

April 7, 2010

ATTN: Document Control Desk
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

Reference: Washington State University
Docket No. 50-27, License No. R-76

Subject: Response to: WASHINGTON STATE UNIVERSITY – REQUEST FOR ADDITIONAL
INFORMATION REGARDING THE WASHINGTON STATE UNIVERSITY TRIGA
REACTOR LICENSE RENEWAL (TAC NO. ME1589)

Washington State University (WSU) has applied to renew operating License Number R-76 (Docket number 50-27). As part of the license renewal process, the U.S. Nuclear Regulatory Commission has submitted a Request for Additional Information (RAI) to Washington State University in a letter dated December 9, 2009. The RAI subject matter regarding financial qualifications consisted of four questions with affiliated subparts. This letter provides responses to Questions 1, 2, and 3 of the Request for Additional Information of December 09, 2009. It has been determined that the response to Question 4 must be approved by the WSU Board of Regents. The response to Question 4 will be provided as soon as it is available.

The texts of the questions 1, 2, and 3 are reproduced below, along with by the respective responses.

I declare under penalty of perjury that to the best of my knowledge the foregoing is true and correct.

Date Executed April 10, 2010

Respectfully Submitted,

Donald Wall

Donald Wall, Ph.D.
Director

Attachments

cc Region IV Office
Frank DiMeglio
Linh Tran
Jo Ann Simpson

A020
NRK

RAI 1

1. The U.S. Nuclear Regulatory Commission (NRC) staff will analyze the financial statements for the current year, which are required by 10 CFR 50.71(b), to determine if the applicant is financially qualified to operate the WSU TRIGA. Since WSU's financial statements are currently out of date, please provide a copy of the latest financial statements for the NRC staff's review.

Response to RAI 1.

The financial reports for Washington State University Fiscal Years 2008 and 2009, covering the period of July 1, 2007 through June 30, 2008, and the period of July 1, 2009 through June 30, 2009, respectively, are included with this document.

Electronic copies of the annual financial statements for fiscal years 2004 through 2009 may also be found at:

<http://www.wsu.edu/genacct/finstat.htm>

RAI 2

2. Pursuant to 10 CFR 50.33(f)(2), "[t]he applicant shall submit estimates for total annual operating costs for each of the first five years of operation of the facility." Since the information included in the application for the WSU TRIGA is now out of date, please provide the following additional information:
 - (a) The estimated operating costs for the WSU TRIGA for each of the fiscal years (FY) 2012 through FY2016 (the first five year period after the projected license renewal).
 - (b) WSU's source(s) of funding to cover the operating costs for the above fiscal years (e.g. state-funded budget, etc.).

Response to RAI 2 (a).

The annual operating costs for the WSU reactor facility can be divided into categories for the purpose of calculating current costs, and projecting future costs. The cost categories that are used include personnel, department expenses, and utilities, and are summarized in Table 2.a.1.

The currently authorized number of Full Time Equivalent (FTE) employees at the WSU facility is 3.5 FTE. These positions are Director (1 FTE), Reactor Supervisor (1 FTE), Reactor Technician (1 FTE), and Administrative Assistant (0.5 FTE). WSU is currently in the process of conducting a search to add an additional staff member, to be classified under the State of Washington civil service classification system as Research Technologist 3.

Estimated department expenses are based on prior year expenditures for items such as office and laboratory supplies, repair and component expenses, equipment purchases and wages for part-time student employees. The departmental expenses for FY 2009 totaled \$89,742. For purposes of estimating future expenses, the expense of \$89,742 was increased at a rate of 4% per year, for every year through 2016. Utilities expenses are estimated based upon communications with the university utility supplier in 2007.

Table 2.a.1 Estimated Operating Costs for the Years 2012 - 2016

Expense Category	WSU Fiscal Year				
	2012	2013	2014	2015	2016
Personnel (a)	\$318,547	\$331,288	\$344,540	\$358,322	\$372,654
Department Expenses	\$100,948	\$104,986	\$109,185	\$113,553	\$118,095
Utilities	\$23,795	\$24,747	\$25,737	\$26,766	\$27,836
Total	\$441,495	\$459,154	\$477,520	\$496,622	\$516,486

(a) Includes both salary and benefit expense. Personnel expense was determined by holding all personnel expenses constant for 2010 and 2011, then incrementing each subsequent year by 4%.

Operating Costs

The personnel expense for 2012 was determined by increasing the 2010 expense by 4%, and then incrementing the expense by an additional 4% for each subsequent year. Department expenses for 2012 were determined by incrementing the department expense for FY 2009 by 4 % for each year following 2009 through 2016. Utilities were likewise incremented up by 4% each year.

Department Expenses

There is some flexibility in accrual of department operating expenses; generally, as service work for others increases, expenses also increase. As a result, department operating expenses scale with outside sources of income. As of January 31, 2010 the WSU/NRC has generated \$111,954.80 income in work for others for FY 2010. Typical revenue derived from work for others over the last three fiscal years has been in the range of \$200,000 - \$250,000 per year. Revenue generated by work for others will be used to make up the difference between the state allocation and actual department expenses.

Response to RAI 2 (b).

Allocations

The state allocation for personnel and expenses that is budgeted for FY 2010 is about \$328,918, as of February 1, 2010. The budgeted number sometimes makes small mid-year corrections, which account for a small percentage (generally less than 2%) of the total allocation. Changes can also result from changeover of personnel. The utilities cost is not charged directly against department allocations or accounts, but is an expense that is managed through the university central budget office. The cost for positions that are charged to the account that is funded by the state (Director (1 FTE), Reactor Supervisor (1 FTE) and Administrative Assistant (0.5 FTE)) are completely funded by the state. It is anticipated that a newly hired Reactor Operator will also be a state-funded civil service position. Any additional positions that might be added (e.g. additional Reactor Operators or research personnel) would be funded entirely by grants or funds generated by commercial work for others.

Table 2.a.2 Estimated WSU Allocations For 2010 and 2012 - 2016

Expense Category	WSU Allocations per Fiscal Year (a)					
	2010 (c)	2012	2013	2014	2015	2016
Personnel (b)	\$309,306	\$321,678	\$334,545	\$347,927	\$361,844	\$376,318
Department Expenses	\$22,374	\$24,200	\$25,168	\$26,174	\$27,221	\$28,310
Utilities	\$22,000	\$23,795	\$24,747	\$25,737	\$26,766	\$27,836
Total	\$353,680	\$369,673	\$384,460	\$399,838	\$415,831	\$432,464

(a) Utilities are included to illustrate the cost of operating the facility, but the funds are not directly allocated to the department. The cost is paid through the university accounting system.

(b) Includes salaries and benefits

(c) Calculated as of January 31, 2010

Summary

The 3.5 FTE (Director, Reactor Supervisor, Reactor Operator, Administrative Assistant), some departmental operating expenses, and utilities are funded directly by the state. Additional sources of income, such as work for others and grants have supplemented the allocation provided by the state. Additional staff positions are funded through extramural support (contracts, grants, etc.) that must be obtained before hiring additional personnel. It should be borne in mind that the difference between direct state support and department expenses does not necessarily imply that there is a departmental operating deficit. The department routinely generates sufficient income from grants and contracts to cover all expenses in excess of those covered directly by the state.

RAI 3

3. The application references a decommissioning cost estimate developed by the Nuclear Division of Westinghouse Electric Corporation in 1989. The application states that "The 2000 inflation adjusted decommissioning costs are estimated to be \$4,994,615," and will be adjusted for inflation using the consumer price index. In order for the NRC staff to complete its review of the decommissioning cost estimate, please update the application by including the following additional information:

- (a) A current decommissioning cost estimate (2011 dollars) for the WSU TRIGA to meet the NRC's radiological release criteria for decommissioning the facility for unrestricted use to comply with 10 CFR 50.75(d)(2). Accordingly, describe the basis on how the cost estimate was developed (if the 1989 Nuclear Division of Westinghouse Electric Corporation estimate is still the basis for the cost estimate, please so state), show costs specifically broken down into categories of labor, waste disposal, other items (such as energy, equipment, and supplies), and include a contingency factor of at least 25 percent.
- (b) A statement of the decommissioning method to be used (e.g. DECON, SAFSTOR, or other method).
- (c) A description of the means of adjusting the cost estimate and associated funding level periodically over the life of the facility, to comply with 10 CFR 50.75(d)(2)(ii). Since the application states that the cost "will be adjusted for inflation by the

consumer price index," confirm whether that is still the means of adjusting the WSU TRIGA's cost estimate and associated funding level over the life of the facility. If the consumer price index (CPI) is still the means of adjusting the cost estimate, provide a full identification of the specific U.S. Bureau of Labor Statistics CPI to be used (e.g., Producer Price Index, etc.). Also please provide a detailed numerical example updating the 2011 decommissioning cost estimate.

Response to RAI 3

Part (a)

The decommissioning cost estimate was provided by the Nuclear and Advanced Technology Division of the Westinghouse Electric Corp. The cover letter provided by the Manager of Installation and Construction Services is dated February 15, 1988, although this appears to be an error, as the document control number is 9022M;1E-021489, indicating that the report was prepared on February 14, 1989. Additional correspondence in our files supports the February 14, 1989 date.

The cost categories are described in Table 4 of the 1989 Westinghouse cost estimate. A complete copy of the cost estimate, which describes work scope, and the bases for determining costs of various work components, is included with this document. The cost components are summarized in Table 3.a.1.

Table 3.a.1. Cost Components of the 1989 Decommissioning Cost Estimate

Cost Category	Estimated Cost (\$) in 1989
Disposal of radioactive wastes	\$565,000
Labor	\$2,314,000
Tools, Equipment and Supplies (10% of labor)	\$231,000
Misc. Overhead (Energy, Fees, Insurance, Travel & Living, etc.) 10% of labor	\$231,000
Subtotal	\$3,341,000
Contingency (15%)	\$501,000
Total Costs	\$3,842,000

Adjusting the subtotal of \$3,341,000 for inflation to 2009 (the latest calendar year for which Consumer Price Index inflation values are available) gives an estimated decommissioning cost, without contingency, of \$5,394,970. Adding a 25% contingency, \$1,348,743 gives a total of \$6,743,713 for calendar year 2009. The average CPI inflation rate for the years 1991 through 2008 is 2.6%. The data source is the U. S. Department of Labor Bureau of Labor Statistics Consumer Price Index – All Urban Consumers, which may be found at :

<ftp://ftp.bls.gov/pub/special.requests/cpi/cpiiai.txt>

Using the average inflation value to adjust the decommissioning cost to 2011 gives a decommissioning cost of \$7,093,119. The estimated costs for 2009, 2010, and 2011 are given in the following table.

Table 3.a.2 Estimated Cost for Decommissioning for 2009, 2010, 2011
Based upon the 1989 Decommissioning Cost Estimate

Calendar year	CPI Inflation Rate (a)	Decommissioning Cost	25% Contingency	Total
2009	2.7 %	\$5,394,970	\$1,348,743	\$6,743,713
2010	2.6 %	\$5,532,968	\$1,383,242	\$6,916,210
2011	2.6 %	\$5,674,495	\$1,418,624	\$7,093,119

Please refer to the response for RAI 3, Part (c) for a complete numerical example updating the cost to 2011 dollars by the method described in NUREG-1307.

The cost estimate that was provided by the Nuclear and Advanced Technology Division of the Westinghouse Electric Corp. has been adjusted for each year, starting in 1991, by multiplying the total cost provided in the cost estimate (including a 15% contingency fee) by the average December to December inflation adjustment that is annually reported by the Bureau of Labor Statistics (BLS). Continual adjustments have been made every year from 1991 through 2009 (the latest year for which BLS inflation values are available). The annual adjusted Estimated Cost for Decommissioning which has been tabulated and updated each year is included as an attachment to this document.

Reevaluation of Waste Disposal Cost Estimate

Upon further examination of current waste disposal costs, and comparing the annually updated WSU cost estimate on the basis of annual CPI incremental increases, it was decided to reevaluate the decommissioning cost estimate to determine whether a more comprehensive determination is warranted. As a result, WSU has recalculated the cost estimate, using some of the methodology described in NUREG-1307, to the extent that it is applicable in the present cost estimating process, to estimate a reasonable bracket for decommissioning costs.

The current cost estimate for decommissioning is partly estimated according to the method provided in NUREG-1307, and corrected to 2011 dollars. This is done by using the formula to determine estimated cost in Year X as a function of estimated cost in 1986 dollars:

$$\text{Estimated Cost (Year X)} = [1986 \$ \text{ Cost}] \times [A L_x + B E_x + C B_x]$$

Where A, B, and C are the fractions of the total 1986 dollar costs that are attributable to labor (0.65), energy (0.13) and burial (0.22) respectively, and sum to 1. The factors L_x , E_x , and B_x represent labor cost, energy cost, and burial/disposition cost adjustments from January 1986 to January of Year X (as indicated in Table 2.1 of NUREG-1307).

The cost estimate that was developed for WSU for in 1989 was divided into five components:

1. disposal of radioactive wastes
2. labor
3. tools, equipment, and supplies
4. miscellaneous overhead (energy, fees, insurance, travel)
5. contingency

Item 3, tools, equipment and supplies was provided as a scheduled rate of 10% of labor cost; Item 4 miscellaneous overhead (energy, fees, insurance, travel) is also assigned a

value of 10% of labor cost. For the purposes of the present estimate, labor, tools, equipment, and supplies will be lumped into a single category of labor, L_x , and Item 4, Miscellaneous Overhead will be treated as energy, E_x , cost.

NUREG-1307 makes cost adjustments on the basis of January 1986 dollars, therefore the 1989 estimate is corrected to 1986 dollars, using inflation adjustors from the consumer price index for 1987, 1988, and 1989 (source: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpiat.txt>). The adjustments for waste disposal are illustrated in Table 3.a.3

Table 3.a.3 Adjustment of Waste Disposal Cost from 1989 to 1986 Dollars

year	Inflationary adjustment (a)	Estimated waste disposal cost
1986		\$495,582
1987	4.40%	\$517,388
1988	4.40%	\$540,153
1989	4.60%	\$565,000

(a) inflation rate taken from Bureau of Labor Statistics Consumer Price Index

Correcting waste disposal cost from 1986 to 2004 can be carried out by using waste disposal cost factors presented in Table 2.1 of NUREG-1307 for PWR and BWR reactors with Direct Disposal by Vendors. The multiplier values for PWR and BWR disposal are 3.846 and 11.755, respectively. NUREG-1307 does not provide multiplier values for Research and Test Reactors (RTR), however the BWR waste disposal cost multiplication factor is considerably higher than for PWR, presumably due to the larger waste volumes associated with BWR vs. PWR. As a result, it seems more reasonable to use the PWR multipliers than BWR because the waste volume from an RTR would be smaller than for either a PWR or BWR. The cost range in 2004 dollars for Direct Disposal with Vendors is given by the expression (using the PWR multiplier):

$$3.846 \times \$495,582 = \$1,906,008$$

Simply adjusting the 2004 disposal cost estimate to 2011 dollars (e.g. using the CPI) yields a waste disposal cost that is unrealistically low. Disposal costs have increased from 2004 to the present (2010). The 2010 cost schedule provided by U.S. Ecology Washington, Inc. for the Richland, Washington facility is included with this document as an attachment. The cost structure for waste disposal rates by U.S. Ecology is composed of four factors: (1) Volume, (2) Shipment, (3) Container, and (4) Exposure.

Table 3.a.4 Change In Waste Disposal Costs from 2004 to 2010

	Volume (a)	Shipment (b)	Container (c)
Calendar year 2004	\$56.6	\$9,820	\$4,930
Calendar year 2010	\$130.6	\$13,820	\$9,210
Change	+131%	+41%	+87%

- (a) The Volume charge is in dollars per cubic foot.
- (b) The Shipment charge is in dollars per manifested shipment.
- (c) The Container charge is in dollars per container on each manifest.

The volume of waste to be disposed is not known at this time; therefore, using volume, shipment, and container rates to make a precise calculation is not justified. Using the

increase in the per-Container disposal rate increase (87%) as a median for the purposes of correcting disposal costs from 2004 to 2010, (which should capture a substantial fraction of the uncertainty in the number of shipments and the shipment volume due to the offsetting percent increases in these two cost contributors) a range for estimated disposal costs is given by:

$$\$1,906,008 \times 0.87 + \$1,906,008 = \$3,564,235$$

Due to the large change in waste disposal costs, the remainder of the cost estimating process will be conducted by applying Consumer Price Index and Labor Price Index incremental increases to the 1989 cost estimate, rather than forcing a solution to the cost estimate by stipulating that burial costs account for 22% of total decommissioning costs, as provided in NUREG-1307. Using the 22% guideline to calculate the remainder of the cost contributors would lead to an estimated decommissioning cost of \$16.2 million.

NUREG-1307 stipulates 1.984 as a regional cost adjustment factor for the Western U.S. for labor from a 1986 reference date to 2004. Using a total labor cost of \$2,545,000 (including tools, equipment, and supplies), the correction, using the U.S. Social Security Administration Average Wage Index for 1989 to 1986 (<http://www.ssa.gov/OACT/COLA/awidevelop.html>) is illustrated in Table 3.a.5

Table 3.a.5 Inflationary Adjustment for Labor Cost From 1989 to 1986

Year	Inflationary adjustment (a)	Estimated waste disposal cost
1986		\$2,193,117
1987	6.38%	\$2,333,038
1988	4.93%	\$2,448,057
1989	3.96%	\$2,545,000

Adjusting the 1986 labor cost of \$2,193,117 to 2004 is given by

$$\$2,193,117 \times 1.984 = \$4,351,144$$

Adjusting the 2004 labor cost to 2011 is provided in Table 3.a.6

Table 3.a.6 Labor Cost Adjustment for the Period 2004 to 2011

Year	Inflationary adjustment (a)	Estimated labor cost
2004	4.649	\$4,351,144
2005	3.659	\$4,553,429
2006	4.596	\$4,720,039
2007	4.538	\$4,936,972
2008	2.300	\$5,161,012
2009 (b)	3.95	\$5,279,715
2010 (b)	3.95	\$5,488,179
2011 (b)	3.95	\$5,704,874

- (a) The average wage index (AWI) taken from U.S. Social Security Administration for 2004 – 2008, which may be found at: <http://www.ssa.gov/OACT/COLA/central.html>
(b) The AWI for 2009 – 2011 is the average of the years 2004 - 2008

The energy cost that was provided in the 1989 cost estimate was \$231,000. Correcting the 1989 energy cost to 1986, followed by correction to 2004, then to 2011 is done in a manner

similarly to the correction for labor cost. Table 3.a.7 provides the energy cost correction for the year 1989 to 1986.

Table 3.a.7 Inflationary Adjustment from 1989 to 1986 Dollars

year	Inflationary adjustment (a)	Estimated waste disposal cost
1986		\$202,619
1987	4.40%	\$211,534
1988	4.40%	\$220,842
1989	4.60%	\$231,000

Correcting the 1986 energy cost to 2004, using the adjustment factor for a PWR, of 1.483 gives the energy cost for 2004: $\$202,619 \times 1.496 = \$300,484$. Correcting the 2004 energy cost to 2011 dollars is illustrated in Table 3.a.8

Table 3.a.8 Inflationary Adjustment from 2004 to 2011 Dollars

year	Inflationary adjustment (a)	Estimated labor cost
2004	3.3	\$300,484
2005	3.4	\$310,400
2006	2.5	\$320,953
2007	4.1	\$328,977
2008	0.1	\$342,465
2009 (b)	2.7	\$342,807
2010 (b)	2.6	\$352,064
2011 (b)	2.6	\$361,217

The individual cost components are summarized in Tables 3.a.9 and 3.a.10. Table 3.a.9 uses the correction factors for a PWR reactor to estimate waste disposal cost. Table 3.a.10 uses the correction factor for a BWR for waste disposal cost, but incorporates a \$5,500,000 cap for disposal cost. Communication with U.S. Ecology Washington, Inc. of the Richland, Washington facility indicated that waste disposal cost would be capped at \$5,500,000.

Table 3.a.9 Cost Estimate Using PWR Waste Disposal Cost Correction Factor

Cost Category	Estimated Cost (\$) in 2011
Disposal of radioactive wastes	\$3,564,235
Labor	\$5,704,874
Energy	\$361,217
Subtotal	\$9,732,284
Contingency (25%)	\$2,407,582
Total Costs	\$12,037,908

**Table 3.a.10 Cost Estimate Using BWR Waste Disposal Cost Correction Factor
with \$5,500,000 Waste Disposal Cost Cap**

Cost Category	Estimated Cost (\$) in 2011
Disposal of radioactive wastes	\$5,500,000
Labor	\$5,704,874
Tools, Equipment and Supplies (10% of labor)	\$361,217
Subtotal	\$11,668,049
Contingency (25%)	\$2,891,523
Total Costs	\$14,457,614

The possible range for decommissioning costs given by these calculations is then approximately \$12,000,000 - \$14,500,000, for work commencing in 2011.

Response to RAI 3

Part (b)

The cost estimate that was provided by the Nuclear and Advanced Technology Division of the Westinghouse Electric Corp. was based on the DECON alternative for decommissioning.

Part (c)

Over time, the largest perturbation on the cost estimate has been an increase in the waste disposal costs. The annual periodic increase in the cost estimate when using the CPI has yielded cost estimate values for labor, energy, and materials that are reasonably similar to the method employed following NUREG-1307. Beginning in 2011, the values in Table 3.a.9 will be used for baseline planning for decommissioning cost estimate, with the values for labor and energy (with materials included in labor) indexed annually by the BLI published CPI or Social Security Administration AWI values. Waste disposal costs will be determined according to the standard published rates for waste disposal.

ESTIMATED COST OF DECOMMISSIONING

The estimated cost of decommissioning reported to the NRC for 1990 was \$3,842,000. The following table shows the estimated cost for 1991 and beyond.

<u>Year</u>	<u>Inflation Rate</u>	<u>Inflation Adjusted Decommissioning Cost</u>
1991	3.1%	\$3,961,102
1992	2.9%	\$4,075,973
1993	2.7%	\$4,186,025
1994	2.7%	\$4,299,047
1995	2.5%	\$4,406,524
1996	3.3%	\$4,551,939
1997	1.7%	\$4,629,322
1998	1.6%	\$4,703,391
1999	2.7%	\$4,830,382
2000	3.4%	\$4,994,615
2001	1.6%	\$5,074,528
2002	2.4%	\$5,196,317
2003	1.9%	\$5,295,047
2004	3.3%	\$5,469,784
2005	3.4%	\$5,655,756
2006	2.5%	\$5,797,150
2007	4.1%	\$6,034,833
2008	0.1%	\$6,040,868
2009	2.7%	\$6,203,972

From the Consumer Price Index, average of all items.

www.bls.gov/cpi/#data

Select "Tables" from the list beside "Average Price Data"

Select "Table Containing History of CPI-U U.S. All Items Indexes and Annual Percent
Changes From 1913 to Present"

US ECOLOGY WASHINGTON, INC.
RICHLAND, WASHINGTON FACILITY
RADIOACTIVE WASTE DISPOSAL

SCHEDULE OF CHARGES
EFFECTIVE JANUARY 1, 2010
SCHEDULE A, ELEVENTH REVISION

Note: Rates in this Schedule A are subject to adjustment in accordance with the rate adjustment mechanism adopted in the Washington Utilities and Transportation Commission's Sixth Supplemental Order in Docket No. UR-950619 as extended by Commission Order in Docket Nos. UR-010623 and UR-010706 and TL-070848.

A. SITE AVAILABILITY CHARGE

1. Rates

<u>Block</u>	<u>Block Criteria</u>	<u>Annual Charge per Generator</u>
0	No site use at all.....	\$234
1	Greater than zero but less than or equal to 10 ft ³ and 50 mR/h.....	448
2	Greater than 10 ft ³ or 50 mR/h* but less than or equal to 20 ft ³ and 100 mR/h*.....	860
3	Greater than 20 ft ³ or 100 mR/h* but less than or equal to 40 ft ³ and 200 mR/h*.....	1,652
4	Greater than 40 ft ³ or 200 mR/h* but less than or equal to 80 ft ³ and 400 mR/h*.....	3,171
5	Greater than 80 ft ³ or 400 mR/h* but less than or equal to 160 ft ³ and 800 mR/h*.....	6,089
6	Greater than 160 ft ³ or 800 mR/h* but less than or equal to 320 ft ³ and 1,600 mR/h*.....	11,681
7	Greater than 320 ft ³ or 1,600 mR/h* but less than or equal to 640 ft ³ and 3,200 mR/h*.....	22,428
8	Greater than 640 ft ³ or 3,200 mR/h* but less than or equal to 1,280 ft ³ and 6,400 mR/h*.....	43,058
9	Greater than 1,280 ft ³ or 6,400 mR/h* but less than or equal to 2,560 ft ³ and 12,800 mR/h*.....	82,671
10	Greater than 2,560 ft ³ or 12,800 mR/h* but less than or equal to 5,120 ft ³ and 25,600 mR/h*.....	128,350
11	Greater than 5,120 ft ³ or 25,600 mR/h*.....	128,350

* For purposes of determining the site availability charge, mR/hour is calculated by summing the mR per hour at container surface of all containers received during the year.

2. Exemptions

a. As to waste which is generated by educational research institutions for research, medical or educational purposes, such institutions shall be placed in a rate block for the site availability charge which is one (1) lower than what would otherwise apply through application of the block criteria shown above. "Educational research institution" means a state or independent, not-for-profit, post-secondary educational institution.

b. As to waste which arises as residual or secondary waste from brokers' provision of compaction or processing services for others, if application of the block criteria shown above would place a broker in a rate block for the site availability charge which is greater than Block No. 7, such broker shall be placed in the rate block which is the greater of (i) Block No. 7, or (ii) the block which is two (2) lower than what would otherwise apply through application of the block criteria shown above. "Brokers" are those customers holding the "broker" classification of site use permits issued by the Department of Ecology.

3. Payment Arrangements

a. Initial Determination

Initial determination as to the applicable rate block for each customer shall be based on projections provided by customers prior to the beginning of each calendar year. For those customers who do not intend to ship waste to the facility during the calendar year (those assigned to block No. 0) and for those customers who are initially determined to fall into block Nos. 1-2, the entire site availability charge for the year will be due and payable as of January 1. For those customers who are initially determined to fall into block Nos. 3-8, the entire site availability charge will also be due and payable as of January 1, although those customers may make special arrangements with the Company to pay the charge in equal installments at the beginning of each calendar quarter. For those generators who are initially determined to fall in block Nos. 9-11, 1/12 of the site availability charge will be due and payable as of the beginning of each calendar month. These customers may pay in advance if they wish.

b. Reconciliation

The site availability charge is assessed on the basis of actual volume and dose rate of waste delivered during the calendar year. Assessment of additional amounts, or refunds of overpaid amounts, will be made as appropriate to reconcile the initial determination regarding applicable rate block with the actual volume and dose rates during the calendar year.

(OVER)

Washington State University

Nuclear Radiation Center, Pullman, Washington 99164-1300 / 509-335-8641

March 7, 1989

William C. Leslie
Nuclear and Advanced Technology Division
Westinghouse Electric Corp.
P. O. Box 355
Pittsburgh, PA 15230-0355

Dear Mr. Leslie:

Thank you very much for the copy of the decommissioning cost estimate for the Washington State University reactor facility. I have no questions about your proposal at this time. I will keep you informed as to the intentions of the University concerning decommissioning.

Sincerely,



W.E. Wilson
Associate Director

WEW:crc



**Westinghouse
Electric Corporation**

Energy Systems

Nuclear and Advanced
Technology Division

Box 355
Pittsburgh Pennsylvania 15230-0355

February 15, 1988
MKTG-89-777

Dr. William E. Wilson
Associate Director, Nuclear Engineering
Washington State University
Nuclear Radiation Center
Pullman, Washington 99164-1300

Dear Dr. Wilson:

Enclosed is the budgetary estimate for the decommissioning of the Washington State University reactor facility. This estimate is resultant of the discussions held over the past several months, and I sincerely hope it meets your requirements and expectations. Should you have any comments or concerns with this estimate, please bring them to my attention for resolution. If there is a need for any further assistance, I would be pleased to provide it.

Very truly yours,

William C. Leslie, Manager
Installation & Construction Services
Nuclear & Advanced Technology Division

/enclosure

cc: K. M. Baughman



Westinghouse
Electric Corporation

Power Systems

Nuclear Technology
Systems Division

Box 355
Pittsburgh Pennsylvania 15230-0355

August 2, 1988
PSD-IC-88-47

Dr. William E. Wilson
Associate Director, Nuclear Engineering
Washington State University
Nuclear Radiation Center
Pullman, Washington 99164-1300

Dear Dr. Wilson:

Enclosed is the original copy of the Washington State University SAR I received from you on June 28, 1988. The information derived from this document will be very instrumental in producing the cost study you requested.

For your information, a new regulation has been issued by the NRC (effective July 28, 1988) prohibiting test, training, and research reactors from electing to go to a SAFSTOR mode. In view of this regulation, our cost study will reflect decommissioning the WSU reactor with the site meeting Reg. Guide 1.86 as an end product. It is anticipated that this cost study will be done in the fourth quarter of 1988.

In the interim, please feel free to contact me should you have any questions, comments, or further information that may be applicable to the WSU reactor.

Very truly yours,

William C. Leslie, Manager
Installation & Construction Services
Power Systems Division

/enclosure

cc: K. M. Baughman

Activities and Manpower Requirements for DECON at a Research Reactor

DECON is the decommissioning alternative that leads to the earliest termination of the owner's nuclear license. This alternative involves the immediate removal of all radioactive materials down to levels which are considered acceptable to permit the property to be released for unrestricted use. Planning and preparation activities, DECON activities, and the schedule and manpower requirements for DECON are presented below.

Planning and Preparation Activities

Effective planning and preparation work before final reactor shutdown is vital to successful completion of DECON activities at the research reactor facility. Planning and preparation for DECON is accomplished during the 12 months prior to final reactor shutdown.

Planning and preparation activities include the following:

- o satisfying regulatory requirements
- o gathering and analyzing data
- o developing detailed work plans and procedures
- o designing, procuring, and testing special equipment
- o selecting and training staff
- o selecting specialty contractors
- o installing additional HEPA filters and temporary equipment

These activities are discussed in the following paragraphs.

Satisfying Regulatory Requirements

The major requirements are: 1) providing the necessary documentation for amending the facility operating license to "possession-only" status, and 2) obtaining an NRC dismantling order.

In requesting an amended license, the licensee must provide:

- o a description of the current facility status

- o an inventory of the onsite radioactive materials
- o a description of the proposed decommissioning activities
- o a description of the proposed measures to prevent criticality and to minimize radioactive releases
- o any proposed changes to the technical specifications (e.g., deletion of specifications relating solely to plant operation)
- o safety analyses of both the proposed activities and the proposed specification changes.

An NRC dismantling order is required for DECON. The request for such an order must include a decommissioning plan providing:

- o a description of the ultimate facility status
- o a description of the decommissioning activities (including radioactive material disposal and site decontamination) and the associated environmental and safety precautions
- o a safety analysis of the plan and any resultant releases
- o a safety analysis of the plant in its ultimate status.

In addition to the aforementioned documentation, the licensee must submit a radioactive waste handling plan, a quality assurance plan, an environmental report, and security and safeguards plans. Updated information concerning the financial qualification of the licensee may also be required.

Gathering and Analyzing Data. A large body of data is gathered and analyzed during the planning and preparation phase of decommissioning. This data helps satisfy the regulatory requirements discussed in the previous paragraphs, particularly the inventory of radioactive materials and the various safety analyses. In addition, they provide the bases for planning the decommissioning tasks and for selecting the appropriate methods and equipment.

Included in this activity is a comprehensive survey of radiation dose rates and contamination levels in the facility. This survey, taken after final reactor shutdown, provides information for determining decontamination and temporary shielding requirements. It also provides initial data on radiation dose rates likely to be encountered during the various decommissioning tasks.

Developing Detailed Work Plans and Procedures. Detailed work plans and procedures are developed based on the information gathered during data gathering and resultant analyses and provided to the NRC with the license amendment and dismantling order requests. These detailed plans and procedures contain all the information required to actually carry out the decommissioning tasks.

They address the following items:

- o decommissioning methods
- o schedules and sequences of events radioactive waste management
- o contamination control
- o radiological and industrial safety
- o equipment requirements.

Quality assurance, security, and environmental constraints are also considered. The plans and procedures cover all aspects of the decommissioning project.

Designing, Procuring, and Testing Special Equipment. Any special equipment required to complete the decommissioning project is identified during planning and preparation. Designs and specifications are prepared for each item required. When the item is procured, it is inspected to verify that it meets specifications and complies with applicable QA and safety requirements. It is then tested to ensure that it performs as required. The testing also serves to train personnel in the use of the equipment and to provide pertinent data on its operation.

Selecting and Training Staff. At the start of planning and preparation, a decommissioning organization is created for the facility. Staff requirements are identified, and critical positions are filled with key engineering and

operating personnel. The personnel are trained as required to fulfill their roles in the organization; special emphasis is given to the use of new and unique equipment and procedures. Organization of the decommissioning staff is discussed in detail later in this section.

Selecting Specialty Contractors. During planning and preparation, the decommissioning planning staff identifies and selects the specialty contractors required to decommission the facility. These contractors perform unique services outside of the expertise or capability of the staff. After the needs are identified, contractors are invited to bid on the required work packages. Contractual agreements are concluded prior to the start of the actual decommissioning, if possible, to ensure the uninterrupted completion of the project. Specialty contractor requirements are also discussed later in this section.

Installing Additional HEPA Filters. Prior to the start of the actual decommissioning tasks, HEPA filters are installed outboard of the blower in the HVAC exhaust system of the Reactor Building. These filters are installed to lessen the atmospheric release of airborne radioactivity generated during DECON, because many of the tasks are expected to generate airborne contamination that exceeds that produced during normal plant operation. Additional temporary equipment may be installed at this time to preclude the spread of contamination.

DECON Activities

The activities and requirements of DECON for the research reactor are discussed in this section, including decontamination, disassembly and disposal, quality assurance, environmental surveillance, specialty contractors, and essential systems and services.

Decontamination. Decontamination is necessary to remove the radioactive contamination from selected systems and components. The objectives of the decontamination effort are twofold: first, to reduce the radiation levels throughout the facility in order to minimize personnel exposure during disassembly; and second, to attempt to clean as much material as possible to

unrestricted levels, thereby permitting salvage of valuable material and reducing the quantities of material that must be packaged and shipped to a disposal site.

Disassembly and Disposal. Disassembly of the research reactor is started after the reactor is defueled, systems and components are decontaminated, and temporary shielding is installed where a comprehensive radiation survey indicates the need.

The exact component removal sequence within a given system or locality is dictated by the component's accessibility and the anticipated personnel exposures during removal. When possible, items that contribute significantly to the general level of exposure in the work area are either removed first or are temporarily shielded while the work goes on. Systems are unbolted at flanges when possible and cut into manageable sections, using an appropriate cutting device (plasma-arc torch, oxyacetylene torch, or power hacksaw). Piping is cut into lengths compatible with standard shipping boxes. Similarly, tanks and pool liners are cut into plate segments appropriately sized.

Packaging of radioactive materials for disposal is accomplished in accordance with DOT and NRC regulations. Containers are lined with shielding material when necessary to reduce surface dose rates to acceptable levels. Some items, such as a heat exchanger, may have openings welded shut and be shipped using the outer shell of the exchanger as the container.

Shipping of packaged contaminated materials from the facility to a waste burial site is accomplished using a trucking company that specializes in transporting special materials. The volume of materials to be transported and the number of shipments required are estimated in table 2 and was taken from the "Final Report Decommissioning of the Ames Laboratory Research Reactor, January 1982."

The reactor is postulated to be removed with as little as possible remote cutting. Remote cutting will be used to disconnect certain components and to cut components into manageable and shipable sizes.

Small contaminated equipment is removed and packed in standard shipping boxes. Large contaminated equipment having no external smearable contamination is sealed by welding steel plates over all openings. Such equipment is then shipped to a burial ground, using the outer shell as the packaging. Contaminated equipment that is too large to be shipped as a unit is cut up either into segments that will fit into standard shipping boxes or into segments that can be sealed with welded steel plates.

Contaminated concrete is removed using a concrete spallers, jack hammers and concrete cutting equipment. All contaminated or neutron-activated concrete is removed. Core boring and sampling is performed to determine the extent of concrete removal. The rubble is packaged in standard shipping boxes for disposal.

Quality Assurance. An extensive quality assurance program is carried on throughout the decommissioning effort to assure that all applicable regulations are met, to assure that the work is performed according to plan, to assure that the work does not endanger public safety, and to assure the safety of the decommissioning staff.

During the 12-month period prior to shutdown, QA personnel are active in the following areas:

- o reviewing decommissioning plans for quality assurance involvement
- o preparing inspection/test procedures as work plans are developed
- o reviewing designs of test equipment for quality input
- o ordering any inspection/test equipment required to perform the quality assurance/quality control function
- o receiving procured equipment and verifying acceptance
- o qualifying suppliers for fabrication of radioactive shipping containers

- o preparing inspection/test procedures to be imposed on contractors
- o preparing inspection plans for shipment of radioactive materials, containers, trucks, etc.
- o finalizing the formal quality assurance plan.

The QA efforts during the actual DECON period include the following:

- o performing QA functions for procurements
- o qualifying suppliers
- o auditing all project activities
- o monitoring worker performance for compliance with work procedures
- o verifying compliance of radioactive shipments with appropriate procedures and regulations
- o performing dimensional, visual, nondestructive examinations or other required inspection services to assure compliance with work plans
- o maintaining auditable files on the QA audits
- o preparing a final report on overall performance of the DECON program with regard to the QA function

Environmental Surveillance. An abbreviated version of the environmental monitoring program carried on during plant operation is continued during the DECON period. The purpose of the program is to identify and quantify any releases of radioactivity to the surrounding areas resulting from the DECON activities. For emergency situations involving releases from events such as fires or malicious acts that may necessitate prompt emergency action to minimize the risk to the public, additional short-term surveillance efforts are required.

After DECON is complete, a reduced 1-year follow-up program of environmental monitoring is carried out by the same organization that performed the earlier program.

Specialty Contractors. The only specialty contractor requirement during DECON of the research reactor is limited in scope to a hauling contractor, for transport of packaged radioactive materials to a disposal site. An estimated amount of waste shipments and disposal costs are shown in table 2 and was taken from the "Final Report Decommissioning of the Ames Laboratory Research Reactor, January 1982". If following DECON the facility is demolished, landscaping contractors are also required.

Essential Systems and Services. All or parts of certain facility systems and services must remain in place and in service until all radioactive material is either removed from the facility or secured on the site, to prevent the release of significant quantities of radionuclides (or other hazardous materials) to the environment. Some systems and services are required for cleanup and disassembly activities. Others provide personnel health and safety protection. The required systems and services are listed in Table 1 together with the justification for retaining each.

As dismantlement and decontamination are completed in areas within the facility, the essential systems and services in these areas are deactivated and, if contaminated, removed as required. Continuous service to the remaining work areas is maintained as long as necessary.

DECON Schedule

The schedule and sequence of DECON tasks is shown in Figure 1. Initial planning for DECON of the research reactor facility begins about 12 months before final shutdown of the reactor.

After final shutdown, the reactor is defueled, and the spent fuel is shipped to an offsite repository. A logical pattern for cleanup, decontamination, dismantlement, packaging, and shipment is followed with the tasks associated with the research reactor. DECON at the research reactor is completed in approximately 8 months.

DECON Staff Requirements and DECON Costs

In this section, the DECON costs, the organization of the decommissioning staff and the types and numbers of decommissioning workers needed for DECON are discussed.

Cost of DECON

The estimated cost of DECON for the research reactor, including a 15% contingency is summarized in Table 4.

Organization of the Decommissioning Staff. The decommissioning staff for the research reactor is organized as shown in Figure 2 with a manloading shown in Table 3. Ultimate responsibility for decommissioning activities rests with the university administration (the licensee). It is postulated that, for decommissioning of the reference research reactor, two staff committees oversee the operations and safety tasks. The operations branch, under a decommissioning superintendent, plans and performs the decommissioning activities while overseeing financial, security, and safety functions. The safety branch, under a health physicist, plans and conducts radiological and industrial safety programs. As shown in Figure 2, the quality assurance supervisor interacts with both the operations and safety personnel while reporting to the staff committees, but he is directly responsible to the university administration.

DECON tasks, with few exceptions, are performed on a single 8-hour shift, five days per week. Each task presented in Figure 2 is postulated based on a crew size that provides a reasonably constant manpower loading for the bulk of the decommissioning project.

The crew on the basic working unit includes a crew leader, a utility operator, laborers, and the necessary craftsmen and health physics technicians. To the extent possible, decommissioning staff positions are filled with facility operations and maintenance personnel already familiar with the research reactor. In this way, effective and efficient task performance is obtained.

Use is made of student labor where knowledgeable personnel are available. The specific crew makeup for a given decommissioning task is tailored to fit the need.

The personnel interactions, activities, and responsibilities of key staff members are described below.

Reactor Administration and Operations Committee

This committee advises university administration on matters under its jurisdiction. Its main function is to provide overall planning and direction to the decommissioning superintendent and financial branch while interacting with the other facets of the organization.

Decommissioning Superintendent

This person plans and oversees all day-to-day decommissioning activities. Responsibilities include directing crew leaders, security supervisors, and the health physics branch.

Decommissioning Crew Leader

This individual directs a work crew in the performance of the actual decommissioning tasks.

Craft Supervisor

This person is responsible for maintenance of essential plant equipment and services as well as for assigning craft labor to particular decommissioning tasks. He instructs craftsmen in their assigned tasks and ensures the availability of tools and supplies.

Security Supervisor

This person is responsible for site security during decommissioning. This includes supervising the security personnel and, if necessary, providing liaison with offsite civil authorities. The security shift supervisor directs shift activities.

Contracts and Accounting Specialist

An experienced accountant, this individual is responsible for the financial aspects of the project. He prepares procurement documents and contracts and, with approval from the reactor administration and operations committee, disburses funds. Responsibilities include the maintenance of up-to-date financial accounts, while providing the committee with regular summary reports.

Quality Assurance Supervisor

Responsible for preparing and implementing the quality assurance plan for decommissioning, this person works with all branches of the organization to implement the plan. To ensure the independence of the quality assurance program, he reports directly to the university administration. He supervises a quality assurance unit, which maintains audit and job performance records, and verifies that established safety review procedures are followed.

University Radiation Safety Committee

This committee advises university administration on matters of radiological and industrial safety. It provides overall planning and direction to the health physicist and interacts with the decommissioning superintendent on matters of safety. Coordination is made with the reactor administration and operations committee on interrelated matters.

Health Physicist

This person recommends and enforces safety policy, both radiological and industrial. Responsibilities include maintenance of radiation exposure records, implementation of the environmental survey program, ensuring

compliance with work procedures, and training and assigning health physics technicians to specific work tasks. In addition, the health physicist is responsible for the development and implementation of the in-plant radiation protection program, the survey instrumentation program including calibration, bioassay of personnel, airborne radioactivity monitoring, and ALARA planning.

Note: The source of information for this text is "Technology, Safety and Costs of Decommissioning Reference Nuclear Research and Test Reactors".

FIGURE 1 WASHINGTON STATE UNIVERSITY DECOMMISSIONING SCHEDULE

1. REPAIR DECON PLAN
2. PREPARE LICENSE DOC.
3. REGULATORY REVIEW
4. DETAIL WORK PACKAGES
5. EQUIP. & SERVICES
6. STAFFING & TRAINING
7. INSTALL TEMP. EQUIP.
8. DEFUELING
9. RADIATION SURVEY
10. GENERAL CLEANUP
11. REMOVE REACTOR COMP.
12. REMOVE CONCRETE POOL
13. REMOVE MECH. EQUIP
14. REMOVE PIPING
15. REMOVE I & C SYSTEMS
16. REMOVE ELEC. SYSTEMS
17. REMOVE HVAC SYSTEMS
18. PACK & SHIP WASTES
19. FINAL RADIATION SURVEY

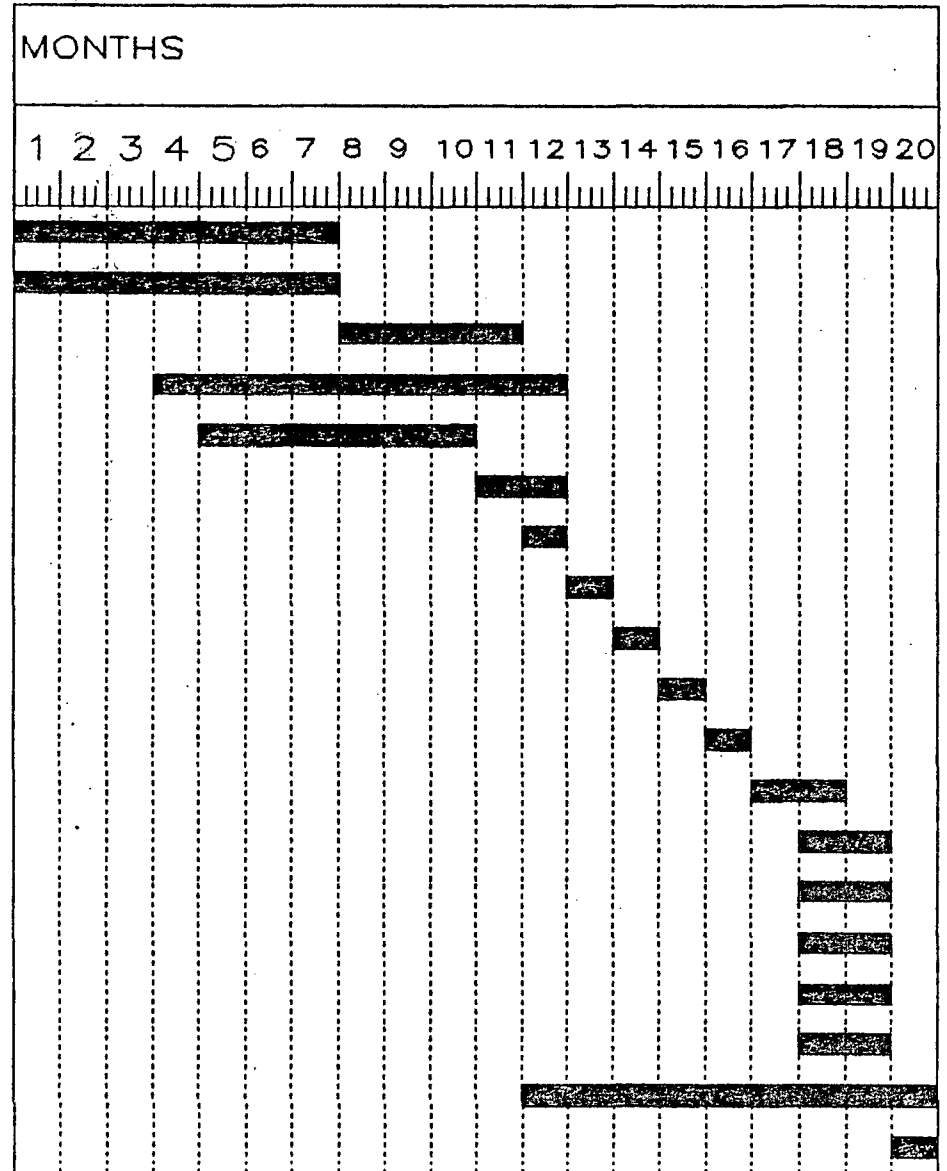


FIGURE 2
WASHINGTON STATE UNIVERSITY
DECOMMISSIONING ORGANIZATION

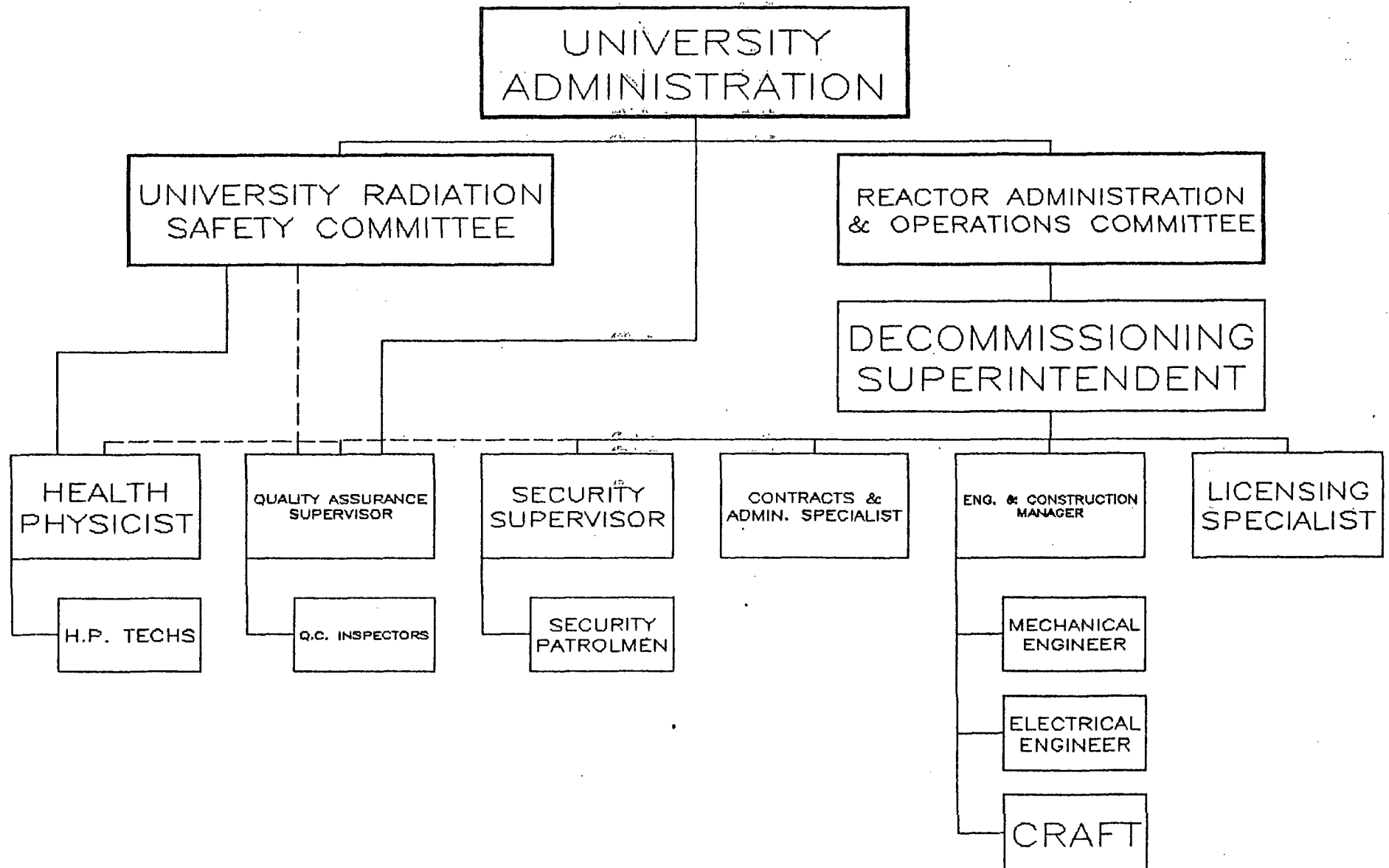


TABLE 1

Systems and Services Required During Decommissioning

<u>System or Service</u>	<u>Justification</u>
Normal and Emergency Electric Power	Operation of electrical equipment including HVAC, lighting, and radiation monitoring
HVAC Systems	Ventilation and confinement of radioactive contamination
Demineralized Water System	Maintain purity of reactor tank water during defueling and reactor vessel/internals removal
Service Water System	Decontamination, cleanup, fire protection, and potable water
Compressed Air Systems (control and service)	Operation of pneumatic controls and tools; personnel fresh air supply
Communications Systems	Facilitate and coordinate decommissioning activities
Radwaste Systems	Treatment of radioactive liquids, solids, and gases
Fire Protection System	Health and safety
Security Systems	Public safety and plant protection considerations
Radiation Monitoring System	Personnel safety
Anti-C Protective Clothing Laundry Facilities	Health and safety

TABLE 2 REPRESENTATIVE AMOUNT OF WASTE SHIPMENTS
AND TOTAL DISPOSAL COSTS

NUMBER OF SHIPMENTS	Ci	COSTS, \$K			TOTAL
		PACKAGING	TRANSP. & CASK RENTAL	DISPOSAL	
83	6881	80	315	170	565

TABLE 3 REPRESENTATIVE MAN LOADING FOR DECOMMISSIONING A RESEARCH REACTOR

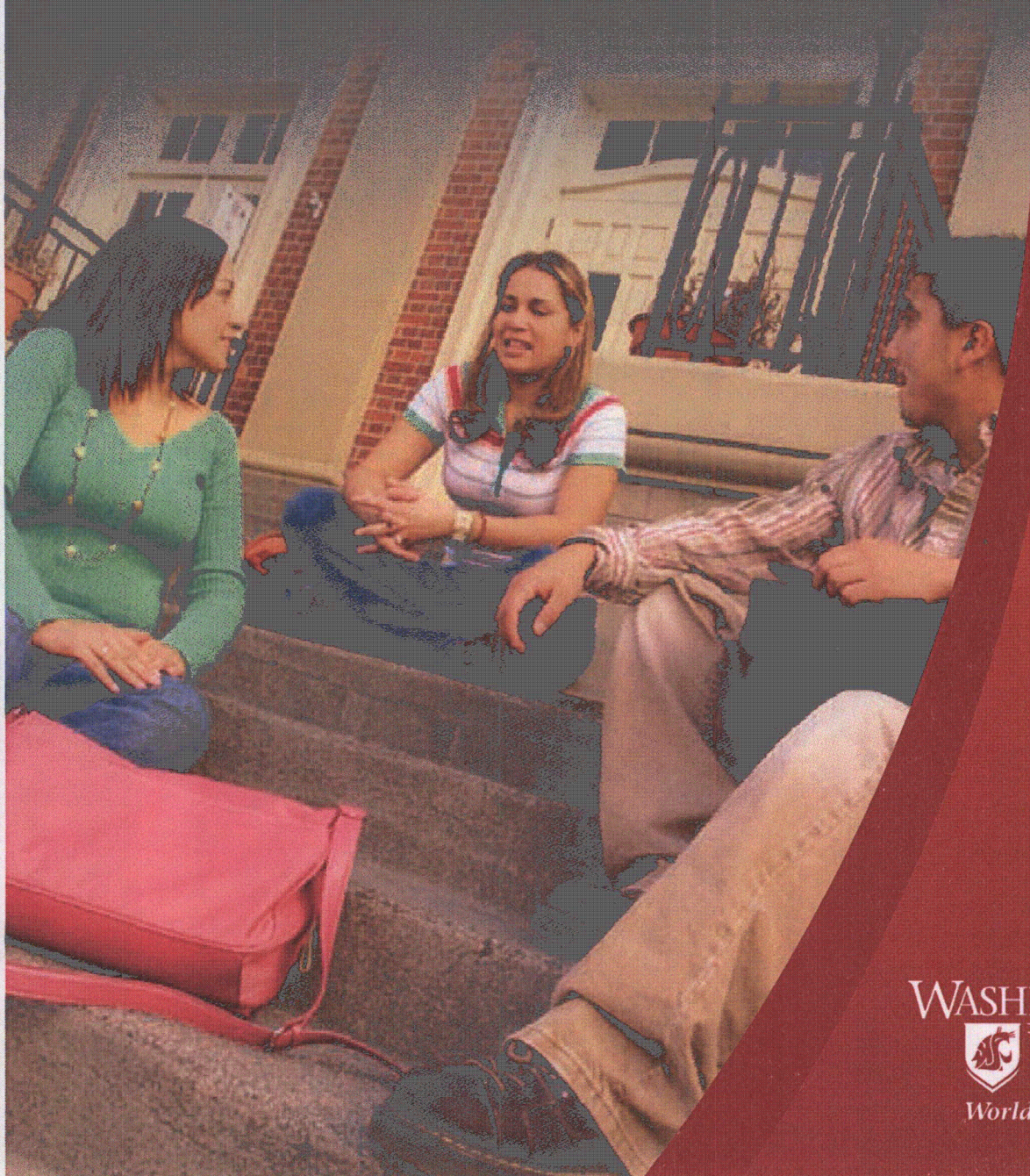
CLASSIFICATION	MONTH																				TOTAL	\$K/MM	TOTAL \$K
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	MAN-MONTHS		
DECOMMISSIONING SUPERINTENDENT	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20	13	260
MECHANICAL ENGINEER	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20	8.7	174
ELECTRICAL ENGINEER								1	1	1	1	1	1	1	1	1	1	1	1	1	13	8.7	113.1
LICENSING SPECIALIST	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20	8.7	174
HEALTH PHYSICIST	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20	8.7	174
CONTRACTS SPECIALISTS					1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	16	8.7	139.2
QUALITY ASSURANCE ENGINEER	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20	8.7	174
SECURITY SUPERVISOR												1	1	1	1	1	1	1	1	1	9	5.2	46.8
SECURITY PATROLMEN												3	3	3	3	3	3	3	3	3	27	3.5	94.5
SECRETARY	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	20	1.7	34
CONTROL ROOM OPERATOR												1	1	1	1	1	1	1	1	1	9	5.2	46.8
CRAFT												10	10	10	10	15	20	25	20	10	130	5.2	676
HEALTH PHYSICS TECH.												4	4	4	4	4	4	4	4	4	40	5.2	208

2,314

TABLE 4 REPRESENTATIVE ESTIMATED COSTS

<u>COST CATEGORY</u>	<u>\$K ESTIMATED COST</u>
DISPOSAL OF RADIOACTIVE WASTES	565
LABOR	2,314
TOOLS, EQUIPMENT AND SUPPLIES 10 % OF LABOR	231
MISC. OVERHEAD (ENERGY, FEES, INSURANCE, TRAVEL/LIVING, ETC.) 10% OF LABOR	231
	<hr/> 3,341
CONTINGENCY (15%)	501
	<hr/>
TOTAL DECON COSTS	3,842

Financial Report 2008



WASHINGTON STATE
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LEGAL COUNSEL

Antoinette "Toni" Ursich, Division Chief, WSU Division of the Office of the Attorney General

Officer list effective as of October 31, 2008



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Financial Report 2008

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.

Message from the President

I am delighted to share Washington State University's annual report on the 2008 fiscal year with you. This publication provides in-depth information about the fiscal health and operations of WSU during the period beginning July 1, 2007 and concluding June 30, 2008.

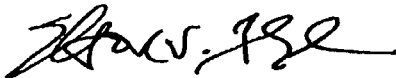
The new five-year Strategic Plan adopted by the Board of Regents in 2008 guides the University in its continuing quest to serve students, the citizens of Washington and the greater world. WSU fulfills its distinctive role as the state's land-grant research university through exceptional teaching and research, combined with relevant outreach and engagement.

This report reflects another remarkable year of achievement in all three areas. Among the highlights:

- The University established a School for Global Animal Health in its College of Veterinary Medicine to provide innovative solutions to global infectious diseases through research, education, global outreach and application of disease control at the animal-human interface. A \$25 million grant from the Bill & Melinda Gates Foundation will help construct the school's \$35 million research building. Veterinary pathologist Dr. Guy Palmer, a member of the National Academy of Science's Institute of Medicine, is the school's director.
- An internationally recognized microbiologist, Dr. Birgitte Ahring, joined the University as director of the Center for Bioproducts and Bioenergy and as the Battelle Distinguished Professor, based at WSU Tri-Cities. Much of the Center's research occurs at the Bioproducts, Sciences, and Engineering Laboratory, a \$24.8 million facility opened in spring 2008 at the Tri-Cities campus. BSEL is a partnership of WSU and the Pacific Northwest National Laboratory, operated by Battelle for the U.S. Department of Energy.
- The University embarked on a 10-year, \$200 million plan to meet the living needs of this generation of incoming students and the next. We broke ground in May for the first new residence hall to be built on the Pullman campus since 1971, with completion scheduled by fall of 2009.
- Enrollment figures showed increased student numbers at all WSU campuses, a record influx of freshmen and higher numbers of minority students. The growth was driven by the first class of freshmen at WSU Tri-Cities, continued strong freshman enrollment at WSU Vancouver and the largest freshman class ever at the Pullman campus. Academic qualifications continued to increase as well.
- Research and philanthropic funding both increased substantially during the 2008 fiscal year. Faculty members received nearly \$156 million in new research grant awards, an increase of some 16 percent. Private support rose substantially with a record \$143,692,185 in gifts, grants, pledges and revocable commitments, a 56 percent increase.
- Construction continued on influential new or remodeled buildings including the College of Nursing building on the Riverpoint campus in Spokane, the Compton Union Building and Biotechnology Life Sciences Building in Pullman, and the Undergraduate Classroom Building at WSU Vancouver.

Washington State University is dedicated to its mission as a leading land-grant research university, advancing knowledge through creative research and scholarship, extending knowledge through innovative educational programs and applying knowledge through local and global engagement. I invite you to learn more about the ways in which the University contributes to a bright future for the state's residents.

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 operations of Washington State University (the University) for the year ended June 30, 2008. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying notes.

Founded in Pullman in 1890 as the state's land-grant research university, Washington State University today has campuses in Pullman, Spokane, Tri-Cities and Vancouver. Ten regional learning centers and award-winning Distance Degree Programs offer access to the University's degrees statewide and around the world. Enrollment exceeds 25,000 students who are served by over 2,400 faculty and 3,600 staff members. Among the University's faculty are eight members of the National Academy of Sciences and National Academy of Engineering.

Considered one of the country's top public research universities, the University has ten academic colleges, an Honors College and the Graduate School. The colleges include: Agricultural, Human, and Natural Resource Sciences; Business; Education; Engineering and Architecture; Liberal Arts; Nursing; Pharmacy; Sciences; Veterinary Medicine; and the new Edward R. Murrow College of Communication. The University offers more than 250 fields of study including more than 150 majors plus many minors, options and certificate programs. Bachelor's degrees are available in all major areas with master's and doctoral degrees available in most. Professional degrees are offered in pharmacy and veterinary medicine. Last year, over 5,900 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 Management's Discussion and Analysis, however, focuses only on the University. 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. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles and focus on the University as a whole.

Financial Highlights

Overall, the University's financial position improved during the year ended June 30, 2008:

- Assets increased by \$104 million to end the year at \$1.9 billion.
- Liabilities increased by \$32 million to end the year at \$435 million.
- Net assets, which represent the residual of assets after deducting liabilities, increased by \$72 million to end the year at \$1.4 billion.

Other significant changes to operations were as follows:

- Revenues from all sources totaled \$900 million, an increase of \$57 million over fiscal year 2007.
- Expenses totaled \$828 million, an increase of \$85 million over last year.
- Capital assets, net of depreciation, increased by \$111 million.

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

Summarized Statements of Net Assets

As of June 30, 2008 and June 30, 2007

	June 30, 2008	June 30, 2007	Change
Assets			
Current assets	\$ 221,948,079	\$ 262,948,284	\$ (41,000,205)
Non-current assets	508,744,789	475,333,704	33,411,085
Capital assets, net of depreciation	1,143,409,332	1,032,208,050	111,201,282
Total assets	\$ 1,874,102,200	\$ 1,770,490,038	\$ 103,612,162
Liabilities			
Current liabilities	\$ 78,277,541	\$ 68,761,534	\$ 9,516,007
Non-current liabilities	356,731,853	334,680,423	22,051,430
Total liabilities	\$ 435,009,394	\$ 403,441,957	\$ 31,567,437
Net assets			
Invested in capital assets, net of debt	\$ 875,094,055	\$ 839,086,002	\$ 36,008,053
Restricted nonexpendable, endowments	371,529,761	348,845,062	22,684,699
Restricted loans	25,743,086	25,043,487	699,599
Restricted expendable	97,039,962	87,044,382	9,995,580
Unrestricted	69,685,942	67,029,148	2,656,794
Total net assets	\$1,439,092,806	\$1,367,048,081	\$ 72,044,725

Significant Changes in the Statements of Net Assets

- Current assets decreased by \$41 million. Several bond funded construction projects were completed or were very close to completion during the year and invested bond proceeds were liquidated and spent on the construction costs, resulting in a decrease of \$49 million in cash and investments. In addition, accounts receivable increased by \$9 million of which \$8 million were construction costs paid on state funded projects that had not been reimbursed by the state at June 30.
- Capital assets, net of depreciation, increased by \$111 million. This increase reflects continued large capital projects underway across campus to build new facilities and renovate others. Additions to construction in progress and buildings were \$96 million, net of depreciation. Land increased by \$9 million.
- Current liabilities increased by \$9 million: \$8 million was accrued construction costs payable at year-end. In addition, deferred revenues were up by \$2 million, reflecting increased revenues for the Alive program and increased season ticket sales for Athletics. Other short term liabilities decreased by \$1 million.
- Non-current liabilities increased by \$22 million reflecting \$26 million of new revenue bonds issued to finance the construction of a new residence hall, net of principal reductions of \$8 million. In addition, accrued leave, deferred compensation and pension liabilities increased by \$4 million.
- Net assets increased by \$72 million.

Financial Health and Flexibility

There are a number of ratios used by the debt rating agencies to gauge financial health and flexibility. One of the more significant ratios used to measure operating flexibility is the ratio of expendable net assets to total expenses. Expendable net assets (defined as restricted expendable net assets plus unrestricted net assets) can be accessed relatively quickly and spent to satisfy current obligations. This ratio indicates how long the University could function using its expendable reserves without relying on additional assets generated by operations. The University had sufficient expendable net assets in 2008 to cover 4.5 months of operations, unchanged from 2007.

Another popular ratio, used to measure debt cushion, is the ratio of expendable net assets (as defined above) to debt. A ratio between 0.4 times to 1.2 times would be considered good coverage by one of the major rating agencies. The University's debt cushion remained constant at 0.9 times in 2008 and 2007.

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.

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2008 and June 30, 2007

	June 30, 2008	June 30, 2007	Change
Operating revenues (expenses)			
Operating revenues	\$ 479,382,739	\$ 453,393,482	\$ 25,989,257
Operating expenses	(813,258,070)	(731,535,717)	(81,722,353)
Net operating income (loss)	\$ (333,875,331)	\$ (278,142,235)	\$ (55,733,096)
Non-operating revenues (expenses)			
Non-operating revenues	\$ 353,867,646	\$ 316,852,459	\$ 37,015,187
Non-operating expenses	(15,132,229)	(11,710,908)	(3,421,321)
Net non-operating revenues	\$ 338,735,417	\$ 305,141,551	\$ 33,593,866
Income (Loss) before other revenues, expenses, gains, losses and transfers	\$ 4,860,686	\$ 26,999,316	\$ (22,139,230)
Other revenues	\$ 67,184,639	\$ 73,069,277	\$ (5,884,638)
Increase in net assets	\$ 72,044,725	\$ 100,068,593	\$ (28,023,868)
Net assets, beginning of year	\$ 1,367,048,081	\$ 1,266,979,488	
Net assets, end of year	\$ 1,439,092,806	\$ 1,367,048,081	

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

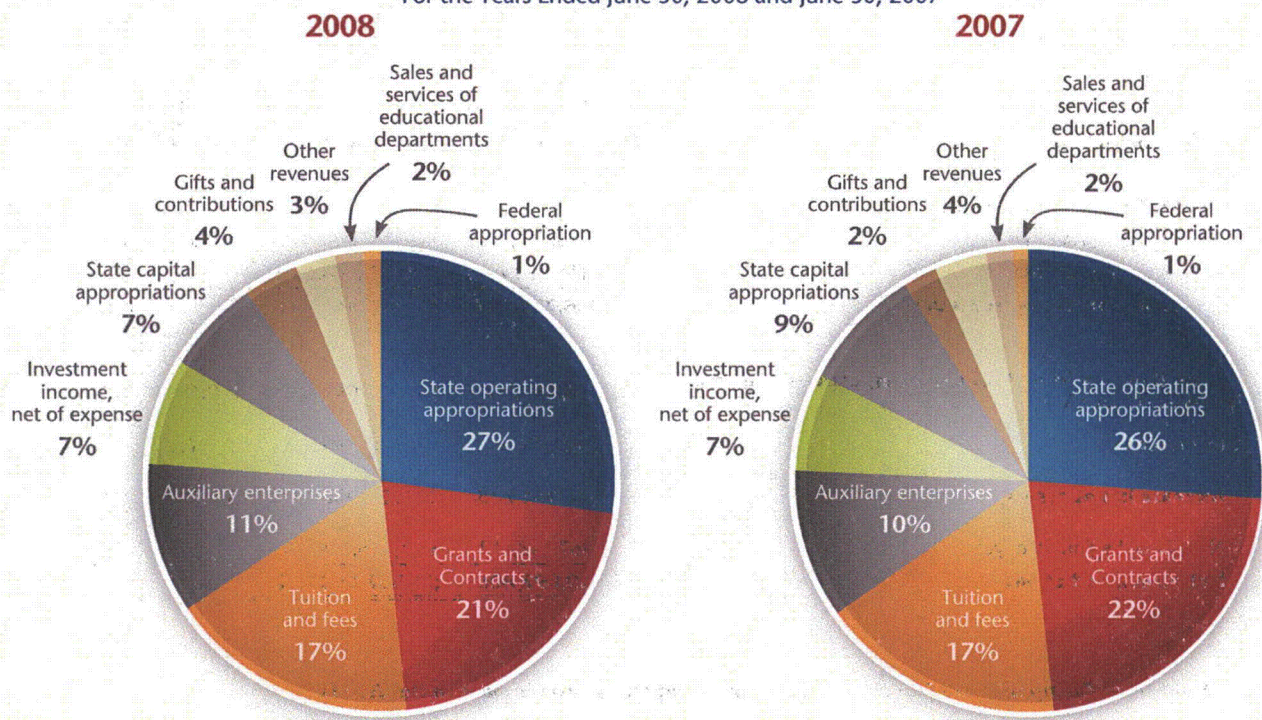
Operating revenues increased by \$26 million. Tuition and fees were up \$12 million due to a 7% tuition rate increase and a 5% increase in enrollment. Increased sales by the colleges of Veterinary Medicine and Agricultural, Human, and Natural Resource Sciences contributed to a \$2 million increase in sales and services by educational departments. Rate and enrollment increases caused auxiliary enterprise revenues to go up by \$7 million. Increases in federal and local grants accounted for the remainder of the increases.

Operating expenses increased by \$82 million. The largest increases were in salaries and benefits expenses. Salaries were up by \$28 million. The state authorized a 4% pay increase in 2008. Benefit costs increased by \$16 million as a result of a 14% increase in health care premiums, more temporary employees qualifying for health care benefits, and increases in the rates for PERS retirement contributions. Payments for goods and services increased by \$15 million, primarily as a result of increased energy costs. Depreciation expense increased by \$7 million for the current year as a result of a change in accounting principle and by \$7 million as a result of the cumulative effect of the change.

Net non-operating revenues increased by \$33 million. Gifts and contributions were up by \$7 million as the Washington State University Foundation geared up for a new capital campaign. State and federal appropriations increased \$26 million. Investment income increased by \$9 million. These increases were offset by increased interest expense on bond debt of \$3 million and a decrease in other non-operating revenue of \$6 million.

Other revenues decreased by \$6 million. State capital appropriations decreased by \$13 million as the capital projects funded by them were completed. Capital grants and gifts increased by \$7 million, which included a \$4 million gift of land received in 2008.

Revenues from all Sources For the Years Ended June 30, 2008 and June 30, 2007



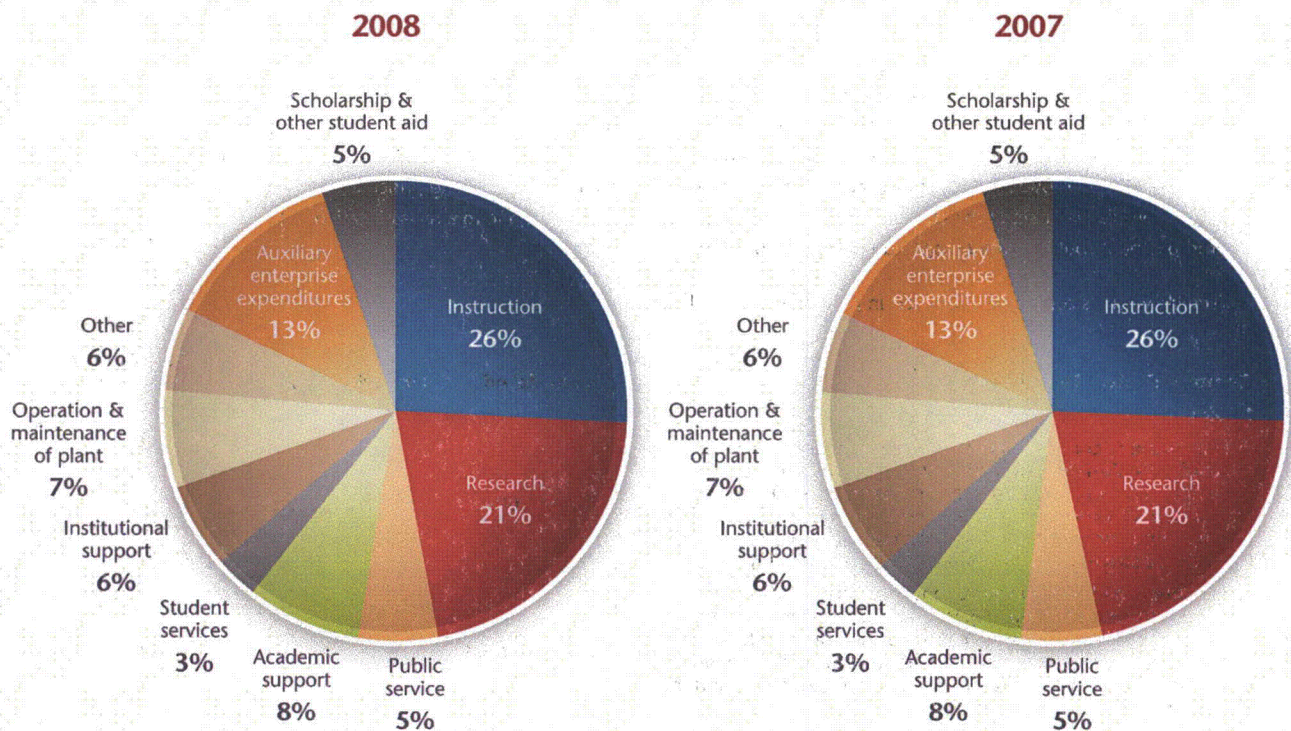
As the above graphs show, the University has a diversified revenue base. No single source of revenue generated more than 27% of the total fiscal year revenues for 2008 and 2007. State operating appropriations were \$245 million, comprising 27% of total revenue for 2008. The University relies on this state funding which subsidizes its instructional activities allowing for lower tuition rates.

Grants and contracts generated \$190 million or 21% 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.

Income from gifts, capital grants and contributions totaled \$34 million (4% of total revenue). This was an increase of \$14 million over 2007. This was a result of the new fund-raising campaign underway by the Washington State University Foundation. These funds support all types of University activities and generate millions of dollars for student scholarships.

Auxiliary enterprises generated \$95 million in revenues, representing 11% of the total revenue. This was an increase of 1% over 2007 or \$7 million. Auxiliary enterprises are essential supporting activities, such as university residences, intercollegiate athletics, and the student union.

Operating Expenditures by Program For the Years Ended June 30, 2008 and June 30, 2007



The above graphs demonstrate that while 2008 expenditures have increased over 2007, they have done so evenly across programs. The increases have been largely due to campus-wide cost increases. Salaries and benefits increased as a result of state mandated increases in wage rates and health care premiums. In addition, energy cost increases affected the entire university. (Note: For the purposes of these graphs, depreciation has been allocated to the programs.)

Capital Assets and Long-Term Debt Activities

Capital Assets

At June 30, 2008, the University had \$1,143,409,332 invested in capital assets, net of accumulated depreciation. This represents an increase of \$111,201,282, or 10.8%, over last year, as shown in the table below:

	June 30, 2008	June 30, 2007	Change
Land	\$ 40,529,152	\$ 31,181,772	\$ 9,347,380
Construction in progress	205,341,501	122,367,525	82,973,976
Buildings	711,096,800	696,503,126	14,593,674
Other improvements and infrastructure	95,385,972	98,339,221	(2,953,249)
Equipment	44,499,176	38,875,696	5,623,480
Library resources	46,556,731	44,940,710	1,616,021
Total Capital Assets, net	\$1,143,409,332	\$ 1,032,208,050	\$ 111,201,282

In the current fiscal year, the University purchased land for \$5 million and received a gift of land valued at \$4 million.

At year-end, several large construction projects were underway. Nearing completion were the renovations to the Compton Union Building and to Martin Stadium. Just beginning construction was the Olympia Avenue Student Residence. Other projects in process included the Biotechnology Life Sciences building and the Library Road improvements, both scheduled to be completed in 2009. On other campuses, projects in the works included the new Nursing Building in Spokane and the Vancouver Undergraduate Classroom Building. The result of these activities is an increase in construction in progress of \$83 million.

Construction projects completed during fiscal year 2008 included the renovation of the Rotunda Dining Center, the North Fairway Road improvements, the expansion and improvements to the golf course, and the remodel and expansion of the Firstenberg Student Commons in Vancouver. The completion of these projects increased buildings by \$29 million. Depreciation expense increased by \$7 million for the current year as a result of a change in accounting principle and by \$7 million as a result of the cumulative effect of the change. Improvements decreased by \$2 million due to a reclassification of two projects begun as improvements but increased scope added them to buildings.

The University's construction projects in process at year-end included:

Campus/Project Description	Completed	Financing Sources	Cost in \$ Millions
Spokane:			
Final phase of construction of the 108,000 square foot Academic Center to provide classrooms, computer labs, campus and nursing libraries, student services, student study spaces, and academic, public service, and administrative offices, supporting enrollment growth while consolidating support and academic spaces and eliminating off-campus leased space.	Spring 2009	State appropriations	\$33.9
Construction of 80,000-square foot Nursing Building to replace current off-campus space with cutting-edge on-campus teaching facilities, increasing graduate and undergraduate nursing student capacity and facilitating closer collaboration with major regional hospital/medical complexes, enhancing the campus's emphasis on biomedical research.	November 2008	State appropriations	34.6
Pullman:			
Renovation of the 235,000 square foot Compton Union Building (student union) to replace utilities, renovate facilities, relocate student bookstore and enhance comfort, efficiency and functionality for students.	August 2008	Bond proceeds	86.0
Renovation of Martin Stadium to improve game day experience for football fans by expanding circulation space, restrooms and concession areas and relocating the main entry gates to enhance access and aesthetics.	August 2008	Bond proceeds	24.2
Construction of the 130,000 square foot Biotechnology/Life Sciences Building to house interdisciplinary programs in the human health fields in support of the University's biotechnology strategic initiative, providing administrative offices for the Center for Biotechnology and School of Molecular Biosciences, and research labs, core labs, conference rooms and office space for faculty and postdoctoral students.	June 2009	State appropriations	72.7
Design and construction of Library Road Improvements to improve traffic circulation, enhance pedestrian movements and safety, develop open spaces and deconstruct Administration Annex Building.	December 2009	State appropriations	15.0
Design and construction of the Olympia Avenue Student Housing , the first student housing facility constructed on the WSU Pullman campus since 1971. This project is anticipating a LEED™ Silver rating while maintaining WSU's distinctive materials palette.	August 2009	Bond proceeds	26.0
Pre-design of the new building to house WSU's School for Global Animal Health . The new facilities will support the school's infectious disease research and diagnostic programs. Planned at approximately 40,000–45,000 gross square feet, the Phase I building program currently includes biological research laboratories for 12-15 principal investigators.	March 2012	State appropriations, private gift	35.0

Campus/Project Description	Completed	Financing Sources	Cost in \$ Millions
Vancouver:			
Design and construction of 58,000 square foot Undergraduate Classroom Building to provide classrooms and computer labs in support of the strategic initiative to develop this campus into a four-year institution.	August 2009	State appropriations	28.0
Design work for 56,250 square foot Applied Technology Building to provide research and teaching space for Computer Sciences and Electrical Engineering.	May 2011	State appropriations, to be determined	42.5

Construction projects completed during the fiscal year included:

Campus/Project Description	Complete	Financing Sources	Estimated Cost in \$ Millions
Pullman:			
Renovation of the 30,000 square foot Rotunda Dining Center to update the facility, improve utilities, accessibility and safety, and enhance student dining options.	March 2008	Bond proceeds	\$10.2
Replacement and expansion of Golf Course to improve student practice facility and expand capabilities to a championship 18-hole course to provide a regional amenity for students, faculty, staff and community.	May 2008	Private gifts	8.4

Vancouver:			
Remodel and expansion of Firstenberg Student Commons to convert former Bookstore Building into a student lounge and space for student government, counseling and outdoor recreation in support of the Vancouver campus expansion strategic initiative.	August 2007	University resources, private gift	2.3

Other WSU Locations:			
Construction of the Prosser Agricultural Technology Building to provide office, support and climate controlled computer areas and current and future laboratory space in support of the University's Center for Precision Agricultural Systems and AgWeatherNet programs in research, education and outreach.	October 2007	State appropriations	2.5

Long-Term Debt

At June 30, 2008, the University had \$299,364,810 in outstanding debt, representing an increase of \$16,946,729, or 6%, in debt from the prior year. The table below summarizes outstanding debt:

	June 30, 2008	June 30, 2007	Change
General obligation bonds payable	\$ 51,467,666	\$ 56,802,644	\$ (5,334,978)
Revenue bonds payable, net	234,461,349	211,589,662	22,871,687
Capital leases	13,435,795	14,025,775	(589,980)
Total debt	\$ 299,364,810	\$ 282,418,081	\$ 16,946,729

The University issued \$26 million in May of 2008 to fund construction of the first new residence hall on the Pullman campus since 1971. This project is scheduled to be completed in August 2009 and revenues from the Housing and Dining System have been pledged to meet debt service.

The University's bond rating on the bond issue was Aaa by Moody's Investors Services due to the purchase of municipal bond insurance from an insurer with a Aaa financial strength rating, with an underlying rating of A2. The University's long-term rating was affirmed at Aa3 by Moody's in April 2008.

Economic Outlook

The State of Washington's general fund revenue collection forecasts for the 2007–09 biennium have been adjusted downward significantly from initial forecasts at the start of the biennium. Revenue projections have been reduced in each quarter beginning with November 2007. While the University's state operating budget for fiscal year 2008 remained intact without suffering any reductions, the University is expecting operating budget reductions during fiscal year 2009. The reduction amount expected to be proposed by the governor, based on December 2008 data, is \$10.5 million. Additional reductions are a possibility if Washington's revenue forecasts continue to decline during 2009. Also, due to revenue forecast reductions for the upcoming 2009–11 biennium, the University expects significant state operating budget reductions for the next biennium. The amount of the reductions will not be known until the Washington Legislature adopts its 2009–11 biennium budget during the 2009 legislative session.

State appropriations for operations will continue to be a significant portion of the University's financial support in fiscal year 2009. The appropriation for operations, as of December 2008, is \$253.8 million and reflects an increase of \$4.2 million from fiscal year 2008 (a 1.6% increase). If the \$10.5 million expected reduction is enacted by the Legislature in 2009, the fiscal year 2009 appropriation will be 97.4% of the fiscal year 2008 appropriation. Capital appropriations are approved for a two-year period and the appropriations for the 2007–09 biennia were \$219.9 million. Federal appropriations for the University's land grant programs are expected to remain near a \$9.0 million funding level.

As in prior years, student tuition and fees will be increased, with a portion of the incremental revenue used for financial aid. Tuition rates will be increased by 7% for resident and non-resident students for all programs except Pharmacy, which will be raised 10%. Enrollment is expected to be 4.9% higher than 2008, at 23,425 annual average full time equivalents for the four-campus system. Overall, the University expects net tuition and fee revenues to provide \$168.5 million to support operations, an 8.2% increase over 2008.

Federal sponsored research and other programs are the largest portion of externally funded grant expenditures. Federal funding supported 66.9% of University projects, and 33.1% were supported by non-federal funding in 2008. Research project expenditures were nearly flat between 2008 and 2007, whereas non-research project expenditures significantly increased by almost 11%. Federal non-research programs and non-federal sponsored programs, both research and non-research, have grown in recent years, offsetting the slow-down in federal sponsored research programs. Growth in overall sponsored projects for the past two years has been near 4% and the growth was associated primarily with non-research sponsored projects. This trend is expected to continue in fiscal year 2009, although non-federal research has been growing during this fiscal year. The longer-term outlook is more uncertain due to possible federal funding constraints and deficits and the economic conditions nation-wide, which could constrain both federal and non-federal project activities.

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





Washington State Auditor Brian Sonntag

INDEPENDENT AUDITOR'S REPORT

January 8, 2009

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, 2008, 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, 2008, 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, 2008, 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.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Washington State University
Statement of Net Assets
As of June 30, 2008

	University 2008	Foundation 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 64,059,614	\$ 806,572
Prepaid expenses	818,939	
Inventories	16,774,267	
Net accounts receivable	54,764,148	121,150
Pledges receivable		16,253,446
Due from Washington State University		650,811
Investments, current portion	85,531,111	
Subtotal current assets	221,948,079	17,831,979
Non-current assets		
Long-term investments	61,501,267	
Endowment investment	393,624,951	285,355,432
Deposits in escrow	4,590,418	
Due from WSU Foundation	2,040,814	
Assets held in trust by WSU Foundation	23,607,753	
Non-current accounts receivable		7,878,068
Assets held in trust		44,335,717
Net loans receivable	23,379,586	2,159,318
Capital assets, net of accumulated depreciation	1,143,409,332	
Subtotal non-current assets	1,652,154,121	339,728,535
Total assets	\$ 1,874,102,200	\$ 357,560,514
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 57,228,076	\$ 19,436,345
Due to WSU Foundation	650,811	
Due to Washington State University		25,648,566
Deposits	3,001,182	
Assets held for other organizations		700,201
Deferred revenue, current portion	7,812,065	
Long-term debt, current portion	9,585,407	
Subtotal current liabilities	78,277,541	45,785,112
Non-current liabilities		
Accrued leave	35,272,239	
Deferred compensation	2,702,893	
Deposits held in custody for others	15,146,175	
Pension obligation	4,192,966	
Deferred revenue	9,638,178	
Long-term debt	289,779,402	
Subtotal non-current liabilities	356,731,853	
Total liabilities	\$ 435,009,394	\$ 45,785,112
Net Assets		
Invested in capital assets, net of related debt	875,094,055	
Nonexpendable	371,529,761	239,144,583
Loans	25,743,086	
Expendable	97,039,962	72,474,467
Unrestricted	69,685,942	156,352
Total net assets	\$ 1,439,092,806	\$ 311,775,402
Total liabilities and net assets	\$ 1,874,102,200	\$ 357,560,514

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, 2008

	University 2008	Foundation 2008
Revenues		
Operating revenues		
Net tuition & fee revenue	\$ 155,785,301	
Federal grants and contracts	111,917,032	
State grants and contracts	45,724,050	
Local grants and contracts	32,016,820	
Sales and services of educational departments	17,781,972	
Auxiliary enterprises	95,146,152	
Other operating revenues	21,011,412	
Total operating revenues	479,382,739	
Expense		
Operating expenses		
Salaries and wages	382,876,620	
Benefits	109,312,200	
Scholarships and fellowships	41,734,573	
Utilities	32,508,495	
Payments to suppliers	130,494,387	
Purchased services	50,030,577	
Other operating expenses	1,743,390	
Depreciation	64,557,828	
Total operating expenses	813,258,070	
Net operating loss	(333,875,331)	
Non-operating revenues (expenses)		
State appropriations	245,464,019	
Federal appropriations	10,858,709	
Interest on capital assets—related debt	(15,132,229)	
Gifts and contributions	26,742,533	\$ 26,969,567
Investment income, net of expense	66,786,257	(2,191,196)
Support provided to/for Washington State University, net		(36,848,313)
Fund raising		(6,174,310)
General and administrative expenses		(3,615,379)
Other non-operating revenues (expenses)	4,016,128	3,743,066
Total non-operating revenues (expenses)	338,735,417	(18,116,565)
Income before other revenues, expenses, gains or losses	4,860,086	(18,116,565)
Other revenues, expenses, gains or losses		
Capital appropriations	59,763,378	
Capital grants & gifts	7,202,691	
Additions to permanent endowments	218,570	21,389,471
Total other revenues	67,184,639	21,389,471
Increase in net assets	72,044,725	3,272,906
Net assets		
Net assets, beginning of year	1,367,048,081	308,502,496
Net assets, end of year	\$1,439,092,806	\$ 311,775,402

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

**Washington State University
Statement of Cash Flows
For the Year Ended June 30, 2008**

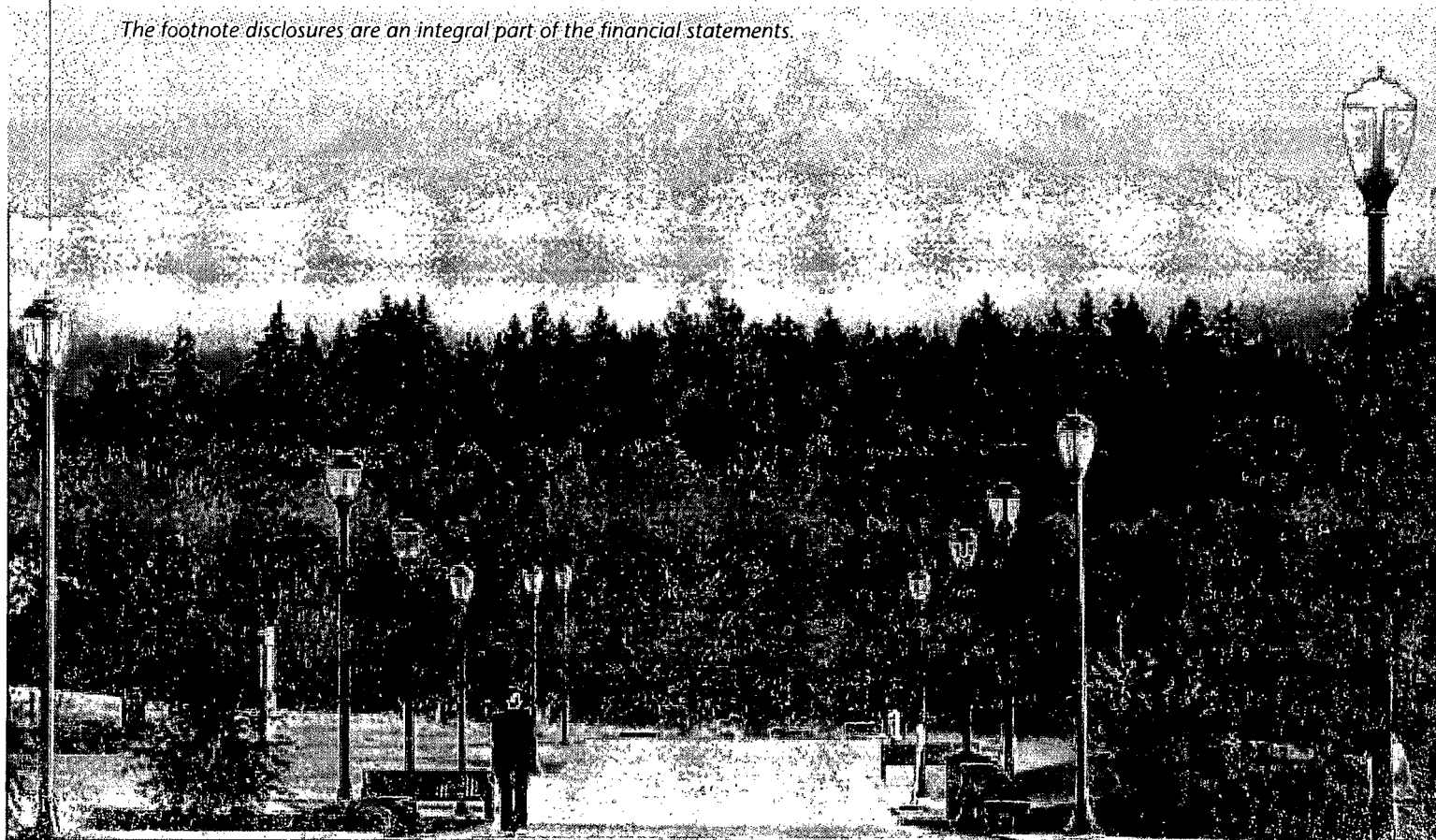
Cash flows from operating activities	2008
Tuition and fees	\$ 172,323,380
Grant and contracts	189,572,616
Payments to suppliers	(118,712,988)
Payments for utilities	(32,375,389)
Purchased services	(50,659,263)
Payments to employees	(381,611,450)
Payments for benefits	(105,392,012)
Other operating expenses	(1,756,054)
Payments for scholarships and fellowships	(58,161,772)
Loans issued to students	(4,756,770)
Collection of loans to students	3,306,442
Auxiliary enterprise receipts	95,836,114
Sales and service of educational departments	17,540,887
Other receipts	20,024,793
Net cash used by operating activities	(254,821,466)
Cash flows from noncapital financing activities	
State appropriations	236,009,393
Federal appropriations	11,766,922
Gifts for other than capital purposes	
Private gifts	24,196,071
Additions to permanent endowment	218,570
Agency fund receipts	128,057,295
Agency fund disbursements	(128,045,582)
Other non-operating revenues	1,074,360
Net cash provided by noncapital financing activities	273,277,029
Cash flows from capital and related financing activities	
Proceeds of capital debt	27,422,559
Capital appropriations	61,409,309
Capital grants and gifts received	2,213,401
Purchases of capital assets	(170,727,490)
Principal paid on capital debt and leases	(10,473,953)
Interest paid on capital debt and leases	(15,258,832)
Net cash used by capital and related financing activities	(105,415,006)
Cash flows from investing activities	
Proceeds from sales of investments	367,092,239
Purchases of investments	(345,083,781)
Investment income	38,948,432
Net cash provided by investing activities	60,956,890
Net increase (decrease) in cash and cash equivalents	(26,002,553)
Cash—beginning of year	90,062,167
Cash—end of year	\$ 64,059,614

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

Operating loss	2008 \$ (333,875,331)
Adjustments to reconcile net loss to net cash used by operating activities	
Depreciation expense	64,557,828
Changes in assets and liabilities	
Changes in assets	
Deposits in Escrow	(2,023,737)
Prepaid expenses	(118,038)
Inventories	(1,744,083)
Net accounts receivable	(9,671,320)
Investments, current portion	18,537,209
Changes in liabilities	
Accounts payable and accrued liabilities	7,989,303
Deferred revenue	2,020,293
Due to WSUF	(617,249)
Deposits	806,205
Long term debt, current portion	(666,530)
Lease obligations, current portion	(16,016)
Net cash used by operating activities	(254,821,466)
Significant noncash transactions	
Loss on disposal of fixed assets	(1,372,910)
Amortization expense	(351,891)
Donated land	4,683,040

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



Notes to the Financial Statements

June 30, 2008

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.

Nature of Operations

The University was created as a land grant public university by the Washington State Legislature in 1890. The University opened its doors January 13, 1892, on land donated by the citizens of Pullman. Today, Washington State University has campuses in Pullman, Spokane, the Tri-Cities and Vancouver, with extension offices and learning centers across the state. The University's 25,352 undergraduate, graduate and professional students have the opportunity to work one-on-one with internationally acclaimed professors and researchers. The primary missions of the University are instruction, research and public service.

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

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

The Foundation reports its financial results in accordance with Financial Accounting Standards Board (FASB) 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

Financial Statement Presentation

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

Basis of Accounting

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

Elimination of Inter-fund Transactions

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

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

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

Inventories

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

Capital Assets

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

Deferred Revenues

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

Tax Exemption

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

Net Assets

The University's net assets are classified as follows:

- *Invested in Capital Assets—Net of Related Debt.* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of capital assets.
- *Restricted Net Assets—Nonexpendable.* This consists of endowment and similar type funds for which donors or other outside sources have stipulated as a condition of the gift instrument that the principal 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 principal.
- *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, 2008 are \$51,174,107.

New Accounting Pronouncements

In August 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other post employment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. During fiscal year 2008, the State of Washington implemented GASB 45. Required disclosure information is not available for component units of the state and as a result, the obligation is not recorded on the University's financial statements.

The University has adopted GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, which includes provisions for disclosure of revenues pledged to meet future debt obligations. Disclosure of the University's pledged revenues is included in Note 18.

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, 2008, the carrying amount of the University's change funds, petty cash and bank demand deposit accounts with financial institutions is \$28,804,039 as represented in Table 1.

Table 1: Cash and Cash Equivalents

	2008
Cash	\$ 28,804,039
Cash equivalents	34,806,923
Deposits with fiscal agents	448,652
Cash and cash equivalents	\$ 64,059,614

Custodial Credit Risks—Deposits

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

Notes to the Financial Statements

Investments

Investments are classified as cash equivalents, short-term investments or long-term investments, or endowment investments. University invested assets include operating funds, current use gift funds, proceeds from bond issues dedicated to specific capital projects and University endowment and trust funds. The carrying amount of University invested assets includes cash equivalents and permanent fund investments as represented in Table 2.

Table 2: 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	\$ 1,479,642	\$ 1,479,642				0.03	A-1
Repurchase agreements	4,196,142	4,196,142				0.00	NR
US Agency obligations—Discount notes	4,430,150	4,430,150				0.07	AAA
Other—Bank short term investment fund	749,150	749,150				0.00	NR
Local Government Investment Pool	23,951,839	23,951,839				0.10	NR
Total cash equivalents	\$ 34,806,923						
Current investments							
US agency obligations	\$ 85,531,111	85,531,111				0.39	AAA
Total current investments	\$ 85,531,111						
Non-current investments							
Operating funds							
US agency obligations	\$ 30,666,754		\$ 30,666,754			1.23	AAA
Mortgage pass throughs	19,745,084				\$ 19,745,084	1.80	AAA
Fixed income mutual funds	10,138,280		10,138,280				AA+
Subtotal non-current operating fund investments	60,550,118						
Miscellaneous	951,149						
Total non-current investments	\$ 61,501,267					0.71	
University endowments							
US stocks	\$ 166,945						
-US fixed income	4,704,359	131,386	635,471	\$ 3,549,175	388,327	6.54	AAA
-Foreign fixed income	1,914,576				1,914,576	5.42	Aa3/A+
-US equity	5,633,590						
-Foreign equity	7,838,142						
-Private equity	3,434,844						
-Hedge funds	8,167,931						
-Timber	349,618						
-Real estate	2,678,718						
-Oil & gas	1,091,837						
-Commodities	2,084,123						
Total endowment investments	\$ 38,064,683						
Pending trades	3,551						
Total University Investments	\$219,907,535						

University Endowments

The University contracts with the WSU Foundation for the management of privately endowed assets. University and Foundation endowments are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The fair market values of the University endowment investments at June 30, 2008 were \$38,068,236.

Permanent Fund

The University's land grant investments, referred to as the permanent fund, are described in Table 3 and the net asset value in Note 6. Transactions in process are not represented in Table 3.

Table 3: Permanent Fund

University permanent fund investments	Fair value	Average duration	Credit rating
Money market fund	\$ 803,239	0	N/A
Commingled monthly bond fund	353,752,815	4.43	Aa1/Aa2
Cash at state treasurer	641,959		
Total permanent fund investments	\$ 355,198,013		

Interest Rate Risk—Investments

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

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

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

Concentration of Credit Risk—Investments

State law limits University operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. University policy does not limit the amount the University may invest in any one issuer.

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, 2008, \$146,048,882 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 \$166,814 of endowment assets, held in street name by E*trade for the account of the University, are exposed to custodial credit risk as described in Table 4.

Table 4: Investments exposed to Custodial Credit Risk

University investment type	Fair Value
Commercial paper	\$ 1,479,642
Repurchase agreements	4,196,142
US agency discount notes	4,430,150
US agency obligations	116,197,864
Mortgage Pass Throughs	19,745,084
Subtotal	146,048,882
US common stock	166,814
Total investments exposed to custodial credit risk	\$ 146,215,696

Foreign Currency Risk—Investments

University endowment exposure to foreign currency risk at June 30, 2008, is described in Table 5 and is limited by Foundation investment policy.

Table 5: University Foreign Currency Risk

Foreign currency	Fair Value
Euro	\$ 1,835,607
Japan (Yen)	1,388,574
UK (Pound)	1,310,675
Australia (Dollar)	674,515
Other (less than 5%)	3,746,500
Total foreign currency	\$ 8,955,871

Investment Expenses

Under implementation of GASB 35, investment income for the University is shown net of investment expenses. The investment expenses incurred at June 30, 2008 were \$325,916.

3. Accounts Receivable

At June 30, 2008, accounts receivable are as follows.

Student tuition and fees	\$ 10,081,776
Due from the federal government	12,974,005
Due from the office of the state treasurer	19,132,552
Due from other state agencies	4,729,361
Interest and dividends receivable	2,849,077
Auxiliary enterprises	5,288,543
Due from other governments	413,821
Other	1,113,501
Subtotal accounts receivable	56,582,636
Allowance for doubtful accounts	(1,818,488)
Accounts receivable, net	\$ 54,764,148

4. Student Loans Receivable

Student loans receivable consisted of the following at June 30, 2008.

Federal programs	\$ 23,888,701
Institutional loans	212,241
Subtotal	24,100,942
Allowance for doubt accounts	(721,356)
Loans receivable, net	\$23,379,586

5. Inventories

Inventories, stated at cost using various methods: First-in, First-out (FIFO), Last-in, First-out (LIFO) or Weighted Average, consist of the following at June 30, 2008.

Location	Valuation method	Amount
Athletics	FIFO	\$ 597,263
Bulletin office	FIFO	471,411
Central stores	FIFO	399,572
Facilities operations	Weighted Average	1,449,407
Ferdinand's	FIFO	5,911,142
Housing and dining	LIFO	753,507
Motor pool	FIFO	59,647
University publishing	FIFO	2,489,526
Veterinary hospital and pharmacy	FIFO	848,183
Veterinary microbiology/pathology	FIFO	1,830,674
Other inventory	FIFO	1,963,935
Total		\$ 16,774,267

6. Endowment

Land Grant and Permanent Funds

The University has two land grant endowments and two permanent funds established by legislation. The University's two land grant endowments total 151,188 acres of timber, agricultural, and grazing lands managed by the Washington State Department of Natural Resources. The income from this land is added to the Agricultural College Permanent Fund, established under RCW 43.79.136, and the Scientific School Permanent Fund, established under RCW 43.79.110. The Washington State Investment Board manages these two permanent funds for the sole benefit of the University. All distributed income is used for capital projects. The fair value of investments for the two permanent funds totaled \$355,198,013 at June 30, 2008. The net asset value is \$355,556,716 after the settlement of all pending transactions, receivables and payables.



7. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2008.

	Beginning balance	Additions/ transfers	Retirements	Ending balance
Nondepreciable capital assets				
Land	\$ 31,181,772	\$ 10,336,037	\$ (988,657)	\$ 40,529,152
Construction in progress	122,367,525	82,973,976	0	205,341,501
Total nondepreciable capital assets	153,549,297	93,310,013	(988,657)	245,870,653
Depreciable capital assets				
Buildings	1,159,622,828	56,398,191	(827,393)	1,215,193,626
Other improvements and infrastructure	178,460,988	4,453,088	(606,466)	182,307,610
Equipment	177,264,247	18,011,042	(5,894,366)	189,380,923
Library resources	106,953,699	5,864,050	(463,584)	112,354,165
Subtotal	1,622,301,762	84,726,371	(7,791,809)	1,699,236,324
Less accumulated depreciation				
Buildings	463,119,702	41,195,461	(218,337)	504,096,826
Other improvements and infrastructure	80,121,767	7,118,144	(318,273)	86,921,638
Equipment	138,388,551	11,996,195	(5,502,999)	144,881,747
Library resources	62,012,989	4,248,028	(463,583)	65,797,434
Total accumulated depreciation	743,643,009	64,557,828	(6,503,192)	801,697,645
Total depreciable capital assets, net	878,658,753	20,168,543	(1,288,617)	897,538,679
Total capital assets	\$ 1,032,208,050	\$ 113,478,556	\$ (2,277,274)	\$ 1,143,409,332

The current year depreciation expense was \$64,557,828. During the current fiscal year, the University changed its method of calculating depreciation on selected buildings. The book value of these buildings was broken down into their component pieces to more accurately reflect the useful life based on the University's historical experience. The cumulative effect of this change was an increase in depreciation expense for the year of \$6,970,000.

8. Accounts Payable

At June 30, 2008, accounts payable are the following.

Accounts payable	\$ 34,766,570
Contract retainage	4,632,222
Payroll	17,829,284
Accounts payable, net	\$ 57,228,076

9. Deferred Revenue

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

Current deferred revenue	
Athletics	\$ 2,821,957
ALIVE! program	499,388
Pre-paid Tri-Cities BSEL building rent	302,100
Housing and dining services	1,539,837
Summer session	2,402,060
Parking	246,723
Subtotal	7,812,065
Non-current deferred revenue	
Pre-paid Tri-Cities BSEL building rent	9,638,178
Total deferred revenue	\$ 17,450,243

10. Risk Management

The University, in accordance with state policy, self-insures unemployment compensation for all employees. The University assesses all funds a monthly payroll expense for unemployment compensation for all employees. Payments made for claims from July 1, 2007 through June 30, 2008 were \$419,636. Cash reserves for unemployment compensation for all employees at June 30, 2008 were \$2,619,416.

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.

11. Compensated Absences

The accrued leave liability balance as of June 30, 2008 is \$35,272,239. 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.

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	\$ 26,314,568
Accrued sick leave	8,599,935
Accrued compensatory leave	357,736
Total accrued leave liability	\$ 35,272,239

12. Deferred Compensation

The University administers a limited number of contractual deferred agreements. The deferred compensation obligation for these agreements as of June 30, 2008 was \$2,702,893.

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.

13. Revenue Bond Obligations

Bonds payable consist of revenue bonds issued by the University for construction and renovation of auxiliary facilities as well as the University's share of Washington State general obligation bonds issued for the construction of academic buildings.

State law requires the University to reimburse the state for debt service payments relating to its portion of Washington State general obligation bonds from the proceeds of timber sales and other revenues.

The University has pledged the net revenues from the Housing and Dining System, Intercollegiate Athletics, the Parking System and special student fees to retire the related revenue bonds.

On May 2, 2008, the University's Board of Regents approved the Series Resolution authorizing the issuance of revenue bonds for the construction of a new residence hall on the Pullman campus. On May 14, 2008, the Housing and Dining System issued \$26,185,000 in revenue bonds, with interest rates of 3.5% to 5%, pursuant to the approved Series Resolution and a Master Resolution adopted by the Board of Regents on August 26, 1994 and amended and restated on May 7, 2004 and May 2, 2008. The bonds were issued at a premium of \$469,854 with issuance costs of \$695,684.

Bonds outstanding at June 30, 2008 are:

Schedule of Debt Service Revenue Bond Obligations

Fiscal year	Principal	Interest	Total
2009	\$ 3,740,000	\$ 11,505,462	\$ 15,245,462
2010	5,530,000	11,497,211	17,027,211
2011	5,780,000	11,252,864	17,032,864
2012	6,040,000	10,995,293	17,035,293
2013	6,310,000	10,721,554	17,031,554
2014-2018	36,395,000	48,699,358	85,094,358
2019-2023	46,375,000	38,672,681	85,047,681
2024-2028	46,910,000	26,477,651	73,387,651
2029-2033	43,590,000	15,166,466	58,756,466
2034-2038	31,925,000	6,070,781	37,995,781
2039-2043	7,415,000	187,394	7,602,394
Sub total	240,010,000	191,246,715	431,256,715
Less other adjustments:			
Bond Discounts and Issue Costs	(4,354,252)		(4,354,252)
Bond Premiums	1,629,199		1,629,199
Deferred Costs of Refundings	(2,823,599)		(2,823,599)
Total	\$ 234,461,348	\$ 191,246,715	\$ 425,708,063

Schedule of Debt Service State of Washington General Obligation Bonds

Fiscal Year	Principal	Interest	Total
2009	\$ 4,342,575	\$ 2,525,151	\$ 6,867,726
2010	3,062,040	2,334,160	5,396,200
2011	2,913,051	2,178,695	5,091,746
2012	2,640,000	2,052,540	4,692,540
2013	2,700,000	1,924,520	4,624,520
2014-2018	15,330,000	7,433,035	22,763,035
2019-2023	13,145,000	3,642,962	16,787,962
2024-2028	7,335,000	758,388	8,093,388
Total	\$ 51,467,666	\$ 22,849,451	\$ 74,317,117

Schedule of Long-Term Debt

Revenue Bonds:	Total Amount Issued	Balance Outstanding 6/30/07	Additions	Reductions	Balance Outstanding 6/30/08	Current Portion
Housing and Dining System Revenue Bonds, Series 1999, issued 1999, due serially to 2009, interest rate 5.00%	\$ 17,670,000	\$ 1,120,000		\$ (355,000)	\$ 765,000	\$ 375,000
Housing and Dining System Revenue Refunding Bonds, Series 2001, issued 2001, due serially to 2024, interest rates 4.125% to 5.10%	22,230,000	18,680,000		(685,000)	17,995,000	715,000
Housing and Dining System Revenue Bonds, Series 2004, issued 2004, due serially to 2024, interest rates 2.60% to 5.00%	16,600,000	15,705,000		(615,000)	15,090,000	635,000
Housing and Dining System Revenue Refunding Bonds, Series 2005, issued 2005, due serially to 2030, interest rates 3.00% to 4.75%	16,305,000	16,185,000		(100,000)	16,085,000	100,000
Housing and Dining System Revenue Bonds, Series 2008, issued 2008, due serially to 2038, interest rates 3.125% to 5.25%	26,185,000	\$ 26,185,000			26,185,000	
Recreation Center Revenue Bonds, 1998, issued 1998, due serially to 2032, interest rates 4.50% to 5.15%	46,930,000	42,370,000		(895,000)	41,475,000	935,000
Student Fee Revenue Bonds, Series 2006A and 2006B, issued 2006, due serially to 2038, interest rates 5.00% to 5.99%	89,745,000	89,745,000			89,745,000	
Athletic Facilities Revenue Bonds, Series 2007, issued 2007, due serially to 2032, interest rates 4.00% to 5.50%	24,095,000	24,095,000		(360,000)	23,735,000	570,000
Parking System Revenue Bonds, 1999, issued 1999, due serially to 2009, interest rates 4.95% to 5.10%	10,285,000	655,000		(320,000)	335,000	335,000
Parking System Revenue Refunding Bonds, 2005, issued 2005, due serially to 2024, interest rates 3.00% to 4.40%	8,840,000	8,670,000		(70,000)	8,600,000	75,000
State of Washington General Obligation Bonds						
Series AQ, issued 1982 to 2001, due serially to 2010, interest rates 5.25% to 5.75%	\$ 15,595,878	\$ 2,442,644		\$ (779,978)	\$ 1,662,666	\$ 817,575
Series BK, issued 1987 to 2002, due serially to 2008, interest rates 4.00% to 6.75%	30,279,000	3,255,000		(2,200,000)	1,055,000	1,055,000
Series 1990A, due serially to 2010, interest rate 6.75%	2,000,000	495,000		(155,000)	340,000	165,000
Series 1991B, due serially to 2015, interest rates 5.375% to 5.70%	2,180,000	1,165,000		(100,000)	1,065,000	110,000
Series HE-WSU, issued 1992 to 1997, due serially to 2022, interest rates 3.50% to 6.40%	27,600,000	18,560,000		(1,095,000)	17,465,000	1,140,000
Series 2001A, due serially to 2025, interest rates 5.00% to 5.625%	19,190,000	16,300,000		(545,000)	15,755,000	575,000
Series 2001C, due serially to 2026, interest rates 5.0% to 5.25%	10,050,000	8,630,000		(280,000)	8,350,000	295,000
Series 2002A, due serially to 2026, interest rates 4.0% to 5.0%	6,770,000	5,955,000		(180,000)	5,775,000	185,000
Capital leases		\$ 14,025,775	\$ 1,349,195	\$ (1,939,175)	\$ 13,435,795	\$ 1,829,475
Other adjustments:						
Bond discounts and issue costs		\$ (3,850,455)	\$ (697,559)	\$ 193,762	\$ (4,354,252)	\$ (215,423)
Bond premiums		1,196,845	471,120	(38,766)	1,629,199	52,696
Deferred costs of refundings		(2,981,728)		158,129	(2,823,599)	(163,916)
Total	\$ 392,549,878	\$ 282,418,081	\$ 27,307,756	\$ (10,361,028)	\$ 299,364,809	\$ 9,585,407

14. Leases Payable

The University finances some fixed asset purchases through the Washington State Treasurer's leasing program. The University also has leases for office equipment with various vendors. These leases qualify as operating leases. As of June 30, 2008 the minimum lease payments under capital leases, together with the present value of the net minimum lease payments and operating lease obligations, are shown in the table below.

Leases Payable

Fiscal Year	Capital Leases	Operating Leases
2009	\$ 2,418,859	\$ 1,371,635
2010	2,248,330	1,298,934
2011	2,097,216	852,083
2012	1,990,534	709,344
2013	1,772,626	368,459
2014-2018	5,603,571	251,908
Total minimum lease payments	16,131,136	4,852,363
Amount representing interest	(2,695,341)	
Net present value	\$ 13,435,795	\$ 4,852,363

15. Pension Plans

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

The University employs approximately 5,693 full-time employees eligible for participation in one of the two retirement plans.

The payroll for employees covered by PERS was \$117,616,162 and the payroll for employees covered by the Washington State University Retirement Plan was \$219,925,855.

Public Employees Retirement System

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

Funding Policy. The Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS. The basic contribution rates, established by the legislature, match the actuarially determined rates considered necessary to fully fund the tier one system by June 30, 2024 and to continue to fully fund the tier two systems. Plan 1 members are required to contribute 6% of their annual covered salary. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. The contribution rate for Plan 2 employees at June 30, 2008 was 4.15%. The contribution rate for the University at June 30, 2008 for all PERS plans was 6.13%.

The summary of rates for the year are as follows:

	<u>Employee</u>	<u>University</u>
Plan 1	6.00%	6.13%
Plan 2	4.15%	6.13%
Plan 3	5% to 15%	6.13%

Employee and employer contributions for the year ended June 30, 2008, were \$4,561,676 and \$5,775,034 respectively.

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

Ten-year historical trend information showing the PERS progress in accumulating sufficient assets to pay benefits when due is presented in the State of Washington June 30, 2008, Department of Retirement Systems *Comprehensive Annual Financial Report*.

Washington State University Retirement Plan

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

TIAA-CREF benefits are payable upon termination at the member's option unless the participant is re-employed in another institution 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 50, the benefit goal is 1.5% for each year of full-time service for those years the lower contribution rate is selected.

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

Contributions. Contribution rates for the WSURP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the University. Employee and employer contributions for the year ended June 30, 2008 were each \$18,271,572.

The Washington State University Retirement Plan (supplemental payment) is financed on a pay-as-you-go basis. Supplemental payments made by the University for the year ended June 30, 2008 were \$691,643.

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

Other Post-Employment Benefits

During the 2008 fiscal year, WSU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of the state and local governmental employers. GASB Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service. GASB Statement No. 45 also provides information about actuarial accrued liabilities (AAL) associated with OPEB and whether and to what extent progress is being made in funding the plan.

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 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.

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

The 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.

Employee and employer contributions for the 32 enrolled employees on June 30, 2008 were \$194,789 and \$194,789 respectively.

Federal Employees Retirement System

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

Employee and employer contributions for the 23 enrolled employees on June 30, 2008 were \$14,905 and \$208,675 respectively.

The rates at June 30, 2008 are as follows:

	Employee	University
CSRS	7.00%	7.00%
FERS	0.80%	11.2%

16. Segment Information

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

Wilson Compton Union Building (CUB)

The Wilson Compton Union Building (the CUB) is an auxiliary enterprise of Washington State University (WSU) that provides various services to the student of WSU. The CUB houses retail food outlets, banks and the bookstore. It offers a variety of meeting rooms from small conference space to ballrooms. It also has office space for student government.

Housing and Dining System

The Housing and Dining System is a self-sustaining auxiliary enterprise of Washington State University (WSU). The Housing and Dining System operates residence halls, apartment complexes and food services on WSU campuses.

Parking Services, Transportation and Visitor Center

Parking Services, Transportation and Visitor Center (Parking Services) provides permits for available campus parking areas, maintains the parking lots and issues fines for parking violations. It also operates the Visitor Center located at the entrance to Pullman. Parking Services is a separate auxiliary enterprise of Washington State University (WSU).

Student Recreation Center

The Student Recreation Center was formed in 1998 to construct and operate a health club-type facility for eligible students and associated members of Washington State University (WSU). The Student Recreation Center has over 200 pieces of cardio and weight equipment, 7 courts for basketball, volleyball and badminton, roller hockey, indoor soccer, floor hockey and inline skating, 4 racquetball courts, 5-lane lap pool, leisure pool, 53-person spa, activity rooms, elevated 4-lane running/walking track and more. Over 3,000 students use the facility each day and over 80% of students access the facility each semester.

Intercollegiate Athletics

The Intercollegiate Athletic Department is a unit of Washington State University (WSU) and manages all intercollegiate athletic programs. WSU is a member of the Pacific 10 Conference and the National Collegiate Athletic Association.

Presented on page 31 are the condensed financial statements as audited by LeMaster Daniels, PLLC.

17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, Operating Expenses are displayed by natural classifications, such as salaries, benefits and goods and services. The table below summarizes Operating Expenses by Program for the year ended June 30, 2008.

Operating Expenses by Program

	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 177,543,746	\$ 14,465,925			\$ 192,009,671
Research	104,797,625	46,683,139	\$ 4,943,737		156,424,501
Public service	31,970,773	10,084,418			42,055,191
Academic support	46,018,981	14,708,331			60,727,312
Student services	18,383,748	3,731,450			22,115,198
Institutional support	33,463,295	14,047,808			47,511,103
Operation and maintenance of plant	24,803,278	25,818,824			50,622,102
Other operating expenses	10,352,011	32,000,212			42,352,223
Auxiliary enterprises	44,855,364	53,236,741			98,092,105
Student financial aid net, i.e. scholarships included			36,790,836		36,790,836
Depreciation				\$ 64,557,828	64,557,828
Total operating expenses	\$ 492,188,821	\$ 214,776,848	\$ 41,734,573	\$ 64,557,828	\$813,258,070

Segment Information

	Wilson Compton Union Building	Housing and Dining System	Parking Transportation & Visitor Center	Student Recreation Center	Intercollegiate Athletics
Condensed Statement of Net Assets					
Assets					
Current assets	\$ 10,038,613	\$ 36,854,325	\$ 2,316,751	\$ 3,701,451	\$ 16,368,076
Noncurrent assets					
Capital assets, net of accumulated depreciation	85,936,835	73,822,515	15,695,590	35,183,709	32,831,571
Other noncurrent assets		4,737,855		2,145,865	
Total assets	\$ 95,975,448	\$ 115,414,695	\$ 18,012,341	\$ 41,031,025	\$ 49,199,647
Liabilities					
Current liabilities	\$ 3,278,369	\$ 13,262,435	\$ 1,079,828	\$ 1,597,746	\$ 7,293,660
Noncurrent liabilities					
Long term debt	89,925,490	70,929,118	7,774,643	39,334,990	22,757,105
Other liabilities		2,336,968	1,499,975		2,101,983
Total liabilities	\$ 93,203,859	\$ 86,528,521	\$ 10,354,446	\$ 40,932,736	\$ 32,152,748
Net assets					
Invested in capital assets, net of related debt	\$ 116,099	\$ 19,728,871	\$ 5,870,532	\$ (5,086,282)	\$ 7,159,329
Restricted, expendable	5,486,493	5,897,090			7,160,899
Unrestricted	(2,831,003)	931,763	1,787,363	5,184,571	2,726,671
Designated		2,328,450			
Total net assets	2,771,589	28,886,174	7,657,895	98,289	17,046,899
Total liabilities and net assets	\$ 95,975,448	\$ 115,414,695	\$ 18,012,341	\$ 41,031,025	\$ 49,199,647
Condensed Statement of Revenues, Expenses and Changes in Net Assets					
Operating revenues	\$ 513,823	\$ 42,485,081	\$ 3,620,909	\$ 5,001,848	\$ 38,236,108
Operating expenses	(1,160,750)	(35,188,602)	(2,499,890)	(2,012,549)	(34,611,975)
Depreciation expense	(21,170)	(3,461,077)	(579,334)	(949,192)	(581,917)
Operating income (loss)	(668,097)	3,835,402	541,685	2,040,107	3,042,216
Nonoperating revenues (expenses)	(29,021)	(2,416,804)	(456,270)	(1,942,052)	630,571
Other - transfers among funds	499,852	305,000		(33,012)	
Increase (decrease) in net assets	(197,266)	1,723,598	85,415	65,043	3,672,787
Net assets, beginning of year	2,968,855	27,162,576	7,572,480	33,246	13,374,112
Net assets, end of year	\$ 2,771,589	\$ 28,886,174	\$ 7,657,895	\$ 98,289	\$ 17,046,899
Condensed Statement of Cash Flows					
Net cash flows provided by operating activities	\$ (493,282)	\$ 10,703,979	\$ 926,219	\$ 3,051,859	\$ 3,222,317
Net cash flows used by capital and related financing activities	(48,462,104)	9,928,725	(1,170,127)	(3,366,154)	(14,393,209)
Net cash flows provided by investing activities	48,667,479	(18,015,804)	98,332	117,606	14,684,293
Net increase/decrease in cash and cash equivalents	(287,907)	2,616,900	(145,576)	(196,689)	3,513,401
Cash and cash equivalents, beginning of year	720,486	2,533,260	2,116,006	1,265,826	5,776,275
Cash and cash equivalents, end of year	\$ 432,579	\$ 5,150,160	\$ 1,970,430	\$ 1,069,137	\$ 9,289,676

18. Pledged Revenues

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.

For Year Ending June 30, 2008

Account	Source of revenue pledged	Current year revenues pledged (net) ¹	Current year debt service	Total future revenues pledged ²	Description of debt	Term of commitment ³
522	Student Fees and earnings on invested fees	**	\$4,801,531	\$183,155,902	Student fee revenue bonds issued for the renovation of the Compton Union Building	2038
522	Student Fees and earnings on invested fees	\$5,484,608	1,585,530	38,072,329	Athletics revenue bonds issued for the renovation and expansion of Martin Stadium	2031
522	Student Fees and earnings on invested fees	3,238,018	3,008,270	72,189,925	Recreation center revenue bonds issued for the construction of the Student Recreation Center	2032
528	Parking System revenues, net of operating expenses	1,309,595	770,321	12,405,615	Parking System revenue bonds issued for construction of the parking garage	2024
573	Housing and Dining revenues, net of operating expenses	10,922,481	4,058,128	125,432,944	Housing and Dining revenue bonds issued for the construction and renovation of various student housing projects	2038

**Project not complete yet, so no revenues

¹Operating revenue net of operating expenses

²Total future principal and interest payments on the debt

³Ending year of commitment

19. Contingent Liabilities

There is a class action lawsuit 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 WSU. Accordingly, it is possible that 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 WSU cannot be assessed with reasonable certainty at present.



Supplementary Information Enrollment and Degrees Conferred

	Academic year				
	2008	2007	2006	2005	2004
Fall enrollment (headcount)					
Undergraduate headcount	21,149	19,554	19,585	19,281	18,746
Graduate headcount	3,396	3,320	3,219	3,228	3,239
Professional headcount	807	781	740	732	727
Total headcount	25,352	23,655	23,544	23,241	22,712

Fall enrollment (full-time equivalent)					
Undergraduate FTE	19,183	17,217	17,352	17,130	16,634
Graduate FTE	3,396	3,499	3,414	3,500	3,585
Professional FTE	807	1,320	1,219	1,154	1,017
Full-time equivalent	23,386	22,036	21,985	21,784	21,236

Freshman admission information					
Applications	11,527	9,314	9,193	9,508	9,182
Acceptances	8,850	7,177	6,793	7,148	7,206
Matriculants	4,329	2,861	2,890	3,123	3,042

Degrees conferred					
Baccalaureate	4,818	4,797	4,508	4,133	4,223
Masters	724	702	741	730	752
Doctoral	189	175	170	180	167
Professional	188	219	169	174	160

Source: Washington State University Institutional Research

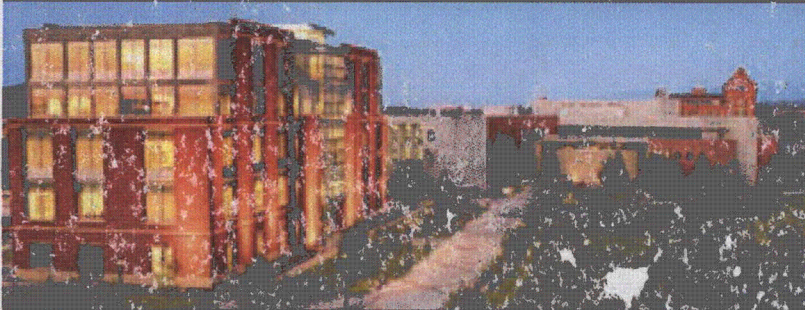
Tuition and Fees, Undergraduate

Academic year	Resident	Non-Resident	Room and Board ¹
2008-09	\$6,720	\$17,756	\$7,738
2007-08	\$6,290	\$16,604	\$7,316
2006-07	\$5,887	\$15,527	\$6,590
2005-06	\$5,506	\$14,514	\$6,280
2004-05	\$5,154	\$13,572	\$6,034

¹Standard room including double occupancy plus level 2 meal plan

Source: Washington State University Institutional Research

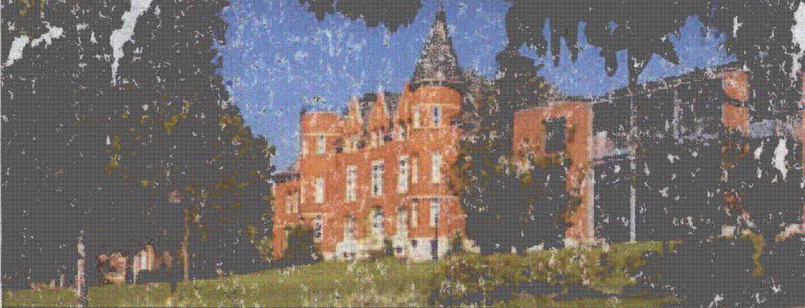
STATEWIDE PRESENCE



WSU Spokane



WSU Vancouver



WSU Pullman



WSU Tri-Cities



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

Terry Ely
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Tom Fitzgerald
Karen Kellerman
Teri Ockwell
Robert Wright



FINANCIAL REPORT | 2009

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LEGAL COUNSEL

Antoinette "Toni" Ursich, Division Chief, WSU Division of State Attorney General Office

Officer list effective as of June 30, 2009



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Financial Report 2009

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.

Message from the President

It is an honor for me to share with you Washington State University's annual report for the 2009 fiscal year. This publication provides in-depth information about the fiscal health and operations of WSU during the period beginning on July 1, 2008, and concluding on June 30, 2009.

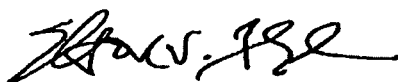
The year provided many indicators of substantial institutional strength. Some of the highlights include:

- Gene and Linda Voiland donated an unprecedented \$17.5 million to the School of Chemical Engineering and Bioengineering to advance research and to hire faculty in the areas of renewable fuels and sustainable energy. Yong Wang, an internationally known researcher in catalysis and biorenewable energy, joins the WSU faculty as the first Voiland Distinguished Professor.
- Demand for a WSU education remained high. Record enrollment figures showed increased student numbers at all WSU campuses, a record influx of freshmen and higher numbers of minority students. Enrollment increased 3.9 percent statewide, from 24,396 in fall 2007 to 25,352 in fall 2008.
- To recognize high academic achievement, the WSU Office of Admissions announced that Washington students who rank in the top ten percent of their high school class or who have at least a 3.5 GPA at the time of application would be assured admission.
- WSU graduate student numbers continued to climb for fall 2008, with 3,396 graduate students, up two percent. The increase was primarily on the Pullman and Spokane campuses.
- WSU Distance Degree Programs experienced a 22 percent increase in online students in fall 2008, following an average five percent annual increase over the previous six years. The program, one of the nation's most successful, enhances our ability to ensure student access to a quality WSU education.
- Washington State University completed its extensive self-review for renewed accreditation, which was received in positive fashion from the Northwest Commission on Colleges and Universities.
- The Carnegie Foundation for the Advancement of Teaching classifies WSU in the elite group of Research Universities with Very High Research Activity. In December 2008, this Foundation awarded WSU its Community Engagement Classification in the dual categories of curricular engagement and outreach and partnerships.
- In September 2008, the extensively renovated Compton Union Building opened, while construction proceeded apace on our Olympia Avenue residence hall, the first to be built on the Pullman campus since 1971.
- We are building for the future statewide with a new \$34 million Nursing Building at WSU Spokane, a new \$28 million Undergraduate Classroom building at WSU Vancouver, and \$72 million Biotechnology/Life Sciences Building on the Pullman campus. Additional important facilities are on the drawing board.

Toward the end of the 2009 fiscal year, WSU was asked by the state to cut its budget and return \$10.5 million which had been previously allocated to the University. This reduction was part of a statewide action to address declining state revenues.

Despite this financial challenge, 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 operations of Washington State University (the University) for the year ended June 30, 2009. This overview has been prepared by management and should be read in conjunction with the University's financial statements and accompanying notes.

Founded in Pullman in 1890 as the state's land-grant research university, Washington State University today has campuses in Pullman, Spokane, Tri-Cities and Vancouver. Ten regional learning centers and award-winning Distance Degree Programs offer access to the University's degrees statewide and around the world. Enrollment exceeds 25,300 students who are served by over 2,300 faculty and 3,600 staff members. Among the University's faculty are nine members of the National Academy of Sciences and National Academy of Engineering and the Institute of Medicine.

Considered one of the country's top public research universities, the University has ten academic colleges, an Honors College and the Graduate School. The colleges include: Agricultural, Human, and Natural Resource Sciences; Business; Communications; Education; Engineering and Architecture; Liberal Arts; Nursing; Pharmacy; Sciences; and Veterinary Medicine. The University offers more than 250 fields of study including more than 150 majors plus many minors, options and certificate programs. Bachelor's degrees are available in all major areas with master's and doctoral degrees available in most. Professional degrees are offered in Pharmacy and Veterinary Medicine. Last year, 6,004 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 management's discussion and analysis, however, focuses only on the University. 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 Governmental Accounting Standards Board (GASB) pronouncements which establish standards for external financial reporting for public colleges and universities. GASB standards require that financial statements be presented to focus on the University as a whole.

Financial Highlights

Overall, the University's financial position improved during the year ended June 30, 2009:

- Assets increased by \$66 million to end the year at \$1.94 billion.
- Liabilities decreased by \$4.5 million to end the year at \$430 million.
- Net assets, which represent the residual of assets after deducting liabilities, increased by \$71 million to end the year at \$1.5 billion.

Other significant changes to operations were as follows:

- Revenues from all sources totaled \$906 million, an increase of \$6.2 million over fiscal year 2008.
- Expenses totaled \$835 million, an increase of \$7.1 million over last year.
- Capital assets, net of depreciation, increased by \$99 million.

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

As of June 30, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008	Change
Assets			
Current assets	\$ 196,065,095	\$ 221,948,079	\$ (25,882,984)
Non-current assets	502,206,135	508,744,789	(6,538,654)
Capital assets, net of depreciation	1,242,463,648	1,143,409,332	99,054,316
Total assets	\$1,940,734,878	\$1,874,102,200	\$ 66,632,678
Liabilities			
Current liabilities	\$ 78,075,065	\$ 78,277,541	\$ (202,476)
Non-current liabilities	352,437,174	356,731,853	(4,294,679)
Total liabilities	\$ 430,512,239	\$ 435,009,394	\$ (4,497,155)
Net assets			
Invested in capital assets, net of debt	\$ 954,111,654	\$ 875,094,055	\$ 79,017,599
Restricted nonexpendable, endowments	384,438,746	371,529,761	12,908,985
Restricted, loans	26,936,183	25,743,086	1,193,097
Restricted expendable	72,703,636	97,039,962	(24,336,326)
Unrestricted	72,032,420	69,685,942	2,346,478
Total net assets	\$1,510,222,639	\$1,439,092,806	\$71,129,833

Significant Changes in the Statements of Net Assets

- Current assets decreased by \$26 million. Several bond funded construction projects were completed during the year and invested bond proceeds were liquidated and spent on the construction costs resulting in a decrease of \$27 million in cash and investments. In addition, accounts receivable increased by \$1 million.
- Capital assets, net of depreciation, increased by \$99 million. This increase reflects the continuing construction costs of several large building and infrastructure projects across the campuses. Complete or nearly complete were the new Biotechnology/Life Sciences building, the Vancouver Undergraduate Classroom Building, the Olympia Avenue residence hall and the Library Road infrastructure project.
- Non-current liabilities decreased by \$4 million. With no new bonds issued in 2009, bonds payable decreased by \$9 million, the result of principal repayments. The University's net pension obligation increased by \$5 million as calculated by the State Actuary, based on forecasts of lower earnings on retirement accounts which may increase the supplemental liability.
- Net assets increased by \$71 million.

Financial Health and Flexibility

There are a number of ratios used by the debt rating agencies to gauge financial health and flexibility. One of the more significant ratios used to measure operating flexibility is the ratio of expendable net assets to total expenses. Expendable net assets (defined as restricted expendable net assets plus unrestricted net assets) can be accessed relatively quickly and spent to satisfy current obligations. This ratio indicates how long the University could function using its expendable reserves without relying on additional assets generated by operations. The University had sufficient expendable net assets to cover 2.7 months of operations in 2009, a decrease from 2008 which was 4.5 months. This decrease was the direct result of the recession and the decrease in investment earnings.

Another popular ratio, used to measure debt cushion, is the ratio of expendable net assets (as defined above) to debt. A ratio between 0.4 times to 1.2 times would be considered good coverage by one of the major rating agencies. The University's debt cushion decreased to 0.6 times in 2009, down from 0.9 times in 2008. Again, this decrease is also a result of the poor economy.

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 up 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.

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30, 2009 and June 30, 2008

	June 30, 2009	June 30, 2008	Change
Operating revenues (expenses)			
Operating revenues	\$ 496,314,915	\$ 464,801,208	\$ 31,513,707
Operating expenses	(821,657,834)	(813,258,070)	(8,399,764)
Net operating income (loss)	\$ (325,342,919)	\$ (348,456,862)	\$ 23,113,943
Non-operating revenues/expenses			
Non-operating revenues	\$ 308,605,098	\$ 368,449,177	\$ (59,844,079)
Non-operating expenses	(13,869,984)	(15,132,229)	1,262,245
Net non-operating revenues	\$ 294,735,114	\$ 353,316,948	\$ (58,581,834)
Income (loss) before other revenues, expenses, gains, losses and transfers	\$ (30,607,805)	\$ 4,860,086	\$ (35,467,891)
Other revenues	\$ 101,737,638	\$ 67,184,639	\$ 34,552,999
Increase in net assets	\$ 71,129,833	\$ 72,044,725	\$ (914,892)
Net assets, beginning	\$ 1,439,092,806	\$ 1,367,048,081	
Net assets, end of year	\$1,510,222,639	\$ 1,439,092,806	

In accordance with GASB guidance, the University reclassified Federal PELL grants from operating revenues to non-operating revenues in 2009 and restated 2008 for comparison purposes.

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

Operating revenues increased by \$32 million. Student enrollment increased by 956 students and coupled with a 7% increase in the tuition rate resulted in \$17.5 million more dollars in Tuition and Fees. Auxiliary enterprises revenue increased by 6% or \$6 million due to the increased enrollment and an increase of 8.8% in the Housing and Dining rate and because of the reopening of the remodeled student union building in the fall of 2008. Increases in federal and local grants accounted for the remainder of the increases.

Operating expenses increased overall by \$8 million. Salaries were up by \$13 million due to an authorized 4% pay increase in the fall of 2008. This increase was largely offset by a 4.4% reduction in benefits expense as a result of a \$4 million adjustment reducing deferred compensation liability. Utilities expense decreased by \$5 million as result of decrease natural gas costs and a change in telecommunication billing. Payments for goods and services decreased by \$3 million primarily as a result of a State imposed freeze on travel and equipment purchases. Scholarships and fellowships were up by \$4 million as a result of more students qualifying for financial aid. Depreciation increased by \$3 million as new buildings and infrastructure were added.

Net non-operating revenues decreased by \$60 million. Gifts and contributions were down by \$6 million and investment income decreased by \$47 million due to the recession in the economy. Federal appropriations decreased by \$2 million. Other non-operating revenues decreased by \$5 million.

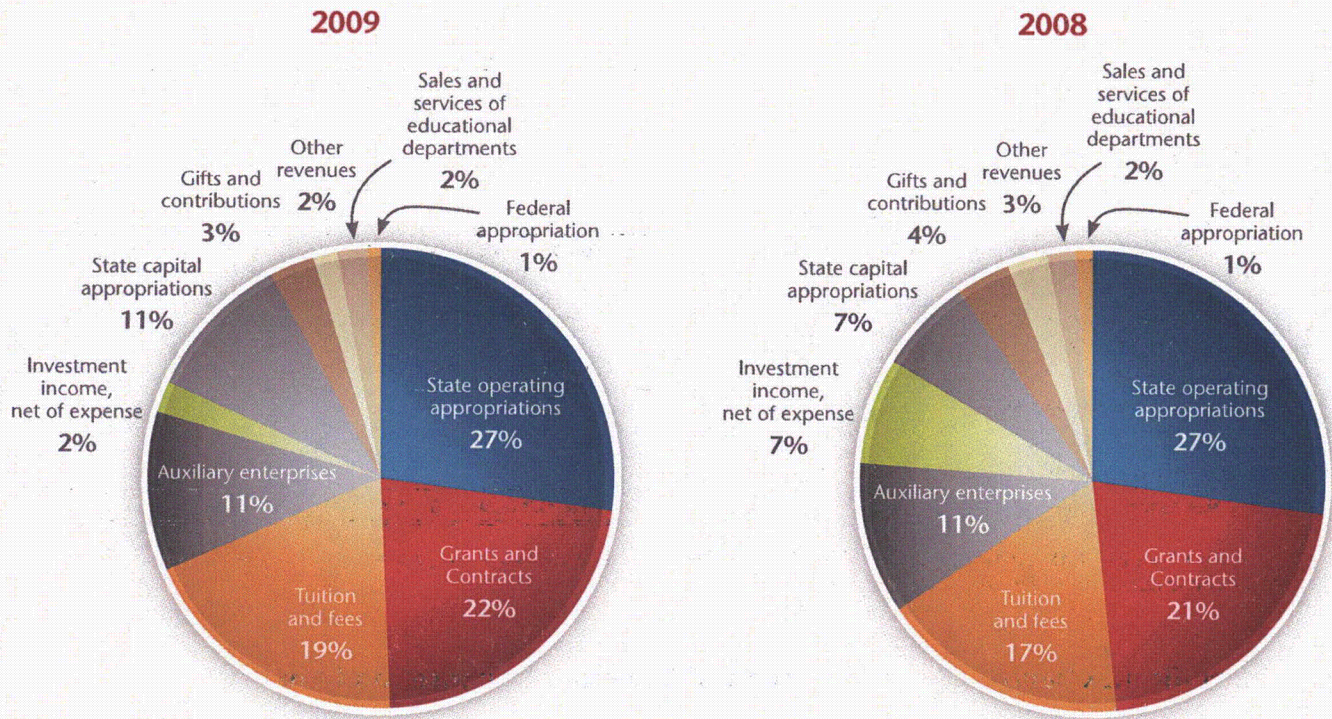
Other revenues increased by \$34.5 million. State capital appropriations increased by \$34.5 million largely due to the appropriation of the Vancouver Applied Technology Building to be completed in September of 2011.

Operating Performance

Rating agencies use a number of ratios to assess operating performance. One of the ratios more commonly used by Moody's is annual operating margin, which compares operating surplus (or deficit) to operating revenues. Moody's definition of operating revenues includes several non-operating revenues in determining margin and an estimated spending rate of the University's investments rather than actual investment income. This ratio indicates the extent to which the University is balancing revenues with expenses and growing its resource base. In spite of the difficult economic conditions, the University's annual operating margin in 2009 was -3.34% which was an improvement over fiscal year 2008's annual operating margin of -5.05%.

Revenues from all Sources

For the Years Ended June 30, 2009 and 2008



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 for 2009 and 2008. State operating appropriations were \$246.5 million comprising 27% of total revenue for 2009. The university relies on this state funding which subsidizes its instructional activities allowing for lower tuition rates.

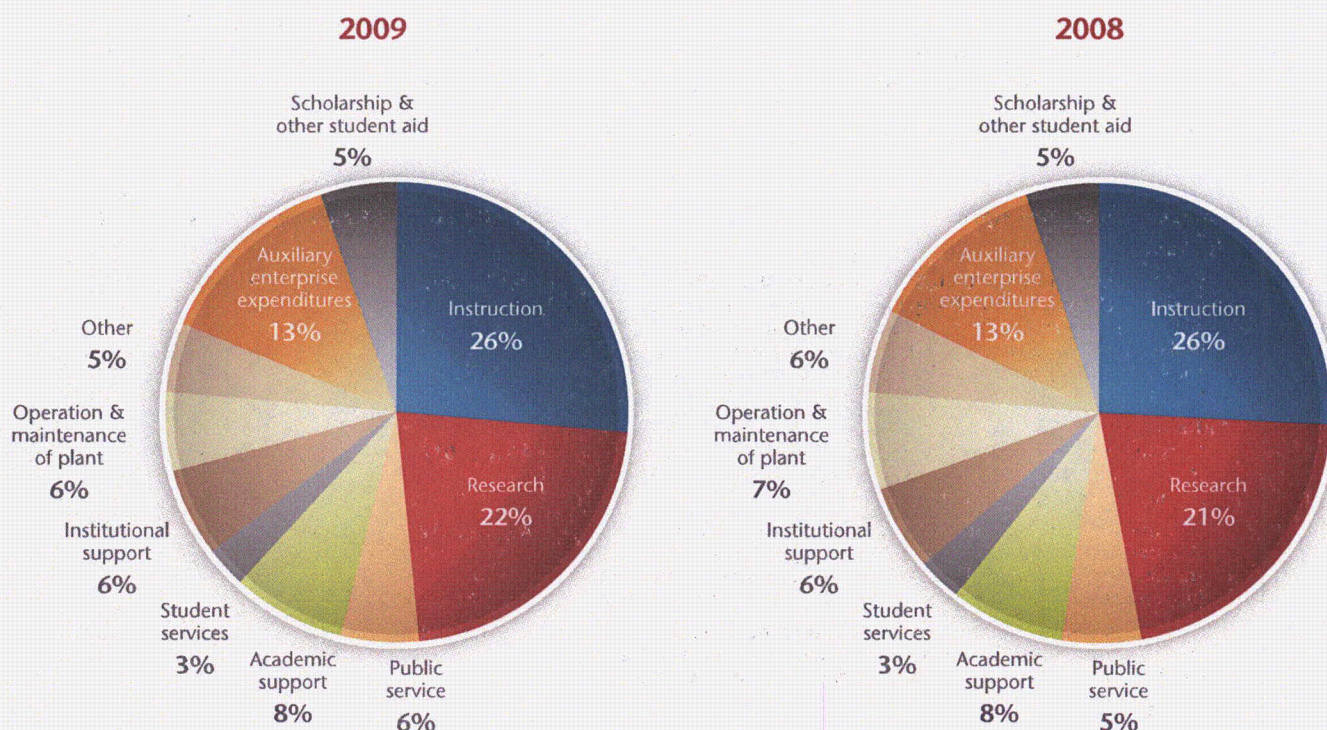
Grants and contracts generated \$201 million or 22% of total revenue. This was an increase of \$11 million over 2008. These funds support the university's research activities which allow students to work with nationally recognized faculty as part of their educational experience.

State capital appropriations totaled \$94.2 million (11% of total revenue). This was an increase of \$34.5 million over 2008. This was largely the result of the new funding for the Vancouver Undergraduate Classroom Building to be completed in May 2011 and the Biotechnology/Life Sciences Facility, completed in June 2009.

Auxiliary enterprises generated \$101 million in revenues representing 11% of the total revenue. This was an increase of \$6 million over 2008. Auxiliary enterprises are essential supporting activities, such as university residences, intercollegiate athletics, and the student union.

Operating Expenditures by Program

For the Years Ended June 30, 2009 and June 30, 2008



The above graphs demonstrate that during 2009 expenditures increased in the Research and Public Service areas by 1% each. Overall, expenditures increased by \$8.4 million. Expenditures for research increased by \$9.4 million, or 1% of total due to an increase in grants and contracts, including stimulus grants. The net change in all other operating expenditures consisted of increases in instruction costs and scholarships offset by decreases in nearly all other program areas. (Note: for the purposes of these graphs, depreciation has been allocated to the programs.)

Capital Assets and Long-Term Debt Activities

Capital Assets

At June 30, 2009, the University had \$1,242,463,648 invested in capital assets, net of accumulated depreciation. This represents an increase of \$99,054,316, or 8.6%, over last year, as shown in the table below:

	June 30, 2009	June 30, 2008	Change
Land	\$ 39,647,948	\$ 40,529,152	\$ (881,204)
Construction in progress	72,250,029	205,341,501	(133,091,472)
Buildings	891,980,115	711,096,800	180,883,315
Other improvements and infrastructure	136,418,947	95,385,972	41,032,975
Equipment	54,210,625	44,499,176	9,711,449
Library resources	47,955,984	46,556,731	1,399,253
Total Capital Assets, net	\$ 1,242,463,648	\$ 1,143,409,332	\$ 99,054,316

At year-end, several large construction projects were underway. Nearing completion were the construction of the Olympia Avenue Student Housing Building, the Library Road Infrastructure project, and the Vancouver Applied Technology Classroom Building.

Construction projects completed during fiscal year 2009 included the renovation of the Compton Union Building, the renovation to Martin Stadium, construction of the Biotechnology/Life Sciences building, and the construction of the Riverpoint Nursing Building in Spokane. These and other capital projects increased buildings and infrastructure by \$88 million. Equipment, much of it purchased in conjunction with the construction projects, increased by \$10 million.

The University's construction projects in process at year-end included:

Campus/Project Description	Completion Date	Financing Sources	Cost In \$ Millions
Spokane:			
Construction of the 55,000-70,000 square foot Biomedical and Health Sciences Building Phase 1 to provide basic and clinical research laboratory space, core research and teaching facilities including a vivarium and gross anatomy laboratory; and administrative support spaces including offices and conference rooms.	December 2013	State appropriations	\$45.0
Pullman:			
Construction of the 40,000-45,000 square foot Global Animal Health Building Phase 1 to provide facilities for infectious disease research and diagnostic programs.	March 2012	Bond proceeds and private gifts	35.0
Construction of the 77,250 square foot Veterinary Medical Research Building to provide properly equipped and environmentally controlled, state-of-the-art biomedical research and support space for the health science teaching and research programs.	August 2012	Bond proceeds	96.0
Design and construction of Library Road Improvements to improve traffic circulation, enhance pedestrian movements and safety, develop open spaces and deconstruct Administration Annex Building.	December 2009	State appropriations	15.0
Vancouver:			
Design and construction of 58,000 square foot Undergraduate Classroom Building to provide classrooms and computer labs in support of the strategic initiative to develop this campus into a four-year institution.	May 2011	State appropriations	28.0
Design work for 56,250 square foot Applied Technology Building to provide research and teaching space for Computer Sciences and Electrical Engineering.	September 2011	State appropriations and bond proceeds	42.5

Construction projects completed during the fiscal year included:

Campus/Project Description	Completion Date	Financing Sources	Cost In \$ Millions
Pullman:			
Renovation of the 235,000 square foot Compton Union Building (student union) to replace utilities, renovate facilities, relocate student bookstore and enhance comfort, efficiency and functionality for students.	August 2008	Bond proceeds	\$86.0
Renovation of Martin Stadium to improve game day experience for football fans by expanding circulation space, restrooms and concession areas and relocating the main entry gates to enhance access and aesthetics.	August 2008	Bond proceeds	24.2
Construction of the 130,000 square foot Biotechnology/Life Sciences Building to house interdisciplinary programs in the human health fields in support of the University's biotechnology strategic initiative, providing administrative offices for the Center for Biotechnology and School of Molecular Biosciences, and research labs, core labs, conference rooms and office space for faculty and postdoctoral students.	June 2009	State appropriations	72.7
Spokane:			
Construction of 80,000 square foot Nursing Building to replace current off-campus space with cutting-edge on-campus teaching facilities, increasing graduate and undergraduate nursing student capacity and facilitating closer collaboration with major regional hospital/medical complexes, enhancing the campus's emphasis on biomedical research.	Spring 2009	State appropriations	34.6

Long-Term Debt

At June 30, 2009, the University had \$290,573,000 in outstanding debt, representing a decrease of \$8,791,810, or 3%, from the prior year. The table below summarizes outstanding debt:

	June 30, 2009	June 30, 2008	Change
General obligation bonds payable	\$ 47,125,092	\$ 51,467,666	\$ (4,342,574)
Revenue bonds payable, net	231,047,991	234,461,349	(3,413,358)
Capital leases	12,399,917	13,435,795	(1,035,878)
Total debt	\$ 290,573,000	\$ 299,364,810	\$ (8,791,810)

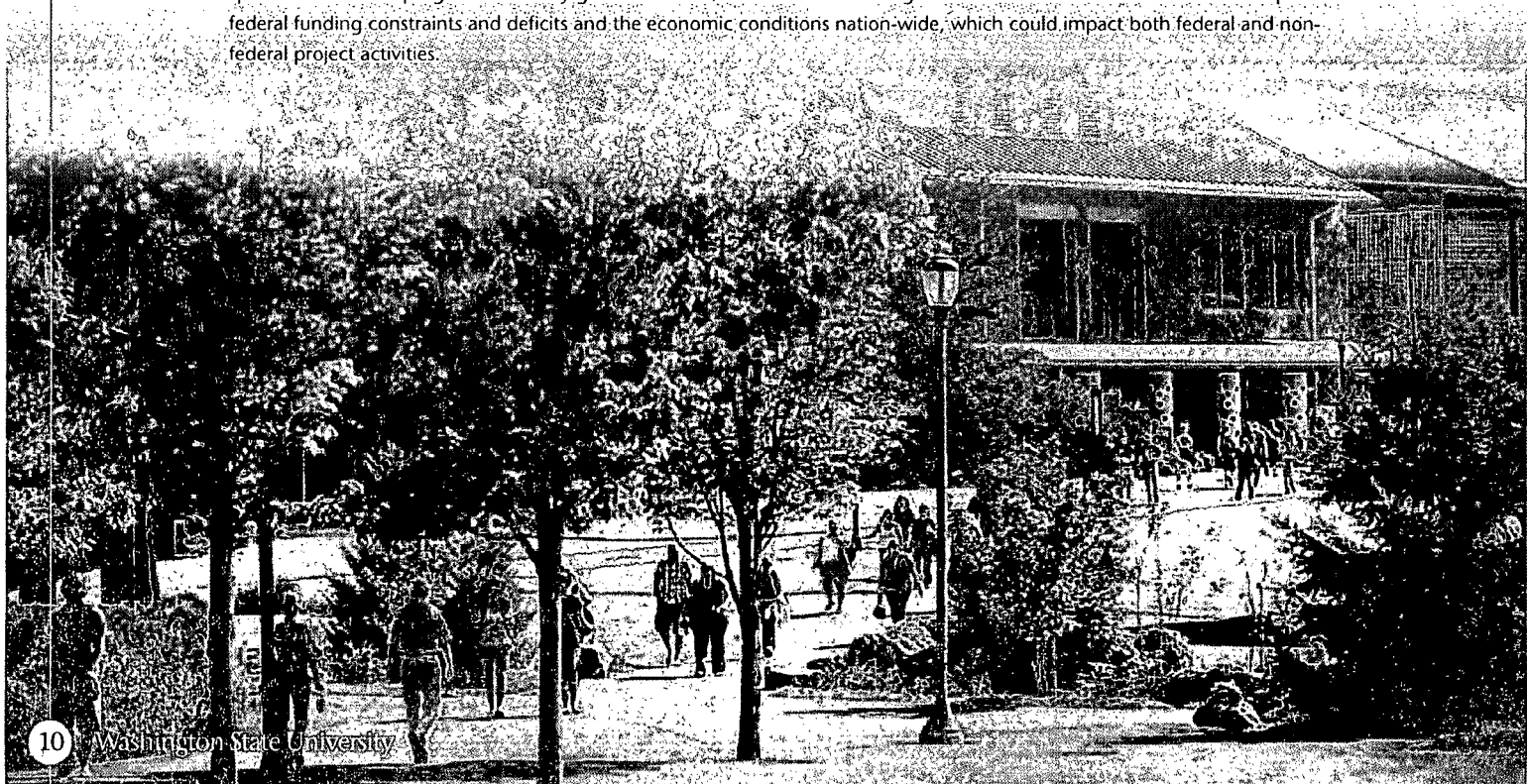
Economic Outlook

In the recently adopted 2009-11 biennial operating budget, the State of Washington addressed an estimated budget shortfall of \$9 billion. For the University, the net effect of the shortfall was a \$54.2 million or 10.4% reduction of state operating support for the biennium. Since the initial 2009-11 budget was adopted, Washington's revenue forecasts have been adjusted downward. As of November 2009, the State projects an additional \$2.6 billion shortfall that must be addressed in the 2010 legislative session. The impact on the University will not be known until the Washington Legislature adopts its 2010 supplemental operating budget.

The State's capital budget remained strong, with the university receiving appropriations and bonding authority for the two-year biennial period of \$196.8 million. Federal appropriations for the University's land grant programs are expected to remain near a \$9 million funding level.

Student tuition and fees will increase, with a portion of the incremental revenue used for financial aid. Tuition rates will increase by 14% for resident students and increase between 5% and 10% for other student categories. Enrollment is expected to be 2.8% higher than 2009, at 23,962 annual average full time equivalents for the four-campus system. Overall, the University expects net tuition and fee revenues to provide \$191.3 million to support operations, a 10% increase over 2009.

Federal sponsored research and other programs are the largest portion of externally funded grant expenditures. 66% of University projects were supported by federal funding and 34% by non-federal funding in 2009. Federal research project expenditures increased only slightly between 2008 and 2009; whereas non-research project expenditures significantly increased by almost 16%. Federal non-research programs and non-federal sponsored programs, both research and non-research, have grown in recent years, offsetting the slow-down in federal sponsored research programs. Current trends indicate that federally sponsored research programs will likely grow at a faster rate in 2010. The longer-term outlook is more uncertain due to possible federal funding constraints and deficits and the economic conditions nation-wide, which could impact both federal and non-federal project activities.





**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

January 11, 2010

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, 2009, 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, 2009, 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, 2009, 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 10 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
STATE AUDITOR

Washington State University
Statement of Net Assets
As of June 30, 2009

	University 2009	Foundation 2009
Assets		
Current assets		
Cash and cash equivalents	\$ 76,835,924	\$ 731,457
Prepaid expenses	691,120	
Inventories	16,756,084	
Net accounts receivable	55,909,369	90,073
Pledges receivable		18,780,269
Due from Washington State University		134,041
Investments, current portion	45,872,598	
Subtotal current assets	196,065,095	19,735,840
Non-current assets		
Long-term investments	60,669,823	
Endowment investment	396,750,695	223,015,063
Deposits in escrow	6,650,690	
Assets held in trust by WSU Foundation	15,790,111	
Non-current accounts receivable		6,697,271
Assets held in trust		35,787,859
Net loans receivable	22,344,816	
Capital assets, net of accumulated depreciation	1,242,463,648	3,484,754
Subtotal non-current assets	1,744,669,783	268,984,947
Total assets	\$ 1,940,734,878	288,720,787
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 56,090,246	\$ 15,505,513
Due to WSU Foundation	134,041	
Due to Washington State University		15,790,111
Deposits	3,496,433	
Assets held for other organizations		585,732
Deferred revenue, current portion	8,189,073	
Long-term debt, current portion	10,165,272	
Subtotal current liabilities	78,075,065	31,881,356
Non-current liabilities		
Accrued leave	36,784,998	
Deferred compensation	1,086,483	
Deposits held in custody for others	15,944,652	
Pension obligation	9,273,035	
Deferred revenue	8,940,278	
Long-term debt	280,407,728	
Subtotal non-current liabilities	352,437,174	
Total liabilities	\$ 430,512,239	\$ 31,881,356
Net Assets		
Invested in capital assets, net of related debt	954,111,654	
Nonexpendable	384,438,746	249,254,985
Loans	26,936,183	
Expendable	72,703,636	5,803,966
Unrestricted	72,032,420	1,780,480
Total net assets	\$ 1,510,222,639	\$ 256,839,431
Total liabilities and net assets	\$ 1,940,734,878	\$ 288,720,787

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, 2009

	University 2009	Foundation 2009
Revenues		
Operating revenues		
Net tuition & fee revenue	\$ 173,288,111	
Federal grants and contracts	98,599,184	
State grants and contracts	50,118,401	
Local grants and contracts	34,674,054	
Sales and services of educational departments	18,909,211	
Auxiliary enterprises	101,126,381	
Other operating revenues	19,599,573	
Total operating revenues	496,314,915	
Expense		
Operating expenses		
Salaries and wages	396,067,669	
Benefits	104,430,971	
Scholarships and fellowships	45,472,848	
Utilities	27,566,220	
Payments to suppliers	127,320,123	
Purchased services	50,925,456	
Other operating expenses	1,381,296	
Depreciation	68,493,251	
Total operating expenses	821,657,834	
Net operating loss	(325,342,919)	
Non-operating revenues (expenses)		
State appropriations	246,598,762	
Federal appropriations	8,611,351	
Federal Pell Grants	17,403,057	
Interest on capital assets—related debt	(13,869,984)	
Gifts and contributions	21,037,229	\$ 28,613,457
Investment income, net of expense	19,675,446	(60,363,967)
Support provided to/for Washington State University, net		(28,426,917)
Fund raising		(7,474,390)
General and administrative expenses		(3,030,370)
Other non-operating revenues (expenses)	(4,720,747)	3,373,624
Total non-operating revenues (expenses)	294,735,114	(67,308,563)
Income before other revenues, expenses, gains or losses	(30,607,805)	(67,308,563)
Other revenues, expenses, gains or losses		
Capital appropriations	94,290,006	
Capital grants & gifts	7,059,474	
Additions to permanent endowments	388,158	12,372,597
Total other revenues	101,737,638	12,372,597
Increase in net assets	71,129,833	(54,935,966)
Net assets		
Net assets, beginning of year	1,439,092,806	311,775,402
Net assets, end of year	\$ 1,510,222,639	\$ 256,839,436

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

Washington State University
Statement of Cash Flows
For the Year Ended June 30, 2009

2009

Cash flows from operating activities

Tuition and fees	\$ 194,501,751
Grant and contracts	204,578,704
Payments to suppliers	(127,688,498)
Payments for utilities	(27,424,161)
Purchased services	(51,516,405)
Payments to employees	(397,065,551)
Payments for benefits	(99,431,376)
Other operating expenses	(1,372,143)
Payments for scholarships and fellowships	(65,872,477)
Loans issued to students	(1,931,571)
Collection of loans to students	2,775,034
Auxiliary enterprise receipts	99,859,848
Sales and service of educational departments	18,745,940
Other receipts	16,525,456

Net cash used by operating activities

(235,315,449)

Cash flows from noncapital financing activities

State appropriations	243,399,287
Federal appropriations	8,348,802

Gifts for other than capital purposes

Private gifts	18,904,494
Additions to permanent endowment	388,158
Agency fund receipts	143,205,543
Agency fund disbursements	(142,892,173)
Other non-operating revenues	2,288,228

Net cash provided by noncapital financing activities

273,642,339

Cash flows from capital and related financing activities

Proceeds of capital debt	974,660
Capital appropriations	93,525,348
Capital grants and gifts received	2,842,572
Purchases of capital assets	(168,230,592)
Principal paid on capital debt and leases	(9,893,499)
Interest paid on capital debt and leases	(13,844,753)

Net cash used by capital and related financing activities

(94,626,264)

Cash flows from investing activities

Proceeds from sales of investments	256,745,412
Purchases of investments	(217,129,067)
Investment income	29,459,339

Net cash provided by investing activities

69,075,684

Net increase (decrease) in cash and cash equivalents

12,776,310

Cash—beginning of year

64,059,614

Cash—end of year

\$ 76,835,924

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

2009

Operating loss \$ (325,342,919)

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

Depreciation expense 68,493,251

Changes in assets and liabilities

Changes in assets

Deposits in Escrow (2,060,272)

Prepaid expenses 127,818

Inventories 18,184

Net accounts receivable (1,145,221)

Investments 25,425,561

Changes in liabilities

Accounts payable and accrued liabilities (1,137,830)

Deferred revenue (320,893)

Due to WSUF (516,770)

Deposits 495,252

Long term debt, current portion 579,866

Lease obligations, current portion 68,524

Net cash used by operating activities (235,315,449)

Significant noncash transactions

Loss on capital assets (3,709,530)

Amortization expense (326,643)

Donated capital assets 4,309,030

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



Notes to the Financial Statements

June 30, 2009

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.

Nature of Operations

The University was created as a land grant public university by the Washington State Legislature in 1890. The University opened its doors January 13, 1892, on land donated by the citizens of Pullman. Today, Washington State University has campuses in Pullman, Spokane, the Tri-Cities, and Vancouver, with extension offices and learning centers across the state. Washington State University's 25,352 undergraduate, graduate and professional students have the opportunity to work one-on-one with internationally acclaimed professors and researchers. The primary missions of the University are instruction, research and public service.

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

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

The Foundation reports its financial results in accordance with Financial Accounting Standards Board (FASB) 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

Financial Statement Presentation

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

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged in Business Type Activities (BTA). In accordance with BTA reporting, the University presents a Management's Discussion and Analysis; a Statement of Net Assets; a Statement of Revenues, Expenses and Changes in Net Assets; a Statement of Cash Flows; and Notes to the Financial Statements. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Pursuant to GASB Statement 20, the University has elected not to apply any Financial Accounting Standards Board pronouncements issued after November 20, 1989.

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 2009 was \$1,905,061.

Elimination of Inter-fund Transactions

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

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

Cash, Cash Equivalents and Investments

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

Accounts Receivable

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

Inventories

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

Capital Assets

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

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, 2009, 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, 2009 are \$60,380,017.

New Accounting Pronouncements

On July 1, 2007, the University adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This pronouncement includes provisions for recognition and disclosure of estimated costs for cleanup of pollution that the University may have an obligation to remediate. Pursuant to this accounting statement, the University has identified a number of small sites for which it may have pollution remediation liabilities but none are material.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. Statement No. 52 requires that land held for investment by endowments be reported at fair value rather than historical cost. The University has reviewed its land holdings and determined that none of its land is held for investment.

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, 2009, the carrying amount of the University's change funds, petty cash and bank demand deposit accounts with financial institutions is \$26,479,900 as represented in Table 1.

Table 1: Cash and Cash Equivalents

	2009
Cash	\$ 26,479,900
Cash equivalents	50,088,203
Deposits with fiscal agents	267,821
Cash and cash equivalents	\$ 76,835,924

Custodial Credit Risks—Deposits

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

University Endowments

The University contracts with the WSU Foundation for the management of privately endowed assets. University and Foundation endowments are pooled and invested with the objectives of long-term capital appreciation and stable but growing income stream. The fair market values of the University endowment investments at June 30, 2009 were \$28,599,270.

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 added to the Agricultural College Permanent Fund, established under RCW 43.79.136, and the Scientific School Permanent Fund, established under RCW 43.79.110. The Washington State Investment Board manages these two permanent funds for the sole benefit of the University. All distributed income is used for capital projects. The fair value is \$368,151,425 after the settlement of all pending transactions, receivables and payables, as shown in Table 2.

Table 2: Permanent Fund

University permanent fund investments	Fair value	Average duration	Credit rating
Money market fund	\$ 240,427	0	N/A
Commingled monthly bond fund	366,929,177	4.38	AA3
Cash at state treasurer	545,609		
Pending trades	436,212		
Total permanent fund investments	\$ 368,151,425		

Endowment investments consist of University-held endowments valued at \$28,599,270 (per table 3) and the permanent fund of \$368,151,425, for a total of \$396,750,695.

Investments

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

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							
Certificate of deposit	\$ 18,500,000	\$ 18,500,000				0.09	nr
US Agency obligations—Discount notes	1,819,065	1,819,065				0.02	AAA
Other—Bank short-term investment fund	5,419,558	5,419,558				0.00	nr
Local Government Investment Pool	24,349,580	24,349,580				0.14	nr
Total cash equivalents	\$ 50,088,203						
Current investments							
US Agency obligations	\$ 45,872,598	45,872,598				0.45	AAA
Total current investments	\$ 45,872,598						
Non-current investments							
Operating funds							
US government treasuries	\$ 25,273,652					2.15	AAA
US agency obligations	7,562,687		\$ 7,562,687			1.41	AAA
Mortgage pass-throughs	16,885,990				\$ 16,885,990	1.27	AAA
Fixed income mutual funds	9,996,345		9,996,345			2.59	AAA
Subtotal non-current operating fund investments	59,718,674						
Miscellaneous	951,149						
Total non-current investments	\$ 60,669,823						
University endowments							
US stocks	\$ 836,530						
-US fixed income	3,724,594	508,448	453,516	\$ 2,556,803	205,827	5.15	
-Foreign fixed income	1,425,540				1,425,540	7.75	A
-US equity	3,209,603						
-Foreign equity	5,275,504						
-Private equity	3,663,174						
-Hedge funds	7,076,963						
-Timber	486,864						
-Real estate	1,626,886						
-Oil & gas	956,896						
-Commodities	316,716						
Total endowment investments	\$ 28,599,270						
Total University Investments	\$ 185,229,894						

Interest Rate Risk—Investments

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

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

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

Concentration of Credit Risk—Investments

State law limits University operating investments to the highest quality sectors of the domestic fixed income market and specifically excludes corporate stocks, corporate and foreign bonds, futures contracts, commodities, real estate, limited partnerships and negotiable certificates of deposit. University policy does not limit the amount the University may invest in any one issuer.

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, 2009, \$116,750,522 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 \$836,530 of endowment assets, held in street name by E*trade for the account of the University, are exposed to custodial credit risk as described in Table 4.

Table 4: Investments exposed to Custodial Credit Risk

University investment type	Fair value
Certificate on deposit	\$ 18,500,000
US agency discount notes	1,819,065
US government treasuries	25,273,652
US agency obligations	53,435,285
Mortgage pass through	16,885,990
Subtotal	115,913,992
US common stock	836,530
Total investments exposed to custodial credit risk	\$ 116,750,522

Foreign Currency Risk—Investments

University endowment exposure to foreign currency risk at June 30, 2009, is described in Table 5 and is limited by Foundation investment policy.

Table 5: University Foreign Currency Risk

Foreign currency	Fair value
China (Yuan)	\$ 356,306
Australia (Dollar)	375,987
UK (Pound)	814,621
Japan (Yen)	875,522
Euro	1,025,799
Other (less than 5%)	2,414,676
Total foreign currency	\$ 5,862,911

Investment Expenses

Under implementation of GASB 35, investment income for the University is shown net of investment expenses. The investment expenses incurred at June 30, 2009 is \$422,076.

3. Accounts Receivable

At June 30, 2009, accounts receivable are as follows.

Student tuition and fees	\$ 13,613,708
Due from the federal government	8,341,565
Due from the office of the state treasurer	22,536,214
Due from other state agencies	4,669,809
Interest and dividends receivable	1,158,093
Auxiliary enterprises	6,383,394
Due from other governments	222,744
Other	1,075,451
Subtotal accounts receivable	58,000,978
Allowance for doubtful accounts	(2,091,609)
Accounts receivable, net	\$55,909,369

4. Student Loans Receivable

Student loans receivable consisted of the following at June 30, 2009.

Federal programs	\$ 22,828,635
Institutional loans	204,785
Subtotal	23,033,420
Allowance for doubtful accounts	(688,604)
Loans receivable, net	\$22,344,816

5. Inventories

Inventories, stated at cost using various methods: First-in, First-out (FIFO), Last-in, First-out (LIFO), or Weighted Average, consist of the following at June 30, 2009.

Location	Valuation method	Amount
Athletics	FIFO	\$ 568,949
Bulletin office	FIFO	481,257
Central stores	FIFO	379,856
Facilities operations	Weighted Average	1,487,895
Ferdinand's	FIFO	5,865,200
Housing and dining	LIFO	752,896
Motor pool	FIFO	71,187
University publishing	FIFO	2,095,511
Veterinary hospital and pharmacy	FIFO	1,039,017
Veterinary microbiology/pathology	FIFO	2,081,800
Other inventory	FIFO	1,932,516
Total		\$ 16,756,084

6. Capital Assets

Following are the changes in capital assets for the year ended June 30, 2009.

	Beginning balance	Additions/ transfers	Retirements	Ending balance
Nondepreciable capital assets				
Land	\$ 40,529,152	\$ 739,446	\$ (1,620,650)	\$ 39,647,948
Construction in progress	205,341,501	(133,091,472)		72,250,029
Total nondepreciable capital assets	245,870,653	(132,352,026)	(1,620,650)	111,897,977
Depreciable capital assets				
Buildings	1,215,193,626	224,013,597	(6,418,479)	1,432,788,744
Other improvements and infrastructure	182,307,610	49,626,867	(807,917)	231,126,560
Equipment	189,380,923	25,783,120	(10,552,966)	204,611,077
Library resources	112,354,165	5,806,189	(166,649)	117,993,705
Subtotal	1,699,236,324	305,229,773	(17,946,011)	1,986,520,086
Less accumulated depreciation				
Buildings	504,096,826	40,486,968	(3,775,165)	540,808,629
Other improvements and infrastructure	86,921,638	8,593,892	(807,917)	94,707,613
Equipment	144,881,747	15,005,455	(9,486,750)	150,400,452
Library resources	65,797,434	4,406,936	(166,649)	70,037,721
Total accumulated depreciation	801,697,645	68,493,251	(14,236,481)	855,954,415
Total depreciable capital assets, net	897,538,679	236,736,522	(3,709,530)	1,130,565,671
Total capital assets	\$ 1,143,409,332	\$ 104,384,496	\$ (5,330,180)	\$ 1,242,463,648

The current year depreciation expense was \$68,493,251.

7. Accounts Payable

At June 30, 2009, accounts payable are the following.

Accounts payable	\$ 30,532,307
Contract retainage	6,820,371
Payroll	18,737,568
Accounts payable, net	\$ 56,090,246

8. Deferred Revenue

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

Current deferred revenue

Athletics	\$ 1,857,625
ALIVE! program	697,371
Executive MBA program	15,000
Pre-paid Tri-Cities BSEL building rent	500,000
Housing & dining services	1,525,627
Summer session	3,345,497
Parking	247,953
Subtotal	8,189,073
Non-current deferred revenue	
Pre-paid Tri-Cities BSEL building rent	8,940,278
Total deferred revenue	\$ 17,129,351

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, 2008 through June 30, 2009, were \$526,101. Cash reserves for unemployment compensation for all employees at June 30, 2009, were \$2,557,282.

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, 2009 is \$36,784,998. 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	\$ 27,411,049
Accrued sick leave	9,164,966
Accrued compensatory leave	208,983
Total accrued leave liability	\$ 36,784,998

11. Deferred Compensation

The University administers a limited number of contractual deferred agreements. The deferred compensation obligation for these agreements as of June 30, 2009 was \$1,086,483.

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. Bonds Payable

Bonds payable consist of revenue bonds issued by the University for construction and renovation of auxiliary facilities as well as the University's share of Washington State general obligation bonds issued for the construction of academic buildings. These obligations have fixed interest rates ranging from 2.6% to 6.75% and mature serially through 2038.

State law requires the University to reimburse the state for debt service payments relating to its portion of Washington State general obligation bonds from tuition, the proceeds of timber sales and other revenues.

The University has pledged the net revenues from the Housing and Dining System, Intercollegiate Athletics, the Parking System and special student fees to retire the related revenue bonds.

In prior years, the University issued bonds to advance refund some revenue bonds. The assets used to defease these bonds and the liability for the defeased bonds are not included in these financial statements. At June 30, 2009, the total outstanding principal balance of defeased bonds was \$14,725,000.

Future debt service requirements at June 30, 2009 are as follows

Schedule of Debt Service Revenue Bond Obligations

Fiscal year	Revenue bond obligations			State of Washington general obligation bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 5,530,000	\$ 11,497,211	\$ 17,027,211	\$ 3,062,040	\$ 2,334,160	\$ 5,396,200
2011	5,780,000	11,252,864	17,032,864	2,913,052	2,178,695	5,091,747
2012	6,040,000	10,995,293	17,035,293	2,640,000	2,052,540	4,692,540
2013	6,310,000	10,721,554	17,031,554	2,700,000	1,924,520	4,624,520
2014	6,605,000	10,423,529	17,028,529	2,910,000	1,791,240	4,701,240
2015-2019	38,175,000	46,899,845	85,074,845	15,460,000	6,661,682	22,121,682
2020-2024	48,715,000	36,325,233	85,040,233	12,285,000	2,984,875	15,269,875
2025-2029	45,620,000	24,151,857	69,771,857	5,155,000	396,588	5,551,588
2030-2034	39,910,000	13,058,567	52,968,567			
2035-2039	33,585,000	4,415,300	38,000,300			
Sub total	236,270,000	179,741,253	416,011,253	47,125,092	20,324,300	67,449,392
Less other adjustments						
Bond discounts and issue costs	(4,138,829)		(4,138,829)			
Bond premiums	1,576,503		1,576,503			
Deferred costs of refundings	(2,659,683)		(2,659,683)			
Total	\$231,047,991	\$179,741,253	\$ 410,789,244	\$ 47,125,092	\$ 20,324,300	\$ 67,449,392

13. Leases Payable

The University finances some fixed asset purchases through the Washington State Treasurer's leasing program. The University also has leases for office equipment with various vendors. These leases qualify as operating leases. As of June 30, 2009 the minimum lease payments under capital leases, together with the present value of the net minimum lease payments and operating lease obligations, are shown in the table below.

Leases Payable

Fiscal year	Capital leases	Operating Leases
2010	\$ 2,437,527	\$ 2,227,810
2011	2,286,414	1,847,291
2012	2,179,732	1,592,796
2013	1,907,714	1,047,429
2014	1,726,136	493,002
2015-2019	4,079,704	963,562
2020-2024		33,075
Total minimum lease payments	14,617,227	8,204,965
Amount representing interest	(2,217,310)	
Net present value	\$12,399,917	\$ 8,204,965

14. Schedule of Long Term Debt

Schedule of Long-Term Debt

	Total amount issued	Balance outstanding 6/30/08	Additions	Reductions	Balance outstanding 6/30/09	Current portion
Revenue and Refunding Bonds Payable	\$ 278,885,000	\$ 234,461,349		\$ (3,413,358)	\$ 231,047,991	\$ 5,205,233
State of Washington General Obligation Bonds Payable	113,664,878	51,467,666		(4,342,574)	47,125,092	3,062,040
Capital leases		13,435,795	\$ 974,660	(2,010,538)	12,399,917	1,897,999
Net Pension Obligation		4,192,966	5,816,000	(735,931)	9,273,035	
Total	\$ 392,549,878	\$ 303,557,776	\$ 6,790,660	\$ (10,502,401)	\$ 299,846,035	\$ 10,165,272

15. Pension Plans

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

The University employs approximately 5713 full-time employees eligible for participation in one of the two retirement plans.

The payroll for employees covered by PERS was \$95,625,154 and the payroll for employees covered by the Washington State University Retirement Plan was \$231,339,676.

Public Employees Retirement System

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

Funding Policy. The Office of the State Actuary, using funding methods prescribed by statute, determines actuarially required contribution rates for PERS. The basic contribution rates, established by the legislature, match the actuarially determined rates considered necessary to fully fund the tier one system by June 30, 2024 and to continue to fully fund the tier two systems. Plan 1 members are required to contribute 6% of their annual covered salary. Contributions for Plan 2 members are determined by the aggregate method and may vary over time. The contribution rate for Plan 2 employees at June 30, 2009 was 5.45%. The contribution rate for the University at June 30, 2009 for all PERS plans was 8.31%.

The summary of rates for the year are as follows:

	Employee	University
Plan 1	6.00%	8.31%
Plan 2	5.45%	8.31%
Plan 3	5% to 15%	8.31%

Employee and employer contributions for the year ended June 30, 2009, were \$3,763,672 and \$7,946,450 respectively.

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date. The pension benefit obligation as of 2007 for PERS as a whole, determined through an actuarial valuation performed as of that date, was \$26,124,000,000. The PERS net assets available for benefits on that date (valued at market) were \$29,080,000,000. Information for WSU as a stand-alone entity is not available.

Ten-year historical trend information showing the PERS progress in accumulating sufficient assets to pay benefits when due, is presented in the State of Washington June 30, 2009, Department of Retirement Systems *Comprehensive Annual Financial Report*.

Washington State University Retirement Plan

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

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

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

Contributions. Contribution rates for the WSURP (TIAA-CREF), which are based upon age, are 5%, 7.5% or 10% of salary and are matched by the University. Employee and employer contributions for the year ended June 30, 2009 were each \$19,249,386.

The Washington State University Retirement Plan (supplemental payment) is financed on a pay-as-you-go basis. Supplemental payments made by the University for the year ended June 30, 2009 were \$735,931.

At the latest valuation July 1, 2009, the total unfunded Actuarial Accrued Liability (UAL) benefit obligation under the Washington State University Retirement Plan (supplemental payment plan) was \$40 million. The annual Required Contribution (ARC) by the University is \$9 million.

Other Post-Employment Benefits

During the 2008 fiscal year, WSU adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expenditures and related liabilities (assets), note disclosures, and required supplementary information in the financial reports of the state and local governmental employers. GASB Statement No. 45 requires systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service. GASB Statement No. 45 also provides information about actuarial accrued liabilities (AAL) associated with OPEB and whether and to what extent progress is being made in funding the plan.

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 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.

Federal Retirement Plans

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

Civil Service Retirement System

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

Employee and employer contributions for the 27 enrolled employees on June 30, 2009, were \$164,885 and \$194,789 respectively.

Federal Employees Retirement System

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

Employee and employer contributions for the 20 enrolled employees on June 30, 2009, were \$13,419 and \$187,869 respectively.

The rates at June 30, 2009, are as follows:

	Employee	University
CSRS	7.00%	7.00%
FERS	0.80%	11.2%

16. Segment Information

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

Wilson Compton Union Building (CUB)

The Wilson Compton Union Building (the CUB), is an auxiliary enterprise of Washington State University (WSU) that provides various services to the students of WSU. The CUB houses retail food outlets, banks and the bookstore. It offers a variety of meeting rooms from small conference space to ballrooms. It also has office space for student government.

Housing and Dining System

The Housing & Dining System is a self-sustaining auxiliary enterprise of Washington State University (WSU). The Housing & Dining System operates residence halls, apartment complexes and food services on WSU campuses.

Parking Services, Transportation and Visitor Center

Parking, Transportation and Visitor Center (Parking Services), provides permits for available campus parking areas, maintains the parking lots and issues fines for parking violations. It also operates the Visitor Center located at the entrance to Pullman. Parking Services is a separate auxiliary enterprise of Washington State University (WSU). The Director of Parking, Transportation and Visitor Center is responsible for managing parking operations of the Pullman campus.

Student Recreation Center

The Student Recreation Center was formed in 1998 to construct and operate a health club-type facility for eligible students and associated members of Washington State University (WSU). The Student Recreation Center has over 200 pieces of cardio and weight equipment, 7 courts for basketball, volleyball and badminton, roller hockey, indoor soccer, floor hockey and inline skating, 4 racquetball courts, 5-lane lap pool, leisure pool, 53-person spa, activity rooms, elevated 4-lane running/walking track and more. Over 3,000 students use the facility each day and over 80% of students access the facility each semester.

Intercollegiate Athletics

The Intercollegiate Athletic Department is a unit of Washington State University (WSU) and manages all intercollegiate athletic programs. WSU is a member of the Pacific 10 Conference and the National Collegiate Athletic Association.

Presented on page 29 are the condensed financial statements as audited by LeMaster Daniels, PLLC.

Segment Information

	Wilson Compton Union Building	Housing and Dining System	Parking Transportation & Visitor Center	Student Recreation Center	Intercollegiate Athletics
Condensed Statement of Net Assets					
Assets					
Current assets	\$ 8,811,442	\$ 16,316,174	\$ 2,164,731	\$ 5,965,331	\$ 11,310,447
Noncurrent assets					
Capital assets, net of accumulated depreciation	89,434,841	97,345,303	15,248,348	34,534,204	40,843,957
Other noncurrent assets		5,987,058			
Total assets	\$ 98,246,283	\$ 119,648,535	\$ 17,413,079	\$ 40,499,535	\$ 52,154,404

Liabilities					
Current liabilities	\$ 6,147,456	\$ 14,805,552	\$ 1,063,269	\$ 1,616,767	\$ 8,702,391
Noncurrent liabilities					
Long term debt	88,751,168	68,752,718	7,429,505	38,405,199	22,179,401
Other liabilities		2,156,591	1,372,874		4,382,191
Total liabilities	\$ 94,898,624	\$ 85,714,861	\$ 9,865,648	\$ 40,021,966	\$ 35,263,983

Net assets					
Invested in capital assets, net of related debt	\$ (491,328)	\$ 28,463,591	\$ 7,388,843	\$ (4,850,995)	\$ 18,069,556
Restricted, expendable	1,689,935	1,053,606			10,258,854
Unrestricted	2,149,052	544,012	158,588	5,328,564	(11,437,989)
Designated		3,872,465			
Total net assets	3,347,659	33,933,674	7,547,431	477,569	16,890,421
Total liabilities and net assets	\$ 98,246,283	\$ 119,648,535	\$ 17,413,079	\$ 40,499,535	\$ 52,154,404

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	\$ 7,202,802	\$ 46,821,754	\$ 3,633,671	\$ 5,389,711	\$ 36,907,955
Operating expenses	(2,887,729)	(35,839,603)	(2,709,972)	(2,102,253)	(34,927,745)
Depreciation expense	(2,772,672)	(4,104,433)	(582,969)	(947,019)	(1,582,829)
Operating income (loss)	1,542,401	-6,877,718	340,730	2,340,439	397,381
Nonoperating revenues (expenses)	(4,359,717)	(2,135,218)	(451,194)	(1,961,159)	(593,536)
Other—transfers among funds	3,393,386	305,000			39,677
Increase (decrease) in net assets	576,070	5,047,500	(110,464)	379,280	(156,478)
Net assets, beginning of year	2,771,589	28,886,174	7,657,895	98,289	17,046,899
Net assets, end of year	\$ 3,347,659	\$ 33,933,674	\$ 7,547,431	\$ 477,569	\$ 16,890,421

Condensed Statement of Cash Flows

Net cash flows provided by operating activities	\$ 2,931,582	\$ 11,955,626	\$ 1,038,324	\$ 3,295,282	\$ 2,399,275
Net cash flows used by capital and related financing activities	(10,751,296)	(32,189,022)	(1,118,700)	(3,329,270)	(8,787,614)
Net cash flows provided by investing activities	6,988,976	19,960,566	66,201	13,263	2,821,532
Net cash flows from noncapital financing activities	3,393,386	305,000			39,677
Net increase/decrease in cash and cash equivalents	2,562,648	32,170	(14,175)	(20,725)	(3,527,130)
Cash and cash equivalents, beginning of year	3,481,152	5,150,160	1,970,430	1,069,137	9,289,676
Cash and cash equivalents, end of year	\$ 6,043,800	\$ 5,182,330	\$ 1,956,255	\$ 1,048,412	\$ 5,762,546

17. Operating Expenses by Program

In the Statement of Revenues, Expenses and Changes in Net Assets, Operating Expenses are displayed by natural classification, such as salaries, benefits and goods and services. The table below summarizes Operating Expenses by Program for the year ended June 30, 2009.

Operating Expenses by Program

	Compensation and benefits	Supplies and services	Scholarships and fellowships	Depreciation	Total
Instruction	\$ 184,489,138	\$ 14,436,646			\$ 198,925,784
Research	108,306,214	52,235,954	\$ 5,286,959		165,829,127
Public Service	32,499,833	8,603,935			41,103,768
Academic support	43,915,413	15,835,059			59,750,472
Student services	18,237,064	3,324,253			21,561,317
Institutional support	36,458,267	10,166,755			46,625,022
Operation & maintenance of plant	18,608,309	22,920,855			41,529,164
Other operating expenses	10,006,338	26,810,278			36,816,616
Auxiliary enterprises	47,978,065	52,859,359			100,837,424
Student financial aid net, i.e. scholarships included			40,185,889		40,185,889
Depreciation				\$ 68,493,251	68,493,251
Total operating expenses	\$ 500,498,641	\$ 207,193,094	\$ 45,472,848	\$ 68,493,251	\$821,657,834

18. Pledged Revenues

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.

For Year Ending June 30, 2009

Source of revenue pledged	Current year revenues pledged (net) ¹	Current year debt service	Total future revenues pledged ²	Description of debt	Term of commitment ³
Student Fees and earnings on invested fees	\$ 5,211,197	\$ 4,801,530	\$ 178,354,372	Student fee revenue bonds issued for the renovation of the Compton Union Building	2038
Student Fees and earnings on invested fees	2,888,456	1,585,944	36,486,386	Athletics revenue bonds issued for the renovation and expansion of Martin Stadium	2031
Student fees and earnings on invested fees	3,510,910	3,007,100	69,182,825	Recreation center revenue bonds issued for the construction of the Student Recreation Center	2032
Parking System revenues, net of operating expenses	1,711,274	772,061	11,633,554	Parking System revenue bonds issued for construction of the parking garage	2024
Housing and Dining revenues, net of operating expenses	15,529,570	5,078,827	120,354,118	Housing and Dining revenue bonds issued for the construction and renovation of various student housing projects	2038

¹Operating revenue net of operating expenses

²Total future principal and interest payments on the debt

³Ending year of commitment

19. Contingent Liabilities

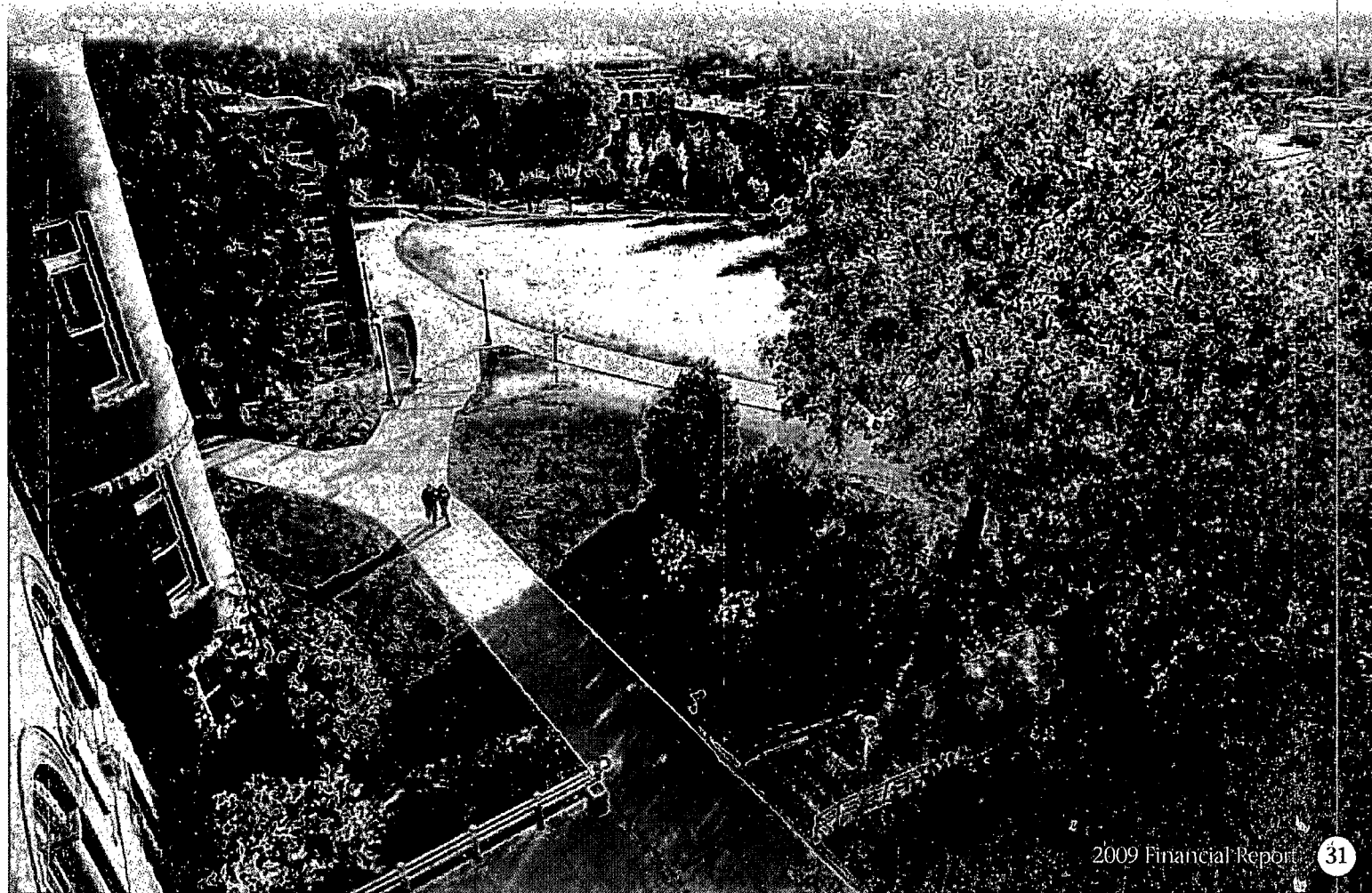
There is a class action lawsuit filed against the state of Washington on behalf of certain employees alleging improper denial of healthcare benefits. Although WSU has not been named as a defendant in the lawsuit, some of the class members are current or former employees of WSU. Potentially, the state 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 WSU 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.

20. Subsequent Events

In October 2009, the University's Student Recreation Center issued \$38,425,000 in revenue refunding bonds. The bonds are being issued for the purpose of refunding the 1998 bonds to achieve debt service savings and to pay the costs of issuing the bonds. This will result in an in-substance defeasance of the 1998 revenue bonds.

In December 2009, the University issued \$111,665,000 in revenue bonds to finance the costs of construction of three new buildings. The bonds are special revenue fund obligations of the University, payable from revenues and investment earnings from the Trust Land Permanent Funds held in trust by the State for the University. Revenues from the Permanent Funds have been pledged to make the debt payments for as long as the bonds are outstanding. \$97 million of the bonds are taxable "Build American" bonds and are eligible for a subsidy from the Federal government to be used toward the debt service.



Supplementary Information Enrollment and Degrees Conferred

	Academic year				
	2009	2008	2007	2006	2005
Fall enrollment (headcount)					
Undergraduate headcount	21,149	20,282	19,554	19,585	19,281
Graduate headcount	3,396	3,330	3,320	3,219	3,228
Professional headcount	807	784	781	740	732
Total headcount	25,352	24,396	23,655	23,544	23,241
Fall enrollment (full-time equivalent)					
Undergraduate FTE	18,904	17,898	17,277	17,425	17,217
Graduate and professional FTE	5,193	5,086	4,728	4,560	4,567
Full-time equivalent	24,097	22,984	22,005	21,985	21,784
Freshman admission information					
Applications	11,983	10,853	9,314	9,193	9,508
Acceptances	8,677	8,240	7,177	6,793	7,148
Matriculants	3,714	3,477	2,861	2,890	3,123
Degrees conferred					
Baccalaureate	4,907	4,818	4,797	4,508	4,133
Masters	711	724	702	741	730
Doctoral	155	189	175	170	180
Professional	191	188	219	169	174

Source: Washington State University Institutional Research

Tuition and Fees, Undergraduate

Academic year	Resident	Non-Resident	Room and Board ¹
2009-10	\$7,600	\$18,676	\$8,886
2008-09	\$6,720	\$17,756	\$7,738
2007-08	\$6,290	\$16,604	\$7,316
2006-07	\$5,887	\$15,527	\$6,590
2005-06	\$5,506	\$14,514	\$6,280

¹Standard room including double occupancy plus level 2 meal plan

Source: Washington State University Institutional Research

STATEWIDE PRESENCE



WSU Spokane



WSU Vancouver



WSU Pullman



WSU Tri-Cities



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

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