

The background of the cover is a faded, high-angle photograph of a university campus. In the center, a modern building with a prominent glass facade and brick accents stands. In the foreground, a paved plaza with brick patterns is visible, where two students with backpacks are walking. There are trees, a flagpole, and a stone pillar in the scene. The overall tone is bright and slightly hazy.

# Pittsburg State University Annual Financial Report

For the Fiscal Year ended June 30, 2018

Pittsburg, Kansas

# PITTSBURG STATE UNIVERSITY

Annual Financial Report

For the Fiscal Year Ended June 30, 2018

## Kansas Board of Regents

Shane Bangerter .....	Dodge City
Ann Brandau-Murguia .....	Kansas City
Bill Feuerborn .....	Garnett
Mark Hutton .....	Andover
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## President of the University

Steven A. Scott, B.S.Ed., M.S., Ed.S., Ed.D.

## Chief Financial Officer and Vice President for Administration

Douglas B. Ball, B.B.A, M.B.A, C.P.A

## Controller's Office

Barbara J. Winter, B.B.A., M.B.A. ....	Controller
Donald L. Hartshorn, B.B.A., M.B.A. ....	Assistant Controller
Rachel L. Cameron, B.B.A., M.B.A. ....	Assistant Controller
T. James Hughes, B.B.A., M.B.A. ....	Director of Purchasing





*Nearly 1,000 freshmen gathered on Brandenburg Field for the 2017 class photo.*



*Outstanding Faculty 2018 (l to r): Ms. Kristen Livingston (Communication), Dr. Gloria Flynn (Teaching and Leadership) and Dr. Barbara McClaskey (Irene Ransom Bradley School of Nursing).*



*More than 100 teams from around the world converged upon Pittsburg State University during the 2018 Baja SAE Kansas competition in May. Pitt State did double duty as they both hosted and competed in the global event.*

# **Pittsburg State University**

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

### **For the Year Ended June 30, 2018**

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.

Total assets at June 30, 2018 were \$233.96 million, an increase of \$674 thousand or 0.29% compared to \$233.3 million at June 30, 2017. Capital assets, net of depreciation, comprised 81.7%, or \$191.2 million of the total assets.

Total deferred outflows decreased \$474,793 due to the pension contribution required by GASB 68 and other post-employment benefits required by GASB 75.

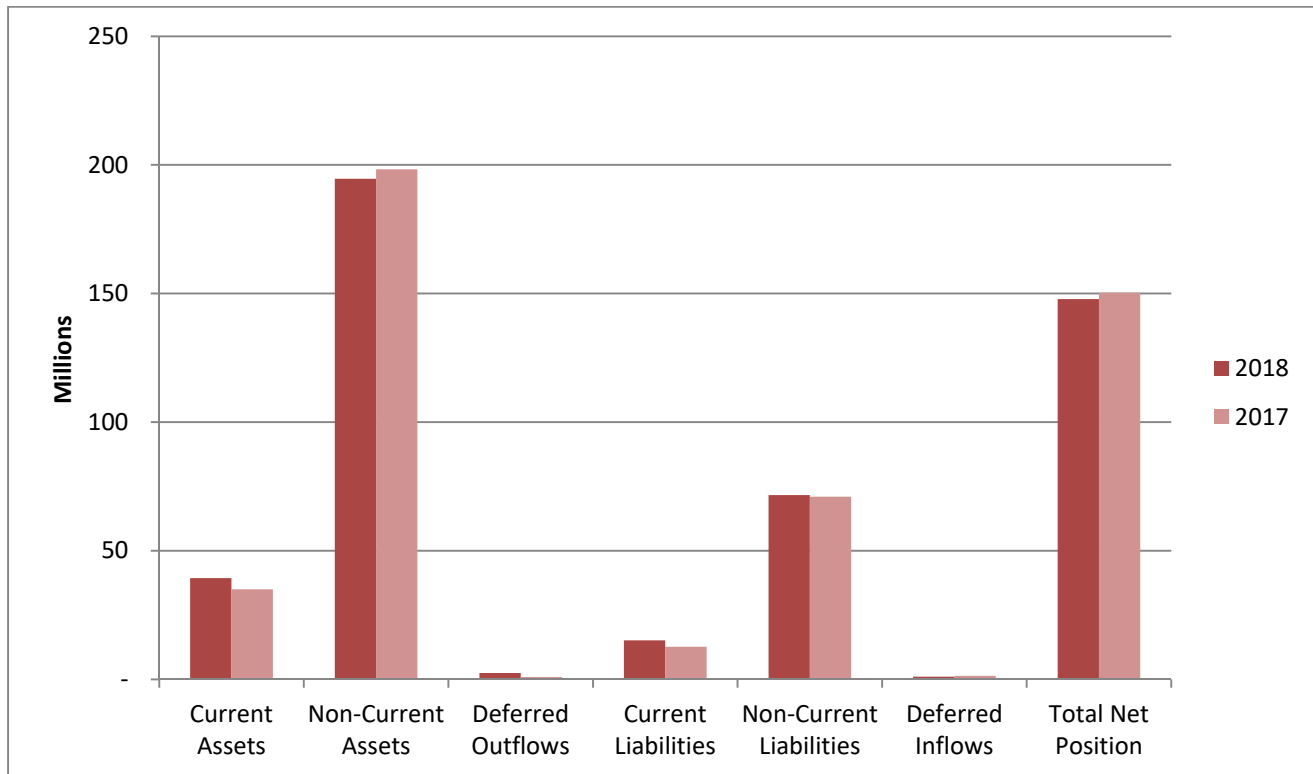
Total liabilities were \$86.8 million at June 30, 2018, an increase of \$2.4 million or 2.8% compared to \$84.4 million at June 30, 2017. Noncurrent liabilities comprised 82.5%, or \$71.7 million of the liabilities.

Total deferred inflows increased \$222,048 due to recording deferred pension contributions required by GASB 68 and deferred other post-employment benefits required by GASB 75.

Total net position at June 30, 2018 was \$147.8 million, a \$2.4 million decrease from the prior year of \$150.2 million. The breakout of net position is shown below:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Net investment in capital assets	\$136,824,135	\$136,335,370
Restricted net position	5,047,897	10,556,571
Unrestricted net position	<u>5,950,309</u>	<u>3,345,446</u>
<b>Total net position</b>	<b><u>\$147,822,341</u></b>	<b><u>\$150,237,387</u></b>

The composition of current and noncurrent assets, deferred outflows, current and noncurrent liabilities, deferred inflows and net position is displayed below for fiscal years 2018 and 2017.



## 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

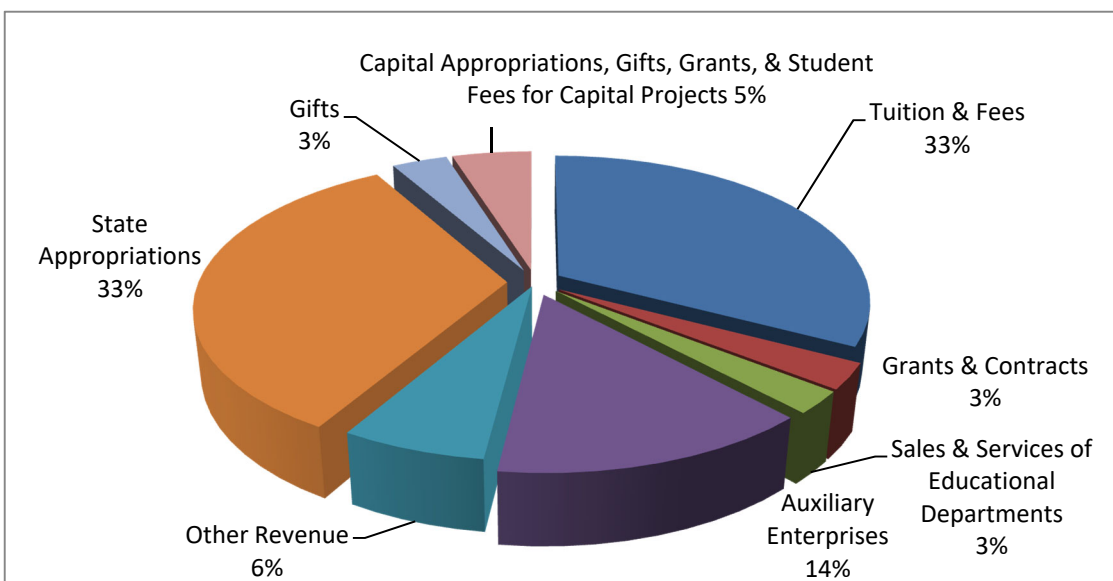
Operating revenues at the University as of June 30, 2018 decreased by 2.7% over the previous fiscal year. The following is a brief summary of the significant changes:

- Student tuition and fee revenues, after scholarship allowances, were \$34.1 million in 2018, compared to \$35.4 million in 2017, a net decrease of 3.5%.
- Auxiliary enterprise revenues decreased from \$15.3 million to \$14.6 million in 2018. Auxiliary enterprises include University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications. Auxiliary enterprise revenues are 27.0% of total operating revenue.
- Other operating revenues decreased \$0.4 million from \$.8 million in 2017 to \$0.4 million in 2018.

Total non-operating revenues (expenses) decreased \$4.2 million from \$48.6 million to \$44.4 million. The following is a brief summary of the significant changes:

- State appropriations decreased \$0.5 million from \$35.2 million in 2017 to \$34.7 in 2018.
- Gifts increased \$0.3 million in 2018 from \$3.3 million to \$3.6 million.
- Other non-operating revenues (expenses) decreased from \$10.1 million in 2017 to \$5.9 million in 2018.

Revenues for fiscal year 2018 are displayed in the following graph:



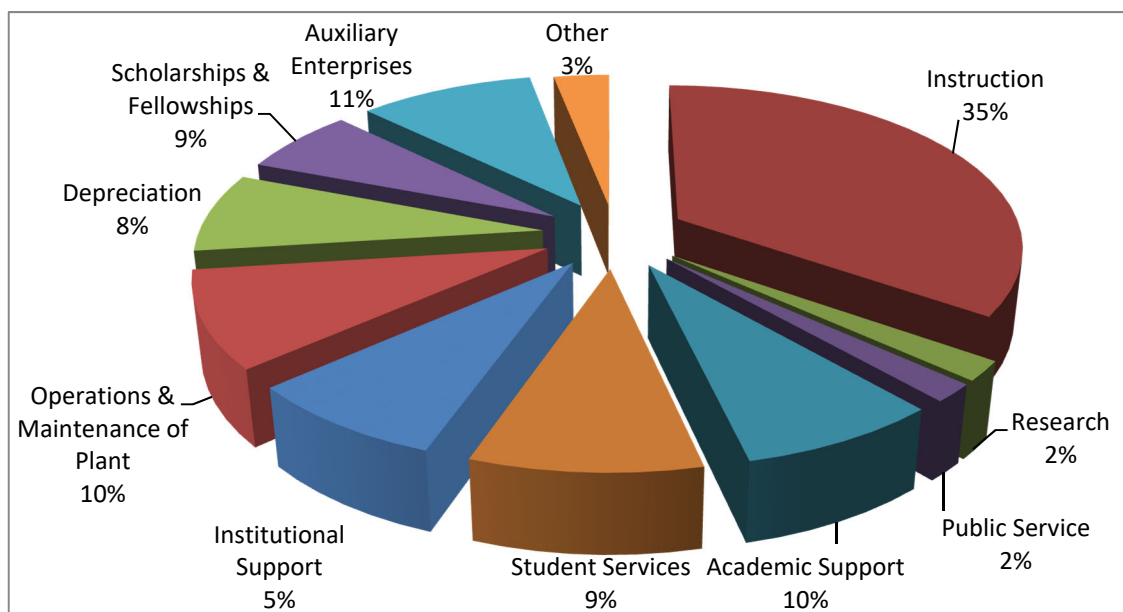


## Expenses

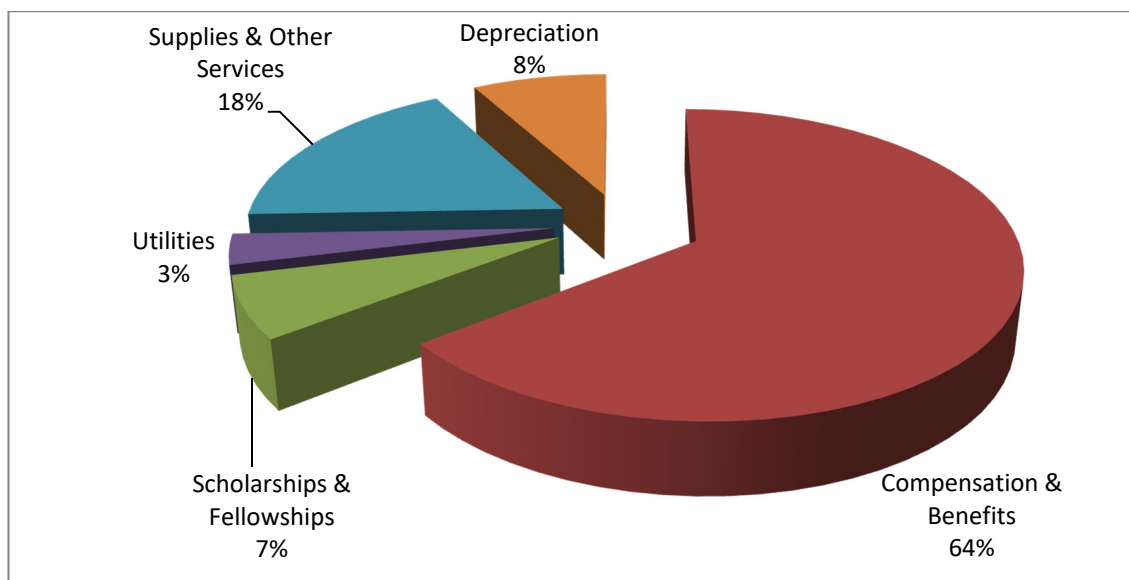
Operating expenses increased \$0.5 million, from \$103.8 million for the 2017 fiscal year to \$104.3 million for the 2018 fiscal year. The following is a brief summary of the significant changes:

- Depreciation expense increased \$0.9 million from \$7.5 million to \$8.4 million in 2018.
- Scholarship and fellowship expenses increased \$0.7 million from \$6.2 million to \$6.9 million in 2018.
- Auxiliary enterprise expenses, which include University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications, decreased from \$11.8 million in 2017 to \$10.3 million in 2018.

Expenses for fiscal year 2018 by functional classification are displayed in the following graph:



Expenses for fiscal year 2018 by natural classification are displayed in the following graph:



## Extraordinary Items

The University did not have any special and extraordinary items in 2018.

## 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 support provided by the Foundation was approximately \$3.6 and \$3.3 million in 2018 and 2017, respectively. Capital Gifts from the Foundation was approximately \$1.9 and \$2.3 million in 2018 and 2017. The Foundation's financial statements are included following the University's financial statements in this Annual Financial Report.

## Net Position

Net position decreased by \$2.4 million 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 following is a condensed statement of cash flows for the years ended June 30, 2018 and 2017:

	June 30, 2018	June 30, 2017
Net Cash provided (used) by:		
Operating activities	\$(40,302,577)	\$(43,181,264)
Non-capital financing activities	39,176,478	39,240,946
Capital and related financing activities	5,242,793	4,876,605
Investing activities	244,534	108,573
Net increase (decrease) in cash	4,361,228	1,044,860
Beginning cash and cash equivalent balances	31,952,895	30,908,035
Ending cash and cash equivalent balances	<u>\$ 36,314,123</u>	<u>\$ 31,952,895</u>

Cash provided by operating activities includes tuition and fees, grant and contract revenues, sales of educational activities and auxiliary enterprises. Cash used for operating activities includes payments to employees and suppliers. 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. Cash flows from capital financing activities include all plant funds related long-term debt 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.

## CAPITAL ASSETS

The University continued to invest in capital assets during the 2018 fiscal year. Additional detailed information regarding capital asset additions, retirements and depreciation is available in Note 6 to the financial statements.

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

- Kansas Technology Center Roof Replacement Phase II. This project was able to extend the service life of the existing roof. The project recovered the original modified bitumen roof and insulation system with TPO



overlay. Construction began in June of 2018 and was completed in September of 2018. This project was funded with R&R funds.

- Kansas Technology Center Sealant project replaced original sealants in pre-cast concrete wall panels in preparation for roof project. This project was completed in August of 2018. This project was funded with R&R funds.
- Elevator Repairs took place in both Hughes Hall and the Kansas Technology Center. Labor and utilities were provided to replace jack assemblies in both elevators. Work was completed on both elevators in May of 2018. The project was funded with R&R funds.

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

- Axe Phase III Renovations will provide new windows, a new classroom and possible study areas on the lower level of Axe Library. Construction of phase III began in October of 2018. This project is funded with allocated R&R funds.
- Axe Phase IV will be renovations to the first floor, and is in design phase for summer 2019 construction. This project will be funded with R&R funds.
- The Kelce College of Business Renovation and Expansion will include new construction as well as total renovation of the existing building. This project will provide appropriately sized and shaped learning labs and will centralize faculty in one location. Student collaboration spaces, small group study rooms, and student lounges will provide an academic home for the Kelce College of Business students. LEED Silver certification is an additional project goal. The planning and design phase began in January 2016 and led to final construction documentation in November 2017. The project will be funded with both private and R&R funds. Construction is tentatively planned for 2020.

## **DEBT ADMINISTRATION**

At June 30, 2018, the University had \$52.9 million in debt outstanding compared to \$56.6 million at June 30, 2017. The University paid \$3.7 million in principal payments related to outstanding debt.

Moody's Investors Service currently rates the University "A1". Standard & Poor's Ratings Services currently rates the University "A-". More detailed information about long-term liabilities is available in Notes 8, 9 and 10 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 2018 were \$34.7 million, a decrease of \$.5 million over the prior year. According to the Kansas Legislative Research Department and the Kansas Division of the Budget, modest growth is currently expected to continue in the Kansas economy through FY 2021. Projections for the real Kansas Gross State Product (GSP) growth for both 2018 and 2019 is 1.8%. In November 2018, the consensus revenue estimate for fiscal year 2019 State General Fund revenues for the State of Kansas was increased by \$306.4 million above the prior estimate.

The University's student tuition and fee revenue decreased from \$35.4 million in fiscal year 2017 to \$34.1 million in fiscal year 2018. The revenue decrease is primarily the result of decreased enrollment, partially offset by a modest 2.8% tuition increase effective for fiscal year 2018. Enrollment at Pittsburg State for the fall 2018 semester decreased by 282 students to 6,625. For fiscal year 2019, the Kansas Board of Regents approved a 2.6% increase

for resident and non-resident tuition rates. This increase is not expected to offset the decline in tuition and fee revenue resulting from reduced enrollment in fiscal year 2019. Pittsburg State has expanded initiatives focused on increasing recruitment and retention of both international and domestic students. These initiatives include an expansion of the “Gorilla Advantage” tuition program to 23 additional counties in Missouri, and the introduction of a new “Gorilla International” tuition program. The University also has new leadership in both its Admissions and Marketing organizations and is currently enhancing many student recruitment activities.

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, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 27,806,631	\$ 24,504,374
Restricted cash and cash equivalents	8,507,492	7,448,521
Accounts receivable, net	1,746,975	1,783,673
Loans to students, net	398,138	401,071
Inventories	393,710	336,460
Prepaid expenses	487,585	508,684
Total current assets	<u>39,340,531</u>	<u>34,982,783</u>
Noncurrent Assets		
Restricted investments	-	-
Loans to students, net	3,410,231	3,660,024
Capital assets, net	191,205,018	194,639,211
Total noncurrent assets	<u>194,615,249</u>	<u>198,299,235</u>
 Total Assets	 <u>233,955,780</u>	 <u>233,282,018</u>
<b><u>DEFERRED OUTFLOWS</u></b>		
Pension Contributions	1,867,494	2,437,260
Other Post Employment Benefits	94,973	-
Total Deferred Outflows	<u>1,962,467</u>	<u>2,437,260</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable and accrued liabilities	3,457,030	3,030,203
Unearned revenue	4,944,103	2,573,074
Accrued compensated absences - current portion	2,069,351	2,685,458
Revenue bonds payable - current portion	3,480,590	3,648,351
Capital leases payable - current portion	230,245	218,100
Deposits held in custody for others	433,618	508,832
Other current liabilities (Perkins FCC)	552,544	-
Total current liabilities	<u>15,167,481</u>	<u>12,664,018</u>
Noncurrent Liabilities		
Other postemployment healthcare benefits	832,823	877,161
Accrued compensated absences	396,584	-
Capital leases payable	711,572	934,914
Pension Liability	16,731,761	17,046,239
Revenue bonds payable	49,387,500	52,903,188
Other noncurrent liabilities (Perkins FCC)	3,589,766	-
Total noncurrent liabilities	<u>71,650,006</u>	<u>71,761,502</u>
 Total Liabilities	 <u>86,817,487</u>	 <u>84,425,520</u>
<b><u>DEFERRED INFLOWS</u></b>		
Deferred Pension Inflows	1,260,508	1,056,371
Deferred Other Post Employment Benefits Inflows	17,911	-
Total Deferred Inflows	<u>1,278,419</u>	<u>1,056,371</u>

**Pittsburg State University**  
**Statement of Net Position**  
**As Of June 30, 2018 and 2017**

<b><u>NET POSITION</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Net investment in capital assets	136,824,135	136,335,370
Restricted for		
Expendable		
Scholarships and fellowships	-	5,484
Research	(505,835)	(536,832)
Instructional department uses	11,919	76,488
Loans	141,402	4,621,199
Capital projects	954,860	1,595,704
Debt services	4,442,265	4,370,881
Other	3,286	423,647
Unrestricted	<u>5,950,309</u>	<u>3,345,446</u>
Total Net Position	<u>\$ 147,822,341</u>	<u>\$ 150,237,387</u>

*See accompanying notes to financial statement:*

**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2018 and 2017**

	2018	2017
<b><u>OPERATING REVENUES</u></b>		
Tuition and fees (net of scholarship allowances of \$9,388,601 and \$9,675,943 in 2018 and 2017 respectively)	\$ 34,138,231	\$ 35,375,798
Federal grants and contracts	1,702,982	1,742,624
State and local grants and contracts	363,609	431,387
Nongovernmental grants and contracts	893,175	736,314
Sales and services of educational departments	2,565,127	1,862,381
Auxiliary enterprises:		
Housing	8,259,141	8,753,810
Parking	655,977	702,935
Health Services	1,405,233	1,478,065
Student Center	1,336,363	1,331,873
Athletics	2,827,274	2,896,180
Student Publications	132,061	147,813
Interest earned on loans to students	83,095	85,227
Other operating revenues	401,339	757,953
Total operating revenues	54,763,607	56,302,360
 <b><u>OPERATING EXPENSES</u></b>		
Educational and General		
Instruction	37,102,642	38,009,763
Research	2,070,206	2,014,826
Public Service	1,890,011	1,309,052
Academic support	8,464,993	10,020,383
Student services	9,606,389	7,839,530
Institutional support	8,635,222	8,389,182
Operations and maintenance of plant	10,125,012	10,291,319
Depreciation	8,358,008	7,510,418
Scholarships and fellowships	6,892,983	6,185,205
Auxiliary enterprises:		
Housing	4,988,206	5,132,679
Parking	137,465	222,404
Health Services	1,416,420	1,407,186
Student Center	1,164,169	1,828,680
Athletics	2,526,684	3,054,371
Student Publications	87,416	162,767
Other	877,310	373,348
Total operating expenses	104,343,136	103,751,113
Operating Income (Loss)	(49,579,529)	(47,448,753)



**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
State appropriations	34,699,809	35,171,201
Gifts	3,567,728	3,339,259
Investment income	244,534	24,080
Interest expense	(2,386,749)	(2,443,767)
Student fees for capital projects	2,307,760	2,404,461
Other nonoperating revenues (expenses)	5,940,018	10,100,706
Net nonoperating revenues (expenses)	<u>44,373,100</u>	<u>48,595,940</u>
Income before other revenues, expenses, gains, or losses	(5,206,429)	1,147,187
Capital appropriations	854,597	2,102,395
Capital grants and gifts	1,936,786	2,289,059
	<u>2,791,383</u>	<u>4,391,454</u>
Increase In Net Position	(2,415,046)	5,538,641
Net position - beginning of year	150,237,387	144,698,746
Net position - end of year	<u>\$ 147,822,341</u>	<u>\$ 150,237,387</u>

*See accompanying notes to financial statements*

**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 42,082,248	\$ 43,475,697
Sales and services of educational activities	2,546,215	1,883,227
Auxiliary enterprises:		
Housing	3,115,968	3,450,596
Parking	502,967	438,870
Health Services	(13,407)	18,867
Student Center	133,445	58,963
Athletics	(23,130)	(168,037)
Student Publications	45,093	(16,398)
Grants and contracts	3,153,517	2,768,193
Payments to suppliers	(14,213,803)	(15,953,479)
Payments to utilities	(2,249,894)	(2,147,318)
Compensation & benefits	(61,804,781)	(65,017,527)
Payments for scholarships and fellowships	(12,825,018)	(13,602,426)
State Appropriations Receivable	(133,715)	(23,691)
Loans issued to students and employees	(566,297)	(687,228)
Collections on loans issued to students and employees	791,012	793,941
Other receipts (payments)	(842,997)	765,097
	<u>(40,302,577)</u>	<u>(43,962,653)</u>
Net Cash Flows from Operating Activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	34,699,809	35,171,201
Noncapital debt proceeds	-	-
Noncapital debt payments	-	-
Gifts	3,567,728	3,339,259
Federal family education loan receipts	28,493,625	29,173,907
Federal family education loan disbursements	(28,493,625)	(29,173,907)
Student organization agency transactions	141,701	1,046
Other	767,240	729,440
	<u>39,176,478</u>	<u>39,240,946</u>
Net Cash Flows from Noncapital Financing Activities		
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from capital debt	-	-
Capital appropriations	2,583,000	2,361,600
Capital Grants and gifts	1,936,786	2,289,059
Student fees for capital projects	2,307,760	2,404,461
Purchases of capital assets	(4,576,423)	(5,263,861)
Principal paid on capital debt and leases	(3,838,161)	(3,660,042)
Interest paid on capital debt and leases	(2,415,063)	(2,509,090)
Disposal of asset	-	-
Other	9,244,894	9,254,478
	<u>5,242,793</u>	<u>4,876,605</u>
Net Cash Flows from Capital Financing Activities		

**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	-	84,493
Investment income	244,534	24,080
Purchase of investments	-	-
Net Cash Flows from Investing Activities	244,534	108,573
Net change in cash and cash equivalents	4,361,228	1,044,860
Cash and cash equivalents-beginning of year	31,952,895	30,908,035
Cash and cash equivalents-end of year	\$ 36,314,123	\$ 31,952,895
<b>RECONCILIATION</b>		
Operating income (loss)	\$ (49,579,529)	\$ (47,448,753)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	8,153,385	7,399,447
Changes in assets and liabilities:		
Accounts receivable, net	36,697	(72,144)
Loans to students, net	252,726	200,080
Inventories	(57,250)	(8,368)
Prepaid expenses	21,099	(409,378)
Accounts payable and accrued liabilities	326,085	(4,308,245)
Deferred revenue	642,626	528,593
Accrued compensated absences	(219,524)	(75,108)
Other postemployment healthcare benefits	338,026	14,493
Deposits held in custody for others	(216,918)	216,730
Net cash used in operating activities	\$ (40,302,577)	\$ (43,962,653)

*See accompanying notes to financial statements*



*PSU's Army ROTC battalion, also known as the Gorilla Battalion, commissioned 12 cadets as second lieutenants into the Army, Army Reserves and National Guard in May 2018.*



*The 2018 MIAA Women's and Men's Outdoor Track & Field Champions. The Gorillas claimed 5 of 6 MIAA crowns between the sports of cross country, indoor and outdoor track & field in 2017-18.*



*Approximately 700 students participated in the 2018 Big Event, a communitywide service project.*

**Pittsburg State University  
Component Unit Financial Statements  
For Fiscal Year Ended June 30, 2018 and 2017**

**Pittsburg State University Foundation, Inc.**

- Statements of Financial Position
- Statements of Activities
- Statements of Cash Flows

**Pittsburg State University Alumni Association**

- Statement of Financial Position
- Statement of Activities



PITTSBURG STATE UNIVERSITY FOUNDATION, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2018 and 2017

	June 30,	
	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,168,143	\$ 788,961
Interest receivable	40,408	28,202
Student loans receivable	3,634	534
Allowance for doubtful loan amounts	(534)	(534)
Contributions receivable	9,998,052	9,860,561
Note receivable	1,250,000	1,250,000
Specific investments	161,538	159,742
Pooled investments	79,341,659	75,838,201
Beneficial interest trusts held by others	3,708,283	3,505,617
Fixed assets - net of depreciation	1,155,136	1,185,293
Advances for loan matching	143,824	183,135
TOTAL ASSETS	<u>\$ 97,970,143</u>	<u>\$ 92,799,712</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 366,399	\$ 1,820,473
Interest payable	22,708	22,258
Annuity liabilities	215,592	250,587
TOTAL CURRENT LIABILITIES	<u>604,699</u>	<u>2,093,318</u>
Long-Term Liabilities		
Notes payable	<u>6,208,093</u>	<u>6,030,735</u>
TOTAL LIABILITIES	6,812,792	8,124,053
Net Assets		
Unrestricted	29,343,865	25,841,569
Temporarily restricted	14,419,405	12,997,706
Permanently restricted	47,394,081	45,836,384
TOTAL NET ASSETS	<u>91,157,351</u>	<u>84,675,659</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 97,970,143</u>	<u>\$ 92,799,712</u>

See accompanying notes.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
Year Ended June 30, 2018, with Comparative Totals for 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals	2017 Totals
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 5,679,931	\$ 1,595,095	\$ 1,354,289	\$ 8,629,315	\$ 10,026,032
Investment income	1,560,013	-	-	1,560,013	1,327,530
Net realized gain (loss) on investments	7,110,884	-	-	7,110,884	856,103
Net unrealized gain (loss) on investments reported at fair value	(4,195,946)	-	-	(4,195,946)	5,263,903
Change in value of beneficial interest trusts held by others	-	73,974	128,692	202,666	137,416
Interest and service charges on student loans	20	-	-	20	20
Other miscellaneous revenue	1,118,370	-	-	1,118,370	1,277,971
Net assets released from restrictions	172,654	(247,370)	74,716	-	-
<b>TOTAL REVENUES, GAINS, AND OTHER SUPPORT</b>	<b>11,445,926</b>	<b>1,421,699</b>	<b>1,557,697</b>	<b>14,425,322</b>	<b>18,888,975</b>
<b>EXPENSES</b>					
<b>Program Services</b>					
Scholarships, grants & awards	3,601,491	-	-	3,601,491	3,634,305
Marketing	9,200	-	-	9,200	9,928
Classroom instruction aids/other expenses	1,864,517	-	-	1,864,517	2,873,625
Faculty/professional development	153,432	-	-	153,432	133,719
Contributions receivable bad debt	25,000	-	-	25,000	-
Student loan collection expense	6	-	-	6	-
Other special University projects	1,036,338	-	-	1,036,338	2,847,983
<b>Total Program Services</b>	<b>6,689,984</b>	<b>-</b>	<b>-</b>	<b>6,689,984</b>	<b>9,499,560</b>
<b>Support Services</b>					
Salaries	402,251	-	-	402,251	379,573
Promotion	9,854	-	-	9,854	9,345
Auditing & investment counsel	23,423	-	-	23,423	101,993
Investment management fees	230,657	-	-	230,657	191,342
Equipment, service contracts and repairs	39,151	-	-	39,151	44,753
Postage	29,503	-	-	29,503	21,890
Insurance	19,636	-	-	19,636	15,419
Repairs and maintenance/building & grounds	27,177	-	-	27,177	36,139
Publications	34,098	-	-	34,098	15,897
Planned giving	9,025	-	-	9,025	8,332
Telephone	7,827	-	-	7,827	17,092
Utilities	12,507	-	-	12,507	12,420
Depreciation	62,645	-	-	62,645	58,376
General operating	199,075	-	-	199,075	158,530
Alumni activities	98,050	-	-	98,050	61,582
Travel	32,310	-	-	32,310	25,008
Miscellaneous	16,457	-	-	16,457	10,894
<b>Total Support Services</b>	<b>1,253,646</b>	<b>-</b>	<b>-</b>	<b>1,253,646</b>	<b>1,168,585</b>
<b>TOTAL EXPENSES</b>	<b>7,943,630</b>	<b>-</b>	<b>-</b>	<b>7,943,630</b>	<b>10,668,145</b>
<b>CHANGE IN NET ASSETS</b>	<b>3,502,296</b>	<b>1,421,699</b>	<b>1,557,697</b>	<b>6,481,692</b>	<b>8,220,830</b>
NET ASSETS, Beginning of Year	25,841,569	12,997,706	45,836,384	84,675,659	76,454,829
NET ASSETS, End of Year	<u>\$ 29,343,865</u>	<u>\$ 14,419,405</u>	<u>\$ 47,394,081</u>	<u>\$ 91,157,351</u>	<u>\$ 84,675,659</u>

See accompanying notes.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2018 and 2017

	June 30,	
	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 6,481,692	\$ 8,220,830
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	62,645	58,376
Realized (gain) loss on sale of investments	(7,110,884)	(856,103)
Unrealized (gain) loss on investments	4,195,946	(5,263,903)
Change in beneficial interest trusts held by others	(202,666)	(137,417)
(Increase) decrease in:		
Interest receivable	(12,206)	930
Student loans receivable	(3,100)	-
Contributions receivable	(137,491)	660,010
Note receivable	-	(1,250,000)
Increase (decrease) in:		
Accounts payable	(1,454,074)	818,921
Interest payable	450	(6,380)
Agency liabilities	-	(259,753)
Present value of annuities	(34,995)	(11,107)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,785,317</b>	<b>1,974,404</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(32,488)	(117,957)
Proceeds from sales of investments	31,189,310	15,257,476
Purchase of investments	(31,740,315)	(14,746,281)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(583,493)</b>	<b>393,238</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan Proceeds	1,132,000	-
Principal payments on loan	(954,642)	(2,380,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>177,358</b>	<b>(2,380,000)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1,379,182</b>	<b>(12,358)</b>
CASH AND CASH EQUIVALENTS, Beginning of Year	788,961	801,319
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 2,168,143</u>	<u>\$ 788,961</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest on note payable	<u>\$ 287,364</u>	<u>\$ 324,003</u>

See accompanying notes.

**Pittsburg State University Alumni Association**

**Statement of Financial Position**

**June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
<b>Current Assets</b>		
<b>Cash and cash equivalents</b> - held by Pittsburg State University	\$ 115,155	\$ 92,953
<b>Cash and cash equivalents</b> - held by Pittsburg State University Foundation, Inc.	<u>720,766</u>	<u>664,769</u>
<b>Total Current Assets</b>	<u>835,921</u>	<u>757,722</u>
<b>Total Assets</b>	<u><u>\$ 835,921</u></u>	<u><u>\$ 757,722</u></u>
<b>Net Assets</b>		
<b>Unrestricted</b>	<u>\$ 835,921</u>	<u>\$ 757,722</u>
<b>Total Net Assets</b>	<u><u>\$ 835,921</u></u>	<u><u>\$ 757,722</u></u>

Pittsburg State University Alumni Association, Inc. is a legally separate 501(c)(3) non-profit entity, however all assets of the Association are held in trust by either Pittsburg State University or Pittsburg State University Foundation, Inc. The Alumni Association is a component unit of the University for financial reporting purposes, and the University is a component unit of the State of Kansas.

**Pittsburg State University Alumni Association**

**Statement of Activities  
June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
<b>Operating Revenues:</b>		
University Support	\$ 195,248	\$ 212,097
Foundation Support	35,000	35,024
Royalties	61,092	35,180
License Plate Royalty and Admin Fee	87,092	79,223
Champions Plaza Apparel	-	-
Gorilla Fest	10,525	12,875
Family Events	-	777
Gorilla Gatherings	19,276	20,095
Reunions	8,112	3,032
Student Programs	-	100
Steak Fry	2,250	3,642
Other Revenues	21	119
<b>Total Operating Revenues</b>	<u>418,616</u>	<u>402,164</u>
<b>Operating Expenses:</b>		
Salaries and Wages	208,162	191,627
General Administrative	12,535	12,985
Alumni Legacy Scholarship	40,150	49,050
Gorilla License Plate Program	9,292	5,982
Gorilla Fest	8,694	9,690
Family Events	983	5,713
Gorilla Events	33,995	54,090
Reunions	17,404	8,689
PSU Magazine Advertising	6,528	5,956
Giveaways	7,489	7,409
Benchmark	2,120	2,124
Skybox Expense	2,500	1,713
Campus Relations	1,637	1,952
Association Board	1,790	1,462
Student Programs	2,408	3,737
Champions Plaza Expense	-	(71)
MIAA Playoff Expense	-	533
Steak Fry	2,505	2,823
Awards	10,683	14,735
Other Operating Expenses	-	326
<b>Total Operating Expenses</b>	<u>368,875</u>	<u>380,526</u>
<b>Operating Income (Loss)</b>	<u>49,741</u>	<u>21,639</u>
<b>Nonoperating Revenues (Expenses)</b>		
Donations	1,048	725
Endowment Earnings from Investments held by PSU Foundation, Inc.	27,410	27,219
<b>Net Nonoperating Revenues (Expenses)</b>	<u>28,458</u>	<u>27,944</u>
<b>Increase (decrease) in Net Assets</b>	78,199	49,583
<b>Net Assets:</b>		
<b>Beginning</b>	<u>757,722</u>	<u>708,139</u>
<b>Ending</b>	<u>\$ 835,921</u>	<u>\$ 757,722</u>





*Several students made history in February as the first to choose rooms inside Pittsburg State's new Block22 housing option in downtown Pittsburg.*



*The 2017 Homecoming Queen and King, Jessica Hennessy and Steven Anderson.*



*Pitt State Theatre kicked off its 2017-2018 season with the production of Charles Mee's "bobrauschenbergamerica"—a celebration of the famous collage artist, Bob Rauschenberg, and the broader collage that is America.*

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

**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 approximately 6,600 students, and students may choose from more than 100 undergraduate and graduate programs within the College of Education, the College of Business, the College of Technology and the College of Arts and Sciences. The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. 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 accounting principles generally accepted in the United States of America, these financial statements present the combined financial position and financial activities of the University and the Pittsburg State University Research Foundation, Inc. The financial activity and balances of the Pittsburg State University Foundation, Inc. and the Pittsburg State University Alumni Association, Inc. may be found following the University's financial statements.

**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 consist primarily of deferred summer school expenses.

**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 was 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 include summer school 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.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

**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.

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of revenue bonds payable, capital lease obligations with contractual maturities greater than one year, pension, other postemployment benefits, estimated amounts for accrued compensated absences, and other liabilities that will not be paid within the next fiscal year.

**Deferred Inflows/Outflows.** In accordance with GASB 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.** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For these purposes, 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 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.

**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 nonoperating revenues according to the following criteria:

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 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 nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

**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, 2018 and 2017 were \$36,314,123 and \$31,952,895 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, revenue bond project and reserve funds and any funds held by external entities on behalf of the University.

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.

The majority of deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized. The University does not have a formal deposit policy regarding custodial credit risk. However, management has evaluated the financial stability of the financial institutions involved and believes the custodial credit risk is minimal.

**Investments.** The University's total investments at June 30, 2018 and 2017 were \$0.

**NOTE 3 - Accounts Receivable**

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

	<u>2018</u>	<u>2017</u>
Tuition and Fees	\$772,362	\$967,163
Auxiliary enterprises	77,449	169,450
Grants & Contracts	512,973	400,987
State Appropriations	374,074	240,359
Other	10,117	5,714
Total	<u>\$ 1,746,975</u>	<u>\$ 1,783,673</u>

**NOTE 4 – Loans to Students**

Student loans made through the Federal Perkins Loan and Nursing Student Loan Programs comprise substantially all of the loans to students at June 30, 2018 and 2017. The Perkins Loan Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. Historically, the federal government reimburses the University for amounts cancelled under these provisions. For 2018 and 2017, the University did not receive this reimbursement.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2018 and 2017, the allowance for uncollectible loans was estimated to be \$786,746 and \$806,102, respectively.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

**NOTE 5 – Inventories**

Inventories consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Physical Plant	\$ 244,715	\$ 197,397
Other	148,995	139,063
Total	<u>\$ 393,710</u>	<u>\$ 336,460</u>

**NOTE 6 – Capital Assets**

Capital asset activity for the year ended June 30, 2018 follows:

	<u>2018</u>			
	<u>Balance Remaining</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 6,786,913	\$	\$ 143,497	\$ 6,643,416
Land Improvements	7,767,945	53,837		7,821,782
Works of Art	1,008,347	10,296		1,018,643
Buildings & Improvements	251,917,726	4,867,075		256,784,801
Equipment & Furnishings	21,078,894	1,491,898	227,360	22,343,432
Vehicles	2,457,313	54,000		2,511,313
Software	<u>2,961,747</u>	<u>78,254</u>		<u>3,040,001</u>
Total	<u>\$ 293,978,885</u>	<u>\$ 6,555,360</u>	<u>\$ 370,857</u>	<u>\$ 300,163,388</u>
Less accumulated depreciation:				
Land Improvements	\$ 3,984,182	\$ 257,159	\$	\$ 4,241,341
Buildings & Improvements	76,917,568	6,764,560		83,682,128
Equipment & Furnishings	17,346,864	994,416	222,524	18,118,756
Vehicles	2,212,008	116,914		2,328,922
Software	<u>1,890,895</u>	<u>224,959</u>		<u>2,115,854</u>
Total accumulated depreciation	<u>\$ 102,351,517</u>	<u>\$ 8,358,008</u>	<u>\$ 222,524</u>	<u>\$ 110,487,001</u>
Capital assets, net	<u>\$ 191,627,368</u>	<u>\$ (1,802,648)</u>	<u>\$ 148,333</u>	<u>\$ 189,676,387</u>
Construction In Progress				<u>1,528,631</u>
				<u>\$ 191,205,018</u>

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

Capital asset activity for the year ended June 30, 2017 follows:

	2017			
	Balance Remaining	Additions	Retirements	Ending Balance
Land	\$ 6,589,708	\$ 197,205	\$	\$ 6,786,913
Land Improvements	7,692,084	75,861		7,767,945
Works of Art	982,264	26,083		1,008,347
Buildings & Improvements	250,070,128	1,847,598		251,917,726
Equipment & Furnishings	21,415,759	657,795	994,660	21,078,894
Vehicles	2,489,745	6,012	38,444	2,457,313
Software	<u>2,098,052</u>	<u>863,695</u>		<u>2,961,747</u>
Total	<u>\$ 291,337,740</u>	<u>\$ 3,674,249</u>	<u>\$ 1,033,104</u>	<u>\$ 293,978,885</u>
Less accumulated depreciation:				
Land Improvements	\$ 3,725,527	\$ 258,655	\$	\$ 3,984,182
Buildings & Improvements	71,028,969	5,888,599		76,917,568
Equipment & Furnishings	16,447,571	978,978	79,685	17,346,864
Vehicles	2,085,635	157,660	31,287	2,212,008
Software	<u>1,664,369</u>	<u>226,526</u>		<u>1,890,895</u>
Total accumulated depreciation	<u>\$ 94,952,071</u>	<u>\$ 7,510,418</u>	<u>\$ 110,972</u>	<u>\$ 102,351,517</u>
Capital assets, net	<u>\$ 196,385,669</u>	<u>\$ (3,836,169)</u>	<u>\$ 922,132</u>	<u>\$ 191,627,368</u>
Construction In Progress				<u>3,011,843</u>
				<u>\$ 194,639,211</u>

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.

**NOTE 7 – Unearned Revenue**

Unearned revenues consisted of the following at June 30:

	2018	2017
Tuition and Fees	\$ 1,808,943	\$ 1,454,722
Grants & Contracts	488,222	203,258
Capital Appropriations	2,534,317	805,914
Auxiliary enterprises	<u>112,621</u>	<u>109,180</u>
	<u>\$ 4,944,103</u>	<u>\$ 2,573,074</u>

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**NOTE 8 - Changes in Noncurrent Liabilities**

Noncurrent liability activity for the year ended June 30, 2018 and June 30, 2017 was as follows:

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable*	\$ 56,551,539	\$ 0	\$ 3,683,448	\$ 52,868,090	\$ 3,480,590
Lease obligations	1,153,014	13,710	224,907	941,817	230,245
Net pension liability	17,046,239	0	314,478	16,731,761	0
Postemployment benefits	877,161	0	44,388	832,823	0
Total noncurrent liabilities	<u>\$ 75,627,953</u>	<u>\$ 13,710</u>	<u>\$ 4,267,221</u>	<u>\$ 71,374,491</u>	<u>\$ 3,710,835</u>

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable*	\$ 60,098,432	\$ 0	\$ 3,546,893	\$ 56,551,539	\$ 3,648,351
Lease obligations	901,146	397,305	145,437	1,153,014	218,100
Net pension liability	17,176,326	0	130,087	17,046,239	0
Postemployment benefits	81,278	795,883	0	877,161	0
Total noncurrent liabilities	<u>\$ 78,257,182</u>	<u>\$ 1,193,188</u>	<u>\$ 3,822,417</u>	<u>\$ 75,627,953</u>	<u>\$ 3,866,451</u>

\*Includes unamortized bond premiums/discounts in balance totals which is not included in other debt-related Notes.

**NOTE 9 - Revenue Bonds Outstanding**

Revenue bonds payable consist of the following:

	Principal Outstanding at 6/30/18
Kansas Development Finance Authority Revenue Bonds – Series K, 2015 (The Board of Regents -- Pittsburg State University – Refunding Revenue Bonds) \$1,500,000 Due in annual installments from \$246,215 to \$253,816. Issued 9/30/15 with a final maturity on 10/1/2021. Interest rate at 1.04% payable semi-annually.	\$ 1,006,069
Kansas Development Finance Authority Refinance 2002 Lease – Series M, 2015 (The Board of Regents – Pittsburg State University Refinancing Energy Lease) \$2,135,766 Due in annual installments from \$298,389 to \$311,978. Issued 12/03/15	1,536,839
Kansas Development Finance Authority Revenue Bonds – Series A, 2014 (The Board of Regents - Pittsburg State University Projects) \$35,175,000 Due in annual installments of \$385,000 to \$2,345,000. Issued 4/1/2014 with a final maturity on 10/1/2034. Interest ranging from 3.0% to 4.25% payable semi-annually.	30,950,000
Kansas Development Finance Authority Revenue Bonds – Series D, 2011 (The Board of Regents - Pittsburg State University Refinance & New Energy Conservation) \$9,465,000 Due in annual installments of \$435,000 to \$895,000. Issued 4/14/2011 with a final maturity on 4/1/2024. Interest ranging from 2.0% to 4.4% payable semi-annually.	3,780,000



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Kansas Development Finance Authority Revenue Bonds – Series H-1 & H-2, 2009  
(The Board of Regents – Pittsburg State University Housing System Improvement  
Project) \$14,630,000 Due in annual installments of \$380,000 to \$975,000.  
Issued 6/17/09 with a final maturity on 10/1/2034. Interest ranging from  
2.5% to 7.3% payable semi-annually. 11,730,000

Kansas Development Finance Authority Revenue Bonds – Series G, 2009 380,000  
(The Board of Regents – Pittsburg State University Bryant Student Health Center)  
\$825,000 Due in annual installments of \$50,000 to \$70,000.  
Issued 6/17/09 with a final maturity on 10/1/2023. Interest ranging from  
2.5% to 4.75% payable semi-annually.

Kansas Development Finance Authority Revenue Bonds – Series J-1 & J-2, 2009 3,130,000  
(The Board of Regents – Pittsburg State University Parking System Project)  
\$4,545,000 Due in annual installments of \$160,000 to \$330,000.  
Issued 6/17/09 with a final maturity on 10/1/2029. Interest ranging from  
2.5% to 7.0% payable semi-annually.

**NOTE 10 - Revenue Bonds Maturity Schedule**

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2018 are as follows:

Year Ending June 30:	Principal	Interest	Total
2019	\$ 3,447,020	\$ 2,256,735	\$ 5,703,755
2020	3,540,811	2,138,545	5,679,356
2021	3,534,627	2,013,702	5,548,329
2022	3,653,472	1,883,277	5,536,749
2023-2027	14,321,978	7,522,140	21,844,118
2028-2032	14,835,000	4,179,203	19,014,203
2033-2035	9,180,000	692,460	9,872,460
Total	<u>\$ 52,512,908</u>	<u>\$ 20,686,062</u>	<u>\$ 73,198,970</u>

**NOTE 11 - Lease Obligations**

Pittsburg State University is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$941,817 and \$1,153,014 as of June 30, 2018 and 2017, respectively. Payments to liquidate these obligations as of June 30, 2018 are scheduled as follows:

Year Ending June 30:	Total
2019	\$ 230,245
2020	229,593
2021	223,586
2022	198,624
2023 and thereafter	59,769
Total	<u>\$ 941,817</u>

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, 2018 and 2017 is \$499,169 and \$598,979.



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**NOTE 12 - 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 several 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, 2018, 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 \$3,147,083 and \$3,153,315 during fiscal years 2018 and 2017, respectively, and individual employees contributed \$2,003,841 and \$1,987,795.

**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 \$1,156,559 and \$1,263,093 during fiscal years 2018 and 2017, respectively, and individual employees contributed \$575,294 and \$674,451. See Note 13 for detailed information.

**NOTE 13 – 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](http://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".

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) and the statutory contribution rate was 10.81% for KPERs fiscal year ended June 30, 2017, and 12.01% for the KPERs fiscal year ended June 30, 2018. The University contributed \$1,156,559 and \$1,263,093 during fiscal years 2018 and 2017, respectively, and individual employees contributed \$575,294 and \$674,451.

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

At June 30, 2018, PSU reported a liability of \$16,731,761 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. 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 nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017 PSU's State Employer proportion was 0.231% which was a decrease of 0.005% from its proportion measured as of June 30, 2016. At June 30, 2017 PSU's Kansas Police & Fire Group proportion was 0.132%, which was an increase of 0.005% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, PSU recognized pension expense of \$1,736,031. At June 30, 2018, PSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 59,929	\$ 779,734
Net difference between projected and actual earnings on pension plan investments	378,174	-
Changes in proportion	611,340	454,726
Changes of assumption	818,051	26,048
Total	<u>\$ 1,867,494</u>	<u>\$ 1,260,508</u>

The amount of \$1,156,559 reported as deferred outflows of resources related to pensions resulting from PSU's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2019	480,057
2020	324,098
2021	(194,469)
2022	32,049
Thereafter	-
Total	<u>641,735</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment including price inflation

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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 actuarial assumption used in the December 31, 2016, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

The actuarial assumption changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

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 November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.80%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	<u>100%</u>	

*Discount rate.* The discount rate used to measure the total pension liability was 7.75 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 2017 was 1.2 percent. 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 was received in July 2017 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.

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. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

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*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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PSU proportionate share of the net pension liability	\$ 22,413,073	\$ 16,731,761	\$ 11,941,265

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

**NOTE 14 – Other Postemployment Healthcare Benefits**

**Description.** Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. 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.

**Annual OPEB Cost and Net OPEB Obligation.** GASB 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.

	June 30, 2016	June 30, 2017
Total OPEB Liability	\$751,560	\$691,139
Disability Income	125,601	141,684
Life Waiver	877,161	832,823
Total OPEB Liability	877,161	832,823
Covered Payroll	N/A	9,836,104
Total OPEB Liability as a % of covered payroll	N/A	8.47%

The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, calculated based on the discount rate and actuarial assumptions below, and was rolled backward to the measurement date as of June 30, 2016 and rolled forward to the measurement date as of June 30, 2017. Any significant changes during this period have been reflected as prescribed by GASB 75.

*Discount rate.* The discount rate used was 2.58% and 3.58% for June 30, 2016 and June 30, 2017 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, 2016 and June 30, 2017 were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2016 KPERS pension valuation. The following table summarizes the key actuarial assumptions:

	June 30, 2016	June 30, 2017
Valuation Date	June 30, 2017	June 30, 2017
Measurement Date	June 30, 2017	June 30, 2017
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Actuarial Cost Method	Entry Age Normal	Entry Age Normal

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**Changes in Total OPEB Liability**

Balance as of June 30, 2016	\$877,160
Changes for the year:	
Service cost	45,654
Interest on total OPEB Liability	24,956
Effect of plan changes	0
Effect of economic/demographic gains or losses	0
Effect of assumption changes or inputs (Discount rate change from 2.85% to 3.58%)	(19,974)
Benefit payments	(94,973)
Balance as of June 30, 2017	\$832,823

*Sensitivity Analysis.* The following represents the total OPEB liability of Pittsburg State University as of June 30, 2017, calculated using the discount rate of 3.58%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.85%) or 1 percentage point higher (4.58%) than the current rate.

	<b>1% Decrease</b> <b>2.58%</b>	<b>Discount Rate</b> <b>3.58%</b>	<b>1% Increase</b> <b>4.58%</b>
Total OPEB Liability	\$859,921	\$832,823	\$805,858

The following presents the total OPEB liability of Pittsburg State University as of June 30, 2017, 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 75.

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Total OPEB Liability	\$832,823	\$832,823	\$832,823

*Deferred Inflows/Outflows.* For the year ended June 30, 2018, the University recognized OPEB expense of \$659,992. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$0	\$0
Changes of assumptions	(17,911)	0
Employer contributions subsequent to measurement date	0	94,973
Total	\$(17,911)	\$94,973

The amount of \$94,973 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

**Year ended June 30:**

2018	(\$2,063)
2019	(2,063)
2020	(2,063)
2021	(2,063)
2022	(2,063)
Thereafter*	<u>(7,596)</u>
Total	(17,911)

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

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**NOTE 15 – Other Grants**

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 nonoperating 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, 2018 and 2017 Statement of Revenues, Expense, and Changes in Net Position reflect the Pell grant reclassification from Federal grants and contracts to other nonoperating revenues.

Other grant nonoperating revenues accounting reclassification for the year ended June 30 are as follows:

	2018	2017
Pell Grants	\$ 8,927,128	\$ 9,154,386
SEOG Grants	178,945	178,945
Regents Supplemental Grants	670,614	685,091
Total	\$ 9,776,687	\$ 10,270,786

**NOTE 16 - Commitments and Contingent Liabilities**

At June 30, 2018 and 2017 the University had outstanding commitments under construction contracts totaling \$1,632,838 and \$7,535, 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, 2018.

The University does not insure State-owned automobiles for bodily injury and property damages of State employees. Buildings are insured with a policy that has a \$0.25 million deductible per occurrence and a maximum annual liability of \$500 million per occurrence.

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.

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2015, the Department of Education (DOE) stipulated that new loans may not be disbursed under the program; however, the Perkins Loan Extension Act of 2015 was passed in December 2015 and extended the date for which Perkins Loans may be awarded to September 30, 2017. Congress did not renew the Perkins Loan Program after September 30, 2017. Consequently, no new loans or disbursements were permitted after June 30, 2018, with the exception of a brief transition period. Therefore, as loans are repaid by students, the Federal Capital Contribution (FCC) portion of the repayment must be returned to the federal government. The Department of Education will begin collecting the FCC, effective Fiscal Year 2019. Pursuant to GASB Accounting Standards, the FCC portion of the Perkins Loan Fund must now be recorded as an expense/liability rather than restricted net position, as it is now probable that these funds will be returned to the federal government. The University's total liability as of June 30, 2018 is \$4,142,310, of which \$3,589,766 is a noncurrent liability.

In March 2017, the University entered into a real estate lease agreement with Block 22 MT, LLC, for four historic buildings in downtown Pittsburg, KS. The lease will commence upon completion of construction of the Block 22 project which is being completed by an independent developer. Block 22 plans include 99 beds for student housing and innovation space and resources for both students and local entrepreneurs. In addition, it will also include offices for the University's innovation and business development organization, a makerspace, business incubator, co-working area, and event, education and retail space. Construction of the student housing portion was complete for the Fall 2018 semester. The remaining innovation and retail space is expected to be completed in phases in the fall of 2018 and the spring of 2019. The lease is for 18 years with annual lease payments of \$565,000.

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**NOTE 17 – Natural Classifications with Functional Classifications**

The University's operating expenses by functional and natural classification as of June 30, 2018 and June 30, 2017 are as follows:

	2018					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 33,874,806	\$	\$ 350	\$ 3,227,486	\$	\$ 37,102,642
Research	1,621,210		80	448,916		2,070,206
Public service	1,089,741		154	800,116		1,890,011
Academic support	6,320,353			2,144,640		8,464,993
Student services	7,282,191			2,324,198		9,606,389
Institutional support	6,255,482		(772)	2,380,512		8,635,222
Operations and maintenance of plant	6,678,976		2,449,983	996,053		10,125,012
Depreciation					8,358,008	8,358,008
Scholarships and fellowships		6,892,983				6,892,983
Auxiliary enterprises:						
Housing	1,847,568		696,416	2,444,222		4,988,206
Parking	116,453			21,012		137,465
Health Services	1,228,446		22,905	165,069		1,416,420
Student Center	591,613		239,046	333,510		1,164,169
Athletics	420,509			2,106,175		2,526,684
Student Publications	15,892			71,524		87,416
Other	7,996			869,314		877,310
Total	<u>\$ 67,351,236</u>	<u>\$ 6,892,983</u>	<u>\$ 3,408,162</u>	<u>\$18,332,747</u>	<u>\$ 8,358,008</u>	<u>\$104,343,136</u>

	2017					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 33,707,825	\$	\$ 150	\$ 4,301,788	\$	\$ 38,009,763
Research	1,407,687		97	607,042		2,014,826
Public service	968,310		897	339,845		1,309,052
Academic support	7,355,966			2,664,417		10,020,383
Student services	6,446,883			1,392,647		7,839,530
Institutional support	5,983,282		1,623	2,404,277		8,389,182
Operations and maintenance of plant	6,890,128		2,145,622	1,255,569		10,291,319
Depreciation					7,510,418	7,510,418
Scholarships and fellowships		6,185,205				6,185,205
Auxiliary enterprises:						
Housing	1,856,356		672,089	2,604,234		5,132,679
Parking	24,335			198,069		222,404
Health Services	1,189,804		23,052	194,330		1,407,186
Student Center	574,514		210,969	1,043,197		1,828,680
Athletics	1,753,438			1,300,933		3,054,371
Student Publications	79,102			83,665		162,767
Other	1,091			372,257		373,348
Total	<u>\$ 68,238,721</u>	<u>\$ 6,185,205</u>	<u>\$ 3,054,499</u>	<u>\$18,762,270</u>	<u>\$ 7,510,418</u>	<u>\$103,751,113</u>

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2018 and 2017**

**NOTE 18 – Prior Period Adjustment**

The June 30, 2017 Statement of Net Assets, Statement of Revenues, Expenses, and Changes in net Assets and the Statement of Cash Flows have been restated to reflect the accounting change for GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.