## NEW ISSUE BOOK-ENTRY ONLY

Moody's Rating: A1<br>See "RATING" herein

In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issue date of the Series 2013 Bonds, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals. However, while interest on the Series 2013 Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2013 Bonds received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2013 Bonds received by certain S corporations may be subject to tax, and interest on the Series 2013 Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. Receipt of interest on the Series 2013 Bonds may have other federal tax consequences for certain taxpayers. See "TAX MATTERS."


## \$53,415,000 Central Washington University System Revenue Refunding Bonds, Series 2013

## Dated: Date of Delivery

Due: May 1, as shown on the inside cover

The Central Washington University (the "University") System Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds") will be issued as fully registered bonds under a book-entry only system and, when issued, will be registered in the name of Cede \& Co., as the nominee of The Depository Trust Company ("DTC"), in New York, New York. DTC will act as securities depository for the Series 2013 Bonds. Individual purchases of interests in the Series 2013 Bonds will be made in book-entry form only, in the principal amount of $\$ 5,000$ each or any integral multiple thereof within a single maturity. Purchasers of such interests will not receive certificates representing their interests in the Series 2013 Bonds. Principal and interest are payable directly to DTC by the fiscal agency of the state of Washington (currently The Bank of New York Mellon, in New York, New York) (the "Bond Registrar"), as the fiscal agent and paying agent for the Series 2013 Bonds.

Interest on the Series 2013 Bonds is payable semiannually on each May 1 and November 1, commencing November 1, 2013. Principal of the Series 2013 Bonds is payable on May 1 in each of the years shown on the inside cover. Upon receipt of payments of principal and interest, DTC is obligated to remit such principal and interest to the DTC Participants for subsequent disbursement to the purchasers of beneficial interests in the Series 2013 Bonds, as described under the caption "THE SERIES 2013 BONDS" herein.

## Maturity Schedule on Inside Cover

The Series 2013 Bonds are subject to redemption prior to their stated maturities as described herein.
The Series 2013 Bonds are special fund revenue obligations of the University payable from Gross Revenue of the System and the money and investments deposited into the System Revenue Bond Fund ("Bond Fund"), and are not general obligations of the University, the state of Washington, its agencies, instrumentalities or political subdivisions. The University has no taxing power. The Series 2013 Bonds, including principal thereof and interest and premium, if any, thereon, and any bonds heretofore or hereafter issued on a parity therewith, are secured by a first lien on the Gross Revenue of the System, and are payable from the money and investments in the Bond Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS."

This cover page contains certain information for quick reference only. A full review should be made of the entire Official Statement. The offering of the Series 2013 Bonds to potential investors is made only by means of the entire Official Statement.

The Series 2013 Bonds are offered when, as and if executed and delivered, and are subject to receipt of the legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel to the University, and certain other conditions. It is expected that the Series 2013 Bonds will be available for delivery through the facilities of DTC in New York New York, or to the Bond Registrar on behalf of DTC by Fast Automated Securities Transfer on or about March 28, 2013 (the "Date of Delivery").

## \$53,415,000

Central Washington University System Revenue Refunding Bonds, Series 2013

| Due <br> May 1 | Amounts | Interest Rate | Yield | Price | $\begin{aligned} & \text { CUSIP } \\ & \text { No. }{ }^{(1)} \end{aligned}$ |
| :---: | :---: | :---: | :---: | :---: | :---: |
| 2015 | \$1,700,000 | 4.000\% | 0.650\% | 106.947\% | 155839EN9 |
| 2016 | 1,770,000 | 5.000 | 0.870 | 112.570 | 155839EP4 |
| 2017 | 1,860,000 | 5.000 | 1.090 | 115.604 | 155839EQ2 |
| 2018 | 1,960,000 | 5.000 | 1.320 | 118.062 | 155839ER0 |
| 2019 | 2,050,000 | 5.000 | 1.570 | 119.850 | 155839ES8 |
| 2020 | 2,150,000 | 5.000 | 1.830 | 120.991 | 155839ET6 |
| 2021 | 2,260,000 | 5.000 | 2.040 | 121.974 | 155839EU3 |
| 2022 | 2,375,000 | 5.000 | 2.240 | 122.586 | 155839EV1 |
| 2023 | 2,495,000 | 5.000 | 2.410 | 123.076 | 155839EW9 |
| 2024 | 2,620,000 | 4.000 | 2.700 | $111.414^{(2)}$ | 155839EX7 |
| 2025 | 2,725,000 | 4.000 | 2.800 | $110.483^{(2)}$ | 155839EY5 |
| 2026 | 2,835,000 | 4.000 | 2.910 | $109.470^{(2)}$ | 155839EZ2 |
| 2027 | 2,945,000 | 4.000 | 2.990 | $108.740^{(2)}$ | 155839FA6 |
| 2028 | 3,065,000 | 3.125 | 3.251 | 98.500 | 155839FB4 |
| 2029 | 3,160,000 | 3.250 | 3.300 | 99.377 | 155839FC2 |
| 2030 | 3,265,000 | 3.250 | 3.405 | 98.000 | 155839FD0 |
| 2031 | 3,370,000 | 3.375 | 3.450 | 98.994 | 155839FE8 |
| 2032 | 3,485,000 | 3.375 | 3.500 | 98.267 | 155839FF5 |
| 2033 | 3,600,000 | 3.500 | 3.550 | 99.283 | 155839FG3 |
| 2034 | 3,725,000 | 3.500 | 3.600 | 98.528 | 155839FH1 |

${ }^{(1)}$ The CUSIP numbers herein are assigned and provided by CUSIP Global Services. These numbers are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services. CUSIP numbers are provided herein for the convenience of reference only. CUSIP numbers are subject to change. The Bondholders are responsible for verifying the CUSIP numbers for the Bonds. The University takes no responsibility for the accuracy of such CUSIP numbers.
${ }^{(2)}$ Priced to the first optional call date of May 1, 2023.

No quotations from or summaries or explanations of the provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the University and the purchasers or owners of any of the Series 2013 Bonds. The cover page hereof and appendices attached hereto are part of this Official Statement.
No dealer, broker, sales representative, or other person has been authorized by the University to give any information or to make any representations other than as contained in this Official Statement in connection with the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the University. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the information set forth herein since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds by any person, in any jurisdiction in which it is unlawful for such persons to make such offer, solicitation or sale.
Certain statements contained in this Official Statement reflect not historical facts but forecasts and "forward-looking statements." The words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. The achievement of certain results or other expectations contained in forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as described in the continuing disclosure undertaking of the University, the University does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations or events, conditions or circumstances on which such statements are based occur.
THE SERIES 2013 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE BOND RESOLUTION HAS NOT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2013 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2013 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2013 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

The inactive textual reference to the websites identified herein are not hyperlinks and do not incorporate the identified websites by reference. The websites are not a part of this Official Statement, and investors should not rely on information presented in the websites in determining whether to purchase the Bonds.

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# Central Washington University <br> 400 East University Way <br> Ellensburg, Washington 98926-7481 

(509) 963-2323
www.cwu.edu

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Foster Pepper PLLC
Seattle, Washington

## FinANCIAL ADVISOR

SDM Advisors, Inc.
Mount Vernon, Washington
advisors@sdmadvisors.com

## Bond Registrar

Washington State Fiscal Agent
The Bank of New York Mellon
New York, New York

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## Table of Contents

Page
THE SERIES 2013 BONDS ..... 1
General Description ..... 1
Authorization of the Series 2013 Bonds ..... 1
Form of Bonds ..... 1
Registrar ..... 2
Procedure in the Event of Termination of Book-Entry Transfer System ..... 2
Redemption Provisions ..... 2
Defeasance .....  2
Open Market Purchase ..... 3
USE OF PROCEEDS ..... 3
Sources and Uses of Funds ..... 3
Refunding Plan ..... 3
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS ..... 4
Pledge of Gross Revenue ..... 4
Flow of Funds ..... 4
Rate Covenant ..... 5
Additional Covenants of the University ..... 5
No Debt Service Reserve Account for the Series 2013 Bonds ..... 5
Renewal and Replacement Fund ..... 5
Future Parity Bonds ..... 6
THE SYSTEM ..... 6
Historical Operations of the System ..... 8
Outstanding Parity Bonds ..... 8
Schedule of System Revenue Bond Debt Service ..... 9
Debt Payment Record ..... 9
Future Financing. ..... 9
LEGAL INFORMATION ..... 9
Litigation ..... 9
Approval of Counsel ..... 10
Limitations on Remedies ..... 10
TAX MATTERS ..... 10
INITIATIVE AND REFERENDUM ..... 11
CONTINUING DISCLOSURE UNDERTAKING ..... 12
OTHER BOND INFORMATION ..... 14
Rating ..... 14
Financial Advisor ..... 14
Underwriting ..... 14
Official Statement. ..... 14
APPENDICES:
Central Washington University ..... APPENDIX A
Audited Financial Statements of the University (Fiscal Year ended June 30, 2012). ..... APPENDIX B
Form of Approving Legal Opinion ..... APPENDIX C
Book-Entry Transfer System ..... APPENDIX D
Master and Series Resolutions APPENDIX E

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## \$53,415,000 <br> Central Washington University System Revenue Refunding Bonds, Series 2013

This Official Statement of Central Washington University (the "University"), a public institution of higher education of the state of Washington (the "State"), is provided for the purpose of setting forth information in connection with the issuance by the University of its System Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds").
The Series 2013 Bonds are special revenue fund obligations of the University, payable solely from the Gross Revenue of the System and money and investments in the Bond Fund. The "System" consists of (a) the housing and dining system of the University; (b) the services and activities system; (c) the bookstore system of the University; and (d) the parking system of the University; all as the same will be added to, improved and extended from time to time. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS," and "THE SYSTEM," herein.

Capitalized terms used in this Official Statement are to have the meanings assigned to them in the Bond Resolution (as defined below), a copy of which is attached as Appendix E. This Official Statement speaks only as of its date and the information contained herein is subject to change. All summaries herein of documents, provisions and agreements are qualified in their entirety by reference to the actual instruments, copies of each of which are available for inspection at the offices of the University.

## THE SERIES 2013 BONDS

## General Description

The Series 2013 Bonds will be dated as of the Date of Delivery, will be issued in denominations of $\$ 5,000$ or any integral multiple thereof within a single maturity and series, and will bear interest from their dated date (or the most recent date to which interest has been paid thereon). Interest on the Series 2013 Bonds will be payable semiannually on each May 1 and November 1, commencing November 1, 2013. The Series 2013 Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover of this Official Statement subject to prior redemption as described herein. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

## Authorization of the Series 2013 Bonds

The Series 2013 Bonds are authorized by the University pursuant to Resolution No. 02-03 adopted by the Board of Trustees of the University (the "Board") on May 10, 2002, as amended by Resolution No. 04-01 adopted by the Board on May 26, 2004, and as further amended by Resolution No. 10-10 adopted by the Board on October 1, 2010, all as incorporated into the Restated Master Resolution No. 12-02 adopted by the Board on February 3, 2012 (the "Master Resolution"), Resolution No. 12-18, adopted by the Board on December 7, 2012 (the "Series Resolution"), and Resolution No. 13-02, adopted by the Board on March 5, 2013 awarding the sale of the Series 2013 Bonds to the successful bidder for the Series 2013 Bonds (the "Bond Sale Resolution") in accordance with the provisions of Sections 28B.10.300 through 28B.10.330, inclusive, of the Revised Code of Washington ("RCW"). The Master Resolution, the Series Resolution, and the Bond Sale Resolution, together are referred to as the "Bond Resolution."

The University has outstanding parity bonds payable from Gross Revenue of the System (the "Gross Revenue"), designated the Central Washington University System Revenue Bonds, Series 2004 (the "Series 2004 Bonds"), the Central Washington University System Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), the Central Washington University System Revenue Bonds, 2010, Series A and Series B (the "Series 2010 Bonds"), and the Central Washington University System Revenue Refunding Bonds, 2012 (the "Series 2012 Bonds"). A portion of the Series 2004 Bonds will be redeemed and/or defeased with proceeds of the Series 2013 Bonds, as described herein. After issuance of the Series 2013 Bonds, and corresponding redemption and/or defeasance of a portion of the Series 2004 Bonds, the portion of the Series 2004 Bonds that is not defeased, Series 2008 Bonds, Series 2010 Bonds and Series 2012 Bonds will be together known as the "Outstanding Parity Bonds." See "Outstanding Parity Bonds" herein.

## Form of Bonds

The Series 2013 Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede \& Co., as registered owner and nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2013 Bonds. Individual purchases will initially be made in book-entry form only. Purchasers ("Beneficial Owners") will not receive certificates representing their beneficial ownership interest in the Series 2013 Bonds so purchased. See Appendix D - "Book-Entry Transfer System."

## Registrar

The University has adopted the system of registration for the Bonds approved by the Washington State Finance Committee (the "Committee"). Pursuant to chapter 43.80 RCW, the Committee designates one or more fiscal agencies ("Fiscal Agency") for bonds issued within the State. The Committee has designated The Bank of New York Mellon, New York, New York as the Fiscal Agency. The Fiscal Agency initially will act as registrar (the "Bond Registrar") under the terms of the Bond Resolution.
In order to meet payment requirements for interest on and principal of the Series 2013 Bonds as the same becomes due and payable, the University will remit money to the Bond Registrar. The Bond Registrar will remit payment to DTC in accordance with the terms of the DTC procedures as then in effect. Principal of the Series 2013 Bonds will be paid to Registered Owners upon presentation and surrender of the Series 2013 Bonds at maturity or upon earlier redemption to the office of the Bond Registrar.

Neither the University nor the Bond Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Series 2013 Bonds for the accuracy of any records maintained by DTC or any DTC participant, the payment by DTC or any DTC participant of any amount in respect of the principal of or interest on the Series 2013 Bonds, any notice that is permitted or required to be given to Registered Owners under the Bond Resolution (except such notices as are required to be given by the University to the Bond Registrar or to DTC), the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Series 2013 Bonds, or any consent given or other action taken by DTC as the Registered Owner. For so long as any Series 2013 Bonds are held in fully immobilized form, DTC or its successor depository will be deemed to be the Registered Owner for all purposes, and all references to the Registered Owners will mean DTC or its nominee and will not mean the Beneficial Owners.

## Procedure in the Event of Termination of Book-Entry Transfer System

If the University is unable to retain a qualified successor to DTC or the University has determined that it is in the best interest of the University not to continue the book-entry system of transfer or that interests of Beneficial Owners of the Series 2013 Bonds might be adversely affected if the book-entry system of transfer is continued, the University shall execute, authenticate and deliver Series 2013 Bonds in fully registered form, in the denomination of $\$ 5,000$ or any integral multiple thereof within a maturity. Thereafter, (i) interest on the Series 2013 Bonds will be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15 th day of the month preceding the interest payment date, and principal of the Series 2013 Bonds will be payable upon presentation and surrender of such Series 2013 Bonds by the Registered Owners at the principal office of the Bond Registrar; provided, however, that if so requested in writing by the Registered Owner of at least $\$ 1,000,000$ principal amount of Series 2013 Bonds, interest will be paid by wire transfer on the date due; and (ii) the Series 2013 Bonds will be transferable as provided in the Bond Resolution.

## Redemption Provisions

Optional Redemption for the Series 2013 Bonds. The Series 2013 Bonds maturing in the years 2015 through 2023 are not subject to redemption prior to their stated maturity. The Series 2013 Bonds maturing on and after May 1, 2024, are subject to optional redemption, as a whole or in part, on any date on or after May 1,2023 , at a price of 100 percent of the principal amount plus accrued interest to the date fixed for redemption.

Selection of Bonds to be Redeemed. If less than all of the Series 2013 Bonds of a maturity are called for redemption, they shall be selected randomly in the manner determined by the Bond Registrar, or, for so long as the Series 2013 Bonds are held in fully immobilized form by DTC, in accordance with DTC's operational arrangements.

Notice of Redemption. While the Series 2013 Bonds are held in fully immobilized form by DTC and are registered in the name of Cede \& Co. or its registered assigns, any notice of redemption will be given only in accordance with DTC's operational arrangements. The University will not provide notice to any Beneficial Owners of Series 2013 Bonds. If the Series 2013 Bonds cease to be in book-entry only form, the University will cause notice of any intended redemption to be given at least 20 days, but not more than 60 days, prior to the redemption date by first class mail, postage prepaid, to the Registered Owner of any Series 2013 Bond to be redeemed at the address of the Registered Owner appearing in the Bond Register; provided, however, that for so long as the Series 2013 Bonds.

## Defeasance

If money and/or Government Obligations, as defined in the Bond Resolution, maturing at such times and bearing interest to be earned thereon in amounts sufficient to retire any or all of the Series 2013 Bonds in accordance with their terms are set aside irrevocably in a special trust account to effect such retirement and are pledged for such purpose, then no further payments need to be made to pay or secure the payment of such Series 2013 Bonds, and such Series 2013 Bonds thereafter will be deemed not to be outstanding.

## Open Market Purchase

The University has reserved the right and option to purchase any or all of the Series 2013 Bonds in the open market at any time at any price (which price may include accrued interest to the date of purchase).

## USE OF PROCEEDS

The Series 2013 Bonds are being issued for the purpose of advance refunding the Series 2004 Bonds scheduled to mature on May 1, 2015, and thereafter, to achieve a reduction in debt service, and paying costs of issuance of the Series 2013 Bonds.

## Sources and Uses of Funds

The proceeds of the Series 2013 Bonds are estimated to be applied as follows:

| Sources of Funds |  |
| :---: | :---: |
| Par Amount of Series 2013 Bonds | \$53,415,000 |
| Transfer from the Bond Fund | 950,000 |
| Net Reoffering Premium | 4,256,518 |
| Total Sources of Funds | \$58,621,518 |
| Uses of Funds |  |
| Deposit to Refunding Escrow | \$57,899,195 |
| Estimated Costs of Issuance ${ }^{(1)}$ | 722,323 |
| Total Uses of Funds | \$58,621,518 |

${ }^{(1)}$ Issuance costs include underwriter's discount, legal fees, financial advisor's fees, refunding trustee fee, escrow verification fee, and other costs incurred in connection with the issuance of the Series 2013 Bonds.

## Refunding Plan

Proceeds of the Series 2013 Bonds, together with other funds of the University, will be deposited in an escrow account to be held by U.S. Bank National Association, as Refunding Trustee, and will be invested in direct non-callable obligations of the United States until the redemption date for the Series 2004 Bonds originally scheduled to mature May 1, 2015 through 2024, 2028 and 2034 (the "Refunded Bonds"). The escrow deposit will be sufficient to pay interest on the Refunded Bonds through their first call date of May 1, 2014, and to redeem the Refunded Bonds on that date, at a price equal to 100 percent of the principal amount thereof.

The Refunded Bonds are shown in the table below.
System Revenue Bonds, Series 2004

| Maturity | Principal Amount | Interest Rate | CUSIP No. |
| :---: | :---: | :---: | :---: |
| May 1, 2015 | \$ 1,575,000 | 5.250\% | 155839AK9 |
| May 1, 2016 | 1,660,000 | 5.375 | 155839AL7 |
| May 1, 2017 | 1,750,000 | 5.375 | 155839AM5 |
| May 1, 2018 | 1,850,000 | 5.375 | 155839AN3 |
| May 1, 2019 | 1,945,000 | 5.375 | 155839AP8 |
| May 1, 2020 | 2,050,000 | 5.375 | 155839AQ6 |
| May 1, 2021 | 2,160,000 | 5.375 | 155839AR4 |
| May 1, 2022 | 2,280,000 | 5.500 | 155839AS2 |
| May 1, 2023 | 2,405,000 | 5.500 | 155839AT0 |
| May 1, 2024 | 2,535,000 | 5.500 | 155839AU7 |
| May 1, 2028 | 11,520,000 | 5.000 | 155839AV5 |
| May 1, 2034 | 22,105,000 | 5.000 | 155839AW3 |

## Verification of Mathematical Calculations

The Arbitrage Group, Inc. a firm of independent public accountants (the "Verification Agent"), will deliver to the University, on or before the Date of Delivery, its verification report indicating that it has verified, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Acquired Obligations, to pay when due, the maturing principal of and interest on the Refunded Bonds, and (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Series 2013 Bonds will be excluded from gross income for federal income tax purposes.

## SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS

The Series 2013 Bonds are special fund obligations of the University, payable from Gross Revenue of the System and money and investments in the Bond Fund, to be held by the University separate and apart from all other funds and accounts of the University. All amounts pledged to be paid into the Bond Fund represent an equal and prior lien and charge upon the Gross Revenue of the System superior to all other charges of any kind or nature whatsoever, except for the lien and charge hereafter made to pay and secure the payment of the principal of and interest on Parity Bonds.
The "System" means (a) the existing housing and dining system of the University; (b) the services and activities system (including without limitation the student union building and recreation center); (c) the bookstore system of the University; and (d) the parking system of the University; all as the same will be added to, improved and extended through the use of the proceeds of the sale of System revenue bonds and as such System may be added to, improved and extended, for as long as any System revenue bonds are outstanding. The System also includes, but is not limited to, any other facilities financed pursuant to the Master Resolution.

## Pledge of Gross Revenue

Pursuant to the Master Resolution, a Bond Fund has been created in the office of the Treasurer of the University for the purpose of paying and securing the payment of the Series 2013 Bonds, the Outstanding Parity Bonds and any Future Parity Bonds (together, defined as the "Parity Bonds"). The Bond Fund is a trust fund for the registered owners of the Parity Bonds. The University will irrevocably obligate and bind itself for as long as any of the Series 2013 Bonds remain outstanding to set aside and pay into the Bond Fund from Gross Revenue or other money in the Revenue Fund, on or prior to the respective dates the same become due, such amounts as are required to pay the principal of and interest on the Series 2013 Bonds. All amounts pledged to be paid into the Bond Fund with respect to the Series 2013 Bonds represent an equal and prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever, except that the Series 2013 Bonds will have a lien and charge upon such Gross Revenue on parity with the lien and charge of the Outstanding Parity Bonds and any Future Parity Bonds.
"Gross Revenue" means all income and revenue derived from time to time by the University from any source whatsoever, from the ownership and operation of the System, including Direct Subsidy Receipts (if pledged to the System in a Series Resolution), grants, rentals, fees and any other charges that now are or hereafter may be charged to all or any segment of the student population, if pledged to the System, and including interest income, but not including the proceeds of any borrowing by the University and the earnings thereon (other than earnings on proceeds deposited in reserve funds); income and revenue which may not legally be pledged for revenue bond debt service; state or federal grants or substitutes therefor allocated to capital projects; payments made under Credit Facilities (if any) issued to pay or secure the payment of a particular series of bonds; proceeds of insurance or condemnation proceeds other than business interruption insurance or income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the University.
The "Revenue Fund" means collectively, the following special funds of the University: (a) the "Housing and Food Services Fund;" (b) the "Associated Student Fund;" (c) the "University Store Fund;" (d) the "Parking Fund;" and (e) and any other special fund created in the office of the Treasurer for the receipt of Gross Revenue.

## Flow of Funds

The University has pledged in the Bond Resolution to deposit all Gross Revenue into the Revenue Fund as collected. The Revenue Fund is held separate and apart from all other funds and accounts of the University, and the Gross Revenue deposited therein will be used only for the following purposes and in the following order of priority:
First, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any bond redemption fund to pay the principal of and interest and premium, if any, on any Parity Bonds;

Second, to make all payments required to be made into any debt service reserve fund(s), if any, that may be established to secure the payment of any Parity Bonds;

Third, to pay Operating Expenses;
Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the University having a lien upon the Gross Revenue and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds, and to make all deposits of Rebate Amounts to the Rebate Fund;

Fifth, to make all payments required to be made into any fund or account created by a Series Resolution;

Sixth, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System and make deposits into the Renewal and Replacement Fund as considered appropriate by the University; and

Seventh, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the University as authorized in the various resolutions of the Board authorizing their issuance, and to carry out other lawful purposes of the University.

## Rate Covenant

The University has covenanted and agreed for as long as any of the Parity Bonds remain outstanding that it will at all times establish, maintain and collect rates, fees and charges in the operation of the System that will produce Net Revenues in each fiscal year at least equal to the greater of (i) 100 percent of Maximum Annual Debt Service (the "Coverage Requirement"), or (ii) amounts required to be deposited during such fiscal year into bond funds and reserve funds established for Outstanding Bonds, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service. "Net Revenues" means Gross Revenue less any part thereof that must be used to pay Operating Expenses. "Operating Expenses" means the current expenses incurred for operation or maintenance of the System, as defined under Generally Accepted Accounting Principles ("GAAP"), including an allocable share of insurance expenses and other administrative expenses of the University directly related to the operation of the System, excluding any allowances for depreciation or amortization or interest on any obligations of the System incurred in connection with and payable from Gross Revenue.

## Additional Covenants of the University

The University has made the following covenants in the Bond Resolution.
(i) To comply with the Coverage Requirement as set forth above.
(ii) To duly and punctually pay principal of and interest on the Bonds at the times and places provided, and to perform and observe any and all covenants, undertakings and provisions of the Bond Resolution.
(iii) To keep and maintain the System in good repair, working order and conditions, and to operate the same and the businesses in connection therewith in an efficient manner and at a reasonable cost.
(iv) In the event any portion of the System which contributes in some measure to the Gross Revenue is sold by the University or is condemned, the University is to apply the net proceeds of the sale or condemnation to capital expenditures for the System which will contribute in some measure to the Gross Revenue or to retirement of the Bonds then outstanding.
(v) To keep all facilities of the System insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks and in such amounts as the Board or the Designated University Representative deems necessary for protection of the University and the owners of the Bonds.
(vi) To at all times keep in full force and effect policies of public liability and property damage insurance to protect the University against anyone claiming damages, if it is obtainable at reasonable rates and upon reasonable conditions and in such amounts as the Board deems necessary for protection of the University and the owners of the Bonds.
(vii) To keep and maintain proper books of account and accurate records of all of its revenue received, and of all costs of administration and maintenance and operation of its business, in accordance with generally accepted accounting principles. On or before 120 days after each fiscal year, to prepare an operating statement of the business of the System for the preceding fiscal year, showing detail of the Gross Revenue and expenses of the System, and containing a status of all fund and accounts pertaining to the operating of its business.

## No Debt Service Reserve Account for the Series 2013 Bonds

The University will not establish a Debt Service Reserve Account for the Series 2013 Bonds. The owners of Series 2013 Bonds will have no rights with respect to any Debt Service Reserve Account currently in existence or to be created in the future, unless specifically pledged to secure the Series 2013 Bonds.

## Renewal and Replacement Fund

A Renewal and Replacement Fund has been established in the Bond Resolution for the purpose of paying extraordinary operating and maintenance expenses, making capital replacements, expansion, additions, repairs and renewals of the System and to pay principal of and interest on any bonds to the extent other funds are not legally available. The University will make deposits into the Renewal and Replacement Fund from time to time as considered appropriate and maintain a balance therein. There is currently a balance of $\$ 6,167,134$ in the Renewal and Replacement Fund.

## Future Parity Bonds

The University has reserved the right to issue one or more series of Future Parity Bonds by means of a series resolution for any purpose of the University permitted by law and the Master Resolution, provided that the University complies with the terms and conditions for the issuance of Future Parity Bonds set forth in the Master Resolution. All bonds authorized to be issued under series resolutions will be Future Parity Bonds, having an equal lien and charge upon the Gross Revenue, upon fulfillment of the conditions of the Master Resolution, whether at the time of authorization or issuance of such Future Parity Bonds. The University will not issue any series of Future Parity Bonds or incur any additional indebtedness with a parity lien or charge on Gross Revenue unless:
(a) The University was not in default of its Rate Covenant for the immediately preceding fiscal year; and
(b) The University has received either (1) or (2):
(1) A certificate delivered by the Designated University Representative, based upon the appropriate audited annual financial reports of the System, to the effect that average annual Net Revenues, plus the net revenues from any other sources pledged as security for all outstanding Parity Bonds, during the two full fiscal years immediately preceding the date of issuance of such Parity Bonds, was equal to at least the Coverage Requirement on all Parity Bonds to be outstanding during the full fiscal year succeeding the date of issuance of such future Parity Bonds; but if such Parity Bonds are proposed to be issued at any time during any fiscal year when the audited financial report of the System for the preceding fiscal year is not available, then Net Revenues for the previous fiscal year is to be calculated, for purposes of meeting the requirements of this section, based upon the unaudited statement of revenue and expenses for any 12 successive calendar months in the 15 months immediately preceding the date of issuance of the Parity Bonds proposed to be issued, prepared by the Designated University Representative in accordance with GAAP; or
(2) A certificate of the Designated University Representative to the effect that the estimated Net Revenues, plus the net revenues from any other sources pledged as security for all Outstanding Bonds during the three consecutive full fiscal years next succeeding the date of issuance of such proposed Parity Bonds (or, if new facilities or improvements are to be constructed with any portion of the proceeds of such Parity Bonds, in the three full fiscal years following the fiscal year in which such new facilities or improvements are expected to be completed) will be equal to at least the Coverage Requirement on all Parity Bonds to be outstanding during such three full fiscal years. Computation of future Net Revenues of the then existing System, and other pledged revenues, is to be based on actual Net Revenues for the fiscal year immediately preceding the issuance of Parity Bonds, adjusted to reflect the schedule or rates and charges to become effective when the additional facilities become revenue producing, and after giving recognition to anticipated changes in Operating Expenses of the System. Computation of the estimated net revenues of any facility or facilities under construction, to be constructed or acquired, or not in operation for the preceding full fiscal year is to be predicated upon reasonable utilization rates.
(c) In accordance with the requirements of the Master Resolution, and in lieu of the requirements of (b) above, Parity Bonds may be issued solely for the purpose of financing the cost or estimated cost of completing a capital project where Parity Bonds have been issued under a series resolution to pay costs of such a project; provided, however, the aggregate principal amount of Parity Bonds issued to finance the completion of a project shall not exceed 15 percent of the principal amount of Bonds originally issued or incurred to finance such project.

Nothing in the Bond Resolution limits the University's right to issue bonds, notes or other obligations, for any lawful System purpose, secured in whole or in part by liens against the Gross Revenue and the money and investments in the Revenue Fund that are junior and inferior to the lien against the Gross Revenue and money and investments in the Revenue Fund securing the payment of the Parity Bonds. The University currently has no such subordinate lien bonds or other obligations outstanding.

At the time of issuance of the Series 2013 Bonds, the University will be in compliance with the conditions for issuance of Parity Bonds as contained in the Master Resolution.

## THE SYSTEM

The System includes the following facilities:
The Housing and Dining System operates student residence halls and apartment options for approximately 3,200 students, including unmarried freshmen less than 20 years of age. The Housing and Dining System includes 19 residence halls, 4 apartment complexes with 398 units, and 4 dining centers, as well as administrative, warehouse and maintenance facilities. For the 2012-13 academic year the designed occupancy of the residence halls is 2,978, however, the System considers approximately 2,612 to be available for student occupancy. Average annual occupancy for the 2011-12 academic year was 2,319 and there were 688 contract holders in the apartments (there may be more than one student contract holder per apartment unit). The Housing and Dining System includes a conference program, which provides approximately 4.0 percent of the

Housing and Dining System's annual revenue. Residence hall room and board fees, based on double occupancy and a standard meal plan, are $\$ 9,200$ per student for the 2012-13 academic year. See "Tuition and Room and Board Charges" in Appendix A herein.

The Services and Activities ("S\&A") System provides for the nonacademic needs of the Associated Students of the University, including programs such as student government, radio station, student clubs, recreation opportunities, various student service programs, and operations of a student union and recreation center building. Revenues are provided through student services and activities fees ("S\&A fees") authorized under State law and approved by the Board. The University's S\&A fee is currently $\$ 231$ per quarter for all full-time students and under State law may be adjusted annually in an amount up to the percentage increase in tuition. In addition, certain students enrolled on the Ellensburg campus pay mandatory fees for support of the student union and recreation center. These fees are $\$ 69$ per quarter for the student union and $\$ 102$ per quarter for the recreation center.

The Bookstore System derives revenue from sales of a full line of academically related products and services through retail outlets at the Ellensburg campus and the six University centers and through an on-line website. The Bookstore System also offers a variety of insignia items to foster school spirit and market the University.

The Parking System provides parking spaces for over 4,000 vehicles and services to the campus community, maintains the parking infrastructure and flow of traffic on campus and enforces parking rules. Revenues consist of fees paid for parking permits, which the University issues to students, employees and customers on a daily to annual basis, and fines collected from parking tickets issued.

## Historical Operations of the System

The System generates Gross Revenue from the four sources described above. The following table provides the historical operations of the System for the five most recent fiscal years.

| Central Washington University System <br> Statements of Revenues, Expenditures and Changes in Fund Balance ${ }^{(1)}$ |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012 | 2011 | 2010 | 2009 | 2008 |
| Gross Revenue |  |  |  |  |  |
| Services and Activities | \$13,253,713 | \$12,441,404 | \$12,161,217 | \$10,766,709 | \$10,312,005 |
| University Store | 9,603,869 | 10,202,361 | 9,582,170 | 8,578,381 | 7,832,266 |
| Parking | 1,027,555 | 1,108,149 | 1,043,371 | 1,047,956 | 937,813 |
| Housing and Dining | 27,555,019 | 28,573,970 | 28,398,100 | 25,243,319 | 22,788,956 |
| Total Gross Revenue | \$51,440,156 | \$52,325,883 | \$51,184,858 | \$45,636,365 | \$41,871,040 |
| Operating Expenses |  |  |  |  |  |
| Services and Activities | \$ 8,966,502 | \$ 8,325,306 | \$ 8,097,231 | \$ 7,260,816 | \$ 6,410,775 |
| University Store | 9,464,942 | 9,315,245 | 8,882,270 | 8,064,425 | 7,567,604 |
| Parking | 1,016,236 | 1,024,457 | 956,000 | 692,115 | 778,674 |
| Housing and Dining | 22,558,681 | 21,421,338 | 21,247,615 | 18,906,139 | 18,022,469 |
| Depreciation | 3,439,014 | 3,454,132 | 2,848,985 | 2,808,511 | 2,804,214 |
| Total Operating Expenses | \$45,445,375 | \$43,540,478 | \$42,032,101 | \$37,732,006 | \$35,583,736 |
| Net Revenue | \$ 5,994,781 | \$ 8,785,406 | \$ 9,152,757 | \$ 7,904,359 | \$ 6,287,304 |
| Non-operating Revenues (Expenses) |  |  |  |  |  |
| Investment Income | \$ | \$ 783 | \$ 82,541 | \$ 200,373 | \$ 401,550 |
| Interest on Indebtedness | $(5,627,860)$ | $(5,406,577)$ | $(4,851,720)$ | $(3,735,119)$ | $(3,677,062)$ |
| Loss on Disposition of Asset | - | - | - | $(1,840)$ | - |
| Non-operation income net of expenses | 534,075 | 282,391 | 419,300 | $(145,107)$ | $(196,878)$ |
| Net Non-operating Revenues (Expenses) | \$ $(5,093,785)$ | \$(5,123,403) | \$(4,349,879) | \$(3,681,693) | \$(3,472,390) |
| Income (Loss) before Other Revenues, Expenses, Gains or Losses | \$ 900,996 | \$ 3,662,002 | \$ 4,802,878 | \$ 4,222,666 | \$ 2,814,914 |
| Net Assets, Beginning of Year | \$46,792,156 | \$43,130,153 | \$38,327,275 | \$34,104,607 | \$31,289,693 |
| Net Assets, End of Year | \$47,693,152 | \$46,792,155 | \$43,130,153 | \$38,327,273 | \$34,104,607 |

${ }^{(1)}$ Information is based on audited financial statements of the System.

## Central Washington University System Parity Bond Debt Service for the Years 2008 to 2012

Parity Bond Debt Service ${ }^{(1)} \quad \frac{\mathbf{2 0 1 2}}{\$ 7,269,606} \frac{\mathbf{2 0 1 1}}{\$ 7,271,036} \frac{\mathbf{2 0 1 0}}{\$ 7,267,561} \frac{\mathbf{2 0 0 9}}{\$ 6,371,965} \frac{\mathbf{2 0 0 8}}{\$ 4,963,561}$
${ }^{(1)}$ Excludes capitalized interest paid from bond proceeds.

## Outstanding Parity Bonds

The University has outstanding the following parity bonds payable from the System revenue (the "Outstanding Parity Bonds"), as of February 1, 2013.

| Name of Issue |  | Original Principal |  | Outstanding Principal ${ }^{(\mathbf{1})}$ |
| :--- | :--- | :---: | :---: | :---: |
|  |  | $\$ 64,080,000$ |  | $\$ 2,930,000$ |
| System Revenue Bonds, Series 2004 Revenue Bonds, Series 2008 |  | $36,495,000$ |  | $34,375,000$ |
| System Revenue Bonds, 2010, Series A\&B (Taxable Build America |  | $34,465,000$ |  | $34,465,000$ |
| Bonds - Direct Payment) |  |  |  |  |
| System Revenue Refunding Bonds, Series 2012 |  | $7,665,000$ |  | $7,665,000$ |

[^0]
## Schedule of System Revenue Bond Debt Service

| Fiscal Year | Outstanding Parity Bonds ${ }^{(1)}$ |  |  |  | The Bonds |  | Total Debt Service |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | Principal | Interest ${ }^{(2)}$ | Federal Credit Payments ${ }^{(3)}$ | Total | Principal | Interest |  |
| 2013 | \$ 3,190,000 | \$ 6,375,573 | \$ $(688,923)$ | \$ 8,876,650 | \$ | \$ | \$ 8,876,650 |
| 2014 | 3,320,000 | 3,911,405 | $(685,143)$ | 6,546,262 | - | 2,348,530 | 8,894,792 |
| 2015 | 1,860,000 | 3,784,892 | $(680,957)$ | 4,963,935 | 1,700,000 | 2,151,325 | 8,815,260 |
| 2016 | 1,745,000 | 3,733,430 | $(675,811)$ | 4,802,619 | 1,770,000 | 2,083,325 | 8,655,944 |
| 2017 | 1,815,000 | 3,664,080 | $(675,812)$ | 4,803,268 | 1,860,000 | 1,994,825 | 8,658,093 |
| 2018 | 1,885,000 | 3,591,880 | $(675,811)$ | 4,801,069 | 1,960,000 | 1,901,825 | 8,662,894 |
| 2019 | 1,960,000 | 3,514,905 | $(675,812)$ | 4,799,093 | 2,050,000 | 1,803,825 | 8,652,918 |
| 2020 | 2,620,000 | 3,434,780 | $(675,811)$ | 5,378,969 | 2,150,000 | 1,701,325 | 9,230,294 |
| 2021 | 2,715,000 | 3,320,530 | $(653,237)$ | 5,382,293 | 2,260,000 | 1,593,825 | 9,236,118 |
| 2022 | 2,810,000 | 3,200,849 | $(629,874)$ | 5,380,975 | 2,375,000 | 1,480,825 | 9,236,800 |
| 2023 | 2,140,000 | 3,075,674 | $(605,812)$ | 4,609,862 | 2,495,000 | 1,362,075 | 8,466,937 |
| 2024 | 2,215,000 | 2,979,476 | $(592,718)$ | 4,601,758 | 2,620,000 | 1,237,325 | 8,459,083 |
| 2025 | 2,305,000 | 2,879,711 | $(579,218)$ | 4,605,493 | 2,725,000 | 1,132,525 | 8,463,018 |
| 2026 | 3,195,000 | 2,773,591 | $(565,212)$ | 5,403,379 | 2,835,000 | 1,023,525 | 9,261,904 |
| 2027 | 3,325,000 | 2,605,870 | $(530,745)$ | 5,400,125 | 2,945,000 | 910,125 | 9,255,250 |
| 2028 | 3,475,000 | 2,429,107 | $(494,800)$ | 5,409,307 | 3,065,000 | 792,325 | 9,266,632 |
| 2029 | 3,615,000 | 2,243,960 | $(457,263)$ | 5,401,697 | 3,160,000 | 696,543 | 9,258,240 |
| 2030 | 3,775,000 | 2,049,095 | $(418,247)$ | 5,405,848 | 3,265,000 | 593,844 | 9,264,692 |
| 2031 | 3,325,000 | 1,845,332 | $(377,524)$ | 4,792,808 | 3,370,000 | 487,731 | 8,650,539 |
| 2032 | 3,480,000 | 1,666,544 | $(346,874)$ | 4,799,670 | 3,485,000 | 373,994 | 8,658,664 |
| 2033 | 3,105,000 | 1,479,111 | $(314,766)$ | 4,269,345 | 3,600,000 | 256,375 | 8,125,720 |
| 2034 | 3,250,000 | 1,303,420 | $(281,197)$ | 4,272,223 | 3,725,000 | 130,375 | 8,127,598 |
| 2035 | 3,405,000 | 1,112,840 | $(246,169)$ | 4,271,671 | - | - | 4,271,671 |
| 2036 | 3,570,000 | 913,243 | $(209,560)$ | 4,273,683 | - | - | 4,273,683 |
| 2037 | 3,740,000 | 704,030 | $(171,248)$ | 4,272,782 | - | - | 4,272,782 |
| 2038 | 3,920,000 | 484,953 | $(131,233)$ | 4,273,720 | - | - | 4,273,720 |
| 2039 | 1,795,000 | 255,413 | $(89,394)$ | 1,961,019 | - | - | 1,961,019 |
| 2040 | 1,880,000 | 130,660 | $(45,731)$ | 1,964,929 | - | - | 1,964,929 |
| Totals | \$79,435,000 | \$69,464,354 | \$(13,174,902) | \$135,724,452 | \$53,415,000 | \$26,056,392 | \$215,195,844 |

${ }^{(1)}$ Excludes the Refunded Bonds
${ }^{(2)}$ Reflects interest prior to the application of the 35 percent federal credit payments relating to the University's $\$ 31,950,000$ System Revenue Bonds, 2010, Series B (Taxable Build America Bonds - Direct Payment).
${ }^{(3)}$ According to the U.S. Office of Management and Budget, starting March 2013, and continuing until Congress takes further budget action, federal credit payments will be reduced as part of a government-wide "sequestration" of expenditures. The Internal Revenue Service has issued guidence that subsidy payments will be reduced by 8.7 percent for the federal 2013 fiscal year (ending September 30, 2013). The actual percentage reduction, and how that percentage will apply to individual federal credit payments, is not known.

## Debt Payment Record

The University has promptly met all principal and interest payments on its bonds and has never defaulted on a payment of principal or interest on any of its bonds or other obligations when due. No refunding bonds have been issued for the purpose of preventing an impending default.

## Future Financing

The University does not anticipate the issuance of Future Parity Bonds within the next two years. The University periodically reviews its outstanding bonds for refunding opportunities and may issue bonds for refunding purposes if market conditions warrant.

## LEGAL INFORMATION

## Litigation

At the time of delivery of and payment for the Series 2013 Bonds, the University will deliver a certificate stating that there is no litigation then pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Series 2013 Bonds, application of the proceeds of the Series 2013 Bonds as contemplated by the Bond Resolution, in any way contesting or
affecting the validity of the Series 2013 Bonds, any proceedings of the University taken with respect to the issuance or sale thereof, the pledge or application of any money or security provided for the payment of the University, the existence or powers of the University or the title of any officers of the University to their respective positions.

The University reports litigation of a general nature, but after consideration and investigation has concluded that it has meritorious defenses, or such litigation is immaterial and/or will have no impact on timely repayment of the Series 2013 Bonds.

## Approval of Counsel

Legal matters incident to the authorization, issuance, and sale of the Series 2013 Bonds by the University are subject to the approving legal opinion of Foster Pepper PLLC, Seattle, Washington, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Series 2013 Bonds is attached as Appendix C. The opinion of Bond Counsel is given based on factual representations made to Bond Counsel, and under existing law, as of the date of initial delivery of the Series 2013 Bonds, and Bond Counsel assumes no obligation to revise or supplement its opinion to reflect any facts or circumstances that may thereafter come to its attention, or any changes in law that may thereafter occur. The opinion of Bond Counsel is an expression of its professional judgment on the matters expressly addressed in its opinion and does not constitute a guarantee of result. Bond Counsel will be compensated only upon the issuance and sale of the Series 2013 Bonds.

## Limitations on Remedies

Any remedies available to the owners of the Series 2013 Bonds upon the occurrence of an event of default under the Resolution are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the University fails to pay principal of or interest on the Series 2013 Bonds, there can be no assurance that available remedies will be adequate to fully protect the interest of the Registered Owners of the Series 2013 Bonds.

In addition to the limitations on remedies contained in the Bond Resolution, the rights and obligations under the Series 2013 Bonds and the Bond Resolution may be limited by and are subject to bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, and to the exercise of judicial discretion in appropriate cases. The opinion to be delivered by Foster Pepper PLLC, as Bond Counsel, concurrently with the issuance of the Series 2013 Bonds, will be subject to limitations regarding bankruptcy, insolvency and other laws relating to or affecting creditors' rights. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C.

## TAX MATTERS

Exclusion From Gross Income. In the opinion of Bond Counsel, under existing federal law and assuming compliance with applicable requirements of the Code, that must be satisfied subsequent to the issue date of the Series 2013 Bonds, interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals.

Continuing Requirements. The University is required to comply with certain requirements of the Code after the date of issuance of the Series 2013 Bonds in order to maintain the exclusion of the interest on the Series 2013 Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Series 2013 Bond proceeds and the facilities financed or refinanced with Series 2013 Bond proceeds, limitations on investing gross proceeds of the Series 2013 Bonds in higher yielding investments in certain circumstances, and the requirement to comply with the arbitrage rebate requirement to the extent applicable to the Series 2013 Bonds. The University has covenanted in the Series Resolution to comply with those requirements, but if the University fails to comply with those requirements, interest on the Series 2013 Bonds could become taxable retroactive to the date of issuance of the Series 2013 Bonds. Bond Counsel has not undertaken and does not undertake to monitor the University's compliance with such requirements.

Corporate Alternative Minimum Tax. While interest on the Series 2013 Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, under Section 55 of the Code, tax-exempt interest, including interest on the Series 2013 Bonds, received by corporations is taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations (as defined for federal income tax purposes). Under the Code, alternative minimum taxable income of a corporation will be increased by 75 percent of the excess of the corporation's adjusted current earnings (including any tax exempt interest) over the corporation's alternative minimum taxable income determined without regard to such increase. A corporation's alternative minimum taxable income, so computed, that is in excess of an exemption of $\$ 40,000$, which exemption will be reduced (but not below zero) by 25 percent of the amount by which the corporation's alternative minimum taxable income exceeds $\$ 150,000$, is then subject to a 20 percent minimum tax.

A small business corporation is exempt from the corporate alternative minimum tax for any taxable year beginning after December 31, 1997, if its average annual gross receipts during the three-taxable-year period beginning after December 31, 1993, did not exceed $\$ 5,000,000$, and its average annual gross receipts during each successive three-taxable-year period thereafter ending before the relevant taxable year did not exceed $\$ 7,500,000$.

Tax on Certain Passive Investment Income of S Corporations. Under Section 1375 of the Code, certain excess net passive investment income, including interest on the Series 2013 Bonds, received by an S corporation (a corporation treated as a partnership for most federal tax purposes) that has Subchapter C earnings and profits at the close of the taxable year may be subject to federal income taxation at the highest rate applicable to corporations if more than 25 percent of the gross receipts of such $S$ corporation is passive investment income.

Foreign Branch Profits Tax. Interest on the Series 2013 Bonds may be subject to the foreign branch profits tax imposed by Section 884 of the Code when the Series 2013 Bonds are owned by, and effectively connected with a trade or business of, a United States branch of a foreign corporation.

Possible Consequences of Tax Compliance Audit. The Internal Revenue Service (the "IRS") has established a general audit program to determine whether issuers of tax-exempt obligations, such as the Series 2013 Bonds, are in compliance with requirements of the Code that must be satisfied in order for interest on those obligations to be, and continue to be, excluded from gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS would commence an audit of the Series 2013 Bonds. Depending on all the facts and circumstances and the type of audit involved, it is possible that commencement of an audit of the Series 2013 Bonds could adversely affect the market value and liquidity of the Series 2013 Bonds until the audit is concluded, regardless of its ultimate outcome.

Bonds Not "Qualified Tax-Exempt Obligations" for Financial Institutions. Section 265 of the Code provides that 100 percent of any interest expense incurred by banks and other financial institutions for interest allocable to tax-exempt obligations acquired after August 7, 1986, will be disallowed as a tax deduction. However, if the tax-exempt obligations are obligations other than private activity bonds, are issued by a governmental unit that, together with all entities subordinate to it, does not reasonably anticipate issuing more than $\$ 10,000,000$ of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) in the current calendar year, and are designated by the governmental unit as "qualified tax-exempt obligations," only 20 percent of any interest expense deduction allocable to those obligations will be disallowed.

The University is a governmental unit that, together with all subordinate entities, reasonably anticipates issuing more than $\$ 10,000,000$ of tax exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) during the current calendar year, and has not designated the Series 2013 Bonds as "qualified tax exempt obligations" for purposes of the 80 percent financial institution interest expense deduction. Therefore, no interest expense of a financial institution allocable to the Series 2013 Bonds is deductable for federal income tax purposes.
Reduction of Loss Reserve Deductions for Property and Casualty Insurance Companies. Under Section 832 of the Code, interest on the Series 2013 Bonds received by property and casualty insurance companies will reduce tax deductions for loss reserves otherwise available to such companies by an amount equal to 15 percent of tax-exempt interest received during the taxable year.

Effect on Certain Social Security and Retirement Benefits. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take receipts or accruals of interest on the Series 2013 Bonds into account in determining gross income.
Other Possible Federal Tax Consequences. Receipt of interest on the Series 2013 Bonds may have other federal tax consequences as to which prospective purchasers of the Series 2013 Bonds may wish to consult their own tax advisors.

Original Issue Premium. The Series 2013 Bonds maturing in 2015 through 2027, inclusive, have been sold at prices reflecting original issue premium ("Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity. The amount of amortizable premium allocable to an interest accrual period for a Premium Bond will offset a like amount of qualified stated interest on such Premium Bond allocable to that accrual period, and may affect the calculation of alternative minimum tax liability described above. As premium is amortized, the purchaser's basis in such Premium Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of Premium Bonds, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Premium Bonds.

Original Issue Discount. The Series 2013 Bonds maturing in the years 2028 and 2034, inclusive, have been sold at prices reflecting original issue discount ("Discount Bonds"). Under existing law, the original issue discount in the selling price of each Discount Bond, to the extent properly allocable to each owner of such Discount Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Discount Bonds of such maturity were sold.

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Discount Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Discount Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Discount Bond will be treated as gain from the sale or exchange of such Discount Bond.
The portion of original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. The accrual of such portion of the original issue discount will be included in the calculation of alternative minimum tax liability as described above, and may result in an alternative minimum tax liability even though the owner of such Discount Bond will not receive a corresponding cash payment until a later year.

Owners who purchase Discount Bonds in the initial public offering but at a price different from the first offering price at which a substantial amount of those Discount Bonds were sold to the public, or who do not purchase Discount Bonds in the initial public offering, should consult their own tax advisors with respect to the tax consequences of the ownership of such Discount Bonds. Owners of Discount Bonds who sell or otherwise dispose of such Discount Bonds prior to maturity should consult their own tax advisors with respect to the amount of original issue discount accrued over the period such Discount Bonds have been held and the amount of taxable gain or loss to be recognized upon that sale or other disposition of Discount Bonds. Owners of Discount Bonds also should consult their own tax advisors with respect to state and local tax consequences of owning such Discount Bonds.

## INITIATIVE AND REFERENDUM

Under the State Constitution, the voters of the State have the ability to initiate legislation through the power of initiative and referendum. Initiatives and referenda are submitted to the voters upon receipt of petitions signed by at least eight percent (initiatives) and four percent (referenda) of the number of voters registered and voting for the office of Governor at the preceding regular gubernatorial election. Qualifying initiatives to the voters are submitted at the next state general election and must be approved by a majority of voters to be enacted into law. Initiatives to the Legislature are submitted to the Legislature at its regular session each January. Once submitted, the Legislature must either adopt the initiative as proposed, reject the proposed initiative (in which case the initiative must be placed on the ballot at the next state general election) or approve an amended version of the proposed initiative (in which case both the amended version and the original proposal must be placed on the next state general election ballot). Any initiative approved by a majority of voters may not be amended or repealed by the Legislature within a period of two years following enactment, except by a vote of two-thirds of all the members elected to each house of the Legislature; after two years, the law is subject to amendment or repeal by the Legislature in the same manner as other laws.

In recent years there have been a number of initiatives filed in the State, including initiatives targeting fees and taxes imposed by local jurisdictions or subjecting local jurisdictions to additional requirements. The University cannot predict whether this trend will continue, whether any filed initiatives will receive the requisite signatures to be certified to the ballot, whether such initiatives will be approved by the voters, whether, if challenged, such initiatives will be upheld by the courts, and whether any future initiative could have a material adverse impact on the University.

## CONTINUING DISCLOSURE UNDERTAKING

Basic Undertaking to Provide Annual Financial Information and Notice of Listed Events. To meet the requirements of paragraph (b)(5) United States Securities and Exchange Commission (the "SEC") Rule 15c2-12 ("Rule 15c2-12"), as applicable to a participating underwriter for the Series 2013 Bonds, the University will undertake (the "Undertaking") for the benefit of holders of the Series 2013 Bonds to provide or cause to be provided, either directly or through a designated agent, to the Municipal Securities Rulemaking Board (the "MSRB"), in an electronic format as prescribed by the MSRB accompanied by identifying information as prescribed by the MSRB:
(i) Annual financial information and operating data of the type included in this Official Statement as generally described below ("annual financial information"); and
(ii) Timely notice (not in excess of ten business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Series 2013 Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 - TEB) or the material notices or determinations with respect to the tax status of the Series 2013 Bonds; (7) modifications to rights of holders of the Series 2013 Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2013 Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the University, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or substantially all of the assets of the University, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.
The University also will provide to the MSRB timely notice of a failure by the University to provide required annual financial information on or before the date specified below.

Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the University undertakes to provide will consist of (a) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time, which statements shall not be audited, except, however, that if and when audited financial statements are otherwise prepared and available to the University they will be provided; and (b) the tables entitled "Statement of Revenues, Expenditures and Changes in Fund Balance," "Schedule of System Revenue Bond Debt Service," "Annual Average Enrollment," "Enrollment Statistics;" and "Budgeted versus Actual Enrollment" will be provided to the MSRB not later than the last day of the ninth month after the end of each fiscal year of the University (currently, a fiscal year ending June 30), as such fiscal year may be changed as required or permitted by State law, commencing with the University's fiscal year ending June 30, 2013.

The annual financial information may be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the internet website of the MSRB or filed with the SEC.

Amendment of Undertaking. The Undertaking is subject to amendment after the primary offering of the Series 2013 Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, rating agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12.

The University will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.
Termination of Undertaking. The University's obligations under the Undertaking shall terminate upon the legal defeasance of all of the Series 2013 Bonds. In addition, the University's obligations under the Undertaking shall terminate if those provisions of Rule $15 \mathrm{c} 2-12$ which require the University to comply with the Undertaking become legally inapplicable in respect of the Series 2013 Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the University, and the University provides timely notice of such termination to the MSRB.

Remedy for Failure to Comply with Undertaking. If the University or any other obligated person fails to comply with the Undertaking, the University will proceed with due diligence to cause such noncompliance to be corrected as soon as practicable after the University learns of that failure. No failure by the University or other obligated person to comply with the Undertaking will constitute a default in respect of the Series 2013 Bonds. The sole remedy of any holder of a Bond will be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the University or other obligated person to comply with the Undertaking.
Continuing Disclosure Undertakings of the University. The University has entered into prior undertakings under the Rule $15 \mathrm{c} 2-12$ with respect to its obligations and is in compliance with its obligations thereunder.

## OTHER BOND INFORMATION

## Rating

Moody's Investors Service ("Moody’s) has assigned a rating of A1 to the Series 2013 Bonds. Such rating reflects only the view of the rating agency. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's if, in the judgment of the agency, circumstances so warrant. An explanation of the significance of the rating may be obtained from Moody's, 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, (212) 553-0300. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Series 2013 Bonds.

## Financial Advisor

SDM Advisors, Inc. has served as financial advisor to the University relative to the preparation of the Series 2013 Bonds for sale, timing of the sale and other factors relating to the Series 2013 Bonds. The financial advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement or other information provided relative to the Series 2013 Bonds. SDM Advisors, Inc. makes no guaranty, warranty or other representation on any matter related to the information contained in the Official Statement. The financial advisor is an independent financial advisory firm and is not engaged in the business of underwriting, marketing, trading or distributing municipal securities. A portion of the financial advisor's compensation is contingent upon sale of the Series 2013 Bonds and delivery thereof to the underwriter.

## Underwriting

The Series 2013 Bonds are being purchased by J.P. Morgan Securities LLC (the "Underwriter") at a price of \$57,099,979.07. The Series 2013 Bonds will be re-offered at a price of $\$ 57,671,518.20$. The Underwriter may offer and sell the Series 2013 Bonds to certain dealers (including dealers depositing Series 2013 Bonds into investment trusts) and others at prices lower than the initial offering prices set forth on cover hereof, and such initial offering prices may be changed from time to time by the Underwriter. After the initial public offering, the public offering prices may be varied from time to time.

## Official Statement

Statements in this Official Statement, including matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the University or the Underwriter and the Owners of the Series 2013 Bonds. The preparation and distribution of this Official Statement has been authorized by the University.

At the time of the delivery of the Series 2013 Bonds, one or more officials of the University will furnish a certificate stating that to the best of his knowledge and belief at the time of the sale or delivery of the Series 2013 Bonds, this Official Statement did not and does not contain any untrue statements of material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in any material respect.

The preparation and distribution of this Official Statement has been authorized by the University.
CENTRAL WASHINGTON UNIVERSITY
By: /s/George Clark
George Clark, Vice President for Business and Financial Affairs

# Appendix A <br> Central Washington University 

## The University

## General Information

Central Washington University (the "University") was established in 1890 as Washington State Normal School, and then successively became Central Washington College of Education in 1937, Central Washington State College in 1961 and Central Washington University in 1977. The University's main campus is located in Ellensburg, in the central part of the state of Washington (the "State"), approximately 110 miles east of Seattle and 170 miles west of Spokane. Additionally, the University supports eight University Centers, which are co-located with community colleges in Des Moines, Edmonds, Everett, Kent and Pierce County in Western Washington, and Moses Lake, Wenatchee and Yakima in Eastern Washington, where students can complete their baccalaureate degrees. A dual-admission program allows community college students to be admitted to the University at the same time they are admitted to a community college, to streamline the admissions, advising and transfer processes. Enrollment at the University Centers for fall 2012 represents approximately 14 percent of state-funded full time equivalent enrollment and 16 percent of state-funded headcount enrollment for the University.

## Academic Programs

The University offers over 150 major courses of study in over 40 departments within its four colleges: the College of Arts and Humanities, the College of Education and Professional Studies, the College of the Sciences and the College of Business. The University also offers eleven pre-professional programs in dentistry, dietetics, engineering, law, medicine, nursing in public health, occupational therapy, optometry, pharmacy, physical therapy, and veterinary studies, at the undergraduate level. Seventeen departments offer a total of 27 graduate degree programs. Other academic units of the University include the Library, the Office of Continuing Education, the Office of Undergraduate Studies, the Office of Graduate Studies and Research, International Studies \& Programs and the William O. Douglas Honors College.

## Accreditation

The University is accredited by the Northwest Commission on Colleges and Universities (the "NWCCU"). Based upon an extensive self-study and an NWCCU evaluation visit, the University's accreditation status was reaffirmed by the NWCCU in January 2010. Selected programs of the University - most typically those associated with professional degrees - also hold specialized accreditation and program approval from numerous accrediting associations and program approval bodies.

## Governance

The University is governed by an eight-member Board of Trustees (the "Board"), which has broad responsibilities to supervise, coordinate, manage and regulate the University, as provided by State law. Trustees are appointed by the Governor for a term of six years, except a student Trustee, who is appointed to a one-year term. In addition to other powers and duties, the Board employs the President; has full control of the University and its property of various kinds except as provided by law; with the assistance of the faculty, prescribes the course of study in the various schools and departments thereof, and publish such catalogues thereof as the Board deems necessary; establishes divisions, schools, or departments necessary to carry out the purposes of the University and not otherwise proscribed by law; may acquire real and other property; may purchase supplies and purchase or lease equipment and other personal property needed for the operation or maintenance of the University; and may promulgate such rules and regulations, and perform all other acts not forbidden by law, as the Board deems necessary or appropriate to the administration of the University.

## Members of the Board of Trustees

| Individual | Professional Affiliation | Year of Initial <br> Appointment | Year Current Term Expires |
| :---: | :---: | :---: | :---: |
| Sid Morrison, Chair | US Congressman, Retired | 2003 | 9/30/2015 |
| Keith Thompson, Vice Chair | U.S. Bank Executive | 2007 | 9/30/2013 |
| Dan Dixon | Vice President for External Affairs, Swedish Medical Services | 2009 | 9/30/2018 |
| Ron Erickson | Co-founder, Chairman of ivi, Inc. | 2010 | 9/30/2015 |
| Chris Liu | Director, Washington State Office of Minority and Women's Business Enterprises | 2012 | 9/30/2018 |
| Kate Reardon | Communications Director, City of Everett | 2009 | 9/30/2017 |
| Annette Sandberg | President, TransSafe Consulting | 2009 | 9/30/2014 |
| Lindsey Sires | Student | 2012 | 6/30/2013 |

## Chair and Vice Chair of the Board of Trustees

Sid Morrison, Chair, was first appointed to the Board in 2003 with a current term ending in 2015. Mr. Morrison was appointed State Secretary of Transportation from 1993 to 2001, after serving as a U.S. Representative from 1980 to 1992. Previously he served in the State legislature from 1967 to 1973 and as a State senator from 1974 to 1980. Now retired, Mr. Morrison serves on the executive board of Energy Northwest, a major northwest public power producer. He earned his bachelor's degree in agriculture from Washington State University.

Keith Thompson, Vice Chair, was appointed to the Board in 2007 with a current term ending in 2013. Mr. Thompson is a senior portfolio manager and managing director for U.S. Bank Private Asset Management, where he has worked since 1990. He previously worked for Kidder Peabody, worked in a general aviation business and was an officer in the U.S. Navy. Mr. Thompson has served on the board of the University Foundation for seven years, and serves on the finance committee for the Eastern Washington University Foundation. Mr. Thompson earned his bachelor's degree from the University.

## University Administration

The University is administered by a President, who is appointed by the Board. The President appoints administrative officers to assist in managing the University. Brief resumes for the President and the current administrative officers follow.

## Dr. James L. Gaudino-President

Dr. James L. Gaudino assumed the position of president at the University on January 1, 2009. Before joining the University, Dr. Gaudino was the founding Dean of the College of Communication and Information (CCI) at Kent State University, a college that consists of the Schools of Communication Studies, Journalism and Mass Communication, Library and Information Science, and Visual Communication Design. Dr. Gaudino was previously the Executive Director of the National Communication Association (NCA), a scholarly society of 7,000 members that works to improve instruction and to produce research on topics of both intellectual and social significance related to human communication. While working at NCA, Dr. Gaudino also served as an adjunct professor at George Mason University and George Washington University. Prior to taking the position at NCA, he served on the faculty at Michigan State University's Department of Advertising. Dr. Gaudino's research interests include public relations and public opinion formation. He has authored or co-authored numerous chapters, articles, monographs, and convention presentations, including publication in the Journal of Broadcasting and Electronic Media, Annals of the American Academy of Political and Social Science, Journalism Educator, Communication Education, and the Newspaper Research Journal.

Dr. Gaudino holds a doctorate in Communications from Michigan State University and a masters in management from Troy State University. He is a graduate of the United States Air Force Academy and served in the US Air Force in California, Turkey, and Germany.

## Dr. Marilyn Levine - Provost and Vice President of Academic and Student Life

Dr. Marilyn Levine was appointed Provost and Vice President of Academic and Student Life in 2011. She came from Eastern Oregon University where she served as Dean of Arts and Sciences since 2005, after having served as Chair of Social Sciences at Lewis-Clark State College. Dr. Levine was trained as a historian of Asia (China and Southeast Asia), with graduate degrees from the University of Chicago and the University of Hawaii. She has published two books, over four dozen articles, and created a dozen web sites from research, teaching, professional, and community service. She has obtained and administered more than three dozen grants to fund research, teaching, and community projects. She has received almost two dozen awards and honors, including three awards for teaching excellence.
Dr. Levine has served on numerous boards of directors including the Idaho Humanities Council. She served as chair of the Council of Conferences for the Association for Asian Studies and executive secretary of the Western Conference of the Association for Asian Studies. From 2003 to 2004 Dr. Levine served as co-president of the Women in Higher Education Roundtable. In 2004, she served as President of H-NET, (Humanities and Social Sciences Online) the world's largest society of teachers and scholars dedicated to utilizing the educational potential of the Internet. Dr. Levine holds a bachelor's degree in history from San Diego State University, a master's degree in history from the University of Hawaii and a doctorate in history from University of Chicago.

## George Clark -Chief Financial Officer/Vice President, Business and Financial Affairs

George Clark was appointed as Chief Financial Officer/Vice President for Business and Financial Affairs in 2011, and is responsible for the departments of finance and budget planning, facilities management, business auxiliaries, public safety, information technology, and institutional research. With over 30 years of financial management expertise, Mr. Clark leads the University's work on business and financial matters and assists in institutional policy development. He serves as the chair of
the University budget and finance committee, is a member of the President's Cabinet and the President's Advisory Council, and serves as treasurer for the Board.

Before joining the University Mr. Clark was the associate director of administration at the National Radio Astronomy Observatory in Charlottesville, VA. He was responsible for all administrative and business functions. He led the strategic planning for a $\$ 150$ million annual operating and construction budget and supported a $\$ 1$ billion construction program in northern Chile. Prior to that he served as director of administration for the Institute for Astronomy/University of Hawaii and director of research/support finance for the University of Tennessee-Battelle and as chief financial officer for the University of Tennessee-Battelle Development Corporation.

Mr. Clark is a certified public accountant with a bachelor's degree in accounting and a master of business administration from the University of Washington

## Sherer M. Holter - Chief of Staff

Sherer Holter was named the Chief of Staff in 2010, having served in the position on an interim basis since October, 2009. Ms. Holter joined the University in 2006 as Assistant Vice President for Human Resources. Ms. Holter has extensive experience in executive management positions that include State government, higher education and as a chief executive officer responsible for a multimillion dollar operation.

Ms. Holter's prior experience includes ten years in operational positions to include the role of chief executive officer and over 30 years in executive level human resources positions. Ms. Holter owned a consulting firm and has authored and published a consumer's guidebook. Her career has included state and local government, private sector and not-for-profit organizations. Ms. Holter holds a bachelor's degree in business administration and a master's degree in education and business from the University of South Carolina. She has a Juris Doctor from Western State University College of Law.

## State Oversight of Higher Education

The State has had a single state postsecondary education planning agency since 1975 , as required to qualify for Federal planning and other funds (though the State has had various councils or boards to assist in providing oversight of higher education since 1969). From 1985 to 2012, that agency was the Higher Education Coordinating Board (the "HECB"). In 2012, the State Legislature created an Office of Student Financial Assistance (the "SFA") to administer all state and federal financial aid and the State's advanced college tuition payment program, and created a Student Achievement Council (the "Council") to provide planning, coordination, monitoring, and policy analysis for higher education in the State in cooperation and consultation with the State's higher education institutions, their governing boards and other segments of postsecondary education, including proposing statewide goals and priorities for higher education, tracking progress, conducting research and analysis, identifying transition issues and solutions, protecting higher education consumers, directing the SFA, and advocating for higher education. As of July 1, 2012, the State's Office of Financial Management ("OFM") was assigned responsibility for prioritizing capital projects for the higher education system. Except for the student financial aid and capital projects functions discussed above, all HECB powers, duties, resources, staff, and records have been transferred to the Council.

## Faculty and Employees

Faculty members of the University are distinguished in both academic and teaching excellence. In Fall 2012, 85 percent of the University's 445 full-time instructional faculty held Ph.D. or terminal degrees. The University maintains a tenure system for its instructional faculty. As of Fall 2012, 54 percent of full-time faculty is tenured and an additional 24 percent are on the tenure track.

## Instructional Faculty

|  | Fall 2012 | Fall 2011 | Fall 2010 | Fall 2009 | Fall 2008 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Full-time Instructional Faculty | 445 | 433 | 428 | 432 | 432 |
| Part-time Instructional Faculty | 133 | 163 | 161 | $\underline{173}$ | $\underline{169}$ |
| Total Instructional Faculty | 578 | 596 | 589 | 605 | 601 |
| Percentage of Full-time Faculty tenured | 54\% | 54\% | 53\% | 53\% | 53\% |
| Percentage of Full-time Faculty with Ph.D. or Terminal Degree | 85\% | 88\% | 87\% | 87\% | 87\% |

The University currently employs 445 full-time and 133 part-time faculty members, and 846 permanent staff members (classified and exempt) in addition to faculty. The University has 1,013 employees that are represented by one of the three labor unions including the Washington Federation of State Employees (two-year contract through June 30, 2013), Public School Employees of Washington (two-year contract through June 30, 2013); and United Faculty of Central (four-year contract
through August 31, 2013). Collective bargaining agreements reached with labor unions require approval by the Board and the represented employees, and funding by the State Legislature. Management considers relations with its employees to be good.

## Student Enrollment

The University's main campus draws 94 percent of its enrollment from within the State. Five counties, King, Kittitas, Pierce, Snohomish, and Yakima, account for 66 percent of all students from the State attending the Ellensburg campus. The University Centers are non-residential and draw primarily from their respective local areas. The University's main campus has historically had the highest share of its students enter directly from high school and is, therefore, characterized by a young student body with an undergraduate average age of twenty-one. The average high school grade point average for freshmen enrolled in fall 2012 is 3.1 , and the freshmen to sophomore retention rate from fall 2011 to fall 2012 was 74 percent. The overall undergraduate retention rate is 82 percent.

The following table shows average annual enrollment, based on full time equivalent (FTE) and headcount, for the current (estimated) and past four academic years.

| Annual Average Enrollment |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012-13 ${ }^{(1)}$ | 2011-12 | 2010-11 | 2009-10 | 2008-09 |
| Total Annual Average (FTE) | 10,062 | 10,315 | 10,380 | 10,109 | 9,454 |
| Total Annual Average Headcount | 11,059 | 11,125 | 11,215 | 10,953 | 10,241 |

${ }^{(1)}$ Average annual enrollment for 2012-13 is estimated, and were derived by calculating the average percentage of Fall FTE and headcount enrollment in prior years and extrapolating for 2012-13.
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The following table shows graduate and undergraduate enrollments, applications, and acceptances, based on fall quarter enrollment for the past five years.

| Enrollment Statistics ${ }^{(1)}$ |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Fall 2012 | Fall 2011 | Fall 2010 | Fall 2009 | Fall 2008 |
| Fall Quarter Enrollment (Headcount) |  |  |  |  |  |
| Undergraduates |  |  |  |  |  |
| Full-time | 9,256 | 9,435 | 9,628 | 9,315 | 8,728 |
| Part-time | 1,481 | 1,335 | 1,423 | 1,450 | 1,453 |
| Total Undergraduates | 10,737 | 10,770 | 11,051 | 10,765 | 10,181 |
| Graduates |  |  |  |  |  |
| Full-time | 366 | 391 | 336 | 337 | 266 |
| Part-time | $\underline{165}$ | 159 | $\underline{226}$ | $\underline{255}$ | $\underline{215}$ |
| Total Graduates | 531 | 550 | 562 | 592 | 481 |
| Total - Undergraduates and Graduates |  |  |  |  |  |
| Full-time | 9,622 | 9,826 | 9,964 | 9,652 | 8,994 |
| Part-time | 1,646 | 1,494 | 1,649 | 1,705 | 1,668 |
| Total: Full-time and Part-time | 11,268 | 11,320 | 11,613 | 11,357 | 10,622 |
| Fall Quarter Enrollment (FTE) | 9,841 | 10,066 | 10,430 | 10,239 | 9,610 |
| Freshmen Applications \& Admissions |  |  |  |  |  |
| Applications | 4,521 | 4,553 | 4,859 | 4,960 | 5,013 |
| Admitted | 3,623 | 3,568 | 3,948 | 4,098 | 3,960 |
| Percentage of Applicants Admitted | 80\% | 78\% | 81\% | 83\% | 79\% |
| Enrolled | 1,424 | 1,308 | 1,666 | 1,660 | 1,559 |
| Enrolled as Percentage of Admissions | 40\% | 39\% | 42\% | 41\% | 39\% |
| Transfer Students Applications \& Admissions |  |  |  |  |  |
| Applications | 2,605 | 2,721 | 2,703 | 2,409 | 2,189 |
| Admitted | 2,218 | 2,226 | 2,230 | 2,086 | 1,795 |
| Percentage of Applicants Admitted | 85\% | 82\% | 83\% | 87\% | 82\% |
| Enrolled | 1,360 | 1,365 | 1,414 | 1,509 | 1,124 |
| Enrolled as Percentage of Admissions | 61\% | 61\% | 63\% | 72\% | 62\% |

${ }^{(1)}$ Fall quarter enrollment as reported to the Integrated Post-secondary Education Data System, under which one FTE equals 15 undergraduate credits or 12 graduate credits. Includes both state-funded and non-state-funded students.

## Tuition and Room and Board Charges

The State Legislature authorizes its public institutions of higher education to set tuition rates. The State Legislature granted flexibility to public universities to set tuition levels for resident undergraduates, without limitation through June 30, 2013, however granting a rate in excess of the budget bill will make the institution subject to the conditions and limitations provided in chapter 28B. 15 as amended by ESSHB1975 (higher education opportunity act). The new requirement also increased the amount of tuition-funded financial aid from 3.5 percent to 4.0 percent of tuition operating fee revenues. The State Legislature also granted flexibility to public universities to set tuition levels for graduate and non-resident undergraduate students. Prior to the 2011-13 biennium, the State Legislature prescribed a maximum allowable rate of tuition increase for various public institutions. Tuition and fees are set by the Board annually upon recommendation of the President. There are two components of fees: tuition (consisting of building fees and operating fees) plus service and activities ("S\&A") fees, which are approved based on recommendations from students, through a formal process. The University increased tuition by 14 percent for fiscal years 2012 and 2013. S\&A and other mandatory fees were unchanged or were increased by various, lower, percentages.

Resident and non-resident tuition, including State-mandated fees, and room and board rates for the current year and past four academic years are shown in the table below and have been approved by the Board. Resident undergraduates represent approximately 90 percent of all students at the University.

Tuition And Room And Board Charges

| Academic Year | Undergraduate Students |  | Graduate Students |  | Room and Board |
| :---: | :---: | :---: | :---: | :---: | :---: |
|  | Resident | Non-Resident | Resident | Non-Resident |  |
| 2012-13 | \$7,941 | \$18,573 | \$8,484 | \$18,939 | \$9,240 |
| 2011-12 | 7,050 | 17,721 | 8,112 | 18,069 | 9,042 |
| 2010-11 | 6,201 | 16,842 | 7,689 | 17,172 | 8,901 |
| 2009-10 | 5,517 | 15,780 | 7,353 | 16,383 | 8,460 |
| 2008-09 | 4,841 | 14,714 | 6,958 | 15,558 | 7,154 |

${ }^{(1)}$ Residence Hall Room and Board, based on double occupancy and standard meal plan.

## Comparative Tuition and Fees for Academic Year 2012-13 <br> Washington State Public Universities/Colleges

|  | Resident <br> Undergraduate |  | Resident <br> Graduate |
| :--- | :---: | :---: | ---: |
| University of Washington | $\$ 11,305$ | $\$ 13,358$ |  |
| Washington State University | 11,386 |  | 11,736 |
| Central Washington University | $\mathbf{7 , 9 4 1}$ |  | $\mathbf{8 , 4 8 4}$ |
| Western Washington University | 7,503 |  | 7,545 |
| The Evergreen State College | 7,812 |  | 7,929 |
| Eastern Washington University | 7,371 |  | 9,698 |

Source: University Organizational Effectiveness Department

## Student Financial Aid

A summary of student financial aid delivered to students for the two most recent academic years is provided below.

| Student Financial Aid |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2011-12 | \% of Total | 2010-11 | \% of Total |
| Funding Source |  |  |  |  |
| Federal | \$ 87,771,139 | 71\% | \$ 89,777,902 | 68\% |
| State | 14,765,999 | 12 | 13,889,774 | 11 |
| Institutional | 21,736,845 | 18 | 19,547,278 | 15 |
| Private donor/Other | 6,971,422 | 6 | 8,712,254 | 7 |
| Total | \$131,245,405 | 100\% | \$ 131,927,208 | 100\% |
| Programs |  |  |  |  |
| Grants | \$ 36,326,318 | 30\% | \$ 35,100,881 | 27\% |
| Scholarships | 2,624,224 | 2 | 4,166,390 | 3 |
| Employment | 9,718,853 | 8 | 11,228,568 | 9 |
| Loans | 74,347,312 | 60 | 72,219,746 | 55 |
| Waivers | 8,228,698 | 7 | 9,211,623 | 7 |
| Total | \$131,245,405 | 100\% | \$131,927,208 | 100 |

Beginning fiscal year 2012, the University was granted the authority to raise tuition and was required to reserve at least 4 percent of tuition operating fee revenue for college-based student scholarships and assistance (up from 3.5 percent previously). Although the State has reduced funding for the State Need Grant and State Work-study programs over the past few years, these programs continue to provide critical support to certain students.
The majority of the University's students have historically repaid their federal student loans in a timely manner, as evidenced by the University's low fiscal year default rates for the past several years. The University's official default rate for the William D. Ford Federal Direct Loan program was 4.9 percent for 2010, which is the most current information available. The University has been a long-standing participant in the Federal Quality Assurance Program, to assure that the delivery of student aid funds is conducted accurately, expediently, and with integrity.

## UNIVERSITY FINANCIAL INFORMATION

## Basis of Accounting

The University's financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, and GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities. The financial statements include a management's discussion and analysis, a balance sheet, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements. The format provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows.

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant intra-agency transactions have been eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements of a special-purpose government engaged in business-type activities to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The University has elected not to follow subsequent private-sector guidance.

## Auditing

The University's Financial Statements and selected auxiliary units are audited annually by the State Auditor's Office, which provides an opinion on the financial statements. The most recent audit covers the 2012 financial statements; and is completed. The auditor's opinion relative to the 2012 financial statements is attached at Appendix B, but the final audit report is currently in production and expected to be issued by March 7, 2013. The University does not expect any material differences between the attached unaudited financial statements and the report.

The State Auditor's Office also performs accountability audits to provide reasonable assurance of the University's compliance with legal requirements and to determine if adequate internal controls are in place. Prior to fiscal year 2011, the State Auditor's Office conducted compliance and accountability audits on an annual basis. Beginning with fiscal year 2011 the State Auditor's Office is conducting compliance and accountability audits for individual universities less frequently and changing to compliance and accountability reviews of consistent areas across the public institutions of higher education.

In addition, the State Auditor's Office performs an annual audit of federal grant expenditures for the State as required by the Single Audit Act. This audit is performed on a statewide basis and includes major federal programs at the University if selected for audit.

## Central Washington University Statement of Revenues, Expenses and Changes in Net Assets ${ }^{(1)}$

|  | 2012 | 2011 | 2010 | 2009 | 2008 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| REVENUES: |  |  |  |  |  |
| Student Tuition and Fees | \$102,588,537 | \$ 92,780,902 | \$ 80,820,378 | \$ 68,467,604 | \$ 63,022,254 |
| Less tuition discounts | $(28,837,617)$ | $(23,773,719)$ | $(21,160,785)$ | $(16,116,384)$ | $(13,822,799)$ |
| Federal Grants and Contracts ${ }^{(2)}$ | 5,564,108 | 6,664,889 | 6,959,174 | 14,216,721 | 13,705,978 |
| State and Local Grants and Contracts | 16,197,338 | 15,261,532 | 14,273,758 | 13,734,124 | 12,407,552 |
| Non governmental grants and contacts | 6,824,308 | 7,494,040 | 7,377,121 | 7,336,064 | 8,002,238 |
| Sales and services of educational activities and other sources | 4,029,787 | 4,081,947 | 3,997,632 | 4,164,158 | 4,580,797 |
| Interest earned on loans to students | 153,209 | 84,693 | 120,003 | 94,799 | 85,660 |
| Auxiliary enterprise sales - Housing and |  |  |  |  | 22,478,623 |
| Other Auxiliary Sales | 12,342,923 | 12,945,726 | 12,298,092 | 11,363,766 | 10,506,739 |
| Less auxiliary discount | $(518,839)$ | $(591,521)$ | $(763,271)$ | $(566,976)$ | $(504,955)$ |
| Total Operating Revenues | \$145,898,773 | \$143,523,242 | \$132,373,655 | \$127,248,160 | \$120,462,087 |

## OPERATING EXPENDITURES

## Educational and General

Instruction
Research
Public Service
Academic Support
Student Services
Institutional Support ${ }^{(3)}$
Operation and maintenance of plant ${ }^{(4)}$
Scholarships and other student aid
Auxiliary enterprise expenditures
Depreciation

## Total Operating Expenditures

Operating income (loss)

## Non-operating Revenues (Expenses)

State appropriations
State appropriations (ARRA) ${ }^{(5)}$
Pell Grant ${ }^{(2)}$
Investment income
Gifts to permanent endowments
Interest on indebtedness
Non-operating income net of expenses
Net non-operating revenues (expenses)
Income or loss before other revenues, expenses, gains, or losses

## Capital appropriations

Increase (Decrease) in net assets
Net assets, beginning of the year
Prior Period Adjustment
Net assets, end of year

| \$ 74,991,310 | \$ 70,363,188 | \$ 68,931,247 | \$ 69,180,031 | \$ 65,213,191 |
| :---: | :---: | :---: | :---: | :---: |
| 2,225,856 | 2,540,812 | 2,538,984 | 2,319,690 | 1,945,018 |
| 1,524,220 | 965,739 | 876,891 | 940,498 | 593,073 |
| 9,460,452 | 9,793,108 | 9,559,296 | 9,043,680 | 9,393,114 |
| 10,237,103 | 10,148,889 | 10,550,176 | 10,516,130 | 10,913,430 |
| 8,564,900 | 15,127,385 | 15,704,525 | 15,003,624 | 16,357,036 |
| 11,724,164 | 14,525,342 | 12,765,994 | 19,675,506 | 18,226,614 |
| 18,248,526 | 22,362,887 | 20,243,349 | 16,844,431 | 15,504,127 |
| 41,614,081 | 39,605,842 | 38,570,262 | 34,484,624 | 32,430,261 |
| 16,011,773 | 15,885,890 | 15,267,750 | 14,499,632 | 13,755,414 |
| \$194,602,385 | \$201,319,082 | \$195,008,474 | \$192,507,846 | \$184,331,278 |
| \$ (48,703, 612) | \$ $(57,795,840)$ | \$ (62,634,819) | \$ $(65,259,686)$ | \$ $(63,869,191)$ |
| \$ 32,801,000 | \$ 41,811,000 | \$ 39,844,033 | \$ 56,994,142 | \$ 56,606,285 |
| - |  | 6,975,000 | - | - |
| 16,492,313 | 16,761,236 | 13,589,456 | - | - |
| 2,697,912 | 7,001,518 | 4,388,166 | 215,097 | 2,172,114 |
| 495,308 | 359,060 | 312,268 | 498,092 | 1,420,114 |
| $(5,933,903)$ | $(5,742,144)$ | $(5,210,940)$ | $(4,138,730)$ | $(4,108,373)$ |
| 446,220 | 117,030 | 626,901 | $(606,589)$ | $(1,391,625)$ |
| \$ 46,998,850 | \$ 60,307,700 | \$ 60,524,884 | \$ 52,962,012 | \$ 54,698,515 |
| \$ (1,704,762) | \$ 2,511,860 | \$ (2,109,935) | \$ (12,297,674) | \$ (9,170,676) |
| \$ 12,503,408 | \$ 13,834,769 | \$ 10,088,489 | \$ 22,348,533 | \$ 22,961,489 |
| 10,798,646 | 16,346,629 | 7,978,554 | 10,050,859 | 13,790,813 |
| \$354,687,218 | \$338,340,589 | \$330,362,035 | \$320,311,176 | \$307,561,165 |
| - |  | - | - | $(1,040,802)$ |
| \$365,485,864 | \$354,687,218 | \$338,340,589 | \$330,362,035 | \$320,311,176 |

${ }^{(1)}$ Information is based on audited financial statements of the University.
${ }^{(2)}$ Due to an accounting change, starting in 2010, the University reports Pell Grants as Non-operating Revenue, rather than Operating Revenue.
${ }^{(3)}$ The primary reason for the decrease in Institutional Support in 2012 is that the University allocated a percentage of the support/administrative costs to self support units, which were previously funded with state appropriations.
${ }^{(4)}$ The amounts expended for plant maintenance are heavily dependent on State capital appropriations and revenue distributions from the Normal School Permanent Fund. During 2012 the expense for plant maintenance out of these two fund sources decreased by \$3,602,869 from 2011.
${ }^{(5)}$ Reflects Federal stimulus funding provided through State appropriation, due to the American Recovery and Reinvestment Act.

## State Funding for the University

The University is one of six public universities in the State, and has traditionally received significant State funding for operations and capital projects. Due to economic and financial stress over recent years, the State's level of funding has declined over the past three biennia. The Board has responsibility under State law for submitting a biennial budget plan for operations, as well as a list of prioritized capital project needs for which it is seeking funding, to the Governor for submission to the State Legislature.

State Funding for Operations. The State Legislature determines a budgeted level of operating support each year for each public institution of higher education in the State. The level of funding has declined in recent years. Historically, the State has provided operating support for academic buildings, based on a formula relating to estimated square footage of academic facilities, although the amount funded under the formula has declined in recent years.

State budget adjustments may be made during subsequent legislative sessions, which modify the level of State funding support for the University's operating budget. During the past three biennia, the State has made reductions to operating appropriations during the biennium, which required the University to make mid-year budget adjustments. While the State Legislature decreased funding for the University in recent biennia, it also provided the University with greater authority to increase tuition. In addition to increasing student tuition in recent years, the University has reduced the number of employees, eliminated programs, merged and consolidated units, and taken other actions to reduce operating expenditures.

The following table shows the history of State operating budget appropriations to the University for the five most recent biennia, which information reflects any subsequent State budget reductions.

Historical State Appropriations for University Operating Budget ${ }^{(1)}$

|  | 2011-13 <br> Biennium | 2009-11 <br> Biennium | 2007-09 <br> Biennium | 2005-07 <br> Biennium | 2003-05 <br> Biennium |
| :---: | :---: | :---: | :---: | :---: | :---: |
| State Operating Appropriation | \$64,141,000 | \$93,915,000 | \$113,083,000 | \$98,579,000 | \$81,156,0 |

${ }^{(1)}$ Appropriations include State General, State Education Legacy Trust Account, and General Fund Basic Account Federal Stimulus Funds.

State Funding for Capital Projects. The State has historically funded capital projects for construction or renovation of academic buildings and minor capital improvements for the University in its capital budget. The University has historically funded capital projects for auxiliaries or student facilities with auxiliary revenues or special revenue bonds, which do not require State funding or approval. Prior to each biennium, the University provides a prioritized list of capital projects for which it is seeking State funding to the Washington State Achievement Council and OFM. The University also submits capital project proposals, which are scored by OFM and combined into a single prioritized list for four-year higher education institutions. Major capital projects (projects in excess of $\$ 5$ million) are generally reviewed by the State Legislature over a cycle of three biennia, with funding of the costs of pre-design, design and construction appropriated in sequential biennia. The following table shows the history of capital budget appropriations to the University for the five most recent biennia.

## Historical State Appropriations for University Capital Budget

|  | 2011-13 <br> Biennium | 2009-11 <br> Biennium | 2007-09 <br> Biennium | 2005-07 <br> Biennium | 2003-05 <br> Biennium |
| :---: | :---: | :---: | :---: | :---: | :---: |
| State Capital Appropriations | \$20,449,000 | \$40,468 | \$50, |  | \$34,736,000 |

The University maintains a ten-year Capital Improvement Plan ("CIP") for academic facilities, which have historically been State-funded, as well as a CIP for facilities in each of its auxiliary systems, which are funded by the University. The University reviews and updates its CIPs on a biennial basis to reflect changes in University priorities and changes in available funding.

## University Operating Budget

The information below shows the University budget plans, including State legislative appropriations, for the 2009-11 and 2011-13 biennia, which reflect adjustments made during the biennial period. The biennial budget plans do not include auxiliary operations, which are separately budgeted.

Operating Budget

(\$ in Thousands)

| Fund |  |  |
| :---: | :---: | :---: |
|  | 2011-13 Biennium | 2009-11 Biennium |
| State General Fund | \$ 64,069,000 | \$ 88,659,000 |
| CWU Operating Fees Account | 115,650,000 | 88,735,000 |
| Local Dedicated Revenue | 37,116,000 | 30,809,000 |
| Grants and Contracts, Fund 145 | 82,607,000 | 48,465,000 |
| Total Operating Funds | \$299,442,000 | \$256,668,000 |

State Appropriations. The State appropriated $\$ 64,069,000$ and $\$ 88,659,000$ of operating funds for the 2011-13 biennium and the 2009-11 biennium, respectively. The State Legislature built the 2011-13 State appropriation budget based on an assumed 14 percent tuition increase for in-state undergraduate students in each of fiscal years 2012 and 2013, although the University had discretion to determine the actual level of increase in tuition. The State's initial 2009-11 biennial budget provided funding of $\$ 93,915,000$ for the University, which was subsequently decreased to $\$ 88,659,000$.

CWU Operating Fees Account. Tuition Operating Fees represent the operating portion of the tuition and fees charged to students attending the University, and investment income on the operating fees. Other than a set percentage of the operating fee that is mandated to be used for student financial aid (currently four percent), operating fees are budgeted and used by the University for operation of the University, at the discretion of the Board, after appropriation by the State Legislature.

Local Dedicated Revenue. Local Dedicated Revenue is used by the University to account for dedicated revenue sources, such as indirect cost reimbursement on sponsored research projects, institutional administrative fees, miscellaneous student fees and interest earnings, and self-sustaining program revenues, distance education, conferences, non-credit outreach courses, summer session tuition, and other sales of materials and services to University units or non-University customers.

Grants and Contracts. For the 2011-13 biennium, the University's budgeted revenue from grants and contracts exceeded operating appropriations from the State for the first time. Financial aid to students through scholarships provides an important component of grant-funded support to the University. Pell Grants from the federal government and State Need Grants from the State provide support for tuition and housing to students from lower income families who might not otherwise be able to attend a university. Revenue in this category, other than financial aid, scholarships and students loans, includes $\$ 4,026,183$ in research funding.

## The Central Washington University Foundation

The University is supported by a private not-for-profit corporation, the Central Washington University Foundation (the "Foundation"). The Foundation is legally separate from the University, and acts as the University's primary fundraising organization to supplement State and other funding. In addition to funds raised directly by the Foundation, all unrestricted gifts to the University, with the exception of those involving a State match of funds, are received by the Foundation. Under GASB 39 criteria, the Foundation is an affiliated organization that meets the criteria for discrete presentation. The Foundation maintains separately audited financial statements, and the Foundation's financial condition and activities are presented as a discretely reported component unit in the University's financial statements.

During fiscal year 2012, the Foundation raised $\$ 1,405,315$ in donations and earned approximately $\$ 884,867$ in investment gains. As of June 30, 2012, total net assets of the Foundation were $\$ 18,283,665$, of which $\$ 11,381,966$ were permanently restricted and $\$ 5,921,932$ were temporarily restricted. Funds are used primarily for direct academic support and scholarships. The University provides the Foundation with operational staff, and related office expenses, including office space, furniture and equipment necessary for its operations. The Foundation provided $\$ 1,583,847$ in scholarships and academic program support to the University in Fiscal Year 2012.

The following shows net assets held by the Foundation for each of the past five fiscal years.

| Net Assets Held By The Foundation For Years Ended June $30{ }^{(1)}$ |  |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012 |  | 2011 |  | 2010 |  | 2009 |  | 2008 |  |
| Unrestricted | \$ | 979,767 | \$ | 914,766 | \$ | $(29,137)$ | \$ | 490,874 | \$ | 970,898 |
| Temporarily Restricted |  | 5,921,932 |  | 6,230,390 |  | 4,556,186 |  | 3,900,691 |  | 5,217,048 |
| Permanently Restricted |  | 11,381,966 |  | 10,891,147 |  | 10,494,239 |  | 10,125,097 |  | 9,600,481 |
| Total Net Assets |  | \$18,283,665 |  | 18,036,303 |  | 15,021,288 |  | \$14,516,662 |  | 15,788,427 |

${ }^{(1)}$ Information for years 2008 through 2011 is based on audited financial statements of the University. Information for 2012 is unaudited.

## Investments

The University manages cash and investments centrally, and pools University operating funds for investment purposes. The University's investment policy is structured to limit exposure to fair value losses by limiting the duration of the portfolio. The University accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statements of revenues, expenses, and changes in net assets. The following table, which shows the University Investments at Fair Market Value, includes investments of the Foundation, which is reported as a component unit of the University.

## University Investments at Fair Market Value

|  | December 31, $2012{ }^{(1)}$ | June 30, $2012{ }^{(2)}$ | June 30, $2011{ }^{(2)}$ |
| :---: | :---: | :---: | :---: |
| Local Government Investment Pool | \$47,422,346 | \$ 26,975,269 | \$ 3,655,750 |
| U.S. Government Securities | 6,543,012 | 5,573,261 | 13,469,211 |
| State and Municipal Bonds | 14,103,291 | 14,313,204 | 17,828,679 |
| Corporate Bonds | 2,069,632 | 2,247,122 | 2,141,922 |
| Fixed Income Bonds | 4,386,216 | 470,388 | 319,047 |
| Foreign Bonds | 217,376 | 219,144 | 218,195 |
| Investments in Equity | 13,473,305 | 15,634,068 | 15,834,697 |
| Certificates of Deposit | 500,000 | - | 21,193,291 |
| Money Market Investments | 1,043,591 | 1,201,824 | 823,720 |
| Sub-total | \$89,758,769 | \$ 66,634,280 | \$ 75,484,512 |
| Bank Demand and Time Deposits | 4,978,078 | 38,136,685 | 42,235,792 |
| Other | 111,487 | 117,467 | 124,308 |
| Total | \$94,848,334 | \$104,888,434 | \$117,844,612 |

${ }^{(1)}$ Information is unaudited.
${ }^{(2)}$ Information is based on audited financial statements of the University.

## State Normal School Permanent Fund

The University is a beneficiary of the State's Normal School Permanent Fund (the "Permanent Fund"), established under RCW 43.79.160 as a permanent endowment fund, the earnings from which are invested and used for the benefit of the State's four regional universities, including Eastern and Western Washington Universities, The Evergreen State College, and the University. The primary source of new principal for the Permanent Fund are revenues, primarily timber sales, from certain State lands granted to the State by the Federal government for state normal schools, and which are managed by the State's Department of Natural Resources. The principal and revenue of the Permanent Fund are invested by the State Treasurer's Office. For the year ending June 30, 2012, the University received $\$ 2,236,432$ in earnings and distributions from the Permanent Fund, which is used for capital purposes of the University, after appropriation by the State Legislature.

## Risk Management

In accordance with State policy, the University self-insures unemployment compensation for all employees. Payments for State general fund employees are appropriated by the State. The University assesses local funds a semi-monthly payroll expense for unemployment compensation for all local fund employees. Charges for all local funds are based on employee earnings. The percentage charged is based primarily upon the insured fund's claims experience. Payments made to State general fund employees and all local fund employees for the year ended June 30, 2012, were $\$ 85,412$ and $\$ 109,218$, respectively. Cash reserves for the unemployment compensation for all local fund employees at June 30, 2012 was \$390,572.

## Pension Plans

The University offers four contributory retirement plans that cover eligible faculty, staff, and administrative employees. The Washington State Public Employees' Retirement System ("PERS") Plans 1, 2, and 3, Washington State Teachers Retirement System ("TRS") Plans 1, 2, and 3, and the Law Enforcement Officers' and Fire Fighters' ("LEOFF") Plan 2, are multipleemployer, defined benefit, public retirement plans administered by the State. The University Retirement Plan (the "CWURP") is a defined contribution plan administered by the University. Under each plan, the employee and employer contribute a percentage of the employee's compensation. An actuarial valuation of the PERS, TRS and LEOFF plans for University employees is not available on a stand-alone basis. See Appendix B, Note 13, for additional discussion of the University's pension plans

CWURP. The CWURP is a defined contribution pension plan with a supplemental payment, when required. The CWURP plan covers faculty, professional staff, and certain other employees and is administered by the University. The University's Board is authorized to establish and amend benefit provisions. Contributions to the plan are invested in annuity contracts or mutual fund accounts offered by the three plan sponsors. Benefits from fund sponsors are available upon separation or retirement at the employee's option. Employees have at all times a 100 percent vested interest in their accumulations. Employee contribution rates to CWURP are based on age, and range from 5 percent to 10 percent of salary. The University matches employee contributions to this plan, and all required contributions have been made.

The CWURP contributions for the year ending June 30, 2012, were $\$ 4,110,926$ for employees and $\$ 4,110,26$ for the University.

PERS, TRS and LEOFF. PERS 1 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 2 and 3 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 3 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 1 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 2 and 3 provide retirement benefits, and cost-of-living allowance to certain eligible faculty hired on or after October 1, 1977.

In addition TRS 3 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 2 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 authority to establish or amend benefit provisions for PERS, TRS, and LEOFF plans resides with the Washington State Legislature. The Washington System Department of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Washington System Department of Retirement Systems, P.O. Box 48380, Olympia, WA, 98504.

The required contribution rates expressed as a percentage of covered payroll at September 1, 2012, were as follows:

|  | Employee | University |
| :---: | :---: | :---: |
| PERS |  |  |
| Plan I | 6.00\% | 7.21\% |
| Plan II | 4.64 | 7.21 |
| Plan III | Various | 7.21 |
| TRS |  |  |
| Plan I | 6.00\% | 8.05\% |
| Plan II | 4.69 | 8.05 |
| Plan III | Various | 8.05 |
| LEOFF Plan II | 8.46\% | 8.62\% |

The required contributions for the year ending June 30, 2012, were as follows:

|  | Employee |  | University |
| :--- | ---: | ---: | ---: | ---: |
| PERS | $\$ 1,401,456$ |  | $\$ 1,977,835$ |
| TRS | 60,828 |  | 69,108 |
| LEOFF | 64,363 |  | 65,580 |

## Other Post Employment Benefit Obligations

The CWURP has a supplemental payment component, which guarantees a minimum retirement benefit to eligible retirees based upon a one-time calculation at the employee's retirement date. While the University will continue making supplemental payments required for qualifying retirees, this feature of the CWURP no longer applies for new employees hired after June 30, 2011. The University makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals ("Required Annual Payment"). The supplemental payment component is financed on a pay-as-you-go basis. The Required Annual Payment changes from year to year, and was $\$ 696,000$ in 2012. Actuarial evaluations were performed in 2004, 2007, 2009 and 2011 to calculate the Unfunded Actuarial Accrued Liability, which was estimated at $\$ 6,599,000$, as of June 30,2012 . The actuarial assumptions included an investment rate of return of 4.25 percent and projected salary increases ranging from 2 percent to 4 percent. Approximately $\$ 47,836,146$ of the University's payroll was covered under this plan during fiscal year 2012.

Health care and life insurance programs for employees of the State are administered by the Washington State Health Care Authority (the "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 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 Other Post Employment Benefits ("OPEB") obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit subsidy"). 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 Office of the State Actuary calculated the total OPEB obligation of the State at November 1, 2011. 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. The actuary's allocation of the overall statewide liability related to the University was approximately $\$ 37$ million, with the annual required contribution ("ARC") of approximately $\$ 3.7$ million. The ARC represents the amortization of the liability for fiscal year 2012 plus the current expense for active employees, which is reduced by the current contributions of approximately $\$ 639,000$. The University's net OPEB obligation at June 30, 2012 was approximately $\$ 16$ million. This amount is not included in the University's financial statements. The State's combined annual financial report can be obtained at: http://www.ofm.wa.gov/cafr/.

## Funding Status of State Retirement Systems

While the University's contributions in fiscal year 2012 represented its full current liability under PERS, TRS and LEOFF, any unfunded pension benefit obligations within the systems could be reflected in future years at higher contribution rates. The website of the Office of the State Actuary includes information regarding the values and funding levels of these retirement plans.

According to the 2011 Actuarial Valuation Report (the "Report") prepared by the Office of the State Actuary, as of June 30, 2011, PERS Plans 2 and 3 and LEOFF Plan 2 had no unfunded actuarial accrued liability. According to the Report, the total unfunded actuarial accrued liability of PERS Plan 1 is $\$ 3.684$ billion and of TRS Plan 1 is $\$ 1.773$ billion, each as of June 30 , 2011. The assumptions used by the State Actuary in calculating unfunded liability are an 7.90 percent annual rate of investment return, 3.75 percent general salary increases and 3.00 percent inflation. Liabilities were valued using the "Projected Unit Credit" cost method and assets valued using the actuarial value of assets, which defers a portion of the annual investment gains or losses over a period of up to eight years.

Assets for one plan may not be used to fund benefits for another plan; however, all employers in PERS and all employers in TRS are required to make contributions at rates (percentage of payroll) determined by the Office of the State Actuary every two years for the purpose of amortizing within a rolling 10-year period the unfunded actuarial accrued liability in PERS Plan 1 and

TRS Plan 1, respectively. The State Legislature in 2009 established certain maximum contribution rates that began in 2009 and continue until 2015 and certain minimum contribution rates that are to become effective in 2015 and remain in effect until the actuarial value of assets in PERS Plan 1 and in TRS Plan 1 equal 100 percent of their respective actuarial accrued liability. These rates are subject to change by future legislation enacted by the State Legislature to address future changes in actuarial and economic assumptions and investment performance.
In 2011, the State Legislature ended the future automatic annual increase, which is a fixed dollar amount multiplied by the member's total years of service, for most retirees in PERS Plan 1 and TRS Plan 1. This action is expected to reduce the unfunded accrued actuarial liability in PERS Plan 1 and TRS Plan 1, although litigation challenging this legislation has been filed.

Appendix B
Audited Financial Statements of the University

The most recent audit covers the 2012 financial statements; and is completed. The auditor's opinion relative to the 2012 financial statements is attached, but the final audit report is currently in production and expected to be issued by March 7, 2013. The University does not expect any material differences between the attached unaudited financial statements and the report.

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# Washington State Auditor Troy Kelley 

## INDEPENDENT AUDITOR'S REPORT

January 18, 2013

Central Washington University
Ellensburg, Washington

We have audited the accompanying basic financial statements of Central Washington University, Kittitas County, Washington, 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 did not audit the financial statements of the Central Washington University Foundation, a blended component unit, which represents 3.5 percent, 5 percent, and 1.2 percent, respectively, of the assets, net assets and revenues of the University in 2012 , and 3.5 percent, 5.1 percent, and 2.6 percent, respectively, of the assets, net assets and revenues of the University in 2011. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Central Washington University Foundation, is based on the reports of 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 the other auditors provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Central Washington University are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the 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 years 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 financial position of Central Washington University, Kittitas, County, Washington, as of June 30, 2012 and 2011, and the
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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 13 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The information identified in the table of contents as appendices to the financial statements on pages 34 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Sincerely,


TROY KELLEY
STATE AUDITOR

March 1, 2013

TO MEMBERS OF THE BOARD OF TRUSTEES OF CENTRAL WASHINGTON UNIVERSITY:

Attached is the annual financial report of Central Washington University. It has been prepared from the university's accounting records and reflects Central Washington University's financial position as of June 30, 2012, and the results of its operations for the year then ended.

Central Washington University maintains its accounts in accordance with the guidelines established by the Washington State Office of Financial Management and the state of Washington. To the greatest extent possible, this report has been prepared in compliance with the accounting principles suggested by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers.

Sincerely,

George H. Clark
CFO/Vice President for
Business and Financial Affairs

## Management's Discussion and Analysis

## Introduction

The following Management Discussion and Analysis (MD\&A) provides an overview of the financial position and activities of Central Washington University for the fiscal year ended June 30, 2012, with comparative 2011 and 2010 financial information. This discussion provides an objective and easily readable analysis of the university's financial performance for the year. The information has been prepared by management and should be read in conjunction with the financial statements and accompanying notes to the financial statements, which follow this section.

Central Washington University (CWU) is one of six state-assisted, four-year institutions of higher education in Washington. A regional comprehensive university, CWU offers baccalaureate and graduate degrees in more than 100 academic programs to over 10,000 students. Throughout its history, the university has distinguished itself in many ways, most notably through quality teaching and academic programs, student-centered orientation, and commitment to research, outreach, and international experiences for faculty and students, and provision of life-long learning opportunities to the citizens of Washington. The university is comprised of the College of Arts and Humanities, College of the Sciences, College of Education and Professional Studies, and College of Business. CWU's faculty, numbering more than 500, compiles an impressive record of teaching, scholarship, and service. The main campus is located in Ellensburg, a community of approximately 18,000 that enjoys one of the finest living environments of the Pacific Northwest. In the shadow of the Cascade Mountains and only minutes from the Wenatchee National Forest, Ellensburg is situated in the Kittitas Valley, an agricultural region 110 miles east of Seattle, the cultural heart of Washington State.

The university is governed by a Board of Trustees appointed by the governor with the consent of the Senate. One member is a full-time student of the university. By statute the Board of Trustees has full control of the university and its property of various kinds, except as otherwise provided by law.

## Using the Financial Statements

The university's financial reports include the Statement of Net Assets; the Statement of Revenue, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. The Statement of Net Assets provides information about the university at a moment in time, at year-end. The Statement of Revenue, Expenses, and Changes in Net Assets and the Statement of Cash Flows provide information about operations and activities over a period of time. Together, these statements, along with the notes to the financial statements, provide a comprehensive way to assess the university's financial health as a whole.

These financial statements utilize the accrual basis of accounting; i.e., all of the current year's revenues and expenses are taken into account regardless of when cash is received or payments are made. Full accrual financial statements are intended to provide a view of the university's financial position similar to that presented by most private-sector companies. 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. Current GASB standards require that financial statements be presented on a consolidated basis in order to focus on the university as a whole.

## Financial Highlights for Fiscal Year 2012

The university recorded an increase of net assets of $\$ 10,798,646$ in fiscal year 2012. The university's administration continues to effectively manage costs while maintaining solid enrollment figures. The state's economy appears to have stabilized with current revenue projections showing slight increases in the next couple of years. With the economy showing signs of improvement, the university's fiscal year 2012 operating appropriations were not reduced, but actually increased for the first time since fiscal year 2009. This increase was a result from the correction of an error by the state legislature in calculating prior year allotments and not necessarily tied to improved revenue forecasts.

With the combined effects of a slight increase to the 2012 appropriations and tuition revenue increases the university was fortunate to increase available resources that will allow certain projects to be started and completed that were previously put on hold due to budget constraints. The majority of these projects that were put on hold involved implementing information technology system upgrades, which when fully operational will provide for greater operating efficiencies in the future.

Operating revenues typically are not sufficient to cover all of the university's operating expenses, which result in an operating loss. Non-operating revenues, including state operating and capital appropriations, Pell grant revenue, investment income and gifts, usually offset the operating loss resulting in an increase in net assets of the university. Listed below are a few key financial results from fiscal year 2012.

- Assets increased by $\$ 9,946,378$.
- Liabilities decreased by $\$ 852,268$.
- Capital assets, net, totaled $\$ 401,253,569$, an increase of $\$ 19,303,044$ over fiscal year 2011.
- Net assets increased by $\$ 10,798,646$ to $\$ 365,485,864$.



## STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the university at the end of the last two fiscal years and includes all assets and liabilities of the university, including the Central Washington University Foundation. This statement represents assets available to continue operations of the institution and how much the institution owes vendors, employees, investors and debt service obligations. Total assets increased during the fiscal year ending June 30, 2012, by $\$ 9,946,378$ to $\$ 530,571,665$. Total liabilities decreased during the fiscal year ending June 30 , 2012 , by $\$ 852,268$ to $\$ 165,085,801$.

Current assets consist primarily of cash and cash equivalents, short-term investments, accounts receivables, and inventories. The amount of current assets at June 30, 2012, was $\$ 72,159,461$, an increase of $\$ 26,403,045$ from 2011. The increase in current assets was predominantly in cash and cash equivalents and accounts receivable. Cash and cash equivalents increased by $\$ 23,564,964$ to $\$ 58,175,460$ in 2012 . The primary reason for the increase was due to extremely low short-term interest rates in the governmental bond market.

As a result the university increased its' balance in the Local Government Investment Pool (LGIP) by $\$ 23,319,519$ to $\$ 26,975,269$ in 2012 (Note 2). As the short-term investment rates increase the university will invest appropriately to maximize earnings and will also maintain sufficient cash and cash equivalents to meet current operations and to fund major projects.

Also contributing to the increase in current assets was accounts receivable, which increased by $\$ 2,747,162$ to $\$ 10,301,866$ in 2012. This increase is attributable to mainly two areas of operation: tuition and fees and federal, state and local grants, which increased by $\$ 1,562,221$ and $\$ 1,031,066$ respectively.

During 2011 the amounts in cash and cash equivalents increased by $\$ 10,241,023$ over 2010 with the university again choosing to limit investing in short-term low yielding investments in order to take advantage of more attractive longterm investment opportunities as they became available.

Non-current assets are primarily composed of investments, student loans receivable, cash or investments restricted for capital projects and capital assets, net of depreciation. Fiscal year 2012 non-current assets decreased by $\$ 16,456,667$ to $\$ 458,412,204$. The university's two major capital construction projects, Barto Hall and Hogue Hall, were still being completed during fiscal year 2012. These two projects were the main factors that contributed to the increase of $\$ 19,303,044$ in capital assets, net of accumulated depreciation. The increase to capital assets, net of depreciation was offset by decreases in cash \& investments restricted for capital projects and investments, which decreased by $\$ 20,374,161$ and $\$ 16,146,981$. The decrease in cash \& investments restricted for capital projects directly correlates to the spending of bond proceeds to complete the new Barto residence hall.

Investments decreased in fiscal year 2012 largely due to the extremely low interest rates being offered on governmental bonds, which the university primarily invests in. As noted above cash \& cash equivalents increased due to this very reason, while the university waits for longer term investment options to become available in the market.

The amount of capital assets, net of depreciation at June 30, 2011, was $\$ 381,950,525$, which was an increase of $\$ 6,893,356$ from 2010. The majority of the increase was from the continued progress on the construction of the new Barto residence hall and also from the remodel/addition of Hogue Hall.

Current liabilities include accounts payable, accrued payroll liabilities, deferred revenues, deposits payable, and the current portion of bonds/leases payable. Current liabilities typically fluctuate from the timing of processing accounts payable and deposits payable, changes in the current year bond/leases payment schedule, and the current portion of accrued liabilities. Current liabilities at June 30, 2012, were $\$ 23,769,880$, an increase of $\$ 2,167,247$ from 2011. Two areas that contributed to the overall increase were accrued liabilities and leases/bonds payable, which increased by $\$ 945,811$ and $\$ 960,000$ respectively. The current portion of accrued liabilities increased by $\$ 945,011$ in 2012 over 2011, principally from student loan activity and the timing of reimbursements from the federal government. The increase in leases/bonds payable was due to the first principal payment on the Series 2010 bonds scheduled to be made in fiscal year 2013 (Exhibit IV). Fiscal year 2011 current liabilities decreased by $\$ 2,049,833$ from fiscal year 2010 mainly from accounts payable and salaries \& wages payable.

Non-current liabilities mainly include compensated absences, supplemental retirement liabilities, and long-term debt obligations (Notes 9, 11, 12 and 13). Non-current liabilities will vary from year to year primarily from adjustments to non-current compensated absence liabilities and as the university makes its scheduled debt service payments. Non-current liabilities decreased by $\$ 3,019,515$ to $\$ 141,315,921$ at June 30, 2012. The decrease is from the university making its' scheduled principal payments on long-term debt obligations. Non-current liabilities increased by $\$ 32,161,855$ over 2010 due to the issuance of $\$ 34,465,000$ in revenue bonds to finance the construction of Barto residence hall.

The difference between total assets and total liabilities is net assets (equity), and it is an indicator of the university's overall financial condition. A summary and comparison of the university's assets, liabilities, and net assets as of June 30, 2012, 2011 and 2010 is shown below.

Net assets are divided into four major categories.

- Investment in Capital Assets Net of Related Debt: Equity in property, plant, equipment, and infrastructure, net of accumulated depreciation, and outstanding debt obligations related to those capital assets.
- Restricted Assets Non-Expendable: Funds on which a donor or external party has imposed restrictions.
- Restricted Assets Expendable: Resources which the university is legally or contractually obligated to spend in accordance with restrictions placed on the funds.
- Unrestricted Net Assets: All other funds available to the university for general and educational obligations and may be expended for any lawful purpose. The university will often internally designate these assets for specific purposes.

As of June 30, 2012, net assets totaled $\$ 365,485,864$, an increase of $\$ 10,798,646$ over the June 30,2011 , balance of $\$ 354,687,218$. Every net asset category increased in 2012 with the exception of the loans category in the restricted assets expendable section. Restricted expendable net assets in the loans category decreased by $\$ 856,547$ in 2012 over 2011. This decrease is from the university awarding more financial aid grants in 2012 from its tuition/grant fund to assist students meeting specific criteria to remain enrolled at Central Washington University.

Investment in Capital Assets Net of Related Debt increased during fiscal year 2012 by $\$ 1,724,545$ to $\$ 268,608,128$. The university continues to work toward the completion of two major capital projects, Hogue Hall and Barto Hall. Work has also begun on a few new capital projects including Science Building phase II, infrastructure/utility upgrades, renovation of Samuelson Building, and the beginning design phase of a new Nutrition, Exercise and Health Sciences building.

Unrestricted Net Assets increased by $\$ 8,932,012$ from $\$ 52,982,413$ to $\$ 61,914,425$ in 2012. University administration and senior management have been pro-active in their strategic planning and budget development during these past few years of heavy state appropriation reductions. Those aggressive plans include increased effort on both recruitment and retention of students, identifying operational efficiencies and ensuring implementation of those efficiencies. The primary areas with growth in unrestricted net asset balances continue to be the general university tuition fund, summer session activities and university auxiliary units.

| Statement of Net Assets |  |  |  |
| :---: | :---: | :---: | :---: |
|  | 2012 | 2011 | 2010 |
| Assets |  |  |  |
| Current assets | \$72,159,461 | \$45,756,416 | \$36,501,924 |
| Non-current assets | 57,158,635 | 92,918,346 | 62,607,543 |
| Capital assets, net of depreciation | 401,253,569 | 381,950,525 | 375,057,169 |
| Total assets | 530,571,665 | 520,625,287 | 474,166,636 |
| ) |  |  |  |
| Liabilities |  |  |  |
| Current liabilities | 23,769,880 | 21,602,633 | 23,652,466 |
| Non-current liabilities | 141,315,921 | 144,335,436 | 112,173,581 |
| Total liabilities | 165,085,801 | 165,938,069 | 135,826,047 |
|  |  |  |  |
| Net Assets |  |  |  |
| Investment in capital assets, net of related debt | 268,608,128 | 266,883,583 | 265,462,539 |
| Restricted: nonexpendable | 14,817,293 | 14,345,684 | 13,948,776 |
| Restricted: expendable | 20,146,018 | 20,475,538 | 19,005,954 |
| Unrestricted | 61,914,425 | 52,982,413 | 39,923,320 |
| Total net assets | 365,485,864 | 354,687,218 | \$338,340,589 |

As of June 30, 2011, net assets totaled $\$ 354,687,218$, an increase of $\$ 16,346,629$ over the June 30, 2010, balance of $\$ 338,340,589$. Every net asset category increased in 2011 with the exception of the other category in the restricted assets expendable section. Investment in Capital Assets Net of Related Debt increased during the fiscal year by $\$ 1,421,044$ to $\$ 266,883,583$, primarily due to two major projects, Hogue Hall and Barto Hall. Total Restricted Assets, expendable and nonexpendable, increased by $\$ 1,866,492$ to $\$ 34,821,222$ as a result of increased earnings on endowment investments and an increase in the university's short-term loan fund. Unrestricted Net Assets increased by $\$ 13,059,093$, from $\$ 39,923,320$ to $\$ 52,982,413$ in 2011 . This increase was largely due to three main operational areas of the university, tuition, summer session and auxiliary operations.

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses, and Changes in Net Assets provides information about the operating performance of the university and the effects of non-operating transactions over a one-year period of time. The statement classifies activities as either "operating" or "non-operating." This distinction results in an operating loss because state operating and capital appropriations are classified as non-operating revenues, but are budgeted and utilized for operations. Below is a condensed comparison of the university's revenues, expenses, and changes in net assets for the years ended June 30, 2012, 2011, and 2010.

Summary Statement of Revenues, Expenses, and Changes in Net Assets

|  | 2012 | 2011 | 2010 |
| :---: | :---: | :---: | :---: |
| Operating revenues | \$145,898,773 | \$143,523,242 | \$132,373,655 |
| Operating expenses | $(194,602,385)$ | $(201,319,082)$ | $(195,008,474)$ |
| Operating loss | (48,703,612) | (57,795,840) | $(62,634,819)$ |
|  |  |  |  |
| Non-operating revenues | 65,436,161 | 79,884,613 | 75,824,313 |
| Non-operating expenses | $(5,933,903)$ | $(5,742,144)$ | $(5,210,940)$ |
| Net non-operating revenues (expenses) | 59,502,258 | 74,142,469 | $\mathbf{7 0 , 6 1 3 , 3 7 3}$ |
|  |  |  |  |
| Increases in net assets | 10,798,646 | 16,346,629 | 7,978,554 |
| Net assets beginning of year | 354,687,218 | 338,340,589 | 330,362,035 |
| Net assets end of year | \$365,485,864 | \$354,687,218 | \$338,340,589 |

The graph shows revenues by source (both operating and non-operating), which are used to fund the operations of the university and its programs for the year ended June 30, 2012.

# FY 2012 Revenues by Source 



The following table provides a comparison of total revenues for the years ended 2012, 2011, and 2010.

| Revenues by Source (in thousands) |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012 |  | 2011 |  | 2010 |  |
| Tuition \& Fees | \$73,751 | 35\% | \$69,007 | 31\% | \$59,660 | 29\% |
| Grants \& Contracts | 28,586 | 14\% | 29,420 | 13\% | 28,610 | 14\% |
| Auxiliary Services | 39,379 | 19\% | 40,929 | 18\% | 39,986 | 19\% |
| Operating Appropriations | 32,801 | 15\% | 41,811 | 19\% | 46,819 | 22\% |
| Capital Appropriations | 12,503 | 6\% | 13,835 | 6\% | 10,088 | 5\% |
| Pell Grant | 16,492 | 8\% | 16,761 | 8\% | 13,589 | 7\% |
| Investment Income | 2,698 | 1\% | 7,002 | 3\% | 4,388 | 2\% |
| Other Revenues \& Gifts | 5,125 | 2\% | 4,643 | 2\% | 5,058 | 2\% |
| Total | \$211,335 | 100\% | \$223,408 | 100\% | \$208,198 | 100\% |

## Operating and Non-operating Revenues

Operating revenues are comprised primarily of tuition and fees, grant and sponsored program revenue, revenues generated from auxiliary enterprises, and other general support operations. Non-operating revenues consist of state operating appropriations, Pell grant revenue, and investment income. Other non-operating revenues include state capital appropriations and increases to permanent endowments.

Operating revenues in fiscal year 2012 totaled $\$ 145,898,773$, an increase of $\$ 2,375,531$ from 2011. Only three categories of operating revenues showed positive increases in 2012. Student tuition and fees (net), state and local grants and contracts and interest earned on student loans. Student tuition and fees (net) increased by $\$ 4,743,737$ over 2011. The university continues its' focus to increase enrollment levels in spite of implementing tuition rate increases of $14 \%$ in 2012 and 2011, due to state appropriation budget cuts. As shown in the table above tuition and fee revenues increased by $4 \%$ of the total revenue to $35 \%$, conversely state operating appropriations decreased by $4 \%$ to $15 \%$ from 2011. The table below presents a five year look at the decrease in state appropriations as a percentage of total revenues.


State and local grants and contracts increased in 2012 by $\$ 935,806$ over 2011 primarily from increased Washington State Need Grants awarded to CWU students, which accounted for $\$ 977,144$ of the overall increase. Interest earned on student loans increased by $\$ 68,516$ over 2011 as a result of more students paying their loans, which resulted in lower student loans receivable balances at June 30, 2012 as compared to June 30, 2011.

Operating revenues in fiscal year 2011 totaled $\$ 143,523,242$, an increase of $\$ 11,149,587$ from 2010. Tuition and fees accounted for $\$ 9,347,590$, or $83.8 \%$ of the increase. All other areas contributing to operating revenue remained stable with slight increases in each category.

Non-operating revenues in 2012 were $\$ 65,436,161$, which was a decrease of $\$ 14,448,452$ from 2011. As indicated earlier the state of Washington's economy continues to recover out of the recession, which has placed a huge strain on all state budgets. Fiscal year 2012 operating appropriations decreased to $\$ 32,801,000$ from $\$ 41,811,000$ in 2011. While this $22 \%$ decrease was twice the amount of state appropriation cut the university received in 2011 it could have been slightly worse. During the 2012 legislative session the university was told to expect anywhere from an additional two to five million dollars in supplemental budget cuts, but due to positive revenue forecasts and the correction of a base funding calculation the state was actually able to increase the budget for fiscal year 2012. This is good news and provides hope for more predictable, stable funding from the state legislature in the future.

The other non-operating source of revenue, which declined in fiscal year 2012 was investment income. Investment income decreased by $\$ 4,303,606$ to $\$ 2,697,912$ in 2012. Three major sources of investment income saw dramatic declines these include the Central Washington University Foundation's endowment fund, the university's endowment fund and the university's share of earnings in the Normal School Permanent Fund (Note 6).

Non-operating revenues in 2011 were $\$ 79,884,613$, which was an increase of $\$ 4,060,300$ from 2010. As mentioned earlier the state of Washington's economy was recovering from the recession, but at an extremely slow pace in 2011, which resulted in a $\$ 5,008,033$ reduction to state operating appropriations. Capital appropriations increased by $\$ 3,746,280$ to $\$ 13,834,769$ in fiscal year 2011. Other increases to non-operating revenues in fiscal year 2011 were from Pell grant revenue and investment income, which increased $\$ 3,171,780$ and $\$ 2,613,352$ respectively over fiscal year 2010.

## Operating and Non-operating Expenses

Total operating expenses decreased by $\$ 6,716,697$ to $\$ 194,602,385$ in 2012. Fiscal year 2012 operating expenses by function varied widely from 2011. The majority of increases occurred in instruction, public service and auxiliary enterprises. Instruction expenses increased to $\$ 74,991,310$ an increase of $\$ 4,628,122$ over 2011. Direct instruction expenses increased due to a combination of an increase in the number of faculty to address class workloads and also from an administrative fee implemented in fiscal year 2012. Public service expenses increased over 2011 by $\$ 558,481$ to $\$ 1,524,220$ in 2012. This increase is attributable to a new federal grant award where the university as part of the program requirements provides a public outreach program to local communities with the goal being to inform and prepare future students to addend a university. The university's auxiliary enterprise expenditures increased by $\$ 2,008,239$ to $\$ 41,614,081$ in fiscal year 2012. Auxiliary enterprise expenses increased largely due to implementation of an internal administrative fee.

Conversely the university had three major functions of operating expenses, institutional support, operation and maintenance of plant and scholarship and other student aid decrease in 2012. Institutional support expenses decreased by $\$ 6,562,485$ to $\$ 8,564,900$ in fiscal year 2012. The primary reason for the decrease was the university allocated a percentage of the administrative overhead expenses to the functional areas of the university. The university has allocated a percentage of the support/administrative costs to self support units, which were previously funded with state appropriations. These services are no longer fully funded with the current budget levels.

Operation and maintenance of plant expenses decreased in fiscal 2012 by $\$ 2,801,178$ to $\$ 11,724,164$. The amounts expended for plant maintenance are heavily dependent on capital appropriations and revenue distributions from the Norman School Permanent Fund. These two revenue sources are intended for preservation and maintenance projects on the university's academic and administration buildings. During fiscal year 2012 the expenses for plant maintenance out of these two fund sources decreased by $\$ 3,602,896$ from 2011. This decrease was offset by an increase in expenditures out of general tuition revenues of $\$ 1,045,703$.

Scholarships and other student aid expenses decreased by $\$ 4,114,361$ to $\$ 18,248,526$ in 2012. The major factor contributing to the decrease is an increase in institutional aid/grants provided to assist students in financing their college education resulting in a decrease in expenses and an increase in the tuition revenue that is discounted.

Total operating expenses increased by $\$ 6,310,608$ from $\$ 195,008,474$ in fiscal year 2010 to $\$ 201,319,082$ in fiscal year 2011. Every category of operating expenses increased during fiscal year 2011 with the exception of student services and institutional support, which decreased by $\$ 401,287$ and $\$ 577,140$ respectively from fiscal year 2010. This decrease was primarily from reduced personnel costs due to budget constraints. Operations and maintenance of plant had the largest percentage increase in operating expenses, which was $13.8 \%$ or $\$ 1,759,348$ over 2010. This increase is directly attributed to the increase in capital appropriations received, which were used for preservation and maintenance of academic and administrative facilities. Scholarships and other student aid had the second largest percentage increase in operating expenses of $10.5 \%$ or $\$ 2,119,538$ from fiscal year 2010. A majority of this increase was from Pell grant related expenditures.

| Operating and Non-operating Expenses |  |  |  |
| :---: | :---: | :---: | :---: |
|  | 2012 | 2011 | 2010 |
| Operating expenses | \$194,602,385 | \$201,319,082 | \$195,008,474 |
| Non-operating expenses | 5,933,903 | 5,742,144 | 5,210,940 |
| Total operating and non-operating expenses | \$200,536,288 | \$207,061,226 | \$200,219,414 |

## 2012 Operating Expenses by Function - All Funds



| Operating Expenses by Function - All Funds |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 2012 |  | 2011 |  | 2010 |  |
| Instruction | \$74,991,310 | 38.5\% | \$70,363,188 | 35.0\% | \$68,931,247 | 35.4\% |
| Research | 2,225,856 | 1.1\% | 2,540,812 | 1.3\% | 2,538,984 | 1.3\% |
| Public service | 1,524,220 | .8\% | 965,739 | .5\% | 876,891 | . $4 \%$ |
| Academic support | 9,460,452 | 4.9\% | 9,793,108 | 4.9\% | 9,559,296 | 4.9\% |
| Student services | 10,237,103 | 5.3\% | 10,148,889 | 5.0\% | 10,550,176 | 5.4\% |
| Institutional support | 8,564,900 | 4.4\% | 15,127,385 | 7.5\% | 15,704,525 | 8.1\% |
| Operations and maintenance of plant | 11,724,164 | 6.0\% | 14,525,342 | 7.2\% | 12,765,994 | 6.5\% |
| Scholarships and other student aid | 18,248,526 | 9.4\% | 22,362,887 | 11.1\% | 20,243,349 | 10.4\% |
| Auxiliary | 41,614,081 | 21.4\% | 39,605,842 | 19.7\% | 38,570,262 | 19.8\% |
| Depreciation | 16,011,773 | 8.2\% | 15,885,890 | 7.8\% | 15,267,750 | 7.8\% |
| Total operating expenses | \$194,602,385 | 100\% | \$201,319,082 | 100\% | \$195,008,474 | 100\% |

As identified on the pie chart, total instructional expenses comprised $45 \%$ of all university operating expenses during fiscal year 2012 this is an increase of $4 \%$ over 2011. Direct instruction expenses for all funds increased by $\$ 4,628,122$ from 2011 to $\$ 74,991,310$ in 2012. After remaining relatively flat from 2009 to 2010 instruction expenses have steadily increased the last two fiscal years. The university remains committed to its primary mission-to prepare students for responsible citizenship, responsible stewardship of the earth, and to lead enlightened and productive lives. Enduring reductions in state funding have driven the need for the university to continue to effectively manage its limited resources while still providing quality instruction to a growing student body.


## CAPITAL CONSTRUCTION AND RELATED DEBT

Capital construction is a high priority as the university modernizes and replaces outdated academic and residential facilities, continues to develop and improve campus infrastructure and utilities, and reduces deferred maintenance.

Major remodeling and system upgrade projects continue on campus that will bring older buildings and infrastructure into compliance with current teaching methodology and technology, health and safety needs, and code requirements.

The university had $\$ 401,253,569$ in capital assets net of depreciation at fiscal year-end 2012, an increase of $\$ 19,303,044$ from 2011. The university currently has five major capital projects at various stages of completion, which account for a majority of the increase in the capital asset balance at June 30, 2012. The five projects are described in minor detail below:

- Barto Hall Replacement: The next project in the university's comprehensive housing master plan is to demolish the old Barto residence hall and construct a new 368 -bed, four-story residence hall in its existing space. This project was funded by the issuance of $\$ 34,465,000$ in revenue bonds in November 2010 (Note 11). Barto Hall was completed and occupancy began Fall quarter 2012.
- Hogue Hall Renovation: The current major project the university is undertaking is the renovation of Hogue Hall. This project remodels the existing building and adds an additional 57,000 square feet. Construction is funded for $\$ 30,265,000$ through state capital appropriations.
- Science Phase II: Science Phase II is a major capital project, which will house the departments of Geology, Physics and Science Education and the Center for Excellence in Science and Mathematics Education (CESME). The proposed building will total approximately 109,000 square feet and if funded by the state legislature will cost approximately $\$ 69$ million.
- Samuelson Building Renovation: The Samuelson Communication and Technology Center (SCTC) project is a renovation of the existing Samuelson Union Building, which has been vacated since 2006. This project will return the building into service as an integrated communication and technology center, providing a central location for information technology support, storage, and instruction, as well as broadcast television and services for academic programs. The university was appropriated five million for design in the 2011-2013 biennium. The university has requested an additional $\$ 60$ million for the construction/remodel of the building for the 2013-2015 biennium.
- Nutrition, Exercise \& Health Sciences Building: This project will construct a new facility to house the Nutrition, Exercise and Health Sciences (NEHS) programs and establish a physical presence for the Health Careers program. The university was appropriated \$300,000 for pre-design of the facility in 2011-2013 biennium. Central Washington University will be requesting an additional four million to finish the design phase of the building and will follow up with a request of approximately $\$ 45$ million for the construction of the facility.

The university had $\$ 381,950,525$ in capital assets net of depreciation at year-end 2011-an increase of $\$ 6,893,356$ from fiscal year 2010. The two major projects that were under construction were the Hogue Hall remodel/addition and the replacement of Barto Hall. The Barto Hall project is the next step in the university's housing master plan, with an anticipated completion date of fall quarter 2012.

The following table provides a comparison of capital assets for the fiscal years ended 2012, 2011, and 2010.

| Capital Assets |  |  |  |
| :---: | :---: | :---: | :---: |
|  | 2012 | 2011 | 2010 |
| Land | \$4,801,900 | \$4,801,900 | \$4,471,078 |
| Construction in Progress | 61,389,643 | 29,211,299 | 11,773,420 |
| Buildings | 356,592,752 | 356,592,752 | 356,353,635 |
| Improvements \& Infrastructure | 87,007,211 | 87,007,211 | 85,011,339 |
| Equipment | 31,478,795 | 29,671,609 | 27,986,877 |
| Building Perpetuity Rights | 30,792,094 | 30,792,094 | 30,792,094 |
| Library Resources | 26,556,353 | 25,872,411 | 25,314.621 |
| Other Capital Assets | 138,472 | 103,472 | 103,472 |
| Total Capital Assets | 598,757,220 | 564,052,748 | 541,806,536 |
| Less Accumulated Depreciation | 197,503,651 | 182,102,223 | 166,749,367 |
| Capital Assets, Net | \$401,253,569 | \$381,950,525 | \$375,057,169 |

(A detailed presentation of changes in capital assets and long-term debt is displayed in Notes 7 and 11.)

## PROSPECTS FOR THE FUTURE

Central Washington University's financial position continues to improve despite the recent struggles with both the state and national economies. Net assets continue to increase as a result effective budget management, continued identification of efficiencies and a pro-active enrollment management plan that both acknowledges and adapts to the increasing competitiveness of attracting highly qualified students. As the state's economy slowly stabilizes and begins to improve, the university's administration is cautiously optimistic the state legislature will work towards developing a plan that will begin to slowly reinstate some of the funding lost during the recession. While the university acknowledges funding levels may never get back to pre-recession levels, we are hopeful a long-term plan can be put in place that will allow for smaller increases in tuition.

Even through these rough and turbulent times the university has never lost touch with its core values and mission, which is to prepare students for responsible citizenship, responsible stewardship of the earth and enlightened and productive lives.

## Central Washington University <br> Statement of Net Assets As of June 30, 2012 and 2011

|  | $\underline{2012}$ | 2011 |
| :---: | :---: | :---: |
| Assets |  |  |
| Current assets: |  |  |
| Cash and cash equivalents | 58,175,460 | 34,610,496 |
| Accounts receivable, net | 10,301,866 | 7,554,704 |
| Student loans receivable, net | 910,690 | 768,982 |
| Interest receivable | 370,955 | 501,644 |
| Inventories | 2,400,490 | 2,320,620 |
| Total current assets | 72,159,461 | 45,756,416 |
| Non-current assets: |  |  |
| Cash restricted for capital projects | 7,168,672 | 11,349,542 |
| Investments restricted for capital projects |  | 16,193,291 |
| Investments | 39,544,302 | 55,691,283 |
| Student loans receivable, net | 6,309,221 | 6,552,918 |
| Issuance costs, net of amortization | 1,868,136 | 1,754,667 |
| Funds with State Treasurer | 2,268,304 | 1,376,645 |
| Capital assets, net of depreciation | 401,253,569 | 381,950,525 |
| Total non-current assets | 458,412,204 | 474,868,871 |
| Total assets | 530,571,665 | 520,625,287 |
| Liabilities |  |  |
| Current liabilities: |  |  |
| Accounts payable | 4,162,436 | 3,322,504 |
| Accrued liabilities, current portion | 10,247,887 | 9,302,076 |
| Deposits payable | 1,219,162 | 918,255 |
| Deferred revenues | 4,370,395 | 5,249,798 |
| Leases \& bonds payable, current portion | 3,770,000 | 2,810,000 |
| Total current liabilities | 23,769,880 | 21,602,633 |
| Non-current liabilities: |  |  |
| Construction accounts payable | 1,400,349 | 1,200,704 |
| Accrued liabilities | 3,403,671 | 2,780,994 |
| Net bond premium/discount, net of amortization | 961,901 | 788,880 |
| Long-term liabilities | 135,550,000 | 139,564,858 |
| Total non-current liabilities | 141,315,921 | 144,335,436 |
| Total liabilities | 165,085,801 | 165,938,069 |
| Net Assets |  |  |
| Invested in capital assets, net of related debt | 268,608,128 | 266,883,583 |
| Restricted for: |  |  |
| Nonexpendable: |  |  |
| Scholarships and Professorships | 14,817,293 | 14,345,684 |
| Expendable: |  |  |
| Endowment Earnings | 1,157,504 | 1,096,220 |
| Loans | 9,297,298 | 10,153,845 |
| Other | 9,691,216 | 9,225,473 |
| Unrestricted | 61,914,425 | 52,982,413 |
| Total net assets | 365,485,864 | 354,687,218 |

# Central Washington University Statement of Revenues, Expenses, and Changes in Net Assets <br> For the Years Ended June 30, 2012 and 2011 

$\underline{2012}$
$\underline{2011}$
Operating Revenues

| Student tuition and fees | $102,588,537$ | $92,780,902$ |
| :--- | ---: | ---: |
| less tuition discounts | $(28,837,617)$ | $(23,773,719)$ |
| Federal grants and contracts | $5,564,108$ | $6,664,889$ |
| State and local grants and contracts | $16,197,338$ | $15,261,532$ |
| Nongovernmental grants and contracts | $6,824,308$ | $7,494,040$ |
| Sales and services of educational activities and other sources | $4,029,787$ | $4,081,947$ |
| Interest earned on loans to students | 153,209 | 84,693 |
| Auxiliary enterprises sales - Housing and dining | $27,555,019$ | $28,574,753$ |
| Other Auxiliary sales | $12,342,923$ | $12,945,726$ |
| $\quad$ less auxiliary discounts | $(518,839)$ | $(591,521)$ |
|  |  | $\mathbf{1 4 5 , 8 9 8 , 7 7 3}$ |
|  | $\mathbf{1 4 3 , 5 2 3 , 2 4 2}$ |  |

Operating Expenses


## Non-operating Revenues (Expenses)

| State appropriations | 32,801,000 | 41,811,000 |
| :---: | :---: | :---: |
| Pell Grant | 16,492,313 | 16,761,236 |
| Investment income | 2,697,912 | 7,001,518 |
| Gifts to permanent endowments | 495,308 | 359,060 |
| Interest on indebtedness | $(5,933,903)$ | $(5,742,144)$ |
| Non-operation income, net of expenses | 446,220 | 117,030 |
| Net non-operating revenues (expenses) | 46,998,850 | 60,307,700 |
| Income or (loss) before other revenues, expenses, gains, or losses | (1,704,762) | 2,511,860 |
| Capital appropriations | 12,503,408 | 13,834,769 |
| Increase (Decrease) in net assets | 10,798,646 | 16,346,629 |

Net assets, beginning of year $\quad 354,687,218 \quad 338,340,589$
Net assets, end of year $\xlongequal{\text { 365,485,864 }} \xlongequal{354,687,218}$

## Statement of Cash Flows <br> For the Years Ended June 30, 2012 and 2011

|  | $\underline{2012}$ | $\underline{2011}$ |
| :---: | :---: | :---: |
| Cash flows from operating activities |  |  |
| Tuition and fees | \$71,309,294 | \$69,905,232 |
| Grants and contracts | 27,554,688 | 30,004,760 |
| Payments to vendors | $(63,695,291)$ | $(72,606,699)$ |
| Payments to employees for salaries and benefits | $(112,367,125)$ | $(113,628,613)$ |
| Auxiliary enterprise charges | 39,518,393 | 40,858,031 |
| Sales and services of educational activities and other sources | 4,500,041 | 4,298,073 |
| Interest received on loans to students | 283,898 | $(54,789)$ |
| Net cash used by operating activities | (32,896,102) | $(42,224,004)$ |
| Cash flows from noncapital financing activities |  |  |
| State appropriations | 32,440,448 | 41,438,327 |
| Pell Grants | 16,492,313 | 16,761,236 |
| Gifts for other than capital purposes | 495,308 | 359,060 |
| Net cash provided by noncapital financing activities | 49,428,069 | 58,558,623 |
| Cash flows from investing activities |  |  |
| Purchases of investments | (12,063,576) | $(66,035,428)$ |
| Proceeds from sales of investments | 44,403,848 | 43,783,032 |
| Investment Income | 2,697,912 | 7,001,518 |
| Other investment activity | $(891,659)$ | 1,935,656 |
| Net cash provided by investing activities | 34,146,525 | $(13,315,222)$ |
| Cash flows from capital and related financing activities |  |  |
| Capital appropriations | 12,503,408 | 13,834,769 |
| Purchases of capital assets | (35,314,817) | $(22,779,246)$ |
| Proceeds from capital debt | 140,000 | 34,478,502 |
| Principal paid on capital debt | $(3,194,858)$ | $(2,785,559)$ |
| Interest paid on capital debt | $(5,933,903)$ | $(5,742,144)$ |
| Other capital activities | 505,772 | 238,527 |
| Net cash provided by capital and related financing activities | $(31,294,398)$ | 17,244,849 |
| Net increase in cash and cash equivalents | 19,384,094 | 20,264,246 |
| Cash and cash equivalents, beginning of year | 45,960,038 | 25,695,792 |
| Cash and cash equivalents, end of year | \$65,344,132 | \$45,960,038 |
| Reconciliation of Operating Loss to Net Cash Used by Operating Activities |  |  |
| Operating loss | (\$48,703,612) | (\$57,795,840) |
| Adjustments to reconcile operating loss to net cash used by operating activities |  |  |
| Depreciation | 16,011,773 | 15,885,890 |
| Changes in assets and liabilities |  |  |
| Accounts receivable | $(2,386,610)$ | 1,312,948 |
| Student loans receivable | 101,959 | 214,716 |
| Interest receivable | 130,689 | $(139,481)$ |
| Inventories | $(79,870)$ | 204,004 |
| Accounts payable | 1,039,577 | $(678,495)$ |
| Accrued expenses | 1,568,488 | $(327,630)$ |
| Deferred revenue | $(879,403)$ | $(191,714)$ |
| Student and other deposits | 300,907 | $(708,403)$ |
| Net cash used by operating activities | (\$32,896,102) | $(42,224,004)$ |

[^1]
## NOTES TO FINANCIAL STATEMENTS

## CENTRAL WASHINGTON UNIVERSITY - June 30, 2012 and June 30, 2011

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Financial Reporting Entity

Central Washington University is a comprehensive regional institution of higher education offering baccalaureate and master degrees. The university is an agency of the state of Washington, governed by a board of trustees appointed by the governor, and included in the general-purpose financial statements of the state of Washington. The financial statements include the accounts of the Central Washington University Foundation, an independent, non-profit organization established to raise private funds that support the students, faculty, and programs of the university. Accordingly, the foundation has been reported as a blended component unit in the financial statements. Separate financial statements of the foundation may be requested from its administrative office at Barge Hall, room 402, Ellensburg, WA 98926.

## Financial Statement Presentation

The financial statements of the university have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments as amended by GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

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 obligations have been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met. All significant intra-agency transactions have been eliminated.

The financial statements include a management discussion and analysis, a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, and notes to the financial statements. The format provides a comprehensive, entity-wide perspective of the university's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. Comparative totals for the year ended June 30, 2011, are presented where appropriate.

The Governmental Accounting Standards Board (GASB) issued Statement 39, Determining Whether Certain Organizations are Component Units, which amended GASB Statement 14, The Financial Reporting Entity. This provided additional guidance for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with a primary government and to clarify reporting requirements for those organizations.

Under GASB 39 criteria, the CWU Foundation is an affiliated organization that meets the criteria for blended component-unit presentation. The university and its blended-foundation unit are shown as the primary institution column in the financial statements. The CWU Foundation has a separately audited financial statement. The provisions of GASB Statement 39 were effective for financial statements for periods beginning with fiscal year 2004.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements of a special-purpose government engaged in business-type activities to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The university has elected not to follow subsequent private-sector guidance.

## Cash Equivalents

For purposes of the statement of cash flows, the university considers all highly liquid investments with an original maturity of 90 days or less to be cash equivalents. Funds invested through the State Treasurer's Local Government Investment Pool are considered cash equivalents.

## Investments

The university accounts for its investments at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

## Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable 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 recorded net of estimated uncollectible amounts.

## Inventories

Inventories consist primarily of merchandise and consumables held by internal service and auxiliary service departments. They are valued at cost based on actual cost or on the average cost method.

## Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the statement of net assets.

## Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. 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 expenses in the year in which the expenses were incurred.

Depreciation is computed using the straight-line method over the estimated useful lives (five to 50 years) of the assets in accordance with state guidelines. Inexhaustible resources such as the art collections and the library reserve collections are not depreciated. Beginning fiscal year 2005, CWU started depreciating its exhaustible library resources on a straight-line basis over 15 years. Unbooked depreciation accumulated prior to June 30, 2005, on exhaustible library resources is being spread over 10 years starting June 30, 2005, and ending June 30, 2014. (See also Note 7 - Capital Assets)

## Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period and amounts received from grant and contract sponsors that have not yet been earned.

## Compensated Absences

Employee vacation, compensatory time, and sick leave are accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued liabilities in the statement of net assets, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net assets.

## Non-current Liabilities

Non-current liabilities include: (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

## Net Assets

The university's net assets are classified as follows:
Investments in capital assets, net of related debt: 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 included as a component of investments in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the university is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted net assets - non-expendable: Non-expendable restricted net assets 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 assets: Unrestricted net assets represent resources derived from student tuition and fees, 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 current expenses for any purpose. The auxiliary enterprises are substantially self-supporting activities that provide services for students, faculty, and staff.

## Income Taxes

The university, as a political subdivision of the state of Washington, is excluded from federal income taxes under Section 115(a) of the Internal Revenue Code, as amended. The foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

## Classification of Revenues

The university has classified its revenues as either operating or non-operating revenues 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, net of discounts and allowances; (3) federal, state, and local grants and contracts; and (4) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, Pell grants, and investment income.

## Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of discounts and allowances in the statement of revenues, expenses, and changes in net assets. Discounts and allowances are the difference between the stated charges for goods and services provided by the university and the amounts that are 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 non-operating 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 discounts and allowances.

## Reclassification

Certain amounts on the June 30, 2011, financial statements have been reclassified to conform to the June 30, 2012, financial statement presentation. These reclassifications did not affect total net assets.

## NOTE 2 - CASH AND INVESTMENTS

Cash and investments are managed under the guidance of the university investment policy. Investments are made using the prudent person standard with primary objectives being: (1) safety of principal; (2) liquidity (enabling the university to meet all operating requirements); and (3) return on investment (the objective of attaining a market rate of return through budgetary and economic cycles).

The university invests or deposits all temporary cash. These investments and time deposits do not result in reductions of the cash balances of the various funds and are considered to be cash equivalents to the funds. These amounts are reported on the statement of net assets as part of cash and cash equivalents. Earnings from pool deposits are allocated to the funds owning the cash in proportion to the ending monthly balance in the investment pool.

As of June 30, 2012, the fair market value of cash and investments was $\$ 104,888,434$. Of this total, $\$ 65,344,132$ is cash and cash equivalents with maturity dates of less than 90 days and $\$ 39,544,302$ is investments maturing in more than 90 days. Cash and cash equivalents include: Local Government Investment Pool (LGIP), Bank Demand and Time Deposits, and Petty Cash. Investments maturing in more than 90 days and/or more than a year include: U.S. Government and Non-State Government Securities at fair value, Investments in Equity, and Cash Surrender Value of Life Insurance (Foundation).

The statement of net assets classification of cash and cash equivalents includes all readily available sources of cash such as petty cash, demand deposits, certificates of deposit, and temporary investments. All deposits of the university are insured by the FDIC up to $\$ 250,000$ and by the Washington Public Deposit Protection Commission for amounts over $\$ 250,000$.

The components of cash and investments are specified as follows:

## CASH AND INVESTMENTS

|  | $\begin{gathered} \text { Carrying } \\ \text { Amount } \\ \text { June 30, } 2012 \\ \hline \end{gathered}$ | Fair <br> Value | $\begin{gathered} \text { Carrying } \\ \text { Amount } \\ \text { June 30, } 2011 \\ \hline \end{gathered}$ | Fair <br> Value |
| :---: | :---: | :---: | :---: | :---: |
| Local government investment pool (LGIP) | \$26,975,269 | \$26,975,269 | \$3,655,750 | \$3,655,750 |
| U.S. government securities | 5,547,707 | 5,573,261 | 13,448,920 | 13,469,211 |
| Investments in equity - money markets | 1,030,981 | 1,030,981 | 823,720 | 823,720 |
| Investments in equity - bonds | 16,934,701 | 17,249,858 | 20,429,875 | 20,507,843 |
| Investments in equity - stocks, mutual funds | 15,634,068 | 15,634,068 | 15,834,697 | 15,834,697 |
| Investments in certificates of deposit | - | - | 21,193,291 | 21,193,291 |
| Investments in cash surrender value of life insurance | 56,134 | 56,134 | 55,812 | 55,812 |
| Subtotal | 66,178,860 | 66,519,571 | 75,442,065 | 75,540,324 |
| Bank demand and time deposits | 38,307,530 | 38,307,530 | 42,235,792 | 42,235,792 |
| Petty Cash | 61,333 | 61,333 | 68,496 | 68,496 |
| Total | \$104,547,723 | \$104,888,434 | \$117,746,353 | \$117,844,612 |

GASB 40, Deposit and Investment Risk Disclosures, became effective for financial statements for periods beginning after June 15, 2004. It primarily amends existing accounting guidance under GASB 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Agreements, and under GASB 28, Accounting and Financial Reporting for Securities Lending Transactions. GASB 40 requires the university to disclose, as needed, any deposits and investments that are exposed to risks that have the potential to result in losses. The statement addresses risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest risk, this statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to any risks as identified by using this statement also need to be disclosed.

The disclosures required by this statement follow:

## Deposits

The university's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

## Investments

As of June 30, 2012, the university had the following investments:

## INVESTMENTS

|  | Fair Value of <br> Investments Held <br> by CWU as an <br> Agent for Other <br> Governments, |  |  |
| :--- | ---: | ---: | ---: |
|  | Fair Value of <br> CWU's Own <br> Individuals, or <br> Private Entities | $\$ 0$ | Total |
| Cash surrender value of life insurance | $\$ 56,134$ | $\$ 0$ | $\$ 56,134$ |
| U.S. treasuries* | $5,573,261$ | - | $5,573,261$ |
| Money market * | $1,030,981$ | - | $1,030,981$ |
| Bonds* | $17,249,858$ | - | $17,249,858$ |
| Stocks* | $15,634,068$ | - | $15,634,068$ |
| Certificates of deposit | - | - | $\mathbf{\$ 3 9 , 5 4 4 , 3 0 2}$ |
| Total | $\mathbf{\$ 3 9 , 5 4 4 , 3 0 2}$ | $\mathbf{\$ 0}$ |  |

As of June 30, 2011, the university had the following investments:

## INVESTMENTS

$\left.\begin{array}{lrlr} & \begin{array}{c}\text { Fair Value of } \\ \text { Investments Held by } \\ \text { CWU as an Agent for }\end{array} \\ \text { Other Governments, } \\ \text { Individuals, or } \\ \text { Private Entities }\end{array}\right]$

The LGIP is an unrated 2a-7-like pool, as defined by GASB 31. Accordingly, participants' balances in the LGIP are not subject to interest rate risk, as the weighted average maturity of the portfolio will not exceed 90 days. Per GASB 40 guidelines, the balances are also not subject to custodial credit risk. The credit (quality) risk of the LGIP is limited as most investments are either obligations of the U.S. government, government-sponsored enterprises, or insured demand deposit accounts and certificates of deposit. Investments or deposits held by the LGIP are all classified as category one risk level investments. They are either insured or held by a third-party custody provider in the LGIP's name.

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the university would not be able to recover the value of the investment or collateral securities. Of the university's total position, $\$ 0$ are exposed to custodial credit risk because of investments being held by the university's brokerage firm, and by having that brokerage firm also being the counterparty in those particular securities.

* U.S. Bank Private Client Group, McAdams, Wright, Ragen, and Vanguard are like trust companies. They manage the investments, but the investments are still in Central Washington University's name. The U.S. Bank Private Client Group, McAdams, Wright, Ragen, and Vanguard are insured under the Security Investor's Protection Corporation. (This protection is to insure in case of loss of assets due to fraud, etc.)


## NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, due from other agencies, and related allowance for uncollectible accounts consist of the following:

| ACCOUNTS RECEIVABLE |  |  |
| :--- | ---: | ---: |
|  | June 30, 2012 | June 30, 2011 |
| Student tuition and fees | $\$ 4,849,261$ | $\$ 3,287,040$ |
| Federal, state, and private grants and contracts | $2,355,691$ | $1,324,625$ |
| State appropriations receivable | 803,590 | 443,038 |
| Auxiliary enterprises | $2,169,072$ | $2,292,152$ |
| Other student fees | 559,290 | 743,532 |
| Other operating activities | $1,867,742$ | $1,750,887$ |
| $\quad$ Subtotal | $12,604,646$ | $9,841,274$ |
| Allowance for doubtful accounts | $(2,302,780)$ | $(2,286,570)$ |
| Net accounts receivable | $\mathbf{\$ 1 0 , 3 0 1 , 8 6 6}$ | $\mathbf{\$ 7 , 5 5 4 , 7 0 4}$ |

## NOTE 4 - STUDENT LOANS RECEIVABLE

Student loans are comprised of current, $\$ 910,690$, and non-current, $\$ 6,309,221$, at June 30, 2012. The university has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. On June 30, 2012, the allowance for uncollectible loans was $\$ 66,512$.

Student loans receivable consisted of the following:

## STUDENT LOANS RECEIVABLE

|  | June 30, 2012 | June 30, 2011 |
| :--- | ---: | ---: |
| Federal Perkins student loans | $\$ 7,253,964$ | $\$ 7,371,477$ |
| Other long-term loans | 10,300 | 13,895 |
| Institutional loans | 22,159 | 25,373 |
| $\quad$ Subtotal | $7,286,423$ | $7,410,745$ |
| Allowance for doubtful accounts | $(66,512)$ | $(88,875)$ |
| Total student loans receivable | $\mathbf{\$ 7 , 2 1 9 , 9 1 1}$ | $\mathbf{\$ 7 , 3 2 1 , 8 7 0}$ |

Student loans receivable write-off procedures are the same as regular accounts receivable.

## NOTE 5 - INVENTORIES

Inventories consisted of the following:

## INVENTORIES

|  | June 30, 2012 | June 30, 2011 |
| :--- | ---: | ---: |
| Enterprise funds | $\$ 1,715,682$ | $\$ 1,631,076$ |
| Internal service funds | 684,808 | 689,544 |
| $\quad$ Total | $\mathbf{\$ 2 , 4 0 0 , 4 9 0}$ | $\mathbf{\$ 2 , 3 2 0 , 6 2 0}$ |

## NOTE 6 - FUNDS WITH STATE TREASURER

As of June 30, 2012, the balance invested with the State Treasurer was $\$ 2,268,304$. This account represents the university's share of the net earnings of the Normal School Permanent Fund and the building fee portion of tuition, reduced by expenditures for capital projects, non-capitalized facility improvements and maintenance, and debt service incurred over the years (Fund 063), and the balance of licensing revenues held by the State Treasurer (Fund 783).

The Normal School Permanent Fund, established under RCW 43.79.160, is a permanent endowment fund that derives its corpus from the sale of state lands and timber. The investing activities are managed by the State Treasurer's Office, while the management of land and timber is administered by the Department of Natural Resources. Interest earned from investments is either reinvested or used exclusively for the benefit of Central Washington University, Eastern Washington University, Western Washington University, and The Evergreen State College.

## NOTE 7 - CAPITAL ASSETS

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


Beginning fiscal year 2005, CWU began depreciating its exhaustible library resources on a straight-line basis over 15 years. Unbooked depreciation accumulated prior to June 30, 2005, on exhaustible library resources is being booked/expensed over ten years starting June 30, 2005, and ending June 30, 2014. (See also Note 1 - discussion of capital assets.)

The university has one building out of active service, the Samuelson Union Building. The net book value was $\$ 550,985$ at June 30, 2012, and was $\$ 604,059$ at June 30, 2011. This information is being disclosed according to the provisions of GASB Statement No. 42-Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries - which was issued during November 2003, and became effective for fiscal periods beginning after December 15, 2004.

## NOTE 8 - ACCRUED LEAVE LIABILITIES

At termination of employment, employees may receive cash payment for all accumulated vacation and compensatory time. Employees who retire receive 25 percent of the value of their accumulated sick leave credited to a Voluntary Employees’ Beneficiary Association (VEBA) account, which can be used for future medical expenses or insurance purposes. The amounts of unpaid vacation and compensatory time accumulated by university employees are accrued as expenses when incurred.

The amounts represent a liability to the university and are recorded and reported accordingly. The sick leave liability is recorded as an actuarial estimate of one-fourth the total balance on the payroll records. The amount of compensated time, vacation, and sick leave paid during fiscal year 2012 totaled $\$ 3,540,413$. The accrued compensated time balance as of June 30, 2012, was $\$ 7,255$.

## NOTE 9 - LONG-TERM LIABILITIES

Long-term liability activity for the two-year period ended June 30, 2012, is summarized as follows:

## Long-term Liabilities

|  | June 30, 2011 | Additions | Reductions | June 30, 2012 | Current <br> Portion | Long-term Portion |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Accrued liabilities | \$10,384,849 | \$3,183,168 | \$2,060,255 | \$11,507,762 | \$10,247,887 | \$1,259,875 |
| Pension liability | 1,698,221 | 445,575 | - | 2,143,796 |  | 2,143,796 |
| Leases/contracts payable | 3,964,858 | 3,345,000 | 3,964,858 | 3,345,000 | 250,000 | 3,095,000 |
| Bonds payable | 138,410,000 | 7,665,000 | 10,100,000 | 135,975,000 | 3,520,000 | 132,455,000 |
| Total | \$154,457,928 | \$14,638,743 | $\mathbf{1 6 , 1 2 5 , 1 1 3}$ | \$152,971,558 | \$14,017,887 | \$138,953,671 |

## Long-term Liabilities

|  | June 30, 2010 | Additions | Reductions | June 30, 2011 | Current Portion | Long-term Portion |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Accrued liabilities | \$11,220,697 | \$1,897,511 | \$2,733,359 | \$10,384,849 | \$9,302,076 | \$1,082,773 |
| Pension liability | 1,190,003 | 508,218 | - | 1,698,221 |  | 1,698,221 |
| Leases/contracts payable | 4,236,915 | 13,502 | 285,559 | 3,964,858 | 230,000 | 3,734,8 |
| Bonds payable | 106,445,000 | 34,465,000 | 2,500,000 | 138,410,000 | 2,580,000 | 135,830,0 |
| Total | \$123,092,615 | 36,884,231 | 5,518,918 | \$154,457,928 | \$12,112,07 | 142,345,85 |

Additional information regarding bonds payable is included in Note 11. Additional information regarding capital lease obligations is included in Note 12.

## NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

During fiscal year 2008, the university adopted GASB Statement No. 45 -Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of state and local government employers.

Health care and life insurance programs for employees of the state of Washington are administered by the Washington Health Care Authority (HCA). The HCA calculates the premium amounts each year that are sufficient to fund the statewide 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.

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 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). This is also passed through to state agencies via active employee rates charged to the agency.

There is no formal state or university plan that underlies the subsidy of retiree health and life insurance.
The actuary's allocation of the overall statewide liability related to the university was approximately $\$ 37$ million, with the annual required contribution (ARC) of approximately $\$ 3.7$ million. The ARC represents the amortization of the liability for fiscal year 2012 plus the current expense for active employees, which is reduced by the current contributions of approximately $\$ 639,000$. The university's net OPEB obligation (NOO) at June 30, 2012, was approximately $\$ 16$ million. This amount is not included in the university's financial statements.

## NOTE 11 - BONDS PAYABLE

State law requires that the university reimburse the state annually for debt service payments relating to the state of Washington General Obligation Bonds from tuition, timber sales, and earnings on investments held by the State Treasurer. Bonds payable at June 30, 2012, consisted of bonds issued by the state of Washington and Central Washington University.

## BONDS PAYABLE

| Interest | Original | Balance | Balance |
| :--- | :---: | :---: | :---: |
| Rate \% | Issue | June 30, 2012 | June 30, 2011 |

State of Washington general obligation bonds

| Series 1994A (HE-CWU) | 4.95 | \$4,455,000 | \$2,705,000 | \$2,785,000 |
| :---: | :---: | :---: | :---: | :---: |
| Series R-2003C (1994A-HE-CWU) | 2.00-4.50 | 1,860,000 | - | 195,000 |
| System revenue bonds |  |  |  |  |
| Series 2002 bonds (Kamola Hall) | 5.21 | - | - | 7,740,000 |
| Series 2004 bonds (SUB/REC-Sue L.) | 3.00-5.50 | 64,080,000 | 56,765,000 | 58,120,000 |
| Series 2008 bonds (Wendell Hill Hall) | 3.00-5.00 | 36,495,000 | 34,375,000 | 35,105,000 |
| Series 2010 bonds (Barto Hall Series A) | $2.26-3.24$ | 2,515,000 | 2,515,000 | 2,515,000 |
| Series 2010 bonds (Barto Hall Series B) | $1.50-6.95$ | 31,950,000 | 31,950,000 | 31,950,000 |
| Series 2012 bonds (Kamola Hall Refunding)* | $2.00-3.80$ | 7,665,000 | 7,665,000 |  |
| Total bonds payable |  | \$149,020,000 | 135,975,000 | 138,410,000 |
| Bond discounts and issuance costs |  |  | $(1,868,136)$ | $(1,943,917)$ |
| Bond premium |  |  | 961,901 | 978,131 |
| Total |  | \$149,020,000 | \$135,068,765 | \$137,444,214 |

## Maturity Information

The scheduled maturities of the general obligation and system revenue bonds are as follows:

## DEBT SERVICE REQUIREMENTS

| General Obligation Bonds |  |  |  | System Revenue Bonds |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Fiscal Year | Principal | Interest | Subtotal | Principal | Interest | Subtotal | University Total |
| 2013 | \$330,000 | \$127,000 | \$457,000 | \$3,190,000 | \$6,687,691 | \$9,877,691 | \$10,334,691 |
| 2014 | 350,000 | 110,000 | 460,000 | 3,320,000 | 6,685,998 | 10,005,998 | 10,465,998 |
| 2015 | 365,000 | 92,125 | 457,125 | 3,435,000 | 6,559,487 | 9,994,487 | 10,451,612 |
| 2016 | 385,000 | 73,375 | 458,375 | 3,405,000 | 6,425,336 | 9,830,336 | 10,288,711 |
| 2017 | 405,000 | 53,625 | 458,625 | 3,565,000 | 6,266,762 | 9,831,762 | 10,290,387 |
| 2018-2022 | 870,000 | 44,000 | 914,000 | 22,275,000 | 28,558,183 | 50,833,183 | 51,747,183 |
| 2023-2027 | - | - | - | 26,545,000 | 22,723,948 | 49,268,948 | 49,268,948 |
| 2028-2032 | - | - | - | 34,770,000 | 14,907,290 | 49,677,290 | 49,677,290 |
| 2033-2037 | - | - | - | 25,170,000 | 6,125,143 | 31,295,143 | 31,295,143 |
| 2038-2042 | - | - | - | 7,595,000 | 871,024 | 8,466,024 | 8,466,024 |
| Total | \$2,705,000 | \$500,125 | \$3,205,125 | \$133,270,000 | \$105,810,862 | \$239,080,862 | \$242,285,987 |

The Series 2004 Bonds were issued for the purpose of constructing a new Student Union and Recreation Center building, including a dining center, bookstore, and associated parking, capitalizing interest on the portion of the Series 2004 Bonds allocable to the SUB/Rec project through May 1, 2006, renovating a residence hall on the university's main campus, and paying costs of issuance of the Series 2004 Bonds.

Optional Redemption - the Series 2004 Bonds maturing on May 1, 2006, through 2014, inclusive, are issued without the right or option of the university to redeem those maturities prior to their stated maturity dates. The university reserves the right and option to redeem the Series 2004 Bonds maturing on or after May 1, 2015, prior to their stated maturity dates at any time on or after May 1, 2014, as a whole or in part (within one or more maturities selected by the university and randomly within a maturity in such manner as the fiscal agent shall determine), at a price of par plus accrued interest to the date of redemption. These bonds were issued in the amount of $\$ 64,080,000$ and have $\$ 56,765,000$ of principal outstanding as of June 30, 2012.

The Series 2008 Bonds were issued for the purpose of constructing a new student residence hall, capitalizing interest on the Series 2008 Bonds through August 31, 2009, and paying costs of issuance of the Series 2008 Bonds. The bonds were issued in the amount of $\$ 36,495,000$ and have $\$ 34,375,000$ of principal outstanding as of June 30, 2012.

The Series 2010 Bonds were issued for the purpose of constructing a new student residence hall, capitalizing interest on the Series 2010 Bonds through May 1, 2012. The Series A bonds were issued in the original amount of $\$ 2,515,000$ the Series B bonds were issued in the original amount of $\$ 31,950,000$ and have $\$ 34,465,000$ of principal outstanding as of June 30, 2012.

The Series B bonds were issued under the American Reinvestment and Recovery Act (ARRA) Build America bond program as taxable bonds. Under this program the university expects to receive a subsidy from the United States federal government equal to $35 \%$ of interest paid until maturity. The subsidy received during fiscal year 2012 was $\$ 688,923$. This amount is reported as non-operating revenue on the Statement of Revenues, Expenses, and Change in Net Assets.

[^2]
## NOTE 12 - BONDS PAYABLE - ADVANCE REFUNDING of 2002 BONDS

On April 17th, 2012, the System issued $\$ 7,665,000$ million in Revenue Bonds with an average interest rate of 3.33 percent to advance refund $\$ 7,520,000$ of outstanding 2002 Series bonds with an average interest rate of 5.3 percent. The net proceeds of $\$ 7,720,000$ (after payment of $\$ 225,000$ in underwriting fees and other issuance costs) plus an additional $\$ 190,000$ of 2002 Series bond fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2002 Series bonds. As a result, the 2002 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

Although the advance refunding resulted in the recognition of an accounting loss of \$145,000 for the year ended June 30, 2012, the System in effect reduced its aggregate debt service payments by almost $\$ 1,600,000$ over the next 20 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of $\$ 1,300,000$.

## NOTE 13 - LEASES/CONTRACTS PAYABLE

In August 2002, the university entered a 20-year lease/purchase agreement for $\$ 5,145,000$ with the Office of the State Treasurer to pay for a portion of an instructional building at Edmonds Community College to house the CWULynnwood Center. Average annual payments are $\$ 384,000$ to be paid from tuition revenues for 20 years.
Under the terms of the project contract, Edmonds Community College receives ownership of the building and Central Washington University has a tenant right in perpetuity.

On March 29, 2012 the State of Washington in conjunction with the Certificate of Participation (COP) program issued $\$ 3,345,000$ in Washington General Obligation Bonds with an average interest rate of $2.28 \%$ on behalf of the University to defease $\$ 3,350,000$ in General Obligation Bonds with an average interest rate of $4.37 \%$ issued on August 15, 2002. This refunding will save the University $\$ 341,851$ over the remaining life of the lease. The University made its' required principal payment in fiscal year 2012 of $\$ 230,000$ prior to the refunding.

During 2010 the university entered into an option to purchase agreement for three lots on University Way for $\$ 1,030,000$. The option is for a term of 10 years and may be exercised anytime during that term. The university is using an imputed interest rate of $3.70 \%$ to value the land purchase.

Leases/Contracts Payable for the two-year period ended June 30, 2012:

| Contract \# | Contract Name | \% Rate | Original <br> Issue | Balance <br> June 30, 2012 | Balance <br> June 30, 2011 |  |
| :--- | :--- | :---: | :---: | ---: | ---: | ---: |
| 0008 | Edmonds COP | 4.42 | $5,145,000$ | $\$$ | - | $\$ 3,580,000$ |
| S375-11-1 | Edmonds COP 2012 | 2.28 | $3,345,000$ | $3,345,000$ | - |  |
| 10-03-007 | University Way Land Purchase Option | 3.70 |  | 871,356 | - | 384,858 |
| Total |  |  | $\underline{\$ 9,361,356}$ | $\mathbf{\$ 3 , 3 4 5 , 0 0 0}$ | $\mathbf{\$ 3 , 9 6 4 , 8 5 8}$ |  |

The university's payments for the next five years and thereafter are as follows:

|  | Principal | Interest | Total |
| :---: | ---: | ---: | ---: |
| 2013 | $\$ 250,000$ | $\$ 104,713$ | $\$ 354,713$ |
| 2014 | 275,000 | 78,400 | 353,400 |
| 2015 | 280,000 | 72,900 | 352,900 |
| 2016 | 290,000 | 67,300 | 357,300 |
| 2017 | 295,000 | 61,500 | 356,500 |
| $2018-2022$ | $1,605,000$ | 196,600 | $1,801,600$ |
| $2023-2027$ | 350,000 | 10,500 | 360,500 |
| Total | $\mathbf{\$ 3 , 3 4 5 , 0 0 0}$ | $\mathbf{\$ 5 9 1 , 9 1 3}$ | $\mathbf{\$ 3 , 9 3 6 , 9 1 3}$ |

## NOTE 14 - RETIREMENT PLANS

The university participates in eight contributory retirement plans: the Central Washington University Retirement Plan (CWURP), a defined contribution retirement plan with supplemental payment, when required; the Public Employees Retirement System (PERS) plans 1, 2, and 3; the Teachers Retirement System (TRS) plans 1, 2, and 3; and the Law Enforcement Officers and Fire Fighters (LEOFF) plan 2.

## Central Washington University Retirement Plan:

Plan Description: Faculty, civil service exempt staff, and other salaried employees are eligible to participate in the Central Washington University Retirement Plan, a defined contribution plan administered by the university. Contributions to the plan are invested in annuity contracts or mutual fund accounts. Employees have, at all times, a 100 percent vested interest in their accumulations.

Benefits from fund sponsors are available upon separation or retirement at the member's option. RCW 28.B.10.400 assigns the authority to establish and amend benefit provisions to the Central Washington University board of trustees.

The plan has a supplemental payment component, which guarantees a minimum retirement benefit to eligible retirees based upon a one-time calculation at the employee's retirement date. The university makes direct payments to qualifying retirees when the retirement benefits provided by the fund sponsors do not meet the benefit goals.

Funding Policy: Employee contribution rates, based on age, are 5 percent, 7.5 percent, or 10 percent of salary. The university matches the contributions of employees. Within parameters established by the legislature, contribution requirements may be established or amended by Central Washington University's board of trustees. Employee and employer contributions for the year ended June 30, 2012, were $\$ 4,110,926$ and $\$ 4,110,926$ respectively.

The supplemental payment component of the Central Washington University Retirement Plan is financed on a pay-as-you-go basis. The annual required contribution for fiscal year 2012 was $\$ 696,000$.

## CWU Supplemental Retirement Plan Disclosure

Supplemental Component (Unaudited): The university received an actuarial evaluation of the supplemental component of the CWURP for fiscal year 2011. The previous evaluation was performed in 2009. The Unfunded Actuarial accrued Liability (UAL) calculated as of June 30, 2011 and 2009, was \$6,599,000 and \$5,774,000 respectively, and is amortized over a 13 year period. The Annual Required Contribution (ARC) of $\$ 696,000$ consists of amortization of the UAL $(\$ 533,000)$ and normal cost (or current cost) $(\$ 148,000)$. The UAL and ARC were established using the entry age normal cost method. The actuarial assumptions included an investment rate of return of 4.25 percent and projected salary increases ranging from 2 percent to 4 percent. Approximately $\$ 47,836,146$ and $\$ 47,077,747$ of CWU's payroll were covered under this plan during 2012, and 2012, respectively. The following table reflects the activity in the Net Pension Obligation (NPO) for the year ended June 30, 2012:

| Net Pension Obligation |  |
| :---: | :---: |
| Balance as of June 30, 2009 | \$721,913 |
| Annual required contribution fiscal year 2010 | 612,000 |
| Payments to beneficiaries fiscal year 2010 | $(143,910)$ |
| Balance as of June 30, 2010 | 1,190,003 |
| Annual required contribution fiscal year 2011 | 696,000 |
| Payments to beneficiaries fiscal year 2011 | $(187,782)$ |
| Balance as of June 30, 2011 | 1,698,221 |
| Annual required contribution fiscal year 2012 | 696,000 |
| Payments to beneficiaries fiscal year 2012 | $(250,425)$ |
| Balance as of June 30, 2012 | \$2,143,796 |

CWU reported the NPO balance as a long-term liability.
A. Public Employees Retirement System plans 1, 2, and 3; Teachers Retirement Systems plans 1, 2, and 3; Law Enforcement Officers and Fire Fighters plan 2:

Plan Description: Central Washington University contributes to PERS, TRS, and LEOFF; cost-sharing multipleemployer defined benefit pension plans administered by the Washington State Department of Retirement Systems.

PERS plan 1 and TRS plan 1 provide retirement and disability benefits, and minimum benefit increases, beginning at any age with 30 years of service, or at age 55 with 25 years of service, or at age 60 with five years of service to eligible members hired prior to October 1, 1977.

PERS plan 2 and TRS plan 2 provide retirement and disability benefits, and a cost-of-living allowance, beginning at age 65 with five years of service, or an actuarially reduced benefit beginning at age 55 with 20 years of service, to eligible members hired on or after October 1, 1977.

LEOFF plan 2 provides retirement and disability benefits, and a cost-of-living allowance, beginning at age 53 with five years of service, or an actuarially reduced benefit beginning at age 50 with 20 years of service, to eligible law enforcement officer members hired on or after October 1, 1977.

PERS plan 3 and TRS plan 3 are hybrid defined-benefit and defined-contribution plans. University contributions fund the defined benefit component, providing retirement and disability benefits, and a cost-of-living allowance, beginning at age 65 with minimum service requirements, or an actuarially reduced benefit at age 55 with at least 10 years of service, to eligible members hired on or after July 1, 1996, and those who transferred from PERS plan 2 and TRS plan 2. Member contributions are fully vested in the defined contribution component of the plan and funds are available at separation or retirement at the member's option.

The authority to establish and amend benefit provisions for PERS, TRS, and LEOFF plans resides with the legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Department of Retirement Systems, P.O. Box 48380, Olympia, Washington 98504-8380.

Funding Policy: The office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS, TRS, and LEOFF. Plan 1 members are required by statute to contribute 6 percent of their annual covered salary. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. Plan 3 members elect their contribution rate at employment from both flat and aggregated rate plans varying from 5 percent to 15 percent of annual covered salary. The contribution rates at June 30, 2012, were as follows:

| PERS, TRS, AND LEOFF CONTRIBUTION RATES |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Plan | Member | University | Member | University | Member | University |
| PERS I | 6.00\% | 7.08\% | 6.00\% | 5.31\% | 6.00\% | 5.31\% |
| PERS II | 4.64\% | 7.08\% | 3.90\% | 5.31\% | 3.90\% | 5.31\% |
| PERS III | VARIOUS | 7.08\% | VARIOUS | 5.31\% | VARIOUS | 5.31\% |
| LEOFF II | 8.46\% | 8.62\% | 8.46\% | 8.62\% | VARIOUS | 6.14\% |
| TRS I | 6.00\% | 8.04\% | 6.00\% | 6.14\% | 6.00\% | 6.14\% |
| TRS II | 4.69\% | 8.04\% | 3.36\% | 6.14\% | 3.36\% | 6.14\% |
| TRS III | VARIOUS | 8.04\% | VARIOUS | 6.14\% | VARIOUS | 6.14\% |

University and member contributions for the current year and two previous years were as follows:

| PERS, T | FF, AND | CWURP | IBUTION |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  | 20 |  | 201 |  | 20 |  |
| Plan | Member | University | Member | University | Member | University |
| PERS I | \$84,491 | \$101,103 | \$86,881 | \$76,890 | \$129,602 | \$114,627 |
| PERS II | 925,217 | 1,433,440 | 755,775 | 1,058,715 | 808,373 | 1,100,408 |
| PERS III | 391,748 | 443,292 | 368,910 | 311,506 | 381,719 | 317,483 |
| LEOFF II | 64,363 | 65,580 | 66,426 | 67,682 | 65,050 | 66,281 |
| TRS I | 17,036 | 22,427 | 19,812 | 20,274 | 18,719 | 20,049 |
| TRS II | 8,199 | 14,118 | 4,776 | 8,728 | 5,022 | 9,304 |
| TRS III | 35,593 | 32,563 | 19,652 | 15,753 | 18,429 | 16,900 |
| CWURP | 4,110,926 | 4,110,926 | 4,049,239 | 4,048,497 | 4,035,685 | 4,036,427 |
| Total | \$5,637,573 | \$6,223,449 | \$5,471,471 | \$5,608,045 | \$5,462,599 | \$5,681,479 |

## NOTE 15-DEFERRED COMPENSATION

The university, through the state of Washington, offers its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. Under the plan, eligible employees can elect to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable financial emergency.

## NOTE 16 - RELATED PARTY TRANSACTIONS

The Central Washington University Foundation is organized to operate exclusively for the purposes of encouraging, promoting, and supporting educational programs and scholarly pursuits at or in conjunction with Central Washington University. The foundation provided $\$ 1,583,847$ in scholarships and program support to the university during the fiscal year ending June 30, 2012. Detailed financial information for the foundation may be obtained from its administrative office.

Summary financial information of the Central Washington University Foundation as of, and for, the years ended:

## CWU FOUNDATION FINANCIAL INFORMATION

June 30, 2012
Temporarily Permanently

|  | Unrestricted | Restricted | Restricted | Total 2012 |
| :---: | :---: | :---: | :---: | :---: |
| Income | \$2,282,551 | $(\$ 308,458)$ | \$494,194 | \$2,468,287 |
| Expenses | 2,217,550 | - | 3,375 | 2,220,925 |
| Change in net assets | 65,001 | $(308,458)$ | 490,819 | 247,362 |
| Net assets at beginning of year | 914,766 | 6,230,390 | 10,891,147 | 18,036,303 |
| Net assets at end of year | \$979,767 | \$5,921,932 | \$11,381,966 | \$18,283,665 |

## CWU FOUNDATION FINANCIAL INFORMATION

|  | June 30, 2011 |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2011 |
| Income | \$3,338,797 | \$1,674,204 | \$396,908 | \$5,409,909 |
| Expenses | 2,394,894 |  |  | 2,394,894 |
| Change in net assets | 943,903 | 1,674,204 | 396,908 | 3,015,015 |
| Net assets at beginning of year | $(29,137)$ | 4,556,186 | 10,494,239 | 15,021,288 |
| Net assets at end of year | \$914,766 | \$6,230,390 | \$10,891,147 | \$18,036,303 |

## NOTE 17 - COMMITMENTS AND CONTINGENT LIABILITIES

The university had outstanding commitments under construction contracts of approximately $\$ 5,880,828$ at June 30, 2012. The university is party to various lawsuits arising out of the normal conduct of its operations. In the opinion of university management, the ultimate resolution of these matters will not have a material adverse effect upon the university's financial position. The university participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agencies for expenditures disallowed under terms of the grants. Management believes disallowances, if any, will not be material.

The Risk Management Act of Washington State provides a $\$ 5,000,000$ self-insurance policy applying to all exposure to tort, general damage, and vehicle liability. The university purchases commercial property insurance for auxiliary enterprise buildings that were acquired with bond proceeds.

In accordance with state policy, the university self-insures unemployment compensation for all employees. Payments for state general fund employees are appropriated by the state. The university assesses local funds, a semimonthly payroll expense for unemployment compensation for all local fund employees. Charges for all local funds are based on employee earnings. The percentage charged is based primarily upon claims experience. Cash reserves for unemployment compensation for all local fund employees at June 30, 2012, were $\$ 390,572$. Payments made to state general fund employees and all local fund employees are as follows:

| UNEMPLOYMENT COMPENSATION PAID |  |  |  |
| :--- | :--- | ---: | ---: | ---: |
|  | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 1}$ | $\mathbf{2 0 1 0}$ |
| State fund | $\$ 85,412$ | $\$ 117,950$ | $\$ 167,568$ |
| Local fund | $\$ 109,218$ | $\$ 131,940$ | $\$ 94,564$ |

## NOTE 18 - OPERATING EXPENSES BY NATURAL CLASSIFICATION

The statement of revenues, expenses, and changes in net assets displays operating expenses by functional classification. The following table summarizes operating expenses by natural classification for the years ended:

| OPERATING EXPENSES BY NATURAL CLASSIFICATION |  |  |
| :---: | :---: | :---: |
|  | June 30, 2012 | June 30, 2011 |
| Compensation and benefits | \$113,935,614 | \$113,300,984 |
| Goods and services | 46,406,472 | 49,769,321 |
| Scholarships and fellowships | 18,248,526 | 22,362,887 |
| Depreciation | 16,011,773 | 15,885,890 |
| Total | \$194,602,385 | \$201,319,082 |

## NOTE 19 - PLEDGED REVENUES

The university has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds. The revenue bonds are obligations of the university's reporting segment referred to as "The System" (Note 19) with all revenues pledged as a whole to all debt service repayment. The following is a schedule of the pledged revenues and related debt:

| Source of Revenue Pledged | 2012 <br> Revenues Pledged | $\begin{gathered} 2012 \\ \text { Debt Service } \end{gathered}$ | Total Future Revenues Pledged* | Description of Debt | Purpose of Debt | Term of Commitment |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  <br> Activity Fees | \$3,326,952 | \$2,801,839 | \$61,662,673 | Series 2004 <br> Bonds | Construction of new Student Union Building \& Recreation Center (SURC) | 2034 |
| Bookstore Revenues | \$38,420 | \$228,289 | \$5,024,178 | Series 2004 <br> Bonds | Construction of new bookstore as part of the new SURC | 2034 |
| Housing \& Dining Revenues | \$2,571,375 | \$6,333,580 | \$172,394,011 | $\begin{gathered} \text { Series } \\ 2002,2004, \\ 2008,2010 \\ \text { Bonds } \end{gathered}$ | Remodel of Kamola Hall 2002, new Dining Facilities in SURC/Sue Lombard remodel 2004, and construction of Wendell Hill Hall 2008 | 2040 |
| Total | \$5,936,747 | \$9,363,708 | \$239,080,862 |  |  |  |

*Total future principal and interest payments on debt.

## NOTE 20 - SEGMENT INFORMATION

Central Washington University's System operates the Student Union \& Recreation Center, residence halls, apartment complexes, a conference program, dining facilities, parking services and the Wildcat Shop bookstore located on the Ellensburg campus. The system owns its buildings, while the university owns the land. The system issues revenue bonds from time to time to renovate and build new facilities. The system pledges its net revenues to cover the costs of debt service, for accounting purposes the system is considered a segment of the university.

Presented below are condensed financial statements for the system.
CONDENSED STATEMENT OF NET ASSETS

|  | June 30, 2012 | June 30, 2011 |
| :---: | :---: | :---: |
| Assets |  |  |
| Current assets | \$32,499,796 | \$30,877,660 |
| Non-current assets | 155,082,567 | 157,626,791 |
| Total assets | 187,582,363 | 188,504,451 |
|  |  |  |
| Liabilities |  |  |
| Current liabilities | 7,232,489 | 6,417,183 |
| Non-current liabilities | 132,656,722 | 135,295,112 |
| Total liabilities | 139,889,211 | 141,712,295 |
| Net assets |  |  |
| Capital assets, net of related debt | 19,450,317 | 20,207,207 |
| Unrestricted | 28,242,835 | 26,584,949 |
| Total net assets | \$47,693,152 | \$46,792,156 |


| CONDENSED STATEMENT OF REVENUES, |  |  |
| :--- | ---: | ---: |
| EXPENSES, AND CHANGES IN NET ASSETS |  |  |
| Operating revenues | $\$ 51,440,156$ | $\$ 52,325,883$ |
| Operating expenses | $42,006,360$ | $40,086,346$ |
| Depreciation | $3,439,015$ | $3,454,132$ |
| $\quad$ Net operating income (loss) | $5,994,781$ | $8,785,405$ |
| Non-operating revenues (expenses) |  |  |
| $\quad$ Investment income | $(5,627,860)$ | $(5,406,577)$ |
| $\quad$ Interest on indebtedness | - | - |
| $\quad$ Gain /(Loss) on Disposition of Asset | 534,075 | 282,391 |
| $\quad$ Other non-operating revenue (expense), net | 900,996 | $3,662,003$ |
| $\quad$ Total increase in net assets | $46,792,156$ | $43,130,153$ |
| $\quad$ Total net assets, beginning of year | $\mathbf{\$ 4 7 , 6 9 3 , 1 5 2}$ | $\mathbf{\$ 4 6 , 7 9 2 , 1 5 6}$ |
| Total net assets, end of year |  |  |

CONDENSED STATEMENT OF CASH FLOWS

| Net cash flows provided by |  |  |
| :--- | ---: | ---: |
| $\quad$ Operating activities | $\$ 9,684,832$ | $\$ 11,689,107$ |
| $\quad$ Non-capital financing activities | $16,193,291$ | $(16,192,508)$ |
| Investing activities | $(28,358,318)$ | $19,502,436$ |
| Capital and related financing | $(2,480,195)$ | $14,999,035$ |
| Net increase (decrease) in cash | $39,033,975$ | $24,034,940$ |
| Cash - beginning of year | $\mathbf{\$ 3 6 , 5 5 3 , 7 8 0}$ | $\mathbf{\$ 3 9 , 0 3 3 , 9 7 5}$ |

## NOTE 21 - SUBSEQUENT EVENTS

As of June 30, 2012 the university owned $\$ 1,600,000$ in Greater Wenatchee Regional Events Center Public Facilities District Municipal Bond Anticipation Notes with a maturity date of December 1, 2011. The notes were not redeemed on their due date and the event center went into technical default.

On September 28, 2012 the Greater Wenatchee Regional Events Center successfully issued bonds to pay off the bonds in default. The University received both the principal and interest payments due, so as previously reported the contingency of possibly having a $\$ 1,600,000$ investment loss is no longer applicable.

## Appendix I - Bond Continuing Disclosure Information

## Exhibit I

| Central Washington University |  |  |
| :---: | :---: | :---: |
| Budgeted Versus Actual Enrollment Average Annual FTE |  |  |
|  |  |  |
| Year | Budgeted | Actual |
| 2011-12 | 8,808 | 9,581 |
| 2010-11 | 8,808 | 9,982 |
| 2009-10 | 8,469 | 9,673 |
| 2008-09 | 9,322 | 9,082 |
| 2007-08 | 8,952 | 8,931 |
| 2006-07 | 8,692 | 9,204 |

## Exhibit II

| Central Washington University |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Enrollment Statistics (IPEDS) |  |  |  |  |  |
| For Fiscal Years Ended June 30 |  |  |  |  |  |
|  | 2012 | 2011 | 2010 | 2009 | 2008 |
| Fall Quarter Headcount |  |  |  |  |  |
| Undergraduates |  |  |  |  |  |
| Full-time | 9,435 | 9,929 | 9,315 | 8,728 | 8,684 |
| Part-time | 1,335 | 1,423 | 1,450 | 1,453 | 1,295 |
| Total undergraduates | 10,770 | 11,352 | 10,765 | 10,181 | 9,979 |
| Graduates |  |  |  |  |  |
| Full-time | 391 | 336 | 337 | 266 | 260 |
| Part-time | 159 | 226 | 255 | 215 | 266 |
| Total graduates | 550 | 562 | 592 | 481 | 526 |
| Total - undergraduates and graduates |  |  |  |  |  |
| Full-time | 9,826 | 9,965 | 9,652 | 8,994 | 8,944 |
| Part-time | 1,494 | 1,649 | 1,705 | 1,668 | 1,561 |
| Total - full- and part-time | 11,320 | 11,614 | 11,357 | 10,662 | 10,505 |
|  |  |  |  |  |  |
| Fall quarter FTE | 10,411 | 10,430 | 10,213 | 9,610 | 9,477 |
|  |  |  |  |  |  |
|  | 2012 | 2011 | 2010 | 2009 | 2008 |
| Freshmen |  |  |  |  |  |
| Applications | 4,553 | 4,856 | 4,960 | 5,013 | 4,602 |
| Percent applicants admitted | 78\% | 81\% | 83\% | 79\% | 80\% |
| Enrolled | 1,383 | 1,667 | 1,660 | 1,559 | 1,477 |
| Enrolled percent of admissions | 39\% | 42\% | 41\% | 39\% | 40\% |
| Transfer Students |  |  |  |  |  |
| Applications | 2,721 | 2,702 | 2,409 | 2,189 | 2,264 |
| Percent applicants admitted | 82\% | 83\% | 87\% | 82\% | 83\% |
| Enrolled | 1,624 | 1,461 | 1,509 | 1,124 | 1,122 |
| Enrolled percent of admissions | 73\% | 65\% | 72\% | 62\% | 60\% |

## Exhibit III

## Central Washington University Historical Operations for the System <br> For Fiscal Years Ended June 30

|  | 2012 | 2011 | 2010 | 2009 | 2008 |
| :---: | :---: | :---: | :---: | :---: | :---: |
| Gross Revenue |  |  |  |  |  |
| Housing and dining | \$27,555,019 | \$28,573,970 | \$28,398,100 | \$25,243,319 | \$22,788,956 |
| Services and activities | 13,253,713 | 12,441,403 | 12,161,217 | 10,766,709 | 10,312,005 |
| University store | 9,603,869 | 10,202,361 | 9,582,170 | 8,578,382 | 7,832,266 |
| Parking | 1,027,555 | 1,108,149 | 1,043,371 | 1,047,956 | 937,813 |
| Total gross revenue | 51,440,156 | 52,325,883 | 51,184,858 | 45,636,366 | 41,871,040 |
| Operating Expenses ${ }^{(1)}$ |  |  |  |  |  |
| Housing and dining | 22,558,681 | 21,421,338 | 21,247,615 | 19,906,139 | 18,022,469 |
| Services and activities | 8,966,502 | 8,325,306 | 8,097,231 | 7,260,816 | 6,410,775 |
| University store | 9,464,942 | 9,315,245 | 8,882,270 | 8,064,425 | 7,567,604 |
| Parking | 1,016,236 | 1.024,457 | 956,000 | 692,115 | 778,674 |
| Total operating expenses | 42,006,361 | 40,086,346 | 39,183,116 | 34,923,495 | 32,779,522 |
| Net revenue | \$9,433,795 | \$12,239,537 | \$12,001,742 | \$10,712,871 | \$9,091,518 |
| Total debt service ${ }^{(2)}$ | \$7,269,606 | \$7,271,036 | \$6,956,720 | \$5,090,119 | \$4,963,561 |

(1) Excludes depreciation
(2) Excludes capitalized interest

## Exhibit IV

| Central Washington University |  |  |  |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| Schedule of System Revenue Bond Debt Service |  |  |  |  |  |  |  |  |  |
|  | $\begin{gathered} \text { The } \\ 2004 \\ \hline \end{gathered}$ | Series <br> Bonds | $\begin{gathered} \text { The S } \\ 2008 \text { F } \end{gathered}$ | Series <br> Bonds | $\begin{gathered} \text { The S } \\ 2010 \text { E } \end{gathered}$ | eries <br> Bonds | $\begin{array}{r} \text { The S } \\ 2012 \text { I } \end{array}$ | eries <br> Bonds |  |
| Year | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Total |
| 2013 | 1,425,000 | 2,928,419 | 755,000 | 1,549,025 | 720,000 | 2,094,102 | 290,000 | 116,145 | 9,877,691 |
| 2014 | 1,505,000 | 2,853,606 | 785,000 | 1,522,600 | 725,000 | 2,083,302 | 305,000 | 226,490 | 10,005,998 |
| 2015 | 1,575,000 | 2,774,594 | 815,000 | 1,493,163 | 735,000 | 2,071,340 | 310,000 | 220,390 | 9,994,487 |
| 2016 | 1,660,000 | 2,691,906 | 845,000 | 1,462,600 | 585,000 | 2,056,640 | 315,000 | 214,190 | 9,830,336 |
| 2017 | 1,750,000 | 2,602,682 | 880,000 | 1,428,800 | 610,000 | 2,027,390 | 325,000 | 207,890 | 9,831,762 |
| 2018 | 1,850,000 | 2,508,619 | 915,000 | 1,393,600 | 645,000 | 1,996,890 | 325,000 | 201,390 | 9,835,499 |
| 2019 | 1,945,000 | 2,409,182 | 950,000 | 1,357,000 | 675,000 | 1,964,640 | 335,000 | 193,265 | 9,829,087 |
| 2020 | 2,050,000 | 2,304,638 | 985,000 | 1,319,000 | 1,290,000 | 1,930,890 | 345,000 | 184,890 | 10,409,418 |
| 2021 | 2,160,000 | 2,194,450 | 1,025,000 | 1,279,600 | 1,335,000 | 1,866,390 | 355,000 | 174,540 | 10,389,980 |
| 2022 | 2,280,000 | 2,078,350 | 1,070,000 | 1,237,319 | 1,375,000 | 1,799,640 | 365,000 | 163,890 | 10,369,199 |
| 2023 | 2,405,000 | 1,952,950 | 1,115,000 | 1,191,844 | 645,000 | 1,730,890 | 380,000 | 152,940 | 9,573,624 |
| 2024 | 2,535,000 | 1,820,675 | 1,160,000 | 1,144,456 | 665,000 | 1,693,480 | 390,000 | 141,540 | 9,550,151 |
| 2025 | 2,675,000 | 1,681,250 | 1,210,000 | 1,095,156 | 690,000 | 1,654,910 | 405,000 | 129,645 | 9,540,961 |
| 2026 | 2,805,000 | 1,547,500 | 1,265,000 | 1,042,219 | 1,515,000 | 1,614,890 | 415,000 | 116,483 | 10,321,092 |
| 2027 | 2,945,000 | 1,407,250 | 1,320,000 | 986,875 | 1,580,000 | 1,516,415 | 425,000 | 102,580 | 10,283,120 |
| 2028 | 3,095,000 | 1,260,000 | 1,380,000 | 927,475 | 1,650,000 | 1,413,715 | 445,000 | 87,917 | 10,259,107 |
| 2029 | 3,250,000 | 1,105,250 | 1,440,000 | 865,375 | 1,715,000 | 1,306,465 | 460,000 | 72,120 | 10,214,210 |
| 2030 | 3,410,000 | 942,750 | 1,510,000 | 798,775 | 1,790,000 | 1,194,990 | 475,000 | 55,330 | 10,176,845 |
| 2031 | 3,585,000 | 772,250 | 1,575,000 | 728,938 | 1,260,000 | 1,078,640 | 490,000 | 37,755 | 9,527,583 |
| 2032 | 3,760,000 | 593,000 | 1,650,000 | 656,094 | 1,320,000 | 991,070 | 510,000 | 19,380 | 9,499,544 |
| 2033 | 3,950,000 | 405,000 | 1,725,000 | 579,781 | 1,380,000 | 899,330 |  |  | 8,939,111 |
| 2034 | 4,150,000 | 207,500 | 1,810,000 | 500,000 | 1,440,000 | 803,420 |  |  | 8,910,920 |
| 2035 | - | - | 1,900,000 | 409,500 | 1,505,000 | 703,340 |  |  | 4,517,840 |
| 2036 | - | - | 1,995,000 | 314,500 | 1,575,000 | 598,743 |  |  | 4,483,243 |
| 2037 | - | - | 2,095,000 | 214,750 | 1,645,000 | 489,280 |  |  | 4,444,030 |
| 2038 | - | - | 2,200,000 | 110,000 | 1,720,000 | 374,952 |  |  | 4,404,952 |
| 2039 | - | - | - | - | 1,795,000 | 255,412 |  |  | 2,050,412 |
| 2040 | - | - | - | - | 1,880,000 | 130,660 |  |  | 2,010,660 |
| Total | \$56,765,000 | \$39,041,821 | \$34,375,000 | \$25,608,445 | \$34,465,000 | \$38,341,826\$ | \$7,665,000 | \$2,818,770 | \$239,080,862 |

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# FOSTER PEPPER ${ }_{\text {ruc }}$ 

## [FORM OF APPROVING LEGAL OPINION]

Central Washington University<br>Ellensburg, Washington<br>Re: Central Washington University \$53,415,000 System Revenue Refunding Bonds, Series 2013

We have served as bond counsel to Central Washington University (the "University") in connection with the issuance of the above-referenced bonds (the "Series 2013 Bonds"), and in that capacity have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion. As to matters of fact material to this opinion, we have relied upon representations contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

The Series 2013 Bonds are issued by the University pursuant to Restated Master Resolution No. 12-02 of the University (the "Master Resolution") and to Resolution No. 12-18 of the University, as supplemented by Resolution No. 13-02 (collectively, the "Series Resolution" and, together with the Master Resolution, the "Bond Resolution"), for the purpose of providing funds with which to pay a portion of the cost of advance refunding a portion of the University's outstanding Housing System Revenue Bonds, Series 2004, and to pay the costs of issuance of the Series 2013 Bonds, all as provided in the Bond Resolution.

Reference is made to the Series 2013 Bonds and the Bond Resolution for the definitions of capitalized terms used and not otherwise defined herein.

We have not been engaged to review and thus express no opinion concerning the completeness or accuracy of any official statement, offering circular or other sales or disclosure material relating to the issuance of the Series 2013 Bonds or otherwise used in connection with the Series 2013 Bonds.

Under the Internal Revenue Code of 1986, as amended (the "Code"), the University is required to comply with certain requirements after the date of issuance of the Series 2013 Bonds in order to maintain the exclusion of the interest on the Series 2013 Bonds from gross income for federal income tax purposes, including, without limitation, requirements concerning the qualified use of Series 2013 Bond proceeds and the facilities refinanced with Series 2013 Bond proceeds, limitations on investing gross proceeds of the Series 2013 Bonds in higher yielding investments in certain circumstances and the arbitrage rebate requirement to the extent applicable to the Series 2013 Bonds. The University has covenanted in the Bond Resolution to comply with those requirements, but if the University fails to comply with those requirements, interest on the Series 2013 Bonds could become taxable retroactive to the date of issuance of the Series 2013 Bonds. We have not undertaken and do not undertake to monitor the University's compliance with such requirements.

Based upon the foregoing, as of the date of initial delivery of the Series 2013 Bonds to the purchaser thereof and full payment therefor, it is our opinion that under existing law:

1. The University is a regional university of the State of Washington duly organized and legally existing under the laws of the State of Washington.
2. The Series 2013 Bonds have been duly authorized and executed by the University and are issued in full compliance with the provisions of the Constitution and laws of the State of Washington and the resolutions of the University relating thereto.

## C-1

3. The Series 2013 Bonds constitute valid obligations of the University payable solely out of the Gross Revenue to be paid into the Bond Fund, except only to the extent that enforcement of payment may be limited by bankruptcy, insolvency or other laws affecting creditors' rights and by the application of equitable principles and the exercise of judicial discretion in appropriate cases.
4. The Series 2013 Bonds are not general obligations of the University, the State of Washington, its agencies, instrumentalities or political subdivisions. The University does not have taxing power.
5. Assuming compliance by the University after the date of issuance of the Series 2013 Bonds with applicable requirements of the Code, the interest on the Series 2013 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax applicable to individuals; however, while interest on the Series 2013 Bonds also is not an item of tax preference for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2013 Bonds received by corporations is to be taken into account in the computation of adjusted current earnings for purposes of the alternative minimum tax applicable to corporations, interest on the Series 2013 Bonds received by certain S corporations may be subject to tax, and interest on the Series 2013 Bonds received by foreign corporations with United States branches may be subject to a foreign branch profits tax. We express no opinion regarding any other federal tax consequences of receipt of interest on the Series 2013 Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

We bring to your attention the fact that the foregoing opinions are expressions of our professional judgment on the matters expressly addressed and do not constitute guarantees of result.

Respectfully submitted,

## Appendix D Book-Entry Transfer System

## BOOK-ENTRY TRANSFER SYSTEM

The information in this section concerning the Depository Trust Company, New York, New York ("DTC") and DTC's bookentry system has been obtained from DTC's website at www.dtcc.com and the University takes no responsibility for the accuracy thereof. Beneficial Owners (as hereinafter defined) should therefore confirm the following with DTC or the Participants (as hereinafter defined). For purposes of this section, references to the Issuer mean the University, and references to Agent mean the Bond Registrar. For the purposes of this Official Statement, the term "Beneficial Owner" includes the person for whom the Participant acquires an interest in the Series 2013 Bonds.

1. DTC will act as securities depository for the Bonds. The Series 2013 Bonds will be issued as fully-registered in the name of Cede \& Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the principal amount of such maturity and will be deposited with DTC.
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust \& Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing services. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard \& Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org (which are not incorporated herein by these references).
3. Purchases of the Series 2013 Bonds under the DTC system, in denominations of $\$ 5,000$ or any integral multiple thereof, must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.
4. To facilitate subsequent transfers, all Series 2013 Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede \& Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede \& Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.
5. When notices are given, they will be sent by the Agent to DTC only. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.
6. Redemption notices will be sent to DTC. If less than all of the Series 2013 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede \& Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede \& Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Series 2013 Bonds will be made to Cede \& Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede \& Co. (or any other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Bond Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. DTC may discontinue providing its services as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the Issuer and the Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2013 Bond certificates are required to be printed and delivered.
10. Issuer may decide to discontinue use of the system of the book-entry transfers through DTC (or a successor securities depository). In that event, Series 2013 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

# APPENDIX E <br> MASTER AND SERIES RESOLUTIONS 

This Master Resolution restates the Master Resolution No. 02-03 adopted on May 10, 2002, by adopted on May 26, 2004, including certain provisions approved by Bondowners on June 10, 2004, and by Resolution No. 10-10 adopted on October 1, 2010. This Restated Master
Resolution was adopted as Resolution No. 12-02 by the Board of Trustees on February 3, A RESOLUTION of the Board of Trustees of Central Washington University
repealing Resolution No. $94-3$; authorizing special fund revenue bonds of the
housing system to be issued in series to finance and refinance facilities for the
system; creating and establishing a lien upon gross revenue of the system for the
payment of such bonds; establishing a system of registration of bonds and
obligations of the University; establishing a bond redemption fund and other
funds; and making covenants and agreements in connection with the foregoing.
ADOPTED February 3, 2012
Prepared by:
Foster Pepper PLLC
1111 Third Avenue, Suite 3400
Seattle, Washington 98101
(206) 447-4400
Page

WHEREAS, Central Washington University (the "University") maintains a housing system (hereinafter defined more specifically as the "System") which is in need of expansion,
WHEREAS, the Board of Trustees deems it advisable and in the best interest of the University and the System to establish a lien for special fund revenue bonds of the System
hereafter issued for any of its legal purposes under the provisions, terms and conditions of this
 resolution shall be payable solely from and shall constitute a lien and charge against gross revenue of the System; and
 be in registered form as a condition of the exclusion from gross income for federal income tax purposes of the interest on those bonds and obligations; and
WHEREAS, RCW 39.46.030 authorizes the University to establish a system of registering
the ownership of its bonds or obligations as to principal and interest, or principal only; ds or obligations as to principal and interest, or principal only;
RECITALS FROM RESOLUTION NO. 04-01:
 the Board of Trustees (the "Board") of Central Washington University (the "University"),
authorized special fund revenue bonds ("Bonds") of the housing system of the University to be authorized special fund revenue bonds ("Bonds") of the housing system of the University to be
issued in series to finance and refinance facilities for the housing system of the University, which
BOARD OF TRUSTEES
CENTRAL WASHINGTON UNIVERSITY

## Z0-ZI ON NOLLOTOSAY NOILOTOSGY YGLSHW GGLLULSEY SGNOG <br> CENRAL WASHINGTON UNIVERSITY

$\begin{aligned} & \text { payment of such bonds; establishing a system of registration of bonds and } \\ & \text { obligations of the University; establishing a bond redemption fund and other }\end{aligned}$
funds; and making covenants and agreements in connection with the foregoing.

## \&0-Z0 'ON NOILOTOSAY NOYA STVLIOGY

 renovation and improvement from time to time; andWHEREAS, pursuant to Resolution No. 02-04 adopted May 10, 2002, the University issued its Housing System Revenue Bonds, Series 2002 (the "Series 2002 Bonds"), in the original principal amount of $\$ 9,200,000$ as a first series of Bonds under the Original Resolution;
and

WHEREAS, pursuant to Resolution No. 04-03 adopted March 12, 2004, the University
contemplated amendments to the Original Resolution adjusting the reserve requirement and contemplated amendments to the Original Resolution adjusting the reserve requirement and
coverage covenant, which amendments would require Bondowners consent, and provided for a vote by proxy in accordance with Sections 15 through 23 of the Original Resolution; and

WHEREAS, the Board of Trustees deems it advisable and in the best interest of the
University to amend the Original Resolution as set forth herein; University to amend the Original Resolution as set forth herein;

RECITALS FROM RESOLUTION NO. 10-10:
 Washington University (the "University") adopted its Resolution No. 02-03 (as amended and supplemented from time to time, the "Master Resolution") authorizing the University to issue certain special fund revenue bonds ("Bonds") from time to time;

WHEREAS, Section 14 of the Master Resolution authorizes the University to amend the
Master Resolution, without the consent or concurrence of the owner of any Bond, for any of the following purposes (among others):
"To add covenants and agreements of the University for the purpose of
further securing the payment of the Bonds, if such additional covenants and
agreements are not contrary to or inconsistent with the covenants and agreements agreements are not contrary to or inconsistent with the covenants and agreements
of the University contained in this resolution;"
"To cure any ambiguity or defect or inconsistent provision in this resolution or to insert such provisions clarifying matters or questions arising under this resolution as are necessary or desirable, but only if such modifications
shall not materially and adversely affect the rights of any owners;" or
"To modify any of the provisions of this resolution in any other respects,
including, but not limited to, changes at the request of Rating Agencies or providers of Credit Facilities, but only if such modifications shall not materially


WHEREAS, pursuant to Resolution No. 04-01, adopted by the Board on May 26, 2004, the Board amended and supplemented various provisions of the Master Resolution;

WHEREAS, with the enactment of the American Recovery and Reinvestment Tax Act of
2009, the United States Congress authorized the Secretary of Treasury to make payments under

"system" was defined to include, but not be limited to, lands, buildings and facilities for housing,
dining and conferences, and any other facilities financed pursuant to the provisions set forth in Section 8 of the Original Resolution; and
WHEREAS, Section 8 of the Original Resolution permits Bonds to be issued "for any purpose of the University now or hereafter permitted by law and this resolution," provided that
the Bonds are issued consistent with Sections 8 and 11 of the Original Resolution, and the Bonds are issued consistent with Sections 8 and 11 of the Original Resolution; and
WHEREAS, RCW 28B.10.300 expressly authorizes the University to issue revenue bonds to finance, among other things, housing, dining, parking, student activities and "services of any kind for students," and to pledge to the repayment of those bonds the rentals, fees, charges and
other income derived from the ownership, operation and use of those facilities; and
WHEREAS, Section 14(b) of the Original Resolution authorized the University to adopt a resolution supplemental to the Original Resolution without the consent or concurrence of the owner of any Bonds "to add covenants and agreements of the University for the purpose of
further securing the payment of the Bonds, if such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the University contained in this resolution"; and
WHEREAS, the Board of Trustees (the "Board") desires to expand the scope of the System to include additional facilities for students, to issue additional Bonds therefor, and to add
the revenue from such facilities to further secure the payment of all the Bonds; and
 Student Union Building and a new Recreation Center and associated parking (collectively, the
WHEREAS, by Motion 01-28 adopted June 8, 2001, the Board established a student fee of $\$ 95$ per quarter for the Recreation Center and $\$ 64$ per quarter for the Student Union adopted by Motion 01-28 would be assessed at the beginning of the academic quarter following completion of each building, respectively, or the beginning of Spring Quarter, 2006, whichever occurs first, and the Board committed the proceeds of those fees to support the repayment of Bonds issued to finance those $S U B /$ Rec Project facilities; and
WHEREAS, pursuant to its authority under RCW 28B.15.045, the Services and Activities Fee Committee of the University (1) on February 3, 2003, approved an annual allocation of
student activities fees to the SUB/Rec Project, from July 1, 2003, until the retirement of Bonds student activies fees to the SUB/Rec Project, from July 1, 2003, until the retirene of Bonds and allocation, to bond financing for the SUB/Rec Project, of the student fees adopted by the Board for SUB/Rec Project; and
WHEREAS, through an amendment of the Original Resolution not requiring Bondowners consent, the Board desires to expand the definition of the System and to pledge revenue from the limitation revenue from the student fees described above, and to change from a net revenue pledge to a gross revenue pledge as security for the Bonds; and
 Bonds, in all years between the date of calculation and the final scheduled maturity thereof,
"Balloon Maturity Bonds" means any Bonds which are so designated in the Series Resolution pursuanith a maturity of no more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Bonds.
"Board" means the Board of Trustees of the University, or any successor thereto as
provided by law.
"Bond Fund" means the System Revenue Bond Fund (the "Bond Fund"), created and
established in Section 9 of this Master Resolution for the purpose of paying and securing the payment of any Parity Bonds.
"Bondowners' Truste"" or "Trustee" means a Trustee appointed in accordance with
Section 26 of this resolution.
"Bonds" means the bonds, notes or other evidences of indebtedness issued from time to time in series pursuant to and under authority of Section 8 hereof. The term "Bonds" may
include reimbursement obligations of the University to the issuer of a Credit Facility.



 amount equal to their Accreted Value.


"Consultant" means at any time an independent consultant recognized in higher
 Designated University Representative to perform the duties of the Consultant as required by this
 independent public accounting firm appointed by the Designated University Representative to
 the University for purposes of making such calculation.
 with the acquisition and construction of capital additions, improvements and betterments to and limiting the generality of the foregoing, paying all or a portion of the interest on the series of Bonds or any portion hereof issued to finance the costs of such improvements during the period

WHEREAS, the category of bonds for which such payments are authorized to be paid to issuers by the Secretary of Treasury was expanded by the Hiring Incentives to Restore Employment Act of 2010;

WHEREAS, the Board finds and determines that the Master Resolution does not anticipate the University's receipt of revenue pursuant io section related to the Bonds but is not derived from the ownership and operation of the System;

WHEREAS, the Board further finds and determines that the payment of the Bonds will be further secured, and the rights of Bondowners will not be materially and adversely affected, if System certain money received pursuant to Section 6431 of the Code and similar laws that may be enacted in the future; and

WHEREAS, the Board deems it advisable and in the best interests of the University and
of Owners to amend the Master Resolution as set forth herein;
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF
CENTRAL WASHINGTON UNIVERSITY, as follows:
below), adopted by the Board of Trustees on April 8, 1994, should be and hereby is repealed.
Section 2. Definitions and Interpretation. As used in this resolution, the following indicate that another meaning is intended:
 date of calculation, the sum of the amount set forth in the Series Resolution as the andated, compounded and unpaid thereon as of the most recent compounding date; or (b) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial puble offering price of such Bonds plus the amount of discounted principar which has acce with the provisions of the Series Resolution authorizing the issuance of such Bonds.
"Additional Bonds Test" means, for each fiscal year or part of a fiscal year, as required in Section 11(b) of this resolution, Net Revenues at least equal to 1.0 times Maximum Annual Debt
Service. Service.
"Aggregate Annual Debt Service" means Annual Debt Service for all Outstanding Bonds authorized to provide permanent financing in connection with the issuance of short-term obligations.

Bonds in any fiscal year.
of construction of such improvements, and for a reasonable period of time thereafter; paying amounts required to meet any reserve requirement for the fund or account established or maintained for such series of Bonds from the proceeds thereof; paying or reimbursing the System
or any fund thereof or any other person for expenses incident and properly allocable to the or any fund thereof or any other person for expenses incident and properly allocable to the all other items of expense incident and properly allocable to the acquisition and construction of such additions and improvements, the financing of the same and the placing of the same in operation.
"Coverage Requirement" means Net Revenues equal to or greater than 1.0 times
Maximum Annual Debt Service.
"Credit Enhanced Bonds" means Bonds the payment of the principal of, interest on or
purchase price of which is guaranteed by a Credit Facility.
"Credit Facility" means a policy of municipal bond insurance, letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument issued for any Bonds in a Rating Category which is either (a) no lower than the Rating Category assigned to any Bonds which are not Credit Enhanced Bonds, or (b) one of its three highest Rating Categories if there are no Bonds which are not Credit Enhanced Bonds; and which Credit Facility obligates such third party to make payment or provide funds for the payment of financial
obligations of the University, including, but not limited to, payment of the principal of, interest obligations of the University, including, but not limited to, payment of the principal of, interest
on or purchase price of Bonds or meeting reserve requirements therefor.
"Date of Initial Issuance" means the date of issuance of the first series of Bonds to be
issued pursuant to Section 8 hereof.

## "Debt Service" means, for any period of time:

(a) With respect to any Outstanding Original Issue Discount Bonds or
Capital Appreciation Bonds which are not designated as Balloon Maturity Bonds in the Series Resolution authorizing their issuance, the principal amount thereof shall be equal to the Accreted Value thereof maturing or scheduled for redemption
in such period, and the interest payable during such period;
(b) With respect to any Outstanding Fixed Rate Bonds, an amount
equal to (1) the principal amount of such Bonds due or subject to mandatory equal to (1) the principal amount of such Bonds due or subject to mandatory established, plus (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Bonds, plus
(3) all interest payable during such period on any such Bond Outstanding and with respect to Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the
redemption or retirement of such Bonds on the date specified in the Series Resolution authorizing such Bonds;
(c) With respect to Balloon Maturity Bonds, any amount for any
period equal to the amount which would have been payable for principal and
 amount of Bonds Outstanding as of the date of such computation would be amortized on an essentially level debt service basis during the period such Bonds are Outstanding;
(d) With respect to Bonds bearing variable rates of interest and Commercial Paper, an amount for any period equal to the amount which wourd computed on the assumption that the amount of Bonds Outstanding as of the date of such computation would be amortized in accordance with the Series Resolution at the maximum rate of interest permitted under the terms of the Series Resolution
are Outstanding; and
(e) With respect to all other series of Bonds Outstanding (other than (sita the amount which would have been payable for principal and interest on such
Bonds during such period computed on the assumption that the amount of Bonds Outstanding as of the date of such computation would be amortized (1) in accordance with the mandatory redemption provisions, if any, set forth in the Series Resolution authorizing the issuance of such Bonds, or if mandatory
 of computation and ending on the date 40 years after the date of issuance, (2) at
an interest rate equal to the maximum rate of interest permitted under the terms of the Series Resolution, and (3) to provide for essential level annual debt service of principal and interest over such period.
(f) With respect to any Bonds payable in other than U.S. Dollars, Debt Service shall be calculated as provided in the Series Resolution authorizing the
issuance of such Bonds.
"Designated University Representative" means the President of the University or his or her designee or such other person as may be directed from time to time by resolution of the
"Direct Subsidy Receipts" means any and all money received by the University pursuant
to Section 6431 of the Code and any other provision of the Code that requires the Secretary of Treasury to make payments to the University (or agent designated by the University) under
circumstances similar to those requirement payments under Section 6431 of the Code. For sake Board.

әџц reimbursement agreement) to providers of Credit Facilities which are issued on a parity of lien with Parity Bonds.
"Default" means any of the events specified in Section 26 of this resolution.
"Maximum Annual Debt Service" means the greatest Annual Debt Service scheduled to be payable on all Outstanding Bonds from the date of calculation to the final maturity thereof.




 payable from Gross Revenue.
"Original Issue Discount Bonds" means Bonds which are sold at an initial public offering
price of less than $90 \%$ of their face value and which are specifically designated as Original Issue Discount Bonds in the Series Resolution authorizing their issuance.
"Original Resolution" means Resolution No. 02-03 adopted May 10, 2002, by the Board
of the University. of the University.
"Outstanding" means, as of any date, any Bonds theretofore issued except such Bonds
deemed to be no longer Outstanding as provided in the resolution authorizing the issuance deemed to be no longer Outstanding as provided in the resolution authorizing the issuance
thereof.




 Fund for the payment of the principal of and interest and mandatory redemption requirements, if
any, on the Parity Bonds. "Rate Covenant" has the meaning given such term in Section 13(a) of this resolution.


 which Rating Agency, as of the applicable date, shall have assigned a rating to any series of
Bonds or any portion thereof.
"Rating Category" means the generic rating categories of the Rating Agency, without "Rating Category" means the generic rating categories of the Rating Agency, without
regard to any refinement or gradation of such rating category by a numerical modifier or
of clarity, proceeds received by the University on account of the sale of tax credit bonds, or tax Receipts."
"Fiscal Agency" means collectively, the fiscal agent and co-fiscal agent of the State of
Washington, as the same may be designated from time to time.
"Fixed Rate Bonds" means those Bonds other than Capital Appreciation Bonds, Original Issue Discount Bonds or Balloon Maturity Bonds issued under a Series Resolution in which the rate of interest on such Bonds is fixed and determinable through their final maturity or for a
specified period of time. If so provided in the Series Resolution authorizing their issuance, Bonds may be deemed to be Fixed Rate Bonds for only a portion of their term.
"Generally Accepted Accounting Principles" or "GAAP" means at any time all promulgated and nonpromulgated Accounting Research Bulletins, Accounting Principles Board
Opinions and Statements, and Governmental Accounting Standards Board Statements and Interpretations then in effect.
 University from any source whatsoever, from the ownership and operation of the System,
including Direct Subsidy Receipts, grants, rentals, fees, and any other charges that now are or
hereafter may be charged to all or any segment of the student population, if pledged to the System, and including interest income, but shall not include:
(a) The proceeds of any borrowing by the University and the earnings
thereon (other than earnings on proceeds deposited in reserve funds);
(b) Income and revenue which may not legally be pledged for revenue
bond debt service;
(c) State or federal grants or substitutes therefor allocated to capital
projects;
(d) Payments made under Credit Facilities issued to pay or secure the
payment of a particular series of Bonds;
(e) Proceeds of insurance or condemnation proceeds other than
business interruption insurance; and
(f) Income from investments irrevocably pledged to the payment of
bonds issued or to be refunded under any refunding bond plan of the University.

Solely for purposes of this definition, Direct Subsidy Receipts are deemed not to be described by any of the foregoing clauses (a) through (f). Any Direct Subsidy Receipt not pledged to the System in a Series Resolution will not be consider as part of "Gross Revenue."
"Master Resolution" means the Original Resolution as amended by Resolution No. 04-01
and Resolution No. 10-10.
"Rebate Amount," with respect to any issue of tax-exempt Bonds, has the meaning ascribed to such phrase in Treasury Regulation § 1.148-1(b).
"Rebate Fund" means the fund of that name, the creation of which is provided for in Section 10 of this resolution.
"Registrar" means the Fiscal Agency or any person, firm, association, corporation or public body as designated and appointed from time to time by resolution of the Board or by a Series Resolution, to act as registrar, paying agent, transfer agent and authenticating trustee for one or more series of Bonds.
"Renewal and Replacement Fund" means the special fund designated as the "Central Washington University System Renewal and Replacement Fund," created pursuant to Section 6(b) of this resolution.
"Reserve Account" means the account of that name created in the Bond Fund for the purpose of securing the payment of the prisipal of and interest on the Series 2002 Bond

 the time of issuance of the device in one of the two highest rating categories of each of the Rating Agencies.
 of calculation the lesser of Maximum Annual Debt Service on the Series 2002 Bonds, $125 \%$ of Average Annual
Series 2002 Bonds.
"Revenue Fund" means collectively the following special funds previously created "Associated Student Fund" (also known as the "Service and Activities Fund"); (c) the "University Store Fund"; (d) the "Parking Fund"; and (e) any other special funds created in the office of the Treasurer for the receipt of Gross Revenue.
"Series Resolution" means a resolution authorizing the issuance of a series of Bonds, as supplemental to this resolution.
"Series 2002 Bonds" means the outstanding Central Washington University, Housing System Revenue Bonds, Series 2002, issued pursuant to Resolution No. 02-04.
"State" means the State of Washington.
"System" means (a) the existing housing and dining system of the University; (b) the Recreation Center); (c) the bookstore system of the University; and (d) the parking system of the University; all as the same shall be added to, improved and extended through the use of the
on reissuance may be in smaller amounts than the individual denominations for which they are
reissued.
(d) Appointment of Registrar. Unless otherwise provided in the resolution
authorizing the issuance of registered bonds or obligations, the Treasurer shall be the Registrar for all registered interest-bearing warrants, installment contracts, interest-bearing leases and other registered bonds or obligations not usually subject to trading without a fixed maturity date or maturing one year or less after issuance and the Fiscal Agency shall be the Registrar for all other University bonds and obligations with a fixed maturity date or maturing more than one
year after issuance.
(e)
(e) Duties of Registrar. The Registrar shall serve as the University's obligations for which he, she, or it serves as Registrar and shall comply fully with all applicable federal and state laws and regulations respecting the carrying out of those duties.

The rights, duties, responsibilities and compensation of the Registrar shall be prescribed in each resolution authorizing the issuance of the bonds or obligations, which rights, duties, responsibilities and compensation shall be embodied in a contract executed by the
University and the Registrar, except that (i) when the Fiscal Agency serves as Registrar, the University and the Registrar, except that (i) when the Fiscal Agency serves as Registrar, the
University adopts by reference the contract between the State Finance Committee of the State of Washington and the Fiscal Agency in lieu of executing a separate contract and prescribing by
resolution the rights, duties, obligations and compensation of the Registrar.

In all cases when the Registrar is not the Fiscal Agency and the bonds or bligations shall specify the terms and conditions of:
(i) making payments of principal and interest;
(ii) printing any physical instruments, including the use of identifying numbers or other designation;
(iii) specifying record and payment dates;
(iv) determining denominations;
(v) establishing the manner of communicating with the owners of
the bonds or obligations;
(vi) establishing the methods of receipting for the physical instruments for payment of principal, the destruction of such instruments
and the certification of such destruction;
(vii) registering or releasing security interests, if any; and
(viii) such other matters pertaining to the registration of the bonds
obligations authorized by such resolution as the University may deem



 and to no other person, and that such instrument, either principal or interest, may not be assigned
except on the books of the Registrar.

$$
\text { Section 6. } \quad \text { Priority of Use of Gross Revenue; Renewal and Replacement Fund. }
$$

(a) The Gross Revenue shall be deposited in the Revenue Fund as collected. The
Revenue Fund shall be held separate and apart from all other funds and accounts of the University, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

> First, to make all payments, including sinking fund payments, required to principal of and interest and premium, if any, on any Bonds;

> Second, to make all payments required to be made into any debt service
reserve fund(s) to secure the payment of any Bonds; Third, to pay Operating Expenses;

Fourth, to make all payments required to be made into any other revenue
bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the University having a lien upon the Gross Revenue and the money in the Revenue Fund junior and inferior to the lien
thereon for the payment of the principal of and interest on any Bonds, and to
make all deposits of Rebate Amounts to the Rebate Fund;

Fifth, to make all payments required to be made into any fund or account
Sixth, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, ande; and

Seventh, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the University as to carry out other lawful purposes of the University.
(b) There is hereby created and established in the office of the Treasurer a special fund of the University to be designated as the "Central Washington University System Renewal and Replacement Fund" (the "Renewal and Replacement Fund"). The University covenants and agrees that it will make deposits into the Renewal and Replacement Fund from time to time as considered appropriate and maintain a balance therein. Money in the Renewal and Replacement Fund may be used by the University to pay extraordinary operating and maintenance expenses of
the System, make capital replacements, additions, expansions, repairs and renewals of the System, and to pay principal of and interest on any Bonds to the extent other funds are not egally available. Notwithstanding the foregoing the University does not guarantee that amount will be available in the Renewal and Replacement Fund to make any such deposits in the Principal and Interest Account.

Section 7. Authorization of Bonds. Revenue bonds of the University, unlimited in amount, to be known as the "Central washington hereby authorized to be issued in series, and each such series may be issued from time to time
pursuant to this resolution in such amounts and upon such terms and conditions as the Board may from time to time deem to be necessary or advisable, for any purposes of the System now or hereafter permitted by law.
 only of the special fund(s) established in the Series Resolution(s) authorizing their issuance. The Bonds shall be payable solely from and secured solely by Gross Revenue; provided, however, specifically to or provided for that series of Bonds.

From and after the time of issuance and delivery of the Bonds of each series, and so long thereafter as any of the same remain Outstanding, the University hereby irrevocably obligates and binds itself to set aside and pay into the special funds created for the payment of each sers
 principal and interest coming due on the Bonds of such series.
 prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature secure the payment of the principal of and interest on Bonds issued under authority of a Series Resolution in accordance with the provisions of Sections 8 and 11 of this resolution.

The Bonds shall not in any manner or to any extent constitute general obligations of the University or of the State, or of any political subdivision of the State.

Section 8. Authorization of Series of Bonds. The University may issue hereunder of the University now or hereafter permitted by law and this resolution, provided that the University shall comply with the terms and conditions for the issuance of Bonds hereinafter set
forth in this Section 8 and in Section 11 hereof.
virtue of such investments shall remain in the Bond Fund and be used to meet the required
deposits into any account therein.
The University may, at its discretion, provide for a reserve requirement with respect to

 Bonds, and Debt Service Reserve Surety Bond No. 38037(2) shall be allocated to that reserve account and shall remain in full force and effect with respect to the Series 2002 Bonds only. The owners of Parity Bonds other than the Series 2002 Bonds shall have no rights with respect to
Debt Service Reserve Surety Bond No. 38037(2) or any amounts deposited in the reserve account for the Series 2002 Bonds.

Nothing herein shall limit the University's right to issue bonds, notes or other obligations, for any lawful System purpose, secured in whole or in part by liens against the Gross Revenue and the money and investments in the Revenue Fund that are junior and inferior to the lien
against the Gross Revenue and money and investments in the Revenue Fund securing the payment of the Bonds.
will be timely deposited in the Rebate Fund in accordance with the following procedures:
 the "Rebate Fund" if at any time there is determined, pursuant to
this resolution, to be a Rebate Amount, which fund shall be segregated from all

 60 days after the retirement of the last outstanding tax-exempt Bond.
> (b) Within the time required by the Code, the University shall determine or cause to be determined the Rebate Amount in accordance with Section 148 of the Code and applicable Treasury Regulations promulgated deposit into the Rebate Fund the amount necessary, together with other money therein, to equal the Rebate Amount. The University shall use money in the Rebate Fund to pay the Rebate Amount to the United States Treasury in the manner required by the Code and applicable Treasury Regulations. Any money remaining in the Rebate Fund after such payment and not on deposit on account of another issue of Bonds, may be transferred by the University to the Principa
and Interest Account.
 within the Rebate Fund established under this resolution, and subaccounts within any of such accounts, as the University may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and
disbursements from such accounts or subaccounts, but the establishment of any such additional account or subaccount shall not alter or modify any of the
( n ) The terms and conditions, if any, for the redemption of the Bonds
of such series prior to maturity, including the redemption date or dates, the redemption price or prices and other applicable redemption terms;
(o) The terms and conditions, if any, for the purchase of the Bonds of such series upon any optional or mandatory tender for purchase prior to maturity,
including the tender date or dates, the purchase date or dates, the purchase price or prices and other applicable terms;
(p) The manner of sale of the Bonds of such series, with or without a premium or a discount, including the sale of Original Issue Discount Bonds;
(q) If so determined by the University, the authorization of and any terms and conditions with respect to credit or liquidity support and the use of any assets or security other than Gross Revenue to or for the payment of the Bonds of such series or any portion thereof;
(r) A special fund or account to provide for the payment of the Bonds of such series and, if so determined by the University, any other special funds or of such series and the application of money or security therein;

## (s) Undertake to provide continuing disclosure for governmental Bonds of the University; and

## (t) Any other provisions which the University deems necessary or desirable in connection with the Bonds of such series.

Section 9. Bond Fund. There is hereby created and established in the office of the Treasurer a special fund of the University designated as the "System Revenue Bond Fond (the
"Bond Fund"), for the purpose of paying and securing the payment of any Parity Bonds. The Bond Fund shall be held separate and apart from all other funds and accounts of the University and shall be a trust fund for the Owners, from time to time, of any Parity Bonds.

So long as any Parity Bonds are outstanding, the University shall set aside and pay into
the Bond Fund out of the Gross Revenue, certain fixed amounts without regard to any fixed proportion, namely, on or prior to each interest or principal and interest payment date from its Gross Revenue or other money in the Revenue Fund legally available therefor, money which, service on the Parity Bonds required on the next interest or principal and interest payment date.

Money in the Bond Fund not needed to pay the interest or principal and interest next coming due on any outstanding Parity Bonds or to maintain required reserves therefor may be
used to purchase or redeem and retire Parity Bonds. Money in the Bond Fund may be invested in Permitted Investments, which shall mature prior to the date on which such money shall be needed for required interest or principal payments. All interest earned and income derived by
requirements of this resolution with respect to the deposit or use of money in the
Rebate Fund established hereunder or result in commingling of funds not permitted hereunder.
Section 11.
shall be Parity Bonds, having an equal lien and charge upon the Gross Revenue, upon fulfillment shall be Parity Bonds, having an equal lien and charge upon the Gross Revenue, upon fulfillment
of the conditions of this resolution, whether at the time of authorization or issuance of such Bonds. The University shall not issue any series of Bonds or incur any additional indebtedness with a parity lien or charge on Gross Revenue (on a parity of lien with Bonds at the time Outstanding) unless:
(a) The University shall not have been in default of its Rate Covenant
for the immediately preceding fiscal year; and
(b) The University has received either (1) or (2):
(1) A certificate delivered by the Designated University Representative, based upon the appropriate audited annual fina cial eports of the System, to the effect that average annual Net Revenues, plus
the net revenues from any other sources pledged as security for all Outstanding Bonds, during the two full fiscal years immediately preceding the date of issuance of such Parity Bonds, was equal to at least the Coverage Requirement on all Bonds to be Outstanding during the full Parity Bonds are proposed to be issued at any time during any fiscal year when the audited financial report of the System for the preceding fiscal year is not available, then Net Revenues for the previous fiscal year shall
be calculated, for purposes of meeting the requirements of this section, based upon the unaudited statement of revenue and expenses for any
 prepared by the Designated University Representative in accordance with GAAP; or
(2) A certificate of the Designated University Representative to
the effect that the estimated Net Revenues, plus the net revenues from any other sources pledged as security for all Outstanding Bonds during the three consecutive full fiscal years next succeeding the date of issuance of such proposed Parity Bonds (or, if new facilities or improvements are to
be constructed with any portion of the proceeds of such Parity Bonds, in the three full fiscal years following the fiscal year in which such new facilities or improvements are expected to be completed) will be equal to at least the Coverage Requirement on all Bonds to be Outstanding during then existing System, and other pledged revenues, shall be based on actual Net Revenues for the fiscal year immediately preceding the issuance of
Parity Bonds, adjusted to reflect the schedule or rates and charges to
$\underline{\text { Section 13. }}$ Specific Covenants. The University covenants and agrees with the owners
of each of the Bonds for as long as any of the same remain Outstanding as follows:
(a) It will at all times establish such rules and establish, maintain and
collect rates, fees, and charges in the operation of the System for as long as any Bonds are outstanding that will produce Net Revenues in each fiscal year at least equal to the greater of (1) the Coverage Requirement, or (2) amounts required to
be deposited during such fiscal year into bond funds and reserve funds established be deposited during such fiscal year into bond funds and reserve funds established
for Outstanding Bonds, but excluding from each of the foregoing, payments made from refunding debt and capitalized debt service (herein referred to as the "Rate Covenant").
The University hereby covenants that it will not construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facinties which will compete with the operations of the System in a manner which will materially and adversely affect its ability to comply with the Rate
Covenant. Compliance with the covenant set forth in the preceding sentence may be demonstrated by a certificate based upon reasonable belief of the Designated University Representative.
If the Net Revenues in any fiscal year are less than required to fulfill the Rate Covenant, then the University will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, rates, fees and charges; and upon receiving such recommendations or giving reasonable
opportunity for such recommendations to be made, the Board, on the basis of such recommendations and other available information, will establish rentals, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the fiscal year during which such adjustments are made. If the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no Default under this Section 13(a) or under the University fails to meet the Rate Covenant for two consecutive fiscal years.
 fund for each series of Bonds the principal of and interest on the Bonds at the times and places as provided in each Series Resolution and in those Bonds covenants, undertakings and provisions contained in this resolution, the Series Resolution, as applicable, and in the Bonds.
(c) It will at all times keep and maintain the System in good repair,
working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.
(a) To provide for the issuance of a series of Bonds pursuant to
Section 8 hereof, and to prescribe the terms and conditions pursuant to which such
Bonds may be issued, paid or redeemed;
(b) To add covenants and agreements of the University for the purpose of further securing the payment of the Bonds, if such additional covenants and of the University contained in this resolution;
(c) To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the University payable from the
Gross Revenue which are not contrary to or inconsistent with the limitations and restrictions thereon theretofore in effect;
(d) To surrender any right, power or privilege reserved to or conferred upon the University by the terms of this resolution;
 payment of the Bonds under and the subjection to any lien, claim or pledge
created or to be created by the provisions of this resolution of the Gross Revenue or of any other money, securities or funds;
(f) To cure any ambiguity or defect or inconsistent provision in this resolution or to insert such provisions clarifying matters or questions arising
under this resolution as are necessary or desirable, but only if such modifications shall not materially and adversely affect the rights of any owners;
(g) To qualify this resolution under the Trust Indenture Act of 1939, as
amended; (h) To modify any of the provisions of this resolution to obtain from
any Rating Agency a rating on any series of Bonds or any portion thereof which is higher than the rating which would be assigned without such modification so long as the rating on any other series of Bonds or portion thereof is not adversely
affected; or (i)
(i) To modify any of the provisions of this resolution in any other respects, including, but not limited to, changes at the request of Rating Agencies
or providers of Credit Facilities, but only if such modifications shall not materially and adversely affect the rights of any Bondowners.

Notwithstanding anything in this Section 14 to the contrary:
 hereof or of any Series Resolution shall (A) permit the creation of a lien or charge the percentage of Bonds, the owners of which are required to consent to any such resolution amending or supplementing the provisions hereof; or (C) give to any
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any preference over any other Bond or Bonds secured hereby, without the
specific consent of the owner of each Bond;
(2) No such resolution amending or supplementing the provisions hereof or any Series Resolution shall (A) change the date of payment of the principal of any Bond, (B) reduce the principal amount of
any Bond, (C) change the rate or extend the time of payment of interest thereon, (D) reduce any premium payable upon the redemption or prepayment thereof, or (E) advance the date upon which any Bond may
first be called for redemption prior to its fixed maturity date (except as first be called for redemption prior to its fixed maturity date (except as without the specific consent of the owner of that Bond; and

## (3) No such amendment shall change or modify any of the rights or obligations of any Registrar or other agent for a series of Bonds

Nothing herein contained shall be construed as making necessary the approval by the owners of
the Bonds of any series of the adoption of any supplemental resolution authorized by Section 14 of this resolution or authorized by any Series Resolution.

Section 20. Obtaining Approval of Amendments at Bondowners Meetings. The
University may at any time adopt a resolution amending the provisions of this resolution or any Series Resolution to the extent that such amendment is permitted by this resolution, to take effect when and as provided in this Section 20 . At any time thereafter such resolution may be
submitted by the University for approval to a meeting of the owners of each series of Bonds
 accordance with the provisions of this resolution. Any record so signed and verified shall be proof of the matters therein stated. If the resolution of the University making such amendment shall be approved by a resolution duly adopted at such meeting of Bondowners pursuant to the

 affect the validity of such resolution.) Proof of such mailing by the affidavit or affidavits of a theretofore appointed for that series, and with the University. Such amendatory resolution shall
品

Section 21. Alternate Method of Obtaining Approval of Amendments. The University

 with a request to owners of all Bonds whose contract with the University will be altered by such

proxy. Owners of registered Bonds, may, by an instrument in writing under their hands, appoint
any person or persons, with full power of station, as their proxy to vote at any meeting for them. Any registered owner of Bonds shall be entitled in person or by proxy to attend and vote
t Bondowners meetings as holder of the Bonds registered or certified in his name without producing such Bonds (unless the Bonds described in such certificate shall be registered in the name of, or be produced by, some other person at such meeting), and such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting (appointed as hereinafter provided). All other persons seeking to attend
or vote in such meeting must produce the Bonds claimed to be owned or represented at such meeting.

The vote at any such meeting of the owner of any Bond entitled to vote shall be binding
upon such owner and upon every subsequent owner of such Bond (whether or not such
subsequent owner has notice thereof).
The right of a proxy for a Bondowner to act may be proved (subject to the University's
right to require additional proof) by a written proxy executed by such Bondowner as aforesaid.
$\quad$ Section 18. Quorum at Bondowners Meetings. The owners of not less than a majority
in principal amount or Accreted Value of the Bonds of a series at a meeting of the owners of the Bonds of that series or the owners of not less than a majority in principal amount or Accreted Value of the Bonds of all series at a meeting of all Bondowners must be present at such meeting
 announcement thereof at the meeting.
of this $\frac{\text { Section 19. }}{\text { resolution }}$ or Required to Amend Resolution. Any amendment of the provisions
Bondowners whose approval is required to approve such amendment, may be made by a supplemental resolution of the University and a resolution duly adopted either:
(a) At a duly convened and held meeting of the owners of Bonds
whose contract with the University will be altered by such amendment by an
affirmative vote of the owners of not less than a majority in principal amount or
Accreted Value of such Bonds whose owners are present at such meeting; or
(b) With written consent as hereinafter provided in Section 20 hereof,
of the owners of not less than a majority in principal amount or Accreted Value of
the Outstanding Bonds whose contract with the University will be altered by such
amendment; provided, however, that:
 provisions hereof or of any Series Resolution shall (A) permit the creation of the Bonds; (B) reduce the aforesaid percentage of Bonds, the owners of which are required to consent to any such resolution amending or
State, including, but not limited to, Title 28B of the Revised Code of Washington, as amended and supplemented. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this resolution and of any
Series Resolution and of such laws shall constitute a contract with the owner or owners of each Bond, and the obligations of the University and its Board under said laws and under this
 jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the
University shall be for the equal benefit, protection and security of the owners of any and all of the Bonds.

 or securities held by the Registrar in trust for the payment and discharge or purchase of any of
the Bonds of a series which remain unclaimed for five years after the date when such Bonds are purchased or shall have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such money was held by such Registrar at such date, or for five years Bonds become due and payable, shall be paid by the Registrar to the State pursuant to RCW $63.29 .120(1)$ as now in effect or hereafter amended.

Section 26. Defaults and Remedies; Appointment of Bondowners' Trustee. The
University hereby finds and determines that the continuous operation of the System and the
collection, deposit and disbursement of Gross Revenue are essential to the payment and security
of the Bonds and the failure or refusal of the University or any of its officers to perform the
covenants and obligations of this resolution will endanger the operation of the System and the
application of Gross Revenue and such other money, funds and securities to the purposes herein
set forth. Accordingly, the provisions of this Section 26 are specified and adopted for the
additional protection of the owners from time to time of the Bonds. Any one or more of the
following events shall constitute a "Default" under this resolution:
(a) The University shall fail to make payment of the principal of any
Bonds when the same shall become due and payable whether by maturity or mandatory redemption prior to maturity;
(b) The University shall fail to make payments of any installment of
interest on any Bonds when the same shall become due and payable; or

Bonds when the same shall become due and payable; or
The University shall default in the observance or perfo
(c) The University shall default in the observance or performance of
any other covenants, conditions, or agreements on the part of the University
contained in this resolution, and such default shall have continued for a period of
90 days. 90 days.

 to pay interest on such But at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for
the resolution when consented to as in this section provided). Such resolution shall not be effective unless and until there shall have been filed with the University the written consents of the owners of a majority in aggregate principal amount or Accreted Value of the Outstanding Bonds of the Series whose contract with the University will be altered by such resolution and be effective only if accompanied by proof of ownership of the Bonds of the series for which such consent is given, which proof shall be such as is permitted by Section 17 hereof. Any such consent shall be binding upon the owner of Bonds of the series giving such consent and on every subsequent owner of such Bonds (whether or not such subsequent owner has notice thereof). A notice, stating the substance of the resolution and stating that the resolution has been consented to by the owner of a majority in aggregate principal amount or Accreted Value of the Bonds of
the series whose contract with the University will altered thereby and will be effective as provided in this section, may be given to the owners of the Bonds of the affected series by mailing such notice to such Bondowners, after the owners of a majority in aggregate principal amount or Accreted Value of the Bonds of the affected series shall have filed their consent to the resolution. A record, consisting of the papers required by this section to be filed with the conclusively to be binding upon the University, the Registrars and other agents, if any, for that series and the owners of all Bonds of that series upon such filing.

Section 22. Amendment of Resolution in any Respect by Approval of All Bondowners of a Series. Notwithstanding anything contained in the foregoing provisions of this resolution, the rights and obligations of the University and of the owners of the Bonds of any series, and the
terms and provisions of the Bonds of any series and of this resolution and of any Series Resolution, may be amended in any respect with the consent of the University by the affirmative vote of the owners of all of the Outstanding Bonds of the series whose contract with the University will be altered by such amendment, at a meeting of Bondowners of that series called and held as hereinabove provided, or upon the adoption of a resolution by the University and the consent of the owners of all of the Outstanding Bonds of the series whose contract with
the University will be altered by such amendment, such consent to be given as provided in Section 21, except that no notice to Bondowners shall be required, and the amendment shall be effective immediately upon such unanimous vote or written consent of all such owners of Bonds.
after the effective 23. Endorsement of Amendment on Bonds. Bonds of any series delivered after the effective date of any action amending this resolution or the Series Resolution with
respect to that series taken as hereinabove provided may bear a notation by endorsement: or otherwise in form approved by the University as to such action, and in that case, upon demand of the owner of any Outstanding Bond of that series at such effective date and presentation of his Bond for such purpose at the principal office of the Registrar therefor, suitable notation shall be made on such Bond by the Registrar as to any such action. If the University shall so determine, new Bonds of such series, so modified as in the opinion of the University and its counsel to
conform to such Bondowners' action, shall be prepared, delivered and upon demand of the owner of any Bond of that series then outstanding shall be exchanged without cost to such Bondowner for Bonds of that series then Outstanding hereunder.

[^3]called for payment by giving notice of that call to the registered owner of each of those unpaid
Bonds. Further, there shall be no acceleration to pay principal of and interest on such Bonds.
Additionally, so long as such Default shall not have been remedied, a Bondowners' Trustee may be appointed for the Bonds of any series by the owners of $51 \%$ in principal amount or Accreted Value of the Bonds of such series by an instrument or concurrent instruments in
writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to a Bondowners' Trustee, notification thereof being given to the University. Any Bondowners’ Trustee appointment under the provisions of this section shall be a national banking association or a bank or trust company organized under the laws of any state, the State. The fees and expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the University. The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of a majority in principal amount or Accreted Value of the Bonds outstanding of the applicable series, by an instrument or concurrent instruments in writing signed and acknowledged by such
Bondowners or by their attorneys-in-fact duly authorized.
The Bondowners' Trustee appointed in the manner herein provided, and each successor
thereto, is hereby declared to be a trustee for the owners of all the Bonds of the series for which
such appointment is made and is empowered to exercise all the rights and powers herein
conferred on the Bondowners' Trustee.
A Bondowners' Trustee may upon the happening of a Default and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or Bons ars to relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution.
Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder
shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this resolution or applicable Series Resolution may be enforced by a Bondowners' Trustee without the possession of any of those Bonds, and otherwise required by law, and the respective owners of those Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and action, suit or proceeding; to receive as trustee and deposit in trust any sums that become
distributable on account of those Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Bondowner himself might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to accept or adopt, on behalf of any owner of those Bonds, any plan of reorganization or adjustment affecting those Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any future receivership,
insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the University shall be a party.

SECRETARY'S CERTIFICATE
I, the undersigned, the duly chosen, qualified and acting Secretary of the Board of
Trustees (the "Board") of Central Washington University (the "University"), and keeper of the
records of the Board, DO HEREBY CERTIFY:

 Resolution is now in full force and effect;
2. A quorum of the members of the Board was present throughout the meeting and a
majority of those members present voted in the proper manner for the adoption of the majority of those members present voted in the proper manner for the adoption of the


IN WITNESS WHEREOF, I have hereunto set my hand as of this $3^{\text {rd }}$ day of February,
2012.

Section 28. Effective Date. Resolution No. 02-03 was effective May 10, 2002.
Resolution No. 04-01 was effective May 26, 2004. Resolution No. 10-10 was effective
October 1, 2010. This restated resolution shall be effective immediately upon its adoption. Any
actions pursuant to this resolution, prior to its effective date, are ratified and confirmed.
PASSED AND APPROVED by the Board of Trustees of Central Washington University
at a regular meeting held on the 3rd day of February, 2012 .

\section*{CENTRAL WASHINGTON UNIVERSITY <br> Chair of its Board of Trustees} | ATTEST: |
| :--- |
| Secretary of its Board Trustees |

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## board of trustees <br> BOARD OF CENTRAL WASHINGTON UNIVERSITY <br> SYSTEM REVENUE BONDS SERIES 2013 BOND RESOLUTION RESOLUTION NO. 12-18

| $\begin{aligned} & \dot{8} \\ & \stackrel{\circ}{\circ} \\ & \approx \end{aligned}$ |  | $\circ$ <br> Findings of the Board of Trustees. |  |  |  | 은 <br> Form and Execution of Series 2013 Bonds. |  | ~ <br>  | n <br> Failure to Pay Series 2013 Bonds | n <br> Bond Fund; Pledge of Gross Revenue | , <br>  | N <br> Refunding or Defeasance |  |  | N <br>  |  | $\underset{~}{~}$ |  | $\stackrel{\infty}{\sim}$ <br>  |
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[^4]* The cover page, table of contents and section headings of this resolution are for convenience of


Series 2004 Bonds prior to their maturity on May 1, 2014, at a price of par plus accrued interest to the date fixed for redemption; and

 interest rates from $5.00 \%$ to $5.50 \%$ (the "Refunded Bonds"); and

WHEREAS, after due consideration, it appears to the Board that the Refunded Bonds
 the authority of the Master Resolution so that a substantial savings will be effected by the

 refunding will be effected by carrying out the Refunding Plan (as hereinafter defined); and

WHEREAS, to effect that refunding in the manner that will be most advantageous to the



Resolution, of which the following Bonds remain outstanding:
refunding as aforesaid be purchased out of a portion of the proceeds of the Series 2013 Bonds and other money of the University; and

WHEREAS, it is necessary that the date, form and certain terms and conditions of the Series 2013 Bonds be fixed pursuant to Section 8 of the Master Resolution;
 CENTRAL WASHINGTON UNIVERSITY, as follows:

Section 1. Definitions and Interpretation. Unless otherwise defined herein, the terms used in this Series Resolution, including the preamble hereto, which are defined in the Master Resolution shall have the meanings set forth in the Master Resolution. In addition, the following terms shall have the following meanings in this Series Resolution:
"Acquired Obligations" means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this Series Resolution.
"Authorized Denomination" means $\$ 5,000$ or any integral multiple thereof within a
"Beneficial Owner" means, with respect to a Series 2013 Bond, the owner of any beneficial interest in that Series 2013 Bond.
"Bond Register" means the books or records maintained by the Registrar for the purpose of identifying ownership of the Series 2013 Bonds.
"Bond Sale Resolution" means a supplemental resolution to this Series Resolution hereafter adopted by the Board that establishes, among other items, the aggregate principal amount, principal amounts per maturity, maturity dates, interest rates, redemption provisions and
"Refunding Plan" means:
(a) the placement of sufficient proceeds of the Series 2013 Bonds Obligations to be deposited, with cash, if necessary, with the Refunding Trustee; (b) the payment of interest on the Refunded Bonds when due up to and
including May 1, 2014, and the call, payment, and redemption on May 1, 2014, of all of the Refunded Bonds at a price of par; and
(c) the payment of the costs of issuing the Series 2013 Bonds and the
costs of carrying out the foregoing elements of the Refunding Plan. "Refunding Trust Agreement" means a Refunding Trust Agreement between the University and the Refunding Trustee substantially in the form of that which is on file with the Secretary of the Board and by this reference incorporated herein.
"Refunding Trustee" means U.S. Bank National Association of Seattle, Washington, serving as trustee or escrow agent or any successor trustee or escrow agent.
"Registered Owner" means, with respect to a Series 2013 Bond, the person in whose name that Series 2013 Bond is registered on the Bond Register. For so long as the University
 Registered Owner shall mean the Securities Depository.
"Rule 15c2-12" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.
"SEC" means the United States Securities and Exchange Commission.
 depository selected by the University, or the nominee of any of the foregoing. Any Securities Depository must be qualified under applicable laws and regulations to provide the services proposed to be provided by it.
successful bidder and shall be subject to mandatory redemption on the dates set forth in the Bond Sale Resolution.

 interest has been paid or duly provided for, whichever is later, payable semiannually on May 1 and November 1 of each year to the maturity or earlier redemption thereof, at such rate or rates and commencing on such date as the Board hereafter shall establish in the Bond Sale Resolution. Only one interest rate may be specified for the Series 2013 Bonds of the same maturity.
 payable only out of the Bond Fund, and shall be secured as provided herein. The Series 2013
 indebtedness of the University or the State of Washington within the meaning of the constitutional provisions and limitations of the State.

Section 5. Registrar; Registration and Transfer of Series 2013 Bonds.

 office, sufficient books for the registration and transfer of the Series 2013 Bonds, which shall be




 Series 2013 Bonds). The Registrar shall be responsible for its representations contained in the
(1) There is no deficiency in either the Principal and Interest Account or the
Reserve Account of the Bond Fund.
(2) Provision is made by Section 10 herein for the payment of the principal of
and interest on the Series 2013 Bonds from the Bond Fund.
(3) The University is or will be in compliance with the conditions for the
 Resolution.
 2013 Bonds in an aggregate principal amount of not to exceed $\$ 59,385,000$ for the purpose of providing funds to carry out the Refunding Plan.
 designated the Central Washington University System Revenue Refunding Bonds, Series 2013; shall be issued in the aggregate principal amount of not to exceed $\$ 59,385,000$; shall be dated as of their date of initial delivery to the Underwriter; shall be issued in Authorized Denominations; and shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification. The Series 2013 Bonds shall mature on May 1 in each year through 2034, inclusive, with the first year to be determined based on the date of sale and fixed in the Bond Sale Resolution. The Treasurer is hereby authorized and
 maturity year. The principal amounts of Series 2013 Bonds either shall mature serially in such maturity years, or, if specified by the successful bidder in accordance with Section 16 of this


Registrar's Certificate of Authentication on each Series 2013 Bond. The Registrar may become the Owner of a Series 2013 Bond with the same rights it would have if it were not the Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Beneficial Owners. (b) Bond Register; Transfer and Exchange. The Series 2013 Bonds shall be issued only in registered form as to both principal and interest and shall be recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the Owner of each Series 2013 Bond and the principal amount and number of each of the Series 2013 Bonds held by each Registered Owner. A Series 2013 Bond or Bonds surrendered to the Registrar may be exchanged for a Series 2013 Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. Series 2013 Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Registrar. Any exchange or transfer shall be without cost to the Owner or transferee. The Registrar shall not be obligated to exchange any Series 2013 Bond or transfer registered ownership during the period between the relevant Record Date and the next upcoming interest payment or redemption date.
(c) Securities Depository; Book-Entry Form. The Series 2013 Bonds initially shall be registered in the name of Cede \& Co., as the nominee of DTC, acting as Securities Depository. Series 2013 Bonds so registered shall be held fully immobilized in book-entry form by DTC in accordance with the provisions of the Letter of Representations. Registered ownership of any Series 2013 Bond (or portion of a Series 2013 Bond) held in book-entry form may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute
date, or by check or draft of the Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register as of the Record Date. However, the University is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received at least 10 days before an interest payment date and at the sole expense of the requesting Registered Owner. Principal of a Series 2013 Bond shall be payable upon presentation and surrender of the Series 2013 Bond by the Registered Owner to the Registrar. The Series 2013 Bonds are not subject to acceleration under any circumstances.

Section 8. Redemption Provisions and Open Market Purchase of Series 2013 Bonds.

 optional redemption may be selected by the University, in its sole discretion, for redemption in whole or in part at any time at which redemption is permitted as set forth in the Bond Sale Resolution.
 the Bond Sale Resolution, if not previously redeemed under any optional redemption provisions or purchased and surrendered for cancellation under the provisions set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the redemption dates and in the redemption amounts as set forth in the Bond Sale Resolution. If there is more than one Term Bond maturity, the Term Bonds shall be redeemed in chronological order of maturity. If Term Bonds are redeemed under the optional redemption provisions, purchased by the University and cancelled, or defeased, the principal amount of the Term Bonds so redeemed, purchased or defeased (irrespective of their actual redemption or purchase prices) shall be credited against one or more scheduled mandatory redemption amounts
officer of the University authorized to sign bonds before the Series 2013 Bond bearing his or her manual or facsimile signature is authenticated by the Registrar or issued or delivered by the University, that Series 2013 Bond nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the University as though that person had continued to be an officer of the University authorized to sign bonds. Any Series 2013 Bond also may be signed on behalf of the University by any person who, on the actual date of signing of the Series 2013 Bond, is an officer of the University authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Series 2013 Bond.
(b) Authentication. Only Series 2013 Bonds bearing a Certificate of Authentication in the following form, manually signed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Series Resolution: "Certificate of Authentication. This Series 2013 Bond is one of the fully registered Central Washington University System Revenue Refunding Bonds, Series 2013, described in the Series Resolution." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Series 2013 Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this Series Resolution.
 2013 Bonds shall be payable in lawful money of the United States of America. For as long as a Series 2013 Bond is held in book-entry form by the Securities Depository or its nominee, payment of principal of and interest on that Series 2013 Bond shall be made in the manner set forth in the Letter of Representations. If a Series 2013 Bond ceases to be in book entry form, interest on that Series 2013 Bond shall be paid by electronic transfer on the interest payment
for those Term Bonds. The University shall determine the manner in which the credit is to be allocated and shall notify the Registrar in writing of its allocation prior to the earliest mandatory redemption date for that maturity of Term Bonds for which notice of redemption has not already been given. (c) Selection of Series 2013 Bonds for Redemption; Partial Redemptions. All or a portion of the principal amount of any Series 2013 Bond that is subject to optional or mandatory redemption may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Series 2013 Bond is redeemed, upon surrender of that Bond to the Registrar, there shall be issued to the Registered Owner, without charge, a new Series 2013 Bond (or Series 2013 Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount remaining unredeemed. While a Series 2013 Bond is held in book-entry form by the Securities Depository or its nominee, selection of the principal portion of any Series 2013 Bond to be partially redeemed shall be done in accordance with the Letter of Representations. If a Series 2013 Bond ceases to be held in book-entry form by the Securities Depository or its nominee, the portion to be partially redeemed shall be selected randomly in such manner as the Registrar shall determine.
(d) Notice of Redemption. While a Series 2013 Bond is held by the Securities Depository or its nominee, notice of redemption shall be given as required in accordance with the Letter of Representations, and the Registrar shall not be required to give any other notice of redemption. If the Series 2013 Bonds cease to be in book-entry-only form by the Securities Depository or nominee, unless waived by the Registered Owner of the Series 2013 Bond to be redeemed, the University shall cause notice of any intended redemption of Series 2013 Bonds to
Money in the Bond Fund not needed to pay the interest or principal and interest next
 payment of debt service coming due. Money in the Revenue Fund and the Bond Fund may be
 University.


 regardless of its designation in this Series Resolution.

Section 9. Failure to Pay Series 2013 Bonds. If any Series 2013 Bond is not redeemed when properly presented at its maturity or date set for redemption, the University shall be obligated to pay interest on that Series 2013 Bond at the same rate provided in the Series 2013 Bond from and after its maturity or date set for redemption until that Series 2013 Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Series 2013 Bond has been called for payment by giving notice of that call to the Registered Owner.
 the Bond Fund has been previously created in the office of the Treasurer for the purpose of paying and securing the payment of Parity Bonds. The Bond Fund shall be held separate and
 Owners, from time to time, of the Parity Bonds.

The Gross Revenue is pledged to the payment of the Parity Bonds. The University
 outstanding to set aside and pay into the Bond Fund from Gross Revenue or other money in the Revenue Fund, on or prior to the respective dates the same become due, such amounts as are required to pay the principal of and interest on the Series 2013 Bonds.
 an equal and prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever, except that the Series 2013 Bonds shall have a lien and charge upon

any Future Parity Bonds.

15

Section 11. Tax Covenants. The University covenants that it will take all actions necessary to prevent interest on the Series 2013 Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Series 2013 Bonds or other funds of the University treated as proceeds of the Series 2013 Bonds at any time during the term of the Series 2013 Bonds which will cause interest on the Series 2013 Bonds to be included in gross income for federal income tax purposes. The University also covenants that it will, to the extent the arbitrage rebate requirement of Section 148 of the Code, is applicable to the Series 2013 Bonds, take all actions necessary to comply (or to be treated as having complied) with that requirement in connection with the Series 2013 Bonds, including the calculation and payment of any penalties that the University has elected to pay as an alternative to calculating rebatable arbitrage, and the payment of any other penalties if required under Section 148 of the Code to prevent interest on the Series 2013 Bonds from being included in gross income for federal income tax purposes. Section 12. Refunding or Defeasance. The University may issue refunding bonds pursuant to the laws of the State or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on the affected portion of the Series 2013 Bonds (the "defeased Series 2013 Bonds"); (b) redeeming the defeased Series 2013 Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the University sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the "trust account"), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Series 2013 Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Series 2013 Bonds in the covenants of this
practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance, if necessary, for the payment of the amount required to be paid by the Refunding Plan. The Acquired Obligations are listed and more particularly described in Exhibit A attached to the Refunding Trust Agreement between the University and the Refunding Trustee, but are subject to substitution as set forth below. Any Series 2013 Bond proceeds or other money deposited with the Refunding Trustee not needed to purchase the Acquired Obligations and provide a beginning cash balance, if any, and pay the costs of issuance of the Series 2013 Bonds shall be returned to the University at the time of delivery of the Series 2013 Bonds to the initial purchaser thereof and deposited in the Bond Fund to pay interest on the Series 2013 Bonds on the first interest payment date.
 Acquired Obligations by the Refunding Trustee, the University reserves the right to substitute other direct, noncallable obligations of the United States of America ("Substitute Obligations") for any of the Acquired Obligations and to use any savings created thereby for any lawful University purpose if, (a) in the opinion of Foster Pepper PLLC, the University's bond counsel, the interest on the Series 2013 Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148, and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm.
payments required to be made by the Refunding Plan from the Acquired Obligations (or Substitute Obligations) and money deposited with the Refunding Trustee pursuant to this Series Resolution. All Acquired Obligations (or Substitute Obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the Series 2004 Bond Resolution, the Master Resolution, this Series Resolution, chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation, and expenses of the Refunding Trustee for the Series 2013 Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the Refunded Bonds and costs related to the issuance and delivery of the Series 2013 Bonds, including bond printing, verification fees, bond counsel's fees, and other related expenses, shall be paid out of the proceeds of the Series
2013 Bonds.
 Refunding Plan provided for by this Series Resolution, the Treasurer of the University is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement substantially in the form on file with the Secretary of the Board and by this reference made a part hereof setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption, and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation, and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the Treasurer of the University is authorized to make such changes therein that do not change the substance and purpose thereof or that assure that the escrow provided therein and the Series 2013 Bonds are in compliance with the requirements of federal
that the Refunded Bonds shall no longer be deemed to be outstanding under the Series 2004 Bond Resolution immediately upon the deposit of such money with the Refunding Trustee. Section 16. Sale of Series 2013 Bonds. The Series 2013 Bonds shall be sold at public sale to the bidder offering to purchase the Series 2013 Bonds at the lowest true interest cost to the University at such price as shall be determined at the time of sale by the University on all the terms and conditions set out in the Official Notice of Sale. Bidders may aggregate the principal amounts of any maturities of the Series 2013 Bonds into one or more maturities of Term Bonds. Any Term Bond so designated must consist of the total principal payments for two or more consecutive years and mature on the latest of such years.

The Treasurer is authorized and directed to (a) cause to be prepared an Official Notice of Sale of the Series 2013 Bonds and to publish that notice or an abridgment thereof in such publications at such times as he may deem desirable; (b) prepare and circulate a Preliminary Official Statement and bid form for the sale of the Series 2013 Bonds; (c) take such other actions to publicize or facilitate the sale as he may deem desirable or necessary, including, but not limited to, securing a rating on the Series 2013 Bonds from one or more of the established rating services; and (d) determine and approve the aggregate principal amount of the Series 2013 Bonds to be issued hereunder in accordance with the limitations set forth in Section 4 hereof. All bids must be submitted electronically for the purchase of the Series 2013 Bonds via a bidding service pre-qualified by the Treasurer. Such bids shall be accompanied by a good faith deposit in the form specified in the Official Notice of Sale and in a minimum amount equal to $1 \%$ of the par amount of the Series 2013 Bonds which the Treasurer is authorized and directed to determine.
distribution by the Underwriter of the final official statement to potential purchasers and

## purchasers of the Series 2013 Bonds.

Section 18. Undertaking to Provide Continuing Disclosure. To meet the requirements
of paragraph $(\mathrm{b})(5)$ of Rule $15 \mathrm{c} 2-12$, as applicable to a participating underwriter for the Series
2013 Bonds, the University makes the following written Undertaking for the benefit of holders

## of the Series 2013 Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of

Listed Events. The University undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:
(i) Annual financial information and operating data of the type
 information");
 occurrence of the event) of the occurrence of any of the following events delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or
their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 - TEB) or other material
notices or determinations with respect to the tax status of the Series 2013 Bonds; (7) modifications to rights of holders of the Series 2013 Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2013
Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the University, as such "Bankruptcy Events" are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the University or the sale of all or course of business, the entry into a definitive agreement to undertake such
the amendment changes the type of annual financial information to be provided, the annual
financial information containing the amended financial information will include a narrative
explanation of the effect of that change on the type of information to be provided.
(d) Beneficiaries. The Undertaking evidenced by this section shall inure to
the benefit of the University and any holder of Series 2013 Bonds, and shall not inure to the
benefit of or create any rights in any other person.
(e) Termination of Undertaking. The University's obligations under this

Undertaking shall terminate upon the legal defeasance of all of the Series 2013 Bonds. In addition, the University's obligations under this Undertaking shall terminate if those provisions of Rule 15c2-12 which require the University to comply with this Undertaking become legally inapplicable in respect of the Series 2013 Bonds for any reason, as confirmed by an opinion of nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the University, and the University provides timely notice of such termination to the MSRB.
(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the University learns of any failure to comply with the Undertaking, the University will proceed with due diligence to cause such noncompliance to be corrected. No failure by the University or other obligated person to comply with the Undertaking shall constitute a default in respect of the Series 2013 Bonds. The sole remedy of any holder of a Series 2013 Bond shall be to seek an order of mandamus or specific performance from an appropriate court to compel the University or other obligated person to comply with the Undertaking.

Treasurer of the University (or such other officer of the University who may in the future

I, the undersigned, the duly chosen, qualified and acting Secretary of the Board of
Trustees (the "Board") of Central Washington University (the "University"), and keeper of the records of the Board, DO HEREBY CERTIFY:

 Resolution is now in full force and effect;
IN WITNESS WHEREOF, I have hereunto set my hand as of this $7^{\text {th }}$ day of December,

 PASSED AND APPROVED by the Board of Trustees of Central Washington University | PASSED AND APPROVED by the Board of Trustees of Central Washington University |
| :--- |
| at a regular meeting held on the 7th day of December, 2012 . |
| CENTRAL WASHINGTON UNIVERSITY |
| ${ } }$ |
| Chair of its Board of Trustees |
| Secretary of its Board Trustees |


[^0]:    ${ }^{1)}$ Excludes the Refunded Bonds.

[^1]:    See Accompanying Notes to the Financial Statements

[^2]:    *The Series 2012 Bonds were issued on April 17, 2012 with an average interest rate of $3.3369 \%$ to refund $\$ 7,520,000$ outstanding on the Series 2002 Bonds, which had an average interest rate of $5.3052 \%$. The refunding resulted in a $\$ 1,572,989$ Gross Debt Service Savings over the next 20 years and an economic loss of $\$ 101,577$. The Series 2012 Bonds were issued in the original amount of $\$ 7,665,000$ and have $\$ 7,665,000$ of principal outstanding as of June 30, 2012.

[^3]:    Section 24.
    is adoster Resolution and Laws a Contract with Bondowners. This resolution
    ander the
    authority of and in full compliance with the Constitution and laws of the

[^4]:    BOARD OF TRUSTEES
    CENTRAL WASHINGTON UNIVERSITY
    A RESOLUTION of the Board of Trustees of Central Washington University providing for the issuance of the University's System Revenue Refunding Bonds,
    Series 2013, in the aggregate principal amount of not to exceed $\$ 59,385,000$ for the purpose of providing funds to pay all or a portion of the cost of advance refunding a portion of the University's outstanding System Revenue Bonds,
    Series 2004, and to pay the costs of issuance and sale of the bonds; providing for Series 2004, and to pay the costs of issuance and sale of the bonds; providing for
    certain terms and covenants of the bonds; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of the bonds herein authorized and for the use and application of the money derived from those investments; authorizing the execution of an agreement with U.S. Bank National
    Association of Seattle, Washington, as refunding trustee; providing for the call, payment and redemption of the outstanding bonds to be refunded; authorizing and
    directing the sale of such bonds; and providing for other related matters. directing the sale of such bonds; and providing for other related matters.

    ADOPTED December 7, 2012
    Prepared by:
    Foster Pepper PLLC
    1111 Third Avenue, Suite 3400
    Seattle, Washington 98101 (206) 447-4400

    SYSTEM REVENUE BONDS
    SERIES 2013 BOND RESOLUTION
    RESOLUTION NO. $12-18$
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    SYSTEM REVENUE BONDS
    SERIES 2013 BOND RESOLUTION
    RESOLUTION NO. 12-18
    A RESOLUTION of the Board of Trustees of Central Washington University

