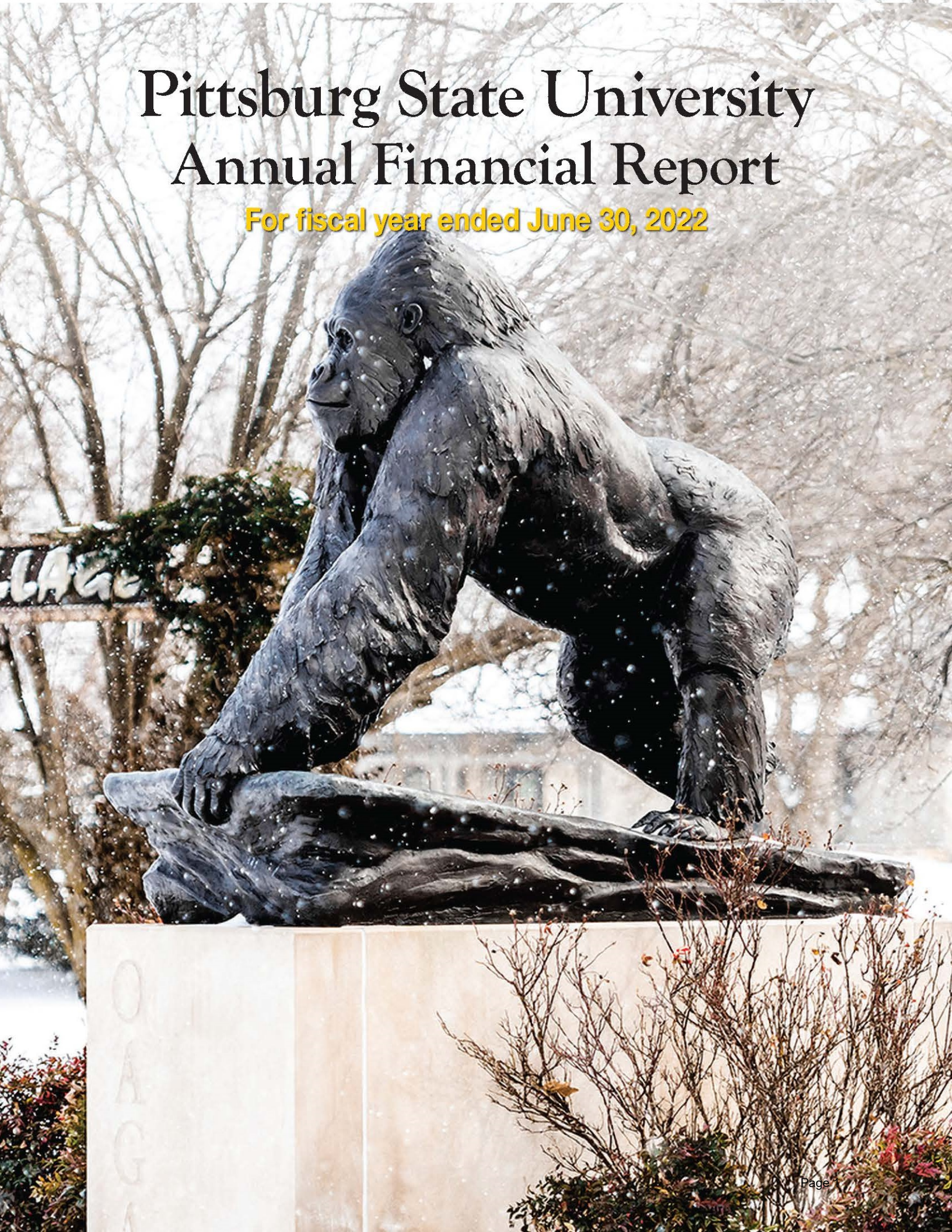


Pittsburg State University Annual Financial Report

For fiscal year ended June 30, 2022



PITTSBURG STATE UNIVERSITY

Annual Financial Report

For the Fiscal Year Ended June 30, 2022

Kansas Board of Regents

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Controller's Office

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Amberly K. Downs, B.B.A., M.B.A.	Assistant Director
Justin D. Edge, B.B.A.	Assistant Controller
Kortney A. Bevins, B.B.A.	Assistant Controller
T. James Hughes, B.B.A., M.B.A.	Director of Purchasing



PSU launched a new emphasis in health care innovation, a professional certification for students in communication, and a new partnership program that allows for dual MBA degrees.



Ground was broken and construction began on the roughly \$8 million, 10,000-square foot simulation hospital being built at the Irene Ransom Bradley School of Nursing. It is planned for substantial completion in Spring 2023 and full occupancy by August 2023.



As demand grows for developers, a new degree was approved to start in the Fall 2022 semester: Computer Science. Local employers like LimeLight are eager for graduates in that field.

Pittsburg State University

Management's Discussion and Analysis

For the Year Ended June 30, 2022

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, 2022 were \$269.3 million, an increase of \$23.4 million (9.5%) compared to \$245.9 million at June 30, 2021. 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 \$15.8 million (26.7%) compared to 2021.

Non-current assets increased \$7.6 million (4.1%) compared to 2021. Capital assets, net of depreciation, comprised 71.7%, or \$193.1 million, of the total assets, see Note 7 - Capital Assets.

Liabilities

Total liabilities were \$73.9 million at June 30, 2022, an increase of \$2.2 million (3.0%) compared to \$71.8 million at June 30, 2021. The change in current liabilities, an increase of \$3.2 million (17.7%), is driven primarily by an increase in deferred revenues, see Note 8 - Unearned Revenue.

Non-current liabilities decreased \$1.0 million (-2.0%) compared to 2021 primarily from a net reduction in long-term debt and a decrease in KPERS pension liability partially offset by an increase in capital leases because of the adoption of the new GASB 87 lease accounting standard, see Note 9 - Changes in Non-current Liabilities and Note 12 – Lease Obligations. Non-current liabilities comprised 71.1% or \$52.6 million of the liabilities.

Deferred Outflows and Inflows of Resources

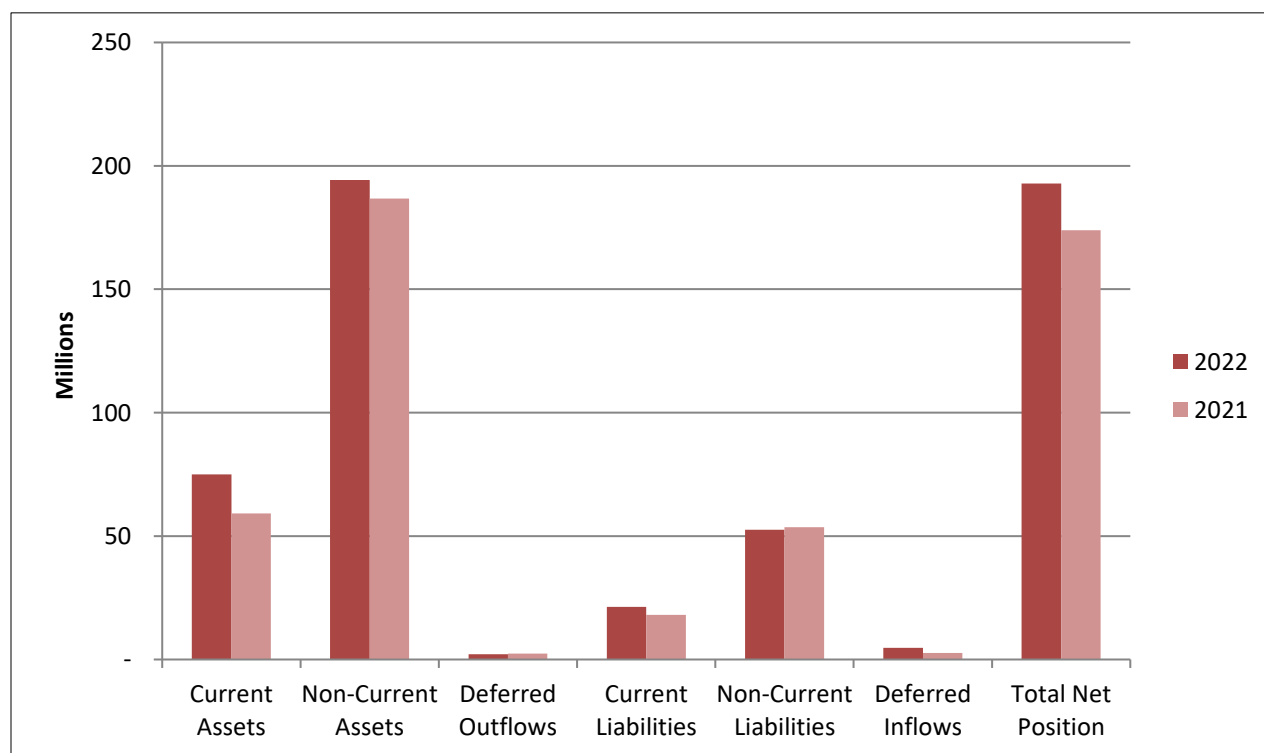
At June 30, 2022 total deferred outflows were \$2.1 million, a decrease of \$0.3 million (-13.2%) compared to 2021, primarily attributed to changes in the differences between actual and projected earnings of the KPERS pension plan. Total deferred inflows were \$4.7 million, an increase of \$2.0 million (74.5%) compared to 2021, 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, 2022 was \$192.8 million, a \$18.9 million (10.9%) increase from the prior year of \$173.9 million. The breakout of net position is shown below:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Net investment in capital assets	\$147,796,587	\$144,027,758
Restricted net position	5,892,025	6,601,674
Unrestricted net position	<u>39,095,105</u>	<u>23,239,340</u>
Total net position	<u>\$192,783,717</u>	<u>\$173,868,772</u>

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 2022 and 2021.



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, 2022 increased \$6.2 million (11.6%) 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 \$1.5 million (-4.7%) because of a decline in headcount and number of hours enrolled by students.
- Grants and contracts, which includes Federal, State and local, and Nongovernmental grants and contracts, increased \$3.8 million (56.2%). This increase is a result of academic support grant revenues associated to the KSDE Kansas State Department of Education and research grant revenues associated to the Kansas Polymer Research Center.
- Auxiliary enterprise revenues increased \$3.1 million (28.0%) in 2022. Auxiliary revenues were greatly impacted by the COVID-19 pandemic in 2020 and 2021 by refunds issued in connection to campus closures, in-person events being canceled and declines in sales due to fewer students being on campus. Fiscal year 2022 saw an increase in all auxiliary revenues most notably an increase in housing revenues from an approximate 16% increase in the number of beds occupied and Athletics revenues increasing in ticket sales. Auxiliary enterprises also benefitted in fiscal year 2022 from lost revenue funds received from the Higher Education Emergency Relief Fund (HEERF). Auxiliary enterprises includes University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications. Auxiliary enterprise revenues comprised 23.7% of total operating revenue.

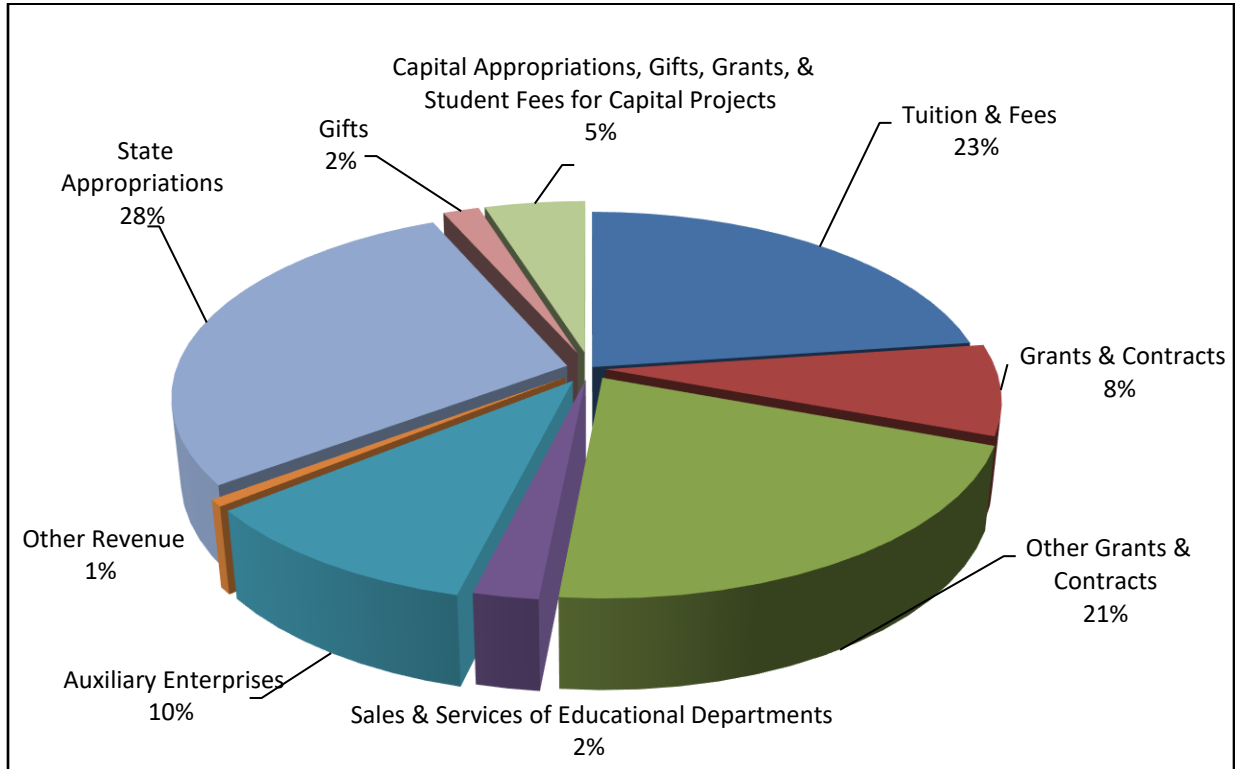
Total non-operating revenues increased \$10.8 million (17.6%) from 2021. The following is a brief summary of the significant changes:

- Other grants and contracts increased \$8.2 million (40.6%) from 2021 as a result of the continued receipt of Higher Education Emergency Relief Fund (HEERF) funds, most notably \$9.8 million received for lost revenue incurred during the pandemic, see Note 16 – Other Grants and Contracts.
- State appropriations increased \$2.6 million (7.3%) due to increased funding from the State Legislature.
- Other non-operating revenues increased \$0.2 million (161.4%) driven by a bond premium received on the refunding of 2011 D-3 Energy Conservation Projects and 2014 A-1 PSU Projects revenue bonds. The cost of issue associated to the new KDFFA Revenue Bonds – Series 2022E Refunding is reported in other non-operating expenses.

Other revenues, expenses, gains and losses, which includes capital appropriations and capital grants and gifts, increased \$1.1 million (28.5%). These revenues will vary year to year based upon the funding received for capital projects and Pittsburg State University Foundation contributions.

- Capital appropriations decreased \$1.5 million (-53.5%) as a result of the timing of maintenance projects.
- Capital grants and gifts increased \$2.6 million (295.2%) compared to 2021. 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 projects that benefitted from the Foundation's fundraising efforts included a simulation hospital addition to McPherson Hall and a new HVAC system and video experience scoreboard in the John Lance Arena.

Revenues for fiscal year 2022 are displayed in the following graph:



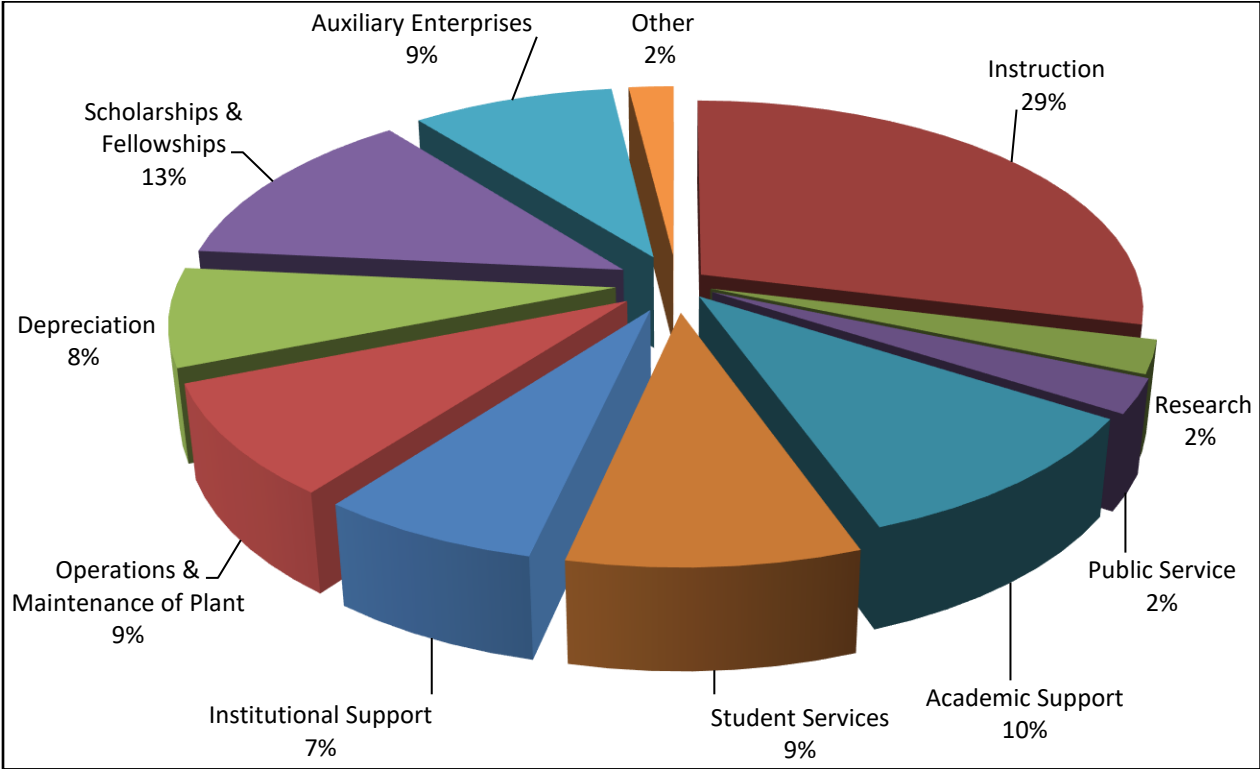
Expenses

Operating expenses increased \$7.8 million (7.2%). The following is a brief summary of the significant changes:

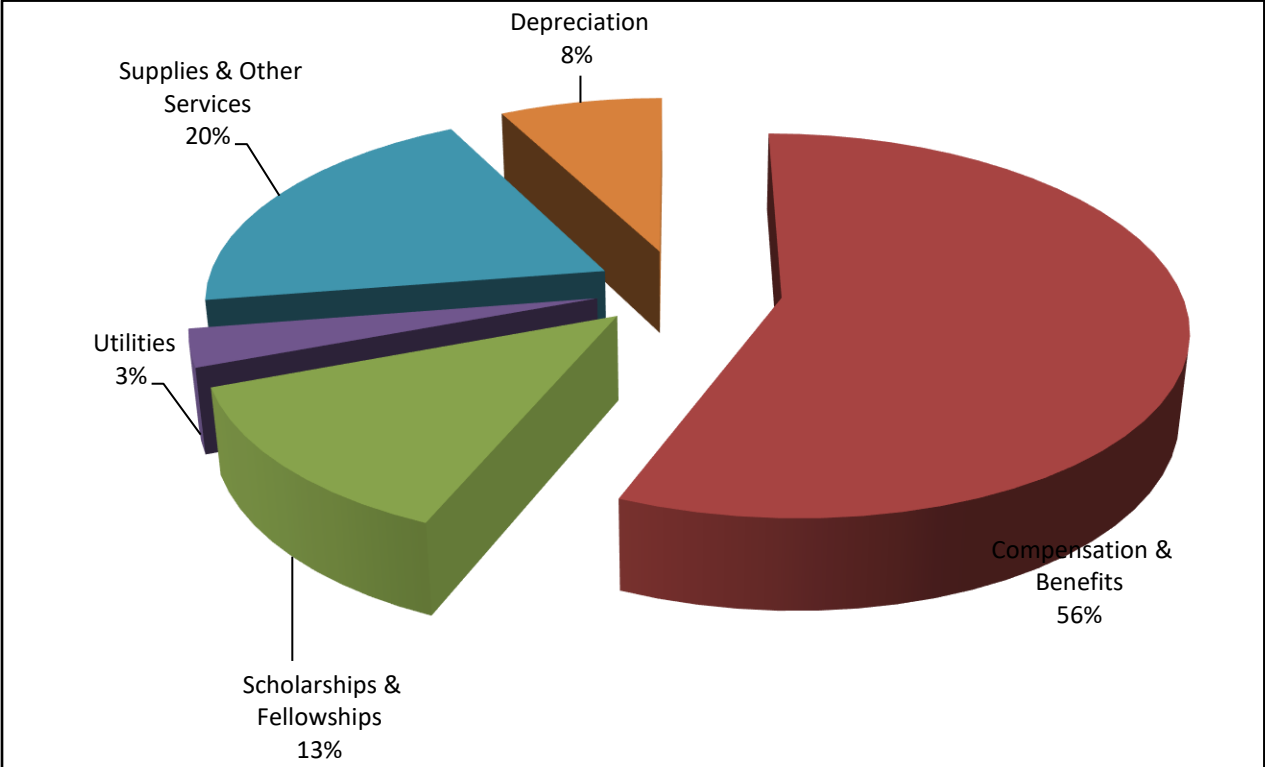
- Scholarship and fellowship expense increased \$4.1 million (37.2%) due to continued COVID-19 Higher Education Emergency Relief Fund (HEERF) student scholarships awarded.
- Academic support expense increased \$2.7 million (28.0%) driven by expenditures associated to the academic support grants of the KSDE Kansas State Department of Education.
- Student services expense increased \$1.9 million (21.4%) primarily related to increased spend for student recruiting and for Intercollegiate Athletics from state funds.
- Instruction expense decreased \$2.7 million (-7.3%) due partially to higher 2021 COVID-19 related expenses to provide faculty the equipment to accommodate a remote learning experience for students.

Total non-operating expenses, which includes interest expense and other non-operating expenses, increased \$0.2 million (18.1%) compared to 2021. Other non-operating expenses increased during 2022 as a result of the cost of issue associated to KDFB Revenue Bonds – Series 2022E Refunding.

Expenses for fiscal year 2022 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 2022 by natural classification are displayed in the following graph:



Extraordinary Items

The University did not have any special and extraordinary items in 2022.

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 \$2.4 and \$2.6 million in 2022 and 2021, respectively. Capital gifts and grants from the Foundation was approximately \$3.5 and \$0.9 million in 2022 and 2021. The Foundation's financial statements are included following the University's financial statements in this Annual Financial Report.

Net Position

Net position increased by \$18.9 million (10.9%) 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, 2022 and 2021:

	June 30, 2022	June 30, 2021
Net Cash provided (used) by:		
Operating activities	\$ (47,829,274)	\$ (45,525,248)
Non-capital financing activities	69,247,806	58,477,935
Capital and related financing activities	(5,643,621)	(5,390,062)
Investing activities	68,149	43,483
Net increase (decrease) in cash	<u>15,843,060</u>	<u>7,606,108</u>
Beginning cash and cash equivalent balances	<u>55,558,453</u>	<u>47,952,345</u>
Ending cash and cash equivalent balances	<u>\$ 71,401,513</u>	<u>\$ 55,558,453</u>

CAPITAL ASSETS

The University continued to invest in capital assets during the 2022 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:

- The Weede HVAC Project included the replacement of the failing 50-year-old gas heating system with a new system that adds much-needed dehumidification and cooling to this mission-critical facility. John Lance Arena is used for a number of academic and student events such as Commencement and Teacher Interview Day in addition to being used by Athletics for volleyball and basketball.
- Hughes Hall Cooling Tower Replacement included the installation of a new Evapco cooling tower with all stainless-steel construction.
- The Crimson Commons Domestic Water Heater Replacement Project addressed safety and maintenance needs by replacing failing water heaters, expansion tanks, and mixing valves in a residential complex.

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

- 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 is in the construction phase. This CMaR project will be funded with private funds and will provide opportunities for program growth, expanded simulation experiences, and improved space utilization. Construction mobilization began in 2022 and substantial completion is scheduled for Spring 2023.
- The Kelce College of Business project will provide appropriately sized and shaped learning labs, student collaboration spaces, small group study rooms, and student lounges and will provide an improved academic home for the Kelce College of Business students. This project is currently in the planning phase with a completion date yet to be determined.
- Axe Library Cooling Tower Replacement includes the installation of a new Evapco Model AT 19-4J11 780GPM cooling towers, installation of a redundant 50 hp secondary chilled water pump and replacement of an existing pump. The condensing unit will also be replaced. This project is in the design phase with substantial completion estimated for Winter 2023.
- Horace Mann Chiller replacement includes replacement of the air-cooled chiller and control upgrades. This project is in the design phase with substantial completion estimated for Winter 2023.
- Kansas Technology Center Phase III HVAC includes the replacement of coils and controls in air handlers, exhaust fans, a rebuild of two chilled water pumps, and a flush of the chilled water system to

address system failures and preventative maintenance. This project is in the design phase with substantial completion estimated for Winter 2023.

- Utility Tunnel Repairs will include design and demolition/rebuild of the oldest sections of brick tunnel. This project is currently in the planning phase with a completion date yet to be determined.
- Shirk Hall and Annex Demolition project is based on the 2020 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.

DEBT ADMINISTRATION

At June 30, 2022, the University had \$37.4 million in debt outstanding compared to \$40.6 million at June 30, 2021. The University paid a net of \$3.2 million to reduce outstanding debt, the result of \$27.3 million in principal payments partially offset by \$21.2 million in new revenue bonds and \$2.9 million in additional bond premiums, please see Note 9 – Changes in Non-current Liabilities.

At June 30, 2022, the University had \$7.4 million in capital lease obligations compared to \$0.3 million at June 30, 2021. This primarily reflects the adoptions of GASB Statement 87 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 negative COVID-19 impact on University operations continued to reduce through fiscal year 2022 and as fiscal year 2023 began. On-campus housing operations, and athletic and student event activities have all returned to typical schedules. Course delivery is being offered in formats designed to meet the preferences and expectations of students. The University continued to receive pandemic funding from various federal programs which covered remaining pandemic response costs in fiscal year 2022 and provided offsets to some lost revenues. In fiscal year 2022, \$20.7 million of funding was received from these sources compared to \$11.8 million in fiscal year 2021. These funding sources are largely exhausted and are not expected to be material in fiscal year 2023.

The largest revenue sources for the University are state appropriations and tuition and fees. State appropriations for fiscal year 2022 were \$38.9 million, an increase of \$2.6 million over the prior year. The legislature and Governor have appropriated \$42.3 million to Pittsburg State for fiscal year 2023. In November 2022, the consensus revenue estimate for fiscal year 2023 revenues for the State of Kansas was increased by \$794 million compared to the prior estimate. The resulting impact of higher overall state revenues on appropriations to the University will be determined during the legislative session in 2023.

The University's student tuition and fee revenue decreased to \$31.0 million in fiscal year 2022 as a result of lower enrollment and mix of students. Tuition rates were not changed for fiscal years 2022 or 2023. Enrollment at Pittsburg State for the Fall 2022 semester decreased 2.6% compared to the prior fall. As a result, the University expects lower Tuition and Fee revenue in fiscal year 2023. The enrollment decrease in Fall 2022 is smaller than the decrease in Fall 2021. Enrollment increased in Fall 2022 for new freshmen, international students, and new transfer students. Pittsburg State continues to focus on and has increased funding for key recruitment and retention initiatives.

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.



A ribbon-cutting ceremony for the renovated Original Broadway Entrance to Pittsburg State University in front of Russ Hall was held on Apple Day. Senior class gifts from the classes of 2000 and 2003-2008 helped fund its recent renovation.



Dr. Dan Shipp was chosen as Pittsburg State's next president as the result of a five-month process led by a search committee, which made recommendations to the Regents, who ultimately chose Shipp from among the finalists.



A celebration of Axe Library's renovations showcased the completion of a multi-year, multi-phase transformation to meet the needs of today's library users.

Pittsburg State University
Statement of Net Position
As Of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 59,374,307	\$ 45,410,456
Restricted cash and cash equivalents	12,027,206	10,147,997
Accounts receivable, net	2,091,001	2,052,353
Capital lease receivable, net	29,291	-
Loans to students, net	548,960	733,443
Inventories	472,886	452,403
Prepaid expenses	482,498	436,508
Total current assets	<u>75,026,149</u>	<u>59,233,160</u>
Non-current Assets		
Restricted investments	-	-
Capital lease receivable	88,933	-
Loans to students, net	1,137,982	1,398,516
Capital assets, net	193,098,077	185,316,564
Total non-current assets	<u>194,324,992</u>	<u>186,715,080</u>
Total Assets	<u>269,351,141</u>	<u>245,948,240</u>
<u>DEFERRED OUTFLOWS</u>		
Pension contributions	1,711,571	2,250,952
Other post-employment benefits	358,927	134,801
Total Deferred Outflows	<u>2,070,498</u>	<u>2,385,753</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	4,544,666	3,801,706
Unearned revenue	9,084,352	7,139,101
Accrued compensated absences - current portion	2,127,731	1,648,017
Block 22 notes payable - current portion	60,000	60,000
Capital leases payable - current portion	575,089	226,739
Revenue bonds payable - current portion	3,561,749	3,691,057
Deposits held in custody for others	445,969	329,542
Other current liabilities (Perkins FCC)	940,804	1,233,154
Total current liabilities	<u>21,340,360</u>	<u>18,129,316</u>
Non-current Liabilities		
Other postemployment healthcare benefits	284,721	611,648
Accrued compensated absences	583,006	1,039,563
Block 22 notes payable	120,000	180,000
Capital leases payable	6,862,417	109,585
Revenue bonds payable	33,879,567	36,925,667
Pension Liability	10,354,465	14,003,807
Other non-current liabilities (Perkins FCC)	504,382	766,411
Total non-current liabilities	<u>52,588,558</u>	<u>53,636,681</u>
Total Liabilities	<u>73,928,918</u>	<u>71,765,997</u>

Pittsburg State University
Statement of Net Position
As Of June 30, 2022 and 2021

	2022	2021
<u>DEFERRED INFLOWS</u>		
Capital lease inflows	117,872	-
Deferred pension inflows	4,269,769	2,467,807
Deferred other post-employment benefits inflows	321,363	231,417
Total Deferred Inflows	4,709,004	2,699,224
 <u>NET POSITION</u>		
Net investment in capital assets	147,796,587	144,027,758
Restricted for		
Expendable		
Scholarships and fellowships	17,254	3,686
Research	466,493	524,409
Instructional department uses	(168,283)	(12,398)
Loans	942,396	1,052,736
Capital projects	2,040,706	2,800,749
Debt services	2,792,003	2,499,855
Other	(198,544)	(267,363)
Unrestricted	39,095,105	23,239,340
Total Net Position	\$ 192,783,717	\$ 173,868,772

See accompanying notes to financial statements

Pittsburg State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	2022	2021
<u>OPERATING REVENUES</u>		
Tuition and fees (net of scholarship allowances of \$8,389,192 and \$7,645,846 in 2022 and 2021 respectively)	\$ 31,046,620	\$ 32,576,125
Federal grants and contracts	5,186,284	4,406,245
State and local grants and contracts	1,198,534	566,411
Nongovernmental grants and contracts	4,307,879	1,872,445
Sales and services of educational departments	3,092,050	2,450,073
Auxiliary enterprises:		
Housing	7,689,893	5,760,088
Parking	743,738	555,838
Health Services	1,414,854	1,368,475
Student center	1,196,763	1,139,458
Athletics	2,919,261	2,058,279
Student Publications	105,108	105,910
Interest earned on loans to students	46,025	75,419
Other operating revenues	374,533	206,115
Total operating revenues	59,321,542	53,140,881
 <u>OPERATING EXPENSES</u>		
Educational and General		
Instruction	33,786,548	36,461,456
Research	2,990,620	2,746,539
Public Service	3,130,004	3,193,256
Academic support	12,258,316	9,574,283
Student services	10,535,217	8,679,491
Institutional support	8,001,740	8,685,674
Operations and maintenance of plant	10,128,193	9,499,477
Depreciation	8,854,515	7,973,808
Scholarships and fellowships	15,012,332	10,940,022
Auxiliary enterprises:		
Housing	4,680,605	4,903,369
Parking	124,429	104,036
Health Services	2,774,681	1,964,638
Student Center	1,076,360	1,020,560
Athletics	1,481,912	1,548,202
Student Publications	81,879	64,564
Other	432,944	232,801
Total operating expenses	115,350,295	107,592,176
Operating Income (Loss)	(56,028,753)	(54,451,295)

Pittsburg State University
Statement of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2022 and 2021

	2022	2021
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	38,908,710	36,273,061
Gifts	2,387,540	2,626,644
Investment income	68,149	43,483
Student fees for capital projects	1,833,913	1,915,222
Other grants and contracts	28,444,288	20,228,972
Other non-operating revenues	343,802	131,538
Interest expense	(1,473,286)	(1,396,253)
Other non-operating expenses	(365,684)	(161,399)
Net non-operating revenues (expenses)	70,147,432	59,661,268
Income before other revenues, expenses, gains, or losses	14,118,679	5,209,973
Capital appropriations	1,328,573	2,854,739
Capital grants and gifts	3,467,693	877,375
	4,796,266	3,732,114
Increase In Net Position	18,914,945	8,942,087
Net position - beginning of year	173,868,772	164,926,685
Net position - end of year	\$ 192,783,717	\$ 173,868,772

See accompanying notes to financial statements

Pittsburg State University
Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 30,879,421	\$ 39,598,555
Sales and services of educational activities	3,093,348	2,449,944
Auxiliary enterprises:		
Housing	2,941,851	844,464
Parking	619,881	421,841
Health Services	(1,362,078)	(645,118)
Student Center	105,787	85,026
Athletics	1,117,513	(888,021)
Student Publications	21,118	42,379
Grants and contracts	10,773,739	6,571,693
Payments to suppliers	(15,874,986)	(15,284,950)
Payments to utilities	(2,357,981)	(2,199,714)
Compensation & benefits	(63,476,891)	(62,276,894)
Payments for scholarships and fellowships	(15,012,332)	(15,929,873)
State Appropriations Receivable	-	742,337
Loans issued to students and employees	(191,903)	(218,676)
Collections on loans issued to students and employees	490,282	659,940
Other receipts (payments)	403,957	501,819
Net Cash Flows from Operating Activities	<u>(47,829,274)</u>	<u>(45,525,248)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	38,908,710	36,273,061
Gifts	2,387,540	2,626,644
Federal family education loan receipts	21,766,934	28,120,360
Federal family education loan disbursements	(21,766,934)	(28,120,360)
Student organization agency transactions	116,427	(25,770)
Non-operating grants and contracts	28,444,288	20,228,972
Other	(609,159)	(624,972)
Net Cash Flows from Noncapital Financing Activities	<u>69,247,806</u>	<u>58,477,935</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	24,130,078	-
Capital appropriations	1,328,573	2,854,739
Capital Grants and gifts	3,467,693	877,375
Student fees for capital projects	1,833,913	1,915,222
Purchases of capital assets	(8,954,748)	(5,908,965)
Principal paid on capital debt and leases	(27,981,730)	(3,965,240)
Interest paid on capital debt and leases	(1,473,286)	(1,396,253)
Disposal of asset	-	19,124
Other	2,005,886	213,936
Net Cash Flows from Capital Financing Activities	<u>(5,643,621)</u>	<u>(5,390,062)</u>

Pittsburg State University
Statement of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	-
Investment income	68,149	43,483
Purchase of investments	-	-
Net Cash Flows from Investing Activities	68,149	43,483
Net change in cash and cash equivalents	15,843,060	7,606,108
Cash and cash equivalents-beginning of year	55,558,453	47,952,345
Cash and cash equivalents-end of year	\$ 71,401,513	\$ 55,558,453
RECONCILIATION		
Operating income (loss)	\$ (56,028,753)	\$ (54,451,295)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	8,854,515	7,973,808
Non-cash expense	118,756	-
Changes in assets and liabilities:		
Accounts receivable, net	(156,872)	190,005
Loans to students, net	445,017	327,627
Inventories	(20,483)	(69,163)
Prepaid expenses	(45,990)	(18,773)
Accounts payable and accrued liabilities	(1,194,766)	226,092
Unearned revenue	1,945,251	918,940
Accrued compensated absences	23,157	(76,150)
Accrued other post-employment healthcare benefits	(461,107)	(108,658)
Accrued pension liability	(1,307,999)	(437,681)
Net cash used in operating activities	\$ (47,829,274)	\$ (45,525,248)

See accompanying notes to financial statements

Pittsburg State University

Component Unit Financial Statements

For the Fiscal Year Ended June 30, 2022

Pittsburg State University Foundation, Inc.

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



PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 729,916	\$ 605,964
Interest Receivable	64,008	60,039
Contributions Receivable	2,023,064	-
Total Current Assets	2,816,988	666,003
FIXED ASSETS		
Fixed Assets, Net of Depreciation	1,024,007	1,048,195
INVESTMENTS		
Pooled Investments	94,591,826	104,145,326
Investments Held Separate for Capital Project	5,088,463	4,782,588
Beneficial Interest Trusts Held by Others	3,597,868	4,331,018
Total Investments	103,278,157	113,258,932
OTHER ASSETS		
Asset Held for Sale	233,500	-
Long-Term Portion of Contributions Receivable	7,221,299	10,479,638
Long-Term Note Receivable	2,500,000	2,500,000
Total Other Assets	9,954,799	12,979,638
Total Assets	\$ 117,073,951	\$ 127,952,768
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,142,468	\$ 739,588
Interest Payable	18,754	16,362
Annuity Liabilities	119,457	125,511
Current Portion of Notes Payable	883,034	466,649
Total Current Liabilities	2,163,713	1,348,110
LONG-TERM LIABILITIES		
Notes Payable	6,518,262	5,933,941
Total Long-Term Liabilities	6,518,262	5,933,941
Total Liabilities	8,681,975	7,282,051
NET ASSETS		
Without Donor Restrictions	18,804,621	20,624,701
With Donor Restrictions	89,587,355	100,046,016
Total Net Assets	108,391,976	120,670,717
Total Liabilities and Net Assets	\$ 117,073,951	\$ 127,952,768

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	-	(733,151)	(733,151)
Gift-In-Kind	232,500	383,123	615,623
Other Miscellaneous Revenue	343,854	206,622	550,476
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	\$ 18,804,621	\$ 89,587,355	\$ 108,391,976

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 790,246	\$ 7,743,583	\$ 8,533,829
Investment Income	4,949,765	17,056,749	22,006,514
Change in Value of Beneficial Interest Trusts Held by Others	-	750,672	750,672
Other Miscellaneous Revenue	404,971	49,763	454,734
Net Assets Released from Restrictions	5,116,507	(5,116,507)	-
Total Revenue, Support, and Gains	11,261,489	20,484,260	31,745,749
EXPENSES			
Program Services			
Student Support	2,390,573	-	2,390,573
Other University Support	3,451,507	-	3,451,507
Total Program Services	5,842,080	-	5,842,080
Support Services			
Management and General	554,188	-	554,188
Fundraising	400,476	-	400,476
Total Support Services	954,664	-	954,664
Total Expenses	6,796,744	-	6,796,744
CHANGE IN NET ASSETS	4,464,745	20,484,260	24,949,005
Net Assets - Beginning of Year, as Restated	16,159,956	79,561,756	95,721,712
NET ASSETS - END OF YEAR	\$ 20,624,701	\$ 100,046,016	\$ 120,670,717

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

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

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	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	\$ 2,390,573	\$ -	\$ 2,390,573	\$ -	\$ -	\$ -	\$ 2,390,573
Marketing	-	1,250	1,250	-	-	-	1,250
Classroom Instruction Aids and Other University Expenses	-	1,932,066	1,932,066	-	-	-	1,932,066
Faculty/Professional Development	-	28,178	28,178	-	-	-	28,178
Student Loan Advance Waived	-	-	-	-	-	-	-
Other Special University Projects	-	1,490,013	1,490,013	-	-	-	1,490,013
Salaries	-	-	-	336,184	100,994	437,178	437,178
Promotion	-	-	-	-	2,134	2,134	2,134
Auditing and Accounting	-	-	-	23,626	-	23,626	23,626
Equipment, Service Contracts, and Repairs	-	-	-	36,385	8,811	45,196	45,196
Postage	-	-	-	3,629	20,791	24,420	24,420
Insurance	-	-	-	13,874	2,823	16,697	16,697
Repairs and Maintenance for Building and Grounds	-	-	-	21,000	9,000	30,000	30,000
Publications	-	-	-	-	32,789	32,789	32,789
Planned Giving	-	-	-	-	10,372	10,372	10,372
Telephone	-	-	-	1,500	2,296	3,796	3,796
Utilities	-	-	-	6,823	2,924	9,747	9,747
Depreciation	-	-	-	39,678	20,047	59,725	59,725
General Operating	-	-	-	58,280	62,114	120,394	120,394
Alumni Activities	-	-	-	-	109,691	109,691	109,691
Travel	-	-	-	718	9,502	10,220	10,220
Miscellaneous	-	-	-	12,491	6,188	18,679	18,679
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 2,390,573	\$ 3,451,507	\$ 5,842,080	\$ 554,188	\$ 400,476	\$ 954,664	\$ 6,796,744

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (12,278,741)	\$ 24,949,005
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	62,027	59,725
Realized Gain on Sale of Investments	(4,138,161)	(2,625,523)
Unrealized Loss (Gain) on Investments	16,801,333	(17,682,175)
Change in Beneficial Interest Trusts Held by Others	733,150	(750,672)
Contributions Restricted for Endowments	(3,982,843)	(1,751,695)
(Increase) Decrease in Assets:		
Interest Receivable	(3,969)	(3,372)
Contributions Receivable	1,235,275	301,215
Increase (Decrease) in Liabilities:		
Accounts Payable	402,880	65,309
Interest Payable	2,392	(1,525)
Present Value of Annuities	(6,054)	(69,676)
Net Cash Provided (Used) by Operating Activities	(1,172,711)	2,490,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(271,339)	(17,647)
Proceeds from Sales of Investments	41,527,808	23,419,686
Purchase of Investments	(44,943,355)	(27,642,936)
Net Cash Used by Investing Activities	(3,686,886)	(4,240,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowments	3,982,843	1,751,695
Loan Proceeds	1,653,600	238,170
Principal Payments on Loan	(652,894)	(1,096,812)
Net Cash Provided by Financing Activities	4,983,549	893,053
CHANGE IN CASH AND CASH EQUIVALENTS	123,952	(857,228)
Cash and Cash Equivalents - Beginning of Year	605,964	1,463,192
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 729,916	\$ 605,964



The mural movement in Pittsburg continued with the latest one to be completed on a business: a 12-foot by 29-foot tigress created by Pittsburg State students that has drawn a great deal of attention on social media and in traditional media since its installation.



The International Student Association got to restart a beloved tradition: the annual International Food and Culture at the Bicknell Family Center for the Arts. It has been held annually – with a pause in 2020 – for at least 25 years as a way for the campus and community to taste international cuisine and see cultural performances from numerous countries.



A \$4 million grant was awarded by the National Science Foundation to a team of researchers in the Kansas Polymer Research Center at Pittsburg State University and researchers at the University of Delaware and the University of Kansas with the goal of finding a solution to the challenges associated with creating and recycling plastics.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

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 nearly 5,900 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.

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.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

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.

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.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

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, 2022 and 2021 were \$71,401,513 and \$55,558,453 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.

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, 2022 and 2021 were \$0.

NOTE 3 - Accounts Receivable

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

	2022		2021
Tuition and Fees	\$ 706,707		\$ 790,246
Auxiliary enterprises	134,572		163,050
Grants & Contracts	1,248,034		1,096,071
State Appropriations	-		-
Other	1,688		2,986
Total	\$ 2,091,001		\$ 2,052,353

Pittsburg State University
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

NOTE 4 – Loans to Students

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

	2022	2021
Federal Perkins Loan Program	\$ 1,299,298	\$ 2,560,331
Nursing Student Loan Program	308,286	291,239
Nurse Faculty Loan Program	272,930	169,648
	1,880,514	3,021,218
Less:		
Allowance for uncollectible amounts	(193,572)	(889,259)
	\$ 1,686,942	\$ 2,131,959

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 respectively \$1,445,186 and \$1,999,565 in 2022 and 2021, respectively.

NOTE 5 – Inventories

Inventories consisted of the following at June 30:

	2022	2021
Physical Plant	\$ 215,637	\$ 225,886
Housing	150,475	143,090
Printing & Postage	106,774	83,427
Total	\$ 472,886	\$ 452,403

NOTE 6 – Capital Leases Receivable

For the year ended June 30, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize an intangible right-to-use asset and lease liability for leases that were previously classified as operating leases, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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, 2022, the value of the lease receivable is \$118,224. 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, 2022 was \$117,872, and Pittsburg State University recognized lease revenue of \$29,468 during the fiscal year. The lessee has four extension option(s), each for one year.

Year Ending June 30:	Principal	Interest	Total
2023	\$ 29,291	\$ 709	\$ 30,000
2024	29,466	534	30,000
2025	29,643	357	30,000
2026	29,824	176	30,000
	\$ 118,224	\$ 1,776	\$ 120,000

Pittsburg State University
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For the Years Ended June 30, 2022 and 2021

NOTE 7 – Capital Assets

Due to the adoption of GASB Statement No. 87, Leases in fiscal year 2022, Pittsburg State University recognized an intangible right-to-use asset totaling \$7,809,440 for the real estate lease agreement with Block 22 MT, LLC, for four historic buildings in downtown Pittsburg, KS. The estimated useful life of the asset is 15 years. Block 22 includes 99 beds for student housing and innovation space and resources for both students and local entrepreneurs. In addition, it also includes offices for the University's innovation and business development organization, commercial retail, dining and entertainment spaces. As of June 30, 2022 the lease has 14 years remaining with annual lease payments of \$565,000.

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

Pittsburg State University
Notes to Financial Statements
For the Years Ended June 30, 2022 and 2021

Capital asset activity for the year ended June 30, 2021 follows:

	2021			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
Land	\$ 6,643,416	\$ 30,000	\$ -	\$ 6,673,416
Construction in progress	7,383,840	2,716,250	6,259,080	3,841,010
Works of art	1,018,643	45,000	-	1,063,643
Total non-depreciable capital assets	15,045,899	2,791,250	6,259,080	11,578,069
<u>Depreciable capital assets</u>				
Land improvements	7,821,782	-	-	7,821,782
Buildings & Improvements	258,018,779	6,645,193	-	264,663,972
Equipment & Furnishings	25,937,532	2,262,129	303,042	27,896,619
Vehicles	2,832,902	145,541	62,136	2,916,307
Software	3,414,345	333,812	-	3,748,157
Total depreciable capital assets	298,025,340	9,386,675	365,178	307,046,837
Total capital asset cost	313,071,239	12,177,925	6,624,258	318,624,906
<u>Accumulated depreciation</u>				
Land improvements	4,756,626	312,871	-	5,069,497
Buildings & Improvements	95,656,340	5,834,865	-	101,491,205
Equipment & Furnishings	20,313,742	1,542,463	283,918	21,572,287
Vehicles	2,526,574	117,375	62,136	2,581,813
Software	2,427,306	166,234	-	2,593,540
Total accumulated depreciation	125,680,588	7,973,808	346,054	133,308,342
Capital assets, net	\$ 187,390,651	\$ 4,204,117	\$ 6,278,204	\$ 185,316,564

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 8 – Unearned Revenue

Unearned revenues consisted of the following at June 30:

	2022	2021
Tuition and Fees	\$ 1,710,905	\$ 1,979,897
Auxiliary enterprises	112,712	110,100
Grants & Contracts	1,172,690	879,686
Capital Appropriations	6,088,045	4,169,418
Total	\$ 9,084,352	\$ 7,139,101

Pittsburg State University
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NOTE 9 - Changes in Non-current Liabilities

Non-current liability activity for the year ended June 30, 2022 and June 30, 2021 was as follows:

	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	\$ 60,495,648	\$ 31,930,661	\$ 32,572,378	\$ 59,853,931	\$ 7,265,373	\$ 52,588,558

	2021					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Other postemployment benefits	\$ 883,520	\$ -	\$ 271,872	\$ 611,648	\$ -	\$ 611,648
Accrued compensated absences	2,763,730	-	76,150	2,687,580	1,648,017	1,039,563
Block 22 notes payable	300,000	-	60,000	240,000	60,000	180,000
Capital leases payable	451,086	105,852	220,614	336,324	226,739	109,585
Revenue bonds payable	43,275,077	-	3,744,627	39,530,450	3,583,472	35,946,978
Unamortized bond premium/discount	1,157,545	-	71,271	1,086,274	107,585	978,689
Pension liability	12,309,811	1,693,996	-	14,003,807	-	14,003,807
Other non-current liabilities	2,463,139	-	463,574	1,999,565	1,233,154	766,411
Total liabilities	\$ 63,603,908	\$ 1,799,848	\$ 4,908,108	\$ 60,495,648	\$ 6,858,967	\$ 53,636,681

NOTE 10 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:

	Principal Outstanding at 6/30/22
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.	\$21,245,000
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.	9,720,000

Pittsburg State University
Notes to Financial Statements
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Revenue bonds payable (continued):

Kansas Development Finance Authority Revenue Bonds – Series 2014A (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 10/1/2022. Interest ranging from 3.0% to 4.25% payable semi-annually.	1,590,000
Kansas Development Finance Authority Revenue Bonds – Series 2011D (The Board of Regents - Pittsburg State University Refinance) \$9,465,000 - Due in annual installments of \$435,000 to \$895,000. Issued 4/14/2011 with a final maturity on 10/1/2022. Interest ranging from 2.0% to 4.4% payable semi-annually.	635,000
Kansas Development Finance Authority Refinance 2002 Lease – Series 2015M (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 with a final maturity on 12/1/2022. Interest rate at 1.04% payable semi-annually.	311,978
Total Revenue Bonds Payable	\$33,501,978

NOTE 11 - Revenue Bonds Maturity Schedule

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2022 are as follows:

Year Ending June 30:	Principal	Interest	Total
2023	\$ 3,331,978	\$ 1,218,159	\$ 4,550,137
2024-2028	12,290,000	4,719,206	17,009,206
2029-2033	13,380,000	2,049,381	15,429,381
2034-2035	4,500,000	139,928	4,639,928
Total	\$ 33,501,978	\$ 8,126,674	\$ 41,628,652

During the year ended June 30, 2022, PSU partially refunded two series in conjunction with one new bond issuance.

In February 2022, the Kansas Development Finance Authority (K DFA) 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, 2022, the financial statements include the adoption of GASB Statement No. 87, Leases. The primary objective of this statement is to enhance the relevance and consistency of information about governments' leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right-to-use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

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, 2022, the value of the lease liability is \$7,327,921. 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, 2022 was \$7,809,440 with accumulated depreciation of \$520,632, 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

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

Pittsburg State University is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$109,585 and \$336,324 as of June 30, 2022 and 2021, 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, 2022 and 2021 was \$59,769 and \$175,954.

Maturities of principal and interest requirements on capital leases payable for the year ended June 30, 2022 are as follows:

Year Ending June 30:	Principal	Interest	Total
2023	\$ 575,089	\$ 79,869	\$ 654,958
2024-2028	2,537,486	309,218	2,846,705
2029-2033	2,658,343	166,657	2,825,000
2034-2035	1,104,938	25,062	1,130,000
2036-2040	561,650	3,351	565,001
Total	<u>\$ 7,437,506</u>	<u>\$ 584,158</u>	<u>\$ 8,021,663</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, 2022, 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 \$3,185,768 and \$3,159,290 during fiscal years 2022 and 2021, respectively, and individual employees contributed \$2,019,835 and \$2,029,092.

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 eligible employees. This defined benefit program is funded through contributions by the University and the individual employees. The University contributed \$1,034,980 and \$1,198,488 during fiscal years 2022 and 2021, respectively, and individual employees contributed \$464,439 and \$505,222. 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".

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.

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

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 9.22% and the statutory contribution rate was 14.23%. As mentioned in Note 13 – Retirement Plans, the University contributed \$1,034,980 and \$1,198,488 to the pension plan during fiscal years 2022 and 2021, respectively, and individual employees contributed \$464,439 and \$505,222.

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

At June 30, 2022, the University reported a liability of \$10,354,465 for its proportionate share of the net pension liability. The net pension liability measurement period was July 1, 2020 to June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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, 2021. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At the June 30, 2021 measurement date, PSU's State Employer proportion was 0.170% which was a decrease of 0.003% from its proportion measured as of June 30, 2020. At June 30, 2021 PSU's Kansas Police & Fire Group proportion was 0.086%, which did not change from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the University recognized pension expense of \$1,307,999. 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	\$ 204,000	\$ 44,640
Net difference between projected and actual earnings on pension plan investments	-	2,566,514
Changes in proportion	30,209	1,658,615
Changes of assumption	1,477,362	-
Total	<u>\$ 1,711,571</u>	<u>\$ 4,269,769</u>

The amount of \$1,711,571 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, 2022. The following table provides the combined deferred outflows/(inflows), as of June 30, 2022, that will be recognized in pension expense in future years:

Year ended June 30:	
2022	\$ (953,266)
2023	(649,375)
2024	(314,250)
2025	(679,109)
2026	37,802
Thereafter	-
Total	<u>\$ (2,558,198)</u>

Pittsburg State University

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

Actuarial Assumptions. The total pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75 percent
Salary Increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.25 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:

Asset class	Long-term target allocation	Long-term expected real rate of return
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 7.25 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.

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.

Pittsburg State University

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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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
PSU's proportionate share of the net pension liability	\$ 15,238,777	\$ 10,354,465	\$ 6,249,424

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.

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, 2021	June 30, 2020
Disability Income	\$ 197,900	\$ 484,327
Life Waiver	86,821	127,321
Total OPEB Liability	284,721	611,648
Covered Payroll	8,070,125	8,100,354
Total OPEB Liability as a % of covered payroll	3.53%	7.55%

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020, calculated based on the discount rate and actuarial assumptions below, and was rolled forward to the measurement date as of June 30, 2021. Any significant changes during this period have been reflected as prescribed by GASB Statement 75.

Discount rate. The discount rate used was 2.21% and 2.16% for the June 30, 2020 and June 30, 2021 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, 2020 and June 30, 2021 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.

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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	2.16%

Changes in Total OPEB Liability

Balance as of June 30, 2021	\$	611,648
Changes for the year:		
Service cost		39,571
Interest on total OPEB Liability		11,668
Effect of plan changes		0
Effect of economic/demographic gains or losses		(130,389)
Effect of assumption changes or inputs (Discount rate change from 2.21% to 2.16%)		66
Benefit payments		(247,843)
Balance as of June 30, 2022	\$	<u>284,721</u>

Sensitivity Analysis. The following represents the total OPEB liability of PSU, calculated using the discount rate of 2.16%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current rate.

	<u>1% Decrease (1.16%)</u>	<u>Current Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$ 285,085	\$ 284,721	\$ 282,602

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, 2022, the PSU recognized OPEB expense of (\$454,938). On June 30, 2021, PSU reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 89,687	\$ 307,790
Changes of assumption	21,397	13,573
Contributions subsequent to measurement date	247,843	
Total	<u>\$ 358,927</u>	<u>\$ 321,363</u>

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$247,843 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:	
2022	\$ (24,265)
2023	(24,265)
2024	(24,265)
2025	(24,265)
2026	(23,609)
Thereafter*	<u>(89,610)</u>
Total	<u>\$ (210,279)</u>

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

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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, 2022 and 2021 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.

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

	2022	2021
Pell Grants	\$ 6,411,449	\$ 7,240,381
Regents Supplemental Grants	898,938	638,375
SEOG Grants	178,945	178,945
Teach Grants	115,396	122,583
Other Grants	150,095	271,852
	<u>7,754,823</u>	<u>8,452,136</u>
<i>Coronavirus Emergency Funds</i>		
Coronavirus Relief Fund (CRF)	-	53,933
Coronavirus Relief Fund (CRF) - SPARK	-	2,866,058
Coronavirus Relief Fund (CRF) - SPARK - Crawford County	-	750,000
Higher Education Emergency Relief Fund (HEERF) I Institution	323,135	2,336,249
Higher Education Emergency Relief Fund (HEERF) I Student	-	1,510,185
Higher Education Emergency Relief Fund (HEERF) II Institution	5,664,807	29,554
Higher Education Emergency Relief Fund (HEERF) II Student	-	2,659,385
Higher Education Emergency Relief Fund (HEERF) III Institution	7,224,061	-
Higher Education Emergency Relief Fund (HEERF) III Student	7,285,900	-
Governor's Emergency Education Relief Fund (GEER)	191,562	1,492,901
HRSA Nurse Education Practice Quality Retention - COVID	-	78,571
	<u>20,689,465</u>	<u>11,776,836</u>
Total	<u>\$ 28,444,288</u>	<u>\$ 20,228,972</u>

NOTE 17 - Commitments and Contingent Liabilities

At June 30, 2022 and 2021 the University had outstanding commitments under construction contracts totaling \$13,195,578 and \$1,707,535, 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, 2022.

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, 2022.

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
Pittsburg, Kansas

