



# Pittsburg State University Annual Financial Report

For the Fiscal Year ended June 30, 2017  
Pittsburg, Kansas

# PITTSBURG STATE UNIVERSITY

## Annual Financial Report

For the Fiscal Year Ended June 30, 2017

### **Kansas Board of Regents**

Shane Bangerter .....	Dodge City
Ann Brandau-Murguia .....	Kansas City
Bill Feuerborn .....	Garnett
Joe Bain .....	Goodland
Dave Murfin .....	Wichita
Dennis Mullin .....	Manhattan
Zoe Newton .....	Sedan
Helen Van Etten .....	Topeka
Daniel Thomas .....	Mission Hills
Blake Flanders, President and CEO .....	Topeka

### **President of the University**

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

### **Chief Financial Officer and Vice President for Administration**

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

### **Controller's Office**

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



*More than 1,000 freshmen gathered on Brandenburg Field for the 2016 class photo.*



*Outstanding Faculty 2017 (l to r): Paul McCallum (English), Gail Yarick (Accounting), and Jamie McDaniel (English).*



*More than 100 teams from throughout the world converged upon Pittsburg State University during the 2017 Baja SAE Kansas competition in May. Pittsburg State's team did double duty as they both hosted and competed in the global event.*

# **Pittsburg State University**

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

### **For the Year Ended June 30, 2017**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of Pittsburg State University (the "University") based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles. This discussion – along with the financial statements and related footnote disclosures – has been prepared by management and should be read in conjunction with the statements and footnotes.

#### **USING THIS ANNUAL REPORT**

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

#### **STATEMENT OF NET POSITION**

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

Within the Statement of Net Position, assets and liabilities are further classified as current or non-current. Current classification distinguishes those assets that are highly liquid and available for immediate and unrestricted use by the University and those liabilities likely to be settled in the next 12 months.

Net Position is divided into three categories:

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

Total assets at June 30, 2017 were \$233.3 million, a decrease of \$1.4 million or 0.6% compared to \$234.7 million at June 30, 2016. Capital assets, net of depreciation, comprised 83.4%, or \$194.6 million of the total assets.

Total deferred outflows increased \$1,531,903 due to the pension contribution required by GASB 68.

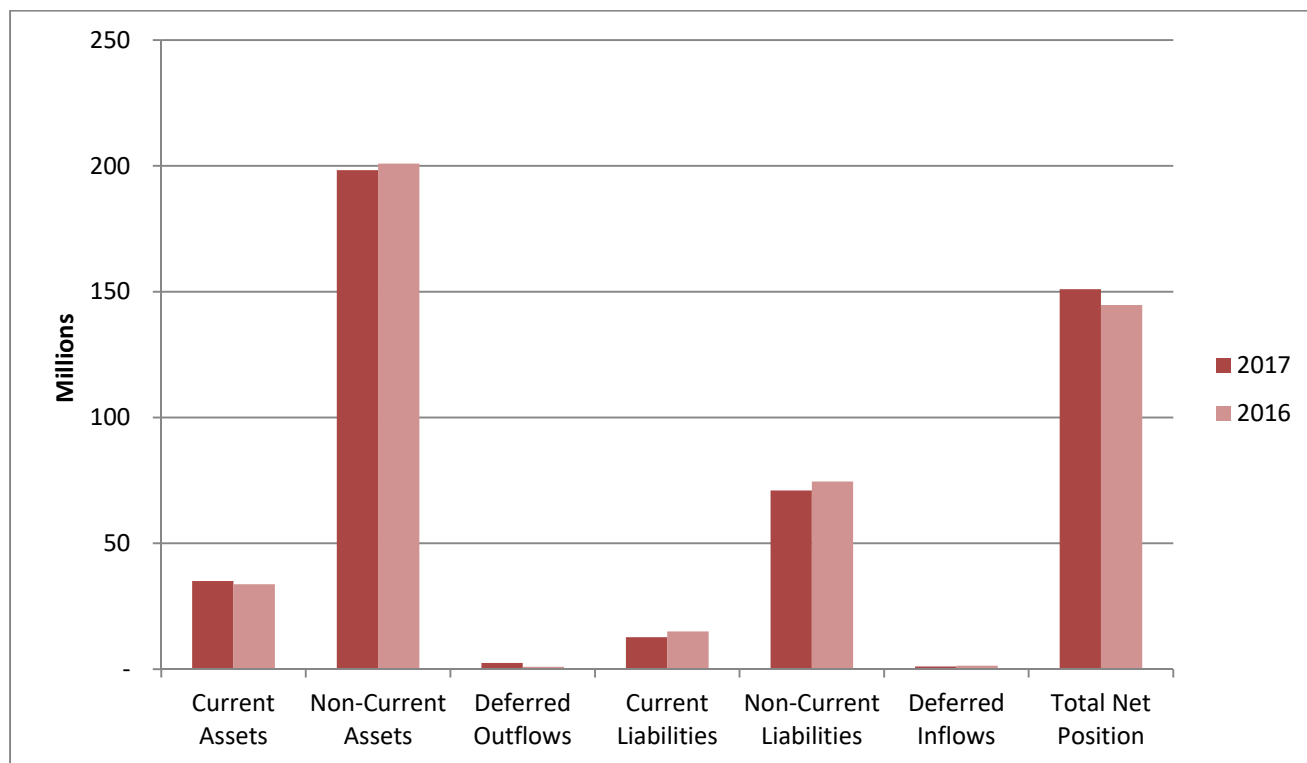
Total liabilities were \$83.6 million at June 30, 2017, a decrease of \$5.9 million or 6.6% compared to \$89.5 million at June 30, 2016. Noncurrent liabilities comprised 84.9%, or \$71.0 million of the liabilities.

Total deferred inflows decreased \$295,419 due to recording deferred pension contributions required by GASB 68.

Total net position at June 30, 2017 was \$151.0 million, a \$6.3 million increase over the prior year of \$144.7 million. The breakout of net position is shown below:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net investment in capital assets	\$136,335,370	\$135,688,766
Restricted net position	10,556,571	10,653 311
Unrestricted net position	4,126,835	(1,643,331)
<b>Total net position</b>	<u>\$151,018,776</u>	<u>\$144,698,746</u>

The composition of current and noncurrent assets, deferred outflows, current and noncurrent liabilities, deferred inflows and net position is displayed below for fiscal years 2017 and 2016.



## 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

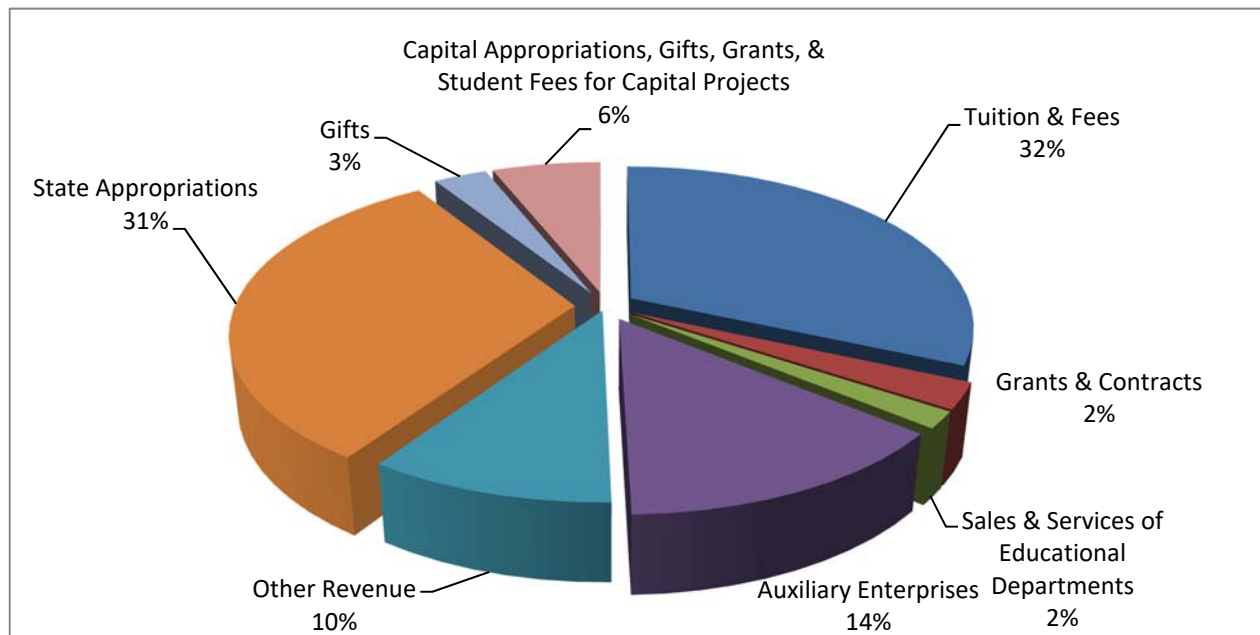
Operating revenues at the University as of June 30, 2017 decreased by 1.0% over the previous fiscal year. The following is a brief summary of the significant changes:

- Student tuition and fee revenues, after scholarship allowances, were \$35.4 million in 2017, compared to \$34.7 million in 2016, a net increase of 2.0%. The increase is a result of a tuition and fees increase approved by the Kansas Board of Regents for fiscal year 2017.
- Sales and services of educational departments increased \$0.2 million, or 12.6% from \$1.7 million in 2016 to \$1.9 million in 2017.
- Auxiliary enterprise revenues decreased from \$15.9 million to \$15.3 million in 2017. Auxiliary enterprises include University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications. Auxiliary enterprise revenues are 27.0% of total operating revenue.
- Other operating revenues decreased \$0.7 million from \$1.5 million in 2016 to \$0.8 million in 2017.

Total non-operating revenues (expenses) increased \$2.7 million from \$45.9 million to \$48.6 million. The following is a brief summary of the significant changes:

- State appropriations increased \$1.2 million from \$33.9 million in 2016 to \$35.2 in 2017.
- Gifts increased \$0.9 million in 2017 from \$2.4 million to \$3.3 million.
- Other non-operating revenues (expenses) increased from \$10.0 million in 2016 to \$10.1 million in 2017.

Revenues for fiscal year 2017 are displayed in the following graph:

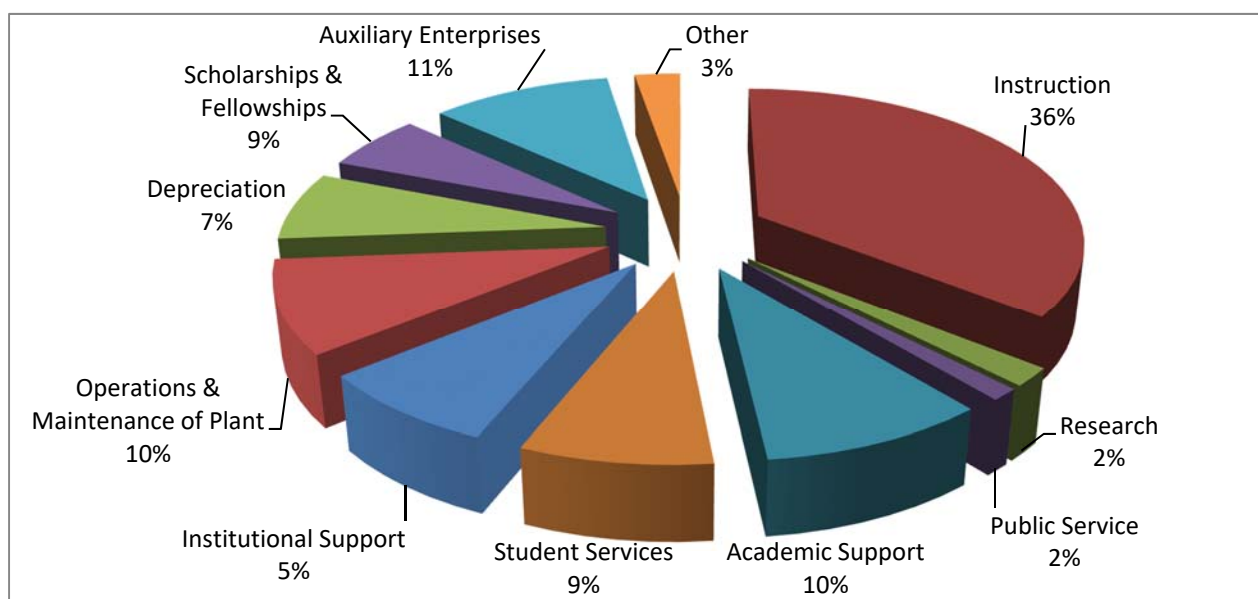


## Expenses

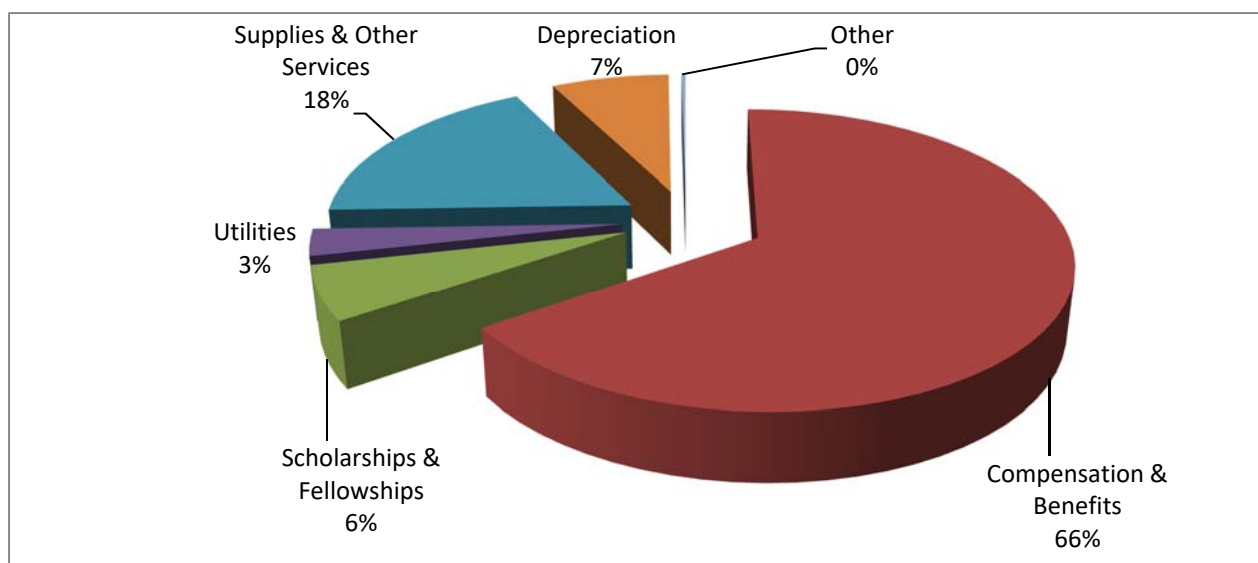
Operating expenses decreased \$4.5 million, from \$107.5 million for the 2016 fiscal year to \$103.0 million for the 2017 fiscal year. The following is a brief summary of the significant changes:

- Institutional support expenses decreased \$0.8 million, or 8.6%, from \$9.1 million in 2016 to \$8.3 million in 2017. Institutional support includes administrative services.
- Student service expenses decreased \$2.0 million from \$9.8 million to \$7.8 million in 2017.
- Auxiliary enterprise expenses, which include University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications, decreased from \$12.1 million in 2016 to \$11.7 million in 2017.

Expenses for fiscal year 2017 by functional classification are displayed in the following graph:



Expenses for fiscal year 2017 by natural classification are displayed in the following graph:



## Extraordinary Items

The University did not have any special and extraordinary items in 2017.

## Endowment Expenses Paid On Behalf of the University

The Pittsburg State University Foundation, Inc. is an independent, not-for-profit organization, whose primary mission is to raise funds for the University, provide direct and indirect support to the University that is not entirely reflected in the University's Statement of Revenues, Expenses, and Changes in Net Position. Expense items paid on behalf of the University by the Foundation include expenses such as travel, supplies, equipment, books, and construction. Total University support provided by the Foundation was approximately \$3.3 and \$2.4 million in 2017 and 2016, respectively. Capital Gifts from the Foundation was approximately \$2.3 and \$1.8 million in 2017 and 2016. The Foundation's financial statements are included following the University's financial statements in this Annual Financial Report.

## Net Position

Net position increased by \$6.3 million over the previous fiscal year.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments of the University during a period of time. Its purpose is to assess the University's ability to generate future net cash flows and meet its obligations as they come due. The following is a condensed statement of cash flows for the years ended June 30, 2017 and 2016:

	June 30, 2017	June 30, 2016
Net Cash provided (used) by:		
Operating activities	\$(43,181,264)	\$(43,853,632)
Non-capital financing activities	39,240,946	36,998,943
Capital and related financing activities	4,876,605	(2,740,283)
Investing activities	108,573	117,159
Net increase (decrease) in cash	1,044,860	(9,477,813)
Beginning cash and cash equivalent balances	30,908,035	40,385,848
Ending cash and cash equivalent balances	<u>\$ 31,952,895</u>	<u>\$ 30,908,035</u>

Cash provided by operating activities includes tuition and fees, grant and contract revenues, sales of educational activities and auxiliary enterprises. Cash used for operating activities includes payments to employees and suppliers. Cash flows from operating activities will always be negative because GASB requires state appropriations to be reported as cash flows from non-capital financing activities. Cash flows from capital financing activities include all plant funds related long-term debt activities. Cash flows from investing activities reflect uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments.

## CAPITAL ASSETS

The University continued to invest in capital assets during the 2017 fiscal year. Additional detailed information regarding capital asset additions, retirements and depreciation is available in Note 6 of the financial statements.

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

- The Axe Library Phase II Renovations addressed the entire third floor to include all new finishes, LED lighting, HVAC and plumbing. This second summer of phased improvements brings the library ever closer to the realization of its facility master plan. The design opens the floor space to make it more inviting to



students seeking either private, communal, or group study spaces. Construction began in May 2017 and completed in October 2017. The project was funded with R&R and furnished with Library and Academic Affairs funds.

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

- The Kansas Technology Center celebrated its 20<sup>th</sup> Anniversary in August 2017 and is ready for attention to its original roof. To extend the service life of the existing roof assembly and keep potentially serviceable materials out of the landfill, a thermoplastic polyolefin (TPO) overlay project is in design for a summer 2018 installation. The project will be funded with R&R funds.
- The Kelce College of Business Renovation and Expansion will include new construction as well as total renovation of the existing building. This project will provide appropriately sized and shaped learning labs and will centralize faculty in one location. Student collaboration spaces, small group study rooms, and student lounges will provide an academic home for the Kelce College of Business students. LEED Silver certification is an additional project goal. The planning and design phase began in January 2016 and led to final construction documentation in November 2017. The project will be funded with both private and R&R funds.

## **DEBT ADMINISTRATION**

At June 30, 2017, the University had \$56.6 million in debt outstanding compared to \$60.1 million at June 30, 2016. The University paid \$3.5 million in principal payments related to outstanding debt.

Moody's Investors Service currently rates the University "A1". Standard & Poor's Ratings Services currently rates the University "A-". More detailed information about long-term liabilities is available in Notes 8, 9 and 10 to the financial statements.

## **ECONOMIC OUTLOOK**

The largest revenue sources for the University are state appropriations and tuition and fees. State appropriations for fiscal year 2017 were \$35.2 million, an increase of \$1.2 million over the prior year. According to the Kansas Legislative Research Department and the Kansas Division of the Budget, economic indicators point to modest improvement for the State of Kansas economy over the next few years. Projections for the real Kansas Gross State Product (GSP) growth for 2017 has been revised downward from 1.8% to 0.2% while the 2017 U.S. real Gross Domestic Product (GDP) is projected at 2.1% in 2017. Kansas GSP is projected to increase to 1.5% in 2018. The Kansas Personal Income (KPI) growth estimate for 2017 is 1.5%, compared to the national estimate for U.S. personal income (USPI) growth of 4.0%. Kansas Personal Income growth is projected to increase to 3.1% in 2018. The State unemployment forecast for Kansas is 3.7% for 2017 while the national forecast for 2017 is 4.3%. The Kansas unemployment rate projection for 2018 is 3.8%. Through November 2017, Kansas State General Fund total receipts for fiscal year 2018 are \$380 million, or 16.7%, above fiscal year 2017 receipts. In November 2017, the consensus revenue estimate for fiscal year 2018 State General Fund revenues for the State of Kansas was increased by \$108.3 million above the prior estimate.

The University's student tuition and fee revenue increased from \$34.7 million in fiscal year 2016 to \$35.4 million in fiscal year 2017. The revenue increase is primarily the result of an increase in resident tuition rates of 5.5% for fiscal year 2017. Enrollment at Pittsburg State for the fall 2017 semester decreased by 195 students to 6,907. The university experienced a decline in international enrollment which accounted for approximately 60 percent of the overall enrollment decrease. For fiscal year 2018, the Kansas Board of Regents approved a 2.8% increase for resident and non-resident tuition rates. This increase is not expected to offset the decline in tuition and fee revenue

resulting from reduced enrollment in fiscal year 2018. Pittsburg State has expanded initiatives focused on increasing recruitment and retention of both international and domestic students.

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

**Pittsburg State University**  
**Statement of Net Position**  
**As Of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 24,504,374	\$ 22,985,321
Restricted cash and cash equivalents	7,448,521	7,922,714
Accounts receivable, net	1,783,673	1,711,530
Loans to students, net	401,071	681,246
Inventories	336,460	328,092
Prepaid expenses	508,684	99,306
Total current assets	<u>34,982,783</u>	<u>33,728,209</u>
Noncurrent Assets		
Restricted investments	-	-
Loans to students, net	3,660,024	3,579,929
Capital assets, net	194,639,211	197,352,956
Total noncurrent assets	<u>198,299,235</u>	<u>200,932,885</u>
Total Assets	<u>233,282,018</u>	<u>234,661,094</u>
<b><u>DEFERRED OUTFLOWS</u></b>		
Pension Contributions	2,437,260	905,357
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable and accrued liabilities	3,030,203	6,421,836
Unearned revenue	2,573,074	1,785,276
Accrued compensated absences	2,685,458	2,760,565
Revenue bonds payable - current portion	3,648,351	3,548,057
Capital leases payable - current portion	218,100	145,437
Deposits held in custody for others	508,832	291,056
Total current liabilities	<u>12,664,018</u>	<u>14,952,227</u>
Noncurrent Liabilities		
Other postemployment healthcare benefits	95,772	81,278
Capital leases payable	934,914	755,709
Pension Liability	17,046,239	17,176,326
Revenue bonds payable	52,903,188	56,550,375
Total noncurrent liabilities	<u>70,980,113</u>	<u>74,563,688</u>
Total Liabilities	<u>83,644,131</u>	<u>89,515,915</u>
<b><u>DEFERRED INFLOWS</u></b>		
Deferred Pension Inflows	1,056,371	1,351,790

**Pittsburg State University**  
**Statement of Net Position**  
**As Of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	136,335,370	135,688,766
Restricted for		
Expendable		
Scholarships and fellowships	5,484	-
Research	(536,832)	24,808
Instructional department uses	76,488	91,192
Loans	4,621,199	4,698,906
Capital projects	1,595,704	1,659,178
Debt services	4,370,881	4,242,744
Other	423,647	(63,517)
Unrestricted	<u>4,126,835</u>	<u>(1,643,331)</u>
 Total Net Position	 <u><u>\$ 151,018,776</u></u>	 <u><u>\$ 144,698,746</u></u>

*See accompanying notes to financial statements*

**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>OPERATING REVENUES</u></b>		
Tuition and fees (net of scholarship allowances of \$9,128,405 and \$9,322,940 in 2017 and 2016 respectively)	\$ 35,375,798	\$ 34,684,234
Federal grants and contracts	1,742,624	1,726,203
State and local grants and contracts	431,387	640,579
Nongovernmental grants and contracts	736,314	686,671
Sales and services of educational departments	1,862,381	1,653,892
Auxiliary enterprises:		
Housing	8,753,810	9,153,351
Parking	702,935	663,793
Health Services	1,478,065	1,472,629
Student Center	1,331,873	1,294,201
Athletics	2,896,180	3,174,151
Student Publications	147,813	160,870
Interest earned on loans to students	85,227	89,080
Other operating revenues	769,829	1,476,696
Total operating revenues	<u>56,314,236</u>	<u>56,876,350</u>
<b><u>OPERATING EXPENSES</u></b>		
Educational and General		
Instruction	37,723,908	37,567,033
Research	1,985,347	2,091,756
Public Service	1,286,205	1,979,447
Academic support	9,933,830	9,832,150
Student services	7,761,590	9,838,453
Institutional support	8,288,873	9,070,942
Operations and maintenance of plant	10,195,655	10,501,806
Depreciation	7,510,418	7,341,761
Scholarships and fellowships	6,185,205	6,963,099
Auxiliary enterprises:		
Housing	5,107,448	5,737,347
Parking	221,366	226,484
Health Services	1,392,841	1,424,876
Student Center	1,819,986	1,688,737
Athletics	3,033,576	2,838,630
Student Publications	162,004	134,729
Other	373,348	243,045
Total operating expenses	<u>102,981,600</u>	<u>107,480,295</u>
Operating Income (Loss)	<u>(46,667,364)</u>	<u>(50,603,945)</u>

**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
State appropriations	35,171,201	33,916,901
Gifts	3,339,259	2,431,933
Investment income	24,080	32,666
Interest expense	(2,443,767)	(2,658,122)
Student fees for capital projects	2,404,461	2,174,349
Other nonoperating revenues (expenses)	10,100,706	9,960,931
Net nonoperating revenues (expenses)	<u>48,595,940</u>	<u>45,858,658</u>
Income before other revenues, expenses, gains, or losses	1,928,576	(4,745,287)
Capital appropriations	2,102,395	3,200,655
Capital grants and gifts	2,289,059	1,776,603
	<u>4,391,454</u>	<u>4,977,258</u>
Increase In Net Position	6,320,030	231,971
Net position - beginning of year	144,698,746	144,466,775
Net position - end of year	<u><u>\$ 151,018,776</u></u>	<u><u>\$ 144,698,746</u></u>

*See accompanying notes to financial statements*



**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 43,475,697	\$ 42,219,361
Sales and services of educational activities	1,883,227	1,654,592
Auxiliary enterprises:		
Housing	3,450,596	3,983,236
Parking	438,870	556,480
Health Services	18,867	33,788
Student Center	58,963	(410,203)
Athletics	(168,037)	384,298
Student Publications	(16,398)	27,885
Grants and contracts	2,768,193	2,785,555
Payments to suppliers	(15,953,479)	(16,163,240)
Payments to utilities	(2,147,318)	(2,006,670)
Compensation & benefits	(64,236,138)	(64,596,972)
Payments for scholarships and fellowships	(13,602,426)	(13,695,501)
State Appropriations Receivable	(23,691)	75,337
Loans issued to students and employees	(687,228)	(798,333)
Collections on loans issued to students and employees	793,941	765,332
Other receipts (payments)	765,097	1,331,423
	<u>(43,181,264)</u>	<u>(43,853,632)</u>
Net Cash Flows from Operating Activities		
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	35,171,201	33,916,901
Noncapital debt proceeds	-	-
Noncapital debt payments	-	-
Gifts	3,339,259	2,431,933
Federal family education loan receipts	29,173,907	29,940,659
Federal family education loan disbursements	(29,173,907)	(29,940,659)
Student organization agency transactions	1,046	12,949
Other	729,440	637,160
	<u>39,240,946</u>	<u>36,998,943</u>
Net Cash Flows from Noncapital Financing Activities		
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from capital debt	-	-
Capital appropriations	2,361,600	2,625,978
Capital Grants and gifts	2,289,059	1,776,603
Student fees for capital projects	2,404,461	2,174,349
Purchases of capital assets	(5,263,861)	(11,675,873)
Principal paid on capital debt and leases	(3,660,042)	(4,353,057)
Interest paid on capital debt and leases	(2,509,090)	(2,674,646)
Disposal of asset	-	-
Other	9,254,478	9,386,363
	<u>4,876,605</u>	<u>(2,740,283)</u>
Net Cash Flows from Capital Financing Activities		

**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	84,493	84,493
Investment income	24,080	32,666
Purchase of investments	<u>-</u>	<u>-</u>
Net Cash Flows from Investing Activities	<u>108,573</u>	<u>117,159</u>
Net change in cash and cash equivalents	1,044,860	(9,477,813)
Cash and cash equivalents-beginning of year	30,908,035	40,385,848
Cash and cash equivalents-end of year	<u>\$ 31,952,895</u>	<u>\$ 30,908,035</u>
 <b>RECONCILIATION</b>		
Operating income (loss)	\$ (46,667,364)	\$ (50,603,945)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	7,399,447	7,341,761
Changes in assets and liabilities:		
Accounts receivable, net	(72,144)	(85,291)
Loans to students, net	200,080	(15,435)
Inventories	(8,368)	16,321
Prepaid expenses	(409,378)	387,124
Accounts payable and accrued liabilities	(4,308,245)	461,553
Deferred revenue	528,593	882,188
Accrued compensated absences	(75,108)	67,064
Other postemployment healthcare benefits	14,493	(2,090,374)
Deposits held in custody for others	<u>216,730</u>	<u>(214,598)</u>
Net cash used in operating activities	<u>\$ (43,181,264)</u>	<u>\$ (43,853,632)</u>

*See accompanying notes to financial statements*



*President Steve Scott and then-Pittsburg Mayor Michael Gray drive home nails during a ceremonial groundbreaking for the university and city's newest collaboration, Block22. The downtown Pittsburg project will transform four historic city buildings into space for student-housing, retail, and entrepreneurial endeavors.*



*The 2016 Homecoming King and Queen, Christian Tavernaro and Shelby Bicknell.*



*PSU Theatre's production of the Victor Gialanella play, based on Mary Shelley's novel, was a tour de force featuring dramatic make-up, period costumes, electrified sets and, of course, an iconic horror story embraced equally by the cast and the audience.*



**Pittsburg State University  
Component Unit Financial Statements  
For Fiscal Year Ended June 30, 2017 and 2016**

**Pittsburg State University Foundation, Inc.**

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

**Pittsburg State University Alumni Association**

- Statement of Financial Position
- Statement of Activities

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2017 and 2016

	June 30,	
	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 788,961	\$ 801,319
Interest receivable	28,202	29,132
Student loans receivable	534	534
Allowance for doubtful loan amounts	(534)	(534)
Contributions receivable	9,860,561	10,520,571
Note receivable	1,250,000	-
Specific investments	159,742	150,350
Pooled investments	75,838,201	70,238,781
Beneficial interest trusts held by others	3,505,617	3,368,200
Fixed assets - net of depreciation	1,185,293	1,125,713
Advances for loan matching	183,135	183,135
<b>TOTAL ASSETS</b>	<b>\$ 92,799,712</b>	<b>\$ 86,417,201</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 1,820,473	\$ 1,001,552
Interest payable	22,258	28,638
Agency funds - nine pay twelve	-	259,753
Annuity liabilities	250,587	261,694
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,093,318</b>	<b>1,551,637</b>
Long-Term Liabilities		
Notes payable	6,030,735	8,410,735
<b>TOTAL LIABILITIES</b>	<b>8,124,053</b>	<b>9,962,372</b>
Net Assets		
Unrestricted	25,841,569	22,802,626
Temporarily restricted	12,997,706	9,739,839
Permanently restricted	45,836,384	43,912,364
<b>TOTAL NET ASSETS</b>	<b>84,675,659</b>	<b>76,454,829</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 92,799,712</b>	<b>\$ 86,417,201</b>

See accompanying notes.

PITTSBURG STATE UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
Year Ended June 30, 2017, with Comparative Totals for 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Totals	2016 Totals
REVENUES, GAINS, AND OTHER SUPPORT					
Contributions	\$ 6,108,360	\$ 2,871,936	\$ 1,045,736	\$ 10,026,032	\$ 7,225,730
Investment income	1,327,530	-	-	1,327,530	1,654,710
Net realized gain (loss) on investments	14,387	841,716	-	856,103	1,431,485
Net unrealized gain (loss) on investments reported at fair value	2,706,704	2,557,199	-	5,263,903	(4,326,524)
Change in value of beneficial interest trusts held by others	-	121,690	15,726	137,416	(232,311)
Interest and service charges on student loans	-	-	20	20	290
Other miscellaneous revenue	1,277,971	-	-	1,277,971	1,274,264
Net assets released from restrictions	2,272,136	(3,134,674)	862,538	-	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	13,707,088	3,257,867	1,924,020	18,888,975	7,027,644
EXPENSES					
Program Services					
Scholarships, grants & awards	3,634,305	-	-	3,634,305	3,286,918
Marketing	9,928	-	-	9,928	9,000
Classroom instruction aids/other expenses	2,873,625	-	-	2,873,625	1,726,376
Faculty/professional development	133,719	-	-	133,719	129,031
Student loan bad debt allowance	-	-	-	-	-
Student loan collection expense	-	-	-	-	-
Other special University projects	2,847,983	-	-	2,847,983	2,809,163
Total Program Services	9,499,560	-	-	9,499,560	7,960,488
Support Services					
Salaries	379,573	-	-	379,573	340,392
Promotion	9,345	-	-	9,345	17,362
Auditing & investment counsel	101,993	-	-	101,993	73,159
Investment management fees	191,342	-	-	191,342	138,288
Equipment, service contracts and repairs	44,753	-	-	44,753	40,185
Postage	21,890	-	-	21,890	24,976
Insurance	15,419	-	-	15,419	12,667
Repairs and maintenance/building & grounds	36,139	-	-	36,139	16,164
Publications	15,897	-	-	15,897	15,868
Planned giving	8,332	-	-	8,332	15,655
Telephone	17,092	-	-	17,092	22,892
Utilities	12,420	-	-	12,420	12,200
Depreciation	58,376	-	-	58,376	50,673
General operating	158,530	-	-	158,530	207,239
Alumni activities	61,582	-	-	61,582	73,348
Travel	25,008	-	-	25,008	24,578
Miscellaneous	10,894	-	-	10,894	14,448
Total Support Services	1,168,585	-	-	1,168,585	1,100,094
TOTAL EXPENSES	10,668,145	-	-	10,668,145	9,060,582
CHANGE IN NET ASSETS	3,038,943	3,257,867	1,924,020	8,220,830	(2,032,938)
NET ASSETS, Beginning of Year	22,802,626	9,739,839	43,912,364	76,454,829	78,487,767
NET ASSETS, End of Year	\$ 25,841,569	\$ 12,997,706	\$ 45,836,384	\$ 84,675,659	\$ 76,454,829

See accompanying notes.



PITTSBURG STATE UNIVERSITY FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2017 and 2016

	June 30,	
	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 8,220,830	\$ (2,032,938)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,376	50,673
Realized (gain) loss on sale of investments	(856,103)	(1,431,485)
Unrealized (gain) loss on investments	(5,263,903)	4,326,524
Change in beneficial interest trusts held by others	(137,417)	232,312
(Increase) decrease in:		
Interest receivable	930	(4,320)
Contributions receivable	660,010	(307,677)
Note receivable	(1,250,000)	-
Increase (decrease) in:		
Accounts payable	818,921	213,388
Interest payable	(6,380)	(4,751)
Agency liabilities	(259,753)	(53,956)
Present value of annuities	(11,107)	(44,333)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>1,974,404</b>	<b>943,437</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(117,957)	(382,407)
Proceeds from sales of investments	15,257,476	9,405,388
Purchase of investments	(14,746,281)	(9,208,735)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>393,238</b>	<b>(185,754)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on loan	(2,380,000)	(575,185)
<b>NET CASH (USED) BY FINANCING ACTIVITIES</b>	<b>(2,380,000)</b>	<b>(575,185)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(12,358)</b>	<b>182,498</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>801,319</b>	<b>618,821</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 788,961</b>	<b>\$ 801,319</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for interest on note payable	\$ 324,003	\$ 259,903

See accompanying notes.

**Pittsburg State University Alumni Association**

**Statement of Financial Position**

**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Assets</b>		
<b>Current Assets</b>		
<b>Cash and cash equivalents</b> - held by Pittsburg State University	\$ 92,953	\$ 33,123
<b>Cash and cash equivalents</b> - held by Pittsburg State University Foundation, Inc.	<u>664,769</u>	<u>675,017</u>
<b>Total Current Assets</b>	<u>757,722</u>	<u>708,139</u>
 <b>Total Assets</b>	 <u><u>\$ 757,722</u></u>	 <u><u>\$ 708,139</u></u>
 <b>Net Assets</b>		
<b>Unrestricted</b>	<u>\$ 757,722</u>	<u>\$ 708,139</u>
<b>Total Net Assets</b>	<u><u>\$ 757,722</u></u>	<u><u>\$ 708,139</u></u>

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

**Pittsburg State University Alumni Association**

**Statement of Activities**  
**June 30, 2017 and 2016**

	2017	2016
<b>Operating Revenues:</b>		
University Support	\$ 212,097	\$ 201,652
Foundation Support	35,024	35,000
Royalties	35,180	26,654
License Plate Royalty and Admin Fee	79,223	73,890
Champions Plaza Apparel	-	294
Gorilla Fest	12,875	9,912
Family Events	777	414
Gorilla Gatherings	20,095	12,791
Reunions	3,032	5,971
Student Programs	100	-
Steak Fry	3,642	-
Other Revenues	119	102
<b>Total Operating Revenues</b>	<b>402,164</b>	<b>366,680</b>
<b>Operating Expenses:</b>		
Salaries and Wages	191,627	195,115
General Administrative	12,985	19,173
Alumni Legacy Scholarship	49,050	40,150
Gorilla License Plate Program	5,982	11,402
Gorilla Fest	9,690	9,089
Family Events	5,713	2,957
Gorilla Events	54,090	53,663
Reunions	8,689	11,545
PSU Magazine Advertising	5,956	5,532
Giveaways	7,409	5,908
Benchmark	2,124	1,947
Skybox Expense	1,713	1,943
Campus Relations	1,952	2,795
Association Board	1,462	1,880
Student Programs	3,737	3,384
Champions Plaza Expense	(71)	245
MIAA Playoff Expense	533	-
Steak Fry	2,823	-
Awards	14,735	14,994
Other Operating Expenses	326	123
<b>Total Operating Expenses</b>	<b>380,526</b>	<b>381,846</b>
<b>Operating Income (Loss)</b>	<b>21,639</b>	<b>(15,166)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Donations	725	1,440
Endowment Earnings from Investments held by PSU Foundation, Inc.	27,219	(25,047)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>27,944</b>	<b>(23,607)</b>
<b>Increase (decrease) in Net Assets</b>	<b>49,583</b>	<b>(38,772)</b>
<b>Net Assets:</b>		
<b>Beginning</b>	<b>708,139</b>	<b>746,911</b>
<b>Ending</b>	<b>\$ 757,722</b>	<b>\$ 708,139</b>

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**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, 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 is a regional, comprehensive, four-year state university serving the residents of Kansas and the four-state region of Kansas, Missouri, Oklahoma, and Arkansas. The university has an enrollment of approximately 6,900 students, and students may choose from more than 100 undergraduate and graduate programs within the College of Education, the College of Business, the College of Technology and the College of Arts and Sciences. The University is accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools. The University is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the financial report of the State of Kansas.

**Financial Reporting Entity.** As required by accounting principles generally accepted in the United States of America, these financial statements present the combined financial position and financial activities of the University and the Pittsburg State University Research Foundation, Inc. The financial activity and balances of the Pittsburg State University Foundation, Inc. and the Pittsburg State University Alumni Association, Inc. may be found following the University's financial statements.

**Basis of Accounting.** For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

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

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

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

**Accounts Receivable.** Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

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

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

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

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

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

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

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

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

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

**Pensions.** For the year ended June 30, 2015, the University implemented the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERS) and additions to/deductions from KPERS' fiduciary net position have been determined on the same basis as they are reported by KPERS. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

*Restricted net position – nonexpendable:* Restricted nonexpendable net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

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

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

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

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

**NOTE 2 – Cash, Cash Equivalents, and Investments**

**Cash and Cash Equivalents.** The carrying amount of the University's deposits with the State Treasurer and other financial institutions at June 30, 2017 and 2016 were \$31,952,895 and \$30,908,035 respectively. The University's deposits with the State Treasurer are pooled with the funds of other State Agencies and then, in accordance with statutory limitations, placed in short-term investments with the exception of the bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

State law requires the University to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. These investments are managed by the Pooled Money Investment Board (PMIB), which maintains a published Investment Policy. The exceptions to this law are any funds maintained in the University's imprest fund, organizational safekeeping, revenue bond project and reserve funds and any funds held by external entities on behalf of the University.

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

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

**Investments.** The University's total investments at June 30, 2017 and 2016 were \$0.

**NOTE 3 - Accounts Receivable**

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

	<u>2017</u>	<u>2016</u>
Tuition and Fees	\$967,163	\$ 850,182
Auxiliary enterprises	169,450	156,359
Grants & Contracts	400,987	473,455
State Appropriations	240,359	216,668
Other	5,714	14,866
Total	<u>\$ 1,783,673</u>	<u>\$ 1,711,530</u>



**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 4 – Loans to Students**

Student loans made through the Federal Perkins Loan and Nursing Student Loan Programs comprise substantially all of the loans to students at June 30, 2017 and 2016. The Perkins Loan Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. Historically, the federal government reimburses the University for amounts cancelled under these provisions. For 2017 and 2016, the University did not receive this reimbursement.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2017 and 2016, the allowance for uncollectible loans was estimated to be \$806,102 and \$744,752, respectively.

**NOTE 5 – Inventories**

Inventories consisted of the following at June 30:

	2017	2016
Physical Plant	\$ 197,397	\$ 206,472
Other	139,063	121,620
Total	<u>\$ 336,460</u>	<u>\$ 328,092</u>

**NOTE 6 – Capital Assets**

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

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

Capital asset activity for the year ended June 30, 2016 follows:

	2016			
	Balance Remaining	Additions	Retirements	Ending Balance
Land	\$ 6,210,415	\$ 379,293	\$	\$ 6,589,708
Land Improvements	7,599,517	92,567		7,692,084
Works of Art	982,264			982,264
Buildings & Improvements	213,419,236	36,650,892		250,070,128
Equipment & Furnishings	19,618,920	2,215,500	418,661	21,415,759
Vehicles	2,371,668	175,460	57,383	2,489,745
Software	2,098,051			2,098,051
Total	<u>\$ 252,300,071</u>	<u>\$ 39,513,712</u>	<u>\$ 476,044</u>	<u>\$ 291,337,739</u>
Less accumulated depreciation:				
Land Improvements	\$ 3,465,677	\$ 259,850	\$	\$ 3,725,527
Buildings & Improvements	65,209,834	5,819,135		71,028,969
Equipment & Furnishings	15,478,865	1,213,787	245,081	16,447,571
Vehicles	1,936,652	206,366	57,383	2,085,635
Software	1,519,283	145,086		1,664,369
Total accumulated depreciation	<u>\$ 87,610,311</u>	<u>\$ 7,644,224</u>	<u>\$ 302,464</u>	<u>\$ 94,952,071</u>
Capital assets, net	<u>\$ 164,689,760</u>	<u>\$ 31,869,488</u>	<u>\$ 173,580</u>	<u>\$ 196,385,668</u>
Construction In Progress				<u>967,288</u>
				<u>\$ 197,352,956</u>

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

**NOTE 7 – Unearned Revenue**

Unearned revenues consisted of the following at June 30:

	2017	2016
Tuition and Fees	\$ 1,454,722	\$ 722,751
Grants & Contracts	203,258	397,086
Capital Appropriations	805,914	546,709
Auxiliary enterprises	109,180	118,730
	<u>\$ 2,573,074</u>	<u>\$ 1,785,276</u>

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 8 - Changes in Noncurrent Liabilities**

Noncurrent liability activity for the year ended June 30, 2017 and June 30, 2016 was as follows:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable*	\$ 60,098,432	\$ 0	\$ 3,546,893	\$ 56,551,539	\$ 3,648,351
Lease obligations	901,146	397,305	145,437	1,153,014	218,100
Net pension liability	17,176,326	0	130,087	17,046,239	0
Postemployment benefits	81,278	14,494	0	95,772	0
Total noncurrent liabilities	<u>\$ 78,257,182</u>	<u>\$ 411,799</u>	<u>\$ 3,822,417</u>	<u>\$ 74,846,564</u>	<u>\$ 3,866,451</u>

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable*	\$ 62,017,771	\$ 3,636,416	\$ 5,555,755	\$ 60,098,432	\$ 3,548,057
Lease obligations	2,978,570	209,200	2,286,624	901,146	145,437
Net pension liability	14,883,214	2,293,112	0	17,176,326	0
Postemployment benefits	3,404,000	0	3,322,722	81,278	0
Total noncurrent liabilities	<u>\$ 83,283,555</u>	<u>\$ 6,138,728</u>	<u>\$ 11,165,101</u>	<u>\$ 78,257,182</u>	<u>\$ 3,693,494</u>

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

**NOTE 9 - Revenue Bonds Outstanding**

Revenue bonds payable consist of the following:

	Principal Outstanding at 6/30/17
Kansas Development Finance Authority Revenue Bonds – Series K, 2015 (The Board of Regents -- Pittsburg State University – Refunding Revenue Bonds) \$1,500,000 Due in annual installments from \$246,215 to \$253,816. Issued 9/30/15 with a final maturity on 10/1/2021. Interest rate at 1.04% payable semi-annually.	\$ 1,253,785
Kansas Development Finance Authority Refinance 2002 Lease – Series M, 2015 (The Board of Regents – Pittsburg State University Refinancing Energy Lease) \$2,135,766 Due in annual installments from \$298,389 to \$311,978. Issued 12/03/15	1,837,377
Kansas Development Finance Authority Revenue Bonds – Series A, 2014 (The Board of Regents - Pittsburg State University Projects) \$35,175,000 Due in annual installments of \$385,000 to \$2,345,000. Issued 4/1/2014 with a final maturity on 10/1/2034. Interest ranging from 3.0% to 4.25% payable semi-annually.	32,415,000
Kansas Development Finance Authority Revenue Bonds – Series D, 2011 (The Board of Regents - Pittsburg State University Refinance & New Energy Conservation) \$9,465,000 Due in annual installments of \$435,000 to \$895,000. Issued 4/14/2011 with a final maturity on 4/1/2024. Interest ranging from 2.0% to 4.4% payable semi-annually.	4,675,000

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

Kansas Development Finance Authority Revenue Bonds – Series H-1 & H-2, 2009  
(The Board of Regents – Pittsburg State University Housing System Improvement Project) \$14,630,000 Due in annual installments of \$380,000 to \$975,000.  
Issued 6/17/09 with a final maturity on 10/1/2034. Interest ranging from 2.5% to 7.3% payable semi-annually. 12,185,000

Kansas Development Finance Authority Revenue Bonds – Series G, 2009  
(The Board of Regents – Pittsburg State University Bryant Student Health Center) \$825,000 Due in annual installments of \$50,000 to \$70,000.  
Issued 6/17/09 with a final maturity on 10/1/2023. Interest ranging from 2.5% to 4.75% payable semi-annually. 435,000

Kansas Development Finance Authority Revenue Bonds – Series J-1 & J-2, 2009  
(The Board of Regents – Pittsburg State University Parking System Project) \$4,545,000 Due in annual installments of \$160,000 to \$330,000.  
Issued 6/17/09 with a final maturity on 10/1/2029. Interest ranging from 2.5% to 7.0% payable semi-annually. 3,325,000

**NOTE 10 - Revenue Bonds Maturity Schedule**

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2017 are as follows:

Year Ending June 30:	Principal	Interest	Total
2018	\$ 3,613,254	\$ 2,365,608	\$ 5,978,862
2019	3,447,020	2,251,531	5,698,551
2020	3,540,811	2,134,803	5,675,614
2021	3,534,627	2,011,461	5,546,088
2022-2026	15,230,450	8,141,645	23,372,095
2027-2031	14,565,000	4,901,311	19,466,311
2032-2035	12,195,000	1,233,378	13,428,378
Total	<u>\$ 56,126,162</u>	<u>\$ 23,039,737</u>	<u>\$ 79,165,899</u>

**NOTE 11 - Lease Obligations**

Pittsburg State University is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$1,153,014 and \$901,146 as of June 30, 2017 and 2016, respectively. Payments to liquidate these obligations as of June 30, 2017 are scheduled as follows:

Year Ending June 30:	Total
2018	\$ 218,100
2019	223,342
2020	229,593
2021	223,586
2022 and thereafter	258,393
Total	<u>\$ 1,153,014</u>

Included in this balance is the Master Lease Purchase agreement between the University and the State of Kansas for University Housing Energy Performances Contract. The remaining principal balance for the master lease agreement as of June 30, 2017 and 2016 is \$598,979 and \$695,068.

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 12 - Retirement Plans**

University employees participate in two separate retirement programs.

**Defined Contribution Plan.** Eligible unclassified employees participate in the Kansas Board of Regents defined contribution retirement plan, which was authorized by K.S.A. 74-4925. This defined contribution program is funded through contributions by the University and the individual employees. The Regents have selected several companies to provide investment options to participants. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. All contributions are fully vested with the first contribution. For the fiscal year ended June 30, 2017, 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 \$3,153,315 and \$3,319,958 during fiscal years 2017 and 2016, respectively, and individual employees contributed \$1,987,795 and \$2,110,393.

**Defined Benefit Plan.** University support staff employees participate in the Kansas Public Employees Retirement System (KPERs). Benefit provisions are established by state statute and provide retirement, disability, and death benefits to benefits eligible employees. This defined benefit program is funded through contributions by the University and the individual employees. The University contributed \$1,263,093 and \$1,230,011 during fiscal years 2017 and 2016, respectively, and individual employees contributed \$674,451 and \$649,301. See Note 13 for detailed information.

**NOTE 13 – Pension Plan**

**General Information about the Pension Plan**

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

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

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

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

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 16.00% and 10.91%, respectively, for the fiscal year ended June 30, 2016. The actuarially determined employer contribution rate was 16.00% for the fiscal year ended June 30, 2016. The statutory contribution rate was 10.91% for the fiscal year ended June 30, 2016. Contributions to the pension plan from PSU was \$2,437,260 for the year ended June 30, 2016.

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

At June 30, 2017, PSU reported a liability of \$17,046,239 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. PSU's proportion of the net pension liability was based on the ratio of PSU's actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016 PSU's State Employer proportion was 0.236% which was an increase of 0.001% from its proportion measured as of June 30, 2015. At June 30, 2016 PSU's Kansas Police & Fire Group proportion was 0.127%, which was an increase of 0.005% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, PSU recognized pension expense of \$1,634,903. At June 30, 2017, PSU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 62,369	\$ 761,183
Net difference between projected and actual earnings on pension plan investments	1,587,617	35,970
Changes in proportion	787,274	259,218
PSU contributions subsequent to measurement date	-	-
Total	<u>\$ 2,437,260</u>	<u>\$ 1,056,371</u>

\$2,437,260 reported as deferred outflows of resources related to pensions resulting from PSU's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2018	135,254
2019	654,016
2020	495,510
2021	(29,146)
Thereafter	-
Total	<u>1,255,634</u>



**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

*Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 16.00 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three year period ending December 31, 2012.

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 included in the pension plan's target asset allocations as of June 30, 2016 are summarized in the following table:

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

*Discount rate.* The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from PSU will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of Pittsburgh 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 8.00%, as well as what PSU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
PSU proportionate share of the net pension liability	\$ 22,249,942	\$ 17,046,239	\$ 12,628,038

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 14 – Other Postemployment Healthcare Benefits**

**Description.** Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for non-Medicare eligible retirees and their dependents as for active employees and their dependents. Medicare eligible retirees and their dependents have other health insurance benefit options. The health insurance benefit plan is a single employer defined benefit plan administered by Kansas Health Policy Authority. The benefit is available for selection at retirement and is extended to retirees and their dependents for life.

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

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

**Annual OPEB Cost and Net OPEB Obligation.** GASB 45 requires accrual-based measurement and recognition of OPEB expenses, such as retiree medical and dental costs, over the employees' years of service, along with the related liability. The University's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed thirty years. The following table presents the components of the University's annual OPEB cost for the year, the University's contribution to the plan, and changes in the University's net OPEB obligation.

Annual Required Contribution (ARC)	\$	102,653
Interest on Net OPEB Obligation		3,129
Adjustments to the ARC		11,365
Annual OPEB cost (expense)		<u>117,147</u>
Claims + Admin Paid on Behalf of Retirees		183,648
Retiree Contributions		<u>80,995</u>
Net Employer Contributions		102,653
Net Obligations at July 1, 2016		81,278
Annual OPEB Cost		117,147
Net Employer Contributions		<u>102,653</u>
Net OPEB obligation June 30, 2017	\$	<u>95,772</u>

**Schedule of Employer Contributions (for fiscal year ended)**

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2015	\$492,000	\$198,000	40%	\$3,404,000
2016	\$(3,168,312)	\$154,410	0%	\$81,278
2017	\$117,147	\$102,653	88%	\$95,772

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**Funded Status and Funding Progress.** As of June 30, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$95,772. The University's policy is to fund the benefits implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,772. The covered payroll (annual payroll of active employees covered by the plan) was \$53,040,524, and the ratio of the UAAL to the covered payroll was 0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The valuation includes, for example, assumptions about future employment, mortality and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of employer are subject to continual revision as actual results are compared with the past expectations and new estimates are made about the future. The schedule of funding progress will present in time, multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liabilities for benefits.

**Schedule of Funding Progress:**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2015	\$0	\$4,770,000	\$4,770,000	0%	\$51,049,000	9%
6/30/2016	\$0	\$81,278	\$81,278	0%	\$54,300,865	0%
6/30/2017	\$0	\$95,772	\$95,772	0%	\$53,040,524	0%

**Actuarial Methods and Assumptions.** Projections of benefits for reporting purposes are based on the substantive plan and include the types of benefits provided at the time of valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and actuarial value of assets, consistent with the long-term perspective of the calculations.

**NOTE 15 – Other Grants**

The June 30, 2007 edition of GASB's *Comprehensive Implementation Guide* instructed that "Because of public institutions' administrative involvement with Pell grant requirements and because Pell grants are non-exchange transactions, public institutions should record Pell grant receipts as nonoperating revenues in their financial statements and any amounts applied to student receivable accounts should be recorded as scholarship discounts or allowances". Therefore the June 30, 2017 and 2016 Statement of Revenues, Expense, and Changes in Net Position reflect the Pell grant reclassification from Federal grants and contracts to other nonoperating revenues.

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

	2017	2016
Pell Grants	\$ 9,154,386	\$ 9,524,108
SEOG Grants	178,945	178,945
Regents Supplemental Grants	685,091	567,733
Total	<u>\$ 10,018,422</u>	<u>\$ 10,270,786</u>

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 16 - Commitments and Contingent Liabilities**

At June 30, 2017 and 2016 the University had outstanding commitments under construction contracts totaling \$1,632,838 and \$720,406, respectively.

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

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, 2017.

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

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

The University participates in the Federal Perkins Loan Program, under which loans are provided to eligible students and repayments are made directly to the University to provide funding for future eligible participants in the program. Effective October 1, 2015, the Department of Education (DOE) stipulated that new loans may not be disbursed under the program; however, the Perkins Loan Extension Act of 2015 was passed in December 2015 extending the date for which Perkins Loans may be awarded to September 30, 2017. Therefore, effective October 1, 2017 new loans may not be awarded under the program and will ultimately result in the closure of the program. If students receive a disbursement of a Perkins Loan after June 30, 2017 and before October 1, 2017 for the 2017-2018 award year the student may receive any subsequent disbursements of that Perkins Loan. Pursuant to GASB accounting standards, the University has recorded previous contributions from the Federal Government for the program as revenue (and related restricted net position) in the period that the funds were received. The closure of this program will result in the University recording an expense when refunding previous Federal contributions received under this program to the DOE. As a part of the program, each year an Excess Liquid Cash calculation is made by the DOE to calculate any required amounts to be returned to the DOE. The University's cash restricted for the program for which a portion or all could be required to be returned totaled approximately \$483,727 at June 30, 2017, and will change in future years based upon the activity of the program.

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

**PITTSBURG STATE UNIVERSITY**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

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

The University's operating expenses by functional and natural classification as of June 30, 2017 and June 30, 2016 are as follows:

	2017					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 33,421,970	\$	\$ 150	\$ 4,381,472	\$	\$ 37,803,592
Research	1,378,208		97	607,042		1,985,347
Public service	945,463		897	339,845		1,286,205
Academic support	7,269,413			2,664,417		9,933,830
Student services	6,368,943			1,392,647		7,761,590
Institutional support	5,882,973		1,623	2,404,277		8,288,873
Operations and maintenance of plant	6,794,464		2,145,622	1,286,856		10,226,942
Depreciation					7,510,418	7,510,418
Scholarships and fellowships		6,185,205				6,185,205
Auxiliary enterprises:						
Housing	1,831,125		672,089	2,604,234		5,107,448
Parking	23,297			198,069		221,366
Health Services	1,175,459		23,052	194,330		1,392,841
Student Center	565,820		210,969	1,043,197		1,819,986
Athletics	1,732,643			1,300,933		3,033,576
Student Publications	78,338			83,665		162,004
Other	1,091			261,286		262,377
Total	\$ 67,469,208	\$ 6,185,205	\$ 3,054,499	\$18,762,270	\$ 7,510,418	\$102,981,600

	2016					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 34,002,149	\$	\$ 42	\$ 3,564,842	\$	\$ 37,567,033
Research	1,534,939		1,299	555,518		2,091,756
Public service	1,403,026		547	575,874		1,979,447
Academic support	7,112,401			2,719,749		9,832,150
Student services	6,801,230			3,037,223		9,838,453
Institutional support	5,615,252		5,713	3,449,977		9,070,942
Operations and maintenance of plant	6,799,034		2,023,807	1,678,965		10,501,806
Depreciation					7,341,761	7,341,761
Scholarships and fellowships		6,963,099				6,963,099
Auxiliary enterprises:						
Housing	1,899,298		695,031	3,143,018		5,737,347
Parking	70,077			156,407		226,484
Health Services	1,219,679		21,517	183,680		1,424,876
Student Center	24,103		203,281	1,461,353		1,688,737
Athletics	319,552			2,519,078		2,838,630
Student Publications	1,744			132,985		134,729
Other				243,045		243,045
Total	\$ 66,802,484	\$ 6,963,099	\$ 2,951,237	\$23,421,714	\$ 7,341,761	\$107,480,295



*PSU's Army ROTC battalion, also known as the Gorilla Battalion, commissioned 10 cadets as second lieutenants into the Army, Army Reserves and National Guard in May 2017.*



*This year's Pitt State women's basketball team won the outright MIAA regular-season championship for the first time since 1992.*



*More than 950 students participated in the 2017 Big Event, a communitywide service project.*