



# **Wichita State University**

## **Annual Financial Report**

**Fiscal Year Ended June 30, 2006**

**2006 Financial Information**

# **WICHITA STATE UNIVERSITY**

## **2006 ANNUAL GASB FINANCIAL REPORT**

### **Table of Contents**

	<b>Page #</b>
<b>Kansas Board of Regents and University Officers</b>	<b>1</b>
<b>GASB Financial Statements:</b>	
<b>Management's Discussion and Analysis</b>	<b>3</b>
<b>Financial Statements:</b>	
<b>Statement of Net Assets</b>	<b>11</b>
<b>Statement of Revenues, Expenses and Changes         in Net Assets</b>	<b>12</b>
<b>Statement of Cash Flows</b>	<b>13</b>
<b>Notes to the Financial Statements</b>	<b>14</b>
<b>Appendices:</b>	
<b>Component Units:</b>	
<b>Appendix 1 - Statement of Net Assets</b>	<b>25</b>
<b>Appendix 2 - Statement of Revenue, Expenses                 and Changes in Net Assets</b>	<b>26</b>

# **Wichita State University**

## **For the Year Ended June 30, 2006**

### **Administrative Officers**

#### **Kansas Board of Regents**

Donna Shank, Chairperson  
Nelson D. Galle, Vice Chairperson  
Richard Bond,  
Janice B. DeBauge  
Christine Downey-Schmidt

Frank D. Gaines  
James R. Grier, III  
Dan Lykins  
Janie Perkins

#### **Officers Reporting**

Roger D. Lowe  
Steven D. LaFever

Vice President for Administration and Finance  
Controller

#### **Executive Administration**

Donald L. Beggs  
Roger D. Lowe  
Ted D. Ayres  
Gary L. Miller  
Elizabeth H. King  
Ronald R. Kopita

President  
Vice President for Administration and Finance  
Vice President and General Counsel  
Vice President for Academic Affairs and Research  
Vice President for University Advancement  
Vice President for Student Affairs

#### **Academic Administration**

John M. Beehler  
Jon M. Engelhardt  
Zulma Toro-Ramos  
Rodney E. Miller  
Peter A. Cohen  
William D. Bishoff

Susan K. Kovar

Dean of the W. Frank Barton School of Business  
Dean of the College of Education  
Dean of the College of Engineering  
Dean of the College of Fine Arts  
Dean of the College of Health Professions  
Dean of the Fairmount College of Liberal Arts  
and Sciences  
Dean of the Graduate School

# **2006 Financial Information**

**Prepared in Accordance with Government Accounting Standards Board**

**(GASB) Principles, with exceptions as noted**

## **Management's Discussion and Analysis**

**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

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

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

**USING THE FINANCIAL STATEMENTS**

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

- \* GASB Statement No. 35 categorizes the Statement of Net Assets into a classified format of current and non-current. The Statement of Revenues, Expenses and Changes in Net Assets categorizes revenues and expenses into operating and non-operating. Significant recurring sources of revenue are now shown as non-operating, including state appropriations and investment income. This represented 38.99% of the total University revenue for 2006. Public universities depend heavily on these revenues to fund their programs and services. As a result, the University will normally report a loss from operating activities.
- \* Student tuition and fees are now reported net of scholarships funded by Federal and State grants as well as University's resources. Prior to 2004, all scholarships were reported as a scholarship expense.
- \* GASB Statement No. 35 requires the University to report accumulated depreciation on its capital assets.
- \* GASB Statement No. 39 requires the University to discretely display in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets, the data for component units. The three component units are: Wichita State University Intercollegiate Athletic Association, Inc., Wichita State University Union Corporation d/b/a Rhatigan Student Center, and Wichita State University - Board of Trustees. As noted earlier, management has elected to exclude the Wichita State University Foundation.

**STATEMENT OF NET ASSETS**

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

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

**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

Net assets are divided into three categories:

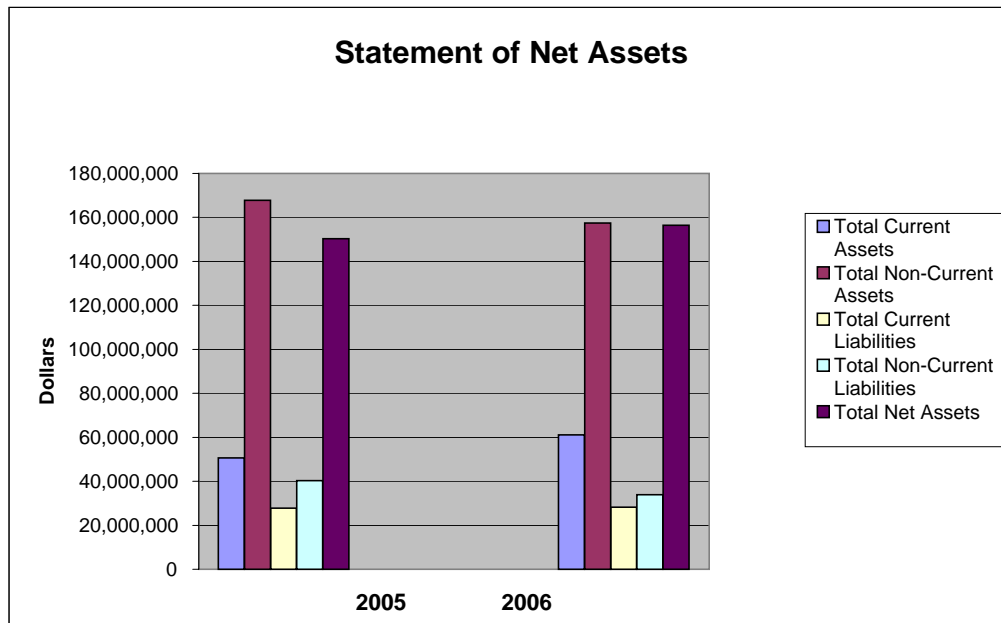
1. **Invested in capital assets, net of debt** - indicates the University's equity in property, plant and equipment owned by the University.
2. **Restricted net assets** - are further divided into two subcategories, non-expendable and expendable. The corpus of non-expendable restricted resources is only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

Total assets at June 30, 2006 were \$218.5 million, an increase of \$107,000 (.005%) over 2005. Capital net assets comprised 68% or \$149.6 million of the assets.

Total liabilities were \$62.1 million at June 30, 2006, a decrease of \$6.002 million (8.81%). This is compared to \$68.1 million at June 30, 2005. Long-term liabilities comprised 54.47%, or \$33.845 million of the liabilities.

Total net assets at June 30, 2006 were \$156.4 million, a \$6.1 million increase over the prior year, or a 4.1% increase in net assets. The summary of net assets is shown below:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Capital Assets, net of related debt	\$ 113,264,527	\$ 101,153,150
Restricted net assets	30,103,995	39,028,477
Unrestricted net assets	13,015,353	10,092,184
<b>Total net assets</b>	<u>\$ 156,383,875</u>	<u>\$ 150,273,811</u>



**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

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

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

**REVENUES**

Total operating revenues at the University as of June 30, 2006, increased by \$5.03 million or 4.7% over the previous year. The following is a brief summary of the significant changes:

- \* Tuition and fee revenues, after scholarship allowances, were \$41.6 million in 2006 compared to \$39.3 million in 2005. This increase is a direct result of a tuition increase approved by the Kansas Board of Regents for fiscal year 2006 and a slight increase in hours taken by graduate students.. The goal of the tuition increase, which was the result of collaboration between University administration and University students, was to provide additional funds to the University to improve or enhance student education. The increase was used for specific expenses including faculty and staff salary increases, instructional and technological upgrades and scholarships.
- \* Grants and contracts (federal, state, local and non-governmental) decreased \$1.1 million over the previous fiscal year. This category of revenue includes funds received from the federal government for financial aid as well as other sponsored research revenue.
- \* Sales and services of educational activities increased \$4.1 million from the previous fiscal year. These experience related revenues are generated by activities that are related incidentally or exist primarily to afford hands-on experience related to providing instruction, research and public service.
- \* Auxiliary enterprises decreased \$255,000 from the previous fiscal year. Auxiliary enterprises are comprised of Housing and Parking activities.

Non-operating revenues increased \$6.07 million over the prior fiscal year from \$66.05 million to \$72.12 million. The following is a brief summary of the significant changes:

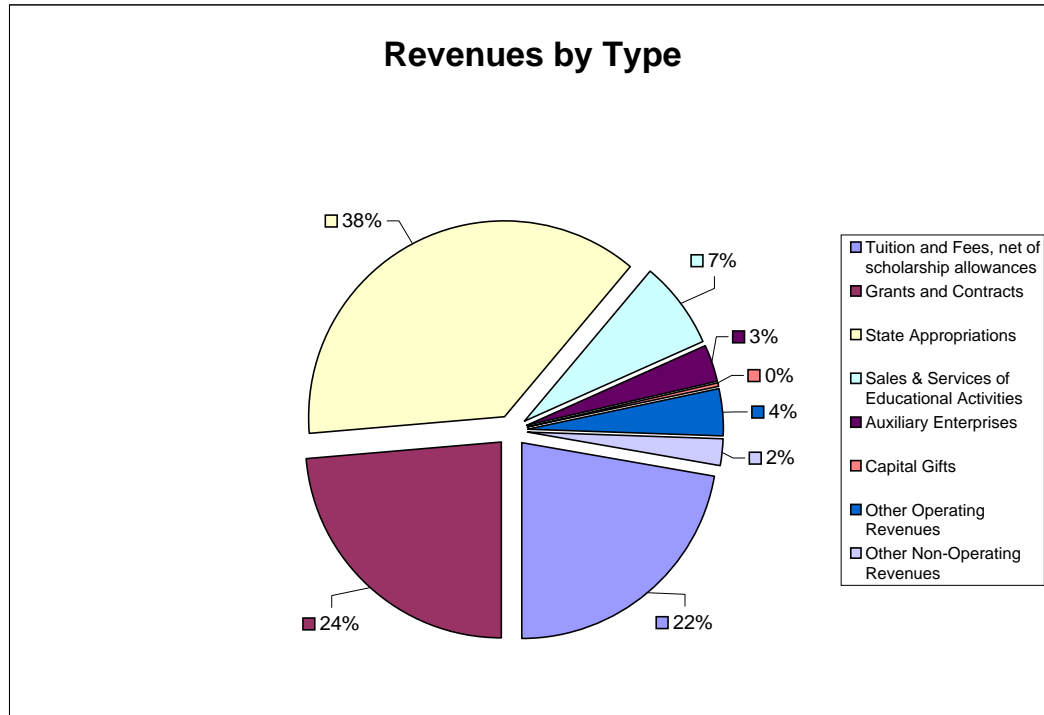
- \* State appropriations, the largest single source of revenue at the University, increased by, 7.42% or \$4.86 million. State appropriations for fiscal year 2006 were \$70.36 million and for fiscal year 2005 were \$65.5 million.
- \* Capital appropriations increased by \$906,383. These funds were used for rehabilitation and repair of facilities and bond debt payment. Capital appropriations were \$3.1 million in fiscal year 2006 and \$2.2 in fiscal year 2005.

In fiscal year 2005, the University received \$12.2 million from Capital bond proceeds for construction and equipping of specific facilities. The University cancelled \$4 million of the intended construction of a research Icing Tunnel due to excesssive cost estimates. These funds were returned and related debt reduced in fiscal year 2006. An additional amount of \$6 million was received from bond indebtedness for specific aviation research equipment in fiscal year 2005.



**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

The compositions of the total revenues are displayed in the following chart:



**EXPENSES**

Operating expenses were \$180.1 million for the 2006 fiscal year. This was an increase over the prior year of \$787,000, or 0.44%. Due to implementation of the new SunGard SCT Enterprise Resource Project (ERP) system, financial statements are much more automated than in prior years. As a result, transactions such as eliminating encumbrances are now done with actual transactions, versus allocating the amounts by percentage by function as in the past. In addition, capital asset additions that were reclassified to the Statement of Net Assets are allocated by function, rather than being reflected as Other Income. Therefore, some of the expenses will vary for FY 2006 compared to FY 2005. The following is a brief summary of the significant changes:

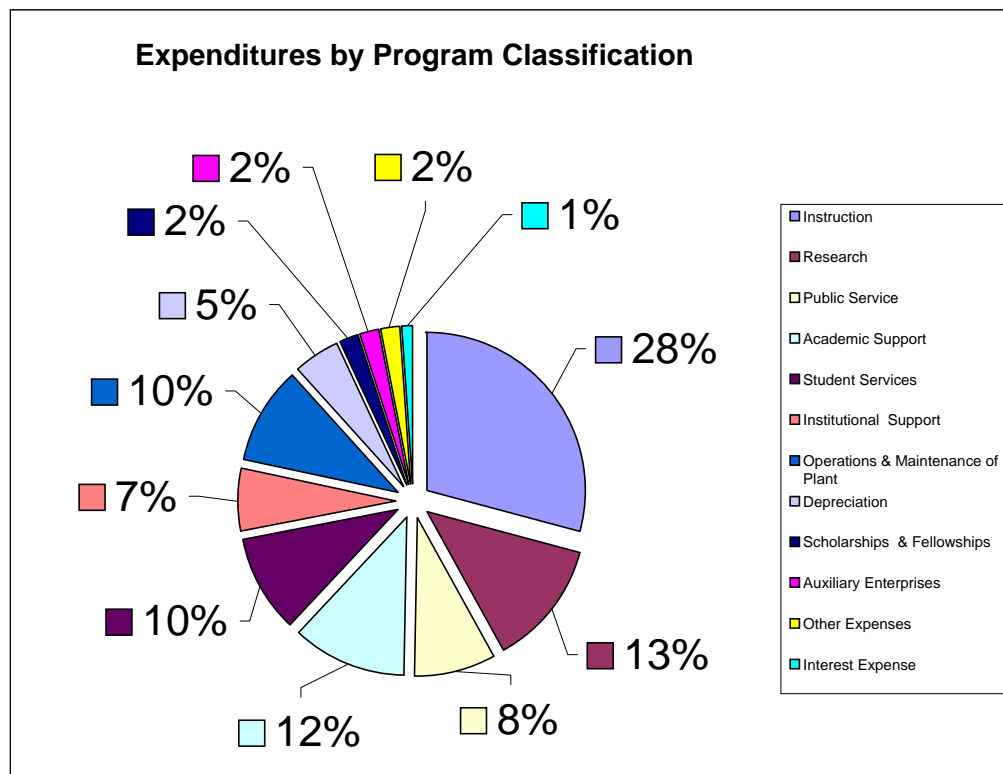
- \* Expenses related to the University's mission of instruction, research and public service increased \$2.1 million or 2.4% in 2006. Research activities are 93.7% of the increase. This is detailed as follows:

	Instruction	Research	Public Service	Total
<b>Salaries</b>				
2006	\$ 50,084,608	\$ 13,222,816	\$ 9,455,501	\$ 72,762,925
2005	48,742,911	9,780,733	8,470,489	66,994,133
Increase (Decrease)	\$ 1,341,697	\$ 3,442,083	\$ 985,012	\$ 5,768,792
<b>Contractual and Commodities, other</b>				
2006	\$ 1,489,283	\$ 8,060,317	\$ 4,950,673	\$ 14,500,273
2005	2,484,287	9,949,689	6,965,172	19,399,148
Increase (Decrease)	\$ (995,004)	\$ (1,889,372)	\$ (2,014,499)	\$ (4,898,875)
<b>Capital Equipment</b>				
2006	\$ 1,300,922	\$ 2,325,815	\$ 503,393	\$ 4,130,130
2005	714,352	1,871,833	272,273	2,858,458
Increase (Decrease)	\$ 586,570	\$ 453,982	\$ 231,120	\$ 1,271,672
<b>Totals for 2006</b>	\$ 52,874,813	\$ 23,608,948	\$ 14,909,567	\$ 91,393,328
<b>Totals for 2005</b>	51,941,550	21,602,255	15,707,934	89,251,739
<b>Increase (Decrease)</b>	\$ 933,263	\$ 2,006,693	\$ (798,367)	\$ 2,141,589

**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

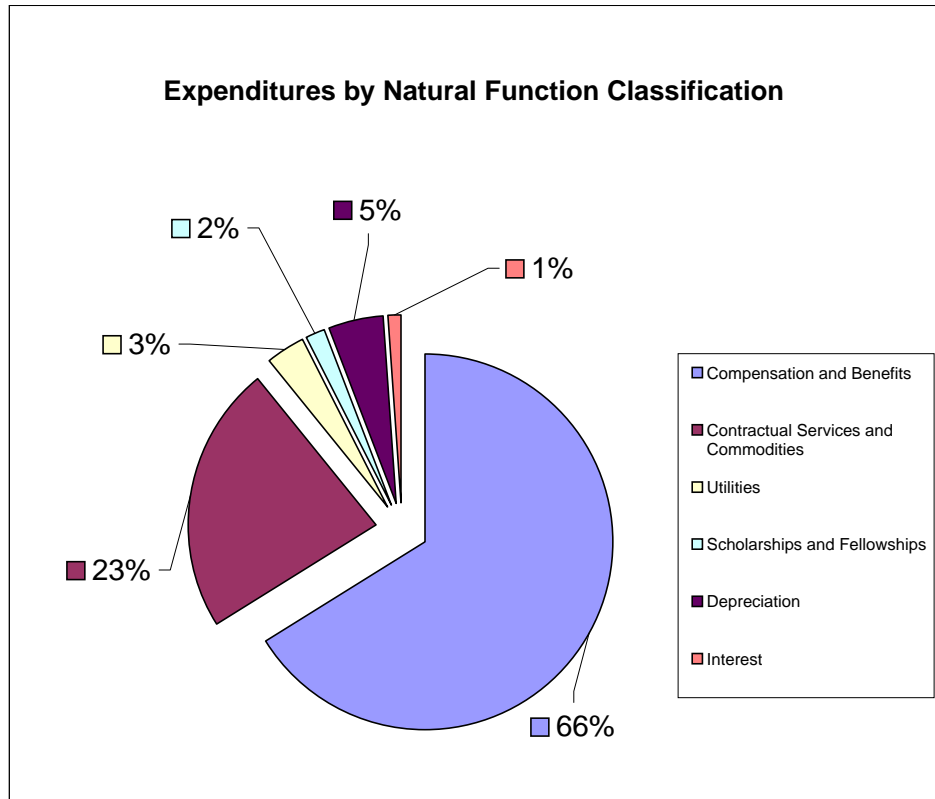
- \* Academic Support decreased by \$883,000. This decrease is directly related to funding of the Libraries, Health Professions administrative support and support of Research Administration by the University.
- \* Student Services increased \$251 thousand. This is a result of inflationary increases.
- \* Institutional Support increased by \$699 thousand. Salaries and benefits increased \$131 thousand and capital equipment decreased \$212 thousand. The balance is increased costs due to inflation and operating expenditures.
- \* Operations and Maintenance of Physical Plant decreased by \$3.66 million. Utilities increased by \$765 thousand, largely due to electricity costs. Other repair and maintenance projects were cutback to the overall decreased expense of this area.

The composition of total expenses, including operating and non-operating by program are displayed below:



**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

The composition of total expenses, including operating and non-operating by natural classification are displayed below:



**Extraordinary Items**

The University continues with the implementation with SunGard SCT of an Enterprise Resource Project (ERP) over the next year in various modules. The Finance module went live on September 1, 2005. Student Enrollment and Records went live July 1, 2006 and Human Resources and Payroll module will go live January 1, 2007.

**Net Assets**

Net assets increased \$6.1 million in 2006 compared to 2005. This increase in net assets can be attributed to additional State appropriations of \$5.8 million for operations and capital. The total State appropriations increased from \$67.7 million in 2005 to \$73.5 million in 2006.

**STATEMENT OF CASH FLOWS**

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

**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

SUMMARY OF THE STATEMENT OF CASH FLOWS (in thousands of dollars):

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Net cash provided (used by):		
Operating activities	\$ (67,160,547)	\$ (56,697,677)
Non-capital financing activities	71,159,252	64,660,479
Capital and related financing/appropriations	(19,351,576)	8,634,498
Investing activities	<u>6,412,437</u>	<u>(17,613,989)</u>
Net increase (decrease) in cash	\$ (8,940,434)	\$ (1,016,689)
Beginning cash and cash equivalent balances	<u>37,533,896</u>	<u>38,550,585</u>
<b>Ending cash and cash equivalent balances</b>	<b>\$ <u>28,593,462</u></b>	<b>\$ <u>37,533,896</u></b>

Cash provided by operating activities includes tuition and fee and grant and contract revenues. Cash used for operating activities includes payments to employees and suppliers. Cash provided by non-capital financing/appropriations includes state appropriations and the receipt and disbursement of the federal family education loan programs (Stafford, Perkins and Plus loans). Cash provided for capital and related financing activities represents proceeds from debt, capital appropriations and grants. This cash is used for construction and remodel and repair of University facilities as well as purchase of capital assets and debt servicing. Detailed information regarding the University's capital assets is available in Note 3 to the financial statements. Cash provided by investing activities includes purchases and sales of investments as well as investment income earnings and losses realized.

The University's overall cash liquidity decreased by \$8.94 million consisting primarily of the payments to employees and purchases from suppliers, capital purchases and construction, and reduction of debt.

**CAPITAL ASSETS**

The University continued to make investments in capital during the 2005-2006 fiscal year. Detailed information regarding capital asset additions, retirements and depreciation is available in Note 3 to the financial statements.

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

- \* Charles Koch Arena was remodeled and expanded to include Devlin Court, the Taylor Concourse, the Preferred Health Systems Multi Purpose Center, Geist Student Services Building, the Downing Academic Learning Center and the Via Christi Sports Medicine Complex. The estimated cost was \$26 million and was funded through private gifts, bond debt, student fees and Champions Club memberships.
- \* Marcus Welcome Center was constructed at a cost of approximately \$6 million. This project was funded by private funds.
- \* WSU Brick Entrance Signage was constructed as a cost of approximately \$700,000. This project was funded by revenues received from a 1.5 mill levy, assessed on property in Sedgwick County.

Additionally, the University was involved in several construction projects that were in physical construction.

- \* Engineering Research Laboratory Building construction is approximately \$10 million. This project is funded by bond debt through the Board of Regents and Kansas Development Finance Authority.
- \* Central Energy Plant heating, ventilation and air conditioning asbestos abatement. This project is funded by State of Kansas repair and replacement appropriation of \$908,000.
- \* Central Energy Plant cooling tower repair. This project is funded by State of Kansas repair and replacement appropriation of \$166,000.
- \* Fairmount Towers dormitory commons area remodelling. Dormitory repair and maintenance funds of \$775,000 are used to fund this project.

**Wichita State University  
Management's Discussion and Analysis  
For the Year Ended June 30, 2006**

- \* Parking Lots #18 and #22 are being reconstructed. These projects are funded by parking revenue reserves.
- \* Ablah Library fire alarm system update. This project is funded by State of Kansas appropriation of \$147,000.

**DEBT ADMINISTRATION**

At June 30, 2006, the University had \$36.340 million in debt outstanding. Revenue bonds were issued by the Kansas Board of Regents for the benefit of Wichita State University to finance housing renovation, parking renovation, WSU research and development facilities projects and the National Institute for Aviation Research, research and development facilities projects.

Standard and Poors Rating Service currently rates the University "AAA" for outstanding bonds that are insured. Detailed information regarding the University's long-term liabilities is available in Note 7 and Note 8 to the financial statements.

**ECONOMIC OUTLOOK**

The State of Kansas revenues continue to exceed estimates for 2007. Collections for fiscal year 2007 are estimated to be above 2006 receipts by 6.3%. Budget cuts similar to those experienced in fiscal year 2002 and 2003 were avoided in fiscal years 2004, 2005, 2006 and are not expected in 2007. Economic growth is expected to continue throughout FY 2007 and FY 2008 and beyond.

Due to the State and University's bi-weekly payroll process, both entities experienced a 27th pay period in fiscal year 2006. Funding for this additional pay period was provided by the state general fund for those salaries funded from that source with the expectation that the University will reimburse the State over the next eleven years. The 27th payroll for salaries budgeted from other funding required additional revenues from the respective funds.

Pressing issues with K-12 education, state university's deferred maintenance needs and one-time funding mechanisms used to balance the State's budget in the past few years, will prevent significant increases in State funding for higher education without significant new sources of funds. The near term for State funding appears to be steady with marginal increases. The State of Kansas is expected to provide approximately 36% of the general operating resources for the University during fiscal year 2007. General Use appropriations for fiscal year 2007 are currently set at \$69.635 million, (excluding an appropriation of \$2 million for Aviation Research restricted funding and Aviation Research Debt Service of \$1.646.million). This is an increase in General Use appropriation of 3.6% from fiscal year 2006.

The Board of Regents has requested that the Kansas State Legislature fund a special appropriation starting in fiscal year 2008, to cover major deferred physical plant repairs at their six state universities. The portion requested by Wichita State University is \$44 million of the Board of Regent's requested \$727 million. The appropriation approved by the Legislature was \$90 Million total with WSU's portion being \$9.21 Million over five years. WSU will receive an additional \$2.6 Million from other sources for this purpose. (See footnote #14 for additional information and explanation.)

The University is not aware of any additional currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. (See footnote #11)

Overall, the financial position of the University continues to be strong and enrollment is steady. However, student head count and total credit hours taken by students has declined slightly.

	FY 2006	FY 2005	Change +/-	% Change
<b>Total Students - Head Count</b>				
Fall Semester	14,076	14,298	(222)	-1.55%
Spring Semester	14,229	14,035	194	1.38%
<b>Total Credit Hours</b>				
Fall Semester	141,940	142,732	(792)	-0.56%
Spring Semester	138,527	138,894	(367)	-0.26%
<b>Full Time Equivalents (F.T.E.)</b>				
Fall Semester	10,370	10,380	(10)	-0.10%
Spring Semester	10,123	10,103	20	0.20%

# **Financial Statements with Notes**

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS**  
**For the Year Ended June 30, 2006**

	University Funds		Component Units (1)	
	2006	2005	2006	2005
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 28,593,461.91	\$ 37,533,896.38	\$ 10,252,709.00	\$ 12,199,537.00
Accounts receivable, net	13,064,666.87	4,940,288.19	4,994,768.00	4,421,920.00
Pledges receivable	0.00	0.00	0.00	0.00
Mortgage receivable	0.00	0.00	0.00	0.00
Investments	17,865,140.99	6,591,240.44	3,994,685.00	2,399,237.00
Loans to students, net	1,112,569.42	1,107,428.40	552,139.00	653,234.00
Inventories	441,718.95	446,117.84	1,368,810.00	1,398,056.00
Prepaid expenses	15,195.47	25,074.16	169,697.00	107,175.00
Other current assets	0.00	0.00	3,312,969.00	2,955,384.00
Total Current Assets	\$ 61,092,753.61	\$ 50,644,045.41	\$ 24,645,777.00	\$ 24,134,543.00
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	\$ 0.00	\$ 0.00	\$ 1,162,682.00	\$ 109,766.00
Pledges receivable	0.00	0.00	0.00	0.00
Mortgage receivable	0.00	0.00	0.00	0.00
Investments	1,517,240.00	18,169,234.69	8,322,507.00	12,464,066.00
Loans to students, net	6,304,560.00	6,275,427.59	0.00	0.00
Cash surrender value of life insurance	0.00	0.00	0.00	0.00
Other assets	0.00	0.00	500.00	500.00
Collections	0.00	0.00	0.00	0.00
Capital assets, net	149,604,527.19	143,323,149.97	16,936,291.00	17,341,085.00
Total Noncurrent Assets	\$ 157,426,327.19	\$ 167,767,812.25	\$ 26,421,980.00	\$ 29,915,417.00
TOTAL ASSETS	\$ 218,519,080.80	\$ 218,411,857.66	\$ 51,067,757.00	\$ 54,049,960.00
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 7,971,922.08	\$ 11,242,437.92	\$ 1,205,279.00	\$ 1,181,070.00
Deferred revenue	3,668,792.27	1,955,368.23	3,585,482.00	3,149,664.00
Loan payable	0.00	0.00	551,549.00	500,822.00
Revenue bonds payable	2,495,000.00	1,830,000.00	1,886,779.00	1,840,628.00
Accrued compensated absences	8,839,267.57	8,254,519.81	220,700.00	220,946.00
Deposits held in custody for others	5,315,223.84	4,515,720.84	0.00	0.00
Total Current Liabilities	\$ 28,290,205.76	\$ 27,798,046.80	\$ 7,449,789.00	\$ 6,893,130.00
<b>Noncurrent Liabilities</b>				
Revenue bonds payable	\$ 33,845,000.00	\$ 40,340,000.00	\$ 20,177,171.00	\$ 23,130,888.00
Total Noncurrent Liabilities	\$ 33,845,000.00	\$ 40,340,000.00	\$ 20,177,171.00	\$ 23,130,888.00
TOTAL LIABILITIES	\$ 62,135,205.76	\$ 68,138,046.80	\$ 27,626,960.00	\$ 30,024,018.00
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 113,264,527.19	\$ 101,153,149.97	\$ 2,195,190.00	\$ 823,184.00
Restricted for:				
Nonexpendable	0.00	0.00	3,400,801.00	5,884,118.00
Expendable				
Scholarships, research, instruction, public service & other	0.00	0.00	0.00	0.00
Loans	8,954,326.04	8,823,144.35	0.00	0.00
Capital projects	17,902,696.40	26,386,307.77	1,514,531.00	2,766,519.00
Debt service	1,674,612.93	1,917,653.87	2,590,767.00	962,094.00
Other purposes	1,572,359.09	1,901,371.06	7,018,393.00	6,662,302.00
Unrestricted	13,015,353.39	10,092,183.84	6,721,115.00	6,927,725.00
TOTAL NET ASSETS	\$ 156,383,875.04	\$ 150,273,810.86	\$ 23,440,797.00	\$ 24,025,942.00

(1) See Appendix 1 - Amended to exclude WSU Foundation.  
FY 2005 statements restated to reflect exclusion of WSU Foundation.

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**For the Year Ended June 30, 2006**

	<b>University Funds</b>		<b>Component Units (1)</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Operating Revenues:</b>				
Tuition and fees, net of scholarship allowances of \$11,496,869 in 2006 and \$9,621,048 in 2005	\$ 41,625,361.24	\$ 39,266,975.79	\$ 3,477,560.00	\$ 3,343,639.00
Federal grants and contracts	31,280,509.80	29,153,322.49	0.00	0.00
State and local grants and contracts	13,512,325.04	16,769,496.14	0.00	0.00
Sales and services of educational activities	13,622,462.38	9,525,627.95	9,039,799.00	7,745,428.00
Auxiliary enterprises				
Housing revenues (revenues are pledged as security for bonds)	4,167,077.02	4,382,202.01	0.00	0.00
Parking revenues (revenues are pledged as security for bonds)	1,466,371.63	1,506,688.19	0.00	0.00
Interest earned on loans to students	109,852.11	108,285.97	102,148.00	55,809.00
Other operating revenues	7,071,963.16	7,114,206.76	349,275.00	408,995.00
Contributions	0.00	0.00	4,283,760.00	3,546,821.00
<b>Total Operating Revenues</b>	<b>\$ 112,855,922.38</b>	<b>\$ 107,826,805.30</b>	<b>\$ 17,252,542.00</b>	<b>\$ 15,100,692.00</b>
<b>Operating Expenses:</b>				
Instruction	\$ 52,874,813.12	\$ 51,941,550.06	\$ 0.00	\$ 0.00
Research	23,608,947.76	21,602,254.80	0.00	118,535.00
Public Service	14,909,567.42	15,707,933.78	348,141.00	219,538.00
Academic Support	21,516,125.94	22,398,677.44	34,152.00	73,707.00
Student Service	18,007,631.77	17,756,156.20	15,985,514.00	13,940,602.00
Institutional Support	11,850,099.99	11,150,965.99	857,792.00	75,568.00
Operations & Maintenance of Plant	18,119,782.70	21,780,037.05	916,865.00	627,422.00
Depreciation	8,515,869.74	6,126,223.05	1,851,328.00	1,718,608.00
Scholarships & Fellowships	3,400,334.68	3,526,014.61	2,122,802.00	2,075,655.00
Auxiliary Enterprises	3,369,939.64	3,191,461.00	0.00	0.00
Other Expenses	3,907,507.48	4,112,654.19	1,151,712.00	911,431.00
<b>Total Operating Expenses</b>	<b>\$ 180,080,620.24</b>	<b>\$ 179,293,928.17</b>	<b>\$ 23,268,296.00</b>	<b>\$ 19,761,066.00</b>
<b>Operating Income (Loss)</b>	<b>\$ (67,224,697.86)</b>	<b>\$ (71,467,122.87)</b>	<b>\$ (6,015,754.00)</b>	<b>\$ (4,660,374.00)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State appropriations	\$ 70,359,749.00	\$ 65,498,585.00	\$ 0.00	\$ 0.00
State Mandated Transfer Reserved for State General Fund	0.00	(578,984.00)	0.00	0.00
County tax subsidy	0.00	0.00	6,524,947.00	5,710,265.00
Gifts	0.00	0.00	2,558,262.00	1,651,266.00
Gifts for capital projects	0.00	0.00	1,117,276.00	740,449.00
Investment income	1,034,342.69	408,415.74	1,401,371.00	1,120,240.00
Interest expense	(1,878,618.80)	(1,183,965.91)	(1,062,905.00)	(1,197,386.00)
Student fees for capital projects	723,979.70	720,000.00	712,491.00	678,133.00
Other nonoperating revenues (expenses)	0.00	0.00	(1,530,989.00)	(1,505,570.00)
<b>Net Nonoperating Revenues</b>	<b>\$ 70,239,452.59</b>	<b>\$ 64,864,050.83</b>	<b>\$ 9,720,453.00</b>	<b>\$ 7,197,397.00</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	<b>\$ 3,014,754.73</b>	<b>\$ (6,603,072.04)</b>	<b>\$ 3,704,699.00</b>	<b>\$ 2,537,023.00</b>
<b>Other Revenue</b>				
Capital appropriations	\$ 3,095,309.45	\$ 2,188,926.00	\$ 0.00	\$ 0.00
Capital bond proceeds	0.00	18,169,234.69	0.00	0.00
Other additions, net	0.00	(11,134,285.02)	(4,289,844.00)	(85,400.00)
<b>Other Revenue</b>	<b>\$ 3,095,309.45</b>	<b>\$ 9,223,875.67</b>	<b>\$ (4,289,844.00)</b>	<b>\$ (85,400.00)</b>
<b>Increase in Net Assets</b>	<b>\$ 6,110,064.18</b>	<b>\$ 2,620,803.63</b>	<b>\$ (585,145.00)</b>	<b>\$ 2,451,623.00</b>
<b>Net Assets</b>				
Net Assets - Beginning of Year	150,273,810.86	147,653,007.23	24,025,942.00	21,574,319.00
Net Assets - End of Year	\$ 156,383,875.04	\$ 150,273,810.86	\$ 23,440,797.00	\$ 24,025,942.00

(1) See Appendix 2 - Amended to exclude WSU Foundation  
FY 2005 statements restated to reflect exclusion of WSU Foundation



**WICHITA STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2006

	University Funds	
	2006	2005
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 41,636,602.63	\$ 40,284,467.68
Sales and services of educational activities	13,622,462.38	9,525,627.95
Auxiliary enterprise charges		
Housing	3,834,660.14	4,382,202.01
Parking	895,445.80	1,506,688.19
Research Grants and contracts	38,100,727.65	45,712,755.63
Payments to suppliers	(43,434,393.47)	(46,783,964.64)
Payments for utilities	(5,882,327.62)	(4,436,938.13)
Payments for Scholarships and Benefits	(3,400,334.68)	(3,526,014.61)
Compensation & benefits	(122,103,932.99)	(110,319,975.83)
Loans issued to students	(1,409,564.36)	(1,095,580.72)
Collections on loans issued to students	1,192,690.30	1,004,234.03
Other receipts (payments)	9,787,417.53	7,048,821.54
Net Cash Flows from Operating Activities	\$ (67,160,546.69)	\$ (56,697,676.90)
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	\$ 70,359,749.00	\$ 65,498,585.00
Funds held for others	799,503.00	176,796.34
Federal family education loan receipts	43,189,951.00	40,879,115.28
Federal family education loan disbursements	(43,189,951.00)	(41,894,018.00)
Net Cash Flows from Noncapital Financing Activities	\$ 71,159,252.00	\$ 64,660,478.62
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from Capital Debt	\$ 0.00	\$ 18,169,234.69
Capital appropriations	3,095,309.45	2,188,926.00
Student fees for capital projects	723,979.70	720,000.00
Purchase of capital assets	(14,797,246.96)	(7,729,757.75)
Principal paid on capital debt and leases	(6,495,000.00)	(1,750,000.00)
Interest paid on capital debt and leases	(1,878,618.80)	(1,183,965.91)
Other	0.00	(1,779,938.63)
Net Cash Flows from Capital and Related Financing Activities	\$ (19,351,576.61)	\$ 8,634,498.40
<b>Cash Flows from Investing Activities</b>		
Investment income	\$ 1,034,342.69	\$ 408,415.74
Proceeds from sales and maturities of investments	14,316,147.07	9,613,862.20
Purchase of investments	(8,938,052.93)	(27,636,266.48)
Net Cash Flows from Investing Activities	\$ 6,412,436.83	\$ (17,613,988.54)
Net change in cash and cash equivalents	(8,940,434.47)	(1,016,688.42)
Cash and cash equivalents - beginning of year	37,533,896.38	38,550,584.80
Cash and cash equivalents - end of year	\$ 28,593,461.91	\$ 37,533,896.38
<b>Reconciliation</b>		
Operating income (loss)	\$ (67,224,697.86)	\$ (71,467,122.87)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	8,515,869.74	6,126,223.05
Changes in assets and liabilities:		
Accounts receivable, net	(8,124,378.68)	(157,974.03)
Loans to students, net	(34,273.43)	(171,701.88)
Current Portion of Long Term Debt	665,000.00	-
Inventories	4,398.89	(299,201.90)
Prepaid expenses	9,878.69	(25,074.16)
Accounts payable and accrued liabilities	(3,270,515.84)	8,411,739.48
Deferred revenue	1,713,424.04	358,122.05
Accrued compensated absences	584,747.76	527,313.36
<b>Net cash used in operating activities - Cash Flow</b>	\$ (67,160,546.69)	\$ (56,697,676.90)

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

The University conducts classes at two locations in Wichita. The main campus is at 1845 Fairmount, Wichita, Kansas. A satellite West Campus is located at 3801 North Walker Avenue, Maize, Kansas.

Undergraduate enrollment for fall 2005, fiscal year 2006, was 10,975 with a total credit hours of 121,531, and graduate enrollment was 3,101 with a total credit hours of 20,409.

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

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

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

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

**Cash Equivalents.** For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Investments.** The University accounts for its investments at fair value in accordance with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

**Accounts Receivable.** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. The University has not established an allowance for doubtful accounts. (See Note #4)

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**Inventories.** Inventories are carried at cost.

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

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

**Noncurrent Cash and Investments.** Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as non-current in the Statement of Net Assets.

**Capital Assets.** Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if the related project cost exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

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

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

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

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

**Deposits Held In Custody For Others.** Deposits held in custody for others consist primarily of student organizations' monies administered by the University.

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of revenue bonds with contractual maturities greater than one year.

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

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

*Restricted net assets - nonexpendable:* Restricted nonexpendable net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Wichita State University Foundation data is not presented in this financial statement, with the other component units of the University, as noted above.

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

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also included auxiliary enterprises, which are substantially self-supporting activities that provide services for student, faculty and staff. The auxiliary enterprises included here are student housing and parking operations.

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**Tax Status.** As a state institution of higher education, the income of the University is generally exempt for federal and state income taxes under Section 115(a) of the Internal revenue code; however, income generated from activities unrelated to the University's exempt purpose, is subject to income taxes under Internal Revenue code section 511(a)(2)(b). The university complies with this requirement by annually filing form 990-T through the Board of Regents office.

**Classification of Revenues.** The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarships discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts, (4) interest on institutional student loans and auxiliary enterprises.

Nonoperating revenues: Nonoperating revenues include state appropriations, restricted funds set aside per State of Kansas mandate for transfer to General Fund and income from investments. These revenues are from activities that have the characteristics of nonexchange transactions as defined as nonoperating revenues by *GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary fund Accounting*, *GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments as amended by GASB Statement No. 35, Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*.

**Scholarships Discounts and Allowances.** Student tuition and fee revenues, and certain other revenues from students are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**Summer Session.** Revenues and expenses for the summer session are reported within the fiscal year in which the summer session is predominately conducted. Accordingly, revenues and expenses for the 2005 summer session are reported in the Statement of Revenues, Expenses and Changes in Net Assets as revenue and expenses for 2006. Summer session revenues received prior to June 30, 2006, are reported as deferred revenues in the Statement of Net Assets. Expenses for the summer session paid prior to June 30, 2006, are reported as prepaid expenses. Kansas Board of Regents officials determined this methodology and believe the departure from generally accepted accounting principles will not have a material effect on the University's financial position.

## NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

**Cash and Cash Equivalents.** The carrying amount of the University's deposits with the State Treasurer and other financial institutions at June 30, 2006, were \$28,593,461.91. The University's deposits with the State Treasurer, are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in short-term investments with the exception of the bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

**Investments.** The University's investments are categorized, as to credit risk, as either (1) insured or registered, or securities held by the university or its agent in the University's name, (2) uninsured and unregistered, with securities held by the counter party's trust department or agent in the University's name, or (3) uninsured and unregistered, with securities held by the counter part, or by its' trust department or agent, but not in the University's name. At June 30, 2006, the University's investments consisted of the following:

	Categories			Fair Value
	1	2	3	
U. S. Government Securities	\$ 4,433,268.75	\$ 0.00	\$ 0.00	\$ 4,433,268.75
Certificates of Deposit	131,968.78	0.00	0.00	131,968.78
Guaranteed Investment Contracts	14,817,143.46	0.00	0.00	14,817,143.46
Total Investments	\$ 19,382,380.99	\$ 0.00	\$ 0.00	\$ 19,382,380.99

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the University for the year ended June 30, 2006, is summarized as follows:

	Primary Institution			
	Beginning Balance	Additions	Retirements	Ending Balance
<b>Capital Assets (not depreciated)</b>				
Land	\$ 2,966,850.70	\$ 0.00	\$ 0.00	\$ 2,966,850.70
Construction-in-Progress	26,152,146.28	8,126,051.10	25,826,469.15	8,451,728.23
Total Assets - not depreciable	\$ 29,118,996.98	\$ 8,126,051.10	\$ 25,826,469.15	\$ 11,418,578.93
<b>Capital Assets (being depreciated)</b>				
Infrastructure	\$ 3,483,113.04	\$ 0.00	\$ 0.00	\$ 3,483,113.04
Land Improvements	8,633,422.76	576,143.00	0.00	9,209,565.76
Buildings	87,966,477.40	555,674.00	577.20	88,521,574.20
Building Improvements	62,842,954.89	25,778,077.41	361,860.75	88,259,171.55
Equipment and Furnishings	37,698,131.14	5,362,426.05	1,183,194.14	41,877,363.05
Vehicles	2,443,900.35	27,050.75	19,472.00	2,451,479.10
Sub-Total University	\$ 203,067,999.58	\$ 32,299,371.21	\$ 1,565,104.09	\$ 233,802,266.70
Service Clearing:				
Equipment	\$ 240,351.32	\$ 9,261.00	\$ 2,508.35	\$ 247,103.97
Vehicles	471,507.65	189,032.80	190,944.68	469,595.77
Sub-Total Service Clearing	\$ 711,858.97	\$ 198,293.80	\$ 193,453.03	\$ 716,699.74
Total Assets - depreciable basis	\$ 203,779,858.55	\$ 32,497,665.01	\$ 1,758,557.12	\$ 234,518,966.44
Gross Total Capital Assets	\$ 232,898,855.53	\$ 40,623,716.11	\$ 27,585,026.27	\$ 245,937,545.37
<b>Accumulated Depreciation</b>				
Infrastructure	\$ 1,082,327.60	\$ 119,270.95	\$ 0.00	\$ 1,201,598.55
Land Improvements	2,703,099.94	284,012.70	0.00	2,987,112.64
Buildings	46,185,950.78	1,925,690.82	577.20	48,111,064.40
Building Improvements	16,983,279.42	1,886,884.60	361,860.75	18,508,303.27
Equipment and Furnishings	19,765,546.99	4,109,320.56	1,183,194.14	22,691,673.41
Vehicles	2,218,204.52	131,525.80	19,472.00	2,330,258.32
Sub-Total University	\$ 88,938,409.25	\$ 8,456,705.43	\$ 1,565,104.09	\$ 95,830,010.59
Service Clearing:				
Equipment	\$ 231,377.33	\$ 3,832.20	\$ 2,508.35	\$ 232,701.18
Vehicles	405,918.98	55,332.11	190,944.68	270,306.41
Sub-Total Service Clearing	\$ 637,296.31	\$ 59,164.31	\$ 193,453.03	\$ 503,007.59
Total Accumulated Depreciation	\$ 89,575,705.56	\$ 8,515,869.74	\$ 1,758,557.12	\$ 96,333,018.18
Capital Depreciable Assets - Net	\$ 114,204,152.99	\$ 23,981,795.27	\$ 0.00	\$ 138,185,948.26
Total Capital Assets - Net	\$ 143,323,149.97	\$ 32,107,846.37	\$ 25,826,469.15	\$ 149,604,527.19

The University elected not to capitalize its library book collections. These collections adhere to the University's policy to (a) maintain them for public exhibition, education, or research; (b) protect, keep encumbered, care for and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time of purchase rather than be capitalized.

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable are shown in the accompanying Statement of Net Assets. The University has not established an allowance for doubtful accounts as of June 30, 2006. During fiscal year 2006, Research funds incurred a significant increase in outstanding accounts receivable. This short term, temporary billing delay was a result of the University implementing a new SCT Enterprise Resource Project (ERP) system. The conversion of all research accounts, while giving better control and timely billing, initially created a major workload backlog in vendor billing and subsequently accounts receivable collections. At June 30, 2006, accounts receivable consisted of the following:

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Student tuition and fees	\$ 1,228.72	\$ 4,208.95
Student Housing Contracts	0.00	462,625.83
Service Clearing and other operating activities	76,210.44	37,984.88
Federal, state, and private grants and contracts	<u>12,987,227.71</u>	<u>4,435,468.53</u>
Total Accounts Receivable	<u>\$ 13,064,666.87</u>	<u>\$ 4,940,288.19</u>

**NOTE 5 - LOANS TO STUDENTS**

Student loans made through the Federal Perkins Loan Program and the Health Profession Student Loan Program comprise substantially all of the loans to students at June 30, 2006, and 2005. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The Federal government reimburses the University for a portion of the amounts canceled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education. The University has not established an allowance for uncollectible loans at June 30, 2006

**NOTE 6 - DEFERRED REVENUE**

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

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Tuition and fees	\$ 63,238.31	\$ 0.00
Student housing contracts	208.00	44,845.11
Summer session	242,514.85	297,491.89
Grants and contracts	<u>3,362,831.11</u>	<u>1,613,031.23</u>
Total Deferred Revenue	<u>\$ 3,668,792.27</u>	<u>\$ 1,955,368.23</u>

**NOTE 7 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2006, consists of the following:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Liability</u>
<b>Revenue Bonds Payable:</b>					
Housing System Renovation Project - Refunding Revenue Bonds Series 2002P	\$ 10,755,000.00	\$ 0.00	\$ 490,000.00	\$ 10,265,000.00	\$ 490,000.00
Parking System Project Revenue Bonds - Series 2000B	4,095,000.00	0.00	315,000.00	3,780,000.00	315,000.00
WSU Research and Development Facilities Projects - Series 2003C	2,305,000.00	0.00	0.00	2,305,000.00	0.00
National Institute for Aviation Research - Research and Development Facilities Projects - Series 2003C	4,765,000.00	0.00	1,105,000.00	3,660,000.00	1,105,000.00
WSU Research and Development Facilities Projects - Series 2005D	12,180,000.00	0.00	4,530,000.00	7,650,000.00	530,000.00
National Institute for Aviation Research - Research and Development Facilities Projects - Series 2005D	6,240,000.00	0.00	55,000.00	6,185,000.00	55,000.00
Total Long-Term Liabilities	<u>\$ 40,340,000.00</u>	<u>\$ 0.00</u>	<u>\$ 6,495,000.00</u>	<u>\$ 33,845,000.00</u>	<u>\$ 2,495,000.00</u>

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**NOTE 8 - REVENUE BONDS OUTSTANDING**

Revenue bonds payable consisted of the following at June 30, 2006:

	<b>Principal Outstanding 6/30/06</b>
<p>Kansas Development Finance Authority Refunding Revenue Bonds - Series 2002P (The Kansas Board of Regents - Wichita State University Housing System Renovation Project) issued on December 1, 2002, in the original amount of \$12,150,000.00. Due in annual installments with final maturity on June 1, 2021. Interest ranging from 3.00% to 4.75% payable semi-annually. Collateralized by dormitory fees from residential students. The amount of principal payment due in Fiscal Year 2007 is \$490,000.</p>	\$ 10,755,000.00
<p>Kansas Development Finance Authority Revenue Bonds - Series 2000B (The Kansas Board of Regents - Wichita State University Parking System Renovation Project) issued on May 15, 2000, in the original amount of \$5,705,000.00. Due in annual installments with final maturity on April 1, 2015. Interest ranging from 4.70% to 5.90% payable semi-annually. Collateralized by parking fees from students, faculty and staff. The amount of principal payment due in Fiscal Year 2007 is \$315,000.</p>	4,095,000.00
<p>Kansas Development Finance Authority Revenue Bonds - Series 2003C (The Kansas Board of Regents - Wichita State University Research and Development Facilities Projects - WSU) issued on February 11, 2003, in the original amount of \$2,305,000.00. Due in annual installments with final maturity on October 1, 2023. Interest rate is 5.00% payable semi-annually. Interest payments are to be made from earned and capitalized interest from 10-1-03 to 4-1-07. Interest payments are to be made from State of Kansas Appropriations from 4-1-07 to 4-1-12. University funds are to be used for principal and interest payments from 4-1-12 to 10-1-23 (maturity).</p>	2,305,000.00
<p>Kansas Development Finance Authority Revenue Bonds - Series 2003C (The Kansas Board of Regents - Wichita State University Research and Development Facilities Projects - Aviation Research Facilities Fund) issued on February 11, 2003, in the original amount of \$6,815,000.00. Due in annual installments with final maturity on June 30, 2010. Interest ranging from 4.672% to 5.00% payable semi-annually. Principal and interest payments are to be made from earned and capitalized interest from 10-1-03 to 4-1-04. Principal and interest payments are to be made from earned interest and State of Kansas appropriation from 10-4-04 to 10-1-05. Principal and interest payments are to be made by State of Kansas appropriation from 4-1-06 to 10-1-09 (maturity). The amount of principal payment due in Fiscal Year 2007 is \$1,105,000.</p>	4,765,000.00
<p>Kansas Development Finance Authority Revenue Bonds - Series 2005D (The Kansas Board of Regents - Wichita State University Research and Development Facilities Projects - WSU) issued on June 2, 2005, in the original amount of \$12,180,000.00. Due in annual installments with final maturity on October 1, 2021. Interest ranging from 3.790% to 4.950% payable semi-annually. Interest payments are to be made from earned interest and University funds from 10-1-05 to 4-1-06. Principal and Interest payments are to be made from earned interest, University funds and State of Kansas appropriations from 10-1-06 to 4-1-11. Principal and Interest payments are to be made from earned interest and University funds from 10-1-11 to 10-1-21 (maturity). (See note #14.) In April, 2006, \$4,000,000.00 for an Icing Tunnel research project was cancelled due to construction bids exceeding funding. These funds were returned to KDFA for reallocation to another university for \$3,000,000.00 and early redemption of bond principal of \$1,000,000.00. The amount of principal payment due in Fiscal Year 2007 is \$530,000.</p>	8,180,000.00
<p>Kansas Development Finance Authority Revenue Bonds - Series 2005D (The Kansas Board of Regents - Wichita State University Research and Development Facilities Projects - Aviation Research Facilities Fund) issued on June 2, 2005, in the original amount of \$6,240,000.00. Due in annual installments with final maturity on October 1, 2013. Interest ranging from 3.790% to 4.680% payable semi-annually. Principal and interest payments are to be made from capitalized interest from 10-1-05 to 4-1-06. Principal and interest payments are to be made from University funds from 10-1-06 to 10-1-13 (maturity). The amount of principal payment due in Fiscal Year 2007 is \$55,000.</p>	6,240,000.00

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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Future debt service requirements for all bonds outstanding at June 30, 2006, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,495,000.00	\$ 1,661,102.75	\$ 4,156,102.75
2008	2,610,000.00	1,550,485.00	4,160,485.00
2009	2,720,000.00	1,435,085.00	4,155,085.00
2010	2,850,000.00	1,310,901.50	4,160,901.50
2011	2,980,000.00	1,180,703.00	4,160,703.00
2012-2016	13,720,000.00	3,781,434.00	17,501,434.00
2017-2021	6,660,000.00	1,457,451.28	8,117,451.28
2022-2024	2,305,000.00	203,625.00	2,508,625.00
Totals	<u>\$ 36,340,000.00</u>	<u>\$ 12,580,787.53</u>	<u>\$ 48,920,787.53</u>

#### NOTE 9 - RETIREMENT PLANS

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

##### Defined Benefit Plan

###### Kansas Public Employees Retirement System

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

For the year ended June 30, 2006, active KPERS members were required by statute to contribute 4% and the university to contribute 5.27% of the employee's covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The University contributed \$815,201.25 during fiscal year 2006 and individual employees contributed \$642,624.00.

###### Kansas Police and Fireman's Fund

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

For the year ended June 30, 2006, active KP&FF members were required by statute to contribute 7% and the university to contribute 11.99% of the employee's covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The University contributed \$110,492.27 during fiscal year 2006 and individual employees contributed \$67,565.72.

##### Defined Contribution Plan

Eligible faculty and unclassified employees are required to participate in the Kansas Board of Regents (Regents) defined contribution retirement plan, which was authorized by K.S.A. 74-4925. The regents have selected the following companies to provide investment options to participants: (1) Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), (2) Lincoln National Life Insurance Company, (3) ING Financial Advisers and (4) Security Benefit Life Insurance Company. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. All contributions are fully vested with the first contribution.

For the year ended June 30, 2006, active members were required by state statute to contribute 5.5% and the university to contribute 8.5% of the employees' covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The University contributed \$5,276,530.74 during fiscal year 2006 and individual employees contributed \$3,358,925.96.

##### Voluntary Tax-Sheltered Annuity Program

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



WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**NOTE 10 - POST EMPLOYMENT BENEFITS**

In addition to pension benefits, the State provides post-employment health care benefits to eligible retired employees. The benefits are provided in accordance with the rules and regulations of the Kansas State Employees Health Care Commission. The Commission is responsible for the determination of the allocation of premium costs between the participants and the State. These allocations are subject to change each contract year. The University funds the benefits on a pay-as-you-go basis.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The University is a defendant in three lawsuits. However, University officials are of the opinion, based on the advice of in-house legal counsel, that the ultimate outcome of this litigation will not have a material effect on the future operations or financial position of the University. The University is represented by the Foulston & Siefkin law firm through the Kansas Tort Claims Act as coordinated by the Attorney General's office.

The University, as a state educational institution of Kansas, is subject to the State of Kansas' self-insurance program with regard to comprehensive general liability and personal injury insurance. The University is covered by the State's umbrella insurance policies for automobile liability and property insurance. Also, the University is self-insured relative to workers compensation, medical and unemployment insurance. The University does maintain specific insurance coverages as allowed by the State of Kansas and as required by outstanding bond issues. The University is not aware of any significant outstanding insurance claims as of June 30, 2006.

The State of Kansas does not insure buildings and contents, valued under \$500,000 and does not insure State-owned automobiles for bodily injury and property damages. State buildings valued over \$500,000 are insured against catastrophic loss with a \$5 million deductible per occurrence and a maximum annual liability of \$100 million per occurrence.

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

**NOTE 12 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

The University's operating expenses by functional and natural classification are as follows:

	Compensation and Benefits	Contractual Services and Commodities	Utilities	Scholarships and Fellowships	Depreciation	Total
Educational and general:						
Instruction	\$ 50,084,607.98	\$ 2,790,205.14				\$ 52,874,813.12
Research	13,222,815.46	10,386,132.30				23,608,947.76
Public Service	9,455,501.35	5,454,066.07				14,909,567.42
Academic Support	15,014,592.98	6,501,532.96				21,516,125.94
Student Services	10,686,324.37	7,321,307.40				18,007,631.77
Institutional Support	9,144,363.98	2,705,736.01				11,850,099.99
Operation and Maintenance of Plant	10,782,893.12	1,454,561.96	5,882,327.62			18,119,782.70
Depreciation					8,515,869.74	8,515,869.74
Scholarships and Fellowships				3,400,334.68		3,400,334.68
Auxiliary Enterprises	832,510.95	2,537,428.69				3,369,939.64
Other	954,325.59	2,953,181.89				3,907,507.48
Totals - by Account	\$ 120,177,935.78	\$ 42,104,152.42	\$ 5,882,327.62	\$ 3,400,334.68	\$ 8,515,869.74	\$ 180,080,620.24

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**NOTE 13 - COMPONENT UNITS**

The following disclosure meets the requirements in GASB Statement 14, *The Financial Reporting Entity* - paragraph 61 and GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* - paragraph 128. With one exception, It also complies with *Statement No. 39 of the Governmental Accounting Standards Board - Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14*. The exception is that the University elected not to include the financial information of the Wichita State University Foundation, a component unit of the University as a part of its' financial statements.

Buildings and improvements, constructed or purchased become the property of the State of Kansas and Wichita State University. Generally, revenue bond debt, remains the liability of the component unit.

Operating equipment and vehicles, purchases with component unit funds, remain an asset of the component unit.

**Wichita State University Intercollegiate Athletic Association, Inc.**

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

The Athletic Board of Directors serves as an advisory body to the President of the University and the Director of Athletics. The Athletic Board consists of nineteen members who are appointed by the President from the following constituencies: twelve University personnel, three students, and four persons from the community. The Athletic Board provides the President and the Director of Athletics with its views on all significant questions relating to Athletic Association policies and activities. The management functions of the Athletic Association are delegated to the Director of Athletics by the President.

Although incorporated as a not-for-profit organization, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, the Athletic Association is considered a governmental organization for financial reporting purposes because its governing body is appointed by Wichita State University and in the event of unilateral dissolution, its net assets revert to Wichita State University. While required to report under the GASB pronouncements, the Athletic Association has elected to report under Financial Accounting Standards Board (FASB) pronouncements. including FASB Statement No. 117, Financial Reporting for Not-for-Profit Organizations. However, the differences do not have a significant effect on net assets or the changes in net assets as of or for the year ending June 30, 2006. The Athletic Association is reported as a component unit by the University.

All land and structures, pertinent to the operation of the Athletic Association, are owned by the State of Kansas and have not been reflected as assets of the Athletic Association. The Student Government through the University allocates annually a portion of the Student Fees collected for support of the Athletic Association. This revenue amount was reflected on the financial statements in the amount of \$1,889,533 for operations and \$564,900 for capital debt retirement, in 2006. The State of Kansas, through the University, pays directly the salaries of certain Athletic Association personnel. The financial statements reflect \$1,652,030 in 2006 of state appropriations as revenue and a like amount of salaries as expenses. The University also provides full maintenance, housekeeping, utilities and certain other costs of all athletic facilities. These expenses totalled \$980,852 in 2006 and have been reflected in the Athletic Association's financial statements as indirect facilities and administrative support.

The Wichita State University Foundation (the Foundation) coordinates fund-raising for and manages investments on behalf of the University and the Athletic Association. Funds held by the Foundation which are designated for athletics and controlled by the Athletic Association, are included in the Athletic Association's financial statements. The Athletic Association is not a party to the revenue bonds or the lease agreement related to the Eck Stadium Phase IV project. Accordingly, funds held by the Foundation for the Eck Stadium Phase IV are not included in the Athletic Association's financial statements. The Foundation holds other funds designated for athletics which are not controlled by the Athletic Association. Such funds are comprised primarily of endowed scholarship funds. The Athletic Association records contributions when such funds are disbursed to the Athletic Association for their restricted use.

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

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

Wichita State University Union Corporation d/b/a Rhatigan Student Center (the Union) serves as the student union for Wichita State University. It is a component unit of Wichita State University. It provides a bookstore, recreation, other activities and dining services, contracted through the University with an unrelated third party, to the faculty, staff, students and alumni of the University. It also rents meeting room space to the University for students and faculty groups. The Union does not advertise its services outside the University "family".

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

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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

For the year ended June 30, 2006, approximately 38% (\$1,735,528) of the organization's support and revenue came from student fees: 45% came from gross profit on sales: 1% came from contributions and 16% from other sources. Contributions are recognized when the donor makes an in-substance, unconditional pledge or outright cash gift. Donor wishes and restrictions dictate classification of the gifts as unrestricted, temporarily restricted or permanently restricted.

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

The organization was a beneficiary of a portion of the proceeds from bonds payable issued by the State of Kansas through Wichita State University during the year ended June 30, 1999. The proceeds were used for energy conserving building renovations and equipment replacements. As of June 30, 2006, the organization is obligated to repay \$234,034 principal on the bonds, plus interest at rates ranging from 4.4% to 5.4%. Interest expense of \$21,574 was recorded for 2006. Principal of \$80,628 was retired in 2006. The Union is reported as a component unit by the University.

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

#### **Wichita State University Board of Trustees**

Wichita State University - Board of Trustees (the Board of Trustees) is a governmental entity established for the education enrichment purposes of Wichita State University as a whole, including all the colleges and branches or divisions thereof as well as all the facilities and activities thereof, consistent with the objectives, operation and management of Wichita State University.

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

The Board of Trustees' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) Statements No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35 *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities A20* and as amended by GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units*. Pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 (when applicable) and do not conflict with or contradict GASB pronouncements, are followed.

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

The Board of Trustees furnishes support to Wichita State University. During the fiscal year 2006, it furnished to the University \$3,167,853 for student support, \$348,141 for community support, \$34,152 for faculty and program support and \$857,792 for university support. The Board of Trustees is reported as a component unit by the University.

Complete financial statements for The Board of Trustees can be obtained from the Board of Trustees Business Office at 1845 Fairmount, Campus Box 2, Wichita, Kansas 67260-0002.

WICHITA STATE UNIVERSITY  
NOTES TO THE FINANCIAL STATEMENTS  
For the Years Ended June 30, 2006 and 2005

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**NOTE 14 - SUBSEQUENT EVENTS**

**Lease-Purchase Agreement**

The University, on February 22, 2006, entered into a lease-purchase agreement and performance contract with Custom Energy Services, L.L.C. for a period of fifteen years that totals \$12,316,635.00. The agreement was duly approved and authorized by the Kansas Board of Regents February 16, 2006. The annual effective interest rate is 3.945%. The first payment is due October 1, 2006. Rental payments are due semi-annually on October 1 and April 1. Final rental payment is due October 1, 2021. Payments are to be made from annual budget allocations. An energy audit identified over 100 energy saving measures resulting in a projected annual utility savings of \$1,173,811. These projects include lighting retrofit, water retrofit, replacement of boilers, cooling tower improvements, steam trap replacement, expansion of the energy management system and others. Custom Energy Services, L.L.C. will guarantee these savings to be more than the cost of energy conservation measures including financing cost, over the financing period.

**Funding for Deferred Maintenance of Buildings and Infrastructure**

The Board of Regents began working with the six public universities in FY 2006 to develop a formal request to the Governor and the Legislature for funding to eliminate the backlog of deferred maintenance. The results of that study showed that there was a buildup of deferred maintenance on the six campuses that totaled \$727 million. The amount identified at WSU totaled \$44 million. Knowing that the entire amount would not be funded and knowing that the universities could not spend the entire amount in the first year, the Board of Regents asked for a "down payment" to start addressing the problem. After much discussion and debate in the legislature, they finally appropriated \$90 million over five years, starting in Fiscal Year 2008. The allocations are as follows with WSU's portion being identified by year.

<u>Fiscal Year</u>	<u>Total Appropriation</u>	<u>WSU Portion of Appropriation</u>
2008	\$ 30,000,000.00	\$ 3,030,000.00
2009	20,000,000.00	2,060,000.00
2010	15,000,000.00	1,545,000.00
2011	15,000,000.00	1,545,000.00
2012	10,000,000.00	1,030,000.00
Totals	<u>\$ 90,000,000.00</u>	<u>\$ 9,210,000.00</u>

In addition to these new funds, Wichita State University will receive \$1.5 million in revenue from another source that has been allocated annually for such purposes over the past several years. In addition, the Legislature has approved, for the first time in history, that the six universities will be permitted to retain the interest earnings on their tuition, fees and sponsored research revenues. In the case of WSU, it is anticipated that an additional revenue totaling \$1.1 million will come from this source. Through these three sources of revenue, Wichita State University will be able to make significant progress on the deferred maintenance problem.

# **APPENDICES**

## **COMPONENT UNITS**

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF NET ASSETS OF COMPONENT UNITS**  
**For the Year Ended June 30, 2006**

Appendix 1																
		Total Component Units (1)		ICAA Component Unit		RSC Component Unit		Board of Trustees								
		2006	2005	2006	2005	2006	2005	2006	2005	2006	2005					
<b>ASSETS</b>																
<b>Current Assets</b>																
Cash and cash equivalents	\$	10,252,709.00	\$	12,199,537.00	\$	5,476,647.00	\$	6,037,898.00	\$	1,762,838.00	\$	3,013,224.00	\$	4,508,207.00		
Accounts receivable, net		4,994,766.00		4,421,920.00		3,272,503.00		3,633,313.00		734,659.00		987,606.00		84,326.00		
Investments		3,994,685.00		2,389,237.00		2,896,467.00		1,027,203.00		0.00		1,088,228.00		1,372,034.00		
Loans to students, net		552,139.00		653,234.00		0.00		0.00		0.00		552,139.00		653,234.00		
Inventories		1,368,810.00		1,398,056.00		0.00		0.00		1,368,810.00		0.00		0.00		
Prepaid expenses		169,697.00		107,175.00		119,189.00		71,309.00		48,319.00		35,866.00		0.00		
Other current assets		3,312,969.00		2,955,384.00		152,077.00		161,582.00		0.00		0.00		0.00		
Total Current Assets	\$	24,645,777.00	\$	24,134,543.00	\$	11,916,873.00	\$	10,931,305.00	\$	3,914,626.00	\$	3,791,633.00	\$	8,814,278.00	\$	9,411,605.00
<b>Noncurrent Assets</b>																
Restricted cash and cash equivalents	\$	1,162,682.00	\$	109,766.00	\$	0.00	\$	0.00	\$	0.00	\$	0.00	\$	1,162,682.00	\$	109,766.00
Investments		8,322,507.00		12,464,066.00		0.00		0.00		0.00		0.00		8,322,507.00		12,464,066.00
Other assets		500.00		500.00		0.00		0.00		500.00		500.00		0.00		0.00
Capital assets, net		16,936,291.00		17,341,085.00		1,013,829.00		737,103.00		2,769,113.00		2,984,816.00		13,153,349.00		13,619,166.00
Total Noncurrent Assets	\$	26,421,980.00	\$	29,915,417.00	\$	1,013,829.00	\$	737,103.00	\$	2,769,613.00	\$	2,985,316.00	\$	22,638,538.00	\$	26,192,998.00
TOTAL ASSETS	\$	51,067,757.00	\$	54,049,960.00	\$	12,930,702.00	\$	11,668,408.00	\$	6,684,239.00	\$	6,776,949.00	\$	31,452,816.00	\$	35,604,603.00
<b>LIABILITIES</b>																
<b>Current Liabilities</b>																
Accounts payable and accrued liabilities	\$	1,205,279.00	\$	1,181,070.00	\$	558,179.00	\$	380,740.00	\$	326,933.00	\$	398,776.00	\$	320,167.00	\$	401,554.00
Deferred revenue		3,585,482.00		3,149,664.00		3,496,953.00		2,899,609.00		88,529.00		249,865.00		0.00		0.00
Loan payable		551,549.00		500,822.00		0.00		0.00		0.00		0.00		551,549.00		500,822.00
Revenue bonds payable		1,886,779.00		1,840,628.00		340,000.00		330,000.00		86,628.00		80,628.00		1,460,000.00		1,430,000.00
Accrued compensated absences		220,700.00		220,946.00		0.00		0.00		220,700.00		220,946.00		0.00		0.00
Total Current Liabilities	\$	7,449,789.00	\$	6,893,130.00	\$	4,395,132.00	\$	3,610,549.00	\$	722,941.00	\$	950,205.00	\$	2,331,716.00	\$	2,332,376.00
<b>Noncurrent Liabilities</b>																
Revenue bonds payable	\$	20,177,171.00	\$	23,130,888.00	\$	7,297,259.00	\$	8,476,292.00	\$	147,255.00	\$	234,033.00	\$	12,732,657.00	\$	14,420,563.00
Total Noncurrent Liabilities	\$	20,177,171.00	\$	23,130,888.00	\$	7,297,259.00	\$	8,476,292.00	\$	147,255.00	\$	234,033.00	\$	12,732,657.00	\$	14,420,563.00
TOTAL LIABILITIES	\$	27,626,960.00	\$	30,024,018.00	\$	11,692,391.00	\$	12,086,841.00	\$	870,196.00	\$	1,184,238.00	\$	15,064,373.00	\$	16,752,939.00
<b>NET ASSETS</b>																
Invested in capital assets, net of related debt	\$	2,195,190.00	\$	823,184.00	\$	1,013,829.00	\$	737,103.00	\$	2,535,079.00	\$	2,670,155.00	\$	(1,353,718.00)	\$	(2,594,074.00)
Restricted for:																
Nonexpendable		3,400,801.00		5,884,118.00		0.00		0.00		0.00		0.00		3,400,801.00		5,884,118.00
Expendable																
Scholarships, research, instruction,																
Capital projects		1,514,531.00		2,766,519.00		0.00		1,568,349.00		1,514,531.00		1,198,170.00		0.00		0.00
Debt service		2,590,767.00		962,094.00		2,590,767.00		962,094.00		0.00		0.00		0.00		0.00
Other purposes		7,018,393.00		6,662,302.00		934,005.00		0.00		0.00		0.00		6,084,388.00		6,662,302.00
Unrestricted		6,721,115.00		6,927,725.00		(3,300,290.00)		(3,685,979.00)		1,764,433.00		1,724,386.00		8,256,972.00		8,889,318.00
TOTAL NET ASSETS	\$	23,440,797.00	\$	24,025,942.00	\$	1,238,311.00	\$	(418,433.00)	\$	5,814,043.00	\$	5,592,711.00	\$	16,388,443.00	\$	18,851,664.00

(1) See Appendix 1 - Amended to exclude WSU Foundation.  
FY 2005 statements restated to reflect exclusion of WSU Foundation.

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS OF COMPONENT UNITS**  
For the Year Ended June 30, 2006

**Appendix 2**

	Total Component Units (1)		ICAA Component Unit		RSC Component Unit		Board of Trustees	
	2006	2005	2006	2005	2006	2005	2006	2005
<b>Operating Revenues:</b>								
Student fees	\$ 3,477,560.00	\$ 3,343,639.00	\$ 1,889,533.00	\$ 1,869,533.00	\$ 1,588,027.00	\$ 1,474,106.00	\$ 0.00	\$ 0.00
Sales and services of educational activities	9,039,799.00	7,745,428.00	6,381,360.00	5,289,241.00	2,658,439.00	2,456,187.00	0.00	0.00
Interest earned on loans to students	102,148.00	55,809.00	0.00	0.00	0.00	0.00	102,148.00	55,809.00
Other operating revenues	349,275.00	408,995.00	324,166.00	336,977.00	108.00	0.00	25,000.00	73,018.00
Contributions	4,283,760.00	3,546,821.00	4,161,826.00	3,325,771.00	117,334.00	213,904.00	4,600.00	7,146.00
<b>Total Operating Revenue</b>	<b>\$ 17,252,542.00</b>	<b>\$ 15,100,692.00</b>	<b>\$ 12,756,885.00</b>	<b>\$ 10,820,522.00</b>	<b>\$ 4,363,909.00</b>	<b>\$ 4,144,197.00</b>	<b>\$ 131,748.00</b>	<b>\$ 135,973.00</b>
<b>Operating Expenses:</b>								
Research	\$ 0.00	\$ 118,535.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 118,535.00
Public Service	348,141.00	219,538.00	0.00	0.00	0.00	0.00	348,141.00	219,538.00
Academic Support	34,152.00	73,707.00	0.00	0.00	0.00	0.00	34,152.00	73,707.00
Student Service	15,985,514.00	13,940,602.00	9,431,287.00	8,516,280.00	3,559,476.00	3,407,569.00	2,994,751.00	2,016,763.00
Institutional Support	857,792.00	75,568.00	0.00	0.00	0.00	0.00	857,792.00	75,568.00
Operations & Maintenance of Plant	916,855.00	627,422.00	513,091.00	321,742.00	403,764.00	305,680.00	0.00	0.00
Depreciation	1,851,328.00	1,718,608.00	1,601,554.00	1,021,394.00	319,758.00	245,570.00	1,371,016.00	1,370,644.00
Scholarships & Fellowships	2,122,902.00	2,075,655.00	1,876,865.00	1,721,140.00	72,835.00	65,703.00	173,102.00	288,812.00
Other Expenses	1,151,712.00	911,431.00	1,151,712.00	911,431.00	0.00	0.00	0.00	0.00
<b>Total Operating Expenses</b>	<b>\$ 23,288,296.00</b>	<b>\$ 19,761,086.00</b>	<b>\$ 13,133,509.00</b>	<b>\$ 11,572,987.00</b>	<b>\$ 4,365,833.00</b>	<b>\$ 4,024,522.00</b>	<b>\$ 5,778,954.00</b>	<b>\$ 4,163,557.00</b>
<b>Operating Income (Loss)</b>	<b>\$ (6,015,754.00)</b>	<b>\$ (4,660,374.00)</b>	<b>\$ (376,624.00)</b>	<b>\$ (752,465.00)</b>	<b>\$ 8,076.00</b>	<b>\$ 119,675.00</b>	<b>\$ (5,647,206.00)</b>	<b>\$ (4,027,584.00)</b>
<b>Nonoperating Revenues (Expenses)</b>								
County tax subsidy	\$ 6,524,947.00	\$ 5,710,285.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 6,524,947.00	\$ 5,710,285.00
Gifts	2,558,262.00	1,651,266.00	2,558,262.00	1,651,266.00	0.00	0.00	0.00	0.00
Gifts for capital projects	1,117,276.00	740,449.00	379,376.00	169,489.00	0.00	0.00	737,900.00	570,960.00
Investment income	1,401,371.00	1,120,240.00	284,560.00	188,409.00	65,755.00	23,585.00	1,051,056.00	908,246.00
Interest expense	(1,062,905.00)	(1,197,386.00)	(376,282.00)	(460,769.00)	0.00	0.00	(686,623.00)	(736,617.00)
Student fees for capital projects	712,491.00	678,133.00	564,980.00	569,356.00	147,501.00	117,777.00	0.00	0.00
Other nonoperating revenues (expenses)	(1,530,882.00)	(1,505,570.00)	(1,092,589.00)	(979,501.00)	0.00	0.00	(438,400.00)	(526,089.00)
<b>Net Nonoperating Revenues</b>	<b>\$ 9,720,453.00</b>	<b>\$ 7,197,397.00</b>	<b>\$ 2,318,317.00</b>	<b>\$ 1,129,250.00</b>	<b>\$ 213,256.00</b>	<b>\$ 141,362.00</b>	<b>\$ 7,188,880.00</b>	<b>\$ 5,926,785.00</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	<b>\$ 3,704,699.00</b>	<b>\$ 2,537,023.00</b>	<b>\$ 1,941,693.00</b>	<b>\$ 376,785.00</b>	<b>\$ 221,332.00</b>	<b>\$ 281,037.00</b>	<b>\$ 1,541,674.00</b>	<b>\$ 1,899,201.00</b>
<b>Other Revenue</b>								
Other additions, net	\$ (4,289,844.00)	\$ (85,400.00)	\$ (284,949.00)	\$ (85,400.00)	\$ 0.00	\$ 0.00	\$ (4,004,895.00)	\$ 0.00
<b>Increase in Net Assets</b>	<b>\$ (585,145.00)</b>	<b>\$ 2,451,623.00</b>	<b>\$ 1,656,744.00</b>	<b>\$ 291,385.00</b>	<b>\$ 221,332.00</b>	<b>\$ 281,037.00</b>	<b>\$ (2,463,221.00)</b>	<b>\$ 1,899,201.00</b>
<b>Net Assets</b>								
Net Assets - Beginning of Year	24,025,942.00	21,574,319.00	(418,433.00)	(709,818.00)	5,592,711.00	5,331,674.00	18,851,664.00	16,952,463.00
Net Assets - End of Year	<u>\$ 23,440,797.00</u>	<u>\$ 24,025,942.00</u>	<u>\$ 1,238,311.00</u>	<u>\$ (418,433.00)</u>	<u>\$ 5,814,043.00</u>	<u>\$ 5,592,711.00</u>	<u>\$ 16,388,443.00</u>	<u>\$ 18,851,664.00</u>

(1) See Appendix 2 - Amended to exclude WSU Foundation  
FY 2005 statements restated to reflect exclusion of WSU Foundation