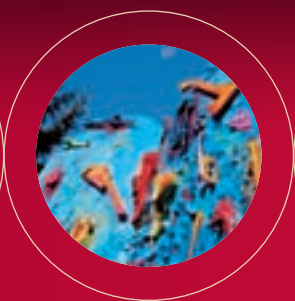


Financial Report 2007



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Officer list effective as of October 31, 2007

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Financial Report 2007

For information about the financial data included in this report, contact

Business Services/Controller
Washington State University
PO Box 641025
Pullman, Washington 99164-1025
509-335-2022

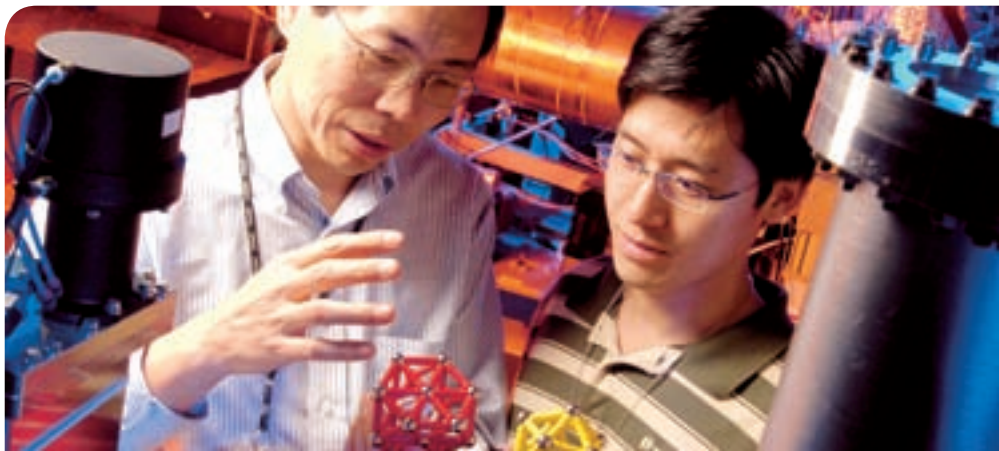
You may view the financial report at
www.ba.wsu.edu/genacct.

For information about enrollment, degrees awarded, research, or academic programs at WSU, contact

Institutional Research
Washington State University
PO Box 641009
Pullman, Washington 99164-1009
509-335-4553

or

Visit the WSU home page at
www.wsu.edu.



Message from the President

January 2008

I am delighted to share Washington State University's annual report on the 2007 fiscal year with you. This publication provides in-depth information about the fiscal health and operations of WSU during the period beginning July 1, 2006 and concluding June 30, 2007.

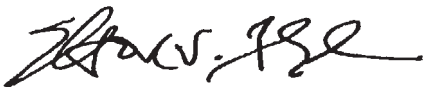
Washington State University is the state of Washington's university. With campuses in Pullman, Spokane, the Tri-Cities, and Vancouver, plus 73 learning, research, or extension offices located throughout the state, WSU influences the lives of tens of thousands of Washingtonians on a regular basis.

This report reflects another remarkable year of achievement at the University. WSU's Strategic Plan, adopted by the Board of Regents in 2002 to guide the University in its quest to serve students, the citizens of Washington, and the greater world, served as a roadmap for a wide range of accomplishments. Among the highlights:

- Reflecting its commitment to community outreach and improving the lives of others, the University secured a \$12 million grant to help rebuild higher education in war-torn Afghanistan and partnered with four other universities to win a \$5.3 million grant to revitalize Iraq's agricultural sector.
- Guy Palmer, a veterinary pathologist in the College of Veterinary Medicine and one of the leaders in WSU's efforts to address global health issues, was elected to membership in the prestigious National Academy of Science's Institute of Medicine. Dr. Palmer has devoted extensive research efforts to understanding insect-transmitted diseases and is attempting to develop vaccines that will reduce animal diseases, particularly in tropical regions of the world.
- The University awarded 255 scholarships through its Regents Scholars Program to some of the state's most talented high school students. The scholarships, worth \$6,000 to \$54,000 each, honored students from 167 high schools in Washington. The program has awarded scholarships to more than 2,000 students since its inception.
- Two WSU students won first place at the Seattle Robotics Society's national Robothon competition. Brent Allen and Dan Strother, students in WSU's School of Electrical Engineering and Computer Science, placed first with their robot "Eddie," one of only 11 robots to successfully maneuver through an outdoor course containing both natural and manmade terrain obstacles.
- A record 23,428 undergraduate and graduate students enrolled for fall semester classes at WSU's four campuses and through its Distance Degree Programs. The increase was driven by higher enrollment at WSU Vancouver, where the enrollment headcount increased by 18.8 percent, or 368 students, from the previous year.
- Construction began on the second building in a planned biosciences/biotechnology complex on the Pullman campus. The complex, designed to increase cross-disciplinary collaboration between faculty in agriculture, veterinary medicine, and other life science research disciplines, reflects WSU's institutional commitment to creating a safe and abundant food supply and improving global health.

Washington State University remains committed to enhancing the intellectual, creative, and practical abilities of individuals and communities. We will achieve these goals by fostering learning, inquiry, and engagement. I invite you to take a closer look at this report and learn more details about the ways in which the University is contributing to a bright future for the state's residents.

Sincerely,



Elson S. Floyd, Ph.D.

President

Washington State University

Independent Auditor's Report

January 7, 2008

Board of Regents
Washington State University
Pullman, Washington

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Washington State University as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Washington State University Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Washington State University Foundation, is based on the report of the other auditors.

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

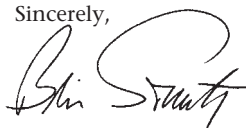
As discussed in Note 1, the financial statements of Washington State University are intended to present the financial position, and the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities of the state of Washington that is attributable to the transactions of the University. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2007, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of Washington State University, as of June 30, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 4 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying information listed as supplemental information on page 33 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR



Management's Discussion and Analysis

Introduction

Management's Discussion and Analysis is a review of the financial position and operations of Washington State University (the University) for the year ended June 30, 2007. It should be read in conjunction with the University's financial statements and notes.

Founded in Pullman in 1890 as the state's land-grant research university, Washington State University today has campuses in Pullman, Spokane, Tri-Cities and Vancouver. Ten regional learning centers and award-winning Distance Degree Programs offer access to the University's degrees statewide and around the world. Enrollment exceeds 23,400 students who are served by over 2,400 faculty and 3,600 staff members. Among the University's faculty are eight members of the National Academy of Sciences and National Academy of Engineering.

Considered one of the country's top public research universities, the University has nine academic colleges, an Honors College and the Graduate School. The colleges include: Agricultural, Human, and Natural Resource Sciences; Business; Education; Engineering and Architecture; Liberal Arts; Nursing; Pharmacy; Sciences; and Veterinary Medicine. The University offers more than 250 fields of study including more than 150 majors plus many minors, options and certificate programs. Bachelor's degrees are available in all major areas with master's and doctoral degrees available in most. Professional degrees are offered in pharmacy and veterinary medicine. Last year, over 5,800 degrees, including bachelor's, master's, professional and doctoral degrees, were conferred.

The University is known for research strengths in such diverse areas as biotechnology, reproductive biology, shock physics, viticulture, sleep research, wood technology, computer chips and advertising's impact on healthy decision-making. Research stations are located in Lind, Long Beach, Mount Vernon, Othello, Prosser, Puyallup and Wenatchee. There are extension offices in all 39 Washington counties.

Financial Highlights

Overall, the University's financial position improved during the year ended June 30, 2007:

- Assets increased by \$138 million to end the year at \$1,770 million.
- Liabilities increased by \$38 million to end the year at \$403 million.
- Net assets, which represent the residual of assets after deducting liabilities, increased by \$100 million to end the year at \$1,367 million.

Other significant changes to operations were as follows:

- Revenues from all sources totaled \$843 million, an increase of \$110 million over fiscal year 2006.
- Expenses totaled \$743 million, an increase of \$33 million over last year.
- Capital additions, net of depreciation and deductions, totaled \$89 million.
- Long term debt increased by \$16 million.

Explanations for variances are included in the detail of significant changes for each of the primary financial statements on pages 5-9.

Basic Financial Statements and Notes

The University's financial report includes three primary financial statements: the Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the university as a whole. The Statement of Net Assets provides information relative to evaluating the University's financial position. Operating results are displayed in the Statement of Revenues, Expenses and Changes in Net Assets. Sources and uses of cash are shown in the Statement of Cash Flows. Details, explanations and required disclosures supporting the amounts reported in the financial statements are provided in the Notes to the Financial Statements and are an integral part of the financial statements.

Condensed Financial Information and Analysis

Financial Position—Statement of Net Assets

The Statement of Net Assets is a snapshot of the University's financial position at fiscal year end. It lists the University's assets (economic resources), liabilities (creditors' claims) and net assets (residual interest in assets after paying creditors) based on end-of-year data.

Assets are classified as current, non-current or capital. Current assets are expected to benefit the University within 12 months and include cash, accounts receivable, inventories, pre-paid expenses and investments that can easily be converted into cash to meet University expenses. Non-current assets include endowment fund assets, student loans receivable and investments expected to be held more than one year. Capital assets include

construction in-progress, library materials, furniture and equipment, land, buildings and improvements and are reported net of accumulated depreciation.

Liabilities are classified as current or non-current. Current liabilities are claims that are due and payable within 12 months and include payroll and benefits, amounts payable to suppliers for goods and services received and debt principal payments due within one year. Non-current liabilities are obligations payable beyond one year and include bond obligations, installment contracts, leases and earned but unused vacation and sick leave.

Net assets are divided into five categories:

- **Invested in capital assets—net of related debt:** represents the University's capital assets net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- **Restricted—non expendable net assets:** University endowment funds, Land Grant Endowment funds and similar funds for which donors or outside sources have stipulated as a condition of the gift that the principal be maintained in perpetuity.
- **Restricted—loans:** funds that have been established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- **Restricted—expendable net assets:** funds that are subject to externally imposed restrictions governing their use, such as scholarships, fellowships, research, loans, professorships, capital projects and debt service.
- **Unrestricted net assets:** represents those assets that are available to the University for any lawful purpose.

Summarized Statement of Net Assets As of June 30, 2007 and June 30, 2006

	June 30, 2007	June 30, 2006	Change
Assets			
Current assets	\$ 262,948,284	\$ 180,180,916	\$ 82,767,368
Non-current assets	475,333,704	508,922,154	(33,588,450)
Capital assets, net of depreciation	1,032,208,050	943,486,402	88,721,648
Total assets	\$ 1,770,490,038	\$ 1,632,589,472	\$ 137,900,566
Liabilities			
Current liabilities	\$ 68,761,534	\$ 62,364,855	\$ 6,396,679
Non-current liabilities	334,680,423	303,245,129	31,435,294
Total liabilities	\$ 403,441,957	\$ 365,609,984	\$ 37,831,973
Net assets			
Invested in capital assets, net of debt	\$ 839,086,002	\$ 777,403,560	\$ 61,682,442
Restricted nonexpendable, endowments	348,845,062	333,974,066	14,870,996
Restricted, loans	25,043,487	25,009,080	34,407
Restricted expendable	87,044,382	69,360,578	17,683,804
Unrestricted	67,029,148	61,232,204	5,796,944
Total net assets	\$ 1,367,048,081	\$ 1,266,979,488	\$ 100,068,593

Prior year revised for presentation

Significant Changes in the Statement of Net Assets

- Current assets were up \$83 million and non-current assets were down \$34 million due to a shift in investment strategy into shorter term investments and maturing of investments in dedicated bond portfolios.
- Capital assets, net of depreciation, grew by \$89 million due to completion of the Academic Center and Student Service Center in Spokane and construction on the Biotechnology/Life Sciences Building in Pullman, Nursing Building in Spokane and Bio-Products, Science, and Engineering Lab in the Tri-Cities.
- Current liabilities increased by \$6 million primarily as a result of increased construction costs payable.

- Non-current liabilities increased by \$31 million primarily reflecting a \$24 million increase in revenue bonds payable as a result of financing the Martin Stadium construction and \$5 million increase in employee benefit-related liabilities.
- Net assets increased by \$100 million, largely due to increases of \$62 million in capital assets net of related debt, \$33 million in restricted balances as a result of higher investment income and \$6 million in unrestricted balances.

Financial Health and Flexibility

There are a number of ratios used by the debt rating agencies to gauge financial health and flexibility. One of the more significant ratios used to measure operating flexibility is the ratio of expendable financial resources to total expenses. Expendable financial resources, which included restricted expendable net assets plus unrestricted net assets of the University and WSU Foundation, can be accessed relatively quickly and spent to satisfy current obligations. This ratio indicates how long the University could function using its expendable reserves without relying on additional assets generated by operations. The University had sufficient expendable net assets in 2007 to cover 4.5 months of operations, as compared to 3.6 months in 2006. The increase in this ratio indicates that growth in financial reserves exceeded the University's growth in operating size.

Another popular ratio, used to measure debt cushion, is the ratio of expendable financial resources (as defined above) to debt. A ratio between 0.4 times to 2 times would be considered good coverage by one of the major rating agencies. The University's debt cushion increased to 0.9 times in 2007 vs. 0.7 times in 2006.

Results of Operations—Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets is the University's equivalent of an income statement. It shows the sources and amounts of revenues earned and nature and amount of expenses incurred during the year, classified as operating, non-operating or other.

Operating revenues are the inflows of funds from providing goods and services to the University's customers. They include tuition and fees, grant and contract payments, and sales and service revenue generated by student housing, student dining and other University enterprises. Operating expenses are the funds used in generating operating revenues and in carrying out the University's mission.

Non-operating revenues are revenues earned for which goods and services are not provided and include state appropriations, current-use gifts and grants that are designated for purposes other than capital construction, land grant endowment income, endowment distributions and investment income. Non-operating expenses include interest expense on long-term debt.

Other revenues and expenses include capital appropriations, capital gifts or grants, additions to permanent endowments and gains or losses on the disposal of capital assets.

Revenue and expense detail are presented in the tables that follow.



Statement of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2007 and June 30, 2006

	June 30, 2007	June 30, 2006	Change
Operating revenues (expenses)			
Operating revenues	\$ 453,393,482	\$ 424,233,163	\$ 29,160,319
Operating expenses	(731,535,717)	(698,900,751)	(32,634,966)
Net operating income (loss)	\$ (278,142,235)	\$ (274,667,588)	\$ (3,474,647)
Non-operating revenues (expenses)			
Non-operating revenues	\$ 316,852,459	\$ 267,042,138	\$ 49,810,321
Non-operating expenses	(11,710,908)	(11,043,639)	(667,269)
Net non-operating revenues	\$ 305,141,551	\$ 255,998,499	\$ 49,143,052
Income before other revenues, expenses, gains, losses and transfers	\$ 26,999,316	\$ (18,669,089)	\$ 45,668,405
Other revenues	\$ 73,069,277	\$ 41,855,237	\$ 31,214,040
Increase in net assets	\$ 100,068,593	\$ 23,186,148	\$ 76,882,445
Net assets, beginning of year	\$ 1,266,979,488	\$ 1,243,793,340	
Net assets, end of year	\$ 1,367,048,081	\$ 1,266,979,488	

Revenues from all Sources

For the Years Ended June 30, 2007 and June 30, 2006

	June 30, 2007	June 30, 2006	Change
Tuition and fees	\$ 143,481,304	\$ 133,647,940	\$ 9,833,364
Federal grants and contracts	108,411,534	105,416,790	2,994,744
State and local grants and contracts	77,460,348	67,057,802	10,402,546
Sales, services and auxiliary enterprises	103,388,329	99,112,753	4,275,576
State operating appropriations	221,287,742	209,657,000	11,630,742
Federal appropriations	9,212,820	9,730,402	(517,582)
Gifts	19,986,158	18,810,947	1,175,211
Investment and endowment income	57,232,749	29,754,226	27,478,523
State capital appropriations	72,324,012	41,401,837	30,922,175
Other	30,530,222	18,540,841	11,989,381
Total revenue	\$ 843,315,218	\$ 733,130,538	\$ 110,184,680

Expenses by Natural Classification For the Years Ended June 30, 2007 and 2006

	June 30, 2007	June 30, 2006	Change
Salaries and wages	\$ 354,581,289	\$ 334,758,449	\$ 19,822,840
Benefits	93,656,125	91,615,549	2,040,576
Supplies	115,648,761	108,326,440	7,322,321
Services	47,325,251	42,239,333	5,085,918
Utilities	28,531,919	30,188,076	(1,656,157)
Scholarships and fellowships	39,417,557	33,605,563	5,811,994
Depreciation	50,595,028	56,279,000	(5,683,972)
Interest on debt	11,710,908	11,043,639	667,269
Other	1,779,787	1,888,341	(108,554)
Total expenses	\$ 743,246,625	\$ 709,944,390	\$ 33,302,235

Detail on the University's operating expenses by program is presented in Note 17 to the financial statements.

Significant Changes in the Statement of Revenues, Expenses and Changes in Net Assets

- Operating revenues increased by \$29 million. Tuition and fees were up \$10 million due to a 7% tuition increase. Restricted grant revenues were primarily up by \$10 million due to increased financial aid funding by State and Federal government grants. Other auxiliary enterprises generated \$4 million more in net revenues.
- Operating expenses increased by \$33 million. Salaries and wages were up \$20 million primarily due to the State salary increases. Benefits increased \$2 million due to higher base salaries and higher PERS employer contribution rate. Payments for goods and services increased by \$12 million as a result of increased spending for grants, auxiliaries, and educational activities at biennium end. Depreciation expense decreased \$6 million as a result of a change in accounting estimates.
- Net non-operating revenues increased by \$49 million. State operating appropriations were \$12 million higher and investment income was up \$27 million due to favorable stock and bond market performance.
- Other revenues increased by \$31 million due to higher capital expenditure activity submitted for reimbursement by the state.

Operating Performance

Rating agencies use a number of ratios to assess operating performance. One of the ratios more commonly used by Moody's is annual operating margin, which compares operating surplus (or deficit) to operating revenues. Moody's definition of operating revenues includes several non-operating revenues in determining margin and an estimated spending rate of the University's investments rather than actual investment income. This ratio indicates the extent to which the University is balancing revenues with expenses and growing its resource base. The University's annual operating margin in 2007 was -1.20%, which was an improvement over fiscal year 2006's annual operating margin of -4.12%.

Sources and Uses of Cash—Statement of Cash Flows

The Statement of Cash Flows provides information about the University's cash activities for the year. The sources and uses of cash are categorized as operating activities, non-capital financing activities, capital financing activities and investing activities.

Operating sources of cash include tuition and fees, grant and contract revenues, and room and board. Operating uses of cash are primarily salaries, benefits and payments to vendors. Non-capital financing cash sources include appropriations, agency fund receipts and non-capital gifts. Non-capital financing cash uses represent agency disbursements for federal student financial aid programs. Capital financing sources of cash are largely proceeds from issuing debt, capital appropriations, and capital grants and gifts. The major uses of capital financing are purchases of capital assets and payment of principal and interest on debt. Investing sources of cash include proceeds from sales and redemptions of current and non-current investments, dividends and

interest income and distributions from endowments. Investing uses are the purchases of current and non-current investments.

Following is a comparative analysis on the condensed balances reported in the Statement of Cash Flows for the fiscal years ended June 30, 2007 and 2006.

	June 30, 2007	June 30, 2006	Change
Cash used by operations	\$ (228,254,788)	\$ (215,683,359)	\$ (12,571,429)
Cash provided by non-capital financing	263,520,748	250,944,365	12,576,383
Cash provided (used) by capital financing	(53,663,340)	46,521,645	(100,184,985)
Cash provided (used) by investing	56,051,136	(67,426,415)	123,477,551
Net increase (decrease) in cash and cash equivalents	\$ 37,653,756	\$ 14,356,236	\$ 23,297,520

Significant Changes in the Statement of Cash Flows

- Cash used by operations increased by \$13 million, of which \$20 million was increased salaries and benefits expense and was offset by a \$10 million increase in tuition and fee revenues.
- Cash provided by non-capital financing increased by \$13 million due to higher receipts from the state for operations.
- Cash used by capital financing increased by \$100 million due to completion of several buildings and numerous construction projects underway, including the Academic Center and Nursing Building in Spokane, BioTech building in Pullman and BioProducts lab in the Tri-Cities.
- Cash inflows provided by investing activities increased \$123 million due to liquidation of invested bond proceeds to pay for construction expenses for the student union, dining center and football stadium renovations.

Capital Assets

At June 30, 2007, the University had \$1,032,208,050 invested in capital assets, net of accumulated depreciation. This represents an increase of \$88,721,648, or 9.4%, over last year, as shown in the table below:

	June 30, 2007	June 30, 2006	Change
Land	\$ 31,181,772	\$ 27,849,472	\$ 3,332,300
Construction in progress	122,367,525	65,631,591	56,735,934
Buildings	696,503,126	669,649,627	26,853,499
Other improvements and infrastructure	98,339,221	99,992,320	(1,653,099)
Equipment	38,875,696	37,490,401	1,385,295
Library resources	44,940,710	42,872,991	2,067,719
Total capital assets, net	\$ 1,032,208,050	\$ 943,486,402	\$ 88,721,648

MANAGEMENT'S DISCUSSION AND ANALYSIS

The University's major capital projects completed this year included:

Campus/Project Description	Completed	Financing Sources	Cost in \$ Millions
Spokane:			
Phase I renovation of South Campus Facility to support growth in research and academic programs by upgrading facilities; replacing utilities; expanding office, design studio, classroom, research and support spaces; and providing space for the students' bookstore.	Fall 2006	State appropriations, University resources	\$4.7
Construction of the 108,000 square foot Academic Center to provide classrooms, computer labs, campus and nursing libraries, student services, student study spaces and academic, public service and administrative offices; supporting enrollment growth while consolidating support and academic spaces and eliminating off-campus leased space.	August 2006	State appropriations	33.9
Vancouver:			
Construction of 18,000 square foot Student Services Center to provide office space for student service operations, student resource center and relocated bookstore in support of the Vancouver campus expansion strategic initiative.	June 2007	State appropriations	12.6
Other WSU Locations:			
Construction of the 18,000 square foot Mount Vernon Agriculture Research and Technology Building to provide research labs, office and support space, conference center and greenhouse; enhancing faculty/staff recruitment and external funding and collaboration opportunities by modernizing research facilities.	November 2006	University resources, Private gifts	8.0



The following capital projects were in construction or planning and design phases at year-end:

Campus/Project Description	Estimated Completion	Financing Sources	Estimated Cost in \$ Millions
Pullman:			
Renovation of the 30,000 square foot Rotunda Dining Center to update the facility; improve utilities, accessibility and safety; and enhance student dining options.	March 2008	Bond proceeds	\$ 10.2
Replacement and expansion of Golf Course to improve student practice facility and expand capabilities to a championship 18-hole course to provide a regional amenity for students, faculty, staff and community.	May 2008	Private gifts	8.4
Construction of Clubhouse to support operation of Golf Course.	August 2008	Private gifts	4.0
Renovation of the 235,000 square foot Compton Union Building (student union) to replace utilities, renovate facilities, relocate student bookstore and enhance comfort, efficiency and functionality for students.	August 2008	Bond proceeds	86.0
Renovation of Martin Stadium to improve game day experience for football fans by expanding circulation space, restrooms and concession areas and relocating the main entry gates to enhance access and aesthetics.	August 2008	Bond proceeds	24.2
Construction of the 130,000 square foot Biotechnology/Life Sciences Building to house interdisciplinary programs in the human health fields in support of the University's biotechnology strategic initiative, providing administrative offices for the Center for Biotechnology and School of Molecular Biosciences, and research labs, core labs, conference rooms and office space for faculty and postdoctoral students.	June 2009	State appropriations	72.7
Design and construction of Library Road Improvements to improve traffic circulation, enhance pedestrian movements and safety, develop open spaces and deconstruct Administration Annex Building.	December 2009	State appropriations	15.0
Spokane:			
Construction of 80,000 square foot Nursing Building to replace current off-campus space with cutting-edge on-campus teaching facilities, increasing graduate and undergraduate nursing student capacity and facilitating closer collaboration with major regional hospital/medical complexes, enhancing the campus's emphasis on biomedical research.	November 2008	State appropriations	34.6
Tri-Cities:			
Construction of 57,000 square foot Bio-products, Sciences, and Engineering Laboratory , a collaborative venture with Pacific Northwest National Laboratory (PNNL), to provide research and teaching laboratories, classrooms, faculty and staff offices for WSU and PNNL programs, promoting science and engineering education and developing bio-products technology.	December 2007	State appropriations, Private funding (PNNL)	24.8
Vancouver:			
Remodel and expansion of Firstenburg Student Commons to convert former Bookstore Building into a student lounge and space for student government, counseling and outdoor recreation in support of the Vancouver campus expansion strategic initiative.	August 2007	University resources, Private gift	2.3
Design and construction of 58,000 square foot Undergraduate Classroom Building to provide classrooms and computer labs in support of the strategic initiative to develop this campus into a four-year institution.	August 2009	State appropriations	28.0
Design work for 56,250 square foot Applied Technology Building to provide research and teaching space for Computer Sciences and Electrical Engineering in support of the strategic initiative to develop this campus into a four-year institution.	May 2011	State appropriations, Undetermined	42.5
Other WSU Locations:			
Construction of the Prosser Agricultural Technology Building to provide office, support and climate controlled computer areas and current and future laboratory space in support of the University's Center for Precision Agricultural Systems and AgWeatherNet programs in research, education and outreach.	October 2007	State appropriations	2.5

Additional information about the University's capital assets is presented in Note 7 to the financial statements.

Long-Term Debt

At June 30, 2007, the University had \$282,418,081 in outstanding debt, representing an increase of \$15,685,086, or 5.9%, in debt from the prior year. The table below summarizes outstanding debt:

	June 30, 2007	June 30, 2006	Change
Bonds payable, general obligation	\$ 56,802,644	\$ 62,207,283	\$ (5,404,639)
Bonds payable, revenue	211,589,662	190,555,774	21,033,888
Capital leases	14,025,775	13,969,938	55,837
Total debt	\$ 282,418,081	\$ 266,732,995	\$ 15,685,086

The major change in long-term debt was the issuance of Athletic Facilities Revenue Bonds, Series 2007 (\$24,095 million) January 2007 to fund construction of improvements and renovation of Martin Stadium. Martin Stadium is the University's football stadium located on the Pullman campus. This project is scheduled to be completed in August 2008 and debt service will be supported by fees charged to students enrolled at the Pullman campus, fees charged on the sale of tickets and student sport passes, and general Athletic Department revenues.

The University's bond rating on the Series 2007 issue was Aaa by Moody's Investors Services due to the purchase of municipal bond insurance from an insurer with an Aaa financial strength rating. The underlying rating of the bond issue was A2. Moody's reaffirmed the University's long-term rating at Aa3 in April 2007.

Economic Outlook

The State of Washington's revenue collections are higher than forecast for the first quarter of the 2008 fiscal year due to higher than expected Revenue Act receipts and real estate excise tax payments. As a result, revenue forecasts for the biennium ending June 30, 2009 are \$212.7 million higher than what was projected in June 2007 and the University is optimistic that its fiscal year 2008 budget will remain intact.

State appropriations for operations will continue to be a significant portion of the University's financial support in fiscal year 2008. The appropriation for operations is \$248.8 million and reflects an increase of \$27.2 million (a 12.2% increase) from fiscal year 2007. Capital appropriations are approved for a two-year period and the appropriations for the 2007-09 biennia were \$219.9 million. Federal appropriations for the University's land grant programs are expected to return to the 2006 fiscal year level of \$9.7 million.

As in prior years, student tuition and fees will be increased, with a portion of the incremental revenue used for financial aid. Tuition rates will be increased by 7% for resident and non-resident students for all programs but Pharmacy, which will be raised 10%. Enrollment is expected to be 4.3% higher than 2007, at 22,199 annual average full time equivalents for the four-campus system. Overall, the University expects net tuition and fee revenues to provide \$153.9 million to support operations, a 7.3% increase over 2007.

Federal sponsored research and other programs are the largest portion of externally funded grant expenditures. 67.2% of University research was supported by federal sponsored funding and 32.8% by non-federal sponsored funding in 2007. In recent years, federal research has increased substantially on an annual basis. The longer-term outlook is more uncertain due to federal funding constraints and deficits and uncertainty on congressional efforts to support growth in overall federal research programs. Non-federal sponsored programs have grown in recent years, offsetting the federal sponsored program slow-down. This trend is expected to continue in fiscal year 2008. Overall, externally sponsored research and other programs are expected to grow over fiscal year 2007 revenues, but at a slower pace than previous years.

Private gift support is expected to continue to grow, with a target of \$100 million during fiscal year 2008 which is a 25% increase over last year's goal. The University is working closely with the WSU Foundation in the planning stages of a major fund-raising campaign.

Washington State University Statement of Net Assets As of June 30, 2007

Assets	University 2007	Foundation 2007
Current assets		
Cash and cash equivalents	\$ 90,062,167	\$ 869,986
Prepaid expenses	700,901	
Inventories	15,030,184	
Net accounts receivable	45,092,828	185,164
Deposits in escrow	2,566,681	
Pledges receivable		16,888,001
Due from Washington State University		1,268,060
Short term investments	109,495,523	
Subtotal current assets	262,948,284	19,211,211
Non-current assets		
Long term investments	54,806,172	
Endowment investments	372,841,965	277,925,233
Due from WSU Foundation	22,641,046	
Non current accounts receivable		5,090,783
Assets held in trust		49,187,162
Net loans receivable	22,371,911	
Pension obligation	2,672,610	
Capital assets, net of accumulated depreciation	1,032,208,050	3,170,674
Subtotal non-current assets	1,507,541,754	335,373,852
Total assets	\$ 1,770,490,038	\$ 354,585,063
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 49,238,773	\$ 22,587,272
Due to WSU Foundation	1,268,060	
Due to Washington State University		22,641,046
Deposits	2,194,977	
Deferred revenue, current portion	5,791,772	
Long-term debt, current portion	10,267,952	
Subtotal current liabilities	68,761,534	45,228,318
Non-current liabilities		
Accrued leave	33,087,392	
Deferred compensation	2,219,018	
Deposits held in custody for others	14,551,274	854,249
Pension obligation	2,672,610	
Deferred revenue	10,000,000	
Long-term debt	272,150,129	
Subtotal non-current liabilities	334,680,423	854,249
Total liabilities	\$ 403,441,957	\$ 46,082,567
Net assets		
Invested in capital assets, net of related debt	839,086,002	
Restricted:		
Nonexpendable	348,845,062	223,377,082
Loans	25,043,487	
Expendable	87,044,382	82,855,128
Unrestricted	67,029,148	2,270,286
Total net assets	\$ 1,367,048,081	\$ 308,502,496
Total liabilities and net assets	\$ 1,770,490,038	\$ 354,585,063

The footnote disclosures are an integral part of the financial statements.

Washington State University Statement of Revenues, Expenses and Changes in Net Assets For the Year Ended June 30, 2007

Revenues	University 2007	Foundation 2007
Operating revenues		
Net tuition and fee revenue	\$ 143,481,304	
Federal grants and contracts	108,411,534	
State grants and contracts	46,691,295	
Local grants and contracts	30,769,053	
Sales and services of educational departments	15,564,078	
Auxiliary enterprises	87,824,251	
Other operating revenues	20,651,967	
Total operating revenues	453,393,482	
Expenses		
Operating expenses		
Salaries and wages	354,581,289	
Benefits	93,656,125	
Scholarships and fellowships	39,417,557	
Utilities	28,531,919	
Payments to suppliers	115,648,761	
Purchased services	47,325,251	
Other operating expenses	1,779,787	
Depreciation	50,595,028	
Total operating expenses	731,535,717	
Net loss or net operating revenues (expenses)	(278,142,235)	
Non-operating revenues (expenses)		
State appropriations	221,287,742	
Federal appropriations	9,212,820	
Interest on capital asset-related debt	(11,710,908)	
Gifts and contributions	19,240,893	33,819,081
Investment income, net of expense	57,232,749	46,200,988
Support provided to/for Washington State University, net		(28,460,169)
Fund raising		(6,048,808)
General and administrative expenses		(2,045,025)
Other non-operating revenues (expenses)	9,878,255	371,756
Total non-operating revenues (expenses)	305,141,551	43,837,823
Income before other revenues, expenses, gains or losses	26,999,316	43,837,823
Capital additions (deductions)		
Capital appropriations	72,324,012	
Capital grants and gifts	201,202	
Additions to permanent endowments	544,063	14,945,251
Total other revenues	73,069,277	14,945,251
Increase in net assets	100,068,593	58,783,074
Net assets		
Net assets, beginning of year	1,266,979,488	249,719,422
Net assets, end of year	\$ 1,367,048,081	\$ 308,502,496

The footnote disclosures are an integral part of the financial statements.

Washington State University
Statement of Cash Flows
For the Year Ended June 30, 2007

Cash flows from operating activities	2007
Tuition and fees	\$ 156,653,695
Grant and contracts	184,996,412
Payments to suppliers	(113,765,387)
Payments for utilities	(28,652,527)
Purchased services	(46,451,084)
Payments to employees	(354,097,144)
Payments for benefits	(94,124,560)
Other operating expenses	(1,773,383)
Payments for scholarships and fellowships	(52,052,492)
Loans issued to students	(5,872,223)
Collection of loans to students	5,295,499
Auxiliary enterprise receipts	85,922,977
Sales and service of educational departments	15,612,767
Other receipts	19,662,662
Net cash used by operating activities	<u>(228,644,788)</u>
Cash flows from noncapital financing activities	
State appropriations	226,001,713
Federal appropriations	8,223,735
Gifts for other than capital purposes	
Private gifts	19,322,825
Additions to permanent endowment	544,063
Agency fund receipts	126,932,749
Agency fund disbursements	(125,212,058)
Other nonoperating revenues	7,707,721
Net cash provided by noncapital financing activities	263,520,748
Cash flows from capital and related financing activities	
Proceeds of capital debt	25,390,722
Capital appropriations	67,612,470
Capital grants and gifts received	194,865
Purchases of capital assets	(126,554,676)
Principal paid on capital debt and leases	(9,759,406)
Interest paid on capital debt and leases	(10,547,315)
Net cash used by capital and related financing activities	<u>(53,663,340)</u>
Cash flows from investing activities	
Proceeds from sales of investments	392,109,206
Purchases of investments	(376,761,127)
Investment income	40,703,057
Net cash provided by investing activities	56,051,136
Net increase (decrease) in cash and cash equivalents	37,653,756
Cash and cash equivalents, beginning of year	52,408,411
Cash and cash equivalents, end of year	<u>\$ 90,062,167</u>

The footnote disclosures are an integral part of the financial statements.

Washington State University
Statement of Cash Flows—continued
Reconciliation of net loss to net cash used by operating activities:

	2007
Operating loss	\$ (278,142,235)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	50,595,028
Changes in assets and liabilities	
Changes in assets	
Deposits in Escrow	(863,534)
Prepaid expenses	32,423
Inventories	(480,592)
Net accounts receivable	(5,815,996)
Changes in liabilities	
Accounts payable and accrued liabilities	15,135,607
Deferred revenue	(9,786,733)
Due to WSUF	(131,060)
Deposits	193,996
Long term debt, current portion	690,339
Lease obligations, current portion	317,969
Net cash used by operating activities	<u>(228,254,788)</u>
Significant noncash transactions	
Loss on disposal of fixed assets	(826,443)
Amortization expense	(333,784)

The footnote disclosures are an integral part of the financial statements.



Notes to the Financial Statements

June 30, 2007

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Washington State University ("WSU"), an agency of the State of Washington, is a comprehensive degree-granting research university. It is governed by a ten member Board of Regents, appointed by the Governor and confirmed by the State senate. WSU is included in the general-purpose financial statements of the State.

Nature of Operations

Washington State University ("the University") was created as a land grant public university by the Washington State Legislature in 1890. The University opened its doors January 13, 1892, on land donated by the citizens of Pullman. Today, Washington State University has campuses in Pullman, Spokane, the Tri-Cities and Vancouver, with extension offices and learning centers across the state. Washington State University's 23,428 undergraduate, graduate and professional students have the opportunity to work one-on-one with internationally acclaimed professors and researchers. The primary missions of the University are instruction, research and public service.

Reporting Entity. The financial reporting entity is Washington State University and the WSU Foundation as a discretely reported component unit.

Component Unit. The WSU Foundation ("the Foundation") is a legally separate, tax-exempt entity, and serves fund raising and contractual asset management functions in support of the WSU mission. The Foundation is a significant component unit based on the criteria of GASB Statement 39. This report presents the Foundation's financial condition and activities as a discretely presented separate component unit in the University's financial statements.

The Foundation reports its financial results in accordance with Financial Accounting Standards Board (FASB) Statement 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the University's financial statements for these differences. The Foundation presents information about its financial position and activities according to the following three classes of net assets, depending on the existence and nature of donor restrictions. Under FASB, the Foundation's net assets are described as follows:

- Unrestricted net assets—Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.
- Temporarily restricted net assets—Support received subject to donor-imposed use restrictions or time restrictions.
- Permanently restricted net assets—Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity.

For presentation purposes, in WSU financial statements, temporarily restricted net assets have been shown as expendable net assets and permanently restricted net assets have been shown as nonexpendable net assets.

The Foundation's financial statements can be obtained at the following address:

WSU Foundation
PO Box 641925
Pullman WA 99164-1925

Financial Statement Presentation

The financial statements are presented in accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB).

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged in Business Type Activities (BTA). In accordance with BTA reporting, the University presents a Management's Discussion and Analysis; a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; a Statement of Cash Flows; and Notes to the Financial Statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred.

Elimination of Interfund Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered or interfund loans. For the financial statements, the interfund receivables and payables have been eliminated.

Designated auxiliary enterprises have revenue and expense transactions, which are treated as though the University were dealing with private vendors. For all other funds, transactions that are reimbursements of expenses are recorded as reductions of expense.

Cash, Cash Equivalents and Investments

Cash balances in excess of current requirements are pooled and invested in U.S. Treasury securities, time deposits, deposits with the Washington State Local Government Investment Pool (LGIP), federal agency bills and notes. Cash equivalents are short term, highly liquid investments convertible to known amounts of cash without change in value or risk of loss. Interest income earned on the investment pool is distributed on a quarterly basis based on daily cash balances in various funds. Cash, cash equivalents and investments are stated at fair value.

Accounts Receivable

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

Inventories

Inventories are stated at cost using various methods in the separate enterprise and internal service funds.

Capital Assets

Land, buildings and equipment are recorded at cost, or if acquired by gift, at fair market value at the date of the gift. Capital additions, replacements and major renovations are reflected as expenditures and capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. In accordance with the state capitalization policy, only fixed assets with a unit cost of \$5,000 or greater are capitalized. Depreciation is computed using the straight line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and components, 20 to 25 years for infrastructure and land improvements, 20 years for library resources and 5 to 7 years for equipment.

Deferred Revenues

Deferred revenues occur when funds have been collected in advance of an event, such as summer semester tuition and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent fiscal year.

Tax Exemption

The University is a tax-exempt organization under the provisions of Section 115(a) of the Internal Revenue Code and is exempt from federal income taxes on related income.

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 outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of capital assets.
- *Restricted Net Assets—Nonexpendable.* This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal 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 the principle.
- *Restricted Net Assets—Loans.* The loan funds are established for the explicit purpose of providing student support as prescribed by statute or granting authority.
- *Restricted Net Assets—Expendable.* These include resources for which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by third parties.
- *Unrestricted Net Assets.* These represent resources derived from student tuition and fees, State appropriations, and sales and services of educational departments and auxiliary enterprises.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

- *Operating Revenues.* This includes activities that have the characteristics of exchange transactions such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises and (3) most federal, state and local grants and contracts.
- *Non-operating Revenues.* This includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations and investment income.

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 published charge for goods and services provided by the University and the amount that is paid by students or third parties making payments on the students' behalf. To the extent that revenues are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and an allowance. Discounts and allowances for the year ending June 30, 2007 are \$40,897,160.

New Accounting Pronouncements

In April 2004, the GASB issued Statement No. 43, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*. Statement No. 43 provides standards for measurement, recognition and display of the assets, liabilities and, where applicable, net assets. WSU has implemented GASB 43 and its effects are reflected in the financial statements.

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other post employment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. Washington State University is currently evaluating the effect that Statement No. 45 will have on its financial statements.

Reclassifications

For comparative purposes in the Management's Discussion and Analysis section, certain accounts in the prior year financial statements have been reclassified to conform to the presentations in the current year financial statements.

2. Cash, Cash Equivalents and Investments

Cash

As of June 30, 2007, the carrying amount of the University's change funds, petty cash and bank demand deposit accounts with financial institutions is \$17,522,388 as represented in Table 1.

Table 1: Cash and Cash Equivalents

	2007
Cash	\$ 17,522,388
Cash equivalents	71,976,475
Deposits with fiscal agents	563,304
Cash and cash equivalents	<u>\$90,062,167</u>

Custodial Credit Risks—Deposits

Custodial credit risk for bank demand deposits is the risk that in the event of a bank failure the University's deposits may not be returned to it. All cash, except for change funds and petty cash held by the University, is insured by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by the Washington Public Deposit Protection Commission (PDPC). The majority of WSU demand deposits are with the Bank of America.



Investments

Investments are classified as cash equivalents, short-term investments or long-term investments, or endowment investments. University invested assets include operating funds, current use gift funds, proceeds from bond issues dedicated to specific capital projects and University endowment and trust funds. The carrying amount of University invested assets includes cash equivalents and permanent fund investments as represented in Table 3.

University Endowments

The University contracts with the WSU Foundation for the management of privately endowed assets. University and Foundation endowments are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The fair market values of the University endowment investments at June 30, 2007 were \$40,064,428.

Permanent Fund

The University's land grant investments, referred to as the permanent fund, are described in Table 2 and the net asset value in Note 6. Transactions in process are not represented in Table 2.

Table 2: Permanent Fund

University permanent fund investments	Fair value	Maturity				Effective duration	Credit rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Collateralized mortgage obligations	\$ 83,748,732	\$ 368,380	\$ 12,931,138	\$ 46,463,685	\$ 23,985,529	2.1	AAA
Mortgage pass throughs	987,284	5,971	981,313	-	-	2.2	AAA
Commercial mortgage backed securities	13,562,287		2,986,192	10,576,095	-	6.3	AAA
Corporate bonds, domestic	122,399,290	19,828,650	53,978,483	39,070,309	9,521,848	4.2	Multiple
U.S. government treasuries	52,457,280	3,053,163	12,165,210	16,455,849	20,783,058	7.9	AAA
US TIPS	12,601,512	-	6,299,264	6,302,248	-	3.9	AAA
Money market funds	47,083,760	47,083,760					
Cash held by State Treasurer	342,717	342,717					
Total permanent fund investments	\$ 333,182,862	\$ 70,682,641	\$ 89,341,600	\$ 118,868,186	\$ 54,290,435	4.9	

Table 3: University Investments by Type

University operating investments	Fair value	Maturity				Effective duration	Credit rating
		Less than 1 year	1-5 years	6-10 years	More than 10 years		
Cash equivalents							
Repurchase agreements	\$ 43,246,391	\$ 43,246,391				0.01	NR
US agency obligations—Discount notes	4,656,331	4,656,331				0.16	AAA
Other—Bank STIF	1,086,186	1,086,186				0.00	NR
Local Government Investment Pool (L.G.I.P)	22,987,567	22,987,567				0.00	NR
Total cash equivalents	\$ 71,976,475						
Short term investments							
US government treasuries	\$ 544,456	544,456				0.6	AAA
US TIPS	3,256,868	3,256,868				0.19	AAA
US agency obligations	105,694,199	105,694,199				0.47	AAA
Total short term investments	\$ 109,495,523						
Long term investments							
Operating funds							
US agency obligations	\$ 23,922,657		\$ 23,922,657			1.16	AAA
Mortgage pass throughs	19,996,851			\$ 19,996,851		1.93	AAA
Fixed income mutual funds	9,935,515		9,935,515			2.99	AA+
Subtotal non-current operating fund investments	53,855,023						
Miscellaneous	951,149						
Total long term investments	\$ 54,806,172						
University endowment investments							
US stocks	\$ 199,609						
Mutual commingled funds							
-US fixed income	4,366,656	64,093	546,938	3,454,363	301,262	6.71	AAA
-Foreign fixed income	1,614,979			1,614,979		5.17	AAA/Aa1
-US equity	10,025,939						
-Foreign equity	10,631,247						
-Private equity	2,221,615						
-Hedge funds	5,868,100						
-Timber	142,151						
-Real estate	2,327,104						
-Oil and gas	875,261						
-Commodities	1,719,988						
Pending trades	71,779						
Total University endowment investments	\$ 40,064,428						
Total University investments	\$ 276,342,598						

Interest Rate Risk—Investments

Through its investment policies, the University manages exposure to fair value losses arising from increasing interest rates by limiting the modified duration of the operating portfolio to 1.1 years and by cash matching the dedicated bond portfolios to the anticipated construction schedules of the underlying projects.

Current use gift funds are segmented into short-term, intermediate-term and long-term pools. University policies limit the portfolio average maturity of the short-term pool to one year or less, the portfolio average maturity of the intermediate-term pool to three years or less, and the portfolio average maturity of the long-term pool to ten years or less.

University endowments fall under the Foundation investment policy, which employs broad asset class diversification to control overall endowment fund volatility, and limits fixed income investments to a maximum of 15% of total endowment fund assets.

Concentration of Credit Risk—Investments

State law limits University operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. University policy does not limit the amount the University may invest in any one issuer. More than 5% of the University's investments were invested in an overnight repurchase agreement issued by Deutsche Bank Securities. This security represented 15.7% of the University's investments as of June 30, 2007.

Custodial Credit Risk—Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2007, \$201,517,362 of the University's operating fund investments, held by Bank of New York in the bank's name as agent for the University, and \$199,609 of endowment assets, held in street name by E*trade for the account of the University, are exposed to custodial credit risk as described in Table 4.

Table 4: Investments exposed to Custodial Credit Risk

University investment type	Fair value
Repurchase agreements	\$ 43,246,391
US agency discount notes	4,656,331
US government treasuries	544,456
US TIPS	3,256,868
US agency obligations	129,616,856
Mortgage pass throughs	19,996,851
Subtotal	201,317,753
US common stock	199,609
Total investments exposed to custodial credit risk	\$ 201,517,362

Foreign Currency Risk—Investments

University endowment exposure to foreign currency risk at June 30, 2007, is described in Table 5 and is limited by Foundation investment policy.

Table 5: University Foreign Currency Risk

Foreign currency	Fair value
Euro	\$ 2,404,044
Japan (Yen)	1,979,098
UK (Pound)	1,449,931
Australia (Dollar)	699,997
Other (less than 5%)	5,972,410
Total foreign currency	\$ 12,505,480

Investment Expenses

Under implementation of GASB 35, investment income for the University is shown net of investment expenses. The investment expenses incurred for the year ending June 30, 2007 were \$549,073.

3. Accounts Receivable

At June 30, 2007, accounts receivable are as follows:

Student tuition and fees	\$ 9,685,782
Due from the federal government	14,054,432
Due from the office of the state treasurer	9,157,635
Due from other state agencies	5,337,799
Interest and dividends receivable	2,230,442
Auxiliary enterprises	6,050,197
Due from other governments	423,678
Other	1,475
Subtotal accounts receivable	46,941,440
Less allowance for doubtful accounts	(1,848,612)
Accounts receivable, net	\$ 45,092,828

4. Student Loans Receivable

Student loans receivable consisted of the following at June 30, 2007:

Federal programs	\$ 22,817,284
Institutional loans	244,607
Subtotal	23,061,891
Less allowance for doubtful accounts	(689,980)
Loans receivable, net	\$ 22,371,911

5. Inventories

Inventories, stated at cost using various methods: First-in, First-out (FIFO), Last-in, First-out (LIFO) or Weighted Average, consist of the following at June 30, 2007:

Location	Valuation method	Amount
Athletics	FIFO	\$ 512,502
Bulletin office	FIFO	524,611
Central stores	FIFO	367,614
Facilities operations	Weighted Average	1,262,855
Ferdinand's	FIFO	6,222,783
Housing and dining	LIFO	612,734
Motor pool	FIFO	80,721
University publishing	FIFO	2,496,914
Veterinary hospital and pharmacy	FIFO	917,817
Veterinary microbiology/pathology	FIFO	697,729
Other inventory	FIFO	1,333,904
Total		\$ 15,030,184

NOTES TO THE FINANCIAL STATEMENTS

6. Endowment

Land Grant and Permanent Funds

The University has two land grant endowments and two permanent funds established by legislation. The University's two land grant endowments total 151,188 acres of timber, agricultural and grazing lands managed by the Washington State Department of Natural Resources. The income from this land is added to the Agricultural College Permanent Fund, established under RCW 43.79.136, and the Scientific School Permanent Fund, established under RCW 43.79.110. The Washington State Investment Board manages these two permanent funds for the sole benefit of the University. All distributed income is used for capital projects. The fair value of investments for the two permanent funds totaled \$333,182,862 at June 30, 2007. The net asset value is \$332,777,537 after the settlement of all pending transactions, receivables and payables.

7. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2007.

	Beginning balance	Additions/ transfers	Retirements	Ending balance
Nondepreciable capital assets				
Land	\$ 27,849,472	\$ 3,332,300		\$ 31,181,772
Construction in progress	65,631,591	56,735,934		122,367,525
Total nondepreciable capital assets	93,481,063	60,068,234		153,549,297
Depreciable capital assets				
Buildings	1,105,101,230	55,424,280	\$ (902,682)	1,159,622,828
Other improvements and infrastructure	173,266,574	5,194,414		178,460,988
Equipment	167,829,798	13,313,779	(3,879,330)	177,264,247
Library resources	101,167,188	6,142,412	(355,902)	106,953,699
Subtotal	1,547,364,790	80,074,885	(5,137,914)	1,622,301,762
Less accumulated depreciation				
Buildings	435,451,603	28,309,322	(641,223)	463,119,702
Other improvements and infrastructure	73,274,254	6,847,513		80,121,767
Equipment	130,339,397	11,363,499	(3,314,345)	138,388,551
Library resources	58,294,197	4,074,694	(355,902)	62,012,989
Total accumulated depreciation	697,359,451	50,595,028	(4,311,470)	743,643,009
Total depreciable capital assets, net	850,005,339	29,479,858	(826,444)	878,658,753
Total capital assets	\$ 943,486,402	\$ 89,548,092	\$ (826,444)	\$ 1,032,208,050

The current year depreciation expense was \$50,595,028. For the year ended June 30, 2007, the University changed its method of calculating depreciation from accelerated to straight line. As a result of this change, current year depreciation expense was reduced by approximately \$6 million.

8. Accounts Payable

At June 30, 2007, accounts payable are the following:

Accounts payable	\$ 29,824,388
Contract retainage	2,657,967
Payroll	16,756,418
Accounts payable, net	\$ 49,238,773



9. Deferred Revenue

Deferred Revenue is comprised of receipts which have not yet met revenue recognition criteria.

Athletics	\$ 2,118,191
Housing and dining services	1,412,697
Summer session	2,015,607
Parking	245,277
Pre-paid Tri-Cities BSEL building rent	10,000,000
Deferred revenue	\$ 15,791,772

10. Risk Management

The University, in accordance with State policy, self-insures unemployment compensation for all employees. The University assesses all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2006, through June 30, 2007, were \$393,050. Cash reserves for unemployment compensation for all employees at June 30, 2007, were \$2,542,909.

The University purchases commercial property insurance for auxiliary enterprise buildings that were acquired with bond proceeds when the bond agreement requires the University to insure property and earnings. The University assumes its potential property losses for most other buildings and contents. Liability exposures are insured through the State of Washington self-insurance liability pool.

11. Accrued Leave Liability

The total amount of accrued leave as of June 30, 2007 is \$33,087,392 and is broken down as follows: accrued annual leave is \$25,011,710 and consists of unused vacation leave earned for exempt professionals, civil service employees and faculty on annual appointments; accrued sick leave is \$7,883,869 and consists of unused sick leave earned and limited to an estimate of fifteen times the prior three-year average of the amount paid at the time of separation; accrued compensatory time is \$191,813 and consists of unused compensated leave earned for civil service employees.

For reporting purposes, all vacation leave is shown as a non-current liability. Employees are limited by statute as to how many hours they may carry forward.

12. Deferred Compensation

There are a limited number of contractual deferred compensation agreements. The deferred compensation obligation as of June 30, 2007 is \$2,219,018.

The University offers all employees qualified deferred compensation plans created under Internal Revenue Code Sections 403b and 457. The plans are available to all state employees and permit them to defer a portion of their salary until future years.

13. Leases Payable

The University finances some fixed asset purchases through the Washington State Treasurer's leasing program. The University also has leases for office equipment with various vendors. These leases qualify as operating leases.

As of June 30, 2007 the minimum lease payments under capital leases, together with the present value of the net minimum lease payments and operating lease obligations, are shown in the table below.

Leases Payable

Fiscal year	Capital leases	Operating leases
2008	\$ 2,459,100	\$ 1,263,618
2009	2,195,929	1,166,115
2010	2,007,085	917,015
2011	1,855,972	816,859
2012	1,752,355	690,499
2013–2017	6,134,001	609,341
2018–2022	712,549	
Total minimum lease payments	17,116,991	5,463,447
Amount representing interest	(3,091,216)	
Net present value	\$ 14,025,775	\$ 5,463,447

14. Bonds Payable

Bonds payable, detailed on page 28, consist of revenue bonds issued by the University for the Housing and Dining System, the Student Recreation Center, Parking Services, Compton Union Building and Intercollegiate Athletics. Bonds payable also consist of the University's share of Washington State General Obligation bonds issued for construction of academic buildings.

On January 25, 2007 the University issued Athletic Revenue Bonds Series 2007 in the amount of \$24,095,000. Bonds are due serially through 2031 with interest rates from 4.00% to 5.50%. The bond proceeds, net of \$432,397 in issuance costs were \$23,662,603 and will be used to expand and renovate Martin Stadium on the Pullman campus.

Advance Refunding

The scheduled long-term debt as of June 30, 2007 does not include \$14,725,000 of the Housing and Dining System Revenue Bonds (Series 1999), and \$7,990,000 of the Parking System Revenue Bonds, 1999, which were advance refunded in April 2005 and May 2005 respectively.

Schedule of Debt Service Revenue Bond Obligations

Fiscal year	Principal	Interest	Total
2008	\$ 3,400,000	\$ 10,823,779	\$ 14,223,779
2009	3,740,000	10,484,243	14,224,243
2010	5,080,000	10,291,756	15,371,756
2011	5,315,000	10,063,421	15,378,421
2012	5,555,000	9,822,476	15,377,476
2013–2017	32,030,000	44,804,145	76,834,145
2018–2022	40,880,000	35,897,730	76,777,730
2023–2027	44,070,000	24,656,325	68,726,325
2028–2032	42,040,000	14,234,794	56,274,794
2033–2037	23,800,000	5,923,000	29,723,000
2038–2042	11,315,000	572,875	11,887,875
Total	\$ 217,225,000	\$ 177,574,544	\$ 394,799,544

Schedule of Debt Service
State of Washington General Obligation Bonds

Fiscal year	Principal	Interest	Total
2008	\$ 5,334,978	\$ 2,775,019	\$ 8,109,997
2009	4,342,575	2,525,151	6,867,726
2010	3,062,040	2,334,160	5,396,200
2011	2,913,051	2,178,695	5,091,746
2012	2,640,000	2,052,540	4,692,540
2013–2017	15,075,000	8,188,818	23,263,818
2018–2022	14,030,000	4,344,425	18,374,425
2023–2027	9,405,000	1,225,663	10,630,663
Total	\$ 56,802,644	\$ 25,624,471	\$ 82,427,115



NOTES TO THE FINANCIAL STATEMENTS

Schedule of Long-Term Debt

	Total amount issued	Balance outstanding 6/30/06	Additions	Reductions	Balance outstanding 6/30/07	Current portion
Revenue bonds						
Housing and Dining System Revenue Bonds, series 1999, due serially to 2009, interest rate 5.00%	\$ 17,670,000	\$ 1,460,000		\$ (340,000)	\$ 1,120,000	\$ 355,000
Housing and Dining System Revenue Refunding Bonds, series 2001, due serially to 2024, interest rates 4.125% to 5.10%	22,230,000	19,335,000		(655,000)	18,680,000	685,000
Housing and Dining System Revenue Bonds, series 2004, due serially to 2024 interest rates 2.60% to 5.00%	16,600,000	16,305,000		(600,000)	15,705,000	615,000
Housing and Dining System Revenue Refunding Bonds, series 2005, due serially to 2030 interest rates 3.00% to 4.75%	16,305,000	16,285,000		(100,000)	16,185,000	100,000
Recreation Center Revenue Bonds, 1998, due serially to 2032, interest rates 4.50% to 5.15%	46,930,000	43,225,000		(855,000)	42,370,000	895,000
Student Fee Revenue Bonds, series 2006A and 2006B, due serially to 2038 interest rates 5.00% to 5.99%	89,745,000	89,745,000			89,745,000	
Athletic Facilities Revenue Bonds, 2007, due serially to 2032, interest rates 4.00% to 5.50%	24,095,000		\$ 24,095,000		24,095,000	360,000
Parking System Revenue Bonds, 1999, due serially to 2009, interest rates 4.95% to 5.10%	10,285,000	960,000		(305,000)	655,000	320,000
Parking System Revenue Refunding Bonds, 2005, due serially to 2024, interest rates 3.00% to 4.40%	8,840,000	8,740,000		(70,000)	8,670,000	70,000
State of Washington General Obligation bonds						
Series AQ, issued 1982 to 2001, due serially to 2010, interest rates 5.25% to 5.75%	\$ 15,595,878	\$ 3,182,283		\$ (739,639)	\$ 2,442,644	\$ 779,978
Series BK, issued 1987 to 2002, due serially to 2008, interest rates 4.00% to 6.75%	30,279,000	5,440,000		(2,185,000)	3,255,000	2,200,000
Series 1990A, due serially to 2010, interest rate 6.75%	2,000,000	640,000		(145,000)	495,000	155,000
Series 1991B, due serially to 2015, interest rates 5.375% to 5.70%	2,180,000	1,255,000		(90,000)	1,165,000	100,000
Series HE-WSU, issued 1992 to 1997, due serially to 2022 interest rates 3.50% to 6.40%	27,600,000	19,620,000		(1,060,000)	18,560,000	1,095,000
Series 2001A, due serially to 2025, interest rates 5.00% to 5.625%	19,190,000	17,055,000		(755,000)	16,300,000	545,000
Series 2001C, due serially to 2026, interest rates 5.0% to 5.25%	10,050,000	8,895,000		(265,000)	8,630,000	280,000
Series 2002A, due serially to 2026, interest rates 4.0% to 5.0%	6,770,000	6,120,000		(165,000)	5,955,000	180,000
Capital leases		\$ 13,969,938	\$ 1,728,119	\$ (1,672,282)	\$ 14,025,775	\$ 1,845,490
Other adjustments:						
Bond discounts and issue costs		\$ (3,598,903)	\$ (432,397)	\$ 180,845	\$ (3,850,455)	\$ (191,886)
Bond premium		1,234,344		(37,499)	1,196,845	37,499
Deferred costs of refundings		(3,134,667)		152,939	(2,981,728)	(158,129)
Total	\$366,364,878	\$266,732,995	\$ 25,390,722	\$ (9,705,637)	\$282,418,081	\$ 10,267,952

15. Pension Plans

University Plans

The University offers two contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, a defined benefit retirement system, and the Washington State University Retirement Plan, consisting of a defined contribution plan modified with a supplemental payment plan, when required.

The University employs approximately 5,981 full-time employees eligible for participation in one of the two retirement plans.

The payroll for employees covered by PERS was \$89,043,875 and the payroll for employees covered by the Washington State University Retirement Plan was \$202,817,417.

Public Employees Retirement System

Plan Description. PERS is a multi-employer mandatory retirement plan for all eligible civil service employees. Employees hired into an eligible position prior to October 1, 1977, are enrolled in Plan 1 while employees hired into an eligible position on or after October 1, 1977 are enrolled in Plans 2 or 3. Retirement benefits are vested after five years of eligible service. Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. The authority to establish and amend benefit provisions resides with the legislature. The Washington State Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380.

Funding Policy. The Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS. The basic contribution rates, established by the legislature, match the actuarially determined rates considered necessary to fully fund the tier one system by June 30, 2024 and to continue to fully fund the tier two system. Plan 1 members are required to contribute 6% of their annual covered salary. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. The contribution rate for Plan 2 employees at June 30, 2007 was 3.50%. The contribution rate for the University at June 30, 2007 for all PERS plans was 5.46%.

The summary of rates for the year, are as follows:

	<u>Employee</u>	<u>University</u>
Plan 1	6.00%	5.46%
Plan 2	3.50%	5.46%
Plan 3	5% to 15%	5.46%

Employee and employer contributions for the year ended June 30, 2007, were \$3,825,906 and \$4,078,209 respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date. The pension benefit obligation as of 2004 for PERS as a whole, determined through an actuarial valuation performed as of that date, was \$20,686,000,000. The PERS net assets available for benefits on that date (valued at market) were \$19,905,000,000 leaving an unfunded pension benefit obligation of \$781,000,000. Information for WSU as a stand-alone entity is not available.

Ten-year historical trend information, showing the PERS progress in accumulating sufficient assets to pay benefits when due, is presented in the State of Washington June 30, 2007, Department of Retirement Systems *Comprehensive Annual Financial Report*.

Washington State University Retirement Plan

Plan Description. Faculty, professional and other staff are eligible to participate in the Washington State University Retirement Plan (WSURP). The Teacher's Insurance and Annuity Association (TIAA) and the College Retirement Equities Fund (CREF) are the companion organizations through which individual retirement annuities are purchased. Employees have at all times a 100% vested interest in their accumulations.

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution that participates in TIAA-CREF.

The plan has a supplemental payment component that guarantees a minimum retirement benefit goal based upon a one-time calculation at each employee's retirement date. The University makes direct payments to qualifying retirees when the retirement benefit provided by TIAA-CREF does not meet the benefit goal. Employees are eligible for a non-reduced supplemental payment after the age of 65 with ten years of full-time service.

The minimum retirement benefit goal is 2% of the average annual salary for each year of full-time service up to a maximum of 25 years. However, if the participant does not elect to make the 10% TIAA-CREF contribution after age 50, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

No significant changes were made in the benefit provisions for the year.

Contributions. Contribution rates for the WSURP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the University. Employee and employer contributions for the year ended June 30, 2007 were each \$16,848,255.

The Washington State University Retirement Plan (supplemental payment) is financed on a pay-as-you-go basis. Supplemental payments made by the University for the year ended June 30, 2007 were \$691,818.

At the latest valuation July 1, 2007, the total unfunded pension benefit obligation under the Washington State University Retirement Plan (supplemental payment plan) was \$9.6 million, consisting of \$4.8 million for retirees and beneficiaries currently receiving benefits and \$4.8 million for current employees.

Federal Retirement Plans

Selected positions related to the College of Agricultural, Human, and Natural Resource Sciences are eligible to participate in two federal retirement systems maintained by the Office of Personnel Management.

Civil Service Retirement System

Civil Service Retirement System (CSRS) is a defined benefit retirement plan for employees with federal appointments hired prior to January 1, 1984, and chose not to transfer to Federal Employees Retirement System (FERS). Retirement benefits are vested after an employee completes five years of eligible service.

Employee and employer contributions for the 38 enrolled employees on June 30, 2007, were \$210,290 and \$210,290 respectively.

Federal Employees Retirement System

The Federal Employees Retirement System (FERS) is a defined benefit retirement plan for employees with federal appointments hired after December 31, 1983, and those Civil Service Retirement System (CSRS) employees choosing to transfer into this system. Retirement benefits are vested after an employee completes five years of eligible service.

Employee and employer contributions for the 26 enrolled employees on June 30, 2007, were \$15,885 and \$222,404 respectively.

The rates at June 30, 2007, are as follows:

	<u>Employee</u>	<u>University</u>
CSRS	7.00%	7.00%
FERS	0.80%	11.2%

16. Segment Information

Revenue Bonds are issued from time to time to build new facilities. Net revenues are pledged to cover the cost of debt service. For financial report display, the following are WSU Segments:

Compton Union Building (CUB)

The Compton Union Building houses student meeting areas, eating establishments, and various other services for use by students and student groups. Due to student demand and support, the CUB is currently undergoing the largest renovation of any building in WSU history. When open in 2008, the new CUB will feature many amenities including wireless internet access, enhanced student meeting space, a new home for the Students Book Corporation (Bookie) and a multitude of new vendors.

Housing and Dining System

Housing and Dining System operates residence and dining halls, apartment complexes, vending operations and student convenience stores on the University Campus.

Parking Services, Pullman Campus

Parking Services provides host services to the campus community, maintains the parking infrastructure and unobstructed flow of traffic, manages parking facilities and parking spaces, and enforces parking rules.

Student Recreation Center

The Student Recreation Center provides programs and services designed to optimize the personal, cultural, social, physical, ethical and intellectual development of the University community.

Intercollegiate Athletics

The Athletic Department manages athletic programs for the University. Martin Stadium is currently undergoing a remodel to update and improve the facility.

Presented on the next page are the condensed financial statements as audited by Peterson Sullivan, PLLC.

Segment Information

	Compton Union Building	Housing and Dining	Parking (Pullman Campus)	Student Recreation Center	Intercollegiate Athletics
Condensed Statement of Net Assets					
Assets					
Current assets	\$ 50,216,874	\$ 16,852,557	\$ 2,248,185	\$ 4,842,622	\$ 25,040,761
Noncurrent assets					
Capital assets, net of accumulated depreciation	42,283,565	65,862,008	15,675,435	35,808,030	20,553,475
Other noncurrent assets	8,280,376	3,008,381		1,118,218	
Total Assets	\$ 100,780,815	\$ 85,722,946	\$ 17,923,620	\$ 41,768,870	\$ 45,594,236
Liabilities					
Current liabilities	\$ 6,870,115	\$ 9,323,249	\$ 981,324	\$ 1,515,842	\$ 6,680,157
Noncurrent liabilities					
Long term debt	89,745,000	46,633,208	8,102,050	40,219,782	23,309,809
Other liabilities	1,196,845	2,603,913	1,267,766		2,230,158
Total Liabilities	\$ 97,811,960	\$ 58,560,370	\$ 10,351,140	\$ 41,735,624	\$ 32,220,124
Net Assets					
Invested in capital assets, net of related debt	\$ 8,102,121	\$ 14,031,052	\$ 5,836,412	\$ 5,835,070	\$ (5,422,476)
Restricted, expendable		5,993,952			4,007,475
Unrestricted	(5,133,266)	7,137,572	1,736,068	(5,801,824)	14,789,113
Total Net Assets	2,968,855	27,162,576	7,572,480	33,246	13,374,112
Total Liabilities and Net Assets	\$ 100,780,815	\$ 85,722,946	\$ 17,923,620	\$ 41,768,870	\$ 45,594,236
Condensed Statement of Revenues, Expenses and Changes in Net Assets					
Operating revenues	\$ 396,916	\$ 37,137,043	\$ 3,419,900	\$ 4,625,226	\$ 33,830,083
Operating expenses	(918,797)	(30,865,800)	(2,202,638)	(1,676,468)	(31,106,316)
Depreciation expense	(4,428)	(3,308,389)	(545,205)	(913,842)	(597,395)
Operating income (loss)	(526,309)	2,962,854	672,057	2,034,916	2,126,372
Nonoperating revenues (expenses)	363,799	(2,214,239)	(496,612)	(1,880,314)	515,285
Other—transfers among funds	72,846	305,000	(18,462)	5,593	1,691,201
Increase (decrease) in net assets	(89,664)	1,053,615	156,983	160,195	4,332,858
Net assets, beginning of year	3,058,519	26,108,961	7,415,497	(126,949)	9,041,254
Net Assets, End of Year	\$ 2,968,855	\$ 27,162,576	\$ 7,572,480	\$ 33,246	\$ 13,374,112
Condensed Statement of Cash Flows					
Net cash flows provided by operating activities	\$ (657,544)	\$ 6,924,197	\$ 1,222,462	\$ 2,939,677	\$ 4,466,056
Net cash flows used by capital and related financing activities	(32,371,311)	(8,132,950)	(1,133,229)	(3,068,717)	13,906,119
Net cash flows provided by investing activities	32,730,722	1,959,462	84,639	227,282	(16,585,464)
Net increase/decrease in cash and cash equivalents	(298,133)	750,709	173,872	98,242	1,786,711
Cash and cash equivalents, beginning of year	1,018,619	1,782,551	1,942,134	1,167,584	3,989,564
Cash and cash equivalents, end of year	\$ 720,486	\$ 2,533,260	\$ 2,116,006	\$ 1,265,826	\$ 5,776,275

17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, Operating Expenses are displayed by natural classifications, such as salaries, benefits and goods and services. The table below summarizes Operating Expenses by Program for the year ended June 30, 2007.

Operating Expenses by Program					
	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 161,773,328	\$ 13,938,688			\$ 175,712,016
Research	98,250,763	41,987,814	\$ 4,355,921		144,594,498
Public service	28,122,738	9,501,535			37,624,273
Academic support	39,615,696	14,873,422			54,489,118
Student services	16,940,991	3,795,520			20,736,511
Institutional support	30,912,964	9,849,625			40,762,589
Operation and maintenance of plant	22,401,997	24,062,664			46,464,661
Other operating expenses	9,909,550	29,915,155			39,824,705
Auxiliary enterprises	40,309,386	45,361,296			85,670,682
Student financial aid net			35,061,636		35,061,636
Depreciation				\$ 50,595,028	50,595,028
Total operating expenses	\$ 448,237,413	\$ 193,285,719	\$ 39,417,557	\$ 50,595,028	\$ 731,535,717

18. Contingent Liabilities

The University is engaged in various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial statements.



Enrollment and Degrees Conferred

	2007	2006	2005	2004	2003
Fall enrollment (headcount)					
Undergraduate headcount	19,554	19,585	19,281	18,746	18,024
Graduate headcount	3,320	3,219	3,228	3,239	3,177
Professional headcount	781	740	732	727	679
Total headcount	23,655	23,544	23,241	22,712	21,880

	2007	2006	2005	2004	2003
Fall enrollment (full-time equivalent)					
Undergraduate	17,217	17,352	17,130	16,634	16,533
Graduate	3,499	3,414	3,500	3,585	3,566
Professional	1,320	1,219	1,154	1,017	893
Full-time equivalent	22,037	21,985	21,784	21,236	20,992

	2007	2006	2005	2004	2003
Freshman admission information					
Applications	9,314	9,193	9,508	9,182	8,989
Acceptances	7,177	6,793	7,148	7,206	6,904
Matriculants	2,861	2,890	3,123	3,042	2,803

	2007	2006	2005	2004	2003
Degrees conferred					
Baccalaureate	4,797	4,508	4,133	4,223	4,143
Masters	702	741	730	752	760
Doctoral	175	170	180	167	126
Professional	219	169	174	160	180

Source: Washington State University Institutional Research

Tuition and Fees, Undergraduate

Academic year	Resident	Non-Resident	Room and Board ¹
2007-08	\$ 6,290	\$ 16,604	\$ 7,316
2006-07	\$ 5,887	\$ 15,527	\$ 6,590
2005-06	\$ 5,506	\$ 14,514	\$ 6,280
2004-05	\$ 5,154	\$ 13,572	\$ 6,034
2003-04	\$ 4,836	\$ 12,938	\$ 5,756

¹Standard room including double occupancy plus level 2 meal plan

Source: Washington State University Institutional Research

Statewide Presence

WSU Pullman



WSU Spokane



WSU Tri-Cities



WSU Vancouver

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