



2011

FINANCIAL REPORT

WASHINGTON STATE
UNIVERSITY

World Class. Face to Face.

CONTENTS

- 1** Regents and Administrative Officers
- 2** Message from the President
- 3** Management's Discussion and Analysis
- 12** Independent Auditor's Report
- 14** Statement of Net Assets
- 15** Statement of Revenues, Expenses and Changes in Net Assets
- 16** Statement of Cash Flows
- 18** Notes to the Financial Statements
- 33** Enrollment and Degrees Conferred

Financial Report 2011

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.wsu.edu/genacct/finstat.htm.

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.

Regents and Administrative Officers

BOARD OF REGENTS

Theodor P. Baseler, Chair of the Board
Scott E. Carson, Vice Chair of the Board
Laura M. Jennings, Past Chair of the Board
Jacob K. Bredstrand, Student Regent
Harold A. Cochran
Ryan Durkan
Francois X. Forgette
Constance M. Niva
Ron Sims
Michael C. Worthy

Elson S. Floyd, Secretary Ex-Officio
Roger D. Patterson, Treasurer Ex-Officio
Christine Gregoire, Governor, State of Washington,
Advisory Member Ex-Officio

EXECUTIVE OFFICERS AND CHANCELLORS

Elson S. Floyd, President
Warwick M. Bayly, Provost and Executive Vice President
Anson W. Fatland, Associate Vice President for Economic
Development and External Affairs
John Fraire, Vice President for Student Affairs and Enrollment
Howard D. Grimes, Vice President for Research and
Dean of the Graduate School
Colleen E. Kerr, Associate Vice President for Legislative Affairs
Joan King, Associate Vice President and Chief University
Budget Officer
Heather Lopez, Director of Internal Audit
William H. Moos, Director of Intercollegiate Athletics
Viji Murali, Vice President for Information Services
and Chief Information Officer
Roger D. Patterson, Vice President for Business and Finance

Vicky Carwein, Chancellor, WSU Tri-Cities
Brian Pitcher, Chancellor, WSU Spokane
Lynn V. Valenter, Interim Chancellor, WSU Vancouver

ADMINISTRATIVE OFFICERS

Barry E. Johnston, Assistant Vice President for Business and Finance
Terry L. Ely, Executive Director of Business Services/Controller

ACADEMIC DEANS

Daniel J. Bernardo, Dean, College of Agricultural, Human,
and Natural Resource Sciences
Patricia G. Butterfield, Dean, College of Nursing
David R. Cillay, Executive Director, Distance and
Professional Education
Candis S. Claiborn, Dean, College of Engineering and Architecture
Daryll B. DeWald, Dean, College of Sciences
Douglas L. Epperson, Dean, College of Liberal Arts
Howard D. Grimes, Vice President for Research and Dean,
Graduate School
Lawrence E. Pintak, Dean, The Edward R. Murrow
College of Communication
Gary M. Pollack, Dean, College of Pharmacy
A. G. Rud, Dean, College of Education
Bryan K. Slinker, Dean, College of Veterinary Medicine
Eric R. Spangenberg, Dean, College of Business
Joseph A. "Jay" Starratt, Dean of Libraries
Mary F. Wack, Dean, Vice Provost for Undergraduate Education
and Dean of the University College
Elizabeth A. Walker, Dean, University Honors College

LEGAL COUNSEL

Danielle A. Hess, Division Chief, WSU Division of the
Washington State Office of the Attorney General

Officer list effective as of December 31, 2011



Message from the President

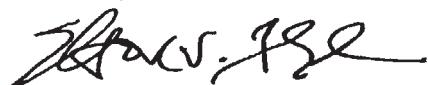
It is an honor for me to share with you Washington State University's annual report for the 2011 fiscal year. This publication provides in-depth information about the fiscal health and operations of WSU during the period beginning on July 1, 2010, and concluding on June 30, 2011.

The year provided many indicators of our university's current strength and our focus upon an even brighter future. Some of the highlights include:

- Demand for a WSU education remains strong. Fall enrollment set another record, with 27,008 students enrolled at our four campuses and through distance education. Our Pullman campus saw a record influx of freshmen with an entering class of 4,174, an increase of 40 percent over the previous year's class. Enrollment remained strong on WSU's urban campuses as well.
- Despite a difficult economic environment, the university continued to make impressive progress in fundraising through *The Campaign for WSU: Because the World Needs Big Ideas*. Our university held the public kickoff of the campaign in December 2010. Highlighting the kickoff event was an announcement of the largest gift in WSU history, \$26 million from Paul G. Allen to support the Paul G. Allen School for Global Animal Health. The campaign remains ahead of the pace necessary to achieve its \$1 billion goal by 2015, the 125th anniversary of the university's founding.
- WSU faculty and researchers continue to attract increasing shares of grant funding. From 2008 to 2011, grant funding at WSU has grown from \$154 million to \$237 million, an increase of 54 percent. In the past four years, the College of Veterinary Medicine and the Agricultural Research Center (ARC) have nearly doubled their grant funding. The College of Sciences and the College of Engineering and Architecture have seen increases of more than \$10 million each in grant funding, with each growing to \$27 million in 2011.
- On our Pullman campus, construction is continuing on the Paul G. Allen School for Global Animal Health Building and the Veterinary Medical Research Building. We have broken ground on the Biomedical and Health Sciences Building, which will serve as a center for medical education and research at WSU Spokane, our health sciences campus. And construction has been completed on the Applied Technology Classroom Building at WSU Vancouver, which will help that campus expand its efforts in computer sciences and electrical engineering.

As a university, we have been called upon to respond to continuing reductions in our state budget allocation. However, even in the face of those budgetary challenges, Washington State University remains dedicated to its mission as a leading land-grant research university to advance knowledge through creative research and scholarship, extend knowledge through innovative education, and apply knowledge through local and global engagement. Through our research and scholarly endeavors, WSU enhances the lives of people around the globe and contributes to the economic and academic vitality of the state, nation, and world.

Sincerely,



Elson S. Floyd, Ph.D.

President

Washington State University

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Washington State University (the University) for the fiscal year ended June 30, 2011, with comparative information for the fiscal year ended June 30, 2010. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying note disclosures.

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. An award-winning online program offers access to the University's degrees statewide and around the world. Enrollment exceeds 26,300 students who are served by over 2,200 faculty and 3,400 staff members. Among the University's faculty are eight members of the National Academy of Sciences, National Academy of Engineering, and the Institute of Medicine.

The Carnegie Foundation classifies the University as one of 96 U.S. public and private universities with very high research activity. *U.S. News and World Report* consistently ranks the University among the top 60 public universities. The 2010 Wall Street Journal survey ranked the University among the nation's top 25 colleges and universities that best prepare its students for workforce success. WSU Pullman has the safest campus among the six public universities and colleges in the state of Washington. It was also named one of the 50 greenest institutions in the state by *Seattle Business* magazine.

The University has twelve academic colleges, the Graduate School and the Center for Distance and Professional Education. The colleges include: Agricultural, Human, and Natural Resource Sciences; Business; Communication; Education; Engineering and Architecture; Honors; Liberal Arts; Nursing; Pharmacy; Sciences; University College; and Veterinary Medicine. The University offers more than 200 fields of study including more than 95 majors, 64 master's degree programs and 44 doctoral degree programs. Professional degrees are offered in pharmacy and veterinary medicine. Last year, 6,400 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.

Using the Financial Statements

The financial statements presented in this report encompass the University and its discretely presented component units. The University's financial reports include the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets and the Statement of Cash Flows.

The financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for public colleges and universities. The financial statements are presented on a consolidated basis to focus on the University as a whole. The full scope of the University's activities is considered to be a single business-type activity and accordingly, is reported within a single column in the basic financial statements.

Management's discussion and analysis provides additional information regarding the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets.

Financial Highlights

The University's financial position at June 30, 2011, reflects improvement over the previous fiscal year. Management's continuing effort to reduce costs is one of the major factors contributing to this improvement. Also, the receipt of several large research gifts and grants were the result of diligent development efforts and a successful interdisciplinary grant competition.

- Assets increased by \$134 million to end the year at \$2.2 billion.
- Liabilities increased by \$49 million to end the year at \$584 million.
- Capital assets, net, totaled \$1.3 billion, an increase of \$44 million over fiscal year 2010.
- Net assets, which is the residual of assets after deducting liabilities, increased by \$86 million to end the year at \$1.6 billion.

Other significant changes to operations were as follows:

- Operating revenues totaled \$582 million, an increase of \$40 million over fiscal year 2010.
- Operating expenses totaled \$858 million, an increase of \$28 million over fiscal year 2010.

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, prepaid 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:** represent 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:** represent those assets that are available to the University for any lawful purpose.

Summarized Statements of Net Assets

	June 30, 2011	June 30, 2010	Change
Assets			
Current assets	\$ 311,685,620	\$ 273,900,995	\$ 37,784,625
Non-current assets	625,697,490	573,507,920	52,189,570
Capital assets, net of depreciation	1,281,882,762	1,237,461,926	44,420,836
Total assets	2,219,265,872	2,084,870,841	134,395,031
Liabilities			
Current liabilities	76,773,320	69,620,236	7,153,084
Non-current liabilities	507,331,316	465,642,695	41,688,621
Total liabilities	584,104,636	535,262,931	48,841,705
Net assets			
Invested in capital assets, net of debt	944,849,939	940,143,151	4,706,788
Restricted nonexpendable	418,321,473	415,394,171	2,927,302
Restricted loans	27,493,129	28,050,175	(557,046)
Restricted expendable	152,762,382	84,229,515	68,532,867
Unrestricted	91,734,313	81,790,898	9,943,415
Total net assets	\$ 1,635,161,236	\$ 1,549,607,910	\$ 85,553,326

Significant Changes in the Statements of Net Assets

- Total assets increased by \$134 million. Cash and investments, current and non-current, increased by \$63 million as a result of gifts received in support of the University's global animal health projects and the proceeds from a bond issue. Accounts receivable increased by \$15 million due to increases in State grants, \$9 million owed to the University at year end by the State Treasurer, and increased student receivables. Endowment investments increased \$9 million owing to increased investment earnings and receipt of new endowments.
- Capital assets increased by \$44 million as a result of several major construction projects underway on campus: the Paul Allen Global Animal Health building, the Veterinary Medical Research building, and the Vancouver Applied Technology Classroom building as well as several residence hall renovations.
- Current liabilities increased by \$7 million. This was due to increases in construction spending which resulted in a \$4 million increase in accounts payable at year end. Deferred revenues and deposits increased by \$2 million as a result of increased freshman participating in the orientation program over the summer. The current portion of long term debt increased by \$1 million reflecting the new bonds and certificates of participation issued.
- Non-current liabilities increased by \$42 million. The long term portion of the new revenue bonds and new certificates of participation issued was \$36 million. The University's net pension obligation increased by \$6 million as calculated by the State Actuary, deposits held in custody for others increased by \$1 million reflecting increases in construction retainage. Accrued leave, deferred compensation, and deferred revenue decreased by \$1 million.
- Net assets increased by \$86 million, \$68 million of which was restricted net assets as a result of grants and gifts for the Global Animal Health Center.

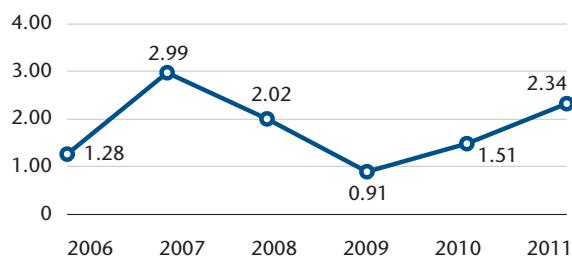
Financial Health and Flexibility

There are a number of ratios used to gauge financial health and flexibility. Each ratio measures one aspect of performance. The composite financial index (CFI), recommended in the book *Strategic Financial Analysis for Higher Education, Seventh Edition*, combines four core ratios into a single measure. Blending the four key measures of financial health into a single number provides a more balanced view of the state of the institution's finances. A weakness in one measure may be offset by the strength of another measure.

The four core ratios are the primary reserve ratio, the net operating revenues ratio, the return on net assets ratio and the viability ratio. Each of these ratios is converted to a strength factor using a common scale then multiplied by specific weighting factors and combined to form the composite financial index.

The graph below shows Washington State University's Composite Financial Index over the past six years. The ratio was climbing until the global economic downturn reduced operating budgets and investment returns. However, the University's proactive responses to the economic crisis have met the challenges and the rate has increased in 2010 and 2011.

Composite Financial Index



Results of Operations—Statements 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.

Summarized Statement of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2011 and June 30, 2010

	June 30, 2011	June 30, 2010	Change
Operating revenues (expenses)			
Operating revenues	\$ 581,762,406	\$ 541,882,536	\$ 39,879,870
Operating expenses	(858,242,366)	(829,878,090)	(28,364,276)
Net operating income (loss)	(276,479,960)	(287,995,554)	11,515,594
Non-operating revenues (expenses)			
Non-operating revenues	303,156,358	317,946,931	(14,790,573)
Non-operating expenses	(16,546,689)	(13,859,816)	(2,686,873)
Net non-operating revenues (expenses)	286,609,669	304,087,115	(17,477,446)
Income (loss) before other revenues, expenses, gains or losses	10,129,709	16,091,561	(5,961,852)
Other revenues	75,423,617	23,293,710	52,129,907
Increase in net assets	85,553,326	39,385,271	46,168,055
Net assets, beginning of year	1,549,607,910	1,510,222,639	39,385,271
Net assets, end of year	\$ 1,635,161,236	\$ 1,549,607,910	85,553,326

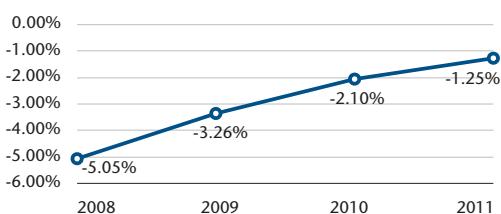
Significant Changes in the Statement of Revenues, Expenses and Changes in Net Assets:

- Operating revenues increased by \$40 million. Planned enrollment increases coupled with a 14% increase in the tuition rate resulted in \$25 million more in tuition and fees. Auxiliary enterprises revenue and other operating revenues decreased by \$6 million. Increases in grant revenues were \$21 million.
- Operating expenses increased overall by \$28 million. Salaries increased by \$3 million, less than 1%. Employee benefit costs increased by \$9 million, 7%, largely due to health care premium increases and changes in health care eligibility requirements which expanded coverage for employees. Scholarship and fellowship costs increased by \$2 million, a result of meeting the increased need of students due to tuition increases. Payments for goods, services and utilities increased by \$13 million, primarily for sponsored program expenditures. Depreciation increased by \$1 million.
- Net non-operating revenues decreased by \$17 million. State operating appropriations were again reduced as a result of the State's budget crisis by \$17 million. Federal appropriations increased by \$2 million. Gifts and contributions increased by \$7 million as a result of new gifts brought in by the WSU Foundation's Campaign for WSU. Investment income was down by \$11 million in comparison with fiscal year 2010 even though current year returns were steady. Fiscal year 2010 saw a one-time increase in investment income due to an increase in timber prices. Other non-operating revenues decreased by \$1 million. Changes in the Federal PELL grant program coupled with increased student need resulted in a \$3 million increase in Federal PELL revenue.
- Other revenues increased by \$52 million. State capital appropriations increased by \$20 million as construction progressed on several buildings previously approved by the State. Capital grants increased by \$32 million as a result of a large contribution to fund the new Global Animal Health building.

Operating Performance

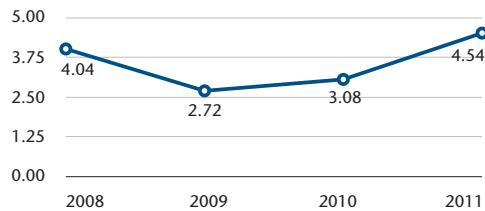
Rating agencies use a number of ratios to assess operating performance. One of the ratios more commonly used by Moody's is annual operating margin, which compares the operating surplus (or deficit) to operating revenues. Moody's definition of operating revenues includes several non-operating revenues 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. In spite of the continuing difficult economic conditions and the budget cuts sustained, the University's annual operating margin in 2011 was -1.25%, continuing an upward trend from its low in 2008 of -5.05%.

Annual Operating Margin



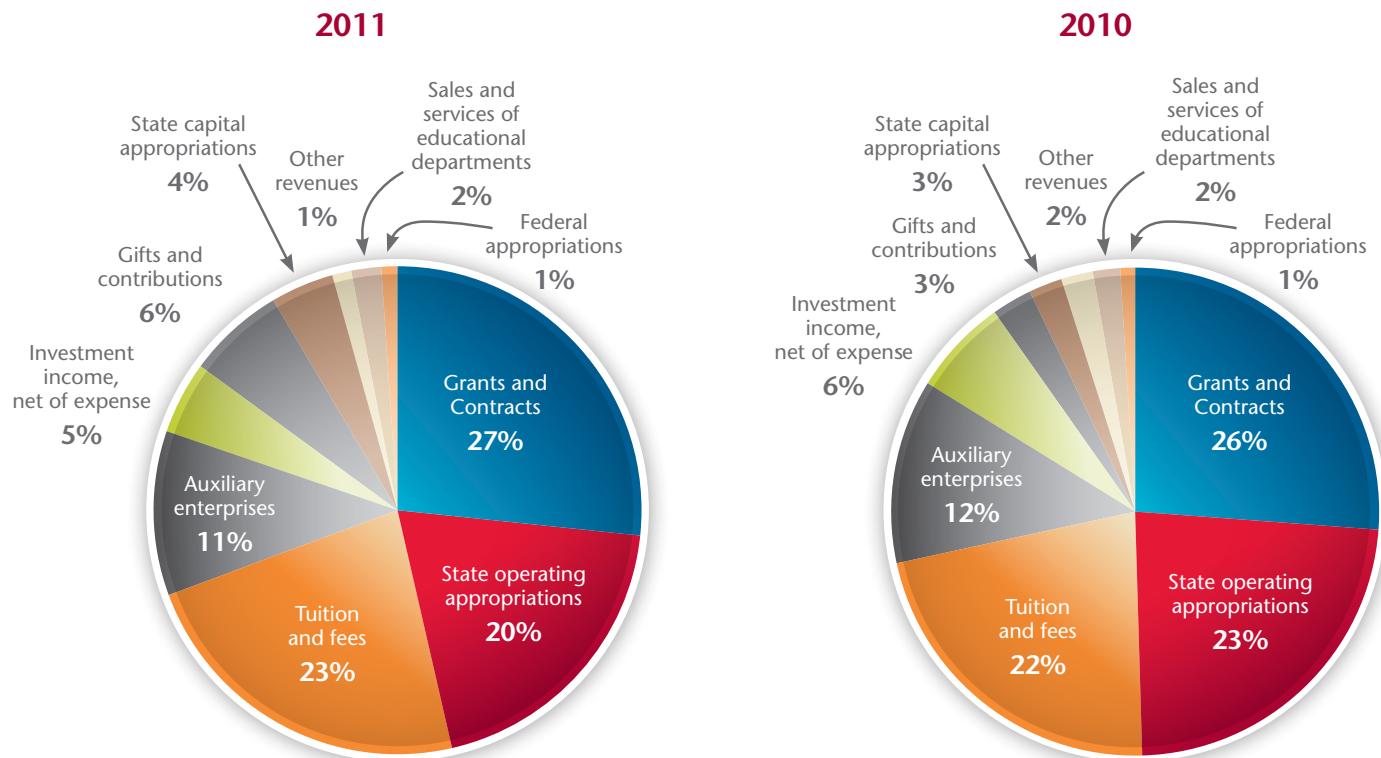
The ratio of expendable financial resources to operations (as defined by Moody's) measures the strength of net assets. This ratio, illustrated in the chart below, shows that in 2011, the University had enough expendable resources from various sources to fund operations for a period of 4.5 months.

Expendable Financial Resources to Operations



Revenues from all Sources

For the Years Ended June 30, 2011 and 2010



As the above graphs show, the University has a diversified revenue base. No single source of revenue generated more than 27% of the total fiscal year revenues. In fiscal year 2010, for the first time, grants and contracts revenue exceeded State appropriations revenue. In fiscal year 2011, as a result of continuing State budget reductions, tuition and fees revenue also exceeded State operating appropriations. State appropriations dropped to the third largest source of revenue for the University. The University relies on this state funding which subsidizes its instructional activities allowing for lower tuition rates; however, in 2010 and 2011, the University had to raise tuition by 14% to help bridge the funding gap.

Grants and contracts generated \$255 million or 27% of total revenue. These funds support the university's research activities, which allow students to work with nationally recognized faculty as part of their educational experience. Tuition and fees generated \$220 million or 23% of total revenue. State appropriations revenue generated \$189 million or 20% of total revenue.

Investment income, net of expenses, decreased to 5% of total revenue. Gifts and contributions increased to 6% of total revenue as a result of the WSU Foundation's Campaign for WSU which brought in several large contributions. State capital appropriations increased as construction, begun in 2010, got into full swing.

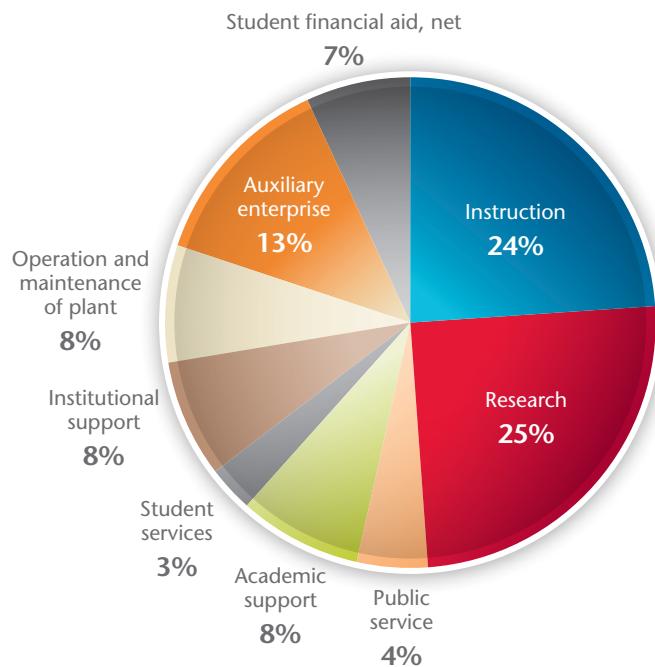
Auxiliary enterprises generated \$104 million in revenues representing 11% of the total revenue, a decrease of 1%. Auxiliary enterprises, such as university residences, intercollegiate athletics and the student union are essential supporting activities.

Operating Expenditures by Functional Classification

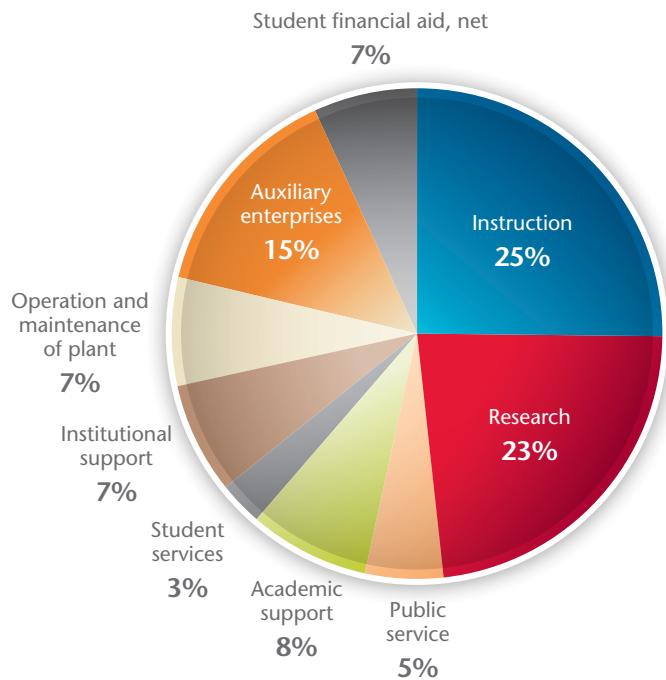
For the Years Ended June 30, 2011 and 2010

(Note: for the purposes of these graphs, depreciation has been allocated to the programs.)

2011



2010



Research costs increased as a result of increased grant funding, as the University received a number of large new research projects. For the first time, research expenditures exceeded instruction expenses in 2011. Instruction costs decreased due to the closure of some programs and classes. Operation and maintenance of plant costs increased as a result of increased fuel and utility costs. Institutional support costs also increased slightly. Auxiliary enterprise costs decreased due to cost cutting measures put into place.

Capital Assets and Long-Term Debt Activities

Capital Assets

At June 30, 2011, the University had \$1,281,882,762 invested in capital assets, net of accumulated depreciation.

This represents an increase of \$44 million from last year, as shown in the table below.

	June 30, 2011	June 30, 2010	Change
Land	\$ 39,669,701	\$ 40,085,792	\$ (416,091)
Construction in progress	94,472,198	29,585,482	64,886,716
Buildings, net	893,984,104	918,359,702	(24,375,598)
Other improvements and infrastructure, net	144,871,598	143,360,691	1,510,907
Equipment, net	59,427,140	56,981,462	2,445,678
Library resources, net	49,458,021	49,088,797	369,224
Total capital assets, net	\$1,281,882,762	\$1,237,461,926	\$44,420,836

The increase is a result of increases in construction in progress as work progressed on the Global Animal Health Building, the Veterinary Medical Research Building, the Applied Technology Classroom Building, infrastructure additions and renovations of several residence halls. Depreciation on completed buildings resulted in a decrease in net book value on buildings. The University disposed of several parcels of land during the year as well.

Long-Term Debt

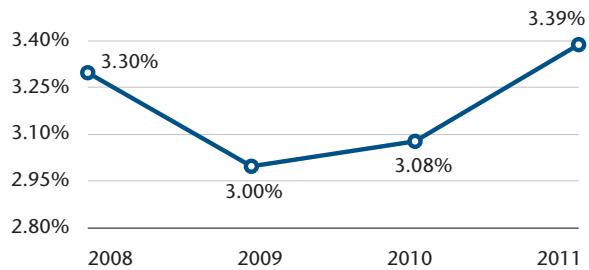
At June 30, 2011, the University had \$434,844,671 in outstanding debt, representing an increase of \$36,941,171 over the prior year. This increase is the result of the University's Housing and Dining System issuing \$35 million in revenue bonds to finance the renovation of several residence halls on the Pullman campus, issuance of \$15 million in certificates of participation for the purchase of the new student information system, and refundings of certain State general obligation bonds.

The table below summarizes outstanding debt.

	June 30, 2011	June 30, 2010	Change
General obligation bonds payable, net	\$ 40,836,166	\$ 43,778,052	\$ (2,941,886)
Revenue bonds payable, net	363,890,023	337,452,701	26,437,322
Capital leases, net	30,118,482	16,672,747	13,445,735
Total debt	\$ 434,844,671	\$ 397,903,500	\$ 36,941,171

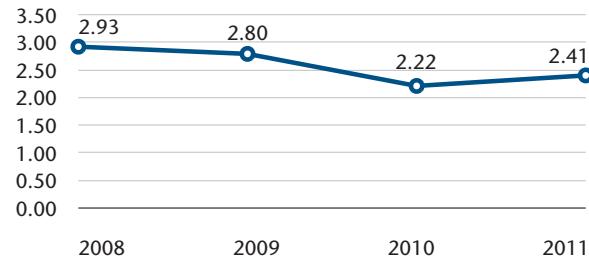
The debt service to operations ratio provides an indicator of the University's ability to repay annual principal and interest relative to its overall operating expenses. A higher ratio gives a level of comfort that the institution has a net revenue stream available to meet its debt burden. The graph below shows the University's debt service ratio for the past four years.

Debt Service to Operations



The 2011 ratio of expendable financial resources to debt (as defined by Moody's) shows that the University has sufficient expendable resources to pay its long-term debt obligations 2.4 times over.

Expendable Financial Resources to Direct Debt



Economic Outlook

In adopting the 2011–13 biennial budget, the State of Washington sought to address an estimated \$4.6 billion budget shortfall. For the University, the net effect of the original appropriation budget reductions represented a \$39.7 million reduction of state support for the biennium.

Since enactment of the 2011–13 biennial budget, the Washington State Economic Revenue Forecast Council has continued to project downward the revenues expected for the State General Fund in each quarterly estimate. The Governor has called for a special Legislative session in November 2011 to address a potential \$2.0 billion shortfall for the 2011–13 biennium.

While the University has experienced significant budget cuts on state general funds due to the lagging state economy and expects to receive additional state support reductions in the coming year, these funds only represent about 20% of the University's revenues. Tuition rates have been increased for this biennium and other revenue sources are expected to be more stable.

Capital appropriations and bonding authority have been approved for the two-year biennial period at \$351.2 million. Federal appropriations for the University's land grant programs are expected to remain near a \$9 million funding level.

As in prior years, student tuition and fees will be increased for the 2011–12 academic year with a portion of the incremental revenue used for financial aid. Tuition rates were increased by 16% for undergraduate and graduate resident students, non-resident DDP students, and MBA resident students. Tuition rates for professional, other resident and non-resident student categories increased between 4% and 8% for the 2011–12 academic year. Enrollment is expected to be 4% higher than 2011, at approximately 25,300 annual average full time equivalents for the four-campus system. Overall, the University expects net tuition and fee revenues to provide \$252 million to support operations, a 14.8% increase over 2011.

Federally sponsored research and other programs are the largest portion of externally funded grant expenditures. 64% of University projects were supported by federal funding and 34% by non-federal funding in 2011. Federally funded project expenditures increased by about 10% between 2010 and 2011; whereas non-federally funded project expenditures increased by almost 24%. Federal and non-federal sponsored programs have continued to grow in recent fiscal years and that trend seems to be continuing in fiscal year 2012 based on the first quarter expenditure growth of nearly 12% over the first quarter of fiscal year 2011. The longer-term outlook is more uncertain due to possible federal funding constraints and deficits and the economic conditions nationwide, which could constrain both federal and non-federal project activities.





Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

December 16, 2011

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, 2011, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions on these financial statements based on our 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, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our 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, 2011, and the respective changes in financial position and, where applicable, 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 3 through 11 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.

The information identified in the table of contents as Enrollment and Degrees Conferred is presented for purposes of additional analysis and is not a required part of the basic financial statements of the University. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,



Brian Sonntag, CGFM
Washington State Auditor

Washington State University
Statement of Net Assets
As of June 30, 2011

	University 2011	Foundation 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 171,260,107	\$ 910,595
Prepaid expenses	246,952	
Inventories	15,659,802	
Accounts receivable, net	61,627,773	126,593
Pledges receivable		13,944,192
Due from Washington State University		757,542
Investments, current portion	62,890,986	
Subtotal current assets	311,685,620	15,738,922
Non-current assets		
Long-term investments	140,411,500	
Endowment investment	436,021,358	286,713,590
Deposits in escrow	1,773,691	
Assets held in trust by Washington State University Foundation	18,646,007	
Assets held in trust for agencies	2,444,189	
Long-term notes receivable from charitable trusts		7,411,404
Assets held in charitable and beneficial trusts		45,325,379
Loans receivable, net	26,400,745	
Capital assets, net of accumulated depreciation	1,281,882,762	2,732,663
Subtotal non-current assets	1,907,580,252	342,183,036
Total assets	\$ 2,219,265,872	\$ 357,921,958
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 48,259,755	\$ 17,519,200
Due to Washington State University Foundation	694,581	
Due to Washington State University		18,646,007
Deposits	4,846,043	
Assets held for other organizations		401,590
Deferred revenue, current portion	8,268,148	
Long-term debt, current portion	14,704,793	
Subtotal current liabilities	76,773,320	36,566,797
Non-current liabilities		
Accrued leave	37,823,774	
Deferred compensation	1,072,378	
Deposits held in custody for others	20,321,432	
Deferred revenue	7,940,278	
Long-term debt	440,173,454	
Subtotal non-current liabilities	507,331,316	
Total liabilities	\$ 584,104,636	\$ 36,566,797
Net Assets		
Invested in capital assets, net of related debt	\$ 944,849,939	
Restricted nonexpendable	418,321,473	\$ 283,580,149
Restricted loans	27,493,129	
Restricted expendable	152,762,382	35,827,104
Unrestricted	91,734,313	1,947,908
Total net assets	\$ 1,635,161,236	\$ 321,355,161

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, 2011

	University 2011	Foundation 2011
Revenues		
Operating revenues		
Tuition and fee revenue, net	\$ 219,671,701	
Federal grants and contracts	126,126,568	
State grants and contracts	61,472,046	
Local grants and contracts	38,690,120	
Gifts and contributions		\$ 31,024,484
Sales and services of educational departments	18,980,944	
Auxiliary enterprises	104,438,183	
Other operating revenues	12,382,844	
Total operating revenues	581,762,406	31,024,484
Expenses		
Operating expenses		
Salaries and wages	392,810,108	
Benefits	122,792,761	
Scholarships and fellowships	54,093,717	
Utilities	27,340,093	
Payments to suppliers	118,133,217	
Purchased services	68,597,254	
Depreciation	74,475,216	
Total operating expenses	858,242,366	
Net operating loss	(276,479,960)	31,024,484
Non-operating revenues (expenses)		
State appropriations	189,242,536	
Federal appropriations	10,213,359	
Federal Pell Grants	29,009,137	
Interest on capital assets—related debt	(16,266,087)	
Federal bond interest subsidy	2,259,292	
Gifts and contributions	26,513,445	
Investment income, net of expense	45,918,591	50,489,112
Support provided to/for Washington State University, net		(35,395,664)
Fund raising		(6,529,876)
General and administrative expenses		(2,623,875)
Other non-operating revenues (expenses)	(280,604)	1,540,028
Total non-operating revenues (expenses)	286,609,669	7,479,725
Income before other revenues, expenses, gains or losses	10,129,709	38,504,209
Capital additions (deductions)		
Capital appropriations	40,098,749	
Capital grants and gifts	35,132,538	
Additions to permanent endowments	192,330	10,039,492
Total other revenues	75,423,617	10,039,492
Increase in net assets	85,553,326	48,543,701
Net assets		
Net assets, beginning of year	1,549,607,910	272,811,460
Net assets, end of year	\$1,635,161,236	\$321,355,161

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

**Washington State University
Statement of Cash Flows
For the Year Ended June 30, 2011**

Cash flows from operating activities	2011
Tuition and fees	\$ 252,171,618
Grant and contracts	253,306,148
Payments to suppliers	(113,411,995)
Payments for utilities	(27,298,108)
Purchased services	(69,445,995)
Payments to employees	(394,133,837)
Payments for benefits	(117,408,333)
Payments for scholarships and fellowships	(87,548,271)
Loans issued to students	(5,931,816)
Collection of loans to students	3,626,780
Auxiliary enterprise receipts	104,651,987
Sales and service of educational departments	19,245,405
Other receipts	11,371,170
Net cash used by operating activities	(170,805,247)
Cash Flows from Noncapital Financing Activities	
State appropriations	191,273,517
Federal appropriations	9,843,183
Gifts for other than capital purposes	
Private gifts	30,669,129
Additions to permanent endowment	192,330
Agency fund receipts	24,296,087
Agency fund disbursements	(23,756,137)
Federal Direct Loan receipts	720,124
Federal Direct Loan disbursements	(751,331)
Other nonoperating revenues	55,996
Net cash provided by noncapital financing activities	232,542,898
Cash flows from capital and related financing activities	
Proceeds of capital debt	35,134,708
Capital appropriations	40,136,631
Capital grants and gifts received	28,304,303
Purchases of capital assets	(103,694,300)
Principal paid on capital debt and leases	(7,689,898)
Interest paid on capital debt and leases	(24,599,422)
Net cash used by capital and related financing activities	(32,407,978)
Cash flows from investing activities	
Proceeds from sales of investments	331,451,373
Purchases of investments	(408,315,799)
Investment income	33,085,473
Net cash provided by investing activities	(43,778,953)
Net increase (decrease) in cash and cash equivalents	(14,449,280)
Cash—beginning of year	185,709,387
Cash—end of year	\$171,260,107

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

2011

Operating loss	\$ (276,479,960)
-----------------------	------------------

Adjustments to reconcile net loss to net cash used by operating activities

Depreciation expense	74,475,216
----------------------	------------

Changes in assets and liabilities

Changes in assets

Deposits in Escrow	148,640
Prepaid expenses	(34,667)
Inventories	1,345,372
Net accounts receivable	(15,403,303)
Investments	38,141,310

Changes in liabilities

Accounts payable and accrued liabilities	3,553,027
Deferred revenue	1,237,529
Due to WSUF	105,487
Deposits	1,103,672
Long term debt-current portion	1,002,430

Net cash used by operating activities

\$ (170,805,247)

Significant noncash transactions

Gain on capital assets	\$ 906,693
Amortization expense	\$ (295,219)
Donated capital assets	\$ 260,235



Notes to the Financial Statements

June 30, 2011

These notes form an integral part of the financial statements.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Washington State University ("the University"), 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. The University is included in the general-purpose financial statements of the State. The accompanying financial statements present all funds belonging to the University and its component units.

The University was created as a land grant public university by the Washington State Legislature in 1890. Today, Washington State University has campuses in Pullman, Spokane, the Tri-Cities and Vancouver, with extension offices and learning centers across the state. The award-winning online program offers access to the University's degrees statewide and around the world. Washington State University's 26,308 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.

Discretely Presented Component Unit The Washington State University Foundation ("the Foundation") is a legally separate, tax-exempt entity that provides contractual asset management and fund raising functions in support of the University's mission. The Foundation is a significant component unit based on the criteria of Governmental Accounting Standards Board (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) pronouncements and guidance. 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 the University's 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 acquired at the following address:

WSU Foundation
PO Box 641925
Pullman, WA 99164-1925

Basis of Presentation

The financial statements are presented in accordance with generally accepted accounting principles and the GASB pronouncements.

For financial reporting purposes following the provisions of GASB Statement No. 34, 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. Pursuant to GASB Statement 20, the University has elected not to apply any FASB pronouncements issued after November 20, 1989.

Basis of Accounting

The financial statements of the University have been prepared in accordance with GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis, as amended by GASB Statement No. 35, for Public Colleges and Universities." The University is reporting as a special purpose government engaged in business type activities (BTA). In accordance with BTA reporting, the University presents management's discussion and analysis, statement of net assets, statements of revenues, expenses and changes in net assets, statements of cash flows and notes to the financial statements. The financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred, regardless of the timing of the cash flows.

Non-exchange transactions, in which the University receives (or gives) value without directly giving (or receiving) equal value in exchange includes state and federal appropriations, and certain grants and donations. Revenues are recognized, net of estimated uncollectible amounts, as soon as all eligibility requirements imposed by the provider have been met, if probable of collection.

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

Bond premiums/discounts, issuance costs and gains or losses on refundings are deferred and amortized over the term of the bonds using the effective interest method. Unamortized balances are presented as reductions of the face amount of bonds payable. Related amortization is included in interest expense in the statements of revenues, expenses and changes in net assets.

Interest is capitalized on assets acquired or constructed with tax-exempt financing. The amount of interest to be capitalized is calculated by offsetting interest expense incurred while activities necessary to get the asset ready for its intended use are in progress, with interest earned on invested proceeds over the same period. The net capitalized interest for fiscal year 2011 was \$4,608,850.

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 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, consisting primarily of supplies and merchandise for resale, are valued at cost using various methods.

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. The value of assets constructed includes all material direct and indirect construction costs. Interest costs incurred are capitalized during the period of construction. 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.

In accordance with GASB Statement 42, the University reviews assets for impairment whenever events or changes in circumstances have indicated that the carrying amount of its assets might not be recoverable. Impaired assets are reported at the lower of cost or fair value. At June 30, 2011, no assets had been written down.

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 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 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, 2011 are \$78,982,278.

New Accounting Pronouncements

In fiscal year 2011, GASB Statement 59, Financial Instruments Omnibus, and GASB Statement 60, Accounting and Financial Reporting for Service Concession Arrangements became effective. The University has adopted these pronouncements but has no additional disclosures resulting from them.

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 presentation in the current year financial statements.

2. Cash, Cash Equivalents and Investments

Cash

As of June 30, 2011, the carrying amount of the University's change funds, petty cash and bank demand deposit accounts with financial institutions was \$29,934,321 as represented in the table below.

Table 1: Cash and cash equivalents

2011	
Cash	\$ 29,934,321
Cash equivalents	141,167,726
Deposits with fiscal agents	158,060
Cash and cash equivalents	\$ 171,260,107

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 the University's demand deposits are with the Bank of America.

University Endowments

The University contracts with the 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, 2011 were \$36,844,883.

Land Grant and Permanent Fund

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 distributed 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, facility maintenance, or debt service. The fair value of these funds after settlement of all pending transactions, receivables and payables, is shown in the table below.

Table 2: Permanent Fund

University permanent fund investments	Fair Value	Average duration	Credit rating
Money market fund	\$ 979,810		N/A
Commingled monthly bond fund	398,760,474	4.36	AA3
Cash at state treasurer	132,971		
Pending transactions, receivables and payables	(696,780)		
Total permanent fund investments	\$399,176,475		

Endowment investments consist of University-held endowments valued at \$36,844,883 (as noted in the paragraph above and detailed in Table 3), and the permanent fund of \$399,176,475, for a total of \$436,021,358 as of June 30, 2011.

Investments

Investments are classified as cash equivalents, short 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 below.

Table 3: University Investments by Type

University investments	Fair Value	Maturity				Effective duration	Credit rating
		Less than 1 year	1–5 years	6–10 years	More than 10 years		
Cash equivalents							
Commercial paper	\$ 9,717,109	\$ 9,717,109				0.12	A1/P1
US Agency obligations—Discount notes	11,185,745	11,185,745				0.30	AAA
Other—Bank short term investment fund	13,857,939	13,857,939				0.16	NR
Local Government Investment Pool	106,406,933	106,406,933				0.16	NR
Total cash equivalents	141,167,726						
Current investments							
Temporary Liquidity Guarantee Program	44,491,930	44,491,930				0.45	AAA
US Agency obligations	18,399,056	18,399,056				0.41	AAA
Total current investments	62,890,986						
Non-current investments							
Operating funds							
US Government Treasury	20,082,000		\$20,082,000			1.49	AAA
US Agency obligations	90,252,949		90,252,949			2.09	AAA
Temporary Liquidity Guarantee Program	9,872,597		9,872,597			1.07	AAA
Mortgage pass throughs	8,607,611			\$8,607,611		2.39	AAA
Fixed income mutual funds	10,645,194		10,645,194			1.87	AA-
Subtotal non-current operating fund investments	139,460,351						
Miscellaneous	951,149						
Total non-current investments	140,411,500						
University endowments							
US stocks	1,109,876						
-US fixed income	3,691,780	390,139	-	\$3,301,641	-	4.08	AA+
-Foreign fixed income	1,777,995				1,777,995	7.44	AA
-US equity	3,970,397						
-Foreign equity	7,308,337						
-Private equity	6,554,978						
-Hedge funds	7,039,720						
-Timber	471,569						
-Real estate	2,066,304						
-Oil and gas	2,853,927						
Total endowment investments	36,844,883						
Total university investments	\$ 381,315,095						

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 policies, which employ 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.

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, 2011, \$202,736,400 of the University's operating fund investments, held by Bank of New York Mellon in the bank's name as agent for the University, and \$1,109,876 of endowment assets, held in street name by E*trade for the account of the University, are exposed to custodial credit risk as follows.

Table 4: Investments exposed to custodial credit risk

University investment type	Fair Value
Commercial paper	\$ 9,717,109
US agency discount notes	11,185,745
US government treasuries	20,082,000
US agency obligations	108,652,005
Temporary Liquidity Guarantee Program	44,491,930
Mortgage pass through	8,607,611
Subtotal	202,736,400
US common stock	1,109,876
Total investments exposed to custodial credit risk	\$ 203,846,276

Foreign Currency Risk—Investments

University endowment exposure to foreign currency risk at June 30, 2011, is described in the table below and is limited by Foundation investment policy.

Table 5: University foreign currency risk

Foreign currency	Fair value
Euro	\$ 1,306,567
UK - Pound	1,152,737
Japan - Yen	1,148,254
China - Yuan	552,259
Switzerland - Francs	496,801
Other (less than 5%)	3,459,976
Total foreign currency	\$ 8,116,594

Investment Expenses

Under implementation of GASB 35, investment income for the University is shown net of investment expenses. The investment expenses incurred for the fiscal year ended June 30, 2011 were \$359,671.

3. Accounts Receivable

At June 30, 2011, accounts receivable were as follows.

Student tuition and fees	\$ 22,783,826
Due from the federal government	10,963,620
Due from the office of the state treasurer	12,253,220
Due from other state agencies	14,942,391
Interest and dividends receivable	481,098
Auxiliary enterprises	5,091,727
Due from other governments	488,314
Other	101,608
Subtotal accounts receivable	67,105,804
Less allowance for doubtful accounts	(5,478,031)
Accounts receivable, net	\$ 61,627,773

4. Loans Receivable

Loans receivable consisted of the following as of June 30, 2011.

Federal programs	\$ 22,444,789
Institutional loans	179,713
Agency funds long-term receivable	4,453,230
Subtotal	27,077,732
Less allowance for doubtful accounts	(676,987)
Loans receivable, net	\$ 26,400,745

The University entered into a long-term loan agreement with the Students Book Corporation, a related entity, to buy their building and land. The total outstanding receivable at June 30, 2011 is \$4,453,230 at 3% interest.

5. Inventories

Inventories, stated at cost using various methods, consisted of the following as of June 30, 2011.

Location	Valuation method	Amount
Athletics	FIFO	\$ 695,885
Bulletin office	FIFO	367,254
Central stores	FIFO	406,113
Facilities operations	Weighted Average	1,395,955
Ferdinand's	FIFO	5,045,777
Housing and dining	LIFO	732,580
Motor pool	FIFO	65,840
University publishing	FIFO	1,753,302
Veterinary hospital and pharmacy	FIFO	1,171,535
Veterinary microbiology/pathology	FIFO	2,084,825
Other inventory	FIFO	1,940,736
Inventories		\$ 15,659,802

6. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2011 is presented as follows.

	Beginning balance	Additions/ transfers	Retirements	Ending balance
Nondepreciable capital assets				
Land	\$ 40,085,791	\$ 168,000	\$ (584,090)	\$ 39,669,701
Construction in progress	29,585,482	64,886,716		94,472,198
Total nondepreciable capital assets	69,671,273	65,054,716	(584,090)	134,141,899
Depreciable capital assets				
Buildings	1,500,772,584	17,952,857	(205,612)	1,518,519,829
Other improvements and infrastructure	247,500,030	11,016,937	(747,065)	257,769,902
Equipment	216,537,978	21,187,849	(6,638,603)	231,087,224
Library resources	123,579,801	5,021,676	(290,023)	128,311,454
Subtotal depreciable capital assets	2,088,390,393	55,179,319	(7,881,303)	2,135,688,409
Less accumulated depreciation				
Buildings	582,412,883	42,233,778	(110,936)	624,535,725
Other improvements and infrastructure	104,139,339	9,506,030	(747,065)	112,898,304
Equipment	159,556,514	18,082,956	(5,979,386)	171,660,084
Library resources	74,491,004	4,652,452	(290,023)	78,853,433
Total accumulated depreciation	920,599,740	74,475,216	(7,127,410)	987,947,546
Total depreciable capital assets	1,167,790,653	(19,295,897)	(753,893)	1,147,740,863
Capital assets, net of accumulated depreciation				\$ 1,237,461,926 \$ 45,758,819 \$(1,337,983) \$ 1,281,882,762

The current year depreciation expense was \$74,475,216.

7. Accounts Payable and Accrued Liabilities

At June 30, 2011, accrued liabilities are the following.

Accounts payable	\$ 27,584,361
Contract retainage	1,832,569
Payroll	18,842,825
Accounts payable and accrued liabilities	\$ 48,259,755

8. Deferred Revenue

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

Current deferred revenue	
Athletics	\$ 1,571,959
ALIVE! program	1,365,881
Pre-paid Tri-Cities BSEL building rent	500,000
Housing and dining services	1,658,108
Summer session	2,882,424
Parking	196,504
Future student deposits	93,272
Subtotal	8,268,148
Non-current deferred revenue	
Pre-paid Tri-Cities BSEL building rent	7,940,278
Total deferred revenue	\$ 16,208,426

9. 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, 2010 through June 30, 2011, were \$1,030,633. Cash reserves for unemployment compensation for all employees at June 30, 2011, were \$3,008,615.

The University purchases commercial insurance 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.

10. Compensated Absences

The accrued leave liability balance as of June 30, 2011 is \$37,823,774. The components of this liability include vacation leave earned and unused for exempt professionals, civil service employees and faculty on annual appointments; sick leave earned and unused limited to an estimate of fifteen times the prior three-year average of the amount paid at the time of separation; and earned and unused compensated leave for civil service employees.

University employees accrue annual leave at rates based on length of service and sick leave at the rate of one day per month for full time 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.

Accrued annual leave	\$ 27,661,048
Accrued sick leave	10,024,883
Accrued compensatory leave	137,843
Accrued leave liability	\$ 37,823,774

11. Deferred Compensation

The University administers a limited number of contractual deferred agreements. The deferred compensation obligation for these agreements as of June 30, 2011 was \$1,072,378.

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

12. Leases Payable

The University finances some capital asset purchases through the Washington State Treasurer's leasing program. These are classified as capital leases. The University also has leases for office equipment with various vendors. These leases are classified as operating leases. As of June 30, 2011, the minimum lease payments under capital leases and operating leases consist of the following.

Leases Payable

Fiscal year	Capital leases	Operating leases
2012	\$ 4,160,598	\$ 1,884,511
2013	3,964,062	1,265,667
2014	3,787,277	763,029
2015	3,220,841	455,140
2016	2,638,147	379,201
2017-2021	9,572,268	268,675
2022-2026	7,650,479	11,025
2027-2031	1,142,704	
2032-2036	1,142,704	
2037-2041	1,028,434	
Total minimum lease payments	38,307,514	5,027,248
Amount representing interest	(8,537,965)	
Net present value	\$ 29,769,549	\$ 5,027,248

13. Bonds Payable

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

During fiscal year 2011, the University's Board of Regents approved the Series Resolution authorizing the issuance of taxable Build America Bonds by the Housing and Dining System in the amount of \$35,305,000 to fund various renovation projects to residence halls on the Pullman campus. The bonds were issued on December 8, 2010 with an average interest rate of 7.249% payable semiannually commencing April 1, 2011. The University receives a 35% interest subsidy from the Federal government on the taxable Build America bonds. The bonds are special fund revenue obligations of the Housing and Dining System payable solely from the net revenues of the System.

Advance Refundings

The scheduled liabilities as of June 30, 2011 do not include revenue bonds which were advance refunded. Government obligations in amounts, maturities and bearing interest rates sufficient to fund retirement of these bonds are held in irrevocable trusts.

On August 10, 2010 and September 28, 2010 the State of Washington issued \$4,540,000 in Washington General Obligation Bonds Series R-2011A and R-2011B on behalf of the University to defease \$4,975,000 in Washington General Obligation Bonds Series 2002A. The net proceeds were used to purchase U.S. Government securities that were deposited to an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. The refunding resulted in an aggregate debt service decrease over the next 15 years of \$648,003 and an economic gain of \$569,149. The principal outstanding on the refunded bonds on June 30, 2011 is zero.

In October 2009, the University issued \$38,425,000 in Student Recreation Center Revenue Refunding Bonds Series 2009 to defease \$40,540,000 in Student Recreation Center Revenue Bonds Series 1998. These bonds have been called and the principal outstanding on the refunded bonds on June 30, 2011 is zero.

In June 2010, the University issued \$15,045,000 in Housing and Dining Revenue Refunding Bonds Series 2010 to defease \$15,755,000 in Housing and Dining Revenue Bonds Series 2001. These bonds have been called and the principal outstanding on the refunded bonds on June 30, 2011 is zero.

Neither the assets of these trusts, nor their outstanding obligations, are included in the Statement of Net Assets.

As of June 30, 2011, the University was indebted for bonds payable for the purposes shown in the following table.

Bonds Payable						
Purpose	Series	Interest rate/ ranges	Final maturity date	Principal outstanding	Current portion	See table below
Housing and dining system	2001	4–5.1%		-	-	1
	2004	1.5–5%	2024	\$ 13,125,000	\$ 700,000	
	2005	3–4.5%	2030	15,345,000	545,000	
	2008	3.5–5%	2038	25,270,000	485,000	
	2010	3–5%	2024	15,045,000	865,000	
	2010B	7.1–7.4%	2041	35,305,000	-	
Student recreation center	2009	3–5.3%	2032	36,180,000	1,115,000	2
Compton union building	2006A&B	5–6%	2038	87,330,000	1,315,000	3
Athletics system	2007	4–5.5%	2032	21,950,000	645,000	4
Parking system	2005	3–4.4%	2024	7,650,000	465,000	5
Trust and building fee revenue bonds	2009	3–6.4%	2034	108,930,000	2,835,000	6
State of Washington general obligation bonds	1991B	5.4–5.7%	2015	720,000	130,000	
	HE-WSU	3.5–6.4%	2022	13,810,000	1,300,000	
	2001A	5–5.6%	2025	13,940,000	655,000	
	2001C	5–5.3%	2026	7,205,000	335,000	
	2002A	4–5%	2026	4,755,000	215,000	
				406,560,000	11,605,000	
Total bonds payable (principal only)						
Less: unamortized issuance costs				(4,143,683)	(222,814)	
Plus: unamortized premiums				5,763,472	499,698	
Less: unamortized costs of refunding				(3,453,600)	(253,805)	
Bonds payable, net				\$404,726,189	\$ 11,628,079	

The University has pledged specific revenues, net of specified operating expenses, to repay the principal and interest of revenue bonds.

The following is a schedule of the pledged revenues and related debt.

Pledged Revenue

Ref		Total future revenues pledged	Current year revenues net of expenses	Current year principal and interest
1	Housing and dining system	\$181,653,455	\$15,698,696	\$6,316,982
2	Student recreation center	57,755,600	3,498,581	2,747,775
3	Compton union building	166,466,891	6,031,820	5,947,057
4	Athletics system	33,310,397	2,921,023	1,588,044
5	Parking system	10,088,153	1,893,400	777,101
6	Trust and building fee bonds	\$169,466,434	\$31,547,042	\$7,059,427

Annual Debt Service Requirements

Future debt service requirements at June 30, 2011 are as follows.

Schedule of Debt Service

Fiscal year	Revenue bond obligations			State of Washington general obligation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 8,970,000	\$ 16,397,539	\$ 25,367,539	\$ 2,635,000	\$ 1,996,840	\$ 4,631,840
2013	9,330,000	16,037,730	25,367,730	2,675,000	1,874,820	4,549,820
2014	9,720,000	15,639,493	25,359,493	2,885,000	1,743,040	4,628,040
2015	10,155,000	15,199,595	25,354,595	2,995,000	1,601,725	4,596,725
2016	10,575,000	14,773,856	25,348,856	3,155,000	1,449,070	4,604,070
2017-2021	59,675,000	67,073,501	126,748,501	14,730,000	4,939,250	19,669,250
2022-2026	71,680,000	52,296,853	123,976,853	10,915,000	1,740,375	12,655,375
2027-2031	80,830,000	34,951,698	115,781,698	440,000	8,800	448,800
2032-2036	70,080,000	16,523,594	86,603,594			
2037-2041	35,115,000	3,717,071	38,832,071			
Sub total	366,130,000	252,610,930	618,740,930	40,430,000	15,353,920	55,783,920
Less other adjustments						
Bond discounts and issue costs	(4,143,683)		(4,143,683)			
Bond premiums	5,763,472		5,763,472			
Deferred costs of refundings	(3,859,766)		(3,859,766)		406,166	406,166
Total	\$363,890,023	\$252,610,930	\$616,500,953	\$40,836,166	\$15,353,920	\$56,190,086

14. Schedule of Long Term Debt

	Total amount issued	Balance outstanding 6/30/10	Additions	Reductions	Balance outstanding 6/30/11	Current portion
Revenue and refunding bonds payable	\$ 404,440,000	\$ 337,452,701	\$ 35,004,260	\$ (8,566,938)	\$ 363,890,023	\$ 8,964,245
State of Washington general obligation bonds	81,385,878	43,778,052	4,975,000	(7,916,886)	40,836,166	2,663,834
Capital leases		16,672,747	15,709,790	(2,264,055)	30,118,482	3,076,714
Net pension obligation		14,090,089	7,002,000	(1,058,513)	20,033,576	
Total	\$ 485,825,878	\$411,993,589	\$62,691,050	\$ (19,806,392)	\$454,878,247	\$14,704,793

15. Pension Plans

The University offers four contributory pension plans: the Washington State Public Employees Retirement System (PERS) plan, the Washington State Teachers Retirement System (TRS), the Law Enforcement Officers' and Firefighters' Retirement System (LEOFF), cost sharing multiple-employer defined benefit pension plans administered by the State of Washington Department of Retirement Services and the Washington State University Retirement Plan (WSURP), a defined contribution pension plan with a supplemental payment to beneficiaries when required.

The University employs approximately 5,808 full-time employees eligible for participation in one of the four retirement plans.

For the year ended June 30, 2011, the payroll for employees covered by PERS was \$92,912,231, the payroll for employees covered by TRS was \$204,167, the payroll for employees covered by LEOFF was \$1,297,086 and the payroll for employees covered by the WSURP was \$231,402,460.

PERS, TRS and LEOFF

Plan Descriptions. PERS Plan 1 provides retirement and disability benefits and minimum benefit increases to eligible nonacademic plan members hired prior to October 1, 1977. PERS Plans 2 and 3 provide retirement and disability benefits and a cost-of-living adjustment to eligible nonacademic plan members hired on or after October 1, 1977. Retirement benefits are vested after five years of eligible service. PERS Plan 3 has a defined contribution component that members may elect to self-direct as established by the Employee Retirement Benefits Board. PERS 3 defined benefit plan benefits are vested after an employee completes five year of eligible service.

TRS 1 provides retirement and disability benefits, a lump sum death benefit, and minimum benefits increases to certain eligible faculty hired prior to October 1, 1977. TRS 2 and 3 provide retirement benefits, an cost-of-living adjustment to certain eligible faculty hired on or after October 1, 1977. In addition, TRS 3 has a defined contribution component which is fully funded by employee contributions. Defined benefit plan benefits are vested after an employee completes five years of eligible service.

LEOFF 2 provides retirement benefits and a cost-of-living adjustment for eligible law enforcement officers. LEOFF System benefits are vested after an employee completes five years of eligible service.

The authority to establish and amend benefit provisions resides with the legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS, TRS and LEOFF. The report may be obtained by writing to the Department of Retirement Systems, PO Box 48380, Olympia, Washington 98504-8380 or online at <http://www.drs.wa.gov/administration>.

Funding Policy. Each biennium, the state Pension Funding Council adopts PERS and TRS Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute. Under LEOFF, employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund the plan. All employers are required to contribute at the level established by state law.

The required contribution rates expressed as a percentage of current year covered payroll are shown on the next page. The University and the employees made the required contributions.

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 who chose not to transfer to Federal Employees Retirement System (FERS). Retirement benefits are vested after an employee completes five years of eligible service.

As of June 30, 2011 the University had 15 employees enrolled in the plan.

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.

As of June 30, 2011 the University had 15 employees enrolled in the plan.

Contribution Rates and Required Contributions

The University's contribution rates and required contributions for the above retirement plans for the year ending June 30, 2011 are as follows.

	Contribution rates at June 30, 2011		Required contributions	
	Employee	University	Employee	Employer
PERS				
Plan 1	6.00%	5.31%	\$ 224,962	\$ 252,378
Plan 2	3.90%	5.31%	2,422,588	3,298,499
Plan 3	5–15%	5.31%	1,690,382	1,436,049
TRS				
Plan 1	6.00%	6.14%	12,250	36,143
LEOFF				
Plan 2	8.46%	8.62%	109,734	118,809
FED Plans				
CSRS	7.00%	7.00%	101,863	101,863
FERS	0.80%	11.7%	\$ 9,112	\$ 131,705

Washington State University Retirement Plan

Plan Description. Faculty, professional and other staff are eligible to participate in 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 which 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 49, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

The University's Board of Regents are authorized to amend benefit provisions under RCW 28B.10.400. In 2011, the plan was amended to eliminate the supplemental benefit provisions for all employees hired after June 30, 2011.

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, 2011 were each \$19,419,832. Supplemental payments made by the University for the year ended June 30, 2011 were \$1,058,513.

The WSURP supplemental pension benefits are unfunded and charged to operations in the years in which they are paid. The University makes no contributions other than benefit payments and there are no plan assets. An actuarial study of the supplemental pension benefits was performed as of July 1, 2011. The actuarial assumptions for the evaluation included an investment rate of return of 4.25% and projected salary increases of 2% per year for two years and 4% per year thereafter. Based on assumptions made regarding expected benefit payments, the actuary present a cash flow projection rather than an actuarial funding plan to liquidate any unfunded liabilities. The University uses this cash flow projection to budget annual amounts to provide funds for these benefits. The unfunded actuarial accrued liability calculated at July 1, 2011 was \$45,172,000 under the plan's entry age normal method and is amortized over a 14.5 year period. The Annual Required Contribution (ARC) is projected at \$7,002,000. The net pension obligation is the cumulative excess, if any, of the ARC over the actual benefit payments and is reported as a liability on the University's financial statements. The net pension obligation as of June 30, 2011 is \$20,033,576.

Other Post-Employment Benefits

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

State of Washington retirees may elect coverage through state health and life insurance plans, for which they pay less than the full cost of the benefits, based on their age and other demographic factors. The health care premiums for active employees, which are paid by the agency during the employees' working careers, subsidize the "underpayments" of retirees. An additional factor in the Other Post-Employment Benefits (OPEB) obligation is a payment that is required by the State Legislature to reduce the premiums for retirees covered by Medicare (an "explicit" subsidy). This explicit subsidy is also passed through to state agencies via active employee rates charged to the agency. There is no formal state or University plan that underlies the subsidy of retiree health and life insurance.

The state of Washington funds OPEB obligations at a state-wide level on a pay-as-you-go basis. Disclosure information, as required under GASB Statement No. 45, does not exist at department levels, and as a result, the Actuarial Accrued Liability (AAL) is not available for the University. The state of Washington's Comprehensive Annual Financial Report (CAFR) includes the state's measurement and recognition of OPEB expense/expenditures, liabilities, note disclosures, and required supplementary information specified by GASB Statement No. 45. The State Actuary's report is available at: http://osa.leg.wa.gov/Actuarial_Services/OPEB/OPEB.htm

The University paid \$59,878,245 for healthcare expenses in 2011, which included its pay-as-you-go portion of the OPEB liability.

16. 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 supplies. The table below summarizes operating expenses by program or function such as instruction, research, and academic support. The following table lists operating expenses by program for the year ending June 30, 2011.

Instruction	\$ 187,534,439
Research	195,356,865
Public service	36,591,516
Academic support	63,386,037
Student services	23,652,136
Institutional support	60,788,116
Operation and maintenance of plant	60,493,165
Auxiliary enterprises	101,871,160
Scholarships and other student financial aid	54,093,717
Depreciation	74,475,215
Total operating expenses	\$858,242,366

17. Commitments and Contingencies

There is a class action filed against the State of Washington on behalf of certain employees alleging improper denial of healthcare benefits. Although WSU has not been named as a defendant in the lawsuit, some of the class members are current or former employees of the University. Potentially, the state could assess the University with a material share of any amount paid in the event of a settlement or judgment. Due to the status of the lawsuit, the impact upon the University cannot be assessed with reasonable certainty at present.

Additionally, 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 statement.

The University has commitments of \$93,028,355 for various capital improvement projects that include construction and completion of new buildings and renovations of existing buildings.

18. Subsequent Events

In the next fiscal year, the University has authorized the issuance of General Revenue bonds in the amount of \$84,500,000. Proceeds of the bonds will be for the construction of premium seating, press boxes and related amenities at Martin Stadium. The bonds will be special fund obligations of and payable from General Revenues of the University.

Supplementary Information Enrollment and Degrees Conferred

	Academic year				
	2011	2010	2009	2008	2007
Fall enrollment (headcount)					
Undergraduate headcount	21,816	21,726	21,149	20,282	19,554
Graduate headcount	3,685	3,573	3,396	3,330	3,320
Professional headcount	807	802	807	784	781
Total headcount	26,308	26,101	25,352	24,396	23,655
Fall enrollment (full-time equivalent)					
Undergraduate	19,541	19,545	18,904	17,898	17,277
Graduate	5,423	5,215	5,193	5,086	4,728
Full-time equivalent	24,964	24,760	24,097	22,984	22,005
Freshman admission information					
Applications	12,427	12,478	11,983	10,853	9,314
Acceptances	8,634	9,489	8,677	8,240	7,177
Matriculants	3,288	3,668	3,714	3,477	2,861
Degrees conferred					
Baccalaureate	5,221	4,779	4,907	4,818	4,797
Master's	763	748	711	724	702
Doctoral	211	185	195	189	175
Professional	196	188	191	188	219

Source: Washington State University Institutional Research

Tuition and Fees, Undergraduate

Academic Year	Resident ¹	Non-Resident ¹	Room and Board ²
2011-12	\$9,886	\$21,164	\$9,662
2010-11	\$8,592	\$19,634	\$9,644
2009-10	\$7,600	\$18,676	\$8,886
2008-09	\$6,720	\$17,756	\$8,054
2007-08	\$6,290	\$16,604	\$7,316
2006-07	\$5,887	\$15,527	\$6,590

¹WSU Pullman has additional mandatory fees (health, student recreation, Compton Union Building, stadium, transit) not included in these institution-wide figures

²Standard room including double occupancy plus level 3 meal plan (level 2 until FY 2009 restructuring of rates)

Source: Washington State University Institutional Research





WSU Pullman



WSU Spokane

STATEWIDE PRESENCE

We would like to acknowledge the following staff responsible
for the content of this report:

Terry Ely • Tami Bidle • Mark Boreen • Karen Breese • Rick Combs
Tom Fitzgerald • Karen Kellerman • Teri Ockwell • Robert Wright



WSU Vancouver



WSU Tri-Cities