.

Classification of Revenues and Expenses

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

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

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

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

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

Bond Premiums/Discounts and Issuance Costs

Bond premiums/discounts and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums/discounts are presented in the Statement of Net Position net of the face amount of bonds payable. Bond issuance costs are shown as other assets on the Statement of Net Position.

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

*June 30, 2012 and 2011*

Administrative Assessment

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

Tax Exemptions

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

Estimates

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

Reclassifications

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

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

Interest Rate and Credit Risk

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

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

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

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

*June 30, 2012 and 2011*

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

**NOTE 3. CAPITAL ASSETS, NET**

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

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

Description	June 30, 2011	Additions	Retirements	Transfers	June 30, 2012
<b>Non-depreciable capital assets</b>					
Construction in progress	\$14,438,143	\$5,576,746	\$ -	(\$12,946,973)	\$7,067,916
<b>Depreciable capital assets</b>					
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
<b>Accumulated Depreciation</b>					
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

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

*June 30, 2012 and 2011*

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

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

**NOTE 4. BONDS PAYABLE**

In accordance with bond covenants, a Renewal and Replacement (R&R) Fund has been established to pay extraordinary operating and maintenance expenses; to make capital replacements, expansions, additions, repairs and renewals of the System; and to pay bond principal and interest to the extent other funds are not legally available. The balance of the R&R Fund must equal at least 5% of the principal balance of outstanding bonds.

Bond covenants also require that the System pledge net revenue (as defined) in each fiscal year at least equal to the greater of (i) 125% of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on outstanding bonds, or (ii) amounts required to be deposited during such fiscal year from net revenues into debt service and reserve funds established for outstanding bonds and into the R&R Fund, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service.

*HOUSING AND DINING SYSTEM  
NOTES TO THE FINANCIAL STATEMENTS*

*June 30, 2012 and 2011*

	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Series 2009 A & B Housing and Dining Revenue Bonds with interest rates ranging from 3.0% to 7.4% and principal payments due in annual amounts ranging from \$290,000 to \$1,115,000 through June 30, 2034. The Series 2009 bonds have an aggregate face value of \$13,730,000 at June 30, 2012 which is reported net of the unamortized original issue premium of \$8,420.	\$13,738,420	\$14,023,833
Series 2006 Housing and Dining Revenue Bonds with an interest rate of 4% and principal payments due in annual amounts ranging from \$405,000 to \$700,000 through April 1, 2026. The Series 2006 bonds have an aggregate face value of \$7,515,000 at June 30, 2012 which is reported net of the unamortized original premium of \$31,806.	7,546,806	7,940,971
Series 2005 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.375% to 4.50%, and principal payments due in annual amounts ranging from \$600,000 to \$1,005,000 through June 1, 2026. The Series 2005 bonds have an aggregate face value of \$10,905,000 at June 30, 2012, which is reported net of the unamortized original discount and loss on defeasance of \$778,478.	10,126,521	10,610,180
Series 2003 Housing and Dining Revenue and Refunding Bonds with interest rates ranging from 3.30% to 4.65%, and principal payments due in annual amounts ranging from \$695,000 to \$1,025,000 through October 23, 2023. The Series 2003 bonds have an aggregate face value of \$10,175,000 at June 30, 2012, which is reported net of the unamortized original issue discount and loss on defeasance of \$108,359.	10,066,641	10,723,284
Series 1998 Housing and Dining Junior Lien Revenue Refunding Bonds, with interest rates ranging from 4.4% to 5.5%, and principal payments due in annual amounts that range from \$795,000 to \$1,270,000 through October 1, 2022. The Series 1998 bonds have an aggregate face value of \$10,850,000 at June 30, 2012, which is reported net of the unamortized original issue premium and loss on defeasance of \$244,870.	<u>10,605,130</u>	<u>11,323,257</u>
	\$52,083,518	\$54,621,525
Less current portion	<u>(2,785,000)</u>	<u>(2,680,000)</u>
	<u>\$49,298,518</u>	<u>\$51,941,525</u>

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

*June 30, 2012 and 2011*

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

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

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

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

Total interest incurred on bonds payable for the years ended June 30, 2012 and June 30, 2011 was \$2,760,691 and \$2,720,742, respectively.

In prior years, the System defeased certain Revenue Bonds. The assets used to defease these bonds and the liabilities for the defeased bonds are not included in these financial statements. At June 30, 2012 and 2011, the total outstanding principal balance of defeased bonds was \$10,725,000 and \$11,165,000 respectively.

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

*June 30, 2012 and 2011*

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	2,785,000	2,676,712	5,461,712
2014	2,895,000	2,563,847	5,458,847
2015	3,025,000	2,443,432	5,468,432
2016	3,145,000	2,311,835	5,456,835
2017	3,290,000	2,164,459	5,454,459
2018-2022	18,870,000	8,306,254	27,176,254
2023-2027	12,370,000	4,119,426	16,489,426
2028-2032	4,620,000	1,832,580	6,452,580
2033-2034	2,175,000	243,460	2,418,460
	<u>\$53,175,000</u>	<u>\$26,662,005</u>	<u>\$79,837,005</u>
Less unamortized (discounts)/premiums & loss on defeasance	<u>(1,091,482)</u>		
	<u>\$52,083,518</u>		

**NOTE 5. COMMITMENTS**

The System regularly enters into contracts and purchase orders that commit fund balances for future purchases of goods and services. At June 30, 2012 and 2011, these commitments totaled \$5,937,915 and \$9,482,934, respectively, for all funds.

**NOTE 6. CONTRACT WITH ARAMARK**

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

**NOTE 7. PENSION PLAN**

As employees of the University, the full-time System employees are participants in the State of Washington Public Employees' Retirement System ("PERS") or the Western Washington University Retirement Plan ("WWURP"). The WWURP plan is a defined contribution plan. PERS is a defined benefit pension plan. The University contributes to PERS, a cost sharing multiple-employer defined benefit pension plan administered by the State of Washington Retirement System.

PERS I provides retirement and disability benefits and minimum benefit increases beginning at age 66 to eligible non-academic plan members hired prior to October 1, 1977. PERS II and III provide retirement and disability benefits, and a cost-of-living allowance to non-academic plan members hired on or after October 1, 1977. In addition, PERS III has a defined contribution component, which is fully funded by employee contributions. PERS defined benefit plan benefits are vested after an employee completes five years of service.

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

*June 30, 2012 and 2011*

The Washington State Legislature establishes or amends benefit provision for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available for the Washington State Department of Retirement System, P.O. Box 48380, Olympia, WA 98504.

Western Washington University Retirement Plan (WWURP) is a defined contribution single-employer pension plan with a supplemental payment, when required. The plan covers faculty, professional staff, and certain other employees. It is administered by the University. The University's Board of Trustees is authorized to establish and amend benefit provision.

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

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

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

The System contributed approximately \$200,869, \$173,908 and \$178,000 to these plans in fiscal 2012, 2011 and 2010 respectively. An actuarial valuation of the PERS plan for the System as an entity is not available.

**NOTE 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

The University funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the actuarial accrued liability (AAL) is not available for auxiliary entities. The University is responsible for the annual payment therefore, the annual required contribution (ARC) is not recorded on the System's financial statements.

**SUPPLEMENTAL INFORMATION**

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

**RESIDENCE HALLS**

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

**APARTMENTS**

	Meals per Quarter		
	<u>Double with 2/bedroom</u>	<u>Super Single 1/bedroom</u>	<u>Family Rate</u>
<b>Apartment only Academic Year Contracts</b>			
Birnam Wood - 2 Bedroom Units	\$2,886	\$5,769	\$11,544

**SCHEDULE OF OCCUPANCY  
Year Ended June 30, 2012**

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

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

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

**SCHEDULE OF INSURANCE COVERAGE FISCAL 2012**

The University purchases buildings, contents, and business interruption insurance for the System through its participation in the State of Washington Property Master Insurance program. The System is responsible for 100% of its portion of the premium. Business interruption coverage is provided on earnings and rents from insured property and is included in the policy limits with a \$32,500,000 sub-limit. Other highlights of insurance coverage are as follows:

- Replacement cost coverage for all scheduled buildings for all risk of physical loss or damage, including earthquake and flood.
- The limit is \$100,000,000 per occurrence, with an aggregate limit of \$100,000,000 for earthquake and flood damage. There is a \$250,000 deductible per occurrence that increases to 3% of the value of damaged property with a \$250,000 minimum for earthquake and flood damage.
- Boiler and machinery insurance: private insurance program, \$50,000,000 per accident, \$5,000 deductible on all insured objects and \$50,000 deductible for property damage.
- Bodily injury and property damage liability: State-funded self-insurance program, \$10,000,000 per occurrence, with a commercial excess liability insurance policy above, and zero deductible.

The System's property insurance in effect at June 30, 2012 is summarized as follows:

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

**EXPENDED FOR PLANT FACILITIES FISCAL 2012 and 2011**

Expenditures by the System to maintain and improve its facilities are listed below. Some of these projects are capitalized and increase the value of the System's buildings. Others are costs to maintain the buildings and infrastructure and are expensed.

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

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*WADE KING STUDENT RECREATION CENTER*

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***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

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

The following discussion and analysis provides an overview of the financial position and activities of the Western Washington University Wade King Student Recreation Center (the Recreation Center) for the fiscal years ended June 30, 2012, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Presentation of the Financial Statements**

The Recreation Center's financial reports include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements 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 Recreation Center's financial statements 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.

**Statements of Net Position**

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

The amounts in these statements represent the assets available to continue the operations of the Recreation Center and identify the amount 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 the Recreation Center.

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>			
Current assets	\$1,733,021	\$1,621,525	\$2,462,325
Noncurrent assets	3,465,872	2,511,300	1,567,107
Buildings and equipment, net	21,663,209	22,357,204	23,067,867
Total assets	<u>\$26,862,102</u>	<u>26,490,029</u>	<u>\$27,097,299</u>
<b>Liabilities</b>			
Current liabilities	451,455	1,183,182	1,197,142
Noncurrent liabilities	24,276,409	23,294,605	23,912,277
Total liabilities	<u>24,727,864</u>	<u>24,477,787</u>	<u>25,109,419</u>
<b>Net Position</b>			
Net invested in capital assets	(1,523,200)	(1,577,401)	(1,459,410)
Restricted for system renewal and replacements	1,740,551	1,485,309	1,225,277
Unrestricted	1,916,887	2,104,334	2,222,013
Total net position	<u>\$2,134,238</u>	<u>\$2,012,242</u>	<u>\$1,987,880</u>

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

Total current assets increased \$111,496 (6.9%) when comparing fiscal 2012 to fiscal 2011 primarily due to increases in cash and cash equivalents and short-term investments, offset by decreases in accounts receivable and the receivable from the Western Washington University Foundation (the Foundation). The receivable from the Foundation decreased in fiscal 2012 and fiscal 2011 by \$10,822 (-22.8%) and \$57,848 (-55.0%) respectively due to restructuring the Wade King Foundation annual donation. The total current assets decrease of \$840,801 (-34.1%) during fiscal 2011 also includes a reduction in cash and cash equivalents used to purchase investments.

Total noncurrent assets, excluding buildings and equipment net, increased \$954,572 (38.0%) primarily due to increases in restricted cash and cash equivalents and restricted investments resulting from \$1,090,000 in additional bond proceeds as part of the Series 2012 Revenue and Refunding Bonds. Total noncurrent assets, excluding buildings and equipment net, increased \$944,193 (60.3%) in fiscal 2011 over fiscal 2010 primarily due to an increase in long-term restricted investments resulting from the purchases of U.S. Treasury and Agency Securities.

The buildings and equipment, net balance decreased \$693,995 (-3.1%) during fiscal 2012 and decreased \$710,663 (-3.1%) when comparing fiscal 2011 to fiscal 2010 as the Recreation Center building continues to be depreciated with no significant capital additions.

Current liabilities decreased \$731,727 (-61.8%) when comparing fiscal 2012 to fiscal 2011 due primarily to the defeasance of the series 2002 bond by the issuance of series 2012 revenue and refunding bonds in April 2012. The refunding bond issuance does not have a current portion of long term debt. Current liabilities decreased \$13,960 (-1.2%) in fiscal 2011 when compared to fiscal 2010 due to the payment of scheduled maintenance activities from fiscal 2010 combined with an increase to the current portion of bonds payable.

Non-current liabilities increased \$981,804 (4.2%) between fiscal 2012 and fiscal 2011 due to the issuance of the Series 2012 Revenue and Refunding Bonds. This issuance defeased the Series 2002 Revenue Bonds as well as supplied an additional \$1,090,000 to be used toward funding the Multipurpose Turf Field. When comparing Fiscal 2011 to fiscal 2010, the decrease of \$617,672 (-2.6%) is due to principal payments made on outstanding debt.

Overall, net position increased \$121,996 (6.1%) during fiscal 2012 when compared to fiscal 2011 due to increases in restricted for system renewals and replacements and investment in building and equipment, offset by a decrease in unrestricted. When comparing fiscal 2011 to fiscal 2010, net position increased \$24,362 (1.2%) as the amount of investment in building and equipment continues to decrease with the Recreation Center facility being depreciated at a faster rate than the related debt is repaid. Assets restricted for system renewals and replacements increased over the two prior fiscal years as contributions to this fund exceeded expenditures. Funds for renewals and replacements are set aside according to the five-year capital and maintenance plan required by the debt covenants. These funds are classified as restricted net position on the Statements of Net Position.

**Statements of Revenues, Expenses, and Changes in Net Position**

The changes in total net position, as presented on the Statements of Net Position, are detailed in the activity presented in the Statements of Revenues, Expenses and Changes in Net Position. The statements present the Recreation Center's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those received for providing goods and services to the members of the Recreation Center, primarily students. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues.

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Operating revenues	\$ 4,327,272	\$ 4,340,989	\$ 4,299,600
Operating expenses	<u>(2,982,134)</u>	<u>(3,064,402)</u>	<u>(3,033,441)</u>
Income from operations	1,345,138	1,276,587	1,266,159
Nonoperating revenues	15,903	16,597	86,845
Nonoperating expenses	<u>(1,239,045)</u>	<u>(1,268,822)</u>	<u>(1,294,361)</u>
Increase in net assets	121,996	24,362	58,643
Net position, beginning of year	<u>2,012,242</u>	<u>1,987,880</u>	<u>1,929,237</u>
Net position, end of year	<u><u>\$ 2,134,238</u></u>	<u><u>\$ 2,012,242</u></u>	<u><u>\$ 1,987,880</u></u>

**Revenues**

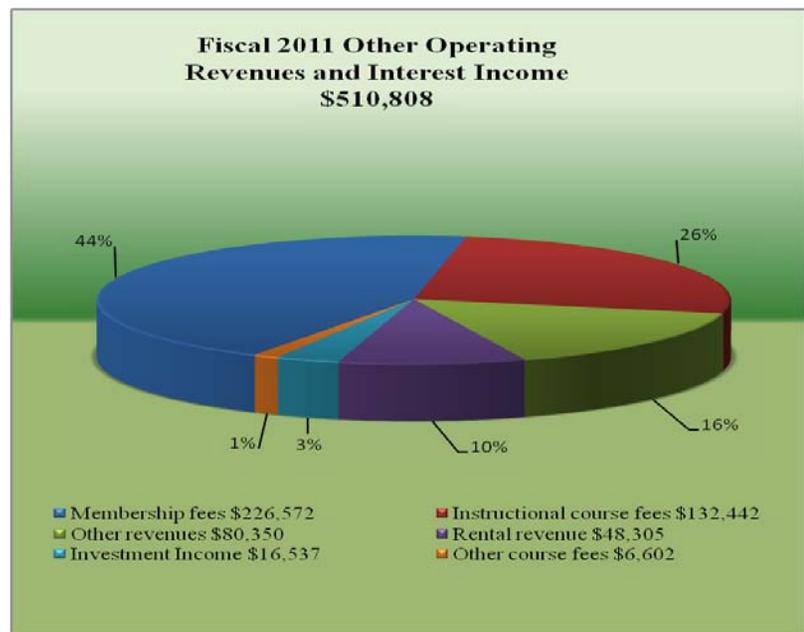
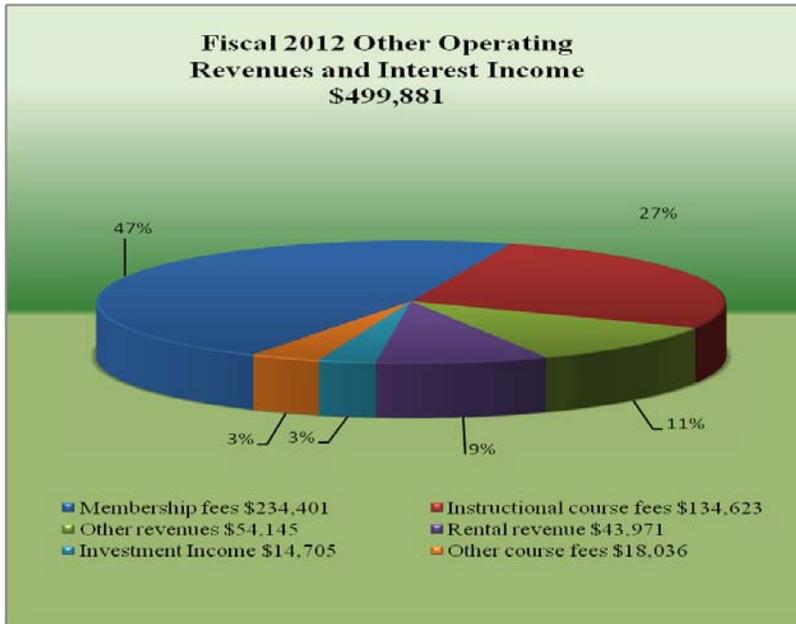
The Recreation Center's largest source of revenue is a \$95 per quarter mandatory service and activity fee for use of the facility for those students taking six or more credits. Other students, faculty, staff and alumni may pay a membership fee on a voluntary basis to gain access to the facility. The mandatory service and activity fee remained unchanged from fiscal 2011 and fiscal 2010.

The other operating and non-operating revenue categories, excluding gift income, decreased \$10,927 (-2.1%) due to a decline in facility rentals and decreased youth summer camp revenue. Non-mandatory fee operating revenues and non-operating revenues, excluding gift income, decreased \$19,676 (-3.7%) in fiscal 2011 from \$530,484 in fiscal 2010. This decrease was due to the reduction in investment income as a result of the historically low interest rate environment. Investment income decreased \$1,832 (-11.1%) to \$14,705 in fiscal 2012 from \$16,537 in fiscal 2011, which was a \$20,258 (-55.1%) decrease from \$36,795 in fiscal 2010.

Rental revenue for fiscal 2012 decreased \$4,334 (-9.0%) primarily due to a loss of one graduation night rental. This rental alone constitutes a loss of \$3,000 in outside rental revenue. Rental revenue for fiscal 2011 was nearly on par with fiscal 2010, decreasing by just \$301 (-0.6%). Other Revenues for fiscal 2012 decreased \$26,205 (32.6%) from fiscal 2011 due to a loss of revenue from a program change in Extended Education's summer youth activities.

**WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

*June 30, 2012 and 2011*



***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

**Expenses**

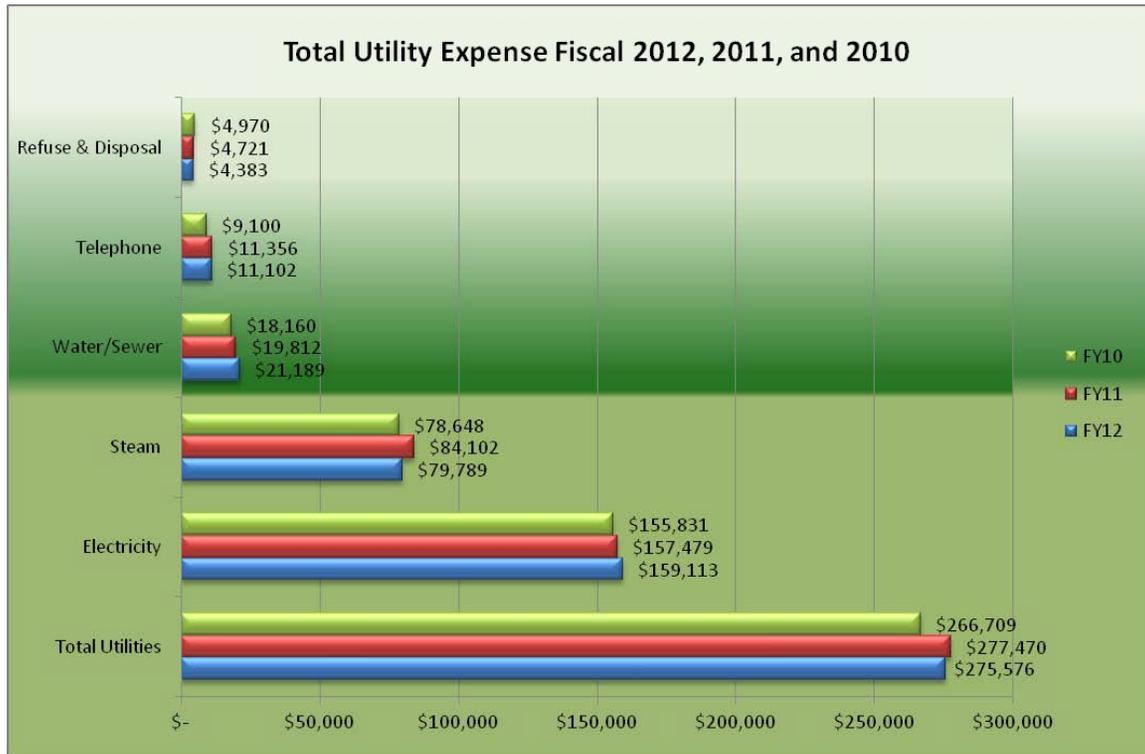
The largest category of expenses for the Recreation Center is student and staff salaries and benefits, with depreciation being the second largest expense. Salaries and benefits comprised 45.3% of the total operating expenses in fiscal 2012 compared to 42.3% and 40.7% in fiscal 2011 and fiscal 2010, respectively. The increase in salaries and benefits expense of \$55,398 (4.3%) in fiscal 2012 is due to an additional exempt position, Injury Rehabilitation Athletic Trainer, as well as additional student positions. The increase in salaries and benefits expense of \$62,348 in fiscal 2011 over 2010 is attributable to the addition of a maintenance position in lieu of institutional charge-backs for this work, increased student paraprofessional employment to assist in the opening and closing of the Recreation Center, and an increase in administrative salary allocations from the Division of Enrollment and Student Services.

The University's administrative services assessment fee, which is charged against revenues, was raised from 4% to 4.5% which increased expenses by \$14,290 (8.0%) to \$193,278 in fiscal 2012 and increased by \$40,275 (29.0%) to \$178,988 in fiscal 2011 from \$138,713 in fiscal 2010.

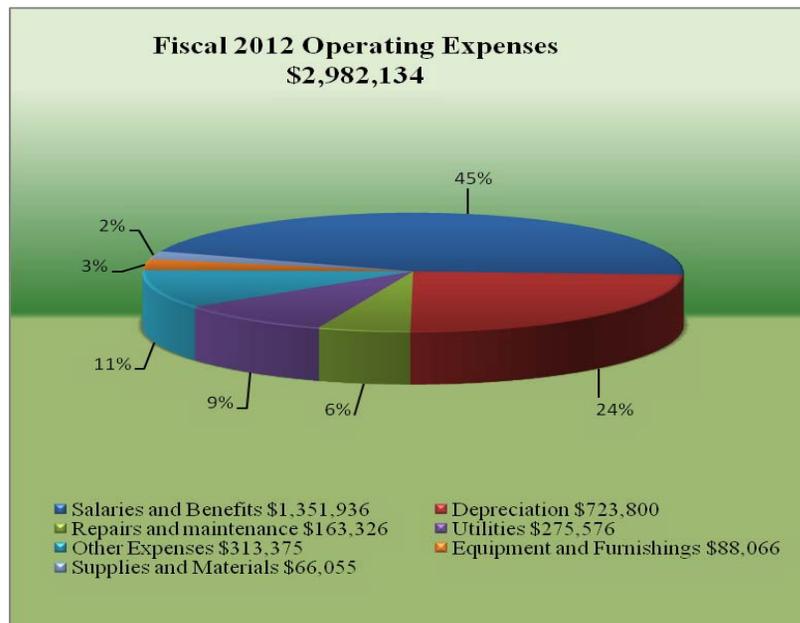
The University imposed an equipment freeze for state and tuition funds in fiscal 2011 and fiscal 2010 to achieve savings in anticipation of state-wide budget reductions. The equipment freeze was lifted in fiscal 2012. Major purchases were made but not received by the end of fiscal 2012, so this expense will be recorded in fiscal 2013. In previous years auxiliary operations, including the Recreation Center, voluntarily restricted equipment expenditures from operating funds, but utilized \$10,842 in fiscal 2012 and \$57,908 in fiscal 2011 from its Wade King Foundation Fund. In fiscal 2010, \$82,278 was spent from this fund to purchase equipment and furnishings.

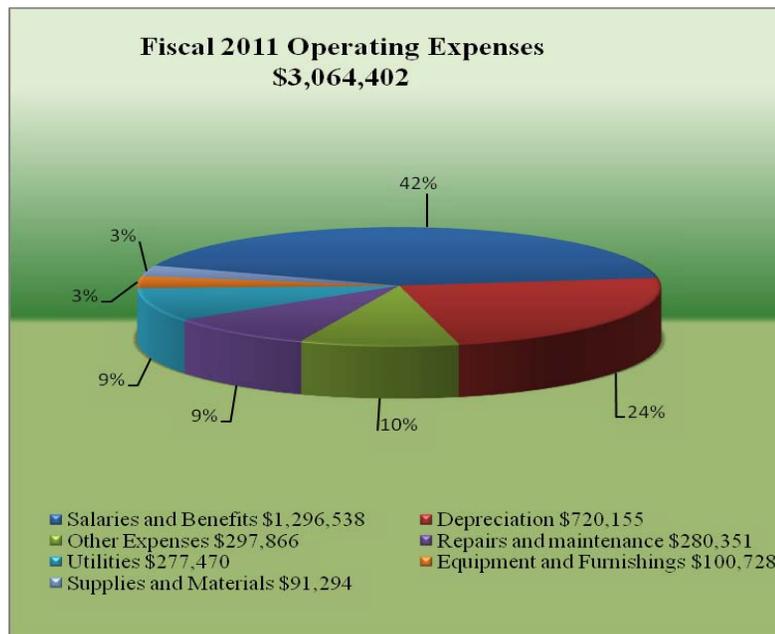
Supplies and materials expense decreased by \$25,239 (-27.6%) to \$66,055 in fiscal 2012 from \$91,294 in fiscal 2011. Fiscal 2012 was light in the expenditures of supplies and materials compared with the previous two years spending with regards to facility improvements, particularly the expense of rock wall products. When comparing fiscal 2011 to fiscal 2010 there was an increase of \$1,777 (2.0%) from \$89,517 in fiscal 2010. The fiscal 2010 increase was due to purchases to equip the new climbing wall floor and rock bouldering areas, including new ropes, carabineers and tie downs in order to meet new industry standards.

Repairs and maintenance expenses decreased \$117,025 (-41.7%) because of a lack of significant facility projects in fiscal 2012. Repairs and maintenance expenses decreased by \$94,623 (-25.2%) to \$280,351 in fiscal 2011 due to a shift in the funding for the maintenance position. Previously the Recreation Center paid Facilities Management for this position plus supervision overhead. This decrease in spending was not as significant as it could have been in fiscal 2011 because of the construction costs of two new offices in the Recreation Center.



Total utility expense for fiscal 2012 was \$275,576, a slight decrease of \$1,894 (-0.7%) due to lower steam consumption. Total utility expense for fiscal 2011 was \$277,470, an increase of \$10,761 (4.0%) from fiscal 2010. This rise in utility expense was primarily due to increased steam costs attributable to a colder and longer than average winter and spring. Telephone and electricity had only minor increases.





**Reserve Funds**

Bond Covenants require an annual addition to the renewal and replacement (R&R) reserve based on management’s assessment of the funding level necessary to maintain the facility over the long term. The initial five-year requirement was for fund transfers of \$100,000 in 2004, \$150,000 in each of 2005 and 2006, and \$200,000 in 2007 and 2008. All of the transfers were made as planned including an additional \$190,000 (unrestricted) amount in fiscal 2004 as a result of bond defeasance. Management reaffirmed the Facilities Management lifecycle maintenance plan for major maintenance and building repair and increased the annual contribution to \$250,000 for the five-year period beginning in fiscal 2009 to meet anticipated building maintenance and repairs expenses. As planned, \$250,000 was placed into the R&R reserve for fiscal 2012, 2011, and 2010. A roof recoating project scheduled over the summer of 2010 reduced the reserve amount by approximately \$164,000 at June 30, 2010. At June 30, 2012, the R&R balance was \$1,972,547. The funds must be used to improve or maintain the Recreation Center facility.

Management established an Operating Reserve in fiscal 2005 for unforeseen or extraordinary expenses. The reserve acts as an emergency fund for unplanned repairs, insurance deductibles, and as an operating cushion to cover unforeseen decreases in revenue. Reserve funds can also be designated for facility improvements beyond basic maintenance (such as the funding of repairs and additions to the tennis courts for the Recreation Center’s summer camps program, as well as the new sound board installation on the indoor track in fiscal 2010). Contributions to this fund in the past three years include \$50,000 in fiscal 2012, \$100,000 in fiscal 2011 and \$125,000 in fiscal 2010. During fiscal 2012, \$44,178 was spent on strength training equipment and \$250,000 was transferred to the Multipurpose Field Fund to assist with architectural design for the new multipurpose turf field. During fiscal 2011, \$29,917 was spent to create two new offices to accommodate additional staff members housed in the Recreation Center. At June 30, 2012, the operating reserve totaled \$1,402,663. These assets are reported as unrestricted on the Statements of Net Position.

***WADE KING STUDENT RECREATION CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

The King family made an annual donation of \$50,000 over the first seven years, totaling \$350,000. As of fiscal 2011, their annual contribution to the Recreation Center has been restructured. This Foundation reserve fund is dedicated to maintaining the quality of the facility and its programs, and supports students directly as well. During fiscal 2012, \$10,842 was spent on non-capital equipment and \$57,908 was spent in fiscal 2011 on similar equipment to improve the weight and fitness areas. During fiscal 2010, \$149,711 was spent on improving and replacing cardiovascular equipment. Of this amount, \$67,433 was used to purchase capital equipment while \$82,278 was used to purchase non-capital equipment. Portions of the donations have been used for youth programming scholarships and certain equipment upgrades. The available balance maintained by the Foundation at June 30, 2012 was \$36,588. These assets are reported as unrestricted on the Statements of Net Position.

**Ratio Analysis**

Ratios can be helpful in evaluating the Recreation Center's financial health and performance. The debt service coverage ratios for fiscals 2012, 2011, and fiscal 2010 were 3.76, 2.37, and 2.37 respectively. This ratio is calculated by dividing total operating revenues and investment income by the annual debt service on the outstanding revenue bonds.

**Utilization Rates**

Student utilization rates were very similar to the prior year with 12,106 (89.6%) of the 13,513 enrolled students using the facility during the course of fiscal 2012. This utilization rate is on par with the 12,167 (90.0%) of the 13,521 students who utilized the recreation center in fiscal 2011. This information is recorded in the Recreation Center's system when students present their membership cards upon entry to the facility. Fiscal 2010 had a utilization rate of 12,076 (90.8%) of 13,300 eligible students. Visits by members and non-members totaled 415,637 during fiscal 2012, compared with 427,951 during fiscal 2011 and 426,010 in fiscal 2010. The highest number of visits in a given day exceeded 3,000 in fiscal 2012 and fiscal 2011 compared to 3,400 per day in fiscal 2010.



## Washington State Auditor Brian Sonntag

### INDEPENDENT AUDITOR'S REPORT

November 9, 2012

Board of Trustees  
Western Washington University  
Bellingham, Washington

We have audited the accompanying basic financial statements of the Western Washington University Wade King Student Recreation Center (the Recreation Center) 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 Wade King Student Recreation Center are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Recreation Center. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2012 and 2011, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Wade King Student Recreation Center 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, the Recreation Center 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 10 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

**WADE KING STUDENT RECREATION CENTER**  
**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)	\$1,106,835	\$1,040,566
Investments (Note 2)	535,087	464,800
Accounts receivable, net of allowance of \$6,427 in 2012 and \$4,643 in 2011	50,343	64,808
Receivable from Western Washington University Foundation	36,588	47,410
Prepaid Expenses	251	45
Inventory	3,917	3,896
Total current assets	<u>1,733,021</u>	<u>1,621,525</u>
Noncurrent assets		
Investments (Note 2)	509,914	708,267
Restricted cash and cash equivalents (Note 2)	1,454,620	1,098,089
Restricted investments (Note 2)	1,375,931	387,220
Other assets (Note 1)	125,407	317,724
Capital assets, net (Note 3)	21,663,209	22,357,204
Total noncurrent assets	<u>25,129,081</u>	<u>24,868,504</u>
Total assets	<u>26,862,102</u>	<u>26,490,029</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	4,156	12,097
Accrued wages and benefits	140,592	125,441
Deferred revenue	151,625	205,686
Interest payable	155,082	199,958
Current portion of bonds payable (Note 4)	-	640,000
Total current liabilities	<u>451,455</u>	<u>1,183,182</u>
Noncurrent liabilities		
Bonds payable, less current portion (Note 4)	<u>24,276,409</u>	<u>23,294,605</u>
Total liabilities	<u>24,727,864</u>	<u>24,477,787</u>
 <b>Net Position</b>		
Net investment in capital assets	(1,523,200)	(1,577,401)
Restricted for system renewals and replacements	1,740,551	1,485,309
Unrestricted	1,916,887	2,104,334
Total net position	<u>\$2,134,238</u>	<u>\$2,012,242</u>

*WADE KING STUDENT RECREATION CENTER*  
*STATEMENTS OF REVENUES, EXPENSES & CHANGES IN NET POSITION*     *June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Service and activity fees, net of mandatory transfer	\$3,842,096	\$3,846,718
Staff, faculty and alumni membership fees	234,401	226,572
Instructional course fees	134,623	132,442
Other course fees	18,036	6,602
Rental revenue	43,971	48,305
Other revenues	54,145	80,350
Total operating revenues	<u>4,327,272</u>	<u>4,340,989</u>
<b>Operating Expenses</b>		
Salaries and benefits	1,351,936	1,296,538
Depreciation	723,800	720,155
Utilities	275,576	277,470
Repairs and maintenance	163,326	280,351
Equipment and furnishings	88,066	100,728
Supplies and materials	66,055	91,294
Administrative assessment	193,278	178,988
Insurance	28,914	27,204
Other	91,183	91,674
Total operating expenses	<u>2,982,134</u>	<u>3,064,402</u>
Income from operations	1,345,138	1,276,587
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	14,705	16,537
Gift income	1,198	60
Interest expense	(1,154,874)	(1,221,531)
Amortization of bond discounts and costs	(84,171)	(47,291)
Total nonoperating revenues (expenses)	<u>(1,223,142)</u>	<u>(1,252,225)</u>
Increase in net assets	121,996	24,362
<b>Net Position, Beginning of Year</b>	<u>2,012,242</u>	<u>1,987,880</u>
<b>Net Position, End of Year</b>	<u><u>\$2,134,238</u></u>	<u><u>\$2,012,242</u></u>

**WADE KING STUDENT RECREATION CENTER**  
**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 and other customers	\$4,287,676	\$4,354,963
Payments to employees	(1,336,785)	(1,294,128)
Payments to suppliers	(914,566)	(1,098,880)
Net cash flows provided by operating activities	<u>2,036,325</u>	<u>1,961,955</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Gift income	12,020	57,908
Net cash flows provided by(used in) noncapital financing activities	<u>12,020</u>	<u>57,908</u>
<b>Cash Flows from Investing Activities</b>		
Net purchases of investments in internal investment pool	(860,645)	(644,323)
Investment income received	14,705	16,537
Net cash flows provided by investing activities activities	<u>(845,940)</u>	<u>(627,786)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of equipment	(29,805)	(9,492)
Proceeds from bond issue	24,385,000	-
Interest paid on capital debt	(1,199,800)	(1,226,745)
Principal paid on capital debt	(23,935,000)	(615,000)
Net cash used in capital and related financing	<u>(779,605)</u>	<u>(1,851,237)</u>
Net increase in cash and cash equivalents	422,800	(459,160)
Cash and cash equivalents, beginning of year	<u>2,138,655</u>	<u>2,597,815</u>
Cash and cash equivalents, end of year	<u><u>\$2,561,455</u></u>	<u><u>\$2,138,655</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided to Operating Activities</b>		
Income from operations	\$1,345,138	\$1,276,587
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	723,800	720,155
Change in operating assets and liabilities		
Accounts receivable	14,465	(96)
Accounts payable, accrued expenses, salaries and benefits	7,210	(48,673)
Prepaid Expense	(206)	205
Deferred revenue	(54,061)	14,070
Inventory	(21)	(293)
Net cash flows provided by operating activities	<u><u>\$2,036,325</u></u>	<u><u>\$1,961,955</u></u>

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***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

**NOTE 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Western Washington University Wade King Student Recreation Center (the Recreation Center) is a self-supporting, auxiliary enterprise of Western Washington University (the University). The Recreation Center is an open recreation fitness and wellness facility for the benefit of eligible students and associated members of the University. The facility includes a lap/leisure pool and a whirlpool, a three-court gym with elevated running track, a multi-activity court, a rock climbing wall, weight and cardio areas, two group exercise/aerobic rooms, locker rooms, an injury rehabilitation room, a retail food service and lounge area, a conference room, and administrative offices for the Department of Campus Recreation. The Recreation Center is located on the University campus and is supported by a service and activity fee assessed to students quarterly. In addition, memberships are available for purchase by faculty/staff, alumni, and others closely associated with The University.

The facility was named in memory of Wade King, a 10-year old who died in 1999 in a pipeline explosion in Bellingham. Prior to fiscal 2011, Wade King's parents, Frank and Mary King, pledged a lifetime gift of \$50,000 per year to the Western Washington University Foundation, a related party, restricted for support to ensure continued quality facilities and programs at the Recreation Center. The Recreation Center requests funds from the Western Washington University Foundation when expenditures are incurred. During fiscal 2012 and 2011, the Recreation Center did not receive \$50,000 due a restructure of the pledged gift to an estate gift.

**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 the Recreation Center. These 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 Recreational Center's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Recreation Center has elected not to apply any FASB pronouncements after November 30, 1989.

**Cash, Cash Equivalents and Investments**

The University records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by the University are recorded at fair value. To maximize investment income, the University combines funds from all departments into an investment pool. The Recreation Center 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 Recreation Center in proportion to its average balance in the investment pool.

**Inventory**

Inventory consists primarily of athletic and other supplies. Inventory is stated at the lower of cost (first-in, first-out method) or market.

***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

Accounts Receivable

Receivables are recorded at their principal balances and are due primarily from the University students. The Recreation Center considers all accounts greater than 30 days old to be past due and uses the allowance method for recognizing bad debts. When an account is deemed uncollectible, it is written off against the allowance. Management determined that an allowance of \$6,427 and \$4,643 at June 30, 2012 and 2011 respectively, is adequate.

Building and Equipment, Net

The building used for the Recreation Center's operations is located on the University's property. Building and equipment are stated at cost, net of accumulated depreciation. The Recreation Center capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets, forty years for buildings and five to seven years for equipment.

Deferred Revenue

Summer quarter, which is the first quarter of the University's fiscal year, begins shortly before June 30. The majority of cash received for service and activity fees related to summer session in fiscal 2012 are deferred until the following fiscal year.

Net Position

The Recreation Center's net position is classified as follows:

*Net investment in capital assets.* This represents the Recreation Center's total investment in capital assets, net of outstanding debt obligations related to those capital assets as well as unamortized bond issue costs. The deficit in this net position relates to depreciation expense exceeding the principal reduction on the outstanding bonds.

*Restricted for system renewals and replacements.* Restricted net position represent resources restricted in accordance with bond covenants for system renewals and replacements. Restricted assets are used in accordance with their requirements and where both unrestricted and restricted resources are available for use, unrestricted resources are used first and restricted resources only when the specific use arises.

*Unrestricted net position.* Unrestricted net position represent resources derived from operations and investing activities along with operating reserves established for future replacement of assets.

Classification of Revenues and Expenses

The Recreation Center has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenue includes activities that have the characteristics of exchange transactions, such as service and activity fees charged to students, staff, faculty, and alumni membership fees, and instructional course fees. Operating expenses are those costs incurred in daily operations, such as salaries, utilities, and depreciation.

Nonoperating revenue includes activities that have the characteristics of non-exchange transactions, such as investment and gift income. Nonoperating expenses include costs related to financing or investing activities such as interest on indebtedness.

***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

*Student Recreation Center Fee, net of mandatory transfer*

Per Revised Code of Washington Section 28B.15.820, the University is required to transfer a minimum of 3.5% of revenues collected from tuition and services and activities fees into an institutional financial aid fund.

This fund is only to be used to fund short- or long-term loans and grants to students in need. Service and activity fee revenue is reported net of this transfer.

Bond Premiums and Issuance Costs

Bond premiums and issuance costs are deferred and amortized over the term of the bonds using the effective interest method. The remaining balances of bond premiums are presented as an increase of the face amount of bonds payable. The unamortized bond issuance costs are shown as other assets on the Statements of Net Position.

Administrative Assessment

The University provides support to the Recreation Center through cash and bond debt management, accounting, purchasing and disbursing services, risk management, human resources and other support services. The effects of these transactions are included as operating expenditures in these financial statements. The amount paid was \$193,278 and \$178,988 for fiscal years ended June 30, 2012 and 2011, respectively, and is based on a percentage of revenues.

Tax Exemptions

the University, and the Recreation Center as an auxiliary enterprise, is a tax-exempt instrumentality of the State of Washington under Section 115(a) of the Internal Revenue Code and is exempt from federal taxes on related income.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) 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.

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

Interest Rate and Credit Risk

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

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

The Recreation Center's investment in the University's pool includes \$1,740,551 restricted for renewals and

**WADE KING STUDENT RECREATION CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**

*June 30, 2012 and 2011*

replacements and \$1,090,000 in unspent bond proceeds to be used to fund the Multipurpose Field capital project.

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.

	June 30, 2012	Weighted Average Maturity (in years)	June 30, 2011	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$2,561,455	n/a	\$2,138,655	n/a
Investments				
Certificates of deposit	357,087	0.028	228,270	0.046
U.S. Treasury	-		1,141,662	0.006
U.S. Agencies	2,063,845	0.680	190,355	0.722
	<u>\$4,982,387</u>		<u>\$3,698,942</u>	

**NOTE 3. CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2012 and 2011 was \$723,800 and \$720,155, respectively.

Following are the changes in capital assets for the years ended June 30, 2012 and 2011:

	June 30, 2011	Additions	Retirements	June 30, 2012
Non-Depreciable				
Construction in Progress	\$7,078	\$12,658	(\$7,078)	\$12,658
Depreciable				
Building	27,687,761	-	-	27,687,761
Equipment	262,114	18,582	(9,769)	270,927
Improvements	-	7,078	-	7,078
	27,956,953	38,318	(16,847)	27,978,424
Less accumulated depreciation	(5,599,749)	(723,800)	8,334	(6,315,215)
Capital assets, net	<u>\$22,357,204</u>	<u>(\$685,482)</u>	<u>(\$8,513)</u>	<u>\$21,663,209</u>
	June 30, 2010	Additions	Retirements	June 30, 2011
Non-Depreciable				
Construction in Progress	\$3,665	\$5,313	(\$1,900)	\$7,078
Depreciable				
Building	27,687,761	-	-	27,687,761
Equipment	272,941	6,079	(16,906)	262,114
	27,964,367	11,392	(18,806)	27,956,953
Less accumulated depreciation	(4,896,500)	(720,155)	16,906	(5,599,749)
Capital assets, net	<u>\$23,067,867</u>	<u>(\$708,763)</u>	<u>(\$1,900)</u>	<u>\$22,357,204</u>

**WADE KING STUDENT RECREATION CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**

*June 30, 2012 and 2011*

**NOTE 4. BONDS PAYABLE**

The Recreation Center issued the Revenue and Refunding Bonds Series 2012 in April 2012. The bonds bear interest at rates of 3.0% to 4.1% and mature annually until 2037. The bonds have an aggregate face amount of \$24,385,000 and \$0 at June 30, 2012 and 2011, which is reported net of the unamortized original issue premium and loss on defeasance of \$108,592 and \$0 respectively.

On February 10, 2012, the Board of Trustees approved Resolution No. 2012-01, authoring the issuance of revenue and refunding bonds, Series 2012. On April 30, 2012, The University issued \$24,385,000 in Revenue and Refunding Bonds, with interest rates of 3% to 4.1% to refund the remaining 2002 Revenue bonds. The bonds have an aggregate face amount of \$24,385,000 at June 30, 2012, which is reported net of the unamortized original issue premium and a loss on defeasance of \$108,592.

Management expects the refunding will provide a net present value savings of approximately \$2,723,000 in debt service over the life of the new bonds and a loss on defeasance of \$532,441. The amount required to refund the 2002 bonds remaining plus a refunding premium and underwriter's discount (total of \$23,721,064) were sent directly to the escrow agent, US Bank, and these funds were disbursed completely on May 1, 2012.

Aggregate maturities or payments required for principal and interest under bond obligations for each of the succeeding five fiscal years and thereafter are as follows:

	Principal	Interest	Payment
2013	\$ -	\$927,920	\$927,920
2014	-	925,350	925,350
2015	700,000	925,350	1,625,350
2016	725,000	904,350	1,629,350
2017	750,000	882,600	1,632,600
2018-2022	4,095,000	4,049,925	8,144,925
2023-2027	4,905,000	3,246,200	8,151,200
2028-2032	5,965,000	2,183,400	8,148,400
2033-2037	7,245,000	892,000	8,137,000
	<u>24,385,000</u>	<u>14,937,095</u>	<u>39,322,095</u>
Plus unamortized premium	423,849		
Less unamortized loss on defeasance	(532,441)		
Total	<u>\$24,276,409</u>	<u>\$14,937,095</u>	<u>\$39,322,095</u>

***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

Following are the changes in bonds payable:

	Beginning Balance	Additions and Amortizations of Bond Discount/Premium and Loss	Retirements	Ending Balance	Current Portion
As of June 30, 2012 Series 2012 Revenue Refunding Bonds, net of unamortized original issue premium and loss on defeasance of \$108,591 at June 30, 2012.	<u>\$0</u>	<u>\$24,276,409</u>	<u>\$0</u>	<u>\$24,276,409</u>	<u>\$0</u>
As of June 30, 2012 Series 2002 Revenue Bonds, net of unamortized original issue discount and loss on defeasance of \$0 and \$302,142 at June 30, 2012 and 2011, respectively.	<u>\$23,934,605</u>	<u>\$48,281</u>	<u>(\$23,982,886)</u>	<u>\$0</u>	<u>\$0</u>
As of June 30, 2011 Series 2002 Revenue Bonds, net of unamortized original issue discount and loss on defeasance of \$302,142 and \$322,723 at June 30, 2012 and 2011, respectively.	<u>\$24,527,277</u>	<u>\$22,328</u>	<u>(\$615,000)</u>	<u>\$23,934,605</u>	<u>\$615,000</u>

In accordance with resolutions of the Board of Trustees, the University sold the Recreation Center Bonds to investors who have a first lien on, and are to be paid solely from the gross revenue from the operation of the Recreation Center.

The amounts and limitations of this pledge are set forth in the resolutions of the Board of Trustees. The bond covenants require that the Recreation Center transfer monies each year to an account held as restricted net position for renewals and replacements of the facilities.

**NOTE 5. PENSION PLAN**

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

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.

***WADE KING STUDENT RECREATION CENTER  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

The Washington State Legislature establishes or amends benefit provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in the Comprehensive Annual Financial Report publicly available from 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 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 Recreation Center contributed \$44,759, \$37,273 and \$35,012 to these plans in fiscal 2012, 2011 and 2010, respectively. Actuarial valuations of the plans for the Recreation Center as a stand-alone entity are not available.

**NOTE 6. 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 is not recorded on the Recreation Center's financial statements.



*ASSOCIATED STUDENTS BOOKSTORE*

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**ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2012 and 2011**

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

The following discussion and analysis provides an overview of the financial position and activities of Western Washington University's Associated Students Bookstore (the Bookstore) for the years ended June 30, 2012, 2011 and 2010. This discussion has been prepared by management and should be read in conjunction with the financial statements and accompanying notes which follow this section.

**Presentation of the Financial Statements**

The Bookstore's financial reports include the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position and the Statements 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 Bookstore's financial statements 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.

**Statements of Net Position**

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

The amounts in these statements represent the assets available to continue the operations of the Bookstore and also identify how much the Bookstore owes vendors and all other parties. The difference between total assets and total liabilities, net position, is one indicator of the current financial condition of the Bookstore. The change in net position measures whether the overall financial condition has improved or deteriorated during the year.

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

<b>ASSETS</b>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current Assets	\$2,583,960	\$2,238,423	\$2,783,788
Noncurrent Assets	430,440	518,356	-
Capital Assets, net	<u>1,365,618</u>	<u>1,414,541</u>	<u>1,463,330</u>
Total assets	4,380,018	4,171,320	4,247,118
<b>LIABILITIES</b>			
Current liabilities	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>
Total liabilities	302,816	164,866	300,868
<b>NET POSITION</b>			
Net invested in capital assets, net	1,365,618	1,414,541	1,463,330
Net position, unrestricted	2,690,584	2,591,913	2,482,490
Net position, restricted, expendable	<u>21,000</u>	<u>-</u>	<u>430</u>
Total net position	<u>\$4,077,202</u>	<u>\$4,006,454</u>	<u>\$3,946,250</u>

***ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

The Bookstore's net position increased for the third year in a row. At June 30, 2012, the Bookstore's total net position was \$4,077,202, an increase of \$70,748 (1.8%) from fiscal 2011 and \$60,204 (1.5%) when comparing fiscal 2011 to fiscal 2010.

Current assets increased \$345,537 (15.4%) when comparing fiscal 2012 to fiscal 2011 due to an increase in accounts receivables of \$148,185 (54.7%) and an increase of \$151,739 (19.8%) in unrestricted cash and cash equivalents along with an increase of \$111,519 (32.8%) in current investments. The increase in current investments is due to a change in maturities. The increase in accounts receivable is attributable to the Bookstore allowing students to charge purchases to student accounts. Fiscal 2011 current assets decreased \$545,365 (-19.6%) from fiscal 2010. The most significant change was the reallocation of cash and cash equivalents to noncurrent investments.

Noncurrent investments decreased \$87,916 (-17.0%) when comparing fiscal 2012 to fiscal 2011 due to changes in maturities. Fiscal 2011 noncurrent investments increased \$518,356 (100.0%) from fiscal 2010 due to the purchase of long-term U.S. Treasury and Agency securities.

Capital assets, net decreased \$48,923 (-3.5%) when comparing fiscal 2012 to fiscal 2011 and decreased by \$48,789 (-3.3%) in fiscal 2011 as existing assets continue to be depreciated at a greater rate than new capital assets are added. No new capital assets were added in fiscal 2012 or fiscal 2011. The only capital asset purchased in fiscal 2010 was a Dell server for the Sequoia point of sale system (PC POS) for \$8,587.

Total current liabilities increased \$137,950 (83.7%) due to an increase of \$124,884 (140.1 %) in accounts payable a result of a change in the timing of textbook purchases and returns. The increase was also affected by an increase of \$10,549 (30.0%) in the annual distribution to the Associated Students of Western Washington (ASWWU) in accordance with the revenue sharing agreement with the ASWWU. The revenue sharing agreement with the ASWWU prioritizes the first \$25,000 in net revenues to be placed in the Bookstore's reserve in order to safeguard the Bookstore as a viable, self-supporting auxiliary. The ASWWU maintains a Bookstore Reserve Fund to accommodate these potential fluctuations in shared revenue and to make one-time allocations back to the Bookstore for strategic investments as funds allow. Total current liabilities decreased \$136,002 (-45.2%) in fiscal 2011 from fiscal 2010. The significant decrease was the result of improvements in the Bookstore's accounts payable processes, offset by an increase of \$35,202 (100.0%) in the transfer to the ASWWU.

During fiscal 2012, the Bookstore received \$34,000 from the ASWWU for strategic investments such as new software to enable in-store rentals. The remaining amount of \$21,000 is shown as restricted cash and restricted expendable net position. The restricted cash and cash equivalents is to upgrade the Bookstore's PC POS system and to replace computers. The Bookstore spent \$15,148 in restricted assets from the ASWWU during fiscal 2010 to purchase hardware, a Dell server (SCS Server) and software to update the Bookstore's PC POS system to meet Payment Card Industry Data Security Standards (PCI DSS). Of these purchases, \$8,587 was capitalized and the remaining \$6,561 was expensed in accordance with the University's capitalization policy.

**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 shown in the Statements of Revenues, Expenses, and Changes in Net Position. The statements

**ASSOCIATED STUDENTS BOOKSTORE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2012 and 2011**

present the Bookstore's results of operations. In accordance with GASB reporting principles, revenues and expenses are classified as operating or nonoperating.

In general, operating revenues are those earned by providing goods and services to the customers of the Bookstore, primarily sales of textbooks to students. Other operating revenues are primarily commissions earned from used book wholesalers who purchase textbooks from students.

Operating expenses are those expenses to acquire or produce the goods and services provided in return for the operating revenues.

Nonoperating revenues and expenses are monies received or expended for which goods and services are not provided. Under GASB reporting principles, investment income is classified as nonoperating revenue.

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:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Sales, net of discounts	\$6,384,528	\$6,399,545	\$6,323,888
Cost of goods sold	<u>4,858,228</u>	<u>4,819,995</u>	<u>4,875,830</u>
Gross margin	1,526,300	\$1,579,550	\$1,448,058
Other operating revenues	63,929	61,686	64,827
Operating expenses	<u>1,470,465</u>	<u>1,511,897</u>	<u>1,470,436</u>
Income (loss) from operations	119,764	\$129,339	\$42,449
Nonoperating (expenses) revenues	<u>(49,016)</u>	<u>(69,135)</u>	<u>(21,345)</u>
Changes in net position	70,748	\$60,204	\$21,104
Net position, beginning of year	<u>4,006,454</u>	<u>3,946,250</u>	<u>3,925,146</u>
Net position, end of year	<u><u>\$4,077,202</u></u>	<u><u>\$4,006,454</u></u>	<u><u>\$3,946,250</u></u>

Sales net of discounts decreased \$15,017 (-0.2%) from fiscal 2011 and increased \$75,657 (1.2%) in fiscal 2011 from fiscal 2010, reflecting an increasingly competitive industry. Net sales figures are impacted by ratios of new to used books, as well as the growth of digital modalities, textbook rentals and commissionable third party course-book sales via the Bookstore's website.

Cost of goods sold increased \$38,233 (0.8%) from fiscal 2011 and decreased \$55,835 (1.1%) in fiscal 2011 from fiscal 2010. In fiscal 2012 new books sales increased while used book sales decreased resulting in a higher cost of goods. Used books sell for 75% of the new book price but cost less and carry a higher margin. The availability of used books from our suppliers decreased in fiscal 2012 as textbook rentals increased nationwide. Increases in emblematic merchandise sales (which have higher

***ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

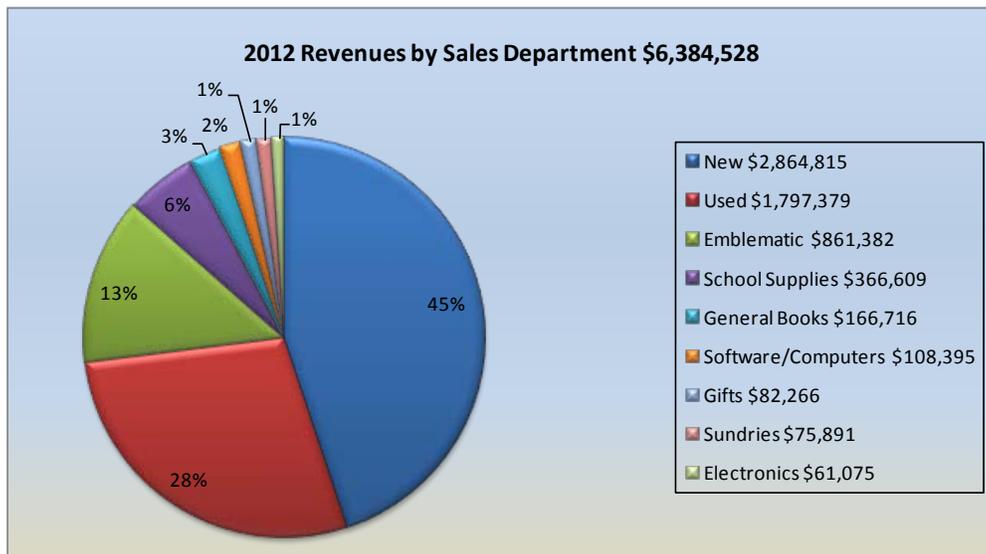
margins than other product lines and therefore a lower cost) helped to decrease the total cost of goods in 2011.

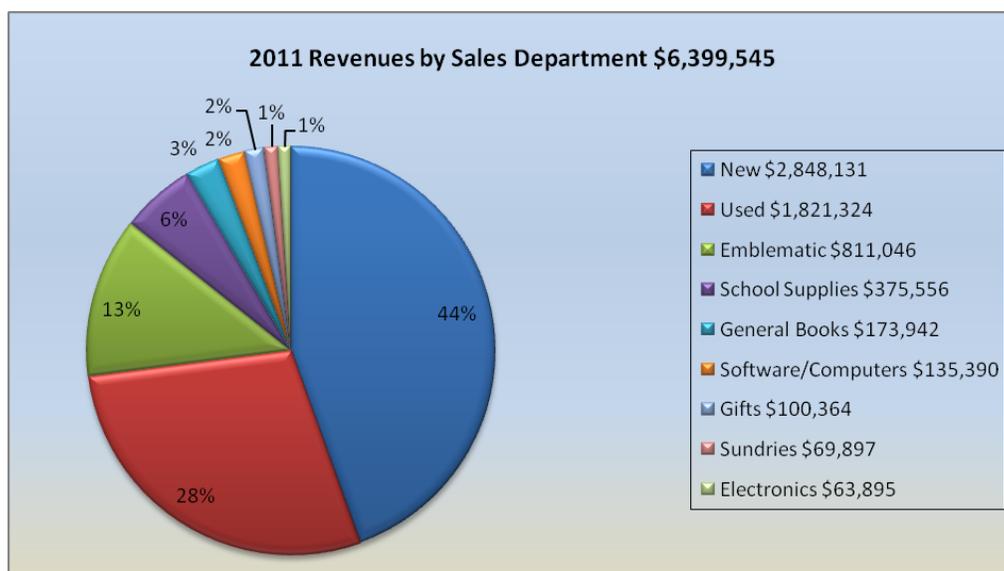
The Bookstore's gross margin decreased \$53,250 (-3.4%) from fiscal 2011 and increased \$131,492 (9.1%) in fiscal 2011 from fiscal 2010. The gross margin percentage for the Bookstore for fiscal 2012 decreased to 23.9% (-0.8%), down from 24.7% in fiscal 2011, which was up from the 22.9% gross margin percentage in fiscal 2010. The Bookstore's gross margin percentage is lower than the average gross margin for bookstores reporting in the Independent College Bookstore Association (ICBA) survey for 2010-2011 of 26.9% because of its textbook discounting policies.

The Bookstore has a strong commitment to student success at the University, which includes providing affordable course materials. In support of this commitment, the Bookstore maintained its 10% discount on new and used textbooks during fiscal 2012 and 2011. This discount represented an approximate reduction of \$500,000 per year in the cost of textbooks for Western Washington University students who purchased their textbooks on campus. This level of discount is uncommon in the college bookstore industry, and is evident when using the ICBA survey to benchmark gross margins with the average of other college bookstores.

Other operating revenue increased \$2,243 (3.6%) from fiscal 2011 and decreased \$3,141 (-4.8%) in fiscal 2011 from fiscal 2010. This income consists mainly of commissions from wholesalers for books purchased from students that are not retained in the bookstore for resale. With more custom one-time use materials being adopted by faculty, fewer books are available for students to resell. The increase in fiscal 2012 was due to a \$2,356 refund of an insurance premium from a prior fiscal year.

Nearly three quarters of Bookstore sales are textbook sales. New and used books sales accounted for 73% of total sales in fiscal 2012. This percentage was the same for fiscal 2011, which was down slightly from 73.5% in fiscal 2010. The ICBA 2010-2011 survey indicates that among bookstores reporting, textbook sales are on average 57.3 % of total sales.





### **Revenues by Sales Department**

New book sales continued to increase for the third year in fiscal 2012. They were \$2,864,815 in fiscal 2012, an increase of \$16,684 (0.6%) from \$2,848,131 in fiscal 2011. Fiscal 2011 increased \$156,673 (5.8%) from \$2,691,458 in fiscal 2010. The rate of increase has slowed but the trend is significant. Reasons for this increase include more instructors using custom materials which are only available new and more single-use digital products.

Conversely, used books sales continued to decline for the third straight year. Used book sales in fiscal 2012 were \$1,797,379, down \$23,945 (-1.3%) from \$1,821,324 in fiscal 2011, down \$161,594 (-8.1%) from fiscal 2010 sales of \$1,982,918. Textbook rentals continue to impact the number of used books available from suppliers. In fiscal 2012, the Bookstore offered students increased access to rental books with on-line partners.

Emblematic sales increased for the third straight year. Emblematic sales in fiscal 2012 increased \$50,336 (6.2%) from fiscal 2011. The majority of the increase in fiscal 2012 was the result of Western Washington University's Men's Basketball team winning the NCAA Division II Championship in April 2012. Emblematic sales have a larger margin than the average sale and help keep cost of goods lower while adding to the Bookstore's gross margin. During fiscal 2011, emblematic sales increased by \$81,110 (11.1%) from sales of \$729,936 in fiscal 2010 as a result of strong tee shirt sales as well as increases in emblematic gifts.

School supplies decreased slightly in fiscal 2012 after increasing slightly the prior year. A number of campus departments are going paperless so the sales of file folders and other items are decreasing. During fiscal 2012, school supplies were down \$8,947 (-2.4%) from fiscal 2011 which were up slightly \$6,103 (1.7%) from 2010 sales of \$369,453. The sales increase in fiscal 2011 was due to the addition of more imprinted folders and binders.

***ASSOCIATED STUDENTS BOOKSTORE  
MANAGEMENT'S DISCUSSION AND ANALYSIS***

*June 30, 2012 and 2011*

General books sales continued to decline in 2012. General book sales were down \$7,226 (-4.2%) from sales in fiscal 2011 which were down \$1,137 (-.7%) from sales of \$175,079 in fiscal 2010. This is a national trend among college bookstores given the availability of general books through large quick-ship online sources and the availability of information on the internet such as reference and travel books. Electronic reading devices continue to impact the decline in traditional general book sales. There was increasing pressure on General book sales with the emergence of better e-readers and the increasing popularity of e-books. ICBA had developed a partnership to help make e-books available in college stores. This partnership was dissolved in early 2012. The Bookstore will continue to work with new partners to provide e-books and other digital media.

Software sales decreased sharply this year, declining for the last three fiscal years. Software sales were \$108,395, down \$26,995 (-19.9%) from sales of \$135,390 in fiscal 2011, which were down \$2,673 (-1.9%) from sales of \$138,063 in fiscal 2010. Microsoft changed their agency plan in the late spring of 2012 to exclude staff from purchases at University pricing. Microsoft reversed this decision in early summer of 2012. The decrease in fiscal 2011 is due to a changing marketplace including more open source software and competition from applications created for portable devices.

Gift sales declined to \$82,266 in fiscal 2012, down \$18,098 (-18.0%) from sales of \$100,364 in fiscal 2011 which were up \$8,092 (8.8%) from fiscal 2010 sales of \$92,272. The Bookstore continues to change the gift selection to put a greater emphasis on imprinted gifts which are accounted for in emblematic sales. The increase in fiscal 2011 was a result of more desirable gift inventory available for sales.

Sundries sales in 2012 increased \$5,994 (8.6%). Sales for fiscal 2011 decreased by \$5,324 (-7.1%) from fiscal 2010 sales of \$75,221. The fiscal 2012 increase was due in part to changes in dining service vendors on campus which kept most of the dining options in the Viking Union closed for the summer of 2011. The fiscal 2011 decline was due to a new dining venue opening in the Wilson Library.

Electronic sales declined for the third straight fiscal year. Electronic sales were \$61,075 in fiscal 2012 down \$2,820 (-4.4%) from sales in fiscal 2011 which decreased \$5,593 (-8.1%) from 2010 sales of \$69,488. Calculator sales continue to be soft and Ethernet cable sales declined as more residence halls provide wireless access to students. Calculator sales decreased 15.1% in fiscal 2011 as more smartphones and other electronic devices have calculators built in.

**Expenses by Major Source**

Total operating expenses decreased \$41,432 (-2.7%) from fiscal 2011 and increased \$41,461 (2.8%) from fiscal 2010 to fiscal 2011. Salaries and benefits decreased \$51,093 (-4.9%) from fiscal 2011 which increased \$28,088 (2.8%) from fiscal 2010. The salary savings in fiscal 2012 were due to vacancies in the accounting department which went unfilled for a number of months. The most significant increases in fiscal 2011 were in benefits paid to employees, which increased \$105 per employee per month.

General and Administrative expenses increased \$50,380 (20.6%) in fiscal 2012. They increased \$2,837 (1.2%) in fiscal 2011 from \$242,046 in fiscal 2010. A number of factors caused the increase in fiscal 2012: freight charges were up, the administrative assessment fee increased, computers and small

*ASSOCIATED STUDENTS BOOKSTORE*

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

*June 30, 2012 and 2011*

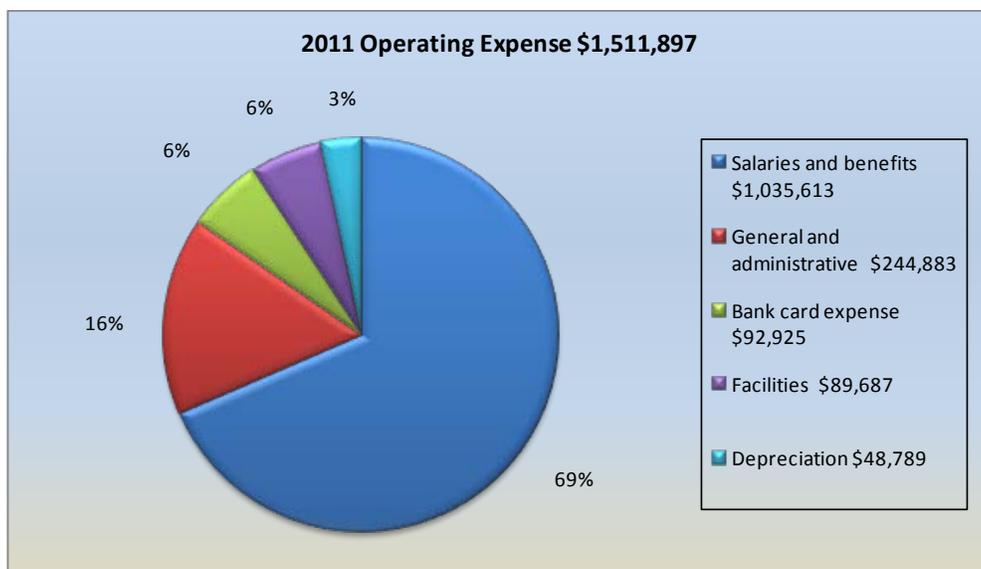
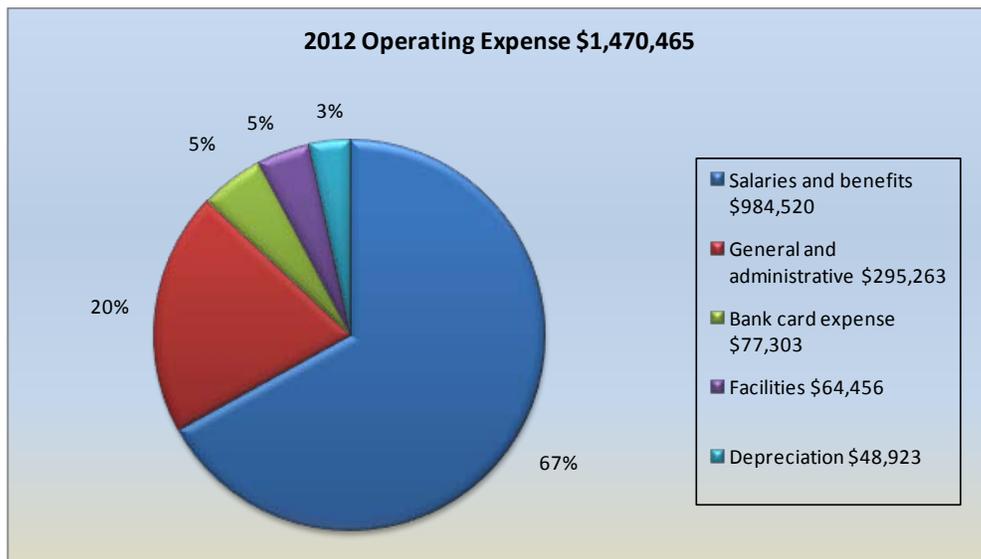
devices such as signature capture machines were replaced. The fiscal 2011 increase was due to an increase of \$16,322 (32.9%) in the university's administrative services charge offset by decreases in other general and administrative expenses.

Bank card expense declined \$15,622 (-16.8%) in fiscal 2012. This expense increased \$1,793 (2.0%) in fiscal 2011 when compared to fiscal 2010. The decline in 2012 was a result of the new program that allows students to charge purchases at the Bookstore to their student account rather than purchase with debit or credit cards whereas the increase in fiscal 2011 was due to increased credit or debit card use.

Facilities expenses in fiscal 2012 decreased \$25,231 (-28.1%) from fiscal 2011 and increased \$20,929 (30.4%) from fiscal 2010 to fiscal 2011. The decrease in fiscal 2012 was due to no significant maintenance projects. The increase in fiscal 2011 was due to funding the resurfacing of the Bookstore roof.

Depreciation expense increased \$134 (0.3%) in fiscal 2012 compared with fiscal 2011. Depreciation in fiscal 2011 decreased \$12,186 (-20.0%) from fiscal 2010, as the 2005 purchase of the PC POS system was fully depreciated in the first half of fiscal 2010. No significant capital assets were added in 2012.

Total nonoperating expenses in fiscal 2012 decreased \$20,119 (-29.1%) from fiscal 2011 which increased \$47,790 (223.9%) from fiscal 2010. Fiscal 2012 nonoperating revenues were comprised of interest income which has decreased significantly since 2010 and a \$34,000 distribution from the ASWWU to the Bookstore. There were no distributions from the ASWWU in 2011 or 2010. Nonoperating expenses are distributions from the Bookstore to the ASWWU as part of the revenue sharing agreement (mentioned earlier) and distributions to the WWU Athletic department. The distribution payable from the Bookstore to the ASWWU was \$45,751 in fiscal 2012, an increase of \$10,549 (30%) from the distribution in fiscal 2011. There was no distribution payable to the ASWWU in fiscal 2010. The distribution payable to Athletics (based on a percent of Emblematic revenues) increased \$2,517 (6.2%) from fiscal 2011, which was an increase of \$4,055 (11.1%) from fiscal 2010.



**Economic Factors and Significant Events**

Textbook rentals are having an impact on the national market place as more schools bring on rental programs. The National Association of College Stores (NACS) Financial Report for 2012 states that only 6% of stores had rental programs in fiscal 2011 while 68% of stores had some rental program in fiscal 2012. The Bookstore introduced a sell to rent program for spring quarter of 2012 which allowed students to rent books in the store. The Bookstore was able to sell the rental books at the regular retail price to the rental provider. The Bookstore will continue this program during fiscal 2013.

During fiscal 2012, in collaboration with a number of campus departments, we introduced the “Charge It” program that allows a student to purchase up to \$600 of Bookstore merchandise with the charges billed to their student account. This program reduced Bookstore credit card fees and it allows students to purchase course materials before they received their financial aid.

*ASSOCIATED STUDENTS BOOKSTORE*

*MANAGEMENT'S DISCUSSION AND ANALYSIS*

*June 30, 2012 and 2011*

Just prior to spring quarter 2012 the College Store in Sehome Village closed after 17 years. The Bookstore's spring sales increased and bolstered yearly sales so that there was only a slight decrease. Due to this closure, management expects sales to increase during fiscal 2013.



## Washington State Auditor Brian Sonntag

### INDEPENDENT AUDITOR'S REPORT

November 9, 2012

Board of Trustees  
Western Washington University  
Bellingham, Washington

We have audited the accompanying basic financial statements of the Western Washington University Associated Student Bookstore (the Bookstore) 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 Associated Students Bookstore are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the University that is attributable to the transactions of the Bookstore. They do not purport to, and do not, present fairly the financial position of Western Washington University as of June 30, 2012 and 2011, the changes in its financial position or its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Western Washington University Associated Student Bookstore 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, the Bookstore 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 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information identified in the table of contents as the Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Bookstore. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,

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

***ASSOCIATED STUDENTS BOOKSTORE  
STATEMENTS OF NET POSITION***

*June 30, 2012 and 2011*

<b>Assets</b>	<b>2012</b>	<b>2011</b>
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$918,073	\$766,334
Cash and cash equivalents, restricted	21,000	-
Investments (Note 2)	451,690	340,171
Receivables (Note 3)	419,064	270,879
Inventory	767,989	854,084
Prepaid expense	6,144	6,955
Total current assets	<u>2,583,960</u>	<u>2,238,423</u>
Noncurrent assets		
Investments (Note 2)	430,440	518,356
Capital assets, net (Note 5)	1,365,618	1,414,541
Total noncurrent assets	<u>1,796,058</u>	<u>1,932,897</u>
Total assets	<u>4,380,018</u>	<u>4,171,320</u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued expenses	213,996	89,112
Distribution payable to Associated Students of WWU	45,751	35,202
Distribution payable to WWU Athletics Department	43,069	40,552
Total current liabilities	<u>302,816</u>	<u>164,866</u>
 <b>Net Position</b>		
Net investment in capital assets	1,365,618	1,414,541
Unrestricted	2,690,584	2,591,913
Restricted, expendable	21,000	-
Total net position	<u>\$4,077,202</u>	<u>\$4,006,454</u>

**ASSOCIATED STUDENTS BOOKSTORE****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***June 30, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
<b>Operating Revenues</b>		
Sales, net of discounts	6,384,528	\$6,399,545
Cost of goods sold	4,858,228	4,819,995
Gross margin	1,526,300	1,579,550
<b>Other Operating Revenues</b>	63,929	61,686
<b>Operating Expenses</b>		
Salaries and benefits	984,520	1,035,613
General and administrative expense	295,263	244,883
Facilities expense	64,456	89,687
Depreciation	48,923	48,789
Bank card expense	77,303	92,925
Total operating expenses	1,470,465	1,511,897
Income from operations	119,764	129,339
<b>Nonoperating Revenues (Expenses)</b>		
Investment income	5,804	6,619
Distribution from Associated Students of WWU	34,000	-
Distribution to Associated Students of WWU	(45,751)	(35,202)
Distribution to WWU Athletics Department	(43,069)	(40,552)
Total nonoperating revenues (expenses)	(49,016)	(69,135)
Increase in net position	70,748	60,204
<b>Total Net Position, Beginning of Year</b>	4,006,454	3,946,250
<b>Total Net Position, End of Year</b>	<u>\$4,077,202</u>	<u>\$4,006,454</u>

***ASSOCIATED STUDENTS BOOKSTORE  
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 and other customers	\$6,300,272	\$6,470,494
Payments to employees	(988,781)	(1,056,010)
Payments to suppliers	(5,079,199)	(5,550,447)
Net cash provided by operating activities	<u>232,292</u>	<u>(135,963)</u>
 <b>Cash Flows from Noncapital Financing Activities</b>		
Distribution from Associated Students of WWU	34,000	-
Distribution to WWU Athletics Department	(40,552)	(36,497)
Distribution to Associated Students of WWU	(35,202)	-
Net cash used in noncapital financing activities	<u>(41,754)</u>	<u>(36,497)</u>
 <b>Cash Flows from Investing Activities</b>		
Investment income received	5,804	6,619
Net sales of investments in internal pool	(23,603)	(393,036)
Net cash flows used by investing activities	<u>(17,799)</u>	<u>(386,417)</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Purchases of equipment	-	-
Net cash used in capital and related financing activities	-	-
 Net increase in cash and cash equivalents	172,739	(558,877)
 Cash and cash equivalents, beginning of year	766,334	1,325,211
Cash and cash equivalents, end of year	<u>\$939,073</u>	<u>\$766,334</u>
 <b>Reconciliation of Operating Income to Net Cash Flows</b>		
<b>From Operating Activities</b>		
Income from operations	\$119,764	\$129,339
Adjustments to reconcile operating income to net cash flows from operating activities		
Depreciation	48,923	48,789
Change in operating assets and liabilities		
Receivables	(148,185)	9,263
Accounts payable and accrued expenses	124,884	(175,259)
Prepaid expenses	811	(4,404)
Inventory	86,095	(143,691)
Net cash provided by operating activities	<u>\$232,292</u>	<u>(\$135,963)</u>

***ASSOCIATED STUDENTS BOOKSTORE  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

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

Organization

Western Washington University Associated Students Bookstore (the Bookstore) is a self supporting, auxiliary enterprise of Western Washington University (the University). The Associated Students of WWU (ASWWU) have an active partnership with the Bookstore administration through involvement in the development and recommendation of general policy guidelines for the Bookstore. The Bookstore is a discount retailer of textbooks, supplies and general merchandise.

Financial Statements Presentation

These financial statements are presented in accordance with generally accepted accounting principles and follow the guidance given by the Governmental Accounting Standards Board (GASB). The statements are special purpose reports reflecting the net position, results of operations, and cash flows of the Bookstore. These 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 Bookstore's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Bookstore has elected not to apply any FASB pronouncements after November 30, 1989.

Cash, Cash Equivalents and Investments

The University records all cash and cash equivalents at amortized cost, which approximates fair value. Investments held by the University are recorded at fair value. To maximize investment income, the University combines funds from all departments into an investment pool. The Bookstore 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 Bookstore in proportion to its average balance in the investment pool.

Accounts Receivable

Receivables are recorded at their principal balances. The Bookstore considers all accounts greater than 30 days old to be past due. When an account is deemed uncollectible, it is written off using the direct method and assigned to a collection agency. Credits due from publishers represent amounts due from returned merchandise.

Inventory

Inventory consists of textbooks, supplies, and general merchandise and is stated at the lower of cost (retail method) or market.

Improvements and Equipment

The building used for the Bookstore's operations is located on the University's property. Building improvements and equipment are stated at cost, net of accumulated depreciation. The Bookstore capitalizes any expenditure for buildings, improvements, and equipment that have a cost of at least \$5,000 and an estimated useful life of more than one year. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets; forty years for building improvements and four to seven years for equipment.

***ASSOCIATED STUDENTS BOOKSTORE  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

Net Position

The Bookstore's net positions are classified as follows:

*Net investment in capital assets.* This category represents the Bookstore's total investment in capital assets.

*Restricted, expendable.* This category represents net position restricted by an outside entity for a specific use. Restricted assets are used in accordance with their requirements and where both restricted and unrestricted resources are available for use, unrestricted resources are used first and then restricted resources as the specific use arises.

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

Classification of Revenues, Expenses, and Transfers

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

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

*Operating expenses.* Operating expenses are those costs incurred in daily operations, such as salaries, general and administrative and depreciation.

*Nonoperating expenses.* Nonoperating expenses include amounts payable to outside entities due to existing revenue sharing agreements.

Tax Exemption

The University, and the Bookstore as an auxiliary enterprise, is a tax-exempt 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 (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Administrative Assessment

The University provides support to the Bookstore through cash management, accounting, purchasing and disbursing services, risk management, and other support services. The effects of these transactions are recorded as operating expenses in these financial statements.

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

Interest Rate and Credit Risk

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

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

	2012	Weighted Average Maturity (in years)	2011	Weighted Average Maturity (in years)
Cash and Cash Equivalents	\$939,073	n/a	\$766,334	n/a
Investments				
Certificates of deposit	130,114	0.028	125,603	0.046
U.S. Treasury	-	n/a	628,184	5.500
U.S. Agencies	752,016	0.680	104,740	4.000
	<u>\$1,821,203</u>		<u>\$1,624,861</u>	

**NOTE 3. RECEIVABLES**

Receivables at June 30, 2011 and 2010 include:

	2012	2011
Credits due from publishers	\$357,923	\$265,442
Accounts receivable	61,141	5,437
	<u>\$419,064</u>	<u>\$270,879</u>

***ASSOCIATED STUDENTS BOOKSTORE  
NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

**NOTE 4. REVENUE SHARING AGREEMENTS**

The Bookstore and the Associated Students Board (AS Board) entered into a revenue sharing agreement commencing during fiscal year 2007. The agreement states that the Bookstore will retain the first \$25,000 of net income and will split any net income above the first \$25,000 equally with the ASWWU. The agreement was extended until June 30, 2013. There was a distribution of \$45,751 in fiscal 2012, and \$35,202 in fiscal 2011.

Beginning in fiscal 2003, the Bookstore agreed to make an annual distribution to the Western Washington University Athletics Department. The appropriation is based on 5% of emblematic clothing, hat and gift item sales, after discounts. The distribution payable for the years ended June 30, 2012 and 2011 were \$43,069 and \$40,552 respectively.

**NOTE 5. CAPITAL ASSETS, NET**

The depreciation expense for the fiscal years ended June 30, 2012 and 2011 was \$48,923 and \$48,789 respectively.

Following are the changes in building and equipment for the years ended June 30, 2011 and 2010:

	June 30, 2011	Additions	Retirements	June 30, 2012
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	445,780	-	-	445,780
	<u>2,312,813</u>	<u>-</u>	<u>-</u>	<u>2,312,813</u>
Less accumulated depreciation	(898,272)	(48,923)	-	(947,195)
Building Improvements and Equipment, net	<u>\$1,414,541</u>	<u>(\$48,923)</u>	<u>\$ -</u>	<u>\$1,365,618</u>

	June 30, 2010	Additions	Retirements	June 30, 2011
Building improvements	\$1,867,033	\$ -	\$ -	\$1,867,033
Fixtures and equipment	445,780	-	-	445,780
	<u>2,312,813</u>	<u>-</u>	<u>-</u>	<u>2,312,813</u>
Less accumulated depreciation	(849,483)	(48,789)	-	(898,272)
Building Improvements and Equipment, net	<u>\$1,463,330</u>	<u>(\$48,789)</u>	<u>\$ -</u>	<u>\$1,414,541</u>

**NOTE 6. PENSION PLAN**

Bookstore 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 provisions for PERS. Additional information concerning plan descriptions and benefit provisions is included in a Comprehensive Annual Financial Report publicly available from 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 Bookstore 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 Bookstore contributed \$34,992, \$31,111 and \$29,874 to these plans in fiscal 2012, 2011 and 2010, respectively. Actuarial valuations of the plans for the Bookstore as a stand-alone entity are not available.

**NOTE 7. OTHER POST-EMPLOYMENT BENEFITS**

The University funds OPEB obligations at a university-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB 45, does not exist at department levels, and as a result, the AAL is not available for auxiliary entities. The University is responsible for the annual payment; therefore, the annual required contribution (ARC) is not recorded on the Bookstore's financial statements.

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**SUPPLEMENTAL INFORMATION**

***ASSOCIATED STUDENTS BOOKSTORE  
SUPPLEMENTAL INFORMATION***

*June 30, 2012 and 2011*

**FIVE-YEAR CONDENSED VIEW OF STATEMENTS OF NET POSITION  
Years ended June 30, 2012, 2011, 2010, 2009, and 2008**

Assets	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current assets	\$2,583,960	\$2,238,423	\$2,783,788	\$2,833,736	\$2,407,585
Non-current assets	430,440	518,356	-	24,134	59,977
Capital Assets	<u>1,365,618</u>	<u>1,414,541</u>	<u>1,463,330</u>	<u>1,515,718</u>	<u>1,645,772</u>
Total assets	<u>4,380,018</u>	<u>4,171,320</u>	<u>4,247,118</u>	<u>4,373,588</u>	<u>4,113,334</u>
Liabilities					
Accounts payable and accruals	213,996	89,112	264,371	248,567	220,947
Due to other WWU departments	<u>88,820</u>	<u>75,754</u>	<u>36,497</u>	<u>199,875</u>	<u>157,680</u>
Total liabilities	<u>302,816</u>	<u>164,866</u>	<u>300,868</u>	<u>448,442</u>	<u>378,627</u>
Total Net Position	<u><u>\$4,077,202</u></u>	<u><u>\$4,006,454</u></u>	<u><u>\$3,946,250</u></u>	<u><u>\$3,925,146</u></u>	<u><u>\$3,734,707</u></u>
Current ratio (current assets/current liabilities)	8.53	13.58	9.25	6.32	6.36
Return on assets (change in net position/total assets)	1.6%	1.4%	0.5%	4.4%	3.6%

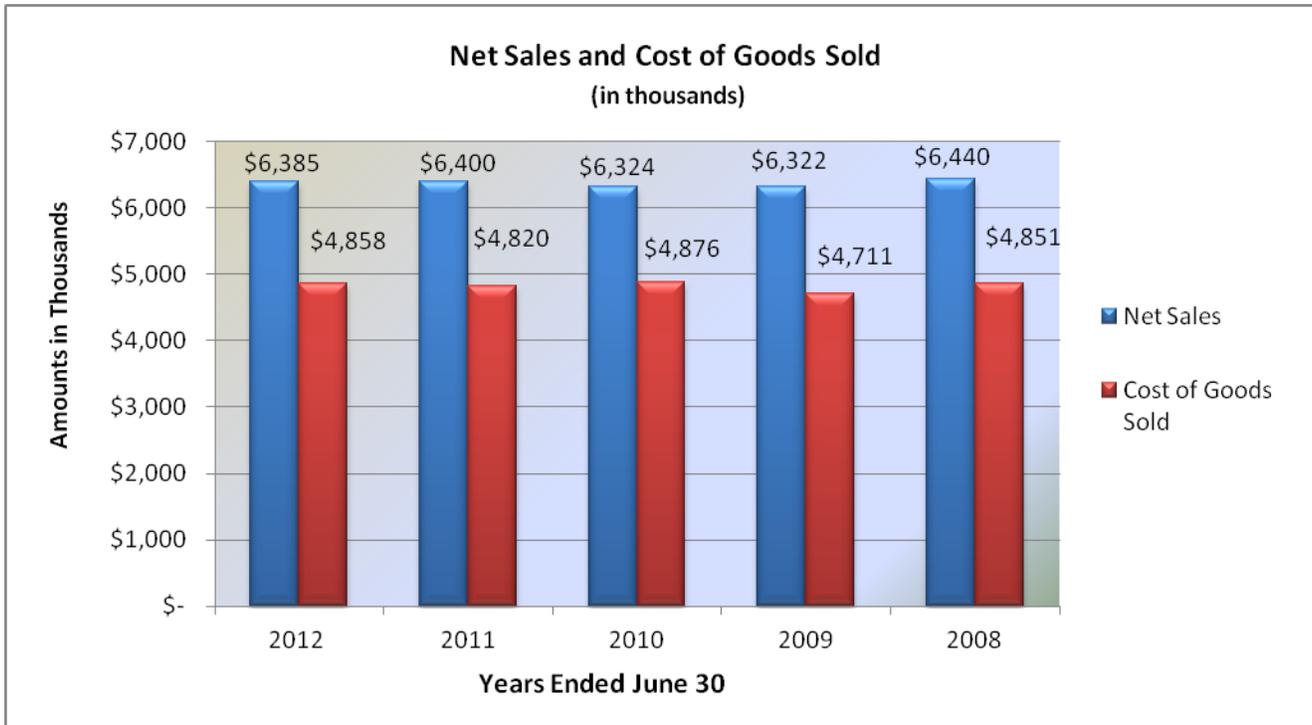
**ASSOCIATED STUDENTS BOOKSTORE  
SUPPLEMENTAL INFORMATION**

*June 30, 2012 and 2011*

**FIVE-YEAR STATEMENTS OF REVENUES AND EXPENSES  
Years ended June 30, 2012, 2011, 2010, 2009, and 2008**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Net sales	\$6,384,528	\$6,399,545	\$6,323,888	\$6,321,569	\$6,439,936
Cost of goods sold	4,858,228	4,819,995	4,875,830	4,710,880	4,850,535
Gross profit	1,526,300	1,579,550	1,448,058	1,610,689	1,589,400
Other Operating Revenues	63,929	61,686	64,827	70,114	118,298
Operating expenses					
Salaries and benefits	984,520	1,035,613	1,007,525	862,870	981,883
General and administrative expense	295,263	244,883	242,046	217,721	191,924
Facilities expense	64,456	89,687	68,758	65,589	68,615
Depreciation	48,923	48,789	60,975	130,054	130,410
Bank card expense	77,303	92,925	91,132	82,437	83,982
Total operating expense	1,470,465	1,511,897	1,470,436	1,358,671	1,456,814
Income (loss) from operations	119,764	129,339	42,449	322,132	250,885
Nonoperating revenues (expenses)					
Investment income	5,804	6,619	15,152	38,182	54,905
Distribution from Associated Students of WWU	34,000	-	-	30,000	-
Distribution to Associated Students of WWU	(45,751)	(35,202)	-	(165,440)	(123,110)
Distribution to WWU Athletics Department	(43,069)	(40,552)	(36,497)	(34,435)	(34,570)
Total nonoperating revenues (expenses)	(49,016)	(69,135)	(21,345)	(131,693)	(102,775)
Increase (decrease) in net assets	\$70,748	\$60,204	\$21,104	\$190,439	\$148,110
Gross profit percentage (gross profit/net sales)	23.9%	24.7%	22.9%	25.5%	24.7%

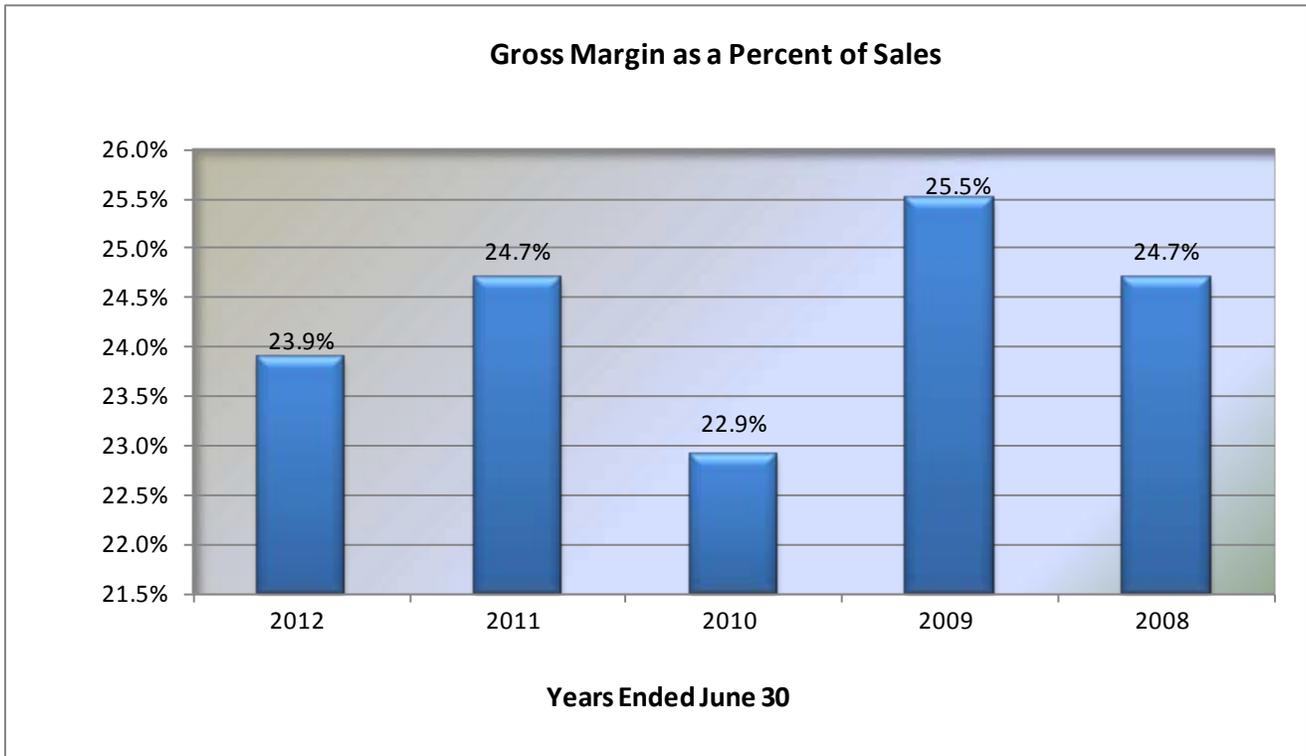
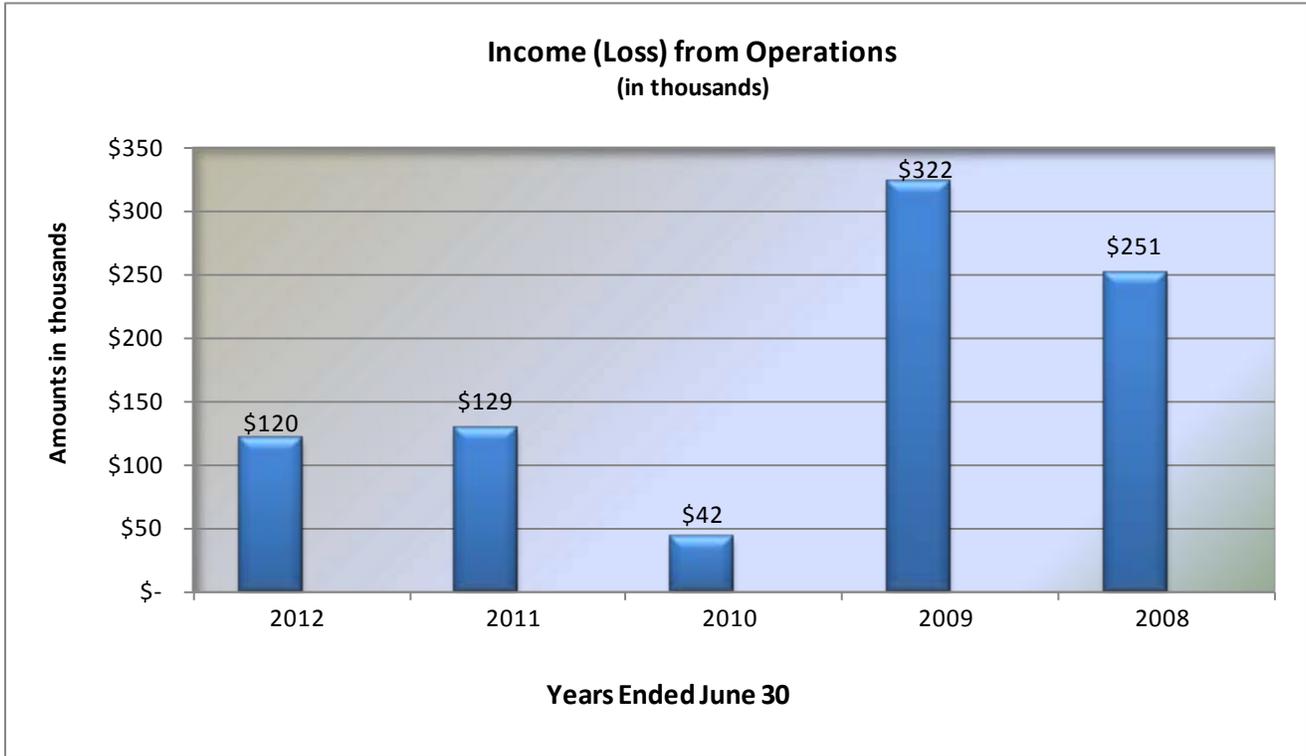
**FIVE-YEAR NET SALES AND COST OF GOODS SOLD**



**FIVE-YEAR TOTAL OPERATING EXPENSES**



**FIVE-YEAR INCOME FROM OPERATIONS AND  
GROSS MARGIN AS PERCENTAGE OF SALES**



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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.

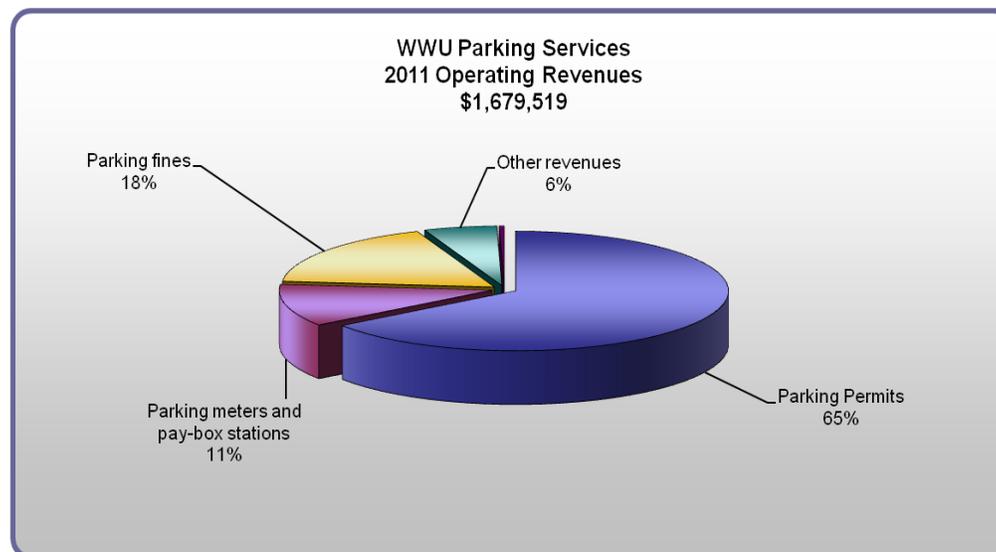
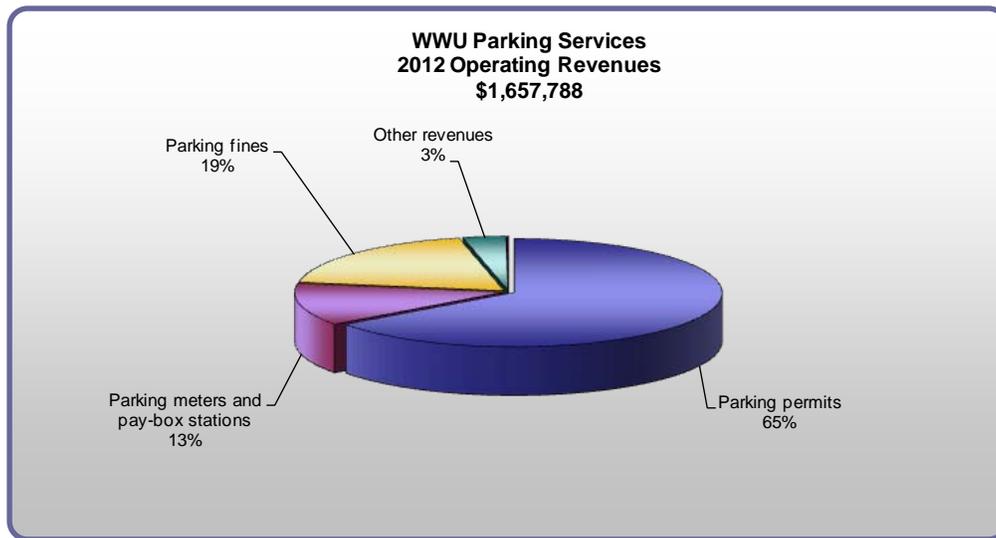
Parking fines revenue increased \$19,591 (6.6%) when comparing fiscal 2012 to fiscal 2011 due to a change in processes. First time offenders were offered a reduction of the fine if paid up front which allowed Parking Services to recognize the fine revenue more timely. Parking fines revenue increased \$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.

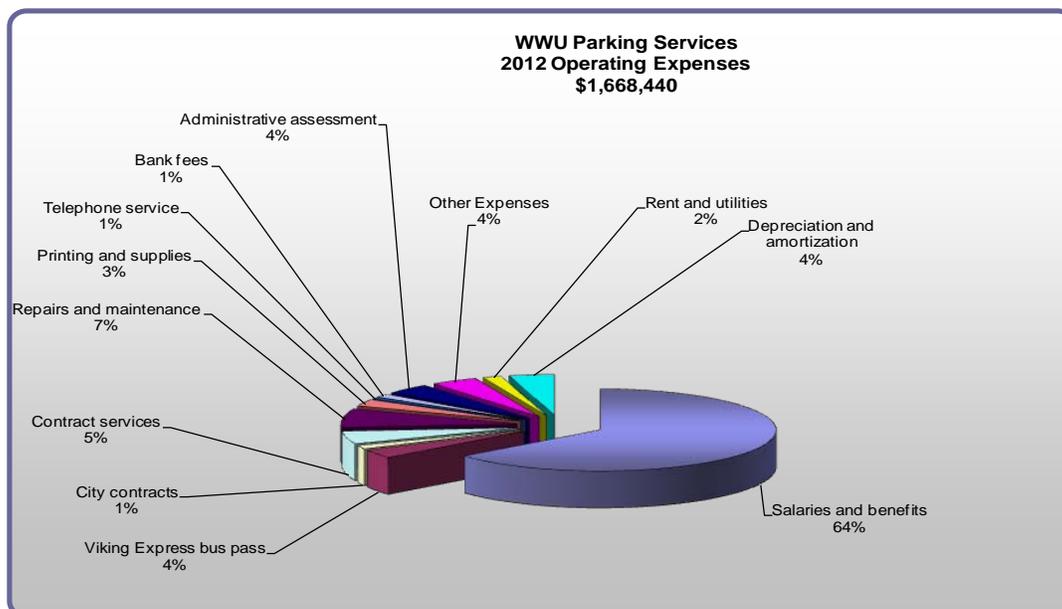
The administrative assessment fee, which is calculated based on revenues, increased \$10,271 (17.0%) when comparing fiscal 2012 to fiscal 2011 due to the approved increment increase. The administrative assessment fee increased \$19,199 (46.6%) in 2011 as a result of a university-wide re-evaluation of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

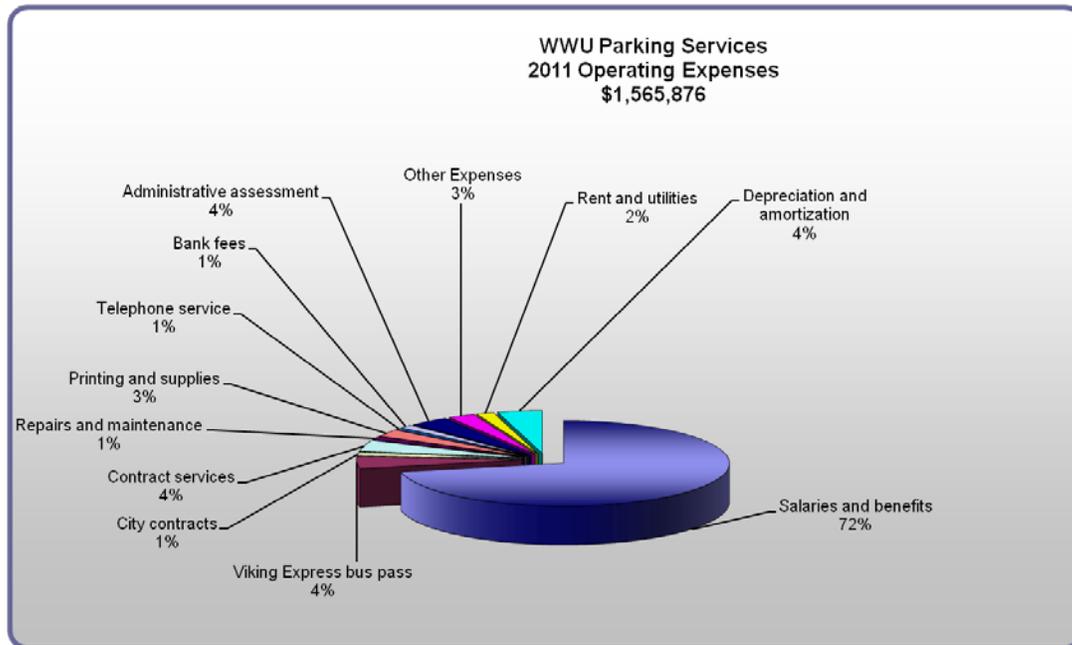
The remaining operating expenses increased \$22,763 (10.9%) when comparing fiscal 2012 to fiscal 2011, primarily due to expenditures related to the grant funded project at LCTC. Remaining operating expenses increased \$6,666 (3.3%) in fiscal 2011, attributable to higher bank card expenses due to the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

*See Notes to the Financial Statements*

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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***

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

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

***PARKING SERVICES******NOTES TO THE FINANCIAL STATEMENTS******June 30, 2012 and 2011***

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>

***PARKING SERVICES***  
***NOTES TO THE FINANCIAL STATEMENTS***

*June 30, 2012 and 2011*

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.

*PARKING SERVICES*

*NOTES TO THE FINANCIAL STATEMENTS*

*June 30, 2012 and 2011*

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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## **WESTERN WASHINGTON UNIVERSITY ITEM SUBMITTED TO THE BOARD OF TRUSTEES**

**TO:** Members of the Board of Trustees

**FROM:** President Bruce Shepard by Provost Catherine Riordan

**DATE:** December 14, 2012

**SUBJECT: RESEARCH OPPORTUNITIES FOR STUDENTS WITH LEADING FACULTY ON  
CRITICAL TOPICS**  
Catherine Riordan, Provost & VP for Academic Affairs  
Jeff Wright, Dean, College of Sciences & Technology  
Kathy Kitto, Acting Vice Provost for Research/ Dean, Graduate School  
Greg O'Neil, Associate Professor of Chemistry  
Andy Bunn, Associate Professor, Environmental Sciences

**PURPOSE:** Presentation

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### **Purpose of Submittal:**

Providing information about research opportunities for students on critical topics will be two of Western's faculty members.

Professor Andy Bunn, a climate scientist and faculty member in the Department of Environmental Sciences, became interested in the interaction between human energy use and climate change after seeing, firsthand, the impacts of human-caused warming in the Arctic. After being encouraged by Western's excellent undergraduate students to develop more climate related classes and research opportunities he helped establish the university's Institute for Energy Studies. The Institute's mission is to *educate the leaders for our clean and efficient energy future through interdisciplinary studies and research*. Dr. Bunn is the Director of the Institute and will discuss the impact of the Institute on research opportunities for students and highlight his own work with his students.

The National Science Foundation's (NSF) Faculty Early Career Development (CAREER) Program is a foundation-wide activity that offers NSF's most prestigious awards in support of junior faculty who exemplify the role of teacher-scholars through outstanding research, excellent education and the integration of education and research within the context of the mission of their organizations. Professor Greg O'Neil, Department of Chemistry, will discuss the CAREER award that he recently received from the NSF's Division of Chemistry. This will include a brief description of his research supported by this award, the development of new energy-related chemistry curricula, and the impact/role of students at varying levels within these efforts. One aspect of our research plans that Dr. O'Neil will discuss is the development of new technology for the production of algal biofuel.