





For the Fiscal Year ended June 30, 2019 Pittsburg, Kansas

PITTSBURG STATE UNIVERSITY

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Kansas Board of Regents

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Gorilla Warm-ups, a required "pre-semester" activity for new students, is designed to familiarize them with the campus, the resources and activities available, and give them a head start at PSU.



Outstanding Faculty 2019 (1 to r): Dr. Eric Harris (Kelce College of Business, Dr. Gary Wilson (History, Philosophy, and Social Sciences) and Mr. Charlie Phillips (Technology and Workforce Learning).



Students from the Department of Communication and from Graphics and Imaging Technologies collectively won 10 gold, 23 silver, and two special judge's awards at the ADDY Awards in February, a gala event held at Downstream Casino.

Pittsburg State University Management's Discussion and Analysis For the Year Ended June 30, 2019

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, 2019 were \$237.9 million, an increase of \$3.9 million or 1.7% compared to \$234.0 million at June 30, 2018. Capital assets, net of depreciation, comprised 79.3%, or \$188.6 million of the total assets.

Total deferred outflows decreased \$0.6 million due to the pension contribution required by GASB Statement 68 and other post-employment benefits required by GASB Statement 75.

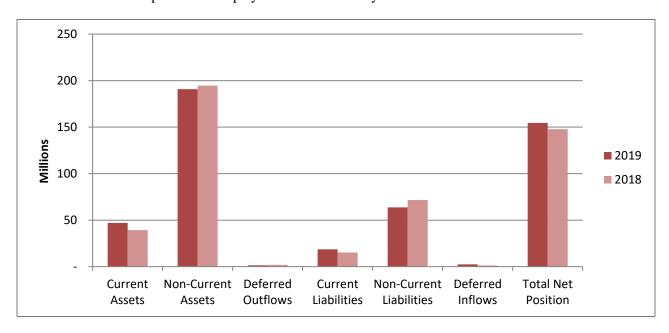
Total liabilities were \$82.3 million at June 30, 2019, a decrease of \$4.5 million or 5.2%, compared to \$86.8 million at June 30, 2018. Non-current liabilities comprised 77.3% or \$63.7 million of the liabilities.

Total deferred inflows increased \$1.2 million due to recording deferred pension contributions required by GASB Statement 68 and deferred other post-employment benefits required by GASB Statement 75.

Total net position at June 30, 2019 was \$154.5 million, a \$6.7 million increase from the prior year of \$147.8 million. The breakout of net position is shown below:

	June 30, 2019	June 30, 2018
Net investment in capital assets	\$137,914,030	\$136,824,135
Restricted net position	6,178,978	5,047,897
Unrestricted net position	10,394,659	5,950,309
Total net position	\$154,487,667	\$147,822,341

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 2019 and 2018.



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, 2019 increased by 4.7% over the previous fiscal year. The following is a brief summary of the significant changes:

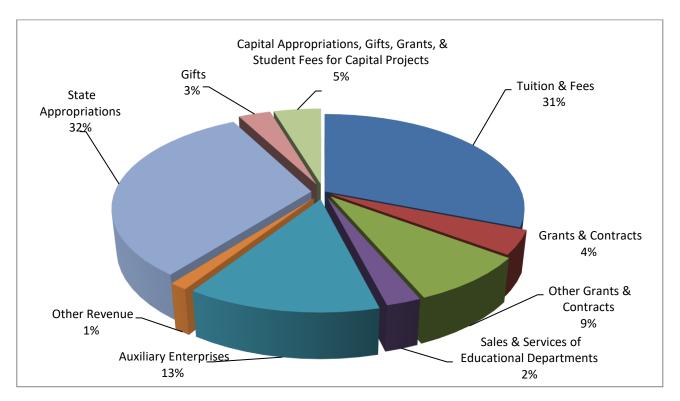
• Student tuition and fee revenues, after scholarship allowances, were \$34.6 million in 2019 compared to \$34.1 million in 2018, a net increase of 1.2%.

- Auxiliary enterprise revenues increased from \$14.6 million to \$14.7 million in 2019 due to an increase
 in Athletics Revenue. Auxiliary enterprises includes University Housing, Parking Services, Health
 Services, Student Center, Athletics, and Student Publications. Auxiliary enterprise revenues are 25.6%
 of total operating revenue.
- Grants and contracts, which includes Federal, State and local, and Nongovernmental grants and contracts, increased 56.9% or \$1.6 million, from \$3.0 million in 2018 to \$4.6 million in 2019. This increase is a result of research grant revenues and public service grant revenues associated to the Irene Ransom Bradley School of Nursing, Kansas Polymer Research Center and School of Construction.
- Other operating revenues increased from \$0.4 million in 2018 to \$0.7 million in 2019.

Total non-operating revenues (expenses) increased \$5.1 million from \$44.4 million to \$49.5 million. The following is a brief summary of the significant changes:

- State appropriations increased \$0.7 million from \$34.7 million to \$35.4 million.
- Gifts revenue decreased \$0.1 million from 2018 due to fluctuations in amounts received from the Pittsburg State University Foundation.
- Other grants and contracts revenue decreased \$0.6 million or 6.3% due to a decrease in Pell Grants, please see Note 15 Other Grants.
- Other non-operating expenses changed \$4.9 million in 2019 due to the closure of the Federal Perkins loan program in 2018, please see Note 4 Loans to Students. Effective October 1, 2017, the U.S. Department of Education did not renew the Federal Perkins loan program and required that the federal funds be remitted back to the Department of Education on an annual basis. In accordance with GASB Statement 33, the University recorded the Federal Capital Contribution (FCC) portion of the Federal Perkins loan program as an expense/liability of \$4.1 million in 2018. In 2019, the expense decreased \$0.7 million, adjusting the accrual to \$3.4 million.

Revenues for fiscal year 2019 are displayed in the following graph:

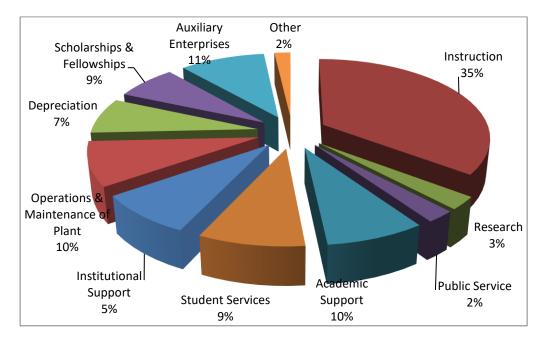


Expenses

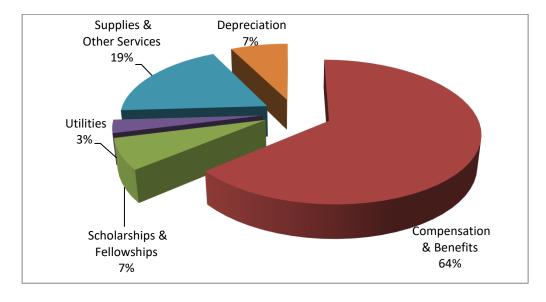
Operating expenses decreased \$1.2 million, from \$104.3 million for the 2018 fiscal year to \$103.1 million for the 2019 fiscal year. The following is a brief summary of the significant changes:

- Research expense increased \$0.7 million, or 32.6%, in 2019 because of additional clinical and nonclinical research done by the Irene Ransom Bradley School of Nursing, Kansas Polymer Research Center and School of Construction.
- Depreciation expense decreased \$0.7 million from 2018 to 2019.
- Operations and maintenance of plant decreased \$0.7 million, or 7.3%, compared to 2018. This decrease is primarily driven by a decrease in salaries and benefits as well as a decrease in utilities.
- Other expenses decreased from \$0.9 million in 2018 to \$0.3 million in 2019.

Expenses for fiscal year 2019 by functional classification are displayed in the following graph:



Expenses for fiscal year 2019 by natural classification are displayed in the following graph:



Extraordinary Items

The University did not have any special and extraordinary items in 2019.

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 and 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 \$3.5 and \$3.6 million in 2019 and 2018, respectively. Capital grants and gifts from the Foundation was approximately \$1.7 and \$1.9 million in 2019 and 2018. The Foundation's financial statements are included following the University's financial statements in this Annual Financial Report.

Net Position

Net position increased by \$6.7 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 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, 2019 and 2018:

	June 30, 2019			June 30, 2018
Net Cash provided (used) by:				
Operating activities	\$	(37,676,252)	\$	(39,881,033)
Non-capital financing activities		48,323,343		48,204,457
Capital and related financing activities		(3,944,949)		(4,206,730)
Investing activities		560,479		244,534
Net increase (decrease) in cash		7,262,621		4,361,228
Beginning cash and cash equivalent balances	_	36,314,123		31,952,895
Ending cash and cash equivalent balances	\$ _	43,576,744	\$ _	36,314,123

CAPITAL ASSETS

The University continued to invest in capital assets during the 2019 fiscal year. Additional detailed information regarding capital asset additions, retirements and depreciation is available in Note 6 to the financial statements.

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

- Kansas Technology Center Roof Replacement Phase II. This project was able to extend the service life of the existing roof. The project recovered the original modified bitumen roof and insulation system with TPO overlay. Construction began in June of 2019 and was completed in September of 2019. This project was funded with R&R funds.
- Kansas Technology Center Sealant project replaced original sealants in pre-cast concrete wall panels in preparation for roof project. This project was completed in August of 2019 and was funded with R&R funds.
- Elevator repairs took place in both Hughes Hall and the Kansas Technology Center. Labor and utilities
 were provided to replace jack assemblies in both elevators. Work was completed on both elevators in
 May of 2019. The project was funded with R&R funds.

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

- Axe Library Phase III Renovations will provide new windows, a new classroom and study areas on the lower level of Axe Library. Construction of Phase III began in July 2018. This project is funded with allocated R&R funds.
- Axe Library Phase IV will include renovations to the first floor, and is in design phase for summer/fall 2019 construction. This project will be funded with R&R funds.
- The main lecture hall in McPherson Hall was renovated with private funds to provide updated finishes and lighting and extensive technology updates. The work was completed in summer 2019.
- 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 2018. The project will be funded with both private and R&R funds. A construction schedule has not been determined.

DEBT ADMINISTRATION

At June 30, 2019, the University had \$49.4 million in debt outstanding compared to \$52.9 million at June 30, 2018. The University paid \$3.5 million in principal payments related to outstanding debt.

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 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 2019 were \$35.4 million, an increase of \$0.7 million over the prior year. State appropriations are expected to increase by approximately \$2 million in fiscal year 2020. In November 2019, the consensus revenue estimate for fiscal year 2020 State General Fund revenues for the State of Kansas was increased by \$220 million above the prior estimate.

The University's student tuition and fee revenue increased from \$34.1 million in fiscal year 2018 to \$34.6 million in fiscal year 2019 as a result of a modest 2.6% tuition increase effective for fiscal year 2019. Enrollment at Pittsburg State for the Fall 2019 semester increased by 20 students to 6,645. Full-time equivalent student count declined by 2.4% to 5,844. This was driven by higher enrollment in on-line, part-time programs. The University will not be increasing undergraduate tuition rates in fiscal year 2020. Instead, Pittsburg State will continue to focus on increasing recruitment and retention of both international and domestic students. These initiatives include an expansion of the "Gorilla Advantage" tuition program from its existing portions of Arkansas, Oklahoma and Missouri to include every county in those states effective Fall 2020. This extends the in-state tuition opportunity to far more students in the region.

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 For the Years Ended June 30, 2019 and 2018

ASSETS Current Assets Sacure Asset		2019	2018
Cash and cash equivalents \$ 32,446,681 \$ 27,806,631 Restricted cash and cash equivalents 11,130,063 8,507,492 Accounts receivable, net 1,852,286 1,746,975 Loans to students, net 821,954 398,138 Inventories 363,088 393,710 Prepaid expenses 466,972 487,585 Total current assets 47,081,024 39,340,531 Noncurrent Assets 2,285,211 3,410,231 Restricted investments 2,285,211 3,410,231 Capital assets, net 188,556,370 191,205,018 Total noncurrent assets 190,841,581 194,615,249 Total Assets 237,922,605 233,955,780 DEFERRED OUTFLOWS 1,288,778 1,867,494 Other Post-Employment Benefits 99,018 94,973 Total Deferred Outflows 1,387,796 1,962,467 LIABILITIES Current Liabilities 3,697,498 3,457,030 Unearmed revenue 6,848,298 4,944,103 Accounts payable - current portion 2,136,415 2,069,351 <td></td> <td></td> <td></td>			
Restricted cash and cash equivalents 11,130,063 8,507,492 Accounts receivable, net 1,852,286 1,746,975 Loans to students, net 821,954 398,138 Inventories 363,068 393,710 Prepaid expenses 466,972 487,585 Total current assets 47,081,024 39,340,531 Noncurrent Assets - - Restricted investments - - Loans to students, net 2,285,211 3,410,231 Capital assets, net 190,841,581 194,615,249 Total Assets 237,922,605 233,955,780 DEFERRED OUTFLOWS Pension Contributions 1,288,778 1,867,494 Other Post-Employment Benefits 99,018 94,973 Total Deferred Outflows 1,387,796 1,962,467 LIABILITIES Current Liabilities 3,697,498 3,457,030 Unearmed revenue 6,848,298 4,944,103 Accrued compensated absences - current portion 2,136,415 2,069,351 Revenue bonds payable - current portion			
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Pension Contributions 1,288,778 1,867,494 Other Post-Employment Benefits 99,018 94,973 Total Deferred Outflows 1,387,796 1,962,467 LIABILITIES Current Liabilities Accounts payable and accrued liabilities 3,697,498 3,457,030 Unearned revenue 6,848,298 4,944,103 Accrued compensated absences - current portion 2,136,415 2,069,351 Capital leases payable - current portion 229,593 230,245 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 776,230 832,823 Accruded compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766	DEFERDED OUTELOWS		
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Interest Description 1,387,796 1,962,467 LIABILITIES Current Liabilities 3,697,498 3,457,030 Accounts payable and accrued liabilities 6,848,298 4,944,103 Unearned revenue 6,848,298 4,944,103 Accrued compensated absences - current portion 2,136,415 2,069,351 Capital leases payable - current portion 3,572,855 3,480,590 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63		· · · · · · · · · · · · · · · · · · ·	
Current Liabilities	• •		
Current Liabilities 3,697,498 3,457,030 Accounts payable and accrued liabilities 3,697,498 3,457,030 Unearned revenue 6,848,298 4,944,103 Accrued compensated absences - current portion 2,136,415 2,069,351 Capital leases payable - current portion 229,593 230,245 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 82,327,945 86,817,487 DEFERRED INFLOWS 2,454,124 1,260,508	Total Deletted Outllows	1,367,790	1,902,407
Accounts payable and accrued liabilities 3,697,498 3,457,030 Unearned revenue 6,848,298 4,944,103 Accrued compensated absences - current portion 2,136,415 2,069,351 Capital leases payable - current portion 229,593 230,245 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 82,327,945 86,817,487 DEFERRED INFLOWS 2,454,124 1,260,508 Deferred Pension Inflows 2,454,124 1,260,508			
Unearned revenue 6,848,298 4,944,103 Accrued compensated absences - current portion 2,136,415 2,069,351 Capital leases payable - current portion 229,593 230,245 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Accrued compensated absences - current portion 2,136,415 2,069,351 Capital leases payable - current portion 229,593 230,245 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Capital leases payable - current portion 229,593 230,245 Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Revenue bonds payable - current portion 3,572,855 3,480,590 Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Other postemployment healthcare benefits 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Deposits held in custody for others 450,796 433,618 Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Other postemployment healthcare benefits 776,230 832,823 Accrued compensated absences 490,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Other current liabilities (Perkins FCC) 1,725,281 552,544 Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Other postemployment healthcare benefits 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS 2,454,124 1,260,508 Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Total current liabilities 18,660,736 15,167,481 Noncurrent Liabilities 776,230 832,823 Other postemployment healthcare benefits 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS 2,454,124 1,260,508 Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Noncurrent Liabilities 776,230 832,823 Other postemployment healthcare benefits 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911	,		
Other postemployment healthcare benefits 776,230 832,823 Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911	Total current liabilities	18,660,736	15,167,481
Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911	Noncurrent Liabilities		
Accrued compensated absences 496,172 396,584 Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911	Other postemployment healthcare benefits	776,230	832,823
Capital leases payable 481,979 711,572 Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911		496,172	396,584
Revenue bonds payable 45,814,645 49,387,500 Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Pension Liability 14,392,256 16,731,761 Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
Other noncurrent liabilities (Perkins FCC) 1,705,927 3,589,766 Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911	· ·	14,392,256	16,731,761
Total noncurrent liabilities 63,667,209 71,650,006 Total Liabilities 82,327,945 86,817,487 DEFERRED INFLOWS Deferred Pension Inflows 2,454,124 1,260,508 Deferred Other Post-Employment Benefits Inflows 40,665 17,911			
DEFERRED INFLOWSDeferred Pension Inflows2,454,1241,260,508Deferred Other Post-Employment Benefits Inflows40,66517,911	· · · · · · · · · · · · · · · · · · ·		
Deferred Pension Inflows2,454,1241,260,508Deferred Other Post-Employment Benefits Inflows40,66517,911	Total Liabilities	82,327,945	86,817,487
Deferred Pension Inflows2,454,1241,260,508Deferred Other Post-Employment Benefits Inflows40,66517,911	DEFERRED INFLOWS		
Deferred Other Post-Employment Benefits Inflows 40,665 17,911		2,454,124	1,260,508

Pittsburg State University Statement of Net Position For the Years Ended June 30, 2019 and 2018

	2019	2018
NET POSITION		
Net investment in capital assets	137,914,030	136,824,135
Restricted for		
Expendable		
Scholarships and fellowships	-	-
Research	207,500	(505,835)
Instructional department uses	(17,736)	11,919
Loans	808,471	141,402
Capital projects	730,253	954,860
Debt services	4,595,169	4,442,265
Other	(144,679)	3,286
Unrestricted	10,394,659	5,950,309
Total Net Position	\$ 154,487,667	\$ 147,822,341

See accompanying notes to financial statements

Pittsburg State University Statement of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES		
Tuition and fees (net of scholarship allowances of \$8,758,517		
and \$9,388,601 in 2019 and 2018 respectively)	\$ 34,553,763	\$ 34,138,231
Federal grants and contracts	2,553,005	1,702,982
State and local grants and contracts	865,833	363,609
Nongovernmental grants and contracts	1,226,312	893,175
Sales and services of educational departments	2,652,435	2,565,127
Auxiliary enterprises:		
Housing	7,816,931	8,259,141
Parking	617,549	655,977
Health Services	1,319,849	1,405,233
Student center	1,345,436	1,336,363
Athletics	3,450,472	2,827,274
Student Publications	122,660	132,061
Interest earned on loans to students	76,293	83,095
Other operating revenues	738,092	401,339
Total operating revenues	57,338,630	54,763,607
OPERATING EXPENSES Educational and General		
Instruction	36,948,455	37,102,642
Research	2,744,132	2,070,206
Public Service	2,484,572	1,890,011
Academic support	8,474,891	8,464,993
Student services	9,042,949	9,606,389
Institutional support	8,667,183	8,635,222
Operations and maintenance of plant	9,384,413	10,125,012
Depreciation	7,616,272	8,358,008
Scholarships and fellowships	7,297,072	6,892,983
Auxiliary enterprises:		
Housing	4,854,754	4,988,206
Parking	93,458	137,465
Health Services	1,420,763	1,416,420
Student center	1,221,421	1,164,169
Athletics	2,441,015	2,526,684
Student Publications	86,080	87,416
Other	332,297	877,310
Total operating expenses	103,109,727	104,343,136
Operating Income (Loss)	(45,771,097)	(49,579,529)

Pittsburg State University Statement of Revenues, Expenses, and Changes in Net Position For the Years Ended June 30, 2019 and 2018

	2019	2018
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	35,437,202	34,699,809
Gifts	3,483,761	3,567,728
Investment income	560,479	244,534
Student fees for capital projects	2,157,662	2,307,760
Other grants and contracts	9,385,203	10,012,134
Other non-operating revenues	33,570	70,194
Interest expense	(2,288,791)	(2,386,749)
Other non-operating expenses	711,102	(4,142,310)
Net non-operating revenues (expenses)	49,480,188	44,373,100
Income before other revenues, expenses, gains,		
or losses	3,709,091	(5,206,429)
Capital appropriations	1,264,454	854,597
Capital grants and gifts	1,691,781	1,936,786
	2,956,235	2,791,383
Increase In Net Position	6,665,326	(2,415,046)
Net position - beginning of year	147,822,341	150,237,387
Net position - end of year	\$ 154,487,667 \$	147,822,341

See accompanying notes to financial statements

Pittsburg State University Statement of Cash Flows For the Years Ended June 30, 2019 and 2018

2019		2018		
CASH FLOWS FROM OPERATING ACTIVITIES				
Tuition and fees	\$	41,173,364	\$	42,082,248
Sales and services of educational activities		2,652,864		2,546,215
Auxiliary enterprises:				
Housing		2,916,441		3,115,968
Parking		530,894		502,967
Health Services		(102,415)		(13,407)
Student Center		95,701		133,445
Athletics		(14,740)		(23,130)
Student Publications		37,316		45,093
Grants and contracts		4,659,013		3,153,517
Payments to suppliers		(14,814,523)		(14,213,803)
Payments to utilities		(2,157,744)		(2,249,894)
Compensation & benefits		(61,154,172)		(61,804,781)
Payments for scholarships and fellowships		(12,748,163)		(12,825,018)
State Appropriations Receivable		(82,029)		(133,715)
Loans issued to students and employees		(35,962)		(566,297)
Collections on loans issued to students and employees		677,915		791,012
Other receipts (payments)		689,988		(421,453)
Net Cash Flows from Operating Activities		(37,676,252)		(39,881,033)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State appropriations		35,437,202		34,699,809
Noncapital debt proceeds		-		-
Noncapital debt payments		-		-
Gifts		3,483,761		3,567,728
Federal family education loan receipts		28,484,347		28,493,625
Federal family education loan disbursements		(28,484,347)		(28,493,625)
Student organization agency transactions		17,177		(75,214)
Non-operating grants and contracts		9,385,203		10,012,134
Net Cash Flows from Noncapital Financing Activities		48,323,343		48,204,457
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Proceeds from capital debt		-		-
Capital appropriations		1,264,454		854,597
Capital Grants and gifts		1,691,781		1,936,786
Student fees for capital projects		2,157,662		2,307,760
Purchases of capital assets		(4,933,196)		(4,803,783)
Principal paid on capital debt and leases		(3,677,265)		(3,838,161)
Interest paid on capital debt and leases		(2,288,791)		(2,386,749)
Disposal of asset		32,968		4,836
Other		1,807,438		1,717,984
Net Cash Flows from Capital Financing Activities		(3,944,949)		(4,206,730)

Pittsburg State University Statement of Cash Flows For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	-
Investment income	560,479	244,534
Purchase of investments		
Net Cash Flows from Investing Activities	560,479	244,534
Net change in cash and cash equivalents	7,262,621	4,361,228
Cash and cash equivalents-beginning of year Cash and cash equivalents-end of year	36,314,123 \$ 43,576,744	31,952,895 \$ 36,314,123
RECONCILIATION		
Operating income (loss)	\$ (45,771,097)	\$ (49,579,529)
Adjustments to reconcile operating income (loss) to net cash		
provided (used) by operating activities:		
Depreciation expense	7,616,272	8,358,008
Changes in assets and liabilities:	(105 211)	26 607
Accounts receivable, net Loans to students, net	(105,311) 701.204	36,697 252,726
Inventories	30,642	(57,250)
Prepaid expenses	20,613	21,099
Accounts payable and accrued liabilities	(1,634,365)	(1,402,316)
Deferred revenue	1,904,195	2,371,030
Accrued compensated absences	166,652	(219,524)
Accrued other post-employment healthcare benefits	(37,884)	(121,399)
Accrued pension liability	(567,173)	459,425
Net cash used in operating activities	\$ (37,676,252)	\$ (39,881,033)

See accompanying notes to financial statements

Pittsburg State University Component Unit Financial Statements For Fiscal Year Ended June 30, 2019 and 2018

Pittsburg State University Foundation, Inc.

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

Pittsburg State University Alumni Association

- Statement of Financial Position
- Statement of Activities

Pittsburg State University Foundation, Inc. Annual Financial Report Statement of Financial Position

Years Ended June 30, 2019 and 2018

	June 30,		
	2018	2018	
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,514,622.15	\$ 2,168,143.39	
Interest receivable	44,111.31	40,407.70	
Student loans receivable	534.00	3,634.00	
Allowance for doubtful loan accounts	(534.00)	(534.00)	
Contributions receivable	12,044,564.42	9,998,051.69	
Note receivable	2,500,000.00	1,250,000.00	
Specific investments	161,563.26	161,537.58	
Pooled investments	83,736,008.38	79,341,659.41	
Beneficial interest trusts held by others	3,717,315.07	3,708,283.08	
Fixed assets - net of depreciation	1,141,980.97	1,155,136.29	
Advances for loan matching	143,823.57_	143,823.57	
Total Assets	\$ 105,003,989.13	\$ 97,970,142.71	
<u>Liabilities and Net Assets</u> Current Liabilities			
Accounts payable	\$ 1,561,083.68	\$ 366,398.68	
Interest payable	29,183.71	22,708.28	
Annuity liabilities	205,252.00	215,592.00	
Total Current Liabilities	1,795,519.39	604,698.96	
Long-Term Liabilities			
Notes payable	7,695,160.61	6,208,092.75	
Total Liabilities	9,490,680.00	6,812,791.71	
Net Assets			
Without donor restrictions	30,731,222.10	29,343,864.81	
With donor restrictions	64,782,087.03	61,813,486.19	
Total Net Assets	95,513,309.13	91,157,351.00	
Total Liabilities and Net Assets	\$ 105,003,989.13	\$ 97,970,142.71	

Pittsburg State University Foundation, Inc. Annual Financial Report Statement of Activities

Year Ended June 30, 2019 with Comparative Totals for 2018

	Without Donor Restrictions	With Donor Restrictions	2019 Totals	2018 Totals
Revenues, gains and other support	Ф 0.404.000.40	ф 2 202 020 0 7	Ф 44 GO2 OE2 2E	Ф 0.600.34E.04
Contributions Investment Income	\$ 8,401,022.48 1,546,414.25	\$ 3,282,030.87	\$ 11,683,053.35 1,546,414.25	\$ 8,629,315.94 1,329,356.45
Net realized gain (loss) on investments	2,246,421.50	-	2,246,421.50	7,110,884.08
Net unrealized gain (loss) on investments reported at	2,240,421.30	-	2,240,421.30	7,110,004.00
fair value	(33,281.34)	_	(33,281.34)	(4,195,946.03)
Change in value of beneficial interest trusts held by others	-	9,031.99	9,031.99	202,666.12
Interest and service charges on student loans	-	-	-	20.00
Recover expenditures	-	226.99	226.99	541.28
Other miscellaneous revenue	309,484.73	3,000.00	312,484.73	1,117,827.89
Net assets released from restrictions	325,689.01	(325,689.01)		
Total Revenues, Gains and Other Support	12,795,750.63	2,968,600.84	15,764,351.47	14,194,665.73
Expenses Program services				
Student Support	0.040.045.00		0.040.045.00	0.004.404.00
Scholarships, grants & awards Other University Support	2,919,315.92	-	2,919,315.92	3,601,491.06
Marketing	5,000.00		5,000.00	9,200.25
Classroom instruction aids & other University expenses	1,910,679.80	<u>-</u>	1,910,679.80	1,864,517.47
Faculty/professional development	157,573.68	_	157,573.68	153,432.14
Contributions receivable bad debt	-	- -	-	25,000.00
Student loan collection expense	55.95	_	55.95	5.52
Other special University projects	5,343,455.77	-	5,343,455.77	1,036,337.70
Total Program Services	10,336,081.12	-	10,336,081.12	6,689,984.14
Support services	444.005.00		444.005.00	400.050.07
Salaries	441,005.69	-	441,005.69	402,250.97
Promotion Auditing & accounting	11,351.50 29,736.50	-	11,351.50 29,736.50	9,854.10 23,423.00
Equipment, service contracts and repairs	39,984.13	_	39,984.13	39,151.33
Postage	24,914.97	- -	24,914.97	29,503.10
Insurance	19,418.22	_	19,418.22	19,635.72
Repairs and maintenance of buildings and grounds	26,637.97	_	26,637.97	27,177.32
Publications	31,418.31	_	31,418.31	34,098.08
Planned Giving	10,802.65	_	10,802.65	9,024.57
Telephone	7,666.18	_	7,666.18	7,826.50
Utilities	12,501.31	_	12,501.31	12,507.15
	58,332.03	-	58,332.03	62,645.48
Depreciation		-	186,762.13	
General operating Alumni activities	186,762.13	-	•	199,075.38
	122,487.38	-	122,487.38	98,050.09
Travel	37,751.42	-	37,751.42	32,310.36
Miscellaneous	11,541.83		11,541.83	16,456.17
Total Support Services	1,072,312.22		1,072,312.22	1,022,989.32
Total Expenses	11,408,393.34		11,408,393.34	7,712,973.46
Change in Net Assets	1,387,357.29	2,968,600.84	4,355,958.13	6,481,692.27
Net Assets, Beginning of Year	29,343,864.81	61,813,486.19	91,157,351.00	84,675,658.73
Net Assets, End of Year	\$ 30,731,222.10	\$ 64,782,087.03	\$ 95,513,309.13	\$ 91,157,351.00

Pittsburg State University Foundation, Inc. Annual Financial Report Statement of Cash Flows

Years Ended June 30, 2019 and 2018

	June 30,						
		2019		2018			
Cash Flows from Operating Activities:							
Increase (decrease) in net assets	\$	4,355,958	\$	6,481,692			
Adjustments to reconcile change in net assets to net cash provided by:							
Depreciation		58,332		62,645			
Realized (gain) loss on sales of investments		(2,246,422)		(7,110,884)			
Unrealized (gain) loss on investments		33,281		4,195,946			
Change in beneficial interest trusts held by others		(9,032)		(202,666)			
(Increase) decrease in:		,					
Interest receivable		(3,703)		(12,206)			
Student loans receivable		3,100		(3,100)			
Contributions receivable		(2,046,512)		(137,491)			
Note receivable		(1,250,000)		-			
Increase (decrease) in:		,					
Accounts payable		1,194,684		(1,454,074)			
Interest payable		6,476		450			
Agency liabilities		-		-			
Present value of annuities		(10,340)		(34,995)			
Net Cash Provided (Used) by Operating Activities		85,822		1,785,317			
Cash Flows from Investing Activities:							
Purchases of fixed assets		(45,177)		(32,488)			
Proceeds from sales of investments		9,586,141		31,189,310			
Purchases of investments		(11,767,375)		(31,740,315)			
Net Cash Provided (Used) by Investing Activities		(2,226,411)		(583,493)			
Cash Flows from Financing Activities:							
Loan proceeds		1,885,928		1,132,000			
Principal payments on loan		(398,860)		(954,642)			
Net Cash Provided (Used) by Financing Activities		1,487,068		177,358			
Net Increase(Decrease) in Cash and Cash Equivalents		(653,521)		1,379,182			
Cash and Cash Equivalents, Beginning of Year		2,168,143		788,961			
Cash and Cash Equivalents, End of Year	\$	1,514,622	\$	2,168,143			
Supplemental Disclosure of Cash Flow Information							
Cash paid for interest on note payable	\$	343,657	\$	287,364			

Pittsburg State University Alumni Association

Statement of Financial Position June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents - held by Pittsburg State University	\$ 121,036	\$ 115,155
Cash and cash equivalents - held by Pittsburg State University Foundation, Inc.	 806,328	 720,766
Total Current Assets	927,364	835,921
Total Assets	\$ 927,364	\$ 835,921
Net Assets		
Unrestricted	\$ 927,364	\$ 835,921
Total Net Assets	\$ 927,364	\$ 835,921

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, 2019 and 2018

Julie 30, 2013 and 2016	2019	2018
Operating Revenues:		
University Support	\$ 195,140	\$ 195,248
Foundation Support	35,000	35,000
Royalties	68,312	61,092
License Plate Royalty and Admin Fee	94,490	87,092
Champions Plaza Apparel	_	-
Gorilla Fest	9,925	10,525
Homecoming Events	3,037	-
Family Events	1,762	_
Gorilla Gatherings	23,526	19,276
Reunions	3,723	8,112
Student Programs	-	-
Steak Fry	2,050	2,250
Other Revenues	93	21
Total Operating Revenues	 437,057	 418,616
Total operating nevenues	 437,037	 410,010
Operating Expenses:		
Salaries and Wages	205,395	208,162
General Administrative	15,020	12,535
Alumni Legacy Scholarship	62,075	40,150
Gorilla License Plate Program	12,690	9,292
Gorilla Fest	6,337	8,694
Homecoming Events	5,159	-
Family Events	2,402	983
Gorilla Events	46,957	33,995
Reunions	12,374	17,404
PSU Magazine Advertising	7,510	6,528
Giveaways	9,248	7,489
Benchmark	2,300	2,120
Skybox Expense	1,593	2,500
Campus Relations	1,548	1,637
Association Board	904	1,790
Student Programs	_	2,408
Gorilla Generations	219	-
Out of the Jungle	4,140	_
Steak Fry	2,316	2,505
Awards	13,718	10,683
Other Operating Expenses	-	-
Total Operating Expenses	 411,905	 368,875
Total operating Expenses	 411,303	 300,073
Operating Income (Loss)	25,152	49,741
Nonoperating Revenues (Expenses)		
Donations	3,097	1,048
Endowment Earnings from Investments held by PSU Foundation, Inc.	63,194	27,410
Net Nonoperating Revenues (Expenses)	66,291	28,458
Increase (decrease) in Net Assets	91,442	78,199
Net Assets:		
Beginning	 835,921	 757,722
Ending	\$ 927,363	\$ 835,921



A collaborative project by a team of PSU Mechanical and Manufacturing Engineering Technology students and Live Well Crawford County produced a bike for people with mobility challenges. Called a pedicab, it can accommodate a wheelchair.



The 2018 Homecoming Queen and King, Desirae Hunt (Kansas City) and Parker Welbourn (Wichita).



Bass player Joe Pauli (Olathe) and trombonist Garrett Manasco (Republic, Mo.) perform as part of the PSU Jazz Combo at a celebration marking the completion of the rehearsal hall in the Bicknell Family Center for the Arts, which has seen daily use by instrumental and vocal groups. Private donors contributed \$1 million to complete it.

NOTE 1 – Summary of Significant Accounting Policies

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

In preparing financial statements in conformity with generally accepted accounting principles (GAAP), management is required to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Organization. Pittsburg State University (PSU or University) is a regional, comprehensive, four-year state university serving the residents of Kansas and the four-state region of Kansas, Missouri, Oklahoma, and Arkansas. The University has an enrollment of approximately 6,600 students, and students may choose from more than 100 undergraduate and graduate programs within the College of Education, the College of Business, the College of Technology and the College of Arts and Sciences. The University is accredited by the Higher Learning Commission. The University is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the financial report of the State of Kansas.

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

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

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

Investments. The University accounts for its investments at fair value using the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

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

Inventories. Inventories are carried at cost.

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

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

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

Unearned Revenues. Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also 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.

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

Deferred Inflows/Outflows. In accordance with GASB 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.

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.

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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.

Reclassifications. Certain reclassifications have been made to the 2018 financial statements to conform to the current year's presentation. The effects of these reclassifications are discussed in Note 18.

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, 2019 and 2018 were \$43,576,744 and \$36,314,123 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, 2019 and 2018 were \$0.

NOTE 3 - Accounts Receivable

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

		2019		2018			
Tuition and Fees	\$	802,426	\$	772,362			
Auxiliary enterprises		94,824		77,449			
Grants & Contracts		498,124		512,973			
State Appropriations		456,103		374,074			
Other	_	809	_	10,117			
Total	\$	1,852,286	\$	1,746,975			

NOTE 4 - Loans to Students

All of the loans to students at June 30, 2019 and 2018 were made through the Federal Perkins Loan and Nursing Student Loan Programs. 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. The Department of Education began collecting the FCC, effective Fiscal Year 2019. Pursuant to GASB Accounting Standards, the FCC portion of the Federal Perkins Loan Fund must now be recorded as an expense/liability rather than restricted net position, as it is now probable that these funds will be returned to the federal government. The University's total liability reduced \$711,102 in 2019, from \$4,142,310 in 2018 to \$3,431,208 in 2019, of which \$1,705,927 is a non-current liability.

The Federal 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 2019 and 2018, 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, 2019 and 2018, the allowance for uncollectible loans was estimated to be \$861,039 and \$786,746, respectively.

NOTE 5 - Inventories

Inventories consisted of the following at June 30:

	 2019	 2018
Physical Plant	\$ 210,408	\$ 244,715
Housing	 152,660	 148,995
Total	\$ 363,068	\$ 393,710

NOTE 6 - Capital Assets

Capital asset activity for the year ended June 30, 2019 follows:

	2019									
		Beginning Balance		Additions		Retirements		Ending Balance		
Non-depreciable capital assets		_		_				_		
Land	\$	6,643,416	\$	-	\$	-	\$	6,643,416		
Construction in progress		1,528,631		2,487,338		371,625		3,644,344		
Works of art		1,018,643		-		-		1,018,643		
Total non-depreciable capital assets		9,190,690		2,487,338		371,625		11,306,403		
Depreciable capital assets										
Land improvements		7,821,782		-		-		7,821,782		
Buildings & Improvements		256,784,801		1,163,426		-		257,948,227		
Equipment & Furnishings		22,343,432		1,166,054		138,661		23,370,825		
Vehicles		2,511,313		194,855		14,500		2,691,668		
Software		3,040,001		360,544				3,400,545		
Total depreciable capital assets		292,501,329		2,884,879		153,161		295,233,047		
Total capital asset cost		301,692,019		5,372,217		524,786		306,539,450		
Accumulated depreciation										
Land improvements		4,241,341		263,059		-		4,504,400		
Buildings & Improvements		83,682,128		6,021,110		-		89,703,238		
Equipment & Furnishings		18,118,756		1,059,432		105,693		19,072,495		
Vehicles		2,328,922		119,759		14,500		2,434,181		
Software		2,115,854		152,912		-		2,268,766		
Total accumulated depreciation		110,487,001		7,616,272		120,193		117,983,080		
Capital assets, net	\$	191,205,018	\$	(2,244,055)	\$	404,593	\$	188,556,370		

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

	2018								
		Beginning Balance		Additions	Retirements			Ending Balance	
Non-depreciable capital assets		_						_	
Land	\$	6,786,913	\$	-	\$	143,497	\$	6,643,416	
Construction in progress		3,011,843		3,185,057		4,668,269		1,528,631	
Works of art		1,008,347		10,296		-		1,018,643	
Total non-depreciable capital assets		10,807,103		3,195,353		4,811,766		9,190,690	
Depreciable capital assets									
Land improvements		7,767,945		53,837		-		7,821,782	
Buildings & Improvements		251,917,726		4,867,075		-		256,784,801	
Equipment & Furnishings		21,078,894		1,491,898		227,360		22,343,432	
Vehicles		2,457,313		54,000		-		2,511,313	
Software		2,961,747		78,254		-		3,040,001	
Total depreciable capital assets		286,183,625		6,545,064		227,360		292,501,329	
Total capital asset cost		296,990,728		9,740,417		5,039,126		301,692,019	
Accumulated depreciation									
Land improvements		3,984,182		257,159		-		4,241,341	
Buildings & Improvements		76,917,568		6,764,560		-		83,682,128	
Equipment & Furnishings		17,346,864		994,416		222,524		18,118,756	
Vehicles		2,212,008		116,914		-		2,328,922	
Software		1,890,895		224,959		-		2,115,854	
Total accumulated depreciation		102,351,517		8,358,008		222,524		110,487,001	

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.

\$

1,382,409

4,816,602

194,639,211

NOTE 7 - Unearned Revenue

Capital assets, net

Unearned revenues consisted of the following at June 30:

	 2019	 2018
Tuition and fees	\$ 1,886,974	\$ 1,808,943
Auxiliary enterprises	104,625	112,621
Grants and contracts	487,236	488,222
Capital appropriations	 4,369,463	 2,534,317
Total	\$ 6,848,298	\$ 4,944,103

191,205,018

NOTE 8 - Changes in Non-Current Liabilities

Non-current liability activity for the year ended June 30, 2019 and June 30, 2018 was as follows:

2019

	 Beginning Balance	 Additions	F	Reductions	 Ending Balance	 Current Portion	 lon-Current Portion
Other postemployment benefits	\$ 832,823	\$ -	\$	56,593	\$ 776,230	\$ -	\$ 776,230
Accrued compensated absences	2,465,935	166,652		-	2,632,587	2,136,415	496,172
Capital leases payable	941,817	-		230,245	711,572	229,593	481,979
Revenue bonds payable	52,512,908	=		3,447,020	49,065,888	3,540,811	45,525,077
Unamortized bond premiums	355,182	=		33,570	321,612	32,044	289,568
Pension liability	16,731,761	=		2,339,505	14,392,256	-	14,392,256
Other non-current liabilities	4,142,310	 =		711,102	3,431,208	 1,725,281	1,705,927
Total liabilities	\$ 77,982,736	\$ 166,652	\$	6,818,035	\$ 71,331,353	\$ 7,664,144	\$ 63,667,209

2018

	Beginning Balance	 Additions	F	Reductions	 Ending Balance	 Current Portion	N	lon-Current Portion
Other postemployment benefits	\$ 877,161	\$ -	\$	44,338	\$ 832,823	\$ -	\$	832,823
Accrued compensated absences	2,685,458	-		219,523	2,465,935	2,069,351		396,584
Capital leases payable	1,153,014	13,710		224,907	941,817	230,245		711,572
Revenue bonds payable	56,126,162	-		3,613,254	52,512,908	3,447,020		49,065,888
Unamortized bond premiums	425,377	-		70,195	355,182	33,570		321,612
Pension liability	17,046,239	-		314,478	16,731,761	-		16,731,761
Other non-current liabilities	-	4,142,310		-	4,142,310	552,544		3,589,766
Total liabilities	\$ 78,313,411	\$ 4,156,020	\$	4,486,695	\$ 77,982,736	\$ 6,332,730	\$	71,650,006

NOTE 9 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:	Principal Outstanding at 6/30/19
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.	\$ 756,841
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 with a final maturity on 10/1/2021. Interest rate at 1.04% payable semi-annually.	1,234,047
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	29,440,000

final maturity on 10/1/2034. Interest ranging from 3.0% to 4.25% payable semi-annually.

Kansas Development Finance Authority Revenue Bonds – Series D, 2011 (The Board of Regents - Pittsburg State University Refinance & New Energy Conservation) \$9,465,000 - Due in annual installments of \$435,000 to \$895,000. Issued 4/14/2011 with a final maturity on 4/1/2024. Interest ranging from 2.0% to 4.4% payable semi-annually.	3,130,000
Kansas Development Finance Authority Revenue Bonds – Series H-1 & H-2, 2009 (The Board of Regents – Pittsburg State University Housing System Improvement Project) \$14,630,000 - Due in annual installments of \$380,000 to \$975,000. Issued 6/17/09 with a final maturity on 10/1/2034. Interest ranging from 2.5% to 7.3% payable semi-annually.	11,255,000
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.	325,000
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.	2,925,000

NOTE 10 - Revenue Bonds Maturity Schedule

Total Revenue Bonds Payable

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2019 are as follows:

Year Ending June 30:	Principal	Interest	_	Total
2020	\$ 3,540,811	\$ 2,138,545	\$	5,679,356
2021	3,534,627	2,013,702		5,548,329
2022	3,653,472	1,883,277		5,536,749
2023-2027	14,321,978	7,522,140		21,844,118
2028-2032	14,835,000	4,179,203		19,014,203
2033-2035	9,180,000	692,460		9,872,460
Total	\$ 49,065,888	\$ 18,429,327	\$	67,495,215

NOTE 11 - Capital 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 \$711,572 and \$941,817 as of June 30, 2019 and 2018, respectively. Payments to liquidate these obligations as of June 30, 2019 are scheduled as follows:

Year Ending June 30:	Total
2020	\$ 229,593
2021	223,586
2022	198,624
2023 and thereafter	59,769
Total	\$ 711,572

\$49,065,888

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, 2019 and 2018 is \$395,496 and \$499,169.

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, 2019, 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 \$3,158,124 and \$3,147,083 during fiscal years 2019 and 2018, respectively, and individual employees contributed \$2,014,230 and \$2,003,841.

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 \$1,144,171 and \$1,156,559 during fiscal years 2019 and 2018, respectively, and individual employees contributed \$519,568 and \$575,294. 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 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.

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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 0.85% contribution rate for the Death and Disability Program) was 9.62% and the statutory contribution rate was 12.01%. The University contributed \$1,235,247 and \$1,156,559 to the pension plan during fiscal years 2019 and 2018, respectively.

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

At June 30, 2019, the University reported a liability of \$14,392,256 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At the June 30, 2018 measurement date, PSU's State Employer proportion was 0.202% which was a decrease of 0.029% from its proportion measured as of June 30, 2017. At June 30, 2018 PSU's Kansas Police & Fire Group proportion was 0.126%, which was a decrease of 0.006% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the University recognized pension expense of \$831,108. The following sources were used to report deferred outflows of resources and deferred inflows of resources related to pensions.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience Net difference between projected and actual earnings on	\$ 74,241	\$ 577,639
pension plan investments	257,658	-
Changes in proportion	397,050	1,861,747
Changes of assumption	559,829	14,738
Total	\$ 1,288,778	\$ 2,454,124

The amount of \$1,288,778 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, 2019. The following table provides the combined deferred outflows/(inflows), as of June 30, 2019, that will be recognized in pension expense in future years:

Year ended June 30:								
2020	\$	20,506						
2021		(115,355)						
2022		(591,339)						
2023		(389,681)						
2023		(89,478)						
Thereafter		· -						
Total	\$	(1,165,347)						

Actuarial Assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined 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	7.75 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 actuarial assumption used in the December 31, 2017, valuation was based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

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

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

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

Asset class	Long-term target allocation		Long-term expected real rate of return	
Global Equity	47.00	%	6.85	%
Fixed Income	13.00		1.25	
Yield driven	8.00		6.55	
Real return	11.00		1.71	
Real estate	11.00		5.05	
Alternatives	8.00		9.85	
Short-term investments	2.00		(0.25)	
	100.00			

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2018 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.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

Sensitivity of Pittsburg State University's proportionate share of the net pension liability to changes in the discount rate. The following presents PSU's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what PSU's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PSU's proportionate share of the net pension liability	\$ 19,477,858	\$ 14,392,256	\$ 10,095,070

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

NOTE 14 – Other Postemployment Healthcare Benefits

Description. 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	June 30, 2018	June 30, 2019
Measurement Date	June 30, 2017	June 30, 2018
Disability Income	\$ 691,139	637,311
Life Waiver	141,684	138,919
Total OPEB Liability	832,823	776,230
Covered Payroll	9,836,104	9,484,031
Total OPEB Liability as a % of covered payroll	8.47%	8.18%

The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, calculated based on the discount rate and actuarial assumptions below, and was rolled forward to the measurement date as of June 30, 2018. Any significant changes during this period have been reflected as prescribed by GASB Statement 75.

Discount rate. The discount rate used was 2.58% and 3.58% for June 30, 2017 and June 30, 2018 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, 2017 and June 30, 2018 were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

The following table summarizes the key actuarial assumptions:

Price inflation 2.75% Payroll growth 3.00%

Salary increases, including inflation 3.50% to 10%, including price inflation

Discount rate 3.87%

Changes in Total OPEB Liability	
Balance as of June 30, 2018	\$ 832,823
Changes for the year:	
Service cost	40,587
Interest on total OPEB Liability	29,511
Effect of plan changes	0
Effect of economic/demographic gains or losses	(21,007)
Effect of assumption changes or inputs (Discount	(6,666)
rate change from 3.58% to 3.87%)	
Benefit payments	 (99,018)
Balance as of June 30, 2019	\$ 776,230

Sensitivity Analysis. The following represents the total OPEB liability of PSU, calculated using the discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87%) or 1 percentage point higher (4.87%) than the current rate.

	 1% Decrease (2.87%)	Current Discount Rate (3.87%)		1% Increase (4.87%)	_
Total OPEB liability	\$ 799,051	\$ 776,230	\$	753,359	

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.

	1	1% Decrease	Current Trend Rate		1% Increase	
Total OPEB liability	\$	776,230	\$ 776,230	\$	776,230	

Deferred Inflows/Outflows. For the year ended June 30, 2019, the PSU recognized OPEB expense of \$65,179. At June 30, 2019, PSU reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>De</u>	eferred Inflows	<u>Deferred Outflows</u>
		of Resources	of Resources
Difference between expected and actual experience	\$	(18,839)	\$ -
Changes of assumption		(21,826)	-
Total	\$	(40,665)	\$ -

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:					
2020	\$	(4,919)			
2021		(4,919)			
2022		(4,919)			
2023		(4,919)			
2024		(4,919)			
Thereafter*		(16,070)			
Total	\$	(40,665)			

 $^{^{\}star}\text{Additional}$ future deferred inflows and outflows may impact these numbers.

NOTE 15 – 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, 2019 and 2018 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:

	2019	2018	
Pell Grants	\$ 8,298,570	\$ 8,927,128	
Regents Supplemental Grants	638,706	670,614	
SEOG Grants	178,945	178,945	
Teach Grants	109,500	138,821	
Other Grants	159,482	96,626	
Total	\$ 9,385,203	\$ 10,012,134	

NOTE 16 - Commitments and Contingent Liabilities

At June 30, 2019 and 2018 the University had outstanding commitments under construction contracts totaling \$7,535 and \$1,632,838, 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, 2019.

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.

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. Construction of the Block 22 project, which was completed by an independent developer, first focused on student housing and was complete for the Fall 2018 semester. The remaining innovation and retail space was completed in phases in the fall of 2018 and the spring of 2019. 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, a makerspace, business incubator, co-working area, and event, education and retail space. The lease is for 18 years with annual lease payments of \$565,000.

NOTE 17 – Natural Classification with Functional Classifications

The University's operating expenses by functional and natural classification as of June 30, 2019 and June 30, 2018 are as follows:

	2019					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 33,331,651	\$	\$ 150	\$ 3,616,654	\$	\$ 36,948,455
Research	2,050,772		2,646	690,714		2,744,132
Public service	1,183,577		378	1,300,617		2,484,572
Academic support	5,935,133			2,539,758		8,474,891
Student services	6,965,766		75	2,077,108		9,042,949
Institutional support	6,074,092		11,555	2,581,536		8,667,183
Operations and maintenance of plant	6,273,369		2,123,798	987,246		9,384,413
Depreciation					7,616,272	7,616,272
Scholarships and fellowships		7,297,072				7,297,072
Auxiliary enterprises:						
Housing	1,590,409		714,542	2,549,803		4,854,754
Parking	83,263			10,195		93,458
Health Services	1,247,320		20,854	152,589		1,420,763
Student Center	660,712		248,847	311,862		1,221,421
Athletics	477,901			1,963,114		2,441,015
Student Publications	40,426			45,654		86,080
Other				332,297		332,297
Total	\$ 65,914,391	\$ 7,297,072	\$ 3,122,845	\$ 19,159,147	\$ 7,616,272	\$103,109,727

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

NOTE 18 – Accounting Changes

The University has determined that the non-operating other grants and contracts revenue listed in Note 15 should be reflected individually on the Statement of Revenues, Expenses, and Changes in Net Position instead of blended in Other non-operating revenues (expenses). As a result, a restatement of Non-Operating Revenues (Expenses) has been made to reflect the reclassification and conform to the current year's presentation.

The University has determined that a correction was required, and as such, has restated its previously reported Statement of Cash Flows for the year ended June 30, 2018 to reflect the following reclassifications and accounting changes:

- (i) Non-operating grants and contracts revenue, previously reflected as Other in Cash Flows From Capital Financing Activities, has been reclassified to Non-operating grants and contracts in Cash Flows from Non-Capital Financing Activities.
- (ii) Capital appropriation, found in the Capital Financing Activities section of the Cash Flow statement, has been restated to reflect the amount of appropriation received net of deferred outflows. The deferred outflows are also being reflected in the Reconciliation section of the Cash Flow statement under Unearned revenue.

