



Wichita State University

Annual Financial Report
for the Fiscal Year Ended June 30, 2009

**Prepared in Accordance with
Government Accounting Standards
Board (GASB) Principles**

**Wichita State University
Fiscal Year 2009 Annual GASB Financial Report**

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Wichita State University
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Kansas Board of Regents and University Officers

Kansas Board of Regents

Donna L. Shank, Chair
Jill Docking, Vice Chair
Jerry Boettcher
Dick Hedges
Dan Lykins
Janie Perkins
Gary Sherrer
Bill Thorton

University Officers

Officers Reporting

Mary L. Herrin, Vice President for Administration and Finance
Steven D. LaFever, Director of Financial Reporting, Financial Data Analysis and Investments

Executive Administration

Donald L. Beggs, President
Mary L. Herrin, Vice President for Administration and Finance
Ted D. Ayres, Vice President and General Counsel
Ronald R. Kopita, Vice President for Campus Life and University Relations
Gary L. Miller, Provost and Vice President for Academic Affairs and Research

Fiscal Year 2009 Financial Information

Prepared in Accordance with Government Accounting Standards Board

(GASB) Principles, with exceptions as noted

Management's Discussion and Analysis

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Management's Discussion and Analysis

The following Management's Discussion and Analysis (MDA) provides an overview of the financial performance of Wichita State University (University) based on currently known facts, decisions and conditions. It is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, with one exception. Due to the privacy of the Wichita State University Foundation, management elected to exclude a major component unit, Wichita State University Foundation, from these financial statements, and footnotes. **GASB Statement No. 39, Determining Whether Certain Organizations are Component Units**, requires the inclusion of this entity.

This MDA discussion should be read in conjunction with the University's financial statements and footnotes which have been prepared by management. The financial statements, footnotes and this discussion are the responsibility of management.

USING THE FINANCIAL STATEMENTS

This report consists of the three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows. The notes to the financial statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. The University implemented **GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis for Public Colleges and Universities and GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units** during fiscal year 2004. These new standards changed the focus of our financial statements to a comprehensive one-look at the University as a whole as opposed to the traditional presentation of fund groups. Other significant changes to the financial statements included:

- GASB Statement No. 35 categorizes the Statement of Net Assets into a classified format of current and non-current. The Statement of Revenues, Expenses and Changes in Net Assets categorizes revenues and expenses into operating and non-operating. Significant recurring sources of revenue are now shown as non-operating, including State appropriations and investment income. This represented 38.4% of the total University revenue for 2009. Public universities depend heavily on these revenues to fund their programs and services. As a result, the University will normally report a loss from operating activities.
- Student tuition and fees are now reported net of scholarships funded by Federal and State grants as well as University's resources. Prior to 2004, all scholarships were reported as scholarship expenses.
- GASB Statement No. 35 requires the University to report accumulated depreciation on its capital assets.
- GASB Statement No. 39 requires the University to discretely display in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, the data for component units. The three component units are: Wichita State University Intercollegiate Athletic Association, Inc., Wichita State University Union Corporation d/b/a Rhatigan Student Center, and Wichita State University Board of Trustees. As noted earlier, management has elected to exclude the Wichita State University Foundation.

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Management's Discussion and Analysis

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets of the University at a point in time (at the end of the fiscal year). Its purpose is to present a financial snapshot of the University. The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector enterprises. Under the accrual basis of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Within the Statement of Net Assets, assets and liabilities are further classified as current or non-current. The current classification distinguishes those assets that are highly liquid and available for immediate and unrestricted use by the University, and those liabilities likely to be settled in the next twelve months.

Net Assets are divided into three categories:

1. Invested in Capital Assets, Net of Related Debt: This indicates the University's equity in property, plant and equipment owned by the University.
2. Restricted Net Assets are further divided into two subcategories, non-expendable and expendable. The corpus of non-expendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.
3. Unrestricted Net Assets are available to the University for any lawful purpose of the institution.

Total assets at June 30, 2009 were \$243.5 million, an increase of \$1.8 million over June 30, 2008. Capital net assets comprised 71.5% or \$174.1 million of the assets.

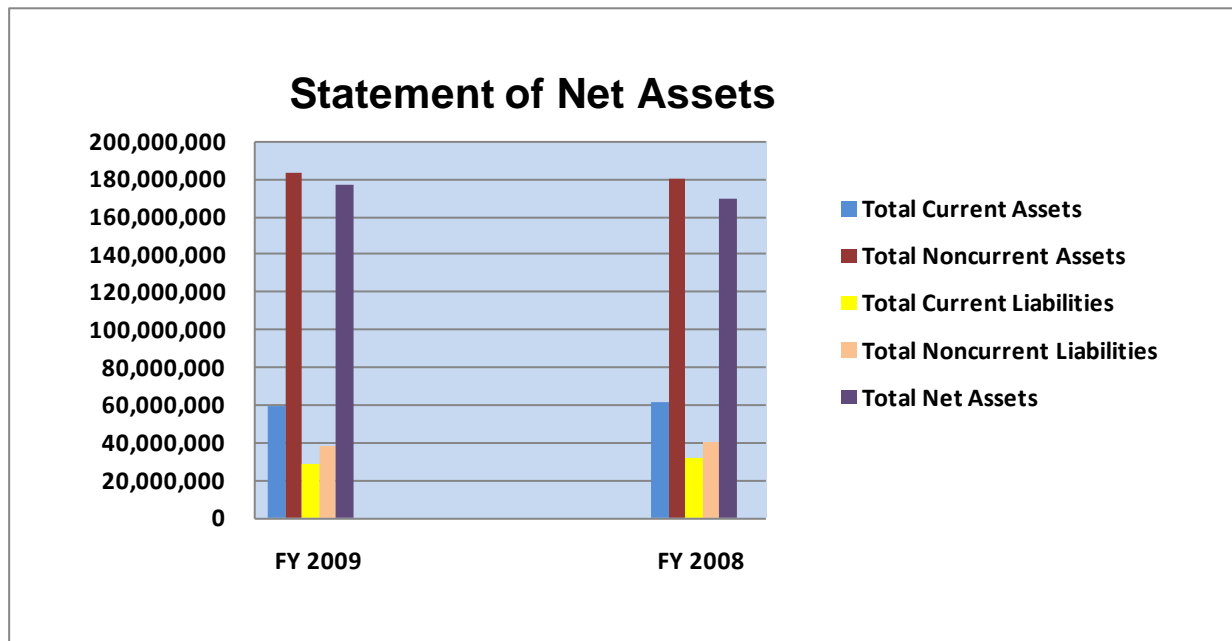
Total liabilities were \$66.9 million at June 30, 2009, a decrease of \$5.4 million (7.5%). This is compared to \$72.4 million total liabilities at June 30, 2008. Long-term liabilities comprised 56.6%, or \$37.9 million of the liabilities.

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Management's Discussion and Analysis

Total net assets at June 30, 2009 were \$176.6 million, a \$7.2 million increase over the prior year, or a 4.3% increase in net assets. The summary of net assets is shown below:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Capital Assets, net of related debt	\$ 134,911,209.41	\$ 128,480,852.07
Restricted net assets	24,733,247.58	20,371,691.13
Unrestricted net assets	<u>16,934,862.78</u>	<u>20,479,644.37</u>
Total net assets	\$ <u>176,579,319.77</u>	\$ <u>169,332,187.57</u>



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets presents the total revenues earned and expenses incurred by the University for operating, non-operating and other related activities during a period of time. Its purpose is to assess the University's operating results.

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Management's Discussion and Analysis

REVENUES

Total operating revenues at the University as of June 30, 2009, increased by \$8.8 million or 7.3% over the previous year. The following is a brief summary of the significant changes:

- Tuition and fee revenues, after scholarship allowances, were \$57 million in FY 2009 compared to \$51.2 million in FY 2008. This increase is a direct result of a tuition increase approved by the Kansas Board of Regents for FY 2009, and an increase in fall enrollment of 170 students enrolling in 5,431 additional credit hours. In addition, Spring enrollment increased by 143 students and 5,397 credit hours. These funds provided additional resources to the University to help offset decreases in State appropriations.
- Federal grants and contracts increased \$759 thousand over the previous fiscal year. This category of revenue includes funds received from the Federal government for financial aid as well as other sponsored research revenue. Pell Grant revenue increased by \$792 thousand with a minor decrease in Federal grants over the prior year.
- State and local contracts and grants increased by \$895 thousand in FY 2009. A major factor for the increase was due to sponsored research overhead.
- Sales and services of educational activities increased \$2.1 million from the previous fiscal year. These revenues are generated by activities that are related incidentally or exist primarily to afford hands-on experience in providing instruction, research and public service. The National Institute for Aviation Research (NIAR) accounted for a major portion of the increase.
- Housing auxiliary revenue increased from \$5.6 million to \$6.1 million as a result of increases in rates and occupancy.
- Other operating revenue decreased by \$1.2 million from FY 2008. This was primarily the result of fewer projects being billed by the Physical Plant Stores.

Total non-operating revenues decreased \$5.4 million compared to the prior fiscal year from \$92.9 million to \$87.5 million. The following is a brief summary of the significant changes:

- State appropriations, the largest single source of revenue at the University, decreased by 4.7% or \$3.7 million. State appropriations for FY 2009 were \$74.0 million vs. \$77.7 million for FY 2008. The State of Kansas, along with many other states, had to decrease funding in order to balance the budget. Non-capital State appropriations represent 32.5% of the FY 2009 total revenue.
- Gifts for scholarships, research and faculty support decreased by 9.0% or \$1.2 million. Gifts were \$12.2 million for FY 2009 vs. \$13.4 million for FY 2008.
- Investment income results were from short term investing of funds from tuition and fees, and bond funds held in reserve accounts or awaiting project completion. Investment income decreased in FY 2009 by \$522 thousand or 29.2%. Investment income for FY 2009 was \$1.3 million vs. \$1.8 million in FY 2008. The decline was primarily the result of declining short term interest rates.

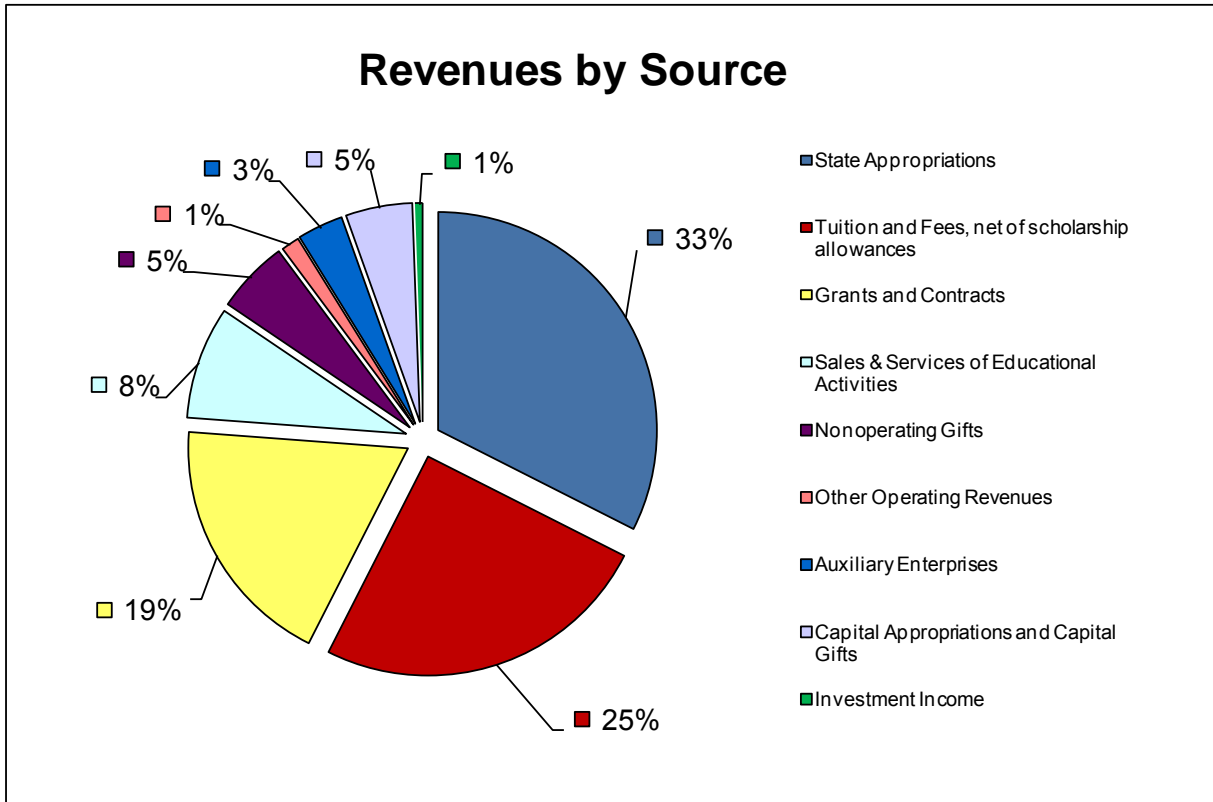
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Management's Discussion and Analysis

Other revenues included the following:

- Capital appropriations decreased by \$912 thousand. These funds were used for rehabilitation and repair of facilities and bond debt payment. Capital appropriations were \$5.4 million in FY 2009 vs. \$6.3 million in FY 2008. Although the State of Kansas Legislature now permits the State Universities to receive interest income which is to be used for infrastructure maintenance, the amount decreased in FY 2009 because of declining short term interest rates.
- Gifts for capital projects increased from \$148 thousand in FY 2008 to \$4.9 million in FY 2009. The increase was primarily because of a large gift for capitalized equipment for the National Institute for Aviation Research (NIAR) that was received through the WSU Foundation on behalf of the University.

Sources of total revenues are displayed in the following chart:



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Management's Discussion and Analysis

OPERATING EXPENSES

Operating expenses were \$218.7 million for FY 2009 vs. \$211.8 million in FY 2008. This was an increase of \$6.9 million or 3.3%. The following is a brief summary of the significant changes:

- Expenses related to the University's mission of instruction, research and public service increased \$3.1 million or 2.9% in FY 2009. The increase consists of Instruction of .5%, Research of 13.3%, and Public Service decrease of 9.9%. Research expenses increased largely as a result of the continued expansion of NIAR through numerous additional grants. Public Service expenses declined primarily as a result of a State award to the GEAR UP program. From September 18, 2008 to September 17, 2009 Kansas Kids@ GEAR UP filed for and received a one-year no-cost extension, which allowed the program to continue for one year without additional funding from the U.S. Department of Education. Minimal services were offered to students while the grant was closed out. During FY 2010, the GEAR UP program will receive additional State funding. GEAR UP serves K-12 students who are first generation, foster or adoptive care, or limited income students.

Following is a summary of expenses related to the primary mission of the University:

	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Total</u>
Salaries and Wages				
FY 2009	\$ 55,079,098.26	\$ 19,062,398.43	\$ 10,406,809.36	\$ 84,548,306.05
FY 2008	<u>53,639,453.13</u>	<u>17,257,325.06</u>	<u>10,592,458.57</u>	<u>81,489,236.76</u>
Increase (Decrease)	<u>\$ 1,439,645.13</u>	<u>\$ 1,805,073.37</u>	<u>\$ (185,649.21)</u>	<u>\$ 3,019,068.24</u>
Contractual and Commodities, other				
FY 2009	\$ 3,081,377.75	\$ 17,481,534.01	\$ 4,100,785.48	\$ 24,663,697.24
FY 2008	<u>3,795,363.26</u>	<u>14,110,613.39</u>	<u>5,227,059.05</u>	<u>23,133,035.70</u>
Increase (Decrease)	<u>\$ (713,985.51)</u>	<u>\$ 3,370,920.62</u>	<u>\$ (1,126,273.57)</u>	<u>\$ 1,530,661.54</u>
Capital Equipment				
FY 2009	\$ 416,668.87	\$ 1,171,798.54	\$ 375,983.69	\$ 1,964,451.10
FY 2008	<u>849,381.67</u>	<u>1,923,508.05</u>	<u>698,070.75</u>	<u>3,470,960.47</u>
Increase (Decrease)	<u>\$ (432,712.80)</u>	<u>\$ (751,709.51)</u>	<u>\$ (322,087.06)</u>	<u>\$ (1,506,509.37)</u>
Totals for FY 2009	<u>\$ 58,577,144.88</u>	<u>\$ 37,715,730.98</u>	<u>\$ 14,883,578.53</u>	<u>\$ 111,176,454.39</u>
Totals for FY 2008	<u>58,284,198.06</u>	<u>33,291,446.50</u>	<u>16,517,588.37</u>	<u>108,093,232.93</u>
Increase (Decrease)	<u>\$ 292,946.82</u>	<u>\$ 4,424,284.48</u>	<u>\$ (1,634,009.84)</u>	<u>\$ 3,083,221.46</u>

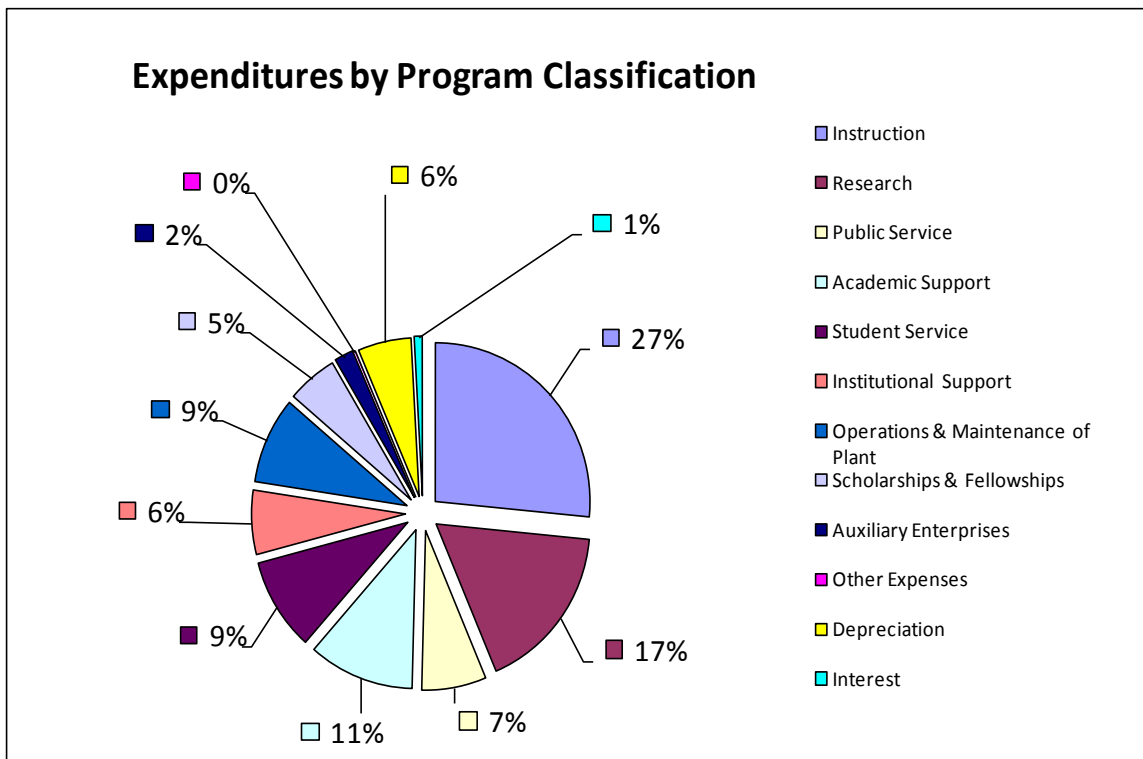
- Academic Support decreased by \$90 thousand. The decrease is related to reductions in State appropriations. Although the overall expenses indicated a slight decline, salaries and wages increased by \$357 thousand, which was offset by decreases in commodities and capital equipment.
- Student Services increased 3.5% or \$697 thousand. Salaries and benefits accounted for \$428 thousand of the increase and the balance was for increased operating expenses.

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- Institutional Support increased by \$633 thousand or 4.6%. Salaries and benefits accounted for \$466 thousand of the increase.
- Operation and Maintenance of Physical Plant decreased by \$1.3 million. Reduced State appropriations accounted for the major decreases.
- Scholarships and Fellowships increased \$2.0 million or 21.0% in FY 2009. The University is continuing to invest in students by increasing scholarships and fellowships to enhance enrollment and to provide educational opportunities to deserving students. This has resulted in increased enrollment that helps offset the decreased State appropriations.
- Auxiliary Enterprises include the routine operating expenses for the housing and parking functions. These expenses increased \$286 thousand in FY 2009 vs. FY 2008.
- Depreciation expense increased from \$10.7 million in FY 2008 to \$12.3 million in FY 2009. This increase of \$1.6 million is a direct result in capitalization of \$14.9 million in new depreciable assets during FY 2009.

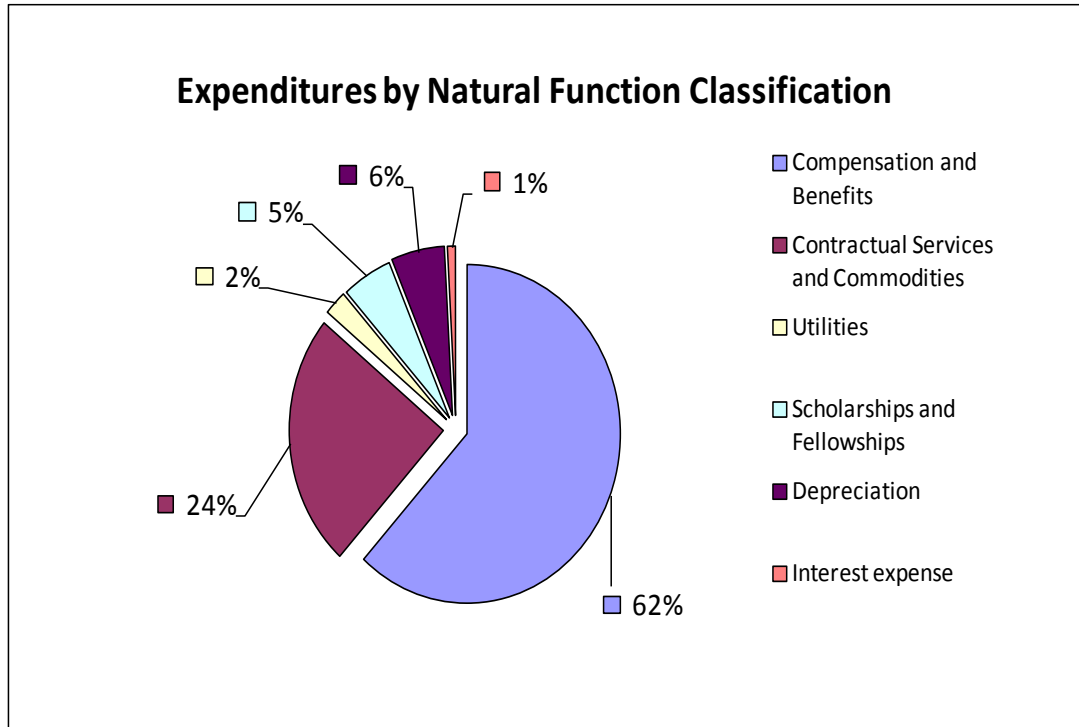
Total expenditures by program, including operating and non-operating, are displayed below:



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Expenditures by natural function classification, including operating and non-operating, are displayed below:



Net Assets

Overall, net assets increased \$7.2 million in FY 2009 vs. FY 2008. This increase in net assets can be attributed to net capitalization of new assets and unrestricted net assets of \$6.4 million, the result of an increase in gifts for capital projects.

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Management's Discussion and Analysis

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments of the University during a period of time. Its purpose is to assess the University's ability to generate future new cash flows and meet its obligations as they come due.

SUMMARY OF THE STATEMENT OF CASH FLOWS

	June 30, 2009	June 30, 2008
Net cash provided (used by):		
Operating activities	\$ (79,089,245.84)	\$ (75,616,332.21)
Non-capital financing activities	87,084,197.40	88,168,456.12
Capital and related financing/appropriations	(9,603,110.66)	(9,185,720.46)
Investing activities	(328,389.71)	1,928,567.29
Net increase (decrease) in cash	\$ (1,936,548.81)	\$ 5,294,970.74
 Beginning cash and cash equivalent balances	 51,302,253.19	 46,007,282.45
 Ending cash and cash equivalent balances	 \$ 49,365,704.38	 \$ 51,302,253.19

Cash provided by operating activities includes tuition and fees, and grant and contract revenues. Cash used for operating activities includes payments to employees and suppliers. Cash provided by non-capital financing activities includes State appropriations, gifts, and the receipt and disbursement of the Federal Family Education Loan Programs (Stafford, Perkins and Plus Loans). Cash provided for capital and related financing activities represents capital appropriations, and gifts and grants. This cash is used for construction, and remodel and repair of University facilities as well as purchases of capital assets and debt servicing. Detailed information regarding the University's capital assets is available in Note 3 to the financial statements. Cash provided by investing activities includes purchases and sales of investments as well as investment income earnings and losses realized.

The University's overall liquidity decreased by \$1.9 million. This was primarily the result of increases in gift income for capital projects.

CAPITAL ASSETS

The University continued to make investments in capital during FY 2009. Detailed information regarding capital asset additions, retirements and depreciation is available in Note 3 to the financial statements.

The following is a brief summary of the construction projects that were completed during the current fiscal year:

- Charles Koch Arena Lower Level Project: Murals were painted and related lighting enhancements were installed in the lower halls. The \$150 thousand cost was paid with \$137 thousand from private donations and \$13 thousand from Intercollegiate Athletic Association funds.

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- Dormitories: Fairmount Towers South, the third floor of Fairmount Towers North and the lobby of Brennan Hall II were carpeted. The project cost of \$255 thousand was paid from housing system funds.
- Construction of KMUW Radio Transmitter Building: The project cost of \$288 thousand was paid with \$193 thousand from restricted fees, \$88 thousand from research restricted fees and \$5 thousand from University Federal funds.
- Hughes Metropolitan Complex: The roof of the building was replaced. The project cost of \$398 thousand was paid from rehabilitation and repair funds.
- Cessna Stadium: The press box windows were replaced. The project cost of \$206 thousand was paid with \$171 thousand from remodeling and improvement funds and \$35 thousand from restricted fees.
- Aviation Testing Laboratory Building: Mechanical and electrical modifications were made to the building. The \$449 thousand cost was paid with \$416 thousand from sponsored research overhead funds and \$33 thousand from University Federal funds.
- Charles Koch Arena: The roof of the building was replaced. The \$386 thousand cost was paid from Intercollegiate Athletic Association funds.
- Aviation Testing Laboratory Building: A hydraulic hard-line system was installed in the building. The \$224 thousand cost was paid from University Federal funds.
- Jardine Hall: The Office of Financial Operations was remodeled. The \$225 thousand cost was paid from restricted fees.
- Water Distribution System: Improvements were made to the University's water distribution system. The \$318 thousand cost was paid from deferred maintenance funds.
- Perimeter Road: The Perimeter Road was re-routed to the south of McKnight Art Center. The \$526 thousand cost was paid with \$414 thousand from parking reserves funds and \$112 thousand from remodeling and improvement funds.
- Floor Covering Replacement: Sixty-seven rooms in nine campus buildings were carpeted. The \$128 thousand cost was paid from rehabilitation and repair funds.
- Central Energy Plant: Three motor control centers were replaced in the building. The \$235 thousand cost was paid from deferred maintenance funds.
- Duerksen Fine Arts Center: The storefront window on the south side of the building was replaced. The \$278 thousand cost was paid from deferred maintenance funds.
- Heskett Center: The building's temperature control system was upgraded. The \$117 thousand cost was paid from deferred maintenance funds.

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- McKnight Art Center: The building's temperature control system was upgraded. The \$134 thousand cost was paid from deferred maintenance funds.
- Ahlberg Hall: Two elevators in the building were upgraded. The \$164 thousand cost was paid from deferred maintenance funds.
- Jabara Hall: Additional air conditioning for the University Computing Center was installed in the building. The \$395 thousand cost was paid from tuition funds.
- Lindquist Hall: Two elevators in the building were upgraded. The \$190 thousand cost was paid from deferred maintenance funds.
- Wallace Hall: The electrical service to Wallace Hall Annex was upgraded. The \$113 thousand cost was paid from deferred maintenance funds.

Additionally, the University is involved in several ongoing construction projects. The major projects include:

- Duerksen Fine Arts Center: The building's HVAC system is being replaced. The project cost of \$463 thousand to date has been paid by \$443 thousand from deferred maintenance funds and \$20 thousand from rehabilitation and repair funds.
- Ahlberg Hall: The utility tunnel to the building is being waterproofed. The project cost of \$437 thousand to date has been paid from deferred maintenance funds.
- Engineering Building: The building's HVAC system is being replaced. The project cost of \$107 thousand to date has been paid from deferred maintenance funds.
- Fire Code Improvements: Fire alarm systems in Henrion Hall and Wilner Auditorium are being upgraded. The project cost of \$191 thousand to date has been paid from rehabilitation and repair funds.
- Duerksen Fine Arts Center: Electrical service to the building is being upgraded. The project cost of \$193 thousand to date has been paid from deferred maintenance funds.
- Corbin Education Center: The belvedere roofs on the building are being replaced. The project cost of \$41 thousand to date has been paid from rehabilitation and repair funds.
- Hubbard Hall: The elevators in the building are being upgraded. The project cost of \$78 thousand to date has been paid from rehabilitation and repair funds.
- Grace Wilkie Hall: The building's HVAC system is being replaced. The project cost of \$93 thousand to date has been paid from deferred maintenance funds.
- Construction of the Bombardier Learjet Practice Facility: The project cost of \$173 thousand to date has been funded from private donations and student fees.

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DEBT ADMINISTRATION

At June 30, 2009, the University had \$25.7 million in long term revenue bond debt outstanding. Revenue bonds were approved by the Kansas Board of Regents and issued by the Kansas Development Finance Authority for the benefit of Wichita State University to finance housing renovation, parking renovation, WSU research and development facilities projects and the National Institute for Aviation Research projects. In addition, \$10 million in long term leases was outstanding as of June 30, 2009.

Standard & Poors issued its 'A+' rating on the Wichita State University Housing System Refunding Revenue Bonds, Series 2002P.

Standard & Poors issued its 'A' rating on the Wichita State University Parking System Revenue Bonds, Series 2000B.

Standard and Poors issued its 'A+' rating on the Wichita State University Intercollegiate Athletic Association, Inc. Project Revenue Bonds, Series 2002D.

Detailed information regarding the University's long-term liabilities is available in Note 7 and Note 8 to the financial Statements.

ECONOMIC OUTLOOK

The State of Kansas Division of Budget revenue estimate as of November 5, 2009 was decreased by \$235.2 million, or 4.2 percent, below the previous estimate. The revised estimate of \$5.3 billion represents a 5.1 percent decrease below final FY 2009 receipts. Factors affecting tax receipts, in addition to the State of the economy, include several pieces of legislation enacted in 2005-2007 that are continuing to reduce the amount of severance, income, estate, corporation franchise, and motor carrier property tax receipts deposited in the State General Fund.

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Other than the above, the University is not aware of any currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

Overall, the financial position of the University continues to be strong and credit hours continue to increase.

Student Enrollment and Credit Hour Production				
	FY 2009	FY 2008	Change +/-	% Change
Total Students - Head Count				
Fall Semester	14,612	14,442	170	1.2%
Spring Semester	14,235	14,092	143	1.0%
 Total Credit Hours				
Fall Semester	153,004	147,573	5,431	3.7%
Spring Semester	147,579	142,182	5,397	3.8%
 Full Time Equivalent Students (F.T.E.)				
Fall Semester	13,359	12,895	464	3.6%
Spring Semester	12,890	12,411	479	3.9%

Financial Statements with Notes

**WICHITA STATE UNIVERSITY
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2009**

	University Funds		Component Units (1)	
	FY 2009	FY 2008	FY 2009	FY 2008
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 49,365,704.38	\$ 51,302,253.19	\$ 12,987,817.00	\$ 10,135,263.00
Accounts receivable, net	7,310,903.43	8,189,719.58	7,316,909.00	5,274,897.00
Investments	598,472.47	192,363.15	8,122,332.00	5,434,869.00
Loans to students, net	1,391,229.36	1,272,575.60	21,541.00	26,317.00
Inventories	530,058.69	443,098.36	1,395,320.00	1,390,685.00
Prepaid expenses	534,066.88	522,894.64	57,509.00	158,187.00
Other current assets	0.00	0.00	163,820.00	133,067.00
Total Current Assets	\$ 59,730,435.21	\$ 61,922,904.52	\$ 30,065,248.00	\$ 22,553,285.00
Noncurrent Assets				
Restricted cash and cash equivalents	\$ 0.00	\$ 0.00	\$ 111,852.00	\$ 631,994.00
Investments	2,705,277.50	1,517,240.00	7,590,175.00	9,123,423.00
Loans to students, net	6,974,101.37	7,211,261.70	0.00	0.00
Other assets	0.00	0.00	500.00	500.00
Capital assets, net	174,099,650.06	171,038,815.05	13,643,808.00	14,739,793.00
Total Noncurrent Assets	\$ 183,779,028.93	\$ 179,767,316.75	\$ 21,346,335.00	\$ 24,495,710.00
TOTAL ASSETS	\$ 243,509,464.14	\$ 241,690,221.27	\$ 51,411,583.00	\$ 47,048,995.00
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 5,825,923.54	\$ 5,395,403.86	\$ 1,108,346.00	\$ 1,206,162.00
Deferred revenue	8,263,204.33	8,232,505.30	4,150,566.00	4,009,356.00
Loan payable	0.00	0.00	96,665.00	120,107.00
Revenue bonds payable	2,850,000.00	2,720,000.00	1,500,000.00	1,484,251.00
Lease Payable	675,398.70	649,522.33	0.00	0.00
Accrued compensated absences	10,389,793.03	13,763,446.86	229,581.00	222,026.00
Deposits held in custody for others	1,068,677.82	1,119,274.70	0.00	0.00
Total Current Liabilities	\$ 29,072,997.42	\$ 31,880,153.05	\$ 7,085,158.00	\$ 7,041,902.00
Noncurrent Liabilities				
Lease Payable	\$ 9,998,041.95	\$ 10,673,440.65	\$ 0.00	\$ 0.00
Other postemployment healthcare benefits	2,194,105.00	1,289,440.00	0.00	0.00
Revenue bonds payable	25,665,000.00	28,515,000.00	17,293,054.00	17,073,140.00
Total Noncurrent Liabilities	\$ 37,857,146.95	\$ 40,477,880.65	\$ 17,293,054.00	\$ 17,073,140.00
TOTAL LIABILITIES	\$ 66,930,144.37	\$ 72,358,033.70	\$ 24,378,212.00	\$ 24,115,042.00
NET ASSETS				
Invested in capital assets, net of related debt	\$ 134,911,209.41	\$ 128,480,852.07	\$ 2,849,079.00	\$ 2,783,872.00
Restricted for:				
Nonexpendable	0.00	0.00	3,424,685.00	3,417,127.00
Expendable				
Loans	9,301,617.30	9,261,138.51	0.00	0.00
Capital projects	11,908,520.76	7,148,331.01	0.00	0.00
Debt service	1,563,271.91	1,521,365.48	8,122,332.00	5,080,545.00
Other purposes	1,959,837.61	2,440,856.13	(515,369.00)	1,298,790.00
Unrestricted	16,934,862.78	20,479,644.37	13,152,644.00	10,353,619.00
TOTAL NET ASSETS	\$ 176,579,319.77	\$ 169,332,187.57	\$ 27,033,371.00	\$ 22,933,953.00

(1) See Appendix 1

WICHITA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

	University Funds		Component Units (1)	
	FY 2009	FY 2008	FY 2009	FY 2008
Operating Revenues:				
Tuition and fees, net of scholarship allowances of \$12,312,145 in 2009 and \$12,750,865 in 2008	\$ 56,967,487.90	\$ 51,249,465.24	\$ 4,507,591.00	\$ 4,043,154.00
Federal grants and contracts	31,943,986.91	31,184,729.27	0.00	0.00
State and local grants and contracts	10,651,414.00	9,756,107.89	0.00	0.00
Sales and services of educational activities	18,919,779.48	16,807,531.27	12,923,463.00	12,553,952.00
Auxiliary enterprises				
Housing revenues (revenues are pledged as security for bonds)	6,075,171.52	5,553,553.95	0.00	0.00
Parking revenues (revenues are pledged as security for bonds)	1,591,989.52	1,533,882.59	0.00	0.00
Interest earned on loans to students	80,246.83	116,037.12	18,606.00	51,411.00
Other operating revenues	2,964,718.50	4,174,552.33	471,906.00	750,001.00
Total Operating Revenues	\$ 129,194,794.66	\$ 120,375,859.66	\$ 17,921,566.00	\$ 17,398,518.00
Operating Expenses:				
Instruction	\$ 58,577,144.88	\$ 58,284,198.06	\$ 0.00	\$ 0.00
Research	37,715,730.98	33,291,446.50	0.00	0.00
Public Service	14,883,578.53	16,517,588.37	455,407.00	339,957.00
Academic Support	24,461,220.69	24,551,254.58	0.00	0.00
Student Service	20,743,166.29	20,046,005.21	15,892,729.00	15,833,029.00
Institutional Support	14,409,000.49	13,776,048.90	310,605.00	1,625,235.00
Operations and Maintenance of Plant	19,438,587.96	20,689,513.61	780,625.00	789,206.00
Scholarships and Fellowships	11,572,728.75	9,565,051.78	6,384,865.00	6,502,809.00
Auxiliary Enterprises	4,365,519.30	4,079,845.77	0.00	0.00
Other Expenses	259,994.03	321,044.18	1,111,628.00	1,496,188.00
Depreciation	12,298,728.46	10,690,162.61	1,565,991.00	1,756,207.00
Total Operating Expenses	\$ 218,725,400.36	\$ 211,812,159.57	\$ 26,501,850.00	\$ 28,342,631.00
Total Operating Income (Loss)	\$ (89,530,605.70)	\$ (91,436,299.91)	\$ (8,580,284.00)	\$ (10,944,113.00)
Non-operating Revenues (Expenses)				
State appropriations	\$ 74,005,184.00	\$ 77,668,313.00	\$ 0.00	\$ 0.00
Gifts	12,224,945.28	13,427,765.42	8,496,339.00	4,534,042.00
Investment income	1,265,757.11	1,787,757.63	(1,347,875.00)	81,622.00
Interest expense	(1,873,704.56)	(2,027,373.95)	(848,554.00)	(902,089.00)
County tax subsidy	0.00	0.00	7,019,546.00	6,591,795.00
Other nonoperating revenues (expenses)	0.00	0.00	(1,449,631.00)	(1,040,719.00)
Total Non-operating Revenues (Expenses)	\$ 85,622,181.83	\$ 90,856,462.10	\$ 11,869,825.00	\$ 9,264,651.00
Total Income (Loss) Before Other Revenues, Expenses, Gains and Losses	\$ (3,908,423.87)	\$ (579,837.81)	\$ 3,289,541.00	\$ (1,679,462.00)
Other Revenue				
Capital Appropriations	\$ 5,374,382.15	\$ 6,286,501.20	\$ 0.00	\$ 0.00
Gifts for capital projects	4,914,173.92	147,855.00	386,155.00	85,928.00
Student fees for capital projects	867,000.00	693,040.00	622,673.00	680,471.00
Other additions, net	0.00	0.00	(198,951.00)	(147,855.00)
Total Other Revenue	\$ 11,155,556.07	\$ 7,127,396.20	\$ 809,877.00	\$ 618,544.00
Total Increase in Net Assets	\$ 7,247,132.20	\$ 6,547,558.39	\$ 4,099,418.00	\$ (1,060,918.00)
Net Assets				
Net Assets - Beginning of Year	\$ 169,332,187.57	\$ 162,784,629.18	\$ 22,933,953.00	\$ 23,994,871.00
Net Assets - End of Year	\$ 176,579,319.77	\$ 169,332,187.57	\$ 27,033,371.00	\$ 22,933,953.00

(1) See Appendix 2

WICHITA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

	University Funds	
	FY 2009	FY 2008
Cash Flows from Operating Activities		
Tuition and fees	\$ 58,098,403.80	\$ 51,040,305.74
Sales and services of educational activities	18,665,046.18	16,526,077.43
Auxiliary enterprise charges		
Housing	5,998,089.52	5,553,517.95
Parking	1,485,273.29	1,379,620.18
Research grants and contracts	42,892,778.55	43,705,730.23
Payments to suppliers	(53,819,309.92)	(54,599,631.71)
Payments for utilities	(5,256,522.19)	(5,363,995.58)
Payments for scholarships and benefits	(11,572,728.75)	(9,565,051.78)
Compensation & benefits	(135,445,723.93)	(132,153,968.04)
Loans issued to students	(786,188.87)	(1,619,716.50)
Collections on loans issued to students	904,695.44	1,017,268.45
Other receipts (payments)	(253,058.96)	8,463,511.42
	<u>\$ (79,089,245.84)</u>	<u>\$ (75,616,332.21)</u>
Net Cash Flows from Operating Activities		
Cash Flows from Noncapital Financing Activities		
State appropriations	\$ 74,005,184.00	\$ 77,668,313.00
Gifts	12,224,945.28	13,427,765.42
Funds held for others	(50,596.88)	(4,217,062.30)
Other post employment healthcare benefits	904,665.00	1,289,440.00
Federal family education loan receipts	54,732,780.34	48,578,103.95
Federal family education loan disbursements	(54,732,780.34)	(48,578,103.95)
	<u>\$ 87,084,197.40</u>	<u>\$ 88,168,456.12</u>
Net Cash Flows from Noncapital Financing Activities		
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	\$ 5,374,382.15	\$ 6,286,501.20
Capital gifts	4,914,173.92	147,855.00
Student fees for capital projects	867,000.00	693,040.00
Purchase of capital assets	(15,359,563.47)	(10,916,220.38)
Principal paid on capital debt and leases	(3,525,398.70)	(3,369,522.33)
Interest paid on capital debt and leases	(1,873,704.56)	(2,027,373.95)
	<u>\$ (9,603,110.66)</u>	<u>\$ (9,185,720.46)</u>
Net Cash Flows from Capital and Related Financing Activities		
Cash Flows from Investing Activities		
Investment income	\$ 1,265,757.11	\$ 1,787,757.63
Interest receivable	-	196,502.24
Proceeds from sales and maturities of investments	-	(55,692.58)
Purchase of Investments	(1,594,146.82)	
	<u>\$ (328,389.71)</u>	<u>\$ 1,928,567.29</u>
Net Cash Flows from Investing Activities		
Net change in cash and cash equivalents	<u>\$ (1,936,548.81)</u>	<u>\$ 5,294,970.74</u>
Cash and cash equivalents - beginning of year	<u>51,302,253.19</u>	<u>46,007,282.45</u>
Cash and cash equivalents - end of year	<u>\$ 49,365,704.38</u>	<u>\$ 51,302,253.19</u>
Reconciliation		
Operating income (loss)	\$ (89,530,605.70)	\$ (91,436,299.91)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	12,298,728.46	10,690,162.61
Changes in assets and liabilities:		
Accounts receivable, net	878,816.15	2,131,259.93
Loans to students, net	118,506.57	(602,448.05)
Current portion of long term debt	130,000.00	110,000.00
Current portion of long lease payable	25,876.37	24,884.97
Inventories	(86,960.33)	18,330.14
Prepaid expenses	(11,172.24)	(131,483.14)
Accounts payable and accrued liabilities	430,519.68	(447,497.15)
Deferred revenue	30,699.03	(127,315.73)
Accrued compensated absences	(3,373,653.83)	4,154,074.12
	<u>\$ (79,089,245.84)</u>	<u>\$ (75,616,332.21)</u>
Net Cash Used in Operating Activities - Cash Flow		

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Due to privacy reasons, the accompanying financial statements do not include the data of the Wichita State University Foundation, a major component unit of this primary government. Therefore, the accompanying financial statements and related supplemental information have not been prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements for the University have not been audited. Separately audited component unit's statements, prepared in FASB format, are Wichita State University Intercollegiate Athletic Association and Wichita State University Union Corporation, d/b/a Rhatigan Student Center. Another component unit, the Wichita State University Board of Trustees, has been audited and presented in the GASB format.

Otherwise, in preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Organization. Wichita State University (the "University") is an urban research institution providing undergraduate, graduate and professional education in a variety of academic programs. The University serves both traditional and nontraditional student bodies. The University is accredited by the Higher Learning Commission formerly the North Central Association of Colleges and Schools.

Undergraduate and graduate degrees are available from six colleges: Fairmount College of Liberal Arts and Sciences; W. Frank Barton School of Business; College of Education; College of Engineering; College of Fine Arts and College of Health Professions. The University is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the comprehensive annual financial report (CAFR) of the State of Kansas.

The University conducts classes at three locations. The main campus is located at 1845 Fairmount, Wichita, Kansas. There are two satellite campuses: the West Campus is located at 3801 North Walker Avenue, Maize, Kansas, and the South Campus is located at 200 W. Greenway Street, Suite 15A, Derby, Kansas.

Financial Reporting Entity. As required by the accounting principles generally accepted by the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University and its component units: the WSU Intercollegiate Athletic Association, WSU Union Corporation (d/b/a Rhatigan Student Center), and WSU Board of Trustees. Management has elected not to include financial statements from its component unit, Wichita State University Foundation. This election is not in conformity with generally accepted accounting principles as stated in **GASB Statement No. 14 The Financial Reporting Entity, paragraph 64, page 27, "Primary Government Separate Financial Statements"** and **GASB Statement No. 39 Determining Whether Certain Organizations are Component Units.**

Each component unit is independently audited and received an unqualified certified opinion. Financial activities and balances of component units have been discretely presented on the University's financial statements. This discrete display presentation is in conformity with **GASB Statement No 35 Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities** and with **GASB Statement No 39 Determining Whether Certain Organizations are Component Units.**

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

Basis of Accounting. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated except for the component units. Since the component units are displayed discretely, inter-agency transactions have not been eliminated in accordance with GASB guidelines.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents. For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be 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 include 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. (See Note 4)

Inventories. Inventories are carried at cost.

Loans to Students. Loans to students consist of loans from the Federal Perkins Loan Fund and the Health Professions Student Assistance Loan Program. Loans receivable are allocated into current and noncurrent based upon sampled and historical balances collectible in less than one year and collectible in more than one year. (See Note 5)

Prepaid Expenses. Prepaid expenses consist of deferred summer school expenses.

Noncurrent 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 noncurrent assets, are classified as non-current 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. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated life 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 if the related project cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line, half-year convention method over the estimated useful lives of the assets. Useful life is 40 years for buildings, 25 years for infrastructure and land improvements, 8 years for equipment and 5 years for vehicles. The University reserves the discretion to modify the useful life of an asset in an unusual circumstance.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

Costs incurred during construction of long-lived assets are recorded as construction-in-progress and are not depreciated until placed in service. (See Note 3)

Deferred Revenue. Deferred revenues consist primarily of summer school tuition not earned during the current year and amounts received from grant and contract sponsors that have not yet been earned. (See Note 6)

Compensated Absences. Employee vacation and sick pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the Statement of Net Assets, and as a component of compensation and as an expense in the Statement of Revenues, Expenses, and Changes in Net Assets. The expenses are also a component of compensation and benefit expense in Note 12, "Operating Expenses by Natural Classification".

Deposits Held In Custody For Others. Deposits held in custody for others consist primarily of funds for student organizations that are administered by the University.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of revenue bonds with contractual maturities greater than one year. (See Notes 7 and 8) Also included are lease principal amounts for energy saving projects on University buildings. (See Note 14)

Net Assets. The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - nonexpendable: Restricted nonexpendable 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. The Wichita State University Foundation data is not presented in this financial Statement with other component units of the University, as noted above.

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

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments. 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. These resources also included auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. The auxiliary enterprises included here are student housing and parking operations.

Tax Status. As a State institution of higher education, the income of the University is generally exempt from Federal and State income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(b). The University complies with this requirement by annually filing form 990-T through the Kansas Board of Regents Office.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

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 scholarships discounts and allowances, (2) sales and services of auxiliary enterprises, (3) Federal, State and local grants and contracts, and (4) interest on institutional student loans and auxiliary enterprises.

Non-Operating Revenues: Non-operating revenues include State appropriations, restricted funds set aside per the State of Kansas for transfer to General Fund, and income from investments. These revenues are from activities that have the characteristics of non-exchange transactions as defined as non-operating revenues by **GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary fund Accounting, GASB Statement No. 34, Basic Financial Statements - and Management's 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.**

Scholarship Discounts and Allowances. Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on behalf of the students. Certain governmental grants, such as Pell Grants, and other Federal, State or nongovernmental 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 a scholarship discount and allowance.

Summer Session. Revenues and expenses for the summer session are reported within the fiscal year in which the summer session is predominately conducted. Accordingly, revenues and expenses for the 2008 summer session are reported in the Statement of Revenues, Expenses and Changes in Net Assets as revenues and expenses for FY 2009. Summer session revenues received prior to June 30, 2009, are reported as deferred revenues in the Statement of Net Assets. Expenses for the summer session paid prior to June 30, 2009, are reported as prepaid expenses. Kansas Board of Regents officials determined this methodology and believe the departure from generally accepted accounting principles will not have a material effect on the University's financial position.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

The carrying values of deposits and investments shown below are included in the Statement of Net Assets as follows:

Carrying Value:	<u>FY 2009</u>	<u>FY 2008</u>
Cash deposits with State Treasury	\$ 47,411,031.23	\$ 44,755,546.04
Cash deposits with financial institutions	1,558,735.01	757,500.54
Certificates of deposit	598,472.47	192,363.15
Repurchase agreements	395,938.14	5,789,206.61
Guaranteed investment contracts	2,705,277.50	1,517,240.00
	<u>\$ 52,669,454.35</u>	<u>\$ 53,011,856.34</u>

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

A reconciliation of deposits and investments to the Statement of Net Assets as of June 30 is as follows:

	FY 2009	FY 2008
Cash and cash equivalents	\$ 49,365,704.38	\$ 51,302,253.19
Investments (current)	598,472.47	192,363.15
Investments (non-current)	2,705,277.50	1,517,240.00
	\$ 52,669,454.35	\$ 53,011,856.34

Deposits

The University's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, placed in short-term investments with the exception of bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

State law requires the University to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. The investments are managed by the Pooled Money Investment Board, which maintains a published Investment Policy. The exceptions to this are any funds maintained in the University's imprest fund, organizational safekeeping fund, and any funds held by external entities on behalf of the University.

Cash balances maintained by the State Treasurer are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investments purposes by the Pooled Money Investment Board and are reported at fair value, based on quoted market prices.

The majority of deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized. The University does not have a formal deposit policy regarding custodial credit risk. However, management has evaluated the financial stability of the financial institutions involved and feels the deposit custodial credit risk is minimal.

Investments

Pooled Money Investment Board (PMIB). The investment policy of the PMIB is governed by State statutes. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Interfund loans to various State agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10 percent or \$140,000,000 of State monies
- Certain Kansas agency and IMPACT Act projects and bonds
- Linked deposit loans for agricultural production not to exceed \$55,000,000
- High grade commercial paper not to exceed 270 days to maturity
- High grade corporate bonds not to exceed 2 years to maturity

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

Kansas Development Finance Authority (KDFA). For investments related to the University's revenue bonds, State statutes permit cash balances to be invested as permitted by bond documents and bond covenants. KDFA manages the University's revenue bond investments. Allowable investments include:

- U.S. Government obligations
- Obligations of government-sponsored agencies
- Federal funds, unsecured certificates of deposit, time deposits and bankers acceptances
- Deposits – fully insured by FDIC
- Certain State or municipal debt obligations
- Certain pre-refunded municipal obligations
- Commercial paper
- Investments in money market funds
- Repurchase agreements
- Stripped securities
- Investments in the Municipal Investment Pool Fund
- Investment agreements
- Guaranteed investment contracts

Interest Rate Risk is the risk where changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

PMIB minimizes interest rate risk structuring the investment portfolio so that securities mature to meet cash requirement for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities.

For revenue bond investments managed by KDFA, due to the tax-exempt status of the bonds, the general practice is that KDFA and the University match reserve fund interest rates to the arbitrage yield on the bonds and the term of the investments to the maturity of the bonds. For invested loan funds, KDFA generally invests to maximize the interest rate and set a term of investment based on estimated expenditures, which is generally 3 – 5 years.

As of June 30, 2009 the University had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>More Than 10 Years</u>
Certificates of Deposit	\$ 598,472.47	\$ 598,472.47	
Repurchase Agreements	395,938.14	\$ 395,938.14	
Guaranteed Investment	2,705,277.50		\$ 2,705,277.50
Total	<u>\$ 3,699,688.11</u>	<u>\$ 994,410.61</u>	<u>\$ 2,705,277.50</u>

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. The University investments may have credit risk, since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government. The investments are unrated and certain investments have an underlying collateral agreement.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the University's name, and are held by either the counterparty or the counterparty's trust department or agent.

The University does not have a formal investment policy that addresses custodial credit risk. However, the University's custodial credit risk is estimated to be minimal based on the expressed investment policies of PMIB and K DFA.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer that exceeds 5 percent or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

Note 3 - CAPITAL ASSETS

Capital asset activity for the University for the year ended June 30, 2009 is summarized as follows:

	Primary Institution			
	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Capital assets (not depreciated)				
Land	\$ 2,966,850.70	\$ 7,300.00	\$ 0.00	\$ 2,974,150.70
Construction-in-progress	1,310,136.69	5,643,979.58	5,178,534.30	1,775,581.97
Total Assets - not depreciable	\$ 4,276,987.39	\$ 5,651,279.58	\$ 5,178,534.30	\$ 4,749,732.67
Capital Assets (being depreciated)				
Leasehold Improvements	\$ 1,248,676.00	\$ 287,973.00	\$ 0.00	\$ 1,536,649.00
Infrastructure	16,495,764.02	844,002.56	0.00	17,339,766.58
Land improvements	9,458,936.59	0.00	0.00	9,458,936.59
Buildings	103,502,165.40	59,305.16	0.00	103,561,470.56
Building Improvements	93,088,586.86	4,050,558.74	41,652.62	97,097,492.98
Equipment & Furnishings	52,719,731.52	9,468,409.98	1,379,242.79	60,808,898.71
Vehicles	3,028,169.67	170,693.75	199,541.18	2,999,322.24
Sub-Total University	\$ 279,542,030.06	\$ 14,880,943.19	\$ 1,620,436.59	\$ 292,802,536.66
Service Clearing:				
Equipment	\$ 283,287.17	\$ 5,875.00	\$ 39,161.09	\$ 250,001.08
Vehicles	337,232.15	0.00	25,296.00	311,936.15
Sub-Total Service Clearing	\$ 620,519.32	\$ 5,875.00	\$ 64,457.09	\$ 561,937.23
Total Assets - depreciable basis	\$ 280,162,549.38	\$ 14,886,818.19	\$ 1,684,893.68	\$ 293,364,473.89
Gross Total Capital Assets	\$ 284,439,536.77	\$ 20,538,097.77	\$ 6,863,427.98	\$ 298,114,206.56
Accumulated Depreciation				
Leasehold Improvements	\$ 211,387.10	\$ 139,266.25	\$ 0.00	\$ 350,653.35
Infrastructure	2,414,508.31	639,776.98	0.00	3,054,285.29
Land Improvements	3,399,950.97	319,261.53	0.00	3,719,212.50
Buildings	52,225,181.19	2,311,466.44	0.00	54,536,647.63
Building Improvements	22,224,086.01	2,320,270.64	41,652.62	24,502,704.03
Equipment & Furnishings	29,951,646.85	6,348,174.95	1,379,242.79	34,920,579.01
Vehicles	2,574,530.01	135,472.05	199,541.18	2,510,460.88
Sub-Total University	\$ 113,001,290.44	\$ 12,213,688.84	\$ 1,620,436.59	\$ 123,594,542.69
Service Clearing:				
Equipment	\$ 229,521.35	\$ 26,628.42	\$ 39,161.09	\$ 216,988.68
Vehicles	169,909.93	58,411.20	25,296.00	203,025.13
Sub-Total Service Clearing	\$ 399,431.28	\$ 85,039.62	\$ 64,457.09	\$ 420,013.81
Total Accumulated Depreciation	\$ 113,400,721.72	\$ 12,298,728.46	\$ 1,684,893.68	\$ 124,014,556.50
Capital Depreciable Assets - Net	\$ 166,761,827.66	\$ 2,588,089.73	\$ -	\$ 169,349,917.39
Total Capital Assets - Net	\$ 171,038,815.05	\$ 8,239,369.31	\$ 5,178,534.30	\$ 174,099,650.06

The University elected not to capitalize its library book collections. Those collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep encumbered, care for and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items.

Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are shown in the accompanying Statement of Net Assets. The University has established an allowance for doubtful accounts for FY 2009. At June 30, 2009, net accounts receivable consisted of the following:

<u>Accounts Receivable</u>	<u>June 30, 2009 Net</u>	<u>June 30, 2008 Net</u>
Student Tuition and Fees	\$ 1,682,009.77	\$ 2,620,081.51
Student Housing Contracts	414,689.83	307,973.60
Service Clearing and Other Operating Activities	56,436.01	74,253.39
Imprest Fund	4,432.76	0.00
Federal, State, and Private Grants and Contracts	<u>5,153,335.06</u>	<u>5,187,411.08</u>
Total Accounts Receivable	<u><u>\$ 7,310,903.43</u></u>	<u><u>\$ 8,189,719.58</u></u>

NOTE 5 - LOANS TO STUDENTS

Student loans made through the Federal Perkins Loan Program and the Health Professions Student Loan Program comprise substantially all of the loans to students at June 30, 2009 and 2008. The Programs provide for cancellation of a loan at rates from 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for a portion of the amounts canceled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The University has established an allowance for uncollectible loans at June 30, 2009.

NOTE 6 - DEFERRED REVENUES

Deferred revenues consist primarily of summer session tuition and fees and advance collections on grants and contracts. The breakdown of deferred revenues is as follows:

<u>Deferred Revenues</u>	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Student housing contracts	\$ 0.00	\$ 77,082.00
Summer session	4,643,718.89	4,503,173.18
Grants and contracts	<u>3,619,485.44</u>	<u>3,652,250.12</u>
Total Deferred Revenue	<u><u>\$ 8,263,204.33</u></u>	<u><u>\$ 8,232,505.30</u></u>

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2009, consisted of the following:

<u>Liabilities</u>	<u>Long-Term Liabilities as of June 30, 2008</u>	<u>Additions</u>	<u>Current Liabilities as of June 30, 2009</u>	<u>Long-Term Liabilities as of June 30, 2009</u>
Revenue Bonds Payable:				
Housing System Renovation Project - Refunding Revenue Bonds Series 2002P	\$ 9,235,000.00	\$ 0.00	\$ 540,000.00	\$ 8,695,000.00
Parking System Project Revenue Bonds - Series 2000B	3,095,000.00	0.00	370,000.00	2,725,000.00
WSU Research and Development Facilities Projects - Series 2003C	2,305,000.00	0.00	0.00	2,305,000.00
National Institute for Aviation Research - Research and Development Facilities Projects - Series 2003C	1,280,000.00	0.00	1,280,000.00	0.00
WSU Research and Development Facilities Projects - Series 2005D	6,525,000.00	0.00	600,000.00	5,925,000.00
National Institute for Aviation Research - Research and Development Facilities Projects - Series 2005D	<u>6,075,000.00</u>	<u>0.00</u>	<u>60,000.00</u>	<u>6,015,000.00</u>
Total Liabilities	<u>\$ 28,515,000.00</u>	<u>\$ 0.00</u>	<u>\$ 2,850,000.00</u>	<u>\$ 25,665,000.00</u>

NOTE 8 - REVENUE BONDS OUTSTANDING

Revenue bonds payable consisted of the following as of June 30, 2009:

	<u>Principal Outstanding June 30, 2009</u>
<u>Housing System Revenue Project-Refunding Revenue Bonds Series 2002P</u>	\$9,235,000.00
<ul style="list-style-type: none"> • Issued by Kansas Development Finance Authority on December 2, 2002 • Original amount of \$12,150,000 • Due in annual installments with final maturity on June 1, 2021 • Interest ranging from 3.00% to 4.75%, payable semi-annually • Collateralized by dormitory fees from residential students • FY 2010 Principal Payment due: \$540,000 	
<u>Parking System Renovation Project-Revenue Bonds Series 2000B</u>	\$3,095,000.00
<ul style="list-style-type: none"> • Issued by Kansas Development Finance Authority on May 15, 2000 • Original amount of \$5,705,000 • Due in annual installments with final maturity on April 1, 2015 • Interest ranging from 4.70% to 5.90%, payable semi-annually • Collateralized by parking fees from student, faculty and staff • FY 2010 Principal Payment due: \$370,000 	

**Wichita State University
For the Years Ended June 30, 2009 and 2008**

Notes to the Financial Statements

**WSU Research and Development Facilities Projects-Revenue Bonds Series 2003C
for the Engineering Research Laboratory Building** **\$2,305,000.00**

- Issued by Kansas Development Finance Authority on February 11, 2003
- Original amount of \$2,305,000
- Due in annual installments with final maturity on October 1, 2023
- Interest rate is 5.00%, payable semi-annually
- Collateralized by restricted use and sponsored research overhead funds from Wichita State University and interest earned
- Principal payments will not commence until FY 2022 due to the structuring of the debt service payments of the 2005D bond issue

**National Institute for Aviation Research –Research and Development Facilities-
Revenue Bonds Series 2003C for Aviation Research Equipment** **\$1,280,000.00**

- Issued by Kansas Development Finance Authority on February 11, 2003
- Original amount of \$6,815,000
- Due in annual installments with final maturity on June 30, 2010
- Interest rate ranging from 4.672% to 5.00%, payable semi-annually
- Collateralized by State of Kansas appropriations and capitalized interest
- FY 2010 Principal Payment due: \$1,280,000

**WSU Research and Development Facilities Projects-Revenue Bonds Series 2005D
for the Engineering Research Laboratory Building** **\$6,525,000.00**

- Issued by Kansas Development Finance Authority on June 2, 2005
- Original amount of \$12,180,000. In April 2006, \$4,000,000 for an icing tunnel research project was cancelled due to construction bids exceeding funding. These funds were returned to KDFA for reallocation to another university in the amount of \$3,000,000 and early redemption of bond principal of \$1,000,000.
- Due in annual installments with final maturity on October 1, 2017
- Interest ranging from 3.79% to 4.95%, payable semi-annually
- Collateralized by interest earnings, University funds and State of Kansas appropriations
- FY 2010 Principal Payment due: \$600,000

**National Institute for Aviation Research –Research and Development Facilities-
Revenue Bonds Series 2005D for Aviation Research Equipment** **\$6,075,000.00**

- Issued by Kansas Development Finance Authority on June 2, 2005
- Original amount of \$6,240,000
- Due in annual installments with final maturity on October 1, 2013
- Interest ranging from 3.79% to 4.68%, payable semi-annually
- Collateralized by State of Kansas appropriations
- FY 2010 Principal Payment due: \$60,000

Wichita State University
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Notes to the Financial Statements

Future debt service requirements for all bonds outstanding at June 30, 2009, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2010	\$ 2,850,000.00	\$ 1,310,901.50	\$ 4,160,901.50
2011	2,980,000.00	1,180,703.00	4,160,703.00
2012	3,110,000.00	1,046,452.50	4,156,452.50
2013-2017	12,175,000.00	3,140,594.00	15,315,594.00
2018-2022	5,470,000.00	1,157,713.78	6,627,713.78
2023-2024	<u>1,930,000.00</u>	<u>97,750.00</u>	<u>2,027,750.00</u>
Total Debt Service Requirements	<u><u>\$ 28,515,000.00</u></u>	<u><u>\$ 7,934,114.78</u></u>	<u><u>\$ 36,449,114.78</u></u>

NOTE 9 - RETIREMENT PLANS

The University participates in two cost-sharing multiple-employer defined benefit pension plans and one defined contribution pension plan.

Defined Benefit Plan

Kansas Public Employees Retirement System

Classified employees participate in the Kansas Public Employees Retirement System (KPERs). Benefit provisions are established by State statute and provide retirement, disability, and death benefits to benefits eligible employees. KPERs issues an annual financial report that includes financial statements and required supplementary information. The report is available upon request from KPERs.

For the year ended June 30, 2009, active KPERs members were required by statute to contribute 4.00% and the university to contribute 6.97% of the employee's covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The University contributed \$1,186,542.07 during fiscal year 2009 and individual employees contributed \$680,818.74.

Kansas Police and Fireman's Fund

Certain classified employees, due to their job types, participate in the Kansas Police and Fireman's Fund (KP&FF). Benefit provisions are established by State statute and provide retirement, disability, and death benefits to benefit eligible employees. KP&FF issues an annual financial report that includes financial statements and required supplementary information. The report is available upon request from KP&FF.

For the year ended June 30, 2009, active KP&FF members were required by statute to contribute 7.00% and the university to contribute 13.80% of the employee's covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The University contributed \$155,917.96 during fiscal year 2009 and individual employees contributed \$79,088.21.

Wichita State University
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Notes to the Financial Statements

Defined Contribution Plan

Eligible faculty and unclassified employees are required to participate in the Kansas Board of Regents (Regents) defined contribution retirement plan, which was authorized by K.S.A. 74-4925. The Regents have selected the following companies to provide investment options to participants: (1) Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), and (2) ING Financial Advisors. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. All contributions are fully vested with the first contribution.

For the year ended June 30, 2009, active members were required by State statute to contribute 5.50% and the University to contribute 8.50% of the employees' covered payroll. The Kansas Legislature establishes and may amend contribution rates for active plan members and the University. The University contributed \$6,507,744.11 during fiscal year 2009 and individual employees contributed \$4,150,426.51.

Voluntary Tax-Sheltered Annuity Program

Employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in a voluntary tax-sheltered annuity program. This voluntary plan permits employees to designate a part of their earnings into tax-sheltered investments and thus defer Federal and State income taxes on their contributions and the accumulated earnings under the plan. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to the plan.

NOTE 10 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Description. As a component unit of the State of Kansas, Wichita State University (WSU) participates in the State's health insurance benefit plan. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependants as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by the Kansas Health Policy Authority. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by WSU, thus resulting in a liability to WSU. At the State level, the accounting for health insurance for retirees is included in the State's Self-Insurance Health Fund, with the subsidy provided from the Self-Insurance Health Fund.

Funding Policy. WSU provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the State Legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

WSU appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditure on a pay-as-you-go basis.

Annual WSU Cost and Net WSU Obligation. WSU's annual Other Post Employment Benefits (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Wichita State University
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Notes to the Financial Statements

The following table (rounded amounts) presents the components of WSU's annual OPEB cost for the year, the contribution to the plan, and changes in the State's net OPEB obligation.

Amortization of Unfunded Actuarial Accrued Liability (UAAL)	\$ 381,868
Normal Cost (with Interest)	528,954
Interest on Amortized Liability	<u>14,702</u>
Annual Required Contribution (ARC)	\$ 925,524
Interest on Net OPEB Obligation	\$ 49,643
Adjustment to the ARC	(70,502)
Contributions Made	<u>0</u>
Increase in Net OPEB Obligation	\$ 904,665
Net OPEB Obligation July 1, 2008	<u>\$ 1,289,440</u>
Net OPEB Obligation June 30, 2009	<u><u>\$ 2,194,105</u></u>

Schedule of Employer Contributions – Rounded (for fiscal year ended)

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$ 1,289,440	\$0	0%	\$ 1,289,440
2009	\$ 904,665	\$0	0%	\$ 2,194,105

Funded Status and Funding Progress – Rounded

As of June 30, 2009, the most recent actuarial valuation date, the actuarial liability for benefits was \$7,781,981. The University's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability of \$7,781,981. The covered payroll (annual payroll of active employees covered by the plan) was \$111,697,365, and the ratio of the UAAL to the covered payroll was 7.00%.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2008	\$0	11,252,091	11,252,091	0%	106,485,688	11%
6/30/2009	\$0	7,781,981	7,781,981	0%	111,697,365	7%

Wichita State University
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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85% investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.50% to 10.00% in the first ten years and an ultimate rate of 5.00% after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The University is not a defendant in any lawsuit, nor is it currently involved as a plaintiff in any litigation in State or Federal Court.

The University, as a State educational institution of Kansas, is subject to the State of Kansas self-insurance program with regard to comprehensive general liability and personal injury insurance. The University is covered by the State's umbrella insurance policies for automobile liability and the Board of Regents building, contents and business interruption insurance policy. The State of Kansas does not insure State owned automobiles for bodily injury and property damages. Also, as a State educational institution, the University is self-insured relative to worker's compensation, medical and unemployment insurance. The University does maintain specific insurance coverage as allowed by the State of Kansas and as required by outstanding revenue bond issues. The University is not aware of any significant outstanding insurance claims as of June 30, 2009.

In the normal course of operations, the University receives grants, contracts and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit and disallowance by the agencies to ensure compliance with conditions precedent to such funds being provided. University officials believe that the liability, if any, for any reimbursement that may arise as the result of any audits, would not have a material effect on the University's financial position.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

NOTE 12 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses for Fiscal Year 2009 by functional and natural classification are as follows:

<u>Classifications</u>	<u>Compensation and Benefits</u>	<u>Contractual Services and Commodities</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Educational and general:						
Instruction	\$ 55,079,098.26	\$ 3,498,046.62	\$ 0.00	\$ 0.00	\$ 0.00	\$ 58,577,144.88
Research	19,062,398.43	18,650,453.34	2,879.21	0.00	0.00	37,715,730.98
Public Service	10,406,809.36	4,450,233.18	26,535.99	0.00	0.00	14,883,578.53
Academic Support	15,870,489.66	8,590,731.03	0.00	0.00	0.00	24,461,220.69
Student Services	12,266,454.46	8,476,711.83	0.00	0.00	0.00	20,743,166.29
Institutional Support	10,152,843.70	4,256,156.79	0.00	0.00	0.00	14,409,000.49
Operation and Maintenance of Plant	12,274,804.27	2,438,871.75	4,724,911.94	0.00	0.00	19,438,587.96
Depreciation	0.00	0.00	0.00	0.00	12,298,728.46	12,298,728.46
Scholarships and Fellowships	0.00	0.00	0.00	11,572,728.75	0.00	11,572,728.75
Auxiliary Enterprises	948,042.19	2,915,282.06	502,195.05	0.00	0.00	4,365,519.30
Other	72,526.66	187,467.37	0.00	0.00	0.00	259,994.03
Total	\$ 136,133,466.99	\$ 53,463,953.97	\$ 5,256,522.19	\$ 11,572,728.75	\$ 12,298,728.46	\$ 218,725,400.36

NOTE 13 - COMPONENT UNITS

The following disclosure meets the requirements in **GASB Statement 14, The Financial Reporting Entity - paragraph 61 and GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments - paragraph 128**. With one exception, it also complies with **Statement No. 39 of GASB - Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14**. The exception is that the University, at the request of the WSU Foundation, elected not to include the financial information of the Wichita State University Foundation, a component unit of the University, as a part of its financial statements. Buildings and improvements, constructed, or purchased, become the property of the State of Kansas and Wichita State University. Generally, revenue bonded debt remains the liability of the component unit. Operating equipment and vehicles, purchased with component unit funds, remain an asset of the component unit.

Wichita State University Intercollegiate Athletic Association, Inc.

Wichita State University Intercollegiate Athletic Association, Inc. (the Athletic Association) was incorporated to schedule, manage and promote athletic contests of Wichita State University in harmony with the general education policy of the University. The Athletic Association has eight women's and seven men's sports which compete in Division I of the National Collegiate Athletic Association and in the Missouri Valley Conference.

The Athletic Board of Directors serves as an advisory body to the President of the University and the Director of Athletics. The Athletic Board consists of nineteen members who are appointed by the President from the following constituencies: twelve University personnel, three students, and four persons from the community. The

Wichita State University
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Notes to the Financial Statements

Athletic Board provides the President and the Director of Athletics with its views on all significant questions relating to Athletic Association policies and activities. The management functions of the Athletic Association are delegated to the Director of Athletics by the President.

Although incorporated as a not-for-profit organization, exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, the Athletic Association is considered a governmental organization for financial reporting purposes because its governing body is appointed by Wichita State University. In the event of unilateral dissolution, its net assets revert to Wichita State University. The Athletic Association has elected to report under Financial Accounting Standards Board (FASB) pronouncements, including **FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations**. The differences between FASB and GASB reporting do not have a significant effect on net assets or the changes in net assets as of or for the year ending June 30, 2009. The Athletic Association is reported as a component unit by the University.

All land and structures, pertinent to the operation of the Athletic Association, are owned by the State of Kansas and have not been reflected as assets of the Athletic Association. The Student Government Association, through the University, allocates annually a portion of the student fees collected for support of the Athletic Association. This revenue amount was reflected on the financial statements in the amount of \$2,303,419 for operations and \$622,673 for capital debt retirement in FY 2009. The State of Kansas, through the University, pays directly the salaries and fringe benefits of certain Athletic Association personnel. The financial statements reflect \$1,783,782 in FY 2009 of State appropriations as revenue, and a like amount of salaries as expenses. The University also provides full maintenance, custodial, utilities and certain other costs on all athletic facilities. These expenses totaled \$1,355,562 in FY 2009 and have been reflected in the Athletic Association's financial statements as indirect facilities and administrative support.

The Wichita State University Foundation (the Foundation) coordinates fund-raising for and manages investments on behalf of the University and the Athletic Association. Funds held by the Foundation, which are designated for Athletics and controlled by the Athletic Association, are included in the Athletic Association's financial statements. The Foundation holds certain funds designated for athletics, which are not controlled by the Athletic Association. Such funds are comprised primarily of endowed scholarship funds. The Athletic Association records contributions when such funds are disbursed to the Athletic Association for their restricted use.

Complete financial statements for the Athletic Association can be obtained from the WSU Athletic Association Business Office at 1845 Fairmount, Campus Box 18, Wichita, Kansas, 67260-0018.

Wichita State University Union Corporation d/b/a Rhatigan Student Center

Wichita State University Union Corporation d/b/a Rhatigan Student Center (the Union) serves as the student union for Wichita State University. It is a component unit of Wichita State University. It provides a bookstore, recreation, student activities, and an outsourced dining service to benefit the faculty, staff, students and alumni of the University. It also rents meeting room space to the University for student, faculty, and staff groups.

The Union has an advisory board of directors to assist staff management. The sixteen person board of directors consists of six senior management and staff of the University, the Union Director, an Alumni Association representative and nine students.

The Union prepares its financial statements according to Financial Accounting Standards Board (FASB) pronouncements including **FASB Statement No. 117, Financial Reporting for Not-For-Profit Organizations**. The organization is recognized by Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. The State of Kansas also recognizes the exemption.

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For the year ended June 30, 2009, 49% of the organization's support and revenue came from student fees, 36% from gross profit on sales and 15% from other sources. Contributions are recognized when the donor makes an in-substance, unconditional pledge or outright cash gift. Donor wishes and restrictions dictate classification of the gifts as unrestricted, temporarily restricted or permanently restricted.

The Union buildings became the property of the State of Kansas when the University became a part of the State system on July 1, 1964. The Union does not recognize the buildings as assets on its financial Statements. Building improvements, furniture and equipment are depreciated and recorded on the financial Statements. Methods of depreciation follow the guidelines established by the universities in the State of Kansas Regents System.

The Union was a beneficiary of a portion of the proceeds from bonds payable issued by the State of Kansas through Wichita State University during the year ended June 30, 1999. The proceeds were used for energy conserving building renovations and equipment replacements. Interest expense of \$3,718 and the final balance of bond principal totaling \$54,251 were retired in FY 2009. The Union is reported as a component unit by the University.

Complete financial statements for the Union Corporation can be obtained from the Rhatigan Student Center Business Office at 1845 Fairmount, Campus Box 56, Wichita, Kansas, 67260-0056.

Wichita State University Board of Trustees

The Wichita State University Board of Trustees (the Board of Trustees) is a governmental entity created by the State of Kansas Legislature in the 1963 Session when WSU became a part of the State's higher educational system. The Board of Trustees was established for educational enrichment purposes of Wichita State University. The Board of Trustees is reported as a component unit of Wichita State University.

The Board of Trustees is a separate corporation governed by section 115 of the Internal Revenue Code. The Board of Trustees is a governmental instrumentality exempt from income tax. A nine member board of directors is appointed by the Governor of the State of Kansas. It was formed to manage endowments, and the 1.5 mill levy in place at the time Wichita State University became a State institution in 1964.

The Board of Trustees' financial Statements are prepared in accordance with generally accepted accounting principles (GAAP). **The Governmental Accounting Standards Board (GASB) Statements No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 35 Basis Financial Statements - and Management's Discussion and analysis - for Public Colleges and Universities A20 and as amended by GASB Statement No. 39 Determining Whether Certain Organizations are Component Units.**

The Board of Trustees basic financial statements are prepared on a government-wide basis. All activities of the Board of Trustees are considered a single governmental type activity and for this reason the government-wide and fund financial statements are combined.

The Board of Trustees furnishes support to Wichita State University from the 1.5 mill levy funding. During FY 2009, it furnished to the University \$4,019,858 for student support, \$455,407 for community support, and \$287,767 for University support. Complete financial statements for the Board of Trustees can be obtained from the Board of Trustees Business Office at 1845 Fairmount, Campus Box 47, Wichita, Kansas, 67260-0047.

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

NOTE 14 - Lease Purchase Agreement

The University, on February 22, 2006, entered into a lease-purchase agreement and performance contract with Custom Energy Services, L.L.C. for a period of fifteen years that totals \$12,316,635. The agreement was duly approved and authorized by the Kansas Board of Regents on February 16, 2006. The annual effective interest rate is 3.945%. The first payment was due October 1, 2006. Rental payments are due semi-annually on October 1 and April 1. The final rental payment is due October 1, 2021. Payments are to be made from University annual budget allocations. An energy audit identified over 100 energy saving measures resulting in a projected annual utility savings of \$1,173,811. These projects included lighting retrofit, water retrofit, replacement of boilers, cooling tower improvements, steam trap replacement, expansion of the energy management system and others. Custom Energy Services, L.L.C. guarantees these savings to be at least \$1,118,277. This amount is greater than the cost of energy conservation measures including financing cost, over the financing period. Savings from utilities are used to pay the debt service expenditures.

Future Lease-Purchase (Rental) requirements at June 30, 2009, are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Rental Total</u>
2010	\$ 675,398.70	\$ 414,471.18	\$ 1,089,869.88
2011	702,305.96	387,563.92	1,089,869.88
2012	730,285.18	359,584.70	1,089,869.88
2013	759,379.07	330,490.81	1,089,869.88
2014	789,632.03	300,237.85	1,089,869.88
2015	821,090.24	268,779.64	1,089,869.88
2016	853,801.72	236,068.16	1,089,869.88
2017	887,816.39	202,053.49	1,089,869.88
2018	923,186.18	166,683.70	1,089,869.88
2019	959,965.06	129,904.82	1,089,869.88
2020	998,209.19	91,660.69	1,089,869.88
2021	1,037,976.91	51,892.97	1,089,869.88
2022	534,394.02	10,540.92	544,934.94
	<u>\$ 10,673,440.65</u>	<u>\$ 2,949,932.85</u>	<u>\$ 13,623,373.50</u>

Wichita State University
For the Years Ended June 30, 2009 and 2008

Notes to the Financial Statements

NOTE 15 - Funding for Deferred Maintenance of Buildings and Infrastructure

The Kansas Board of Regents has worked with the six public universities to develop a formal request to the Governor and the Legislature for funding to eliminate the backlog of deferred maintenance. The results of that study showed that there was a buildup of deferred maintenance on the six campuses that totaled \$727 million. The amount identified at WSU totaled \$44 million. Knowing that the entire amount would not be funded and knowing that the universities could not spend the entire amount in the first year, the Board of Regents asked for a "down payment" to start addressing the problem. After much discussion and debate in the legislature, they finally appropriated \$90 million over five years, starting in Fiscal Year 2008. The remaining allocations are as follows with WSU's portion being identified by year.

Fiscal Year	Total Appropriation	WSU Portion of Appropriation
2010	\$ 15,000,000.00	\$ 1,412,470.00
2011	15,000,000.00	1,546,500.00
2012	10,000,000.00	1,031,000.00
Total	\$ 40,000,000.00	\$ 3,989,970.00

In addition to these new funds, Wichita State University will receive revenue from the State's Educational Building Fund. Fifteen million dollars are allocated to all six regent schools with WSU receiving approximately \$1.6 million to be used for Rehabilitation and Repair Projects. In addition, the Legislature approved, for the first time in history, that the six universities be permitted to retain interest earnings on their tuition, restricted fees and sponsored research overhead revenues, which began in FY 2008. Through these three sources of revenue, Wichita State University will be able to make significant progress on its deferred maintenance problems.

APPENDICES

COMPONENT UNITS

APPENDIX 1
WICHITA STATE UNIVERSITY
STATEMENT OF NET ASSETS OF COMPONENT UNITS
For the Year Ended June 30, 2009

	<u>Total Component Units</u>		<u>Intercollegiate Athletic Association Component Unit</u>		<u>W.S.U. Union Corporation Component Unit</u>		<u>W.S.U. Board of Trustees Component Unit</u>	
	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2008</u>
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 12,987,817.00	\$ 10,135,263.00	\$ 7,568,766.00	\$ 6,336,993.00	\$ 2,533,547.00	\$ 2,141,440.00	\$ 2,885,504.00	\$ 1,656,830.00
Accounts receivable, net	7,316,909.00	5,274,897.00	4,090,010.00	2,024,406.00	543,481.00	584,835.00	2,683,418.00	2,665,656.00
Investments	8,122,332.00	5,434,869.00	7,259,471.00	4,498,892.00	0.00	0.00	862,861.00	935,977.00
Loans to students, net	21,541.00	26,317.00	0.00	0.00	0.00	0.00	21,541.00	26,317.00
Inventories	1,395,320.00	1,390,685.00	0.00	0.00	1,395,320.00	1,390,685.00	0.00	0.00
Prepaid expenses	57,509.00	158,187.00	32,978.00	79,950.00	24,531.00	78,237.00	0.00	0.00
Other current assets	163,820.00	133,067.00	163,820.00	133,067.00	0.00	0.00	0.00	0.00
Total Current Assets	\$ 30,065,248.00	\$ 22,553,285.00	\$ 19,115,045.00	\$ 13,073,308.00	\$ 4,496,879.00	\$ 4,195,197.00	\$ 6,453,324.00	\$ 5,284,780.00
Noncurrent Assets								
Restricted cash and cash equivalents	\$ 111,852.00	\$ 631,994.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 111,852.00	\$ 631,994.00
Investments	7,590,175.00	9,123,423.00	0.00	0.00	0.00	0.00	7,590,175.00	9,123,423.00
Other assets	500.00	500.00	0.00	0.00	500.00	500.00	0.00	0.00
Capital assets, net	13,643,808.00	14,739,793.00	1,093,638.00	1,066,313.00	2,488,909.00	2,668,781.00	10,061,261.00	11,004,699.00
Total Noncurrent Assets	\$ 21,346,335.00	\$ 24,495,710.00	\$ 1,093,638.00	\$ 1,066,313.00	\$ 2,489,409.00	\$ 2,669,281.00	\$ 17,763,288.00	\$ 20,760,116.00
TOTAL ASSETS	\$ 51,411,583.00	\$ 47,048,995.00	\$ 20,208,683.00	\$ 14,139,621.00	\$ 6,986,288.00	\$ 6,864,478.00	\$ 24,216,612.00	\$ 26,044,896.00
LIABILITIES								
Current Liabilities								
Accounts payable and accrued liabilities	\$ 1,108,346.00	\$ 1,206,162.00	\$ 638,902.00	\$ 758,039.00	\$ 261,380.00	\$ 216,560.00	\$ 208,064.00	\$ 231,563.00
Deferred revenue	4,150,566.00	4,009,356.00	4,042,736.00	3,880,945.00	107,830.00	128,411.00	0.00	0.00
Loan payable	96,665.00	120,107.00	0.00	0.00	0.00	0.00	96,665.00	120,107.00
Revenue bonds payable	1,500,000.00	1,484,251.00	385,000.00	370,000.00	0	54,251.00	1,115,000.00	1,060,000.00
Accrued compensated absences	229,581.00	222,026.00	0.00	0.00	229,581.00	222,026.00	0.00	0.00
Total Current Liabilities	\$ 7,085,158.00	\$ 7,041,902.00	\$ 5,066,638.00	\$ 5,008,984.00	\$ 598,791.00	\$ 621,248.00	\$ 1,419,729.00	\$ 1,411,670.00
Noncurrent Liabilities								
Revenue bonds payable	\$ 17,293,054.00	\$ 17,073,140.00	\$ 7,918,054.00	\$ 6,583,140.00	\$ 0.00	\$ 0.00	\$ 9,375,000.00	\$ 10,490,000.00
Total Noncurrent Liabilities	\$ 17,293,054.00	\$ 17,073,140.00	\$ 7,918,054.00	\$ 6,583,140.00	\$ 0.00	\$ 0.00	\$ 9,375,000.00	\$ 10,490,000.00
TOTAL LIABILITIES	\$ 24,378,212.00	\$ 24,115,042.00	\$ 12,984,692.00	\$ 11,592,124.00	\$ 598,791.00	\$ 621,248.00	\$ 10,794,729.00	\$ 11,901,670.00
NET ASSETS								
Invested in capital assets, net of related debt	\$ 2,849,079.00	\$ 2,783,872.00	\$ 1,093,638.00	\$ 1,066,313.00	\$ 2,488,909.00	\$ 2,614,530.00	\$ (733,468.00)	\$ (896,971.00)
Restricted for:								
Nonexpendable	3,424,685.00	3,417,127.00	0.00	0.00	0.00	0.00	3,424,685.00	3,417,127.00
Expendable								
Debt service	8,122,332.00	5,080,545.00	7,259,471.00	4,144,568.00	0.00	0.00	862,861.00	935,977.00
Other purposes	(515,369.00)	1,298,790.00	(3,929,850.00)	(4,103,523.00)	0.00	0.00	3,414,481.00	5,402,313.00
Unrestricted	13,152,644.00	10,353,619.00	2,800,732.00	1,440,139.00	3,898,588.00	3,628,700.00	6,453,324.00	5,284,780.00
TOTAL NET ASSETS	\$ 27,033,371.00	\$ 22,933,953.00	\$ 7,223,991.00	\$ 2,547,497.00	\$ 6,387,497.00	\$ 6,243,230.00	\$ 13,421,883.00	\$ 14,143,226.00

APPENDIX 2
WICHITA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS OF COMPONENT UNITS
For the Year Ended June 30, 2009

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U. Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008	FY 2009	FY 2008
Operating Revenues:								
Student fees	\$ 4,507,591.00	\$ 4,043,154.00	\$ 2,303,419.00	\$ 2,178,419.00	\$ 2,204,172.00	\$ 1,864,735.00	\$ 0.00	\$ 0.00
Sales and services of educational activities	12,923,463.00	12,553,952.00	10,644,541.00	10,334,152.00	2,278,922.00	2,219,800.00	0.00	0.00
Interest earned on loans to students	18,606.00	51,411.00	0.00	0.00	0.00	0.00	18,606.00	51,411.00
Other operating revenues	471,906.00	750,001.00	416,916.00	703,621.00	39,990.00	38,880.00	15,000.00	7,500.00
Total Operating Revenue	\$ 17,921,566.00	\$ 17,398,518.00	\$ 13,364,876.00	\$ 13,216,192.00	\$ 4,523,084.00	\$ 4,123,415.00	\$ 33,606.00	\$ 58,911.00
Operating Expenses:								
Public Service	\$ 455,407.00	\$ 339,957.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 455,407.00	\$ 339,957.00
Academic Support	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Student Service	15,892,729.00	15,833,029.00	12,206,847.00	12,283,014.00	3,685,882.00	3,550,015.00	0.00	0.00
Institutional Support	310,605.00	1,625,235.00	0.00	0.00	0.00	0.00	310,605.00	1,625,235.00
Operations & Maintenance of Plant	780,625.00	789,206.00	463,731.00	459,044.00	316,894.00	330,162.00	0.00	0.00
Depreciation	1,565,991.00	1,756,207.00	226,244.00	214,620.00	373,491.00	356,230.00	966,256.00	1,185,357.00
Scholarships & Fellowships	6,384,865.00	6,502,809.00	2,275,279.00	2,267,344.00	89,728.00	96,794.00	4,019,858.00	4,138,671.00
Other Expenses	1,111,628.00	1,496,188.00	1,111,628.00	1,496,188.00	0.00	0.00	0.00	0.00
Total Operating Expenses	\$ 26,501,850.00	\$ 28,342,631.00	\$ 16,283,729.00	\$ 16,720,210.00	\$ 4,465,995.00	\$ 4,333,201.00	\$ 5,752,126.00	\$ 7,289,220.00
Operating Income (Loss)	\$ (8,580,284.00)	\$ (10,944,113.00)	\$ (2,918,853.00)	\$ (3,504,018.00)	\$ 57,089.00	\$ (209,786.00)	\$ (5,718,520.00)	\$ (7,230,309.00)
Nonoperating Revenues (Expenses)								
County tax subsidy	\$ 7,019,546.00	\$ 6,591,795.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 7,019,546.00	\$ 6,591,795.00
Gifts	8,496,339.00	4,534,042.00	8,372,565.00	4,425,053.00	115,966.00	102,713.00	7,808.00	6,276.00
Investment income	(1,347,875.00)	81,622.00	195,366.00	410,083.00	7,712.00	59,146.00	(1,550,953.00)	(387,607.00)
Interest expense	(848,554.00)	(902,089.00)	(341,727.00)	(345,778.00)	0.00	0.00	(506,827.00)	(556,311.00)
Other nonoperating revenues (expenses)	(1,449,631.00)	(1,040,719.00)	(1,410,071.00)	(1,073,423.00)	0.00	0.00	(39,560.00)	32,704.00
Net Nonoperating Revenues	\$ 11,869,825.00	\$ 9,264,651.00	\$ 6,816,133.00	\$ 3,415,935.00	\$ 123,678.00	\$ 161,859.00	\$ 4,930,014.00	\$ 5,686,857.00
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	\$ 3,289,541.00	\$ (1,679,462.00)	\$ 3,897,280.00	\$ (88,083.00)	\$ 180,767.00	\$ (47,927.00)	\$ (788,506.00)	\$ (1,543,452.00)
Other Revenue								
Gifts for capital projects	\$ 386,155.00	\$ 85,928.00	\$ 318,992.00	\$ 85,928.00	\$ 0.00	\$ 0.00	\$ 67,163.00	\$ 0.00
Student fees for capital projects	622,673.00	680,471.00	622,673.00	579,831.00	0.00	100,640.00	0.00	0.00
Other additions (deductions), net	(198,951.00)	(147,855.00)	(162,451.00)	(147,855.00)	(36,500.00)	0.00	0.00	0.00
Net Other Revenue	\$ 809,877.00	\$ 618,544.00	\$ 779,214.00	\$ 517,904.00	\$ (36,500.00)	\$ 100,640.00	\$ 67,163.00	\$ 0.00
Increase in Net Assets	\$ 4,099,418.00	\$ (1,060,918.00)	\$ 4,676,494.00	\$ 429,821.00	\$ 144,267.00	\$ 52,713.00	\$ (721,343.00)	\$ (1,543,452.00)
Net Assets								
Net Assets - Beginning of Year	22,933,953.00	23,994,871.00	2,547,497.00	2,117,676.00	6,243,230.00	6,190,517.00	14,143,226.00	15,686,678.00
Net Assets - End of Year	\$ 27,033,371.00	\$ 22,933,953.00	\$ 7,223,991.00	\$ 2,547,497.00	\$ 6,387,497.00	\$ 6,243,230.00	\$ 13,421,883.00	\$ 14,143,226.00