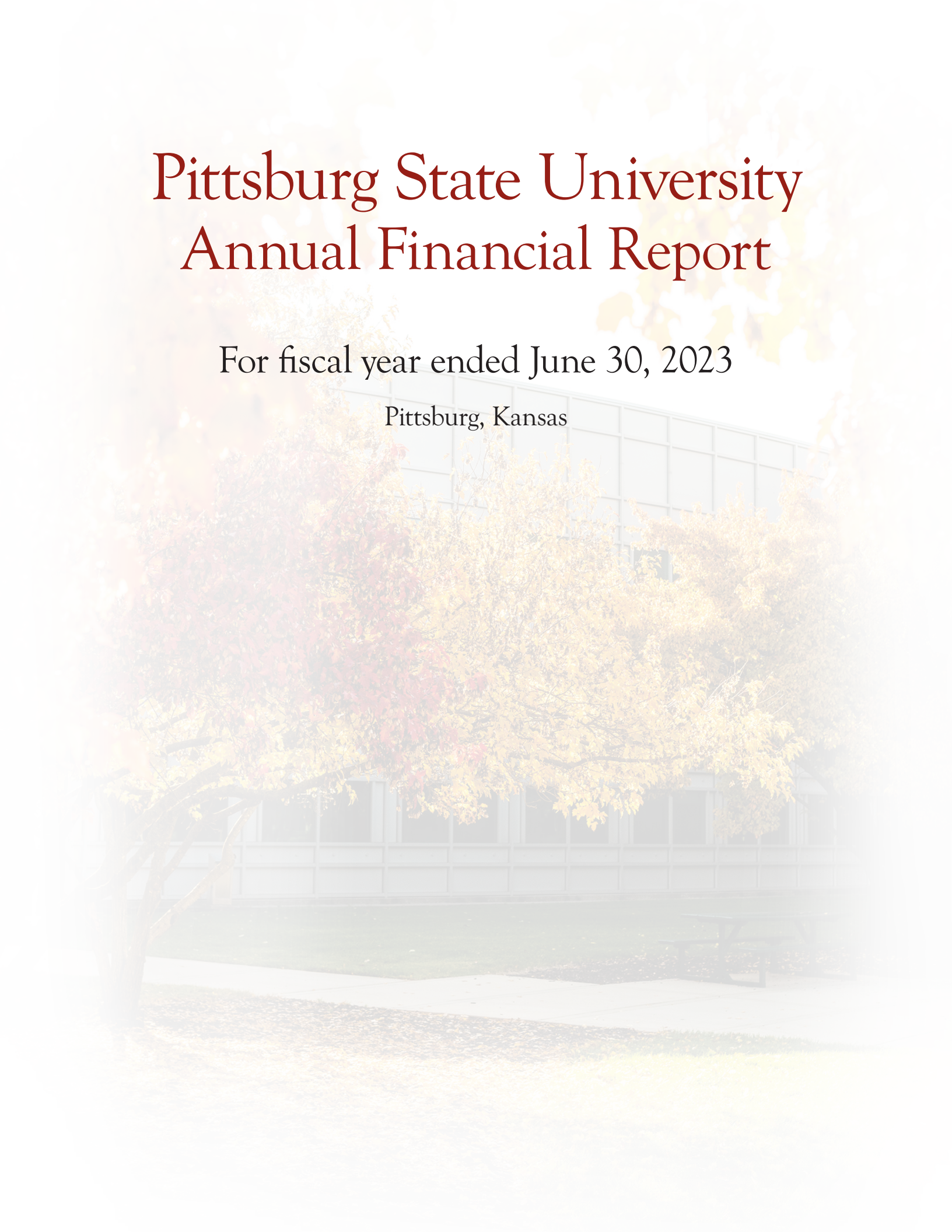


Pittsburg State University Annual Financial Report

For fiscal year ended June 30, 2023

Pittsburg, Kansas



PITTSBURG STATE UNIVERSITY

Annual Financial Report

For the Fiscal Year Ended June 30, 2023

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Pittsburg State University

Management's Discussion and Analysis

For the Year Ended June 30, 2023

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of Pittsburg State University (the "University") based on currently known facts, decisions and conditions and 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. This discussion – along with the financial statements and related footnote disclosures – has been prepared by management and should be read in conjunction with the statements and footnotes.

USING THIS ANNUAL REPORT

This report consists of the three financial statements; the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. These financial statements are prepared in accordance with GASB Statement 35 – and Management's Discussion and Analysis – for Public Colleges and Universities, as amended by GASB Statements 37 and 38. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows, and net position 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 Position includes all assets, deferred outflows, liabilities, and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private-sector institutions. 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 Position, assets and liabilities are further classified as current or non-current. 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 12 months.

Net Position is divided into three categories:

1. **Net investment in capital assets** indicates the university's equity in property, plant, and equipment owned by the University.
2. **Restricted net position** is 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 position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purposes restrictions on the use of the assets.
3. **Unrestricted net position** is available to the University for any lawful purpose of the institution.

Assets

Total assets at June 30, 2023 were \$279.15 million, an increase of \$9.8 million (3.6%) compared to \$269.35 million at June 30, 2022. Current assets consist of cash and cash equivalents, short-term investments, and accounts receivable, all of which are used to support the operations of the University. Total current assets increased \$6.7 million (8.9%) compared to 2022.

Non-current assets increased \$3.1 million (1.6%) compared to 2022. Capital assets, net of depreciation, comprised 70.4%, or \$196.5 million, of the total assets, see Note 7 - Capital Assets.

Liabilities

Total liabilities were \$75.6 million at June 30, 2023, an increase of \$1.68 million (2.3%) compared to \$73.9 million at June 30, 2022. The change in current liabilities, an increase of \$2.5 million (11.5%), is driven primarily by an increase in deferred revenues, see Note 8 - Unearned Revenue.

Non-current liabilities decreased \$0.8 million (-1.5%) compared to 2022 primarily from a net reduction in long-term debt partially offset by an increase in capital lease liability because of the adoption of the new GASB 96 subscription based-information technology standard, see Note 9 - Changes in Non-current Liabilities and Note 12 – Lease Obligations. Non-current liabilities comprised 68.5% or \$51.8 million of the liabilities.

Deferred Outflows and Inflows of Resources

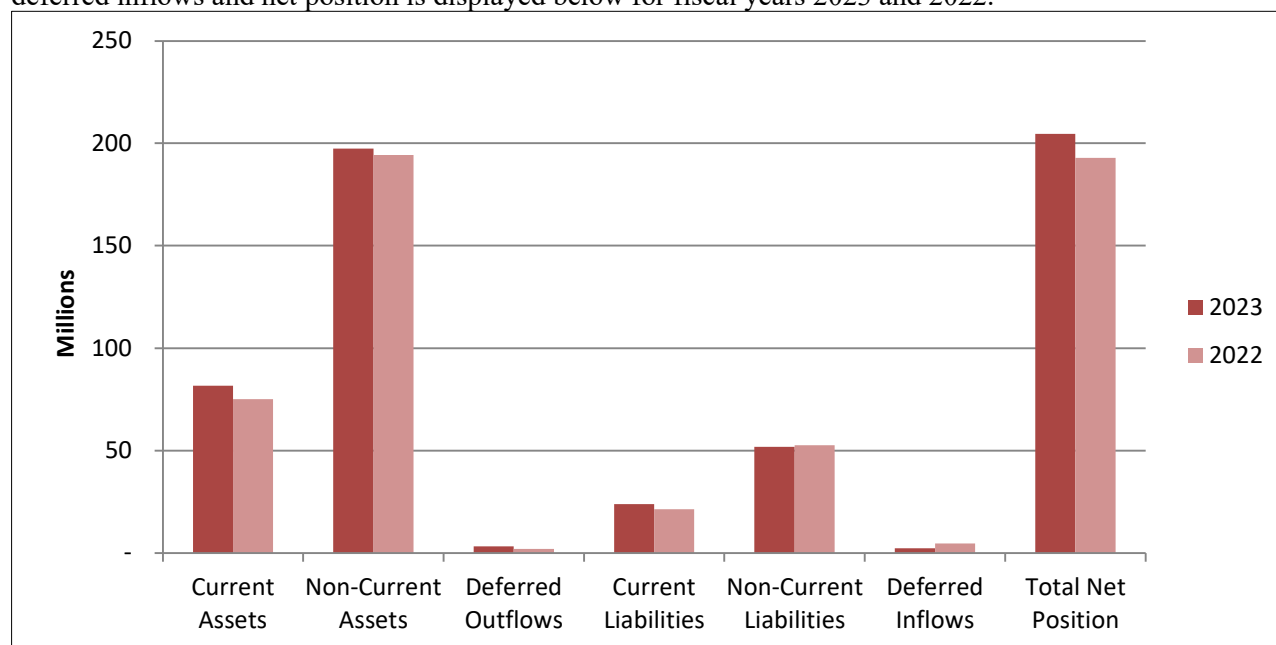
At June 30, 2023 total deferred outflows were \$3.3 million, an increase of \$1.3 million (60.4%) compared to 2022, primarily attributed to changes in the differences between actual and projected earnings of the KPERS pension plan. Total deferred inflows were \$2.3 million, a decrease of \$2.4 million (-50.5%) compared to 2022, related to the change in the University's proportion of the total State of Kansas KPERS plan actuarial determined items.

Net Position

Total net position at June 30, 2023 was \$204.5 million, a \$11.7 million (6.1%) increase from the prior year of \$192.8 million. The breakout of net position is shown below:

	June 30, 2023	June 30, 2022
Net investment in capital assets	\$153,429,197	\$147,796,587
Restricted net position	5,443,333	5,892,025
Unrestricted net position	45,655,514	39,095,105
Total net position	\$204,528,044	\$192,783,717

The composition of current and non-current assets, deferred outflows, current and non-current liabilities, deferred inflows and net position is displayed below for fiscal years 2023 and 2022.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position 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

Operating revenues at the University as of June 30, 2023 increased \$2.7 million (4.6%) over the previous fiscal year. The following is a brief summary of the significant changes:

- Revenue from tuition and fee revenues, after scholarship allowances, decreased \$0.4 million (-1.2%) because of a decline in student headcount.
- Grants and contracts, which includes Federal, State and local, and Nongovernmental grants and contracts, increased \$2.4 million (22.1%). This increase is a result of grant revenues associated to the Kansas State Department of Education and research grant revenues associated to the Kansas Polymer Research Center.
- Auxiliary enterprise revenues increased \$0.5 million (3.5%) in 2023, driven primarily by an increase in Athletic revenues. Auxiliary enterprise revenues comprised 10.1% of total operating revenue.

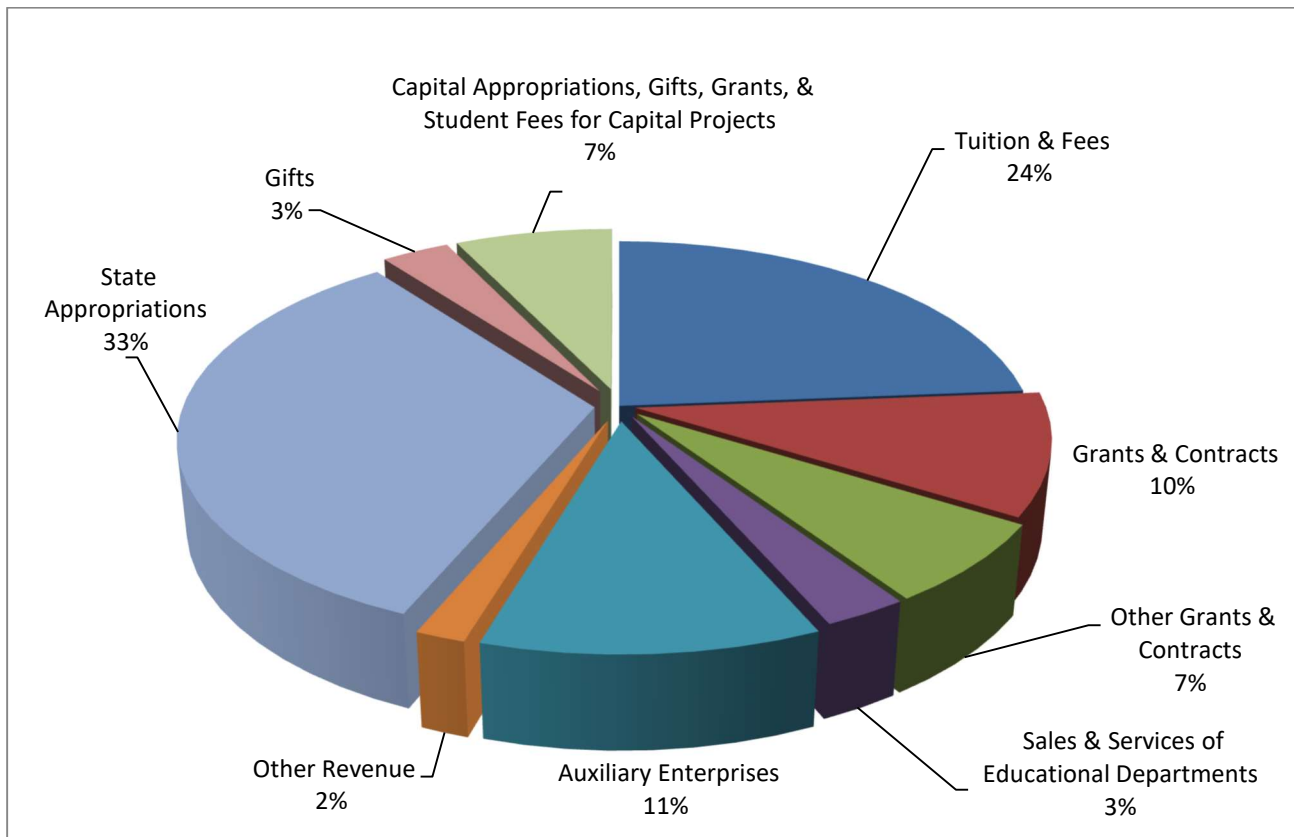
Total non-operating revenues decreased \$12.2 million (-16.9%) from 2022. The following is a brief summary of the significant changes:

- Other grants and contracts decreased \$19.7 million (-69.3%) from 2022 as a result of not receiving Higher Education Emergency Relief Fund (HEERF) funds in 2023., see Note 16 – Other Grants and Contracts.
- State appropriations increased \$4.3 million (10.9%) due to increased funding from the State Legislature.
- Investment Income increased \$1.8 million due to average daily balance interest earnings on cash held at the State Treasurer.
- Gifts increased \$1.6 million due to higher support from the PSU Foundation for University projects.

Other revenues, expenses, gains and losses, which includes capital appropriations and capital grants and gifts, increased \$2.7 million (55.8%). These revenues will vary year to year based upon the funding received for capital projects and Pittsburg State University Foundation contributions.

- Capital appropriations increased \$1.2 million (91.8%) as a result of the timing of maintenance projects and higher maintenance appropriations by the state legislature.
- Capital grants and gifts increased \$1.5 million (42%) compared to 2022. Pittsburg State University Foundation sponsors many capital projects, such as building upgrades and remodeling as well as various equipment purchases each year. The primary capital project that benefited from the Foundation's fundraising efforts was the simulation hospital addition to McPherson Hall.

Revenues for fiscal year 2023 are displayed in the following graph:



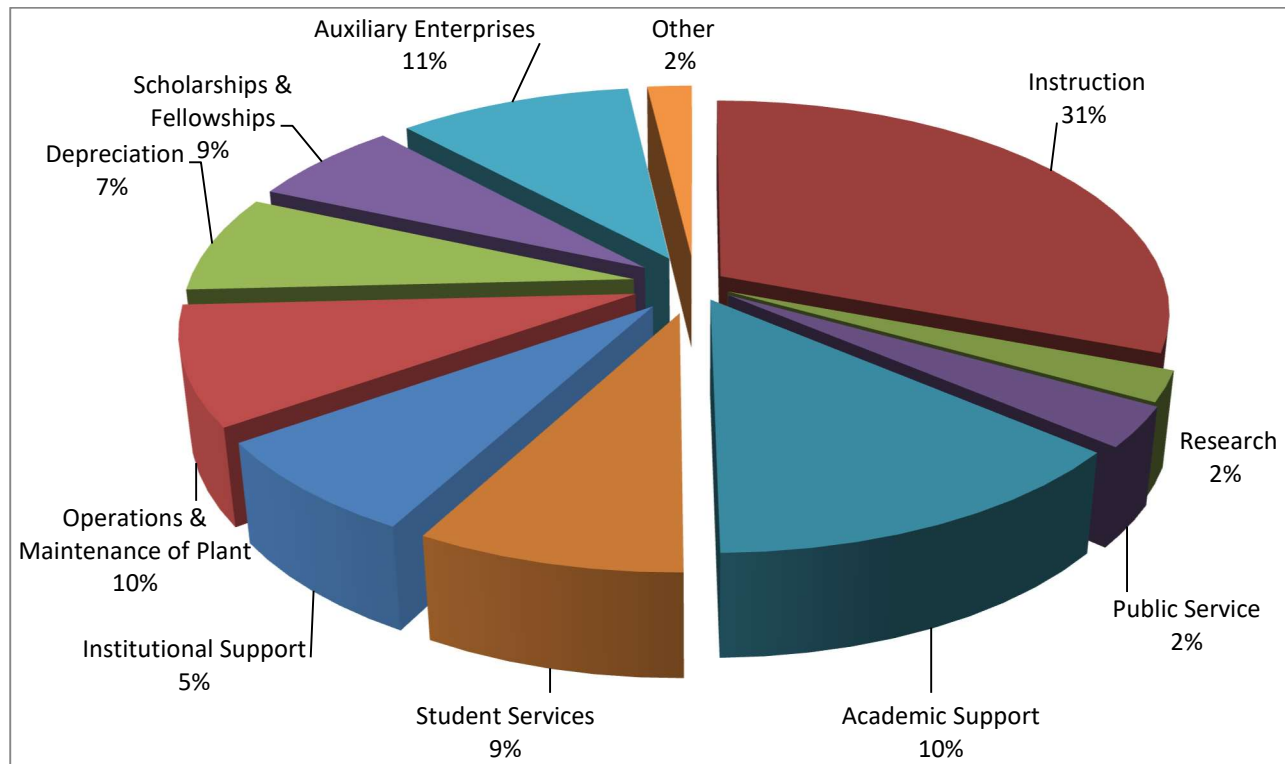
Expenses

Operating expenses increased \$1.1 million (1%). The following is a brief summary of the significant changes:

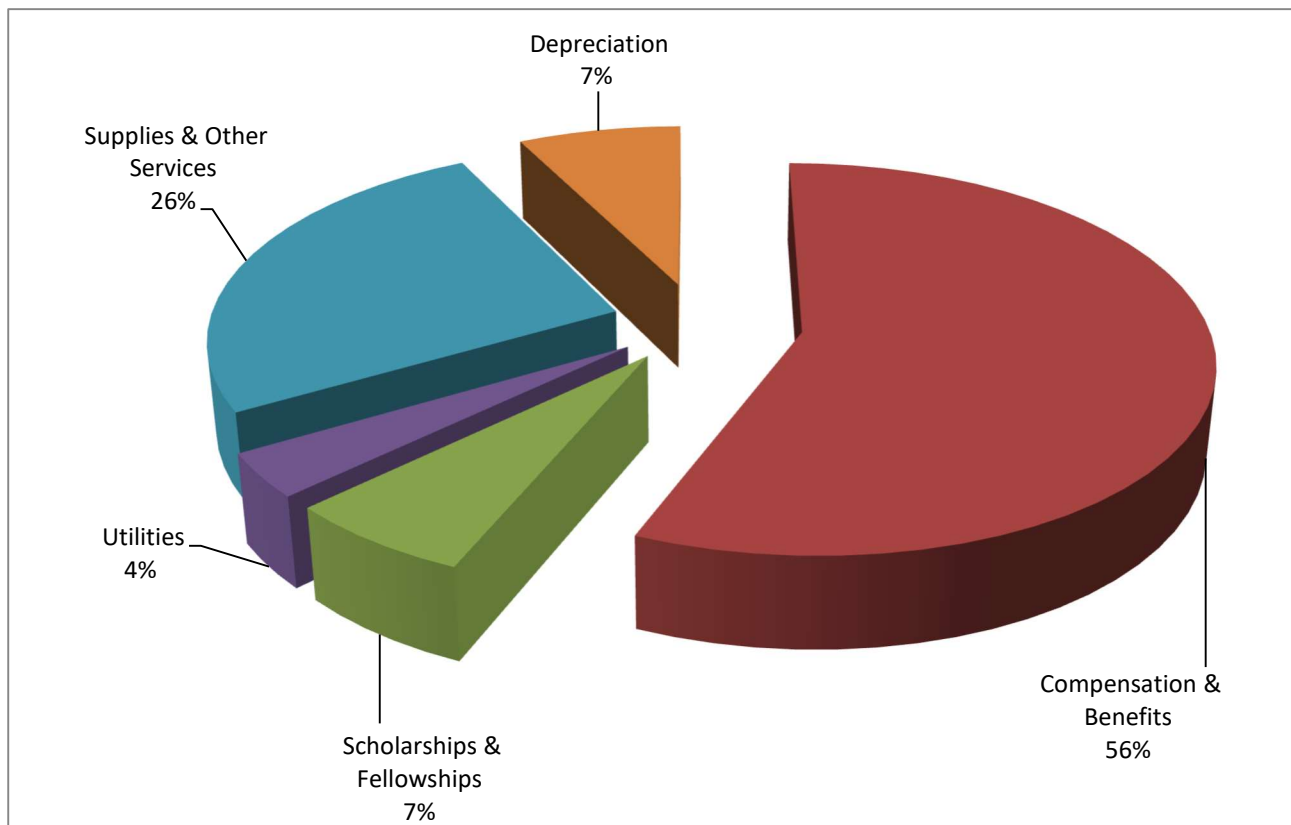
- Scholarship and fellowship expense decreased \$7.4 million (-49%) due to COVID-19 Higher Education Emergency Relief Fund (HEERF) student scholarships awarded in 2022.
- Academic support expense increased \$3.7 million (30.5%) driven by expenditures associated to the academic support grants of the Kansas State Department of Education as well as expenses for IT Infrastructure and Cybersecurity.
- Athletics expense increased \$2.6 million (173.3%) primarily related to increased costs due to post season activities and other athletics projects and higher mix of spending from auxiliary revenue sources.
- Instruction expense increased \$2.4 million (7.2%) due partially to support grants and the student success center.

Total interest expense and other non-operating expenses, decreased \$0.7 million (-39.7%) compared to 2022.

Expenses for fiscal year 2023 by functional classification are displayed in the following graph. Other includes Other operating expenses, interest expense and other non-operating expenses.



Expenses for fiscal year 2023 by natural classification are displayed in the following graph:



Extraordinary Items

The University did not have any special and extraordinary items in 2023.

Endowment Expenses Paid on Behalf of the University

The Pittsburg State University Foundation, Inc. is an independent, not-for-profit organization, whose primary mission is to raise funds for the University, provide direct and indirect support to the University that is not entirely reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position. Expense items paid on behalf of the University by the Foundation include expenses such as travel, supplies, equipment, books, and construction.

Total University operating support provided by the Foundation was approximately \$4.0 and \$2.4 million in 2023 and 2022, respectively. Capital gifts and grants from the Foundation was approximately \$4.9 and \$3.5 million in 2023 and 2022. The Foundation's financial statements are included following the University's financial statements in this Annual Financial Report.

Net Position

Net position increased by \$11.7 million (6.1%) over the previous fiscal year.

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 net cash flows and meet its obligations as they come due. The statement is divided into the four sections listed below based on major activity:

1. Operating Activities

Cash inflows from operating activities consist primarily of student tuition and fees, operating grants and contract revenues, sales of educational activities, and auxiliary enterprises. Cash outflows from operating activities consist of payments to employees, payments to supplies, and payments to students for scholarships and fellowships. Cash flows from operating activities will always be negative because GASB requires state appropriations to be reported as cash flows from non-capital financing activities.

2. Non-capital Financing Activities

Cash inflows from non-capital financing activities consist primarily of state and local appropriations, private non-capital gifts used to fund operations, and federal Pell grants. Because the University acts as an intermediary for the U.S. Department of Education, direct student loans are shown at the gross amount received from the government and the gross amount paid to the student.

3. Capital and Related Financing Activities

Cash flows from capital and related financing activities reflect the decisions made relative to the University's capital and financing plans. Cash inflows consist primarily of proceeds from the issuance of debt, capital appropriations received from the state, and private gifts to fund capital purchases. Cash outflows consist primarily of payments made to purchase capital assets, and principal and interest payments on capital debt and leases.

4. Investing Activities

Cash flows from investing activities reflect uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments.

The following is a condensed statement of cash flows for the years ended June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Net Cash provided (used) by:		
Operating activities	\$ (50,107,084)	\$ (47,829,274)

Non-capital financing activities	55,575,769	69,247,806
Capital and related financing activities	(1,516,552)	(5,643,621)
Investing activities	1,832,506	68,149
Net increase (decrease) in cash	5,784,639	15,843,060
Beginning cash and cash equivalent balances	71,401,513	55,558,453
Ending cash and cash equivalent balances	\$ <u>77,186,152</u>	\$ <u>71,401,513</u>

CAPITAL ASSETS

The University continued to invest in capital assets during the 2023 fiscal year. Additional detailed information regarding capital asset additions, retirements and depreciation is available in Note 7 to the financial statements.

The following is a brief summary of the construction projects that were recently completed:

- The University completed various HVAC replacement or upgrade projects including Axe Library cooling tower replacement, Horace Mann chiller replacement, and various HVAC upgrades at the Kansas Technology Center. These projects are designed to improve performance and address needed maintenance.
- McPherson Hall is the home of the Irene Ransom Bradley School of Nursing. A project to expand the building, add a new simulation hospital, and remodel much of the existing space was completed in summer 2023. This project will provide opportunities for program growth, expanded simulation experiences, and improved space utilization.
- Private gifts funded the replacement of synthetic turf on the baseball field of the University's Bicknell Sports Complex.

Additionally, the University was involved in construction projects that were under construction or in planning and design phases at year-end:

- Gorilla Rising includes a replacement for the Kelce College of Business building and will provide appropriately sized and shaped learning labs, student collaboration spaces, small group study rooms, and student lounges in an improved academic home for the Kelce College of Business. This project will be near the University's downtown Block22 project and is currently in the planning phase. Additional student housing in the Block22 district is also being planned.
- Utility Tunnel Repairs will include design and demolition/rebuild of the oldest sections of brick tunnel and replacement of steam lines and other utility infrastructure where needed. This phased project is currently in planning with a first phase having started construction in summer 2023.
- Shirk Hall and Annex Demolition project is based on KBOR Space Utilization and Deferred Maintenance studies to evaluate opportunities to consolidate campus offices, reduce utilities, and minimize related maintenance. This project is currently in the planning phase with a completion date yet to be determined.
- Gibson Dining HVAC project will replace key HVAC components at Gibson Dining Hall to improve heating, cooling, and ventilation. The project is expected to be completed in summer 2024.
- The Prove-Out Facility will provide space for manufacturing prove-out runs to support innovation and economic development in industries associated with PSU's National Institute for Materials

Advancement (NIMA). The project is in the design phase and will include state, federal, and private funding.

- Axe Library's renovation to expand the Student Success Center aligns academic and career advisement in a centralized location while addressing critical deferred HVAC maintenance. Construction began in fall 2023 and is expected to be completed in summer 2024.
- McCray Hall's failing first-generation variable refrigerant flow (VRF) system provides heating and cooling to all classroom and office spaces. A modern replacement is in design for a spring and summer 2024 installation.

DEBT ADMINISTRATION

At June 30, 2023, the University had \$33.9 million in debt outstanding compared to \$37.4 million at June 30, 2022. The University paid \$3.6 million to reduce outstanding debt through scheduled debt service, please see Note 9 – Changes in Non-current Liabilities.

At June 30, 2023, the University had \$8.7 million in capital lease obligations compared to \$7.4 million at June 30, 2022. This primarily reflects the adoption of GASB Statement 96 as described more fully in Note 12.

Moody's Investors Service currently rates the University "A2". Standard & Poor's Ratings Services currently rates the University "A-". More detailed information about long-term liabilities is available in Notes 9, 10, 11 and 12 to the financial statements.

ECONOMIC OUTLOOK

The largest revenue sources for the University are state appropriations and tuition and fees. State appropriations for fiscal year 2023 were \$43.2 million, an increase of \$4.3 million over the prior year. The legislature and Governor have appropriated \$49.7 million to Pittsburg State for fiscal year 2024.

The University's student tuition and fee revenue was \$30.7 million in fiscal year 2023, a decrease of 1% from the prior year as a result of lower enrollment and mix of students. Enrollment at Pittsburg State for the Fall 2022 semester decreased 2.2% headcount (and increased slightly for full-time equivalents) compared to the prior fall. Enrollment increased in Fall 2023 for new freshmen and international students, the third consecutive increase in both categories. Tuition rates were not changed for fiscal year 2023, and were increased 5% for most students in fiscal year 2024. Pittsburg State continues to focus on and has increased funding for key recruitment and retention initiatives, including the establishment of an expanded Student Success organization.

Funding from pandemic-related federal programs, which totaled \$20.7 million in fiscal year 2022, was completed in that year and was not a material item in fiscal year 2023. The 2022 and prior funding covered key pandemic response costs and offset certain lost revenues. COVID-19 did not have a material financial impact in fiscal year 2023.

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 unknown variations having a global effect on all types of business operations.

Pittsburg State University
Statement of Net Position
As Of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 59,303,718	\$ 59,374,307
Restricted cash and cash equivalents	17,882,434	12,027,206
Accounts receivable, net	3,092,175	2,091,001
Capital lease receivable, net	19,406	29,291
Loans to students, net	430,932	548,960
Inventories	537,516	472,886
Prepaid expenses	460,668	482,498
Total current assets	<u>81,726,849</u>	<u>75,026,149</u>
Non-current Assets		
Restricted investments	-	-
Capital lease receivable	79,527	88,933
Loans to students, net	896,354	1,137,982
Capital assets, net	196,450,379	193,098,077
Total non-current assets	<u>197,426,260</u>	<u>194,324,992</u>
Total Assets	<u>279,153,109</u>	<u>269,351,141</u>
<u>DEFERRED OUTFLOWS</u>		
Pension contributions	3,027,382	1,711,571
Other post-employment benefits	293,547	358,927
Total Deferred Outflows	<u>3,320,929</u>	<u>2,070,498</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	3,869,394	4,544,666
Unearned revenue	12,640,511	9,084,352
Accrued compensated absences - current portion	2,251,395	2,127,731
Block 22 notes payable - current portion	60,000	60,000
Capital leases payable - current portion	840,622	575,089
Revenue bonds payable - current portion	2,954,511	3,561,749
Deposits held in custody for others	543,361	445,969
Other current liabilities (Perkins FCC)	635,595	940,804
Total current liabilities	<u>23,795,389</u>	<u>21,340,360</u>
Non-current Liabilities		
Other postemployment healthcare benefits	432,745	284,721
Accrued compensated absences	624,942	583,006
Block 22 notes payable	60,000	120,000
Capital leases payable	7,904,189	6,862,417
Revenue bonds payable	30,925,056	33,879,567
Pension Liability	11,660,255	10,354,465
Other non-current liabilities (Perkins FCC)	210,124	504,382
Total non-current liabilities	<u>51,817,311</u>	<u>52,588,558</u>
Total Liabilities	<u>75,612,700</u>	<u>73,928,918</u>

Pittsburg State University
Statement of Net Position
As Of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>DEFERRED INFLOWS</u>		
Capital lease inflows	94,298	117,872
Deferred pension inflows	1,932,575	4,269,769
Deferred other post-employment benefits inflows	306,421	321,363
Total Deferred Inflows	<u>2,333,294</u>	<u>4,709,004</u>
<u>NET POSITION</u>		
Net investment in capital assets	153,429,197	147,796,587
Restricted for		
Expendable		
Scholarships and fellowships	591	17,254
Research	456,332	466,493
Instructional department uses	(238,267)	(168,283)
Loans	940,967	942,396
Capital projects	999,767	2,040,706
Debt services	2,725,061	2,792,003
Other	558,882	(198,544)
Unrestricted	<u>45,655,514</u>	<u>39,095,105</u>
Total Net Position	<u>\$ 204,528,044</u>	<u>\$ 192,783,717</u>

See accompanying notes to financial statements

Pittsburg State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>OPERATING REVENUES</u>		
Tuition and fees (net of scholarship allowances of \$7,923,717 and \$8,389,192 in 2023 and 2022 respectively)	\$ 30,673,955	\$ 31,046,620
Federal grants and contracts	6,167,247	5,186,284
State and local grants and contracts	203,382	1,198,534
Nongovernmental grants and contracts	6,682,032	4,307,879
Sales and services of educational departments	3,670,680	3,092,050
Auxiliary enterprises:		
Housing	7,802,130	7,689,893
Parking	537,343	743,738
Health Services	1,638,398	1,414,854
Student center	1,249,092	1,196,763
Athletics	3,290,522	2,919,261
Student Publications	48,809	105,108
Interest earned on loans to students	26,916	46,025
Other operating revenues	79,985	374,533
Total operating revenues	<u>62,070,491</u>	<u>59,321,542</u>
 <u>OPERATING EXPENSES</u>		
Educational and General		
Instruction	36,206,890	33,786,548
Research	2,741,261	2,990,620
Public Service	3,616,569	3,130,004
Academic support	15,998,511	12,258,316
Student services	9,519,760	10,535,217
Institutional support	8,601,407	8,001,740
Operations and maintenance of plant	10,578,772	10,128,193
Depreciation	8,705,324	8,854,515
Scholarships and fellowships	7,659,241	15,012,332
Auxiliary enterprises:		
Housing	4,658,809	4,680,605
Parking	202,818	124,429
Health Services	1,368,689	2,774,681
Student Center	1,305,083	1,076,360
Athletics	4,102,967	1,481,912
Student Publications	103,602	81,879
Other	1,123,875	432,944
Total operating expenses	<u>116,493,578</u>	<u>115,350,295</u>
 Operating Income (Loss)	 <u>(54,423,087)</u>	 <u>(56,028,753)</u>

Pittsburg State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	43,165,184	38,908,710
Gifts	4,017,797	2,387,540
Investment income	1,832,506	68,149
Student fees for capital projects	1,832,291	1,833,913
Other grants and contracts	8,724,956	28,444,288
Other non-operating revenues	230,655	343,802
Interest expense	(1,278,961)	(1,473,286)
Other non-operating expenses	169,907	(365,684)
Net non-operating revenues (expenses)	<u>58,694,335</u>	<u>70,147,432</u>
Income before other revenues, expenses, gains, or losses	4,271,248	14,118,679
Capital appropriations	2,547,881	1,328,573
Capital grants and gifts	<u>4,925,198</u>	<u>3,467,693</u>
	<u>7,473,079</u>	<u>4,796,266</u>
Increase In Net Position	11,744,327	18,914,945
Net position - beginning of year	<u>192,783,717</u>	<u>173,868,772</u>
Net position - end of year	<u><u>\$ 204,528,044</u></u>	<u><u>\$ 192,783,717</u></u>

See accompanying notes to financial statements

Pittsburg State University
Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 29,457,432	\$ 30,879,421
Sales and services of educational activities	3,670,455	3,093,348
Auxiliary enterprises:		
Housing	3,092,756	2,941,851
Parking	288,088	619,881
Health Services	128,594	(1,362,078)
Student Center	(70,158)	105,787
Athletics	(872,480)	1,117,513
Student Publications	(56,145)	21,118
Grants and contracts	12,314,099	10,773,739
Payments to suppliers	(23,125,726)	(15,874,986)
Payments to utilities	(3,254,579)	(2,357,981)
Compensation & benefits	(64,211,137)	(63,476,891)
Payments for scholarships and fellowships	(7,659,217)	(15,012,332)
State Appropriations Receivable	360	-
Loans issued to students and employees	(155,439)	(191,903)
Collections on loans issued to students and employees	325,952	490,282
Other receipts (payments)	20,061	403,957
Net Cash Flows from Operating Activities	<u>(50,107,084)</u>	<u>(47,829,274)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	43,165,184	38,908,710
Gifts	4,017,797	2,387,540
Federal family education loan receipts	18,481,251	21,766,934
Federal family education loan disbursements	(18,481,251)	(21,766,934)
Student organization agency transactions	97,392	116,427
Non-operating grants and contracts	8,724,956	28,444,288
Other	(429,560)	(609,159)
Net Cash Flows from Noncapital Financing Activities	<u>55,575,769</u>	<u>69,247,806</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	-	24,130,078
Capital appropriations	2,547,881	1,328,573
Capital Grants and gifts	4,925,198	3,467,693
Student fees for capital projects	1,832,291	1,833,913
Purchases of capital assets	(10,175,231)	(8,954,748)
Principal paid on capital debt and leases	(3,907,068)	(27,981,730)
Interest paid on capital debt and leases	(1,278,961)	(1,473,286)
Disposal of asset	-	-
Other	4,539,338	2,005,866
Net Cash Flows from Capital Financing Activities	<u>(1,516,552)</u>	<u>(5,643,621)</u>

Pittsburg State University
Statement of Cash Flows
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	-
Investment income	1,832,506	68,149
Purchase of investments	-	-
Net Cash Flows from Investing Activities	<u>1,832,506</u>	<u>68,149</u>
Net change in cash and cash equivalents	5,784,639	15,843,060
Cash and cash equivalents-beginning of year	<u>71,401,513</u>	<u>55,558,453</u>
Cash and cash equivalents-end of year	<u>\$ 77,186,152</u>	<u>\$ 71,401,513</u>
RECONCILIATION		
Operating income (loss)	\$ (54,423,087)	\$ (56,028,753)
Adjustments to reconcile operating income (loss) to net cash		
provided (used) by operating activities:		
Depreciation expense	8,705,324	8,854,515
Non-cash expense	95,182	118,756
Changes in assets and liabilities:		
Accounts receivable, net	(1,099,755)	(156,872)
Loans to students, net	359,656	445,017
Inventories	(64,630)	(20,483)
Prepaid expenses	21,830	(45,990)
Accounts payable and accrued liabilities	(5,274,610)	(1,194,766)
Unearned revenue	3,556,159	1,945,251
Accrued compensated absences	165,600	23,157
Accrued other post-employment healthcare benefits	198,462	(461,107)
Accrued pension liability	<u>(2,347,215)</u>	<u>(1,307,999)</u>
Net cash used in operating activities	<u>\$ (50,107,084)</u>	<u>\$ (47,829,274)</u>

*See accompanying notes to financial
statements*

The background of the page features a faded, artistic photograph of a university campus. In the foreground, a large tree with vibrant autumn foliage in shades of red, orange, and yellow stands on the left. Behind it, a modern university building with large glass windows is visible. The ground is covered with fallen leaves, and a picnic table is partially visible on the right side of the image.

Pittsburg State University Component Unit Financial Statements

For the Fiscal Year Ended June 30, 2023

Pittsburg State University Foundation, Inc.

- Statements of Financial Position
- Statements of Activities
- Statements of Cash Flow

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 785,305	\$ 729,916
Contributions Receivable	<u>1,811,723</u>	<u>1,828,740</u>
Total Current Assets	2,597,028	2,558,656
FIXED ASSETS		
Fixed Assets, Net of Depreciation	977,560	1,024,007
INVESTMENTS		
Pooled Investments	97,540,894	94,591,826
Investments Held Separate for Capital Project	4,978,890	5,088,463
Beneficial Interest Trusts Held by Others	<u>3,683,549</u>	<u>3,597,868</u>
Total Investments	106,203,333	103,278,157
OTHER ASSETS		
Asset Held for Sale	-	233,500
Long-Term Portion of Contributions Receivable	6,010,953	7,415,623
Long-Term Note Receivable	2,500,000	2,500,000
Interest Receivable	<u>73,961</u>	<u>64,008</u>
Total Other Assets	8,584,914	10,213,131
Total Assets	<u>\$ 118,362,835</u>	<u>\$ 117,073,951</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 174,731	\$ 1,142,468
Interest Payable	34,900	18,754
Annuity Liabilities	119,557	119,457
Current Portion of Notes Payable	<u>1,042,181</u>	<u>883,034</u>
Total Current Liabilities	1,371,369	2,163,713
LONG-TERM LIABILITIES		
Deferred Compensation Payable	55,000	-
Notes Payable	<u>6,236,160</u>	<u>6,518,262</u>
Total Long-Term Liabilities	6,291,160	6,518,262
Total Liabilities	7,662,529	8,681,975
NET ASSETS		
Without Donor Restrictions	19,662,097	18,804,621
With Donor Restrictions	<u>91,038,209</u>	<u>89,587,355</u>
Total Net Assets	110,700,306	108,391,976
Total Liabilities and Net Assets	<u>\$ 118,362,835</u>	<u>\$ 117,073,951</u>

See accompanying Notes to Financial Statements.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 4,407,817	\$ 1,631,220	\$ 6,039,037
Investment Income (Loss)	(1,445,917)	8,172,312	6,726,395
Change in Value of Beneficial Interest Trusts			
Held by Others	-	85,681	85,681
Gift-In-Kind	-	1,431,115	1,431,115
Other Miscellaneous Revenue	477,213	-	477,213
Net Assets Released from Restrictions	9,869,474	(9,869,474)	-
Total Revenue, Support, and Gains	13,308,587	1,450,854	14,759,441
EXPENSES			
Program Services			
Student Support	3,013,384	-	3,013,384
Other University Support	8,122,741	-	8,122,741
Total Program Services	11,136,125	-	11,136,125
Support Services:			
Management and General	736,601	-	736,601
Fundraising	578,385	-	578,385
Total Support Services	1,314,986	-	1,314,986
Total Expenses	12,451,111	-	12,451,111
CHANGE IN NET ASSETS	857,476	1,450,854	2,308,330
Net Assets - Beginning of Year	18,804,621	89,587,355	108,391,976
NET ASSETS - END OF YEAR	\$ 19,662,097	\$ 91,038,209	\$ 110,700,306

See accompanying Notes to Financial Statements.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 1,013,551	\$ 6,281,116	\$ 7,294,667
Investment Income	(1,196,377)	(8,786,648)	(9,983,025)
Change in Value of Beneficial Interest Trusts Held by Others	-	(733,152)	(733,152)
Gift-In-Kind	232,500	383,123	615,623
Other Miscellaneous Revenue	343,854	206,623	550,477
Net Assets Released from Restrictions	7,809,723	(7,809,723)	-
Total Revenue, Support, and Gains	8,203,251	(10,458,661)	(2,255,410)
EXPENSES			
Program Services			
Student Support	2,705,644	-	2,705,644
Other University Support	6,182,694	-	6,182,694
Total Program Services	8,888,338	-	8,888,338
Support Services:			
Management and General	624,653	-	624,653
Fundraising	510,340	-	510,340
Total Support Services	1,134,993	-	1,134,993
Total Expenses	10,023,331	-	10,023,331
CHANGE IN NET ASSETS	(1,820,080)	(10,458,661)	(12,278,741)
Net Assets - Beginning of Year	20,624,701	100,046,016	120,670,717
NET ASSETS - END OF YEAR	<u>\$ 18,804,621</u>	<u>\$ 89,587,355</u>	<u>\$ 108,391,976</u>

See accompanying Notes to Financial Statements.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services			Support Services			Total Expenses
	Student Support	Other University Support	Total Program Services	Management and General	Fundraising	Total Support Services	
Scholarships, Grants, and Awards	\$ 3,013,384	\$ -	\$ 3,013,384	\$ -	\$ -	\$ -	\$ 3,013,384
Classroom Instruction Aids and Other University Expenses	-	3,022,064	3,022,064	-	-	-	3,022,064
Faculty/Professional Development	-	154,379	154,379	-	-	-	154,379
Other Special University Projects	-	4,946,298	4,946,298	-	-	-	4,946,298
Salaries	-	-	-	476,637	143,237	619,874	619,874
Promotion	-	-	-	-	9,298	9,298	9,298
Auditing and Accounting	-	-	-	29,400	-	29,400	29,400
Equipment, Service Contracts, and Repairs	-	-	-	48,776	12,785	61,561	61,561
Postage	-	-	-	4,147	19,449	23,596	23,596
Insurance	-	-	-	15,156	3,383	18,539	18,539
Repairs and Maintenance for Building and Grounds	-	-	-	35,025	15,011	50,036	50,036
Publications	-	-	-	-	19,149	19,149	19,149
Planned Giving	-	-	-	-	9,663	9,663	9,663
Telephone	-	-	-	957	2,217	3,174	3,174
Utilities	-	-	-	8,938	3,831	12,769	12,769
Depreciation	-	-	-	39,156	20,338	59,494	59,494
Loss on Retired Assets	-	-	-	469	301	770	770
General Operating	-	-	-	62,653	116,025	178,678	178,678
Alumni Activities	-	-	-	-	171,048	171,048	171,048
Travel	-	-	-	10,190	24,312	34,502	34,502
Miscellaneous	-	-	-	5,097	8,338	13,435	13,435
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 3,013,384</u>	<u>\$ 8,122,741</u>	<u>\$ 11,136,125</u>	<u>\$ 736,601</u>	<u>\$ 578,385</u>	<u>\$ 1,314,986</u>	<u>\$ 12,451,111</u>

See accompanying Notes to Financial Statements.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services			Support Services			
	Student Support	Other University Support	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Scholarships, Grants, and Awards	\$ 2,705,644	\$ -	\$ 2,705,644	\$ -	\$ -	\$ -	\$ 2,705,644
Classroom Instruction Aids and Other							
University Expenses	-	1,630,210	1,630,210	-	-	-	1,630,210
Faculty/Professional Development	-	30,034	30,034	-	-	-	30,034
Student Loan Advance Waived	-	4,522,450	4,522,450	-	-	-	4,522,450
Other Special University Projects	-	-	-	376,949	145,793	522,742	522,742
Salaries	-	-	-	-	15,694	15,694	15,694
Promotion	-	-	-	31,238	-	31,238	31,238
Auditing and Accounting	-	-	-	49,429	6,478	55,907	55,907
Equipment, Service Contracts, and Repairs	-	-	-	4,827	17,605	22,432	22,432
Postage	-	-	-	13,847	2,822	16,669	16,669
Insurance							
Repairs and Maintenance for Building	-	-	-	35,366	15,157	50,523	50,523
and Grounds	-	-	-	-	18,636	18,636	18,636
Publications	-	-	-	-	12,732	12,732	12,732
Planned Giving	-	-	-	935	2,220	3,155	3,155
Telephone	-	-	-	7,461	3,198	10,659	10,659
Utilities	-	-	-	41,781	20,246	62,027	62,027
Depreciation	-	-	-	54,871	94,374	149,245	149,245
General Operating	-	-	-	-	128,711	128,711	128,711
Alumni Activities	-	-	-	3,658	19,350	23,008	23,008
Travel	-	-	-	4,291	7,324	11,615	11,615
Total Expenses Included in the Expense Section on the Statement of Activities	<u>\$ 2,705,644</u>	<u>\$ 6,182,694</u>	<u>\$ 8,888,338</u>	<u>\$ 624,653</u>	<u>\$ 510,340</u>	<u>\$ 1,134,993</u>	<u>\$ 10,023,331</u>

See accompanying Notes to Financial Statements.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,308,330	\$ (12,278,741)
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation	59,494	62,027
Realized Gain on Sale of Investments	413,931	(4,138,161)
Unrealized Loss (Gain) on Investments	(4,975,348)	16,801,333
Change in Beneficial Interest Trusts Held by Others	(85,681)	733,150
(Gain) Loss on Sale of Property and Equipment	(155,133)	-
Contributions Restricted for Endowments	(1,984,654)	(3,982,843)
(Increase) Decrease in Assets:		
Interest Receivable	(9,953)	(3,969)
Contributions Receivable	1,421,687	1,235,275
Increase (Decrease) in Liabilities:		
Accounts Payable	(967,737)	402,880
Interest Payable	16,146	2,392
Deferred Compensation Payable	55,000	-
Present Value of Annuities	100	(6,054)
Net Cash Used by Operating Activities	<u>(3,903,818)</u>	<u>(1,172,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Property and Equipment	387,632	-
Purchase of Fixed Assets	(12,046)	(271,339)
Proceeds from Sales of Investments	34,689,618	41,527,808
Purchase of Investments	<u>(32,967,696)</u>	<u>(44,943,355)</u>
Net Cash Provided (Used) by Investing Activities	2,097,508	(3,686,886)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowments	1,984,654	3,982,843
Loan Proceeds	732,992	1,653,600
Principal Payments on Loan	<u>(855,947)</u>	<u>(652,894)</u>
Net Cash Provided by Financing Activities	<u>1,861,699</u>	<u>4,983,549</u>
CHANGE IN CASH AND CASH EQUIVALENTS	55,389	123,952
Cash and Cash Equivalents - Beginning of Year	<u>729,916</u>	<u>605,964</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 785,305</u></u>	<u><u>\$ 729,916</u></u>

See accompanying Notes to Financial Statements.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

NOTE 1 – Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements have not been audited.

In preparing financial statements in conformity with generally accepted accounting principles (GAAP), 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Organization. Pittsburg State University (PSU or University) is a regional, comprehensive, four-year state university serving the residents of Kansas and the four-state region of Kansas, Missouri, Oklahoma, and Arkansas. The University has an enrollment of over 5,700 students, and students may choose from more than 100 undergraduate and graduate programs within the College of Education, the Kelce College of Business, the College of Technology and the College of Arts and Sciences. The University is accredited by the Higher Learning Commission. 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 financial report of the State of Kansas.

Financial Reporting Entity. As required by the accounting principles generally accepted in the United States of America, and as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the consolidated financial position and financial activities of the University and the Pittsburg State University Research Foundation, Inc. Pittsburg State University Foundation is legally separate from the University and based on the nature and significance of the relationship to the University is discretely presented following the University's financial statements.

Pittsburg State University Research Foundation (PSURF) is a not-for-profit corporation created to aid the university in its research and educational missions by owning, managing, protecting, and maximizing the impact of intellectual property generated by faculty, staff, and students of Pittsburg State University.

Pittsburg State University Foundation (Foundation) is a not-for-profit corporation organized to foster, cooperate in and assist in the growth, development, and advancement of Pittsburg State University. Scholarships, grants, and unsecured loans are extended to qualifying students of Pittsburg State University. Financial support is also provided to the University for normal operations as well as special projects. The Foundation's financial reports are prepared in accordance with Financial Accounting Standards Board (FASB) standards.

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.

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 using the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. 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 Position.

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. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories. Inventories are carried at cost.

Prepaid Expenses. Prepaid expense consists primarily of deferred summer term expenses.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or estimated acquisition 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 \$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 exceeds \$100,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense is incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years for buildings, 25 years for infrastructure and land improvements, 8 years for equipment, 5 years for vehicles, and 10 years for software.

Unearned Revenues. Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also includes summer term tuition not earned during the current year, amounts received from grant and contract sponsors that have not yet been earned and certain capital appropriations which remain unspent at the end of the fiscal year.

Compensated Absences. Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Deposits Held in Custody for Others. Deposits held in custody for others consists primarily of student organizations' moneys administered by the University.

Non-current Liabilities. Non-current liabilities include principal amounts and issuance premiums of revenue bonds payable, capital lease obligations with contractual maturities greater than one-year, estimated amounts for accrued compensated absences, accrued other postemployment benefits, accrued pension obligations that will not be paid within the next fiscal year, and estimated amounts to be repaid to the federal government related to the closing of the Federal Perkins Loan program.

Deferred Inflows/Outflows. In accordance with GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, deferred outflows and deferred inflows result from the transactions of the consumption or acquisition of net position in one period that are applicable to future periods. These items are reported separately from assets and liabilities. Deferred Inflows/Outflows on the Statement of Net Position relate to the University's Pension Liability and Other Post-Employment Benefits, as well as unamortized bond premiums/discounts.

Pensions. In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the University has reported its proportional share of the Kansas Public Employees Retirement System (KPERS) pension liability. For purposes of measuring the net pension liability, deferred outflows and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of KPERS and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB. In accordance with GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the liability of the University is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plans fiduciary net position, if any. The OPEB liability is required to be determined through an actuarial valuation for the University. The Statement also requires that deferred outflows of resources and deferred inflows of resources related to OPEB are recognized by the University for changes in the components of the net OPEB liability including changes in assumptions, changes in benefit terms, and changes in actual and expected experience. In addition, employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Net Position. The University's net position is classified as follows:

Net investment in capital assets: 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 position – expendable: Restricted expendable net position includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net position – nonexpendable: Restricted nonexpendable net position consists 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 position: Unrestricted net position represents 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 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).

Classification of Revenues. The University has classified its revenues as either operating or non-operating 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, 3) most federal, state and local grants and contracts, and 4) interest on institutional student loans.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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. 34, 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 Position. 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 non-operating 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.

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, 2023 and 2022 were \$77,186,151 and \$71,401,513 respectively. 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.

State law requires the University to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. These investments are managed by the Pooled Money Investment Board (PMIB), which maintains a published Investment Policy. The exceptions to this law are any funds maintained in the University's Imprest fund, organizational safekeeping, student activity, student center, revenue bond project and reserve funds and any funds held by external entities on behalf of the University. The majority of deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

Cash balances maintained by the State Treasurer are pooled and held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by PMIB and are reported at fair value, based on quoted market prices.

Investments. The University's total investments at June 30, 2023 and 2022 were \$0.

NOTE 3 - Accounts Receivable

Accounts receivable net of estimated uncollectible amounts, consisted of the following at June 30:

	2023	2022
Tuition and Fees	\$ 1,083,992	\$ 706,707
Auxiliary enterprises	291,345	134,572
Grants & Contracts	1,715,286	1,248,033
State Appropriations	(360)	-
Other	1,913	1,688
Total	<u>\$ 3,092,176</u>	<u>\$ 2,091,000</u>

NOTE 4 – Loans to Students

Student loan receivable net of estimated uncollectible amounts, consisted of the following as of June 30:

	2023	2022
Federal Perkins Loan Program	\$ 1,017,509	\$ 1,299,298
Nursing Student Loan Program	332,983	308,286
Nurse Faculty Loan Program	354,981	272,930
	<u>1,705,473</u>	<u>1,880,514</u>
Less:		
Allowance for uncollectible amounts	(378,187)	(193,572)
	<u>\$ 1,327,286</u>	<u>\$ 1,686,942</u>

Student loans made through the Federal Perkins and Nursing Student loan 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. As the University determines that Perkins loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off or assigned to the U.S. Department of Education.

Congress did not renew the Federal Perkins Loan Program after September 30, 2017. Consequently, no new loans or disbursements were permitted after June 30, 2019. Therefore, as loans are repaid by students, the Federal Capital Contribution (FCC) portion of the repayment must be returned to the federal government. Pursuant to GASB Accounting Standards, the FCC portion of the Federal Perkins Loan Fund must be recorded as an expense/liability as those funds will be returned to the federal government. The University's total liability was \$845,719 and \$1,445,186 in 2023 and 2022, respectively.

Pittsburg State University
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NOTE 5 – Inventories

Inventories consisted of the following at June 30:

	2023	2022
Physical Plant	\$ 353,135	\$ 215,637
Housing	156,940	150,475
Printing & Postage	27,441	106,774
Total	<u>\$ 537,516</u>	<u>\$ 472,886</u>

NOTE 6 – Capital Leases Receivable

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). This comes a year after instituting GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. This statement helps define accounting for subscription-based services based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a right-to-use subscription asset, an intangible asset, should be recognized by a subscription liability at the commencement of the subscription term.

On September 8, 2020, Pittsburg State University entered into a 5-year lease as Lessor for the use of various facilities and grounds to Greene County Agricultural & Mechanical Society dba Ozark Empire Fairground for an annual farm show. An initial lease receivable was recorded in the amount of \$147,340. As of June 30, 2023, the value of the lease receivable is \$98,933. The lessee is required to make an annual fixed payment of \$30,000. The lease has an interest rate of 0.60%. The value of the deferred inflow of resources as of June 30, 2023 was \$94,298, and Pittsburg State University recognized lease revenue of \$53,042 during the fiscal year. The lessee has four extension option(s), each for one year.

Year Ending June 30:	Principal	Interest	Total
2024	32,977	594	33,571
2025	32,978	477	33,455
2026	32,978	357	33,335
	<u>\$ 98,933</u>	<u>\$ 1,428</u>	<u>\$ 100,361</u>

Pittsburg State University
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NOTE 7 – Capital Assets

Due to the adoption of GASB Statement No. 96, Subscription Based Information Technology in fiscal year 2023, Pittsburg State University recognized an intangible right-to-use asset totaling \$1,882,395 for the agreement with Oracle. The estimated useful life of the asset is 4 years. As of June 30, 2023 the lease has 4 years remaining with annual lease payments of \$497,847.

Capital asset activity for the year ended June 30, 2023 follows:

	2023			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
Land	\$ 6,738,416	\$ -	\$ -	\$ 6,738,416
Construction in progress	5,006,307	8,127,607	431,767	12,702,147
Works of art	1,063,643	-	-	1,063,643
Total non-depreciable capital assets	12,808,366	8,127,607	431,767	20,504,206
<u>Depreciable capital assets</u>				
Land improvements	8,002,933	-	-	8,002,933
Buildings & Improvements	269,468,267	434,967	-	269,468,267
Right-to-use leased assets	7,809,440	1,882,395	-	9,691,835
Equipment & Furnishings	30,151,126	1,815,680	-	31,966,806
Vehicles	2,952,225	228,744	-	3,180,969
Software	3,748,157	-	-	3,748,157
Total depreciable capital assets	322,132,148	4,361,786	-	326,493,934
Total capital asset cost	334,940,514	12,489,393	431,767	346,998,140
<u>Accumulated depreciation</u>				
Land improvements	5,406,592	198,052	-	5,406,592
Buildings & Improvements	107,577,125	6,149,028	-	113,726,153
Right-to-use leased assets	520,632	536,794	-	1,057,426
Equipment & Furnishings	22,882,212	1,500,625	-	24,382,837
Vehicles	2,672,001	130,490	-	2,802,491
Software	2,783,875	190,335	-	2,974,210
Total accumulated depreciation	141,842,437	8,705,324	-	150,547,761
Capital assets, net	\$ 193,098,077	\$ 3,784,069	\$ 431,767	\$ 196,450,379

Pittsburg State University
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Capital asset activity for the year ended June 30, 2022 follows:

	2022			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
Land	\$ 6,673,416	\$ 65,000	\$ -	\$ 6,738,416
Construction in progress	3,841,010	3,746,457	2,581,160	5,006,307
Works of art	1,063,643	-	-	1,063,643
Total non-depreciable capital assets	11,578,069	3,811,457	2,581,160	12,808,366
<u>Depreciable capital assets</u>				
Land improvements	7,821,782	181,151	-	8,002,933
Buildings & Improvements	264,256,657	5,211,610	-	269,468,267
Right-to-use leased assets	-	7,809,440	-	7,809,440
Equipment & Furnishings	28,282,546	2,163,053	294,473	30,151,126
Vehicles	2,937,695	40,477	25,947	2,952,225
Software	3,748,157	-	-	3,748,157
Total depreciable capital assets	307,046,837	15,405,731	320,420	322,132,148
Total capital asset cost	318,624,906	19,217,188	2,901,580	334,940,514
<u>Accumulated depreciation</u>				
Land improvements	5,069,497	337,095	-	5,406,592
Buildings & Improvements	101,491,205	6,085,920	-	107,577,125
Right-to-use leased assets	-	520,632	-	520,632
Equipment & Furnishings	21,572,287	1,604,398	294,473	22,882,212
Vehicles	2,581,813	116,135	25,947	2,672,001
Software	2,593,540	190,335	-	2,783,875
Total accumulated depreciation	133,308,342	8,854,515	320,420	141,842,437
Capital assets, net	\$ 185,316,564	\$ 10,362,673	\$ 2,581,160	\$ 193,098,077

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.

Pittsburg State University
Notes to Financial Statements
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NOTE 8 – Unearned Revenue

Unearned revenues consisted of the following at June 30:

	2023	2022
Tuition and Fees	\$ 868,951	\$ 1,710,905
Auxiliary enterprises	161,217	112,712
Grants & Contracts	961,379	1,172,690
Capital Appropriations	10,648,964	6,088,045
Total	<u>\$ 12,640,511</u>	<u>\$ 9,084,352</u>

NOTE 9 - Changes in Non-current Liabilities

Non-current liability activity for the year ended June 30, 2023 and June 30, 2022 was as follows:

2023

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Other postemployment benefits	\$ 284,721	\$ 148,024	\$ -	\$ 432,745	\$ -	\$ 432,745
Accrued compensated absences	2,710,737	165,600	-	2,876,337	2,251,395	624,942
Block 22 notes payable	180,000	-	60,000	120,000	60,000	60,000
Capital leases payable	7,437,506	1,882,395	575,090	8,744,811	840,622	7,904,189
Revenue bonds payable	33,501,978	-	3,331,978	30,170,000	2,600,000	27,570,000
Unamortized bond premium/discount	3,939,338	-	229,771	3,709,567	354,511	3,355,056
Pension liability	10,354,465	1,305,790	-	11,660,255	-	11,660,255
Other non-current liabilities	1,445,186	-	599,467	845,719	635,595	210,124
Total liabilities	<u>\$ 59,853,931</u>	<u>\$ 3,501,809</u>	<u>\$ 4,796,306</u>	<u>\$ 58,559,434</u>	<u>\$ 6,742,123</u>	<u>\$ 51,817,311</u>

2022

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Other postemployment benefits	\$ 611,648	\$ -	\$ 326,927	\$ 284,721	\$ -	\$ 284,721
Accrued compensated absences	2,687,580	23,157	-	2,710,737	2,127,731	583,006
Block 22 notes payable	240,000	-	60,000	180,000	60,000	120,000
Capital leases payable	336,324	7,809,440	708,258	7,437,506	575,089	6,862,417
Revenue bonds payable	39,530,450	21,245,000	27,273,472	33,501,978	3,331,978	30,170,000
Unamortized bond premium/discount	1,086,274	2,853,064	-	3,939,338	229,771	3,709,567
Pension liability	14,003,807	-	3,649,342	10,354,465	-	10,354,465
Other non-current liabilities	1,999,565	-	554,379	1,445,186	940,804	504,382
Total liabilities	<u>\$ 60,495,648</u>	<u>\$ 31,930,661</u>	<u>\$ 32,572,378</u>	<u>\$ 59,853,931</u>	<u>\$ 7,265,373</u>	<u>\$ 52,588,558</u>

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2023 and 2022

NOTE 10 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:	Principal Outstanding at 6/30/23
Kansas Development Finance Authority Revenue Bonds – Series 2022E (The Board of Regents - Pittsburg State University Projects Refunding) \$21,245,000 - Due in annual installments of \$1,430,000 to \$2,155,000. Issued 2/1/2022 with a final maturity on 2/1/2035. Interest ranging from 3.0% to 5.0% payable semi-annually.	<u>\$21,245,000</u>
Kansas Development Finance Authority Revenue Bonds – Series 2020H (The Board of Regents – Pittsburg State University Projects) \$11,220,000 - Due in annual installments of \$760,000 to \$945,000. Issued 6/8/2020 with a with a final maturity on 12/1/2033. Interest ranging from 2.0% to 5.0% payable semi-annually.	8,925,000
Total Revenue Bonds Payable	<u>\$30,170,000</u>

NOTE 11 - Revenue Bonds Maturity Schedule

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2023 are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 2,600,000	\$ 1,155,132	\$ 3,755,132
2025-2029	12,375,000	4,189,631	16,564,631
2030-2034	13,615,000	1,530,178	15,145,178
2035-2039	1,580,000	33,575	1,613,575
Total	<u>\$ 30,170,000</u>	<u>\$ 6,908,516</u>	<u>\$ 37,078,516</u>

In February 2022, the Kansas Development Finance Authority (KDFA) issued for PSU \$21,245,000 in revenues bonds, Series 2022E, with interest ranging from 3.0% to 5.0%, which mostly refunded the outstanding Series 2011D-3 and Series 2014A-1 bonds. The refunding reduced the future debt service payments over the next 13 years and obtained an economic gain (difference between the present value of debt service payments on the old and new debt) of approximately \$2,776,000.

NOTE 12 – Capital Lease Obligations

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). This comes a year after instituting GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. This statement helps define accounting for subscription-based services based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a right-to-use subscription asset, an intangible asset, should be recognized by a subscription liability at the commencement of the subscription term.

On June 1, 2023, Pittsburg State University entered into a 4-year contract as Lessee for a subscription-based service with Oracle. An initial lease liability was recorded for the amount of \$1,882,395. Pittsburg State is required to make payments totaling \$497,847 annually. The lease has an interest rate of 2.68%.

On August 1, 2018, Pittsburg State University entered into a 216-month lease as Lessee for the use of Block 22 at 401 and 402 N. Broadway. An initial lease liability was recorded in the amount of \$7,809,440. As of June 30, 2023, the value of the lease liability is \$6,841,078. Pittsburg State University is required to make monthly fixed payments of \$47,083.33. The lease has an interest rate of 1.10%. The value of the right to use asset as of June 30, 2023 was \$6,724,790 with accumulated

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Notes to Financial Statements

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depreciation of \$1,041,264 see Note 7 – Capital Assets. Pittsburg State University has the option to purchase the buildings during or at the end of the lease agreement once certain conditions are met related to tax credits.

Pittsburg State University is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$21,338 and \$109,585 as of June 30, 2023 and 2022, respectively. Included in this balance is the Master Lease Purchase agreement between the University and the State of Kansas for University Housing Energy Performances Contract. The remaining principal balance for the master lease agreement as of June 30, 2023 and 2022 was \$21,338 and \$59,769.

Maturities of principal and interest requirements on capital leases payable for the year ended June 30, 2023 are as follows:

Year Ending June 30:	Principal	Interest	Total
2024	\$ 851,364	\$ 108,725	\$ 960,089
2025-2029	4,088,558	354,443	4,443,001
2030-2034	2,687,733	137,267	2,825,000
2035-2039	1,117,156	12,845	1,130,001
Total	<u>\$ 8,744,811</u>	<u>\$ 613,280</u>	<u>\$ 9,358,091</u>

NOTE 13 - Retirement Plans

University employees participate in two separate retirement programs.

Defined Contribution Plan. Eligible unclassified employees participate in the Kansas Board of Regents defined contribution retirement plan, which was authorized by K.S.A. 74-4925. This defined contribution program is funded through contributions by the University and the individual employees. The Regents have selected two companies to provide investment options to participants. 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 fiscal year ended June 30, 2023, active members were required by statute to contribute 5.5% and the University to contribute 8.5% of the employees' covered payroll. The University contributed \$3,326,108 and \$3,185,768 during fiscal years 2023 and 2022, respectively, and individual employees contributed \$2,107,955 and \$2,019,835.

Defined Benefit Plan. University support staff 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. This defined benefit program is funded through contributions by the University and the individual employees. The University contributed \$942,713 and \$1,034,980 during fiscal years 2023 and 2022, respectively, and individual employees contributed \$433,355 and \$464,439. See Note 14 for detailed information.

NOTE 14 – Pension Plan

General Information about the Pension Plan

Plan Description. The University support staff participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits Provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points".

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For the Years Ended June 30, 2023 and 2022

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, member employees may withdraw their contributions from their individual accounts, including interest. Member employees who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump-sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. The retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. Effective July 1, 2009, KPERS has two benefit structures and contribution rates depend on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing member hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 member and 6% of covered salary for Tier 2 members through December 31, 2014. On January 1, 2015, Kansas law increased the KPERS member-employee contribution rate to 6% of covered salary for Tier 1 members; however, the Tier 2 member-employee contribution rate remained at 6% of covered salary. Member employee's contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) was 9.97% and the statutory contribution rate was 13.33%. As mentioned in Note 13 – Retirement Plans, the University contributed \$942,713 and \$1,034,980 to the pension plan during fiscal years 2023 and 2022, respectively, and individual employees contributed \$433,355 and \$464,439.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the University reported a liability of \$11,660,255 for its proportionate share of the net pension liability. The net pension liability was measurement period was July 1, 2021 to June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. PSU's proportion of the net pension liability was based on the ratio of PSU's actual contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2022. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At the June 30, 2022 measurement date, PSU's State Employer proportion was 0.147% which was a decrease of 0.026% from its proportion measured as of June 30, 2021. At June 30, 2022 PSU's Kansas Police & Fire Group proportion was 0.081%, which was an increase of .005% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the University recognized pension expense of \$2,347,215. The following sources were used to report deferred outflows of resources and deferred inflows of resources related to pensions.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 282,126	\$ 4,558
Net difference between projected and actual earnings on pension plan investments	963,795	-
Changes in proportion	18,508	1,928,017
Changes of assumption	1,762,953	-
Total	\$ <u>3,027,382</u>	\$ <u>1,932,575</u>

The amount of \$3,027,382 reported as deferred outflows of resources related to pensions resulting from the University's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2023. The following table provides the combined deferred outflows/(inflows), as of June 30, 2023, that will be recognized in pension expense in future years:

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Year ended June 30:

2023	\$	11,594
2024		358,190
2025		49,009
2026		681,074
2027		(5,060)
Thereafter		-
Total	\$	<u>1,094,807</u>

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022 using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Cost Method</u>	<u>Entry age normal</u>
Inflation	2.75 percent
Salary Increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.00 percent compounded annually, net of investment including price inflation

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated January 7, 2020, as provided by KPERs' investment consultant, are summarized in the following table:

<u>Asset class</u>	<u>Long-term target allocation</u>	<u>Long-term expected real rate of return</u>
U.S. Equities	23.50 %	5.20 %
Non-U.S. Equities	23.50	6.40
Private Equity	8.00	9.50
Private Real Estate	11.00	4.45
Yield Driven	8.00	4.70
Real Return	11.00	3.25
Fixed Income	11.00	1.55
Short-term investments	4.00	0.25
	<u>100.00</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERs, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2020 was 1.2 percent.

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In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds. Legislation in the 2016 session (SB 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 S Sub. For Sub. HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first-year payment of \$6.4 million paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan. The 2019 Legislature passed House Sub for Sen Bill 109, which directed on-behalf payments of \$56 million and \$82 million be made to the System. The \$56 million payment was received by the System on June 30, 2018, and recorded as Fiscal Year 2018 contributions. The \$82 million was received July 1, 2019, and was recorded as Fiscal Year 2019 contributions. The 2019 Legislative session passed Senate Bill 9 which authorized a transfer of \$115 million to KPERS, received in March 2020. House Sub for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School group in Fiscal Year 2020 of \$51 million. Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years, between 11 to 12 percent. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

Sensitivity of Pittsburg State University's proportionate share of the net pension liability to changes in the discount rate. The following presents PSU's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what PSU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
PSU's proportionate share of the net pension liability	\$ 16,434,963	\$ 11,660,255	\$ 7,671,565

NOTE 15 – Other Postemployment Healthcare Benefits

Description. PSU participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The health insurance benefit generally provides the same coverage for non-Medicare eligible retirees and their dependents as for active employees and their dependents. Medicare eligible retirees and their dependents have other health insurance benefit options. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Health Policy Authority. The benefit is available for selection at retirement and is extended to retirees and their dependents for life.

Funding Policy. The University provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 75-6511). Kansas statute, which may be amended by the state legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

The University does not generally share in the cost of the retiree plans. In very limited instances, PSU, under the Kansas Board of Regents policy, may offer a short-term bridge plan to an individual retiree and will share in the cost of these limited offerings.

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Annual OPEB Cost and Net OPEB Obligation. GASB Statement 75 requires a liability for OPEB obligations to be recognized on the balance sheet. Changes in the Total OPEB Liability are immediately recognized as OPEB Expense on the Statement of Revenues, Expenses, and Changes in Net Position or reported as deferred inflows/outflows of resources depending on the nature of the change. The following table presents the University's Total OPEB Liability.

Total OPEB Liability, Balance as of:	June 30, 2022	June 30, 2021
Disability Income	\$ 288,080	\$ 197,900
Life Waiver	144,685	86,821
Total OPEB Liability	432,745	284,721
Covered Payroll	7,772,431	8,070,125
Total OPEB Liability as a % of covered payroll	5.57%	3.53%

The total OPEB liability was determined by an actuarial valuation as of December 31, 2021, calculated based on the discount rate and actuarial assumptions below, and was rolled forward to the measurement date as of June 30, 2022. Any significant changes during this period have been reflected as prescribed by GASB Statement 75.

Discount rate. The discount rate used was 2.16% and 3.54% for the June 30, 2021 and June 30, 2022 respectively, based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Actuarial Assumptions. The long-term disability incidence and claim termination rate assumptions that determined the total OPEB liability as of June 30, 2021 and June 30, 2022 were based on the results of an actuarial experience study during 2016-2018. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the most recent KPERS pension valuation

The following table summarizes the key actuarial assumptions:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50% to 10%, including price inflation
Discount rate	3.54%

Changes in Total OPEB Liability

Balance as of June 30, 2021	\$ 284,721
Changes for the year:	
Service cost	39,277
Interest on total OPEB Liability	6,540
Effect of plan changes	0
Effect of economic/demographic gains or losses	173,190
Effect of assumption changes or inputs (Discount rate change from 2.16% to 3.54%)	(28,316)
Benefit payments	(247,843)
Balance as of June 30, 2023	\$ 432,745

Sensitivity Analysis. The following represents the total OPEB liability of PSU, calculated using the discount rate of 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (3.54%) than the current rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	\$ 438,698	\$ 432,745	\$ 426,279

Pittsburg State University

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The following presents the total OPEB liability of Pittsburg State University, calculated using the current healthcare cost trend rates as well as what the total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates. It should be noted that healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS, but this exhibit is a required disclosure under GASB Statement 75.

Deferred Inflows/Outflows. For the year ended June 30, 2023, the PSU recognized OPEB expense of (\$195,083). On June 30, 2022, PSU reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Difference between expected and actual experience	\$ 232,335	\$ 270,098
Changes of assumption	18,545	36,323
Contributions subsequent to measurement date	42,667	
Total	\$ <u>293,547</u>	\$ <u>306,421</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$42,667 consist of payments made to KPERS for the benefits and administrative costs and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2023	\$ (9,864)
2024	(9,864)
2025	(9,864)
2026	(9,208)
2027	(6,914)
Thereafter*	<u>(9,827)</u>
Total	\$ <u>(55,541)</u>

*Additional future deferred inflows and outflows may impact these numbers.

NOTE 16 – Other Grants and Contracts

The June 30, 2007 edition of GASB's *Comprehensive Implementation Guide* instructed that "Because of public institutions' administrative involvement with Pell grant requirements and because Pell grants are non-exchange transactions, public institutions should record Pell grant receipts as non-operating revenues in their financial statements and any amounts applied to student receivable accounts should be recorded as scholarship discounts or allowances". Therefore, the June 30, 2023 and 2022 Statement of Revenues, Expense, and Changes in Net Position reflects Pell and similar grants in Other grants and contracts in the Non-Operating Revenues (Expenses) section of the Statement.

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Components of Other grants and contracts for the year ended June 30 are as follows:

	2023	2022
Pell Grants	\$ 6,388,883	\$ 6,411,449
Regents Supplemental Grants	1,971,008	898,938
SEOG Grants	178,945	178,945
Teach Grants	60,498	115,396
Other Grants	118,383	150,095
	<u>8,717,717</u>	<u>7,754,823</u>
<i>Coronavirus Emergency Funds</i>		
Higher Education Emergency Relief Fund (HEERF) I Student	-	323,135
Higher Education Emergency Relief Fund (HEERF) II Student	-	5,664,807
Higher Education Emergency Relief Fund (HEERF) III Student	7,239	7,224,061
Governor's Emergency Education Relief Fund (GEER)	-	7,285,900
HRSA Nurse Education Practice Quality Retention - COVID	-	191,562
	<u>7,239</u>	<u>20,689,465</u>
Total	\$ <u>8,724,956</u>	\$ <u>28,444,288</u>

NOTE 17 - Commitments and Contingent Liabilities

At June 30, 2023 and 2022 the University had outstanding commitments under construction contracts totaling \$40,659,870 and \$13,195,578, respectively.

The University is not currently a defendant in a lawsuit.

The University maintains specific insurance coverage as allowed by the State of Kansas and as required by outstanding bond issues. To a large extent, the University follows a policy of self-insurance. Certain claims against the University would require legislative approval (and potential funding) prior to settlement. The University is not aware of any significant outstanding claims as of June 30, 2023.

All university buildings and contents were insured up to a limit of \$1 billion per occurrence subject to various deductibles. The University does not insure State-owned automobiles for bodily injury and property damages of State employees. PSU is not aware of any significant outstanding claims as of June 30, 2023.

In the normal course of operations, the University receives grants and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing of such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

Pittsburg State University
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NOTE 18 – Natural Classification with Functional Classifications

The University's operating expenses by functional and natural classification as of June 30, 2023 and June 30, 2022 are as follows:

	2023					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 31,183,893	\$	\$ 2,857	5,020,139	\$	36,206,889
Research	2,250,515			490,746		2,741,261
Public service	1,947,212		1,231	1,668,125		3,616,569
Academic support	6,858,640		1,650	9,138,221		15,998,511
Student services	7,126,829			2,392,930		9,519,760
Institutional support	6,255,432		(6,890)	2,352,956		8,601,407
Operations and maintenance of plant	5,972,176		2,946,224	1,660,372		10,578,772
Depreciation					8,705,324	8,705,324
Scholarships and fellowships		7,659,241				7,659,241
Auxiliary enterprises:						
Housing	1,403,752		953,299	2,301,758		4,658,809
Parking	48,480		65	154,273		202,818
Health Center	1,199,448		31,131	138,110		1,368,689
Student Center	571,582		332,640	400,861		1,305,083
Athletics	749,214		1,147	3,352,609		4,102,969
Student Publications	73,222			30,380		103,602
Other			975	1,122,901		1,123,876
Total	<u>\$ 65,640,396</u>	<u>\$ 7,659,241</u>	<u>\$ 4,264,238</u>	<u>30,224,380</u>	<u>\$ 8,705,324</u>	<u>116,493,579</u>

	2022					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 30,292,779	\$	\$	\$ 3,493,769	\$	\$ 33,786,548
Research	2,429,168			561,452		2,990,620
Public service	1,606,444		866	1,522,694		3,130,004
Academic support	6,973,632			5,284,684		12,258,316
Student services	6,625,296			3,909,921		10,535,217
Institutional support	5,861,526		(21,018)	2,161,232		8,001,740
Operations and maintenance of plant	5,889,977		2,722,565	1,515,651		10,128,193
Depreciation					8,854,515	8,854,515
Scholarships and fellowships		15,012,332				15,012,332
Auxiliary enterprises:						
Housing	1,379,737		686,236	2,614,632		4,680,605
Parking	50,454			73,975		124,429
Health Center	2,583,935		21,763	168,983		2,774,681
Student Center	587,904		272,537	215,919		1,076,360
Athletics	622,684			859,228		1,481,912
Student Publications	22,482			59,397		81,879
Other				432,944		432,944
Total	<u>\$ 64,926,018</u>	<u>\$ 15,012,332</u>	<u>\$ 3,682,949</u>	<u>\$ 22,874,481</u>	<u>\$ 8,854,515</u>	<u>\$ 115,350,295</u>