

# Kansas State University

## Annual Financial Report

Fiscal Year Ended June 30, 2002



# Kansas State University Manhattan, Kansas

## STATE BOARD OF REGENTS

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Jack R. Wempe, Chair  
Lyons

Lewis L. Ferguson  
Topeka

Richard Bond  
Overland Park

Janice DeBauge  
Emporia

William R. Docking  
Arkansas City

Deryl W. Wynn  
Kansas City

Fred A. Kerr  
Pratt

Donna Shank  
Liberal

James Grier III  
Wichita

Reginald Robinson  
President and CEO

## UNIVERSITY OFFICIALS

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Jon Wefald  
President

James R. Coffman  
Provost

Robert S. Krause  
Vice President for Institutional Advancement

Thomas M. Rawson  
Vice President for Administration and Finance

## BUSINESS AND FINANCIAL STAFF

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John M. Struve  
Interim Associate Vice President for Administration and Finance

Keith L. Ratzloff  
Assistant Vice President/Controller

Fran Willbrant  
Associate Controller

Geneva S. Jahnke  
Interim Director of Budget

**Kansas State University**  
**Statement of Net Assets**  
For the Year Ended June 30, 2002

	<b>University Funds</b>	<b>Component Units</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 61,359,694	\$ 8,355,341
Accounts receivable, net	20,522,855	2,293,412
Pledges receivable	—	57,000
Investments	—	893,411
Loans to students, net	3,415,664	—
Inventories	2,976,309	220,572
Prepaid expenses	600,209	454,189
Total Current Assets	88,874,731	12,273,925
<b>Noncurrent Assets</b>		
Restricted cash and cash equivalents	18,833,153	12,213,524
Pledges receivable	—	285,362
Investments	3,850,912	2,551,122
Loans to students, net	14,002,462	—
Other assets	—	1,125,517
Capital assets, net	262,095,932	4,789,986
Total Noncurrent Assets	298,782,459	20,965,511
TOTAL ASSETS	387,657,190	33,239,436
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	17,288,899	794,726
Deferred revenue	24,898,810	10,171,810
Loan payable	182,973	957,697
Revenue bonds payable	2,145,000	—
Accrued compensated absences	878,267	2,026,131
Other liabilities	1,331,459	1,193,753
Capital lease payable	992,826	1,966
Deposits held in custody for others	—	541,790
Total Current Liabilities	47,718,234	15,687,873
<b>Noncurrent Liabilities</b>		
Accrued compensated absences	8,951,963	—
Other liabilities	840,310	17,994,813
Revenue bonds payable	21,520,000	—
Other loan payable	1,072,921	80,414
Capital lease payable	2,746,864	3,767
Deposits held in custody for others	6,083,660	—
Total Noncurrent Liabilities	41,215,718	18,078,994
TOTAL LIABILITIES	88,933,952	33,766,867
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	231,458,932	3,574,509
Restricted for:		
Nonexpendable	2,275,994	7,929,196
Expendable		
Scholarships, research, instruction, public service, & other	(5,452,394)	—
Loans	20,721,094	—
Capital projects	8,125,899	29,236
Debt service	5,735,121	5,380,886
Unrestricted	35,858,592	(17,441,258)
TOTAL NET ASSETS	\$298,723,238	\$ (527,431)*

\*See accompanying Note 14.

**Kansas State University**  
**Statement of Revenues, Expenses and Changes in Net Assets**

For the Year Ended June 30, 2002

	University Funds	Component Units
<b>Operating Revenues:</b>		
Tuition and fees, net of scholarship allowances of \$5,355,888	\$ 57,176,220	\$ 2,212,610
Federal appropriations	8,684,831	—
Federal grants and contracts	64,037,977	—
State and local grants and contracts	9,623,382	—
Nongovernmental grants and contracts	19,517,630	7,515,581
Sales and services of educational activities	35,448,714	16,004,819
Auxiliary enterprises		
Housing revenues (revenues are pledged as security for bonds)	21,016,200	—
Parking revenues (revenues are pledged as security for bonds)	1,805,787	—
Student health revenues	5,138,000	—
Other auxiliary revenues	562,619	—
Interest earned on loans to students	451,590	—
Other operating revenues	8,839,879	3,260,471
Contributions		6,939,805
	232,302,829	35,933,286
<b>Operating Expenses:</b>		
Instruction	120,778,476	—
Research	87,287,534	107,000
Public Service	50,752,857	679,169
Academic Support	27,365,689	—
Student Service	16,067,500	2,013,116
Institutional Support	17,177,581	26,120,278
Operations & Maintenance of Plant	25,068,619	—
Depreciation	24,287,369	739,462
Scholarships & Fellowships	8,639,258	3,047,968
Auxiliary Enterprises	25,453,877	—
Other Expenses	5,887,875	1,579,563
	408,766,635	34,286,556
	(176,463,806)	1,646,730
<b>Nonoperating Revenues (Expenses)</b>		
State appropriations	166,006,382	617,085
Investment income	355,252	1,222,996
Interest expense	(1,237,432)	(959,432)
Student fees for capital projects	2,093,243	—
	167,217,445	880,649
Income (Loss) Before Other Revenues, Expenses, Gains and Losses	(9,246,361)	2,527,379
Capital appropriations	8,507,914	—
Capital grants and gifts	5,921,086	—
Additions to permanent endowment	61,919	538,523
Other additions, net	282,871	(2,038,391)
	5,527,429	1,027,511
<b>Net Assets</b>		
Net Assets—Beginning of Year	293,195,809	(1,554,942)
Net Assets—End of Year	\$298,723,238	\$ (527,431)

# Kansas State University

## Statement of Cash Flow

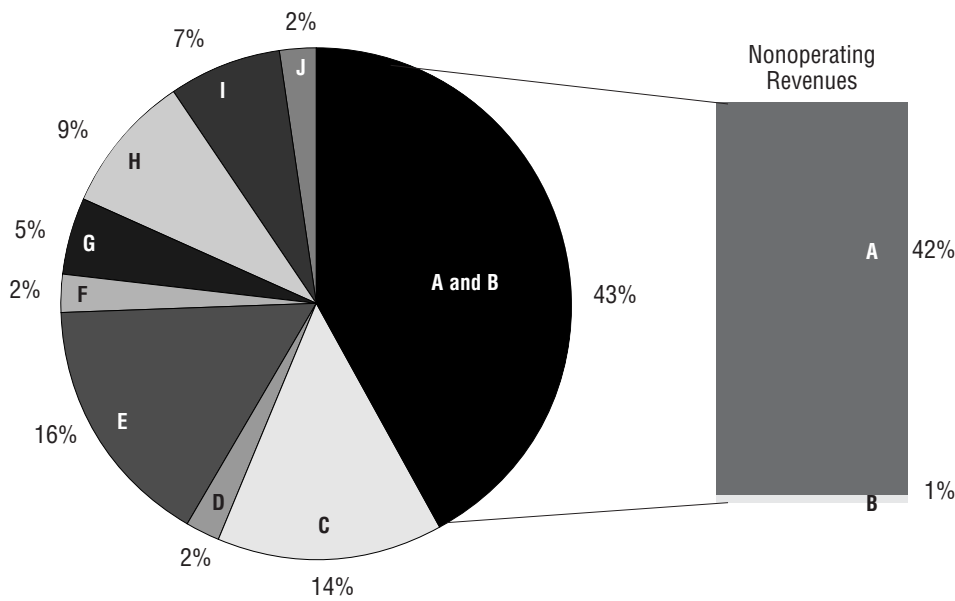
For the Year Ended June 30, 2002

	University Funds	Component Units
<b>Cash Flows from Operating Activities</b>		
Tuition and Fees	\$ 62,420,727	\$ 2,212,610
Endowment income	108,928	-
Sales and services of educational activities	35,450,485	16,334,208
Auxiliary enterprise charges		
Housing	20,806,923	-
Parking	1,743,665	-
Student health	5,200,445	-
Other	544,633	-
Grants and contracts	102,864,111	7,514,590
Federal appropriations	8,684,831	-
Payments to suppliers	(131,567,971)	(18,810,534)
Compensation & benefits	(272,531,730)	(13,026,103)
Loans issued to students and employees	(4,893,681)	-
Collections on loans issued to students and employees	4,506,334	-
Contributions	-	7,176,692
Other receipts (payments)	24,944,547	3,181,119
Net Cash Flows from Operating Activities	(141,717,753)	4,582,582
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	165,689,124	617,085
Direct lending receipts	58,995,489	-
Direct lending payments	(59,003,488)	-
Funds held for others	2,199,466	-
Net Cash Flows from Noncapital Financing Activities	167,880,591	617,085
<b>Cash Flows from Capital and Related Financing Activities</b>		
Proceeds from capital debt	-	3,617,334
Capital appropriations	6,187,446	-
Capital grants and gifts	5,921,086	-
Student fees for capital projects	2,093,245	-
Purchases of capital assets	(20,638,149)	(1,830,523)
Principal paid on capital debt and leases	(2,273,665)	(86,549)
Interest paid on capital debt and leases	(1,237,432)	(959,432)
Other	191,899	(2,019,947)
Net Cash Flows from Capital and Related Financing Activities	(9,755,570)	(1,279,117)
<b>Cash Flows from Investing Activities</b>		
Proceeds from sales and maturities of investments	-	499,758
Investment income	332,235	695,812
Purchase of investments	(64,015)	(401,021)
Net Cash Flows from Investing Activities	268,220	794,549
Net change in cash and cash equivalents	16,675,488	4,715,099
Cash and cash equivalents—Beginnng of Year	63,517,359	16,423,802
Cash and cash equivalents—End of Year	\$ 80,192,847	\$ 21,138,901

**Kansas State University**  
**Statement of Cash Flow** (Continued)  
For the Year Ended June 30, 2002

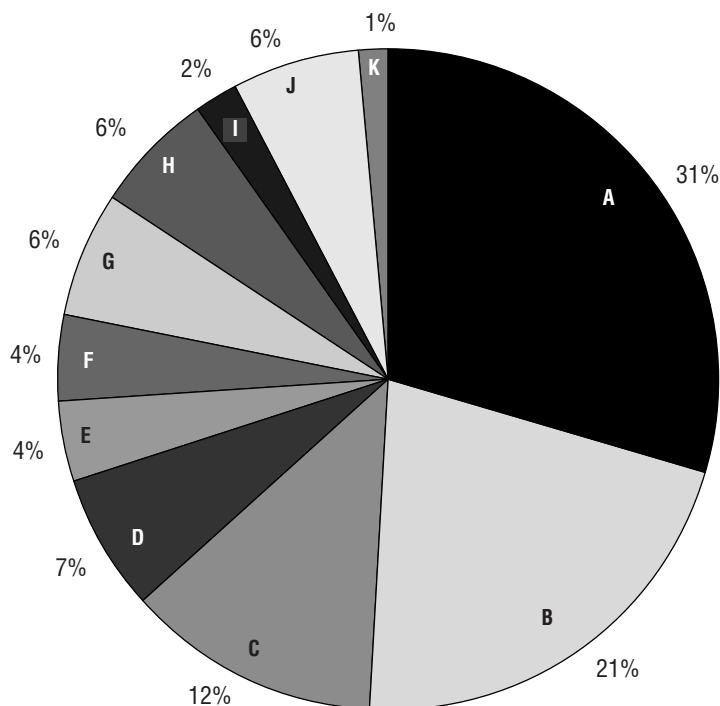
	<b>University Funds</b>	<b>Component Units</b>
<b>Reconciliation</b>		
Operating income (loss)—SRECNA	\$(176,463,806)	\$ 1,646,730
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	24,287,369	739,462
Changes in assets and liabilities:		
Accounts receivable, net	(4,844,122)	(1,211,127)
Loans to students, net	(387,347)	—
Inventories	709,723	1,581,692
Prepaid expenses	117,899	(20,332)
Accounts payable and accrued liabilities	1,201,280	36,184
Deferred revenue	14,200,237	1,463,653
Accrued compensated absences	(38,073)	(62,095)
Other	(500,913)	408,415
Net cash used in operating activities—Cash Flow	\$(141,717,753)	\$ 4,582,582

# Revenues



Operating Revenues		\$ thousands
<b>C</b>	Tuition and fees	57,176
<b>D</b>	Federal appropriations	8,685
<b>E</b>	Federal grants and contracts	64,038
<b>F</b>	State and local grants and contracts	9,623
<b>G</b>	Nongovernmental grants and contracts	19,518
<b>H</b>	Sales and services of educational activities	35,449
<b>I</b>	Auxiliary enterprises	28,523
<b>J</b>	Other operating revenues	9,291
<b>Nonoperating Revenues</b>		
<b>A</b>	State appropriations	166,007
<b>B</b>	Student fees for capital projects	2,093
<b>Total</b>		<b>\$400,403</b>

# Operating Expenses by Function



Operating Expenses		\$ thousands
<b>A</b>	Instruction	120,779
<b>B</b>	Research	87,287
<b>C</b>	Public service	50,753
<b>D</b>	Academic support	27,366
<b>E</b>	Student service	16,067
<b>F</b>	Institutional support	17,178
<b>G</b>	Operations & maintenance of plant	25,069
<b>H</b>	Depreciation	24,287
<b>I</b>	Scholarships & fellowships	8,639
<b>J</b>	Auxiliary enterprises	25,454
<b>K</b>	Other expenses	5,888
<b>Total</b>		<b>\$408,767</b>

**Kansas State University**  
Notes to Financial Statements  
For the Year Ended June 30, 2002

**Note 1—Organization and Summary of Significant Accounting Policies**

Organization. Kansas State University (University) is a comprehensive, research, federal land grant institution governed by the Kansas Board of Regents and is an agency of the State of Kansas. Accordingly, for financial reporting purposes, the University is included in the financial report of the State of Kansas.

The University is currently classified as a Doctoral/Research University—Extensive under the newly revised Carnegie Classification system and is accredited by the North Central Association of Colleges and Schools. Undergraduate, graduate and post-graduate degrees are available from nine colleges: Agriculture, Architecture, Planning & Design, Arts & Sciences, Business Administration, Education, Engineering, Human Ecology, Veterinary Medicine, and Technology & Aviation.

Other major operating units of the University are the Agricultural Experiment Station and a statewide Cooperative Extension Service. The main campus covers 668 acres in the cities of Manhattan and Salina, Kansas. Additional University sites include 18,000 acres of the Agricultural Experiment Station (AES) located in research centers at Hays, Garden City, Colby, and Parsons and 8,600 acres in the Konza Prairie Research Natural Area, jointly operated by the AES and the Division of Biology.

Financial Reporting Entity. As required by the accounting principles generally accepted in 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 Kansas State University Research Foundation (KSURF), The IDEA Center, Inc, The K-State Union Corporation, and The Intercollegiate Athletic Council of Kansas State University, Inc. Component unit financial activities and balances have been discretely presented

The Kansas State University Foundation accounts are not included in the University's financial statements as it is a legally separate entity and the University does not appoint a voting majority of the Foundation's governing body.

Basis of Accounting. For financial reporting purposes, the University applies all GASB pronouncements and 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.

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 the 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 Investments 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, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories. Inventories are stated at cost.



# Kansas State University

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2002

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 noncurrent 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 useful life of 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 is \$100,000 or greater. 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 method and half-year convention over the estimated useful lives of the assets, generally 40 years for buildings, 25 years for infrastructure and land improvements, 8 years for equipment, and 5 to 40 years for componentized buildings and building improvements.

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.

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 benefit expense in Note 13 Operating Expenses by Natural Classification.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of revenue bonds and loans payable, capital lease obligations with contractual maturities greater than one year, estimated amounts for accrued compensated absences that will not be paid within the next fiscal year, and other liabilities that are to be paid from funds that are classified as noncurrent assets.

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

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

*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.

*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.

*Unrestricted net assets:* Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. 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 include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

Tax Status. As a state institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

# Kansas State University

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2002

**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 scholarship discounts and allowances, 2) sales and services of auxiliary enterprises or educational activities, 3) most Federal, state and local grants and contracts, and 4) interest on institutional student loans.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are 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* and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, such as state appropriations and investment income.

**Scholarship Discounts and Allowances.** Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the 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, only revenues and expenses for the 2001 summer session are reported in the Statement of Revenues, Expenses, and Changes in Net Assets. For the 2002 summer session, revenues received prior to June 30, 2002 are reported as deferred revenues in the Statement of Net Assets while expenses paid prior to June 30, 2002 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.

**Use of Estimates.** The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

## 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, 2002 were \$80,192,847. 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 party, or by its trust department or agent, but not in the University's name. At June 30, 2002, the University's investments consisted of the following:

	Categories			Fair Value
	1	2	3	
U. S. Government Securities	\$ 411,912	\$ --	\$ --	\$ 411,912
Certificates of Deposits	1,784,000	--	--	1,784,000
Guaranteed Investment Contracts	1,655,000	--	--	1,655,000
Total Investments	\$ 3,850,912	\$ --	\$ --	\$ 3,850,912

**Kansas State University**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2002

**Note 3—Capital Assets**

Capital asset activity for the University for the year ended June 30, 2002 is summarized as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Capital Assets (not depreciated)</b>				
Land and Improvements	6,347,044	771,432	20,855	7,097,621
Art Collections	1,833,600	85,400	–	1,919,000
Construction in Progress	1,757,015	8,887,228	–	10,644,243
<b>Capital Assets (being depreciated)</b>				
Buildings & Improvements	359,558,850	189,824	28,000	359,720,674
Land Improvements	11,106,245	214,465	–	11,320,710
Infrastructure	6,548,686	21,877	7,757	6,562,806
Equipment and furnishings	134,753,239	11,690,362	9,007,304	137,436,297
Vehicles	16,981,502	1,282,778	486,622	17,777,658
Total Capital Assets	538,886,181	23,143,366	9,550,538	552,479,009
<b>Accumulated Depreciation</b>				
Buildings & Improvements	163,949,346	9,124,878	–	173,074,224
Land Improvements	4,350,448	428,350	8,250	4,770,548
Infrastructure	3,418,806	180,163	12,735	3,586,234
Equipment and furnishings	88,746,620	13,117,839	7,039,962	94,824,497
Vehicles	13,164,171	1,436,139	472,736	14,127,574
Total Depreciation	273,629,391	24,287,369	7,533,683	290,383,077
Capital Assets, net	265,256,790	(1,144,003)	2,016,855	262,095,932

**Kansas State University**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2002

**Note 4—Accounts Receivable**

Accounts receivable are shown net of allowances for doubtful accounts in the accompanying Statement of Net Assets. At June 30, 2002, accounts receivable consisted of the following:

	June 30, 2002
Student tuition and fees	\$ 2,090,837
Auxiliary enterprises and other operating activities	2,850,372
Federal, state, and private grants and contracts	16,211,995
	\$21,153,204
Less allowance for doubtful accounts	630,349
Net accounts receivable	\$20,522,855

**Note 5—Loans Receivable**

Student loans made through the Federal Perkins Loan Program and the Health Profession Student Loan Program comprise approximately 89% of the June 30, 2002 loan balances. The Programs provide 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 amounts cancelled 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 provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2002, the allowance for uncollectible loans was approximately \$1,105,207.

**Note 6—Deferred Revenue**

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

Tuition and fees	\$ 2,063,057
Grants and contracts	22,835,753
	\$24,898,810

**Note 7—Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2002 consist of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Revenue bonds payable	\$25,765,000	\$ —	\$ 2,100,000	\$23,665,000	\$ 2,145,000
Loans payable	1,429,559	—	173,665	1,255,894	182,973
Lease obligations	1,618,667	2,941,423	820,400	3,739,690	992,826
Compensated absences	9,264,585	1,443,912	878,267	9,830,230	878,267
Deposits held in custody for others	3,884,193	46,013,354	43,813,887	6,083,660	—
Other liabilities	1,306,085	2,079,322	1,213,638	2,171,769	1,331,459
Total Long-Term Liabilities	\$43,268,089	\$52,478,011	\$48,999,857	\$46,746,243	\$5,530,525

**Kansas State University**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2002

**Note 8—Revenue Bonds Outstanding**

Revenue bonds payable consisted of the following at June 30, 2002:

	<u>Principal Outstanding 6/30/02</u>
Kansas Development Finance Authority Refunding Revenue Bonds— Series 2001G-1 (The Kansas Board of Regents—Kansas State University Salina Housing Project) issued on June 15, 2001 in the original amount of \$845,000. Due in annual installments with final maturity on 4/1/08. Interest ranging from 4.25% to 5.00% payable semi-annually.	\$ 795,000
Kansas Development Finance Authority Refunding Revenue Bonds- Series 2001G-2 (The Kansas Board of Regents—Kansas State University Recreation Project) issued on June 15, 2001 in the original amount of \$6,385,000. Due in annual installments with final maturity on 4/1/07. Interest ranging from 4.25% to 5.00% payable semi-annually.	\$5,980,000
Kansas Development Finance Authority Revenue Bonds-Series 2000D (The Kansas Board of Regents—Kansas State University Ackert Hall Addition Project) issued on July 15, 2000 in the original amount of \$1,735,000. Due in annual installments with final maturity on 5/1/15. Interest ranging from 4.60% to 5.60% payable semi-annually.	\$1,580,000
Kansas Development Finance Authority Refunding Revenue Bonds— Series 1999F (The Kansas Board of Regents—Kansas State University Housing System, Manhattan Campus) issued on July 1, 1999 in the original amount of \$5,740,000. Due in annual installments with final maturity on 4/1/05. Interest ranging from 3.70% to 5.00% payable semi-annually.	\$3,030,000
Kansas Development Finance Authority Revenue Bonds-Series 1998B (The Kansas Board of Regents—Kansas State University Student Union Renovation and Expansion Project) issued on April 1, 1998 in the original amount of \$9,320,000. Due in annual installments with final maturity on 4/1/18. Interest ranging from 3.90% to 5.00% payable semi-annually.	\$8,200,000
Kansas Development Finance Authority Refunding Revenue Bonds— Series 1995G (The Kansas Board of Regents—Kansas State University Parking System Refunding Project) issued on November 1, 1995 in the original amount of \$2,095,000. Due in annual installments with final maturity on 10/1/05. Interest ranging from 3.80% to 4.75% payable semi-annually.	\$ 920,000
Kansas Development Finance Authority Revenue Bonds-Series 1995K (The Kansas Board of Regents—Kansas State University Farrell Library Expansion Project) issued on November 1, 1995 in the original amount of \$3,835,000. Due in annual installments with final maturity on 10/1/15. Interest ranging from 3.75% to 5.40% payable semi-annually.	\$3,160,000

Series 2001G-2 Recreation Project, Series 1995K Farrell Library Expansion Project, and Series 1998B Student Union Renovation and Expansion Project are collateralized by a pledge of student fees. Series 2001G-1 Salina Housing Project and Series 1999F Housing System, Manhattan Campus are collateralized by a pledge of housing revenues. Series 1995G Parking System Refunding Project is collateralized by a pledge of parking fees. Series 2000D Ackert Hall Addition Project is collateralized by a pledge of sponsored research overhead revenues.

**Kansas State University**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2002

In August and December 1985, certain bonds of the University were legally defeased through an advanced refunding by depositing sufficient funds to pay all future debt service in a special escrow trust. Therefore, neither the assets of the trust nor the related bonds payable are included in the Statement of Net Assets. The principal amount of defeased bonds outstanding at June 30, 2002 is \$1,075,000.

Future debt service requirements for all bonds outstanding at June 30, 2002 are as follows:

Year Ending June 30:	Principal	Interest	Total
2003	\$ 2,150,000	\$ 1,125,566	\$ 3,275,566
2004	2,245,000	1,037,388	3,282,388
2005	2,560,000	932,003	3,492,003
2006	1,095,000	821,850	1,916,850
2007	1,150,000	772,845	1,922,845
2008–2012	6,680,000	2,985,098	9,665,098
2013–2017	5,565,000	1,149,575	6,714,575
2018	1,575,000	78,750	1,653,750
<b>Total</b>	<b>\$23,020,000</b>	<b>\$ 8,903,075</b>	<b>\$31,923,075</b>

### Note 9—Loan and Lease Obligations

In December, 1991, Kansas State University and the Pooled Money Investment Board entered into a building construction and equipment loan agreement for Throckmorton Hall in the amount of \$1,757,509.14. The loan requires annual principal and interest payments through September 10, 2007 and bears interest at a rate of 5.25% per annum.

The University is obligated for the purchase of certain equipment funded through the State of Kansas Equipment Lease Purchase Program in the amount of \$3,739,690 as of June 30, 2002. Payments to liquidate these obligations are scheduled as follows:

Year Ending June 30:	Total
2003	\$ 992,826
2004	846,784
2005	774,582
2006	616,148
2007	<u>509,350</u>
	\$3,739,690

### Note 10—Retirement Plans

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

#### Defined Benefit Plan

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, 2002, active KPERS members were required by statute to contribute 4% and the University to contribute 4.18% of the employees' covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The University contributed \$1,672,802 during fiscal year 2002 and individual employees contributed \$1,605,344. In addition, \$1,763,160 was contributed to KPERS by the University for prior service benefits. Payments to KPERS for death and disability coverage for all University employees totaled \$526,987.

## Kansas State University

Notes to Financial Statements (Continued)

For the Year Ended June 30, 2002

### Defined Contribution Plan

Eligible 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) ING Financial Advisers, 3) Lincoln National Life Insurance Company, 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, 2002, active members were required by 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 \$10,642,040 during fiscal year 2002 and individual employees contributed \$6,781,400.

### Federal Retirement Plan

Some Extension Service employees at Kansas State University hold Federal appointments. Prior to December 31, 1986, Federal appointees were required to participate in the Federal Civil Service Retirement System (CSRS), a defined benefit plan. CSRS employees are subject to the Hospital Insurance portion of FICA, the CSRS employee deduction of 7.0%, and the employer contribution of 7.5%.

The Federal Employees Retirement System (FERS), also a defined benefit plan, was created beginning January 1, 1987. Employees hired after December 31, 1983 were automatically converted to FERS. Other Federal employees not covered by FERS had a one-time option to transfer to FERS up to December 31, 1987. New FERS employees contribute 0.8% with an employer contribution rate of 10.7%. FERS employees contribute at the full FICA rate. They also participate in a Thrift Savings Plan with an automatic employer contribution of 1%. Employees may also contribute to this plan at variable rates up to 13%, in which case the employer contributes at a variable rate up to 5%. CSRS employees are also eligible for participation in the Thrift Savings Plan up to 8%, but without employer contributions. Acceptance of new member participation was terminated effective July 1, 1986.

For the year ended June 30, 2002, the University contributed \$996,253 and individual employees contributed \$500,253 to these plans.

### Voluntary Tax-Sheltered Annuity Program

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

## **Note 11—Postemployment 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.

**Kansas State University**  
Notes to Financial Statements (Continued)  
For the Year Ended June 30, 2002

**Note 12—Commitments and Contingencies**

At June 30, 2002, the University had outstanding commitments on various construction projects and contracts for repairs and renovation of facilities of approximately \$9,260,473.

The University is a defendant in several lawsuits. However, University officials are of the opinion, based on advice of in-house legal counsel, that the ultimate outcome of all litigation will not have a material effect on the future operations or financial position of the University.

As a result of legislation, the University, as an agency of the State 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. These areas include stop-loss provisions that limit the University's exposure.

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 agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not have a material effect on the University's financial position.

**Note 13—Operating Expenses by Natural Classification**

Year Ended June 30, 2002

	Compensation and Benefits	Contractual Services	Supplies and Materials	Utilities	Scholarships and Fellowships	Aid, Debt and Nonexpense	Depreciation	Total
Instruction	\$ 102,930,193	\$ 9,125,856	\$ 6,463,842	\$ 306		\$ 2,258,279		\$ 120,778,476
Research	59,971,868	11,847,279	12,471,617	227,435		2,769,335		87,287,534
Public Service	39,284,137	6,670,021	4,049,641	21,477		727,581		50,752,857
Academic Support	17,240,379	6,574,774	3,356,759			193,777		27,365,689
Student Service	10,429,899	2,445,709	832,901	2,396		2,356,595		16,067,500
Institutional Support	12,803,445	3,703,445	527,206			143,485		17,177,581
Operations and Maintenance of Plant	13,898,178	670,779	935,812	9,556,880		6,970		25,068,619
Scholarships & Fellowships					8,639,258			8,639,258
Auxiliary Enterprises	14,336,049	3,461,918	5,759,008	1,826,723		70,179		25,453,877
Depreciation							24,287,369	24,287,369
Other		4,268,363	1,404,383	108		215,021		5,887,875
<b>Total Operating Expenses</b>	<b>\$ 270,894,148</b>	<b>\$ 48,768,144</b>	<b>\$ 35,801,169</b>	<b>\$ 11,635,325</b>	<b>\$ 8,639,258</b>	<b>\$ 8,741,222</b>	<b>\$ 24,287,369</b>	<b>\$ 408,766,635</b>

**Note 14—Component Units**

Buildings and improvements purchased by The Intercollegiate Athletic Council immediately become the property of the Kansas State University. This results in a negative amount being reported for net assets on the Statement of Net Assets.



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