



# Pittsburg State University Annual Financial Report

**For fiscal year ended June 30, 2020**



# PITTSBURG STATE UNIVERSITY

## Annual Financial Report

For the Fiscal Year Ended June 30, 2020

### **Kansas Board of Regents**

Shane Bangerter .....	Dodge City
Ann Brandau-Murguia .....	Kansas City
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### **President of the University**

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

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

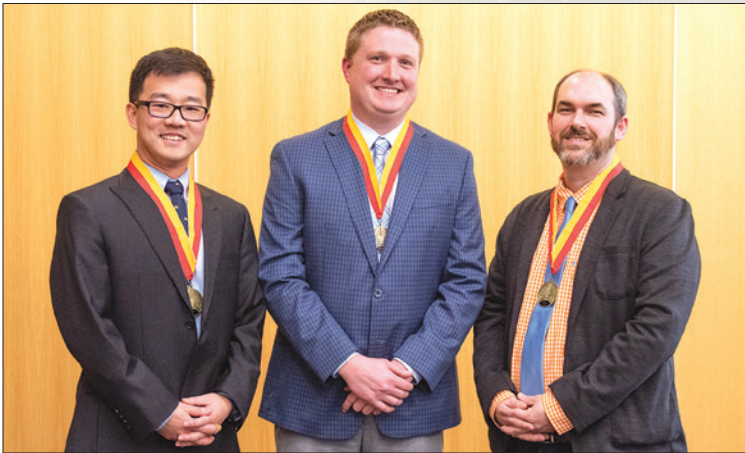
Douglas B. Ball, B.B.A, M.B.A, C.P.A

### **Controller's Office**

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



*University students regularly experience the “By Doing, Learn” philosophy at PSU, but young community members also get a taste of it in camps and workshops offered by several departments across campus throughout the year. “Adventures in Construction” and “Adventures in Robotics” are offered each summer in the Kansas Technology Center.*



*PSU’s faculty not only have award-winning expertise in a range of academic areas, they’re also appreciated by their students, who each year nominate them for the Outstanding Faculty Award. The 2020 recipients are (l to r): Dr. Fang Lin (Finance), Jordan Backs (Technology and Workforce Learning), and Rion Huffman (Graphics and Imaging Technologies). The award is presented during the university’s annual Apple Day Convocation.*



*It’s been a tradition for many years for incoming freshmen to gather on the field at Carnie Smith Stadium for a group photo as part of Gorilla Warm-Up. Introducing the 2019 Freshman Class!*

# **Pittsburg State University**

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

### **For the Year Ended June 30, 2020**

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

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

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

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

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

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

Net Position is divided into three categories:

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

#### **Assets**

Total assets at June 30, 2020 were \$240.8 million, an increase of \$2.9 million (1.2%), compared to \$237.9 million at June 30, 2019. Current assets consist of cash and cash equivalents, short-term investments, and accounts receivable, all of which are used to support the operations of the University. Total current assets increased \$4.7 million (10.0%) compared to 2019.

Non-current assets decreased \$1.8 million (-0.9%) compared to 2019. Capital assets, net of depreciation, comprised 77.8%, or \$187.4 million, of the total assets, see Note 6 - Capital Assets.



## Liabilities

Total liabilities were \$73.6 million at June 30, 2020, a decrease of \$8.7 million (-10.6%.) compared to \$82.3 million at June 30, 2019. The change in current liabilities, a decrease of \$1.4 million (-7.4%), is driven by a decrease in deferred revenues, see Note 7 - Unearned Revenue, and a decrease in the Perkins FCC current liability, see Note 4 – Loans to Students.

Non-current liabilities decreased \$7.3 million (-11.5%) compared to 2019 primarily from the principal payments on long-term debt. Non-current liabilities comprised 76.5% or \$56.4 million of the liabilities.

## Deferred Outflows and Inflows of Resources

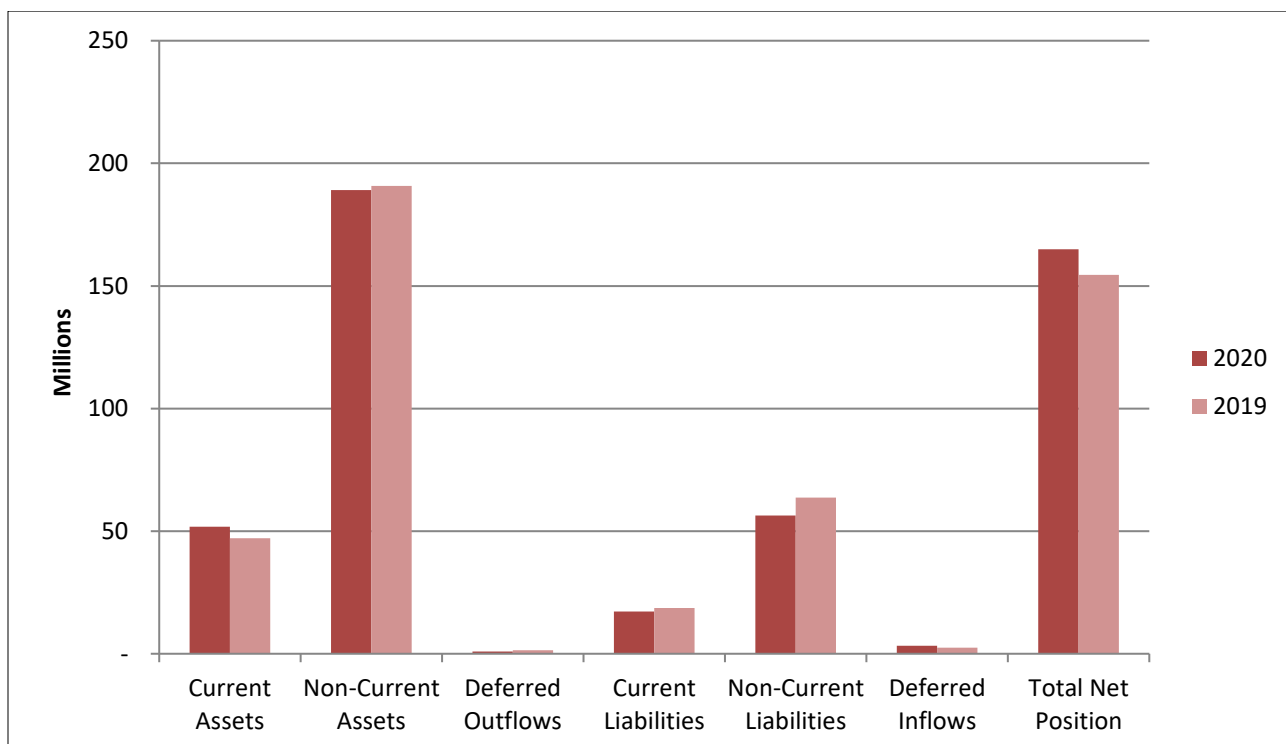
At June 30, 2020 total deferred outflows were \$0.9 million, a decrease of \$0.4 million (-29.7%) compared to 2019, primarily attributed to changes in the differences between actual and projected earnings of the KPERS pension plan. Total deferred inflows were \$3.3 million, an increase of \$0.8 million (30.6%) compared to 2019, related to the change in the University's proportion of the total State of Kansas KPERS plan actuarial determined items.

## Net Position

Total net position at June 30, 2020 was \$164.9 million, a \$10.4 million increase from the prior year of \$154.5 million. The breakout of net position is shown below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Net investment in capital assets	\$142,144,473	\$137,914,030
Restricted net position	6,969,511	6,178,978
Unrestricted net position	15,812,701	10,394,659
<b>Total net position</b>	<u>\$164,926,685</u>	<u>\$154,487,667</u>

The composition of current and non-current assets, deferred outflows, current and non-current liabilities, deferred inflows and net position is displayed below for fiscal years 2020 and 2019.





## 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, 2020 decreased \$1.3 million (-2.2%) over the previous fiscal year. The following is a brief summary of the significant changes:

- Revenue from tuition and fee revenues, after scholarship allowances, increased \$0.4 million (1.3%) driven by mix of students.
- Sales and services revenue decreased \$0.4 million (-14.2%) as a result of COVID 19 impacts to various sales and service activities in 2020.
- Auxiliary enterprise revenues decreased \$2.1 million (-14.3%) related to a decrease in revenues generated by University housing operations as a result of COVID 19. Auxiliary enterprises includes University Housing, Parking Services, Health Services, Student Center, Athletics, and Student Publications. Auxiliary enterprise revenues are 22.5% of total operating revenue.
- Grants and contracts, which includes Federal, State and local, and Nongovernmental grants and contracts, increased \$1.0 million (21.7%). This increase is a result of research grant revenues and public service grant revenues associated to the Irene Ransom Bradley School of Nursing, Teaching and Leadership and Kansas Center for Career and Technical Education Departments.

Total non-operating revenues increased \$2.3 million (4.5%) from 2019. The following is a brief summary of the significant changes:

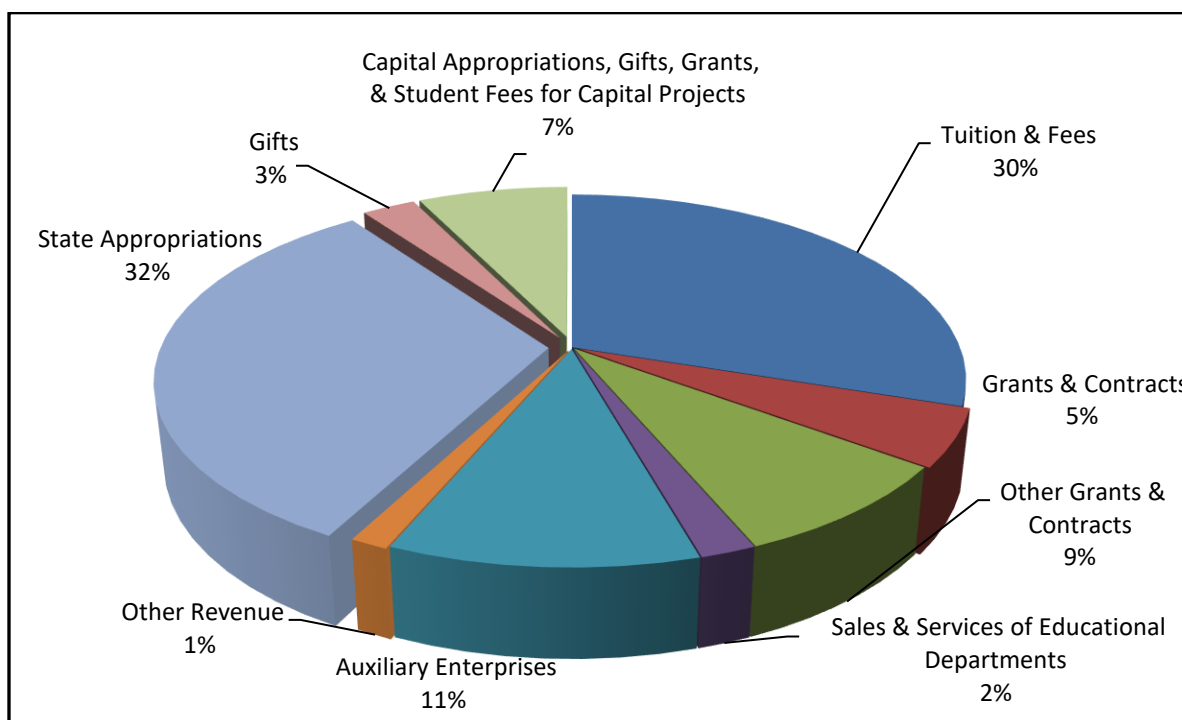
- State appropriations increased \$2.2 million (6.2%) due to increased funding from the State Legislature.
- Gift revenue decreased \$0.4 million (-12.3%) due to fluctuations in amounts received from the Pittsburg State University Foundation in 2020.
- Other grants and contracts increased \$0.8 million (8.5%) due to COVID 19 CARES Relief funding partially offset by a reduction in Pell Grant revenue, see Note 15 – Other Grants and Contracts.

Other revenues, expenses, gains and losses, which includes capital appropriations and capital grants and gifts, increased \$3.5 million (119.3%). These revenues will vary year to year based upon the funding received for capital projects and Foundation contributions.

- Capital appropriations increased \$2.6 million, from \$1.2 million in 2019 to \$3.8 million in 2020, as a result of the timing of deferred maintenance projects.



Revenues for fiscal year 2020 are displayed in the following graph:



## Expenses

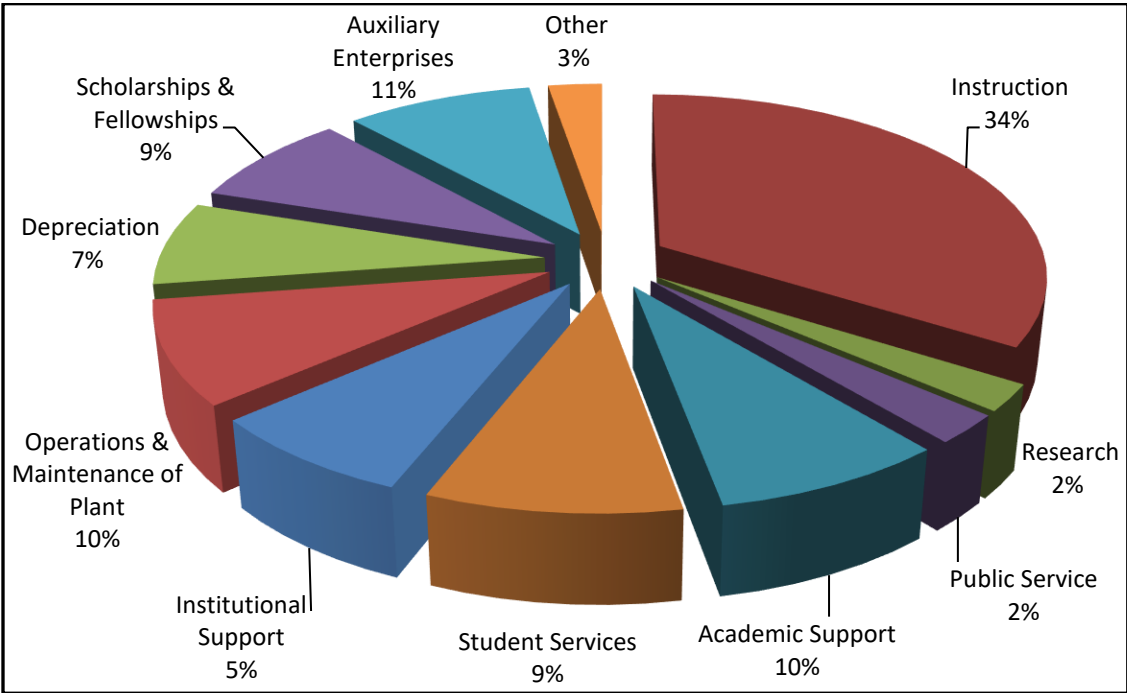
Operating expenses decreased \$0.1 million (-0.1%). The following is a brief summary of the significant changes:

- Instruction, research and institutional support expenses decreased \$1.1 million (-3.0%), \$0.3 million (-9.5%), and \$0.7 million (-7.7%) respectively, as a result of reduced expenditures in March-June 2020 due to COVID 19.
- Scholarship and fellowship expense increased \$1.4 million (19%) due to COVID 19 CARES Higher Education Relief Fund student scholarships awarded.
- Depreciation expense increased \$0.2 million (1.74%) associated with new assets including the addition of the “Jungletron” football stadium video board as well as assets purchased to furnish Block 22 Foundry.

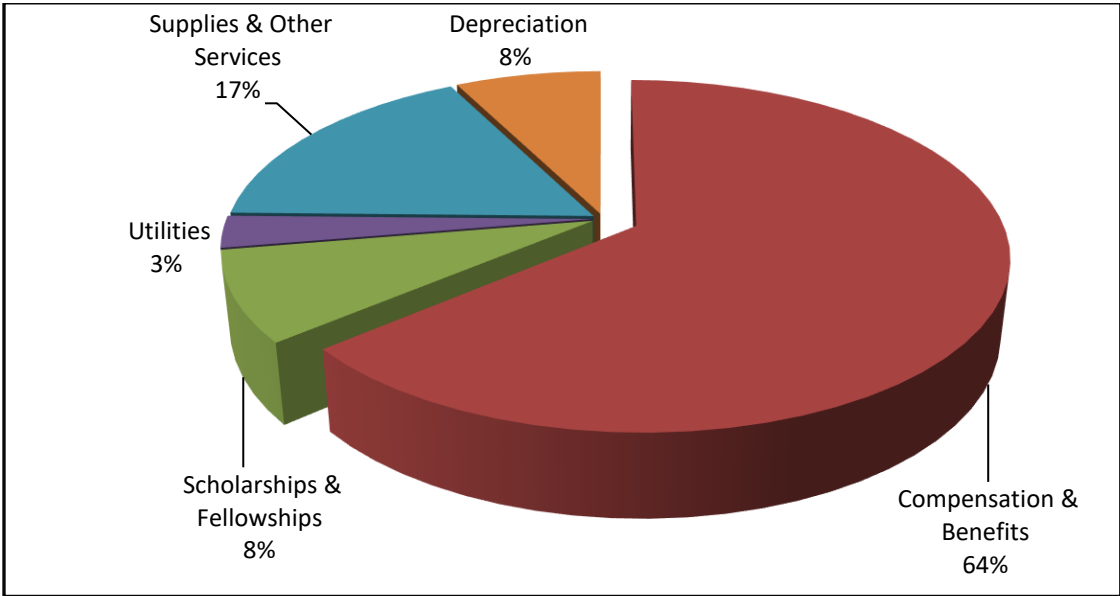
Total non-operating expenses, which includes interest expense and other non-operating expenses, increased \$1.0 million (56.3%) due to the closure of the Federal Perkins loan program and the recognition of an estimated amount to be repaid to the Department of Education for its federal contribution to the loan program. 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, please see Note 4 – Loans to Students.



Expenses for fiscal year 2020 by functional classification are displayed in the following graph:



Expenses for fiscal year 2020 by natural classification are displayed in the following graph:



**Extraordinary Items**

The University did not have any special and extraordinary items in 2020.

**Endowment Expenses Paid on Behalf of the University**

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



Total University support provided by the Foundation was approximately \$3.1 and \$3.5 million in 2020 and 2019, respectively. Capital gifts and grants from the Foundation was approximately \$2.7 and \$1.7 million in 2020 and 2019. The Foundation's financial statements are included following the University's financial statements in this Annual Financial Report.

## Net Position

Net position increased by \$10.4 million over the previous fiscal year.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments of the University during a period of time. Its purpose is to assess the University's ability to generate future net cash flows and meet its obligations as they come due. The 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, 2020 and 2019:

	June 30, 2020	June 30, 2019
Net Cash provided (used) by:		
Operating activities	\$ (39,544,817)	\$ (37,676,252)
Non-capital financing activities	49,687,142	48,323,343
Capital and related financing activities	(6,266,885)	(3,944,949)
Investing activities	500,161	560,479
Net increase (decrease) in cash	4,375,601	7,262,621
Beginning cash and cash equivalent balances	43,576,744	36,314,123
Ending cash and cash equivalent balances	\$ 47,952,345	\$ 43,576,744

## **CAPITAL ASSETS**

The University continued to invest in capital assets during the 2020 fiscal year. Additional detailed information regarding capital asset additions, retirements and depreciation is available in Note 6 to the financial statements.

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

- The chiller serving Axe Library, Yates Hall and Grubbs Hall was replaced using R&R funds and provides improved efficiency and reliability.
- Phased renovations to Axe Library continue with additional phases in Summer 2019 and Summer 2020.
- Improvements to Kansas Technology Center corridor flooring was completed using R&R funds. The project replaced VCT tile with polished concrete and carpeted flooring.
- A hot water system serving several core academic buildings was replaced using R&R funds and provides improved reliability and efficiency.
- The football turf at Carnie Smith Stadium was replaced using private funds.
- McPherson Lecture Hall Renovations updated interior finishes, instructional equipment, LED lighting, and accessibility improvements. This project was funded with private funds.
- South Residential Complex Chiller Improvements replaced chillers serving Willard, Dellinger, Nation West and Nation East residence halls and Gibson Dining Hall.

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

- McPherson Hall is the home of the Irene Ransom Bradley School of Nursing. A project to expand the building, add a new simulation hospital, and remodel much of the existing space is currently in the planning phase. This will be funded with private funds and will provide opportunities for program growth, expanded simulation experiences, and improved space utilization.
- The Kelce College of Business renovation and expansion project 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 project will be funded with both private and R&R funds. Construction is tentatively planned for 2021.
- KTC VAV Box Replacement will improve the KTC HVAC system by replacing approximately half of the original 209 fan-powered variable air volume boxes.

## **DEBT ADMINISTRATION**

At June 30, 2020, the University had \$44.4 million in debt outstanding compared to \$49.4 million at June 30, 2019. In 2020 the University refinanced 2009 H-1 and H-2 Housing System Improvement and 2009 J-1 and J-2 Parking System Project revenue bonds into corresponding 2020H and 2020J Pittsburg State University Project revenue bonds. As a result of the refinancing and regular debt service, the University paid a net of \$5.8 million in principal payments related to outstanding debt, please see Note 8 – Changes in Non-current Liabilities.

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

COVID-19 has impacted University operations in a variety of ways. The University shifted to delivery of courses by online or other alternate formats to conclude the spring semester in 2020. For Fall 2020, the University returned to face-to-face courses but also offered a higher number of online, hybrid, and hy-flex courses to balance student and staff safety with the goal of providing face-to-face instruction where possible. On-campus Housing closed most operations for the conclusion on the spring semester, but returned to full operations for Fall 2020.

Financial impacts in fiscal year 2020 included various expenses to manage the University's response to the pandemic, the largest of which was Housing credits to students of approximately \$1.4 million. These costs will be offset by funds received through the federal CARES Act. Fiscal Year 2021 expenses will include a wide variety of expenditures such as PPE, technology upgrades to enable more effective remote work and remote classroom instruction, physical adaptations to classrooms, additional cleaning supplies, COVID testing, managing quarantines for on campus students, air filtration upgrades, Student Health services, and others. The University has been awarded just over \$10.5 million from several components of the CARES Act to address the impacts and additional costs associated with COVID-19 responses. These awards include both those received directly by the University and those passed through the State of Kansas and Crawford County. These awards also include funds for direct grants to students. These funds are expected to cover the majority of known direct costs the University is experiencing to manage the impact of COVID-19.

The largest revenue sources for the University are state appropriations and tuition and fees. State appropriations for fiscal year 2020 were \$37.6 million, an increase of \$2.2 million over the prior year. Appropriations to the University for Fiscal Year 2021 initially increased by approximately \$0.9 million. Later, the appropriation was decreased by nearly \$1.7M but this was offset by CARES Act Governor's Emergency Education Relief (GEER) funds of the same amount. The impact of COVID-19 on State of Kansas revenues is not fully understood, but could pressure future appropriations. In April 2020, the consensus revenue estimate for fiscal year 2020 and 2021 revenues for the State of Kansas was reduced significantly compared to prior estimates in response to COVID-19. However, this State of Kansas revenue estimate was then increased significantly in the most recent update in November 2020. The resulting impact of overall state revenues on appropriations to the University will be determined during the legislative session in 2021.

The University's student tuition and fee revenue increased from \$34.6 million in fiscal year 2019 to \$35.0 million in fiscal year 2020. There was no undergraduate tuition rate increase for Fiscal Year 2020. Tuition rates increased by 2.5% for in-state undergraduate students, and a similar increase for other categories of students, for Fiscal Year 2021. Impacted by COVID-19, enrollment at Pittsburg State for the Fall 2020 semester decreased by 3.7% compared to the prior fall. As a result, the University expects lower Tuition and Fee revenue in Fiscal year 2021. Pittsburg State continues to focus on recruitment and retention initiatives. For Fall 2020, the "Gorilla Advantage" tuition program (which offers rates equal to in-state rates) was expanded from its existing portions of Arkansas, Oklahoma and Missouri to include every county in those states. It was also expanded to include Texas and Tennessee. This extends the in-state tuition opportunity to far more students in the region. While the impact of COVID-19 muted any benefit in Fall 2020, an expanded Gorilla Advantage program will be beneficial to recruiting efforts post-COVID.

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.



*PSU's Army ROTC Battalion, also known as Gorilla Battalion, commissioned candidates as second lieutenants in the Army, Army Reserves, and National Guard in December 2019. They did so again in May 2020 with a virtual ceremony attended by family across the country.*



*Renovations at the PSU Softball facilities, part of the Gene Bicknell Sports Complex, were completed in June 2020 as part of a nearly \$2 million improvement project. It included the PSU Baseball facilities, as well.*



*At the Spring Convocation for faculty and staff, it was announced that a simulation hospital will be built adjacent to McPherson Hall, home to the Irene Ransom Bradley School of Nursing, thanks to private donors who initiated the project after learning of the need.*



**Pittsburg State University**  
**Statement of Net Position**  
**As Of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 36,940,032	\$ 32,446,681
Restricted cash and cash equivalents	11,012,313	11,130,063
Accounts receivable, net	2,242,358	1,852,286
Loans to students, net	813,219	821,954
Inventories	383,240	363,068
Prepaid expenses	417,735	466,972
Total current assets	<u>51,808,897</u>	<u>47,081,024</u>
Non-current Assets		
Restricted investments	-	-
Loans to students, net	1,646,367	2,285,211
Capital assets, net	187,390,651	188,556,370
Total non-current assets	<u>189,037,018</u>	<u>190,841,581</u>
Total Assets	<u>240,845,915</u>	<u>237,922,605</u>
<b><u>DEFERRED OUTFLOWS</u></b>		
Pension Contributions	873,874	1,288,778
Other Post-Employment Benefits	102,344	99,018
Total Deferred Outflows	<u>976,218</u>	<u>1,387,796</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities		
Accounts payable and accrued liabilities	3,457,915	3,697,498
Unearned revenue	6,220,161	6,848,298
Accrued compensated absences - current portion	1,850,198	2,136,415
Block 22 notes payable - current portion	60,000	-
Capital leases payable - current portion	192,693	229,593
Revenue bonds payable - current portion	3,815,415	3,572,855
Deposits held in custody for others	355,312	450,796
Other current liabilities (Perkins FCC)	1,328,744	1,725,281
Total current liabilities	<u>17,280,438</u>	<u>18,660,736</u>
Non-current Liabilities		
Other postemployment healthcare benefits	883,520	776,230
Accrued compensated absences	913,532	496,172
Block 22 notes payable	240,000	-
Capital leases payable	258,393	481,979
Revenue bonds payable	40,617,207	45,814,645
Pension Liability	12,309,811	14,392,256
Other non-current liabilities (Perkins FCC)	1,134,395	1,705,927
Total non-current liabilities	<u>56,356,858</u>	<u>63,667,209</u>
Total Liabilities	<u>73,637,296</u>	<u>82,327,945</u>
<b><u>DEFERRED INFLOWS</u></b>		
Deferred Pension Inflows	3,222,406	2,454,124
Deferred Other Post-Employment Benefits Inflows	35,746	40,665
Total Deferred Inflows	<u>3,258,152</u>	<u>2,494,789</u>

**Pittsburg State University**  
**Statement of Net Position**  
**As Of June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>NET POSITION</u></b>		
Net investment in capital assets	142,144,473	137,914,030
Restricted for		
Expendable		
Scholarships and fellowships	(2,987)	-
Research	292,913	207,500
Instructional department uses	(5,218)	(17,736)
Loans	845,866	808,471
Capital projects	3,272,702	730,253
Debt services	2,814,246	4,595,169
Other	(248,011)	(144,679)
Unrestricted	<u>15,812,701</u>	<u>10,394,659</u>
 Total Net Position	 <u><u>\$ 164,926,685</u></u>	 <u><u>\$ 154,487,667</u></u>

*See accompanying notes to financial statements*



**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>OPERATING REVENUES</u></b>		
Tuition and fees (net of scholarship allowances of \$8,163,292 and \$8,758,517 in 2020 and 2019 respectively)	\$ 35,014,573	\$ 34,553,763
Federal grants and contracts	3,690,747	2,553,005
State and local grants and contracts	913,455	865,833
Nongovernmental grants and contracts	1,072,725	1,226,312
Sales and services of educational departments	2,276,302	2,652,435
Auxiliary enterprises:		
Housing	6,220,640	7,816,931
Parking	621,373	617,549
Health Services	1,338,587	1,319,849
Student center	1,387,622	1,345,436
Athletics	2,965,581	3,450,472
Student Publications	110,970	122,660
Interest earned on loans to students	80,027	76,293
Other operating revenues	390,370	738,092
Total operating revenues	<u>56,082,972</u>	<u>57,338,630</u>
 <b><u>OPERATING EXPENSES</u></b>		
Educational and General		
Instruction	35,815,849	36,948,455
Research	2,483,719	2,744,132
Public Service	2,697,247	2,484,572
Academic support	8,732,540	8,474,891
Student services	9,437,885	9,042,949
Institutional support	7,998,662	8,667,183
Operations and maintenance of plant	9,531,807	9,384,413
Depreciation	7,748,945	7,616,272
Scholarships and fellowships	8,680,875	7,297,072
Auxiliary enterprises:		
Housing	4,645,587	4,854,754
Parking	94,728	93,458
Health Services	1,308,527	1,420,763
Student center	1,246,276	1,221,421
Athletics	2,270,176	2,441,015
Student Publications	81,568	86,080
Other	241,942	332,297
Total operating expenses	<u>103,016,333</u>	<u>103,109,727</u>
 Operating Income (Loss)	<u>(46,933,361)</u>	<u>(45,771,097)</u>

**Pittsburg State University**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
State appropriations	37,617,107	35,437,202
Gifts	3,054,373	3,483,761
Investment income	500,161	560,479
Student fees for capital projects	2,074,996	2,157,662
Other grants and contracts	10,172,843	9,385,203
Other non-operating revenues	11,387	33,570
Interest expense	(2,179,503)	(2,288,791)
Other non-operating expenses	(362,855)	711,102
Net non-operating revenues (expenses)	<u>50,888,509</u>	<u>49,480,188</u>
 Income before other revenues, expenses, gains, or losses	 3,955,148	 3,709,091
 Capital appropriations	 3,833,860	 1,264,454
Capital grants and gifts	<u>2,650,010</u>	<u>1,691,781</u>
	<u>6,483,870</u>	<u>2,956,235</u>
 Increase In Net Position	 10,439,018	 6,665,326
 Net position - beginning of year	 <u>154,487,667</u>	 <u>147,822,341</u>
 Net position - end of year	 <u><u>\$ 164,926,685</u></u>	 <u><u>\$ 154,487,667</u></u>

*See accompanying notes to financial statements*



**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 40,914,066	\$ 41,173,364
Sales and services of educational activities	2,275,747	2,652,864
Auxiliary enterprises:		
Housing	1,385,279	2,916,441
Parking	534,925	530,894
Health Services	(88,523)	(102,415)
Student Center	122,509	95,701
Athletics	(1,024,308)	(14,740)
Student Publications	28,682	37,316
Grants and contracts	5,984,837	4,659,013
Payments to suppliers	(11,945,042)	(14,814,523)
Payments to utilities	(2,205,434)	(2,157,744)
Compensation & benefits	(63,175,767)	(61,154,172)
Payments for scholarships and fellowships	(12,928,957)	(12,748,163)
State Appropriations Receivable	(285,715)	(82,029)
Loans issued to students and employees	(95,703)	(35,962)
Collections on loans issued to students and employees	672,101	677,915
Other receipts (payments)	286,486	689,988
Net Cash Flows from Operating Activities	<u>(39,544,817)</u>	<u>(37,676,252)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	37,617,107	35,437,202
Noncapital debt proceeds	-	-
Noncapital debt payments	-	-
Gifts	3,054,373	3,483,761
Federal family education loan receipts	28,120,360	28,484,347
Federal family education loan disbursements	(28,120,360)	(28,484,347)
Student organization agency transactions	(95,484)	17,177
Non-operating grants and contracts	10,172,844	9,385,203
Other	(1,061,698)	-
Net Cash Flows from Noncapital Financing Activities	<u>49,687,142</u>	<u>48,323,343</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>		
Proceeds from capital debt	-	-
Capital appropriations	3,833,860	1,264,454
Capital Grants and gifts	2,650,010	1,691,781
Student fees for capital projects	2,074,996	2,157,662
Purchases of capital assets	(6,681,175)	(4,933,196)
Principal paid on capital debt and leases	(6,051,298)	(3,677,265)
Interest paid on capital debt and leases	(2,179,503)	(2,288,791)
Disposal of asset	69,353	32,968
Other	16,872	1,807,438
Net Cash Flows from Capital Financing Activities	<u>(6,266,885)</u>	<u>(3,944,949)</u>

**Pittsburg State University**  
**Statement of Cash Flows**  
**For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	-	-
Investment income	500,161	560,479
Purchase of investments	-	-
Net Cash Flows from Investing Activities	<u>500,161</u>	<u>560,479</u>
Net change in cash and cash equivalents	4,375,601	7,262,621
Cash and cash equivalents-beginning of year	43,576,744	36,314,123
Cash and cash equivalents-end of year	<u>\$ 47,952,345</u>	<u>\$ 43,576,744</u>
 <b>RECONCILIATION</b>		
Operating income (loss)	\$ (46,933,361)	\$ (45,771,097)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	7,748,945	7,616,272
Changes in assets and liabilities:		
Accounts receivable, net	(390,072)	(105,311)
Loans to students, net	647,579	701,204
Inventories	(20,172)	30,642
Prepaid expenses	49,237	20,613
Accounts payable and accrued liabilities	650,235	(1,634,365)
Unearned revenue	(628,137)	1,904,195
Accrued compensated absences	131,143	166,652
Accrued other post-employment healthcare benefits	99,045	(37,884)
Accrued pension liability	<u>(899,259)</u>	<u>(567,173)</u>
Net cash used in operating activities	<u>\$ (39,544,817)</u>	<u>\$ (37,676,252)</u>

*See accompanying notes to financial statements*

**Pittsburg State University  
Component Unit Financial Statements  
For the Fiscal Year Ended June 30, 2020 and 2019**

**Pittsburg State University Foundation, Inc.**

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





# Pittsburg State University Foundation, Inc.

## Statements of Financial Position

June 30, 2020 and 2019

	June 30,	
	2020	2019
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 1,463,192	\$ 1,514,622
Interest receivable	56,667	44,111
Student loans receivable	534	534
Allowance for doubtful loan accounts	(534)	(534)
Contributions receivable	10,780,853	12,044,564
Note receivable	2,500,000	2,500,000
Specific investments	-	161,563
Pooled investments	79,941,940	83,736,009
Investments held separate for capital project	4,455,026	-
Beneficial interest trusts held by others	3,580,346	3,717,315
Fixed assets - net of depreciation	1,090,273	1,141,981
Advances for loan matching	-	143,824
<b>Total Assets</b>	<u><u>\$ 103,868,297</u></u>	<u><u>\$ 105,003,989</u></u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 674,279	\$ 1,561,083
Interest payable	17,887	29,184
Annuity liabilities	195,187	205,252
<b>Total Current Liabilities</b>	<u>887,353</u>	<u>1,795,519</u>
Long-Term Liabilities		
Notes payable	<u>7,259,232</u>	<u>7,695,161</u>
<b>Total Liabilities</b>	<u>8,146,585</u>	<u>9,490,680</u>
Net Assets		
Without donor restrictions	31,785,126	30,731,222
With donor restrictions	<u>63,936,586</u>	<u>64,782,087</u>
<b>Total Net Assets</b>	<u>95,721,712</u>	<u>95,513,309</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 103,868,297</u></u>	<u><u>\$ 105,003,989</u></u>

# Pittsburg State University Foundation, Inc.

## Statements of Activities

Year Ended June 30, 2020 with Comparative Totals for 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Totals	2019 Totals
<b>Revenues, Gains, and Other Support</b>				
Contributions	\$ 5,270,542	\$ 3,384,833	\$ 8,655,375	\$ 11,683,053
Investment income	2,038,604	-	2,038,604	1,546,414
Net realized gain (loss) on investments	774,856	-	774,856	2,246,422
Net unrealized gain (loss) on investments reported at fair value	(3,721,649)	-	(3,721,649)	(33,281)
Change in value of beneficial interest trusts held by others	-	(136,970)	(136,970)	9,032
Interest and service charges on student loans	-	10	10	-
Other miscellaneous revenue	158,208	69	158,277	312,712
Net assets released from restrictions	4,093,443	(4,093,443)	-	-
<b>Total Revenues, Gains, and Other Support</b>	<b>8,614,004</b>	<b>(845,501)</b>	<b>7,768,503</b>	<b>15,764,352</b>
<b>Expenses</b>				
Program Services				
Student Support				
Scholarships, grants & awards	2,455,558	-	2,455,558	2,919,316
Other University Support				
Marketing	5,000	-	5,000	5,000
Classroom instruction aids/other expenses	2,006,223	-	2,006,223	1,910,680
Faculty/professional development	110,413	-	110,413	157,574
Student loan collection expense	-	-	-	56
Advances for loan matching bad debt	1,000	-	1,000	-
Other special University projects	1,934,978	-	1,934,978	5,343,456
<b>Total Program Services</b>	<b>6,513,172</b>	<b>-</b>	<b>6,513,172</b>	<b>10,336,082</b>
Support Services				
Salaries	472,399	-	472,399	441,006
Promotion	9,438	-	9,438	11,352
Auditing and accounting	24,473	-	24,473	29,737
Equipment, service contracts and repairs	39,242	-	39,242	39,984
Postage	21,842	-	21,842	24,915
Insurance	13,626	-	13,626	19,418
Repairs and maintenance/building & grounds	29,665	-	29,665	26,638
Publications	230	-	230	31,418
Planned giving	13,276	-	13,276	10,803
Telephone	6,349	-	6,349	7,666
Utilities	11,889	-	11,889	12,501
Depreciation	59,171	-	59,171	58,332
General operating	176,149	-	176,149	186,762
Alumni activities	127,185	-	127,185	122,487
Travel	19,111	-	19,111	37,751
Miscellaneous	22,883	-	22,883	11,542
<b>Total Support Services</b>	<b>1,046,928</b>	<b>-</b>	<b>1,046,928</b>	<b>1,072,312</b>
<b>Total Expenses</b>	<b>7,560,100</b>	<b>-</b>	<b>7,560,100</b>	<b>11,408,394</b>
<i>Change in Net Assets</i>	<i>1,053,904</i>	<i>(845,501)</i>	<i>208,403</i>	<i>4,355,958</i>
Net Assets, Beginning of Year	30,731,222	64,782,087	95,513,309	91,157,351
<b>Net Assets, End of Year</b>	<b>\$ 31,785,126</b>	<b>\$ 63,936,586</b>	<b>\$ 95,721,712</b>	<b>\$ 95,513,309</b>

# Pittsburg State University Foundation, Inc.

## Statement of Functional Expenses

Year Ended June 30, 2020

	<u>Student Support</u>	<u>Other University Support</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>Total Expenses</u>
Scholarships, grants, and awards	\$ 2,455,558	\$ -	\$ 2,455,558	\$ -	\$ -	\$ -	\$ 2,455,558
Marketing	-	5,000	5,000	-	-	-	5,000
Classroom instruction aids and other							
University expenses	-	2,006,223	2,006,223	-	-	-	2,006,223
Faculty/professional development	-	110,413	110,413	-	-	-	110,413
Student loan advance waived	-	1,000	1,000	-	-	-	1,000
Other special university projects	-	1,934,978	1,934,978	-	-	-	1,934,978
Salaries	-	-	-	334,665	137,734	472,399	472,399
Promotion	-	-	-	-	9,438	9,438	9,438
Auditing and accounting	-	-	-	24,473	-	24,473	24,473
Equipment, service contracts and repairs	-	-	-	27,229	12,013	39,242	39,242
Postage	-	-	-	4,091	17,751	21,842	21,842
Insurance	-	-	-	10,799	2,827	13,626	13,626
Repairs and maintenance for building and grounds	-	-	-	20,736	8,929	29,665	29,665
Publications	-	-	-	-	230	230	230
Planned Giving	-	-	-	-	13,276	13,276	13,276
Telephone	-	-	-	1,026	5,322	6,348	6,348
Utilities	-	-	-	8,322	3,567	11,889	11,889
Depreciation	-	-	-	39,560	19,611	59,171	59,171
General operating	-	-	-	84,211	91,939	176,150	176,150
Alumni activities	-	-	-	-	127,185	127,185	127,185
Travel	-	-	-	6,091	13,020	19,111	19,111
Miscellaneous	-	-	-	6,363	16,520	22,883	22,883
<b>Total Expenses</b>	<u>\$ 2,455,558</u>	<u>\$ 4,057,614</u>	<u>\$ 6,513,172</u>	<u>\$ 567,566</u>	<u>\$ 479,362</u>	<u>\$ 1,046,928</u>	<u>\$ 7,560,100</u>



# Pittsburg State University Foundation, Inc.

## Statement of Functional Expenses

Year Ended June 30, 2019

	<u>Student Support</u>	<u>Other University Support</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>Total Expenses</u>
Scholarships, grants, and awards	\$ 2,919,316	\$ -	\$ 2,919,316	\$ -	\$ -	\$ -	\$ 2,919,316
Marketing	-	5,000	5,000	-	-	-	5,000
Classroom instruction aids and other							
University expenses	-	1,910,680	1,910,680	-	-	-	1,910,680
Faculty/professional development	-	157,574	157,574	-	-	-	157,574
Student loan collection expense	-	56	56	-	-	-	56
Other special university projects	-	5,343,456	5,343,456	-	-	-	5,343,456
Salaries	-	-	-	310,018	130,988	441,006	441,006
Promotion	-	-	-	-	11,352	11,352	11,352
Auditing & accounting	-	-	-	29,737	-	29,737	29,737
repairs	-	-	-	27,004	12,980	39,984	39,984
Postage	-	-	-	4,028	20,887	24,915	24,915
Insurance	-	-	-	16,737	2,681	19,418	19,418
and grounds	-	-	-	18,647	7,991	26,638	26,638
Publications	-	-	-	-	31,418	31,418	31,418
Planned Giving	-	-	-	-	10,803	10,803	10,803
Telephone	-	-	-	1,681	5,985	7,666	7,666
Utilities	-	-	-	8,751	3,750	12,501	12,501
Depreciation	-	-	-	38,663	19,669	58,332	58,332
General operating	-	-	-	73,403	113,359	186,762	186,762
Alumni activities	-	-	-	-	122,487	122,487	122,487
Travel	-	-	-	3,286	34,465	37,751	37,751
Miscellaneous	-	-	-	2,360	9,182	11,542	11,542
<b>Total Expenses</b>	<u>\$ 2,919,316</u>	<u>\$ 7,416,766</u>	<u>\$ 10,336,082</u>	<u>\$ 534,315</u>	<u>\$ 537,997</u>	<u>\$ 1,072,312</u>	<u>\$ 11,408,394</u>

# Pittsburg State University Foundation, Inc.

## Statements of Cash Flows Years Ended June 30, 2020 and 2019

	June 30,	
	2020	2019
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets	\$ 208,403	\$ 4,355,958
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	59,171	58,332
Realized (gain) loss on sale of investments	(774,856)	(2,246,422)
Unrealized (gain) loss on investments	3,721,649	33,281
Change in beneficial interest trusts held by others	136,969	(9,032)
(Increase) decrease in		
Interest receivable	(12,556)	(3,703)
Student loans receivable	-	3,100
Contributions receivable	1,263,711	(2,046,512)
Note receivable	-	(1,250,000)
Advances for loan matching	143,824	-
Increase (decrease) in		
Accounts payable	(886,804)	1,194,684
Interest payable	(11,297)	6,476
Present value of annuities	(10,065)	(10,340)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>3,838,149</u>	<u>85,822</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	(7,464)	(45,177)
Proceeds from sales of investments	16,836,999	9,586,141
Purchase of investments	(20,283,185)	(11,767,375)
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>(3,453,650)</u>	<u>(2,226,411)</u>
<b>Cash Flows From Financing Activities</b>		
Loan Proceeds	1,088,092	1,885,928
Principal payments on loan	(1,524,021)	(398,860)
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>(435,929)</u>	<u>1,487,068</u>
<i>Net (Decrease) in Cash and Cash Equivalents</i>	(51,430)	(653,521)
Cash and Cash Equivalents, Beginning of Year	1,514,622	2,168,143
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 1,463,192</u></u>	<u><u>\$ 1,514,622</u></u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for interest on notes payable	<u><u>\$ 372,162</u></u>	<u><u>\$ 343,657</u></u>



*International students are an important part of the campus culture at Pittsburg State University and in the community. The annual International Food and Culture Fair, most recently held in March 2020, is a heavily attended event that draws people of all ages and backgrounds. This year it was held in the Bicknell Family Center for the Arts.*



*The 2019 Homecoming King and Queen were Tyson Roderique, a chemistry major from Webb City, Missouri, and Jacquelyn Bouchie, a communication major from Chelsea, Oklahoma.*



*Block22, an innovative live-work space housed in renovated historic buildings at Fourth and Broadway in downtown Pittsburg, officially opened in October 2019 with a ribbon cutting and tours. Nearly 100 PSU students call Block22 "home" and several alumni own and operate restaurants and businesses in the space.*

# **Pittsburg State University**

## **Notes to Financial Statements**

### **For the Years Ended June 30, 2020 and 2019**

#### **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 6,400 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. 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.



# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

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

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

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

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

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

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

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

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

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

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

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

**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. Page 26

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

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

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

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

**Cash and Cash Equivalents.** The carrying amount of the University's deposits with the State Treasurer and other financial institutions at June 30, 2020 and 2019 were \$47,952,345 and \$43,576,744 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, 2020 and 2019 were \$0.

#### NOTE 3 - Accounts Receivable

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

	2020	2019
Tuition and Fees	\$ 828,444	\$ 802,426
Auxiliary enterprises	140,336	94,824
Grants & Contracts	541,446	498,124
State Appropriations	729,275	456,103
Other	2,857	809
Total	<u>\$ 2,242,358</u>	<u>\$ 1,852,286</u>

#### NOTE 4 – Loans to Students

All of the loans to students at June 30, 2020 and 2019 were made through the Federal Perkins Loan, Nursing Student Loan and the new Nurse Faculty 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 \$968,070 in 2020, from \$3,431,208 in 2019 to \$2,463,138 in 2020, of which \$1,134,395 is a non-current liability.

**Pittsburg State University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

**NOTE 5 – Inventories**

Inventories consisted of the following at June 30:

	2020	2019
Physical Plant	\$ 235,905	\$ 210,408
Other	147,335	152,660
Total	<u>\$ 383,240</u>	<u>\$ 363,068</u>

**NOTE 6 – Capital Assets**

Capital asset activity for the year ended June 30, 2020 follows:

	2020			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
Land	\$ 6,643,416	\$ -	\$ -	\$ 6,643,416
Construction in progress	3,644,344	3,739,496	-	7,383,840
Works of art	1,018,643	-	-	1,018,643
Total non-depreciable capital assets	<u>11,306,403</u>	<u>3,739,496</u>	<u>-</u>	<u>15,045,899</u>
<u>Depreciable capital assets</u>				
Land improvements	7,821,782	-	-	7,821,782
Buildings & Improvements	257,948,227	95,151	24,599	258,018,779
Equipment & Furnishings	23,370,825	2,644,390	77,683	25,937,532
Vehicles	2,691,668	159,742	18,508	2,832,902
Software	3,400,545	13,800	-	3,414,345
Total depreciable capital assets	<u>295,233,047</u>	<u>2,913,083</u>	<u>120,790</u>	<u>298,025,340</u>
Total capital asset cost	<u>306,539,450</u>	<u>6,652,579</u>	<u>120,790</u>	<u>313,071,239</u>
<u>Accumulated depreciation</u>				
Land improvements	4,504,400	252,226	-	4,756,626
Buildings & Improvements	89,703,238	5,953,874	772	95,656,340
Equipment & Furnishings	19,072,495	1,273,404	32,157	20,313,742
Vehicles	2,434,181	110,901	18,508	2,526,574
Software	2,268,766	158,540	-	2,427,306
Total accumulated depreciation	<u>117,983,080</u>	<u>7,748,945</u>	<u>51,437</u>	<u>125,680,588</u>
Capital assets, net	<u>\$ 188,556,370</u>	<u>\$ (1,096,366)</u>	<u>\$ 69,353</u>	<u>\$ 187,390,651</u>



**Pittsburg State University**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2020 and 2019**

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

	2019			
	Beginning Balance	Additions	Retirements	Ending Balance
<u>Non-depreciable capital assets</u>				
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
<u>Depreciable capital assets</u>				
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
<u>Accumulated depreciation</u>				
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

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

**NOTE 7 – Unearned Revenue**

Unearned revenues consisted of the following at June 30:

	2020	2019
Tuition and Fees	\$ 1,592,260	\$ 1,886,974
Auxiliary enterprises	100,400	104,625
Grants & Contracts	538,468	487,236
Capital Appropriations	3,989,033	4,369,463
Total	\$ 6,220,161	\$ 6,848,298

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

#### NOTE 8 - Changes in Non-current Liabilities

Non-current liability activity for the year ended June 30, 2020 and June 30, 2019 was as follows:

2020						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-Current Portion
Other postemployment benefits	\$ 776,230	\$ 107,290	\$ -	\$ 883,520	\$ -	\$ 883,520
Accrued compensated absences	2,632,597	131,143	-	2,763,730	1,850,198	913,532
Block 22 notes payable	-	300,000	-	300,000	60,000	240,000
Capital leases payable	711,572	-	260,486	451,086	192,693	258,393
Revenue bonds payable	49,065,888	11,220,000	17,010,811	43,275,077	3,744,627	39,530,450
Unamortized bond premium/discount	321,612	835,933	-	1,157,545	70,788	1,086,757
Pension liability	14,392,256	-	2,082,445	12,309,811	-	12,309,811
Other non-current liabilities	3,431,208	-	968,069	2,463,139	1,328,744	1,134,395
<b>Total liabilities</b>	<b>\$ 71,331,353</b>	<b>\$ 12,594,366</b>	<b>\$ 20,321,811</b>	<b>\$ 63,603,908</b>	<b>\$ 7,247,050</b>	<b>\$ 56,356,858</b>
2019						
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Non-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
Block 22 notes payable	-	-	-	-	-	-
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 premium/discount	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
<b>Total liabilities</b>	<b>\$ 77,982,736</b>	<b>\$ 166,652</b>	<b>\$ 6,818,035</b>	<b>\$ 71,331,353</b>	<b>\$ 7,664,144</b>	<b>\$ 63,667,209</b>

#### NOTE 9 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:

Kansas Development Finance Authority Revenue Bonds – Series 2014A

(The Board of Regents - Pittsburg State University Projects)

\$35,175,000 - Due in annual installments of \$385,000 to \$2,345,000. Issued 4/1/2014 with a final maturity on 10/1/2034. Interest ranging from 3.0% to 4.25% payable semi-annually.

Principal Outstanding  
at 6/30/20

\$27,885,000

Kansas Development Finance Authority Revenue Bonds – Series 2020H

(The Board of Regents – Pittsburg State University Projects)

\$9,030,000 - Due in annual installments of \$525,000 to \$765,000. Issued 6/8/2020 with a with a final maturity on 12/1/2032. Interest ranging from 2.0% to 5.0% payable semi-annually.

9,030,000

Kansas Development Finance Authority Revenue Bonds – Series 2011D

(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.

2,470,000

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

Kansas Development Finance Authority Revenue Bonds – Series 2020J (The Board of Regents – Pittsburg State University Projects) \$2,190,000 - Due in annual installments of \$215,000 to \$275,000. Issued 6/8/2020 with a final maturity on 12/1/2028. Interest ranging from 3.0% to 5.0% payable semi-annually.	2,190,000
Kansas Development Finance Authority Refinance 2002 Lease – Series 2015M (The Board of Regents – Pittsburg State University Refinancing Energy Lease) \$2,135,766 - Due in annual installments from \$298,389 to \$311,978. Issued 12/03/15 with a final maturity on 10/1/2021. Interest rate at 1.04% payable semi-annually.	928,984
Kansas Development Finance Authority Revenue Bonds – Series 2015K (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.	506,093
Kansas Development Finance Authority Revenue Bonds – Series 2009G (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.	265,000
Total Revenue Bonds Payable	<u>\$43,275,077</u>

#### NOTE 10 - Revenue Bonds Maturity Schedule

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2020 are as follows:

Year Ending June 30:	Principal	Interest	Total
2021	\$ 3,744,627	\$ 1,424,640	\$ 5,169,267
2022	3,583,472	1,307,202	4,890,674
2023	3,331,978	1,192,494	4,524,472
2024-2028	13,460,000	4,636,524	18,096,524
2029-2033	14,255,000	2,261,581	16,516,581
2034-2035	4,900,000	170,606	5,070,606
Total	<u>\$ 43,275,077</u>	<u>\$ 10,993,047</u>	<u>\$ 54,268,124</u>

#### 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 \$451,086 and \$711,572 as of June 30, 2020 and 2019, respectively. Payments to liquidate these obligations as of June 30, 2020 are scheduled as follows:

Year Ending June 30:	Total
2021	\$ 192,692
2022	198,624
2023	59,770
Total	<u>\$ 451,086</u>

Included in this balance is the Master Lease Purchase agreement between the University and the State of Kansas for University Housing Energy Performances Contract. The remaining principal balance for the master lease agreement as of June 30, 2020 and 2019 is \$287,810 and \$395,496.

# **Pittsburg State University**

## **Notes to Financial Statements**

### **For the Years Ended June 30, 2020 and 2019**

#### **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, 2020, 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 \$3,154,756 and \$3,158,124 during fiscal years 2020 and 2019, respectively, and individual employees contributed \$2,003,625 and \$2,014,230.

**Defined Benefit Plan.** University support staff employees participate in the Kansas Public Employees Retirement System (KPERS). Benefit provisions are established by state statute and provide retirement, disability, and death benefits to eligible employees. This defined benefit program is funded through contributions by the University and the individual employees. The University contributed \$1,234,788 and \$1,144,171 during fiscal years 2020 and 2019, respectively, and individual employees contributed \$514,120 and \$519,568. See Note 13 for detailed information.

#### **NOTE 13 – Pension Plan**

##### **General Information about the Pension Plan**

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

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

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

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

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

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) was 9.62% and the statutory contribution rate was 12.01%. As mentioned in Note 12 – Pension Plan, the University contributed \$1,234,788 and \$1,144,171 to the pension plan during fiscal years 2020 and 2019, respectively, and individual employees contributed \$514,120 and \$519,568.



# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

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

At June 30, 2020, the University reported a liability of \$12,309,811 for its proportionate share of the net pension liability. The net pension liability was measurement period was July 1, 2018 to July 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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, 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At the June 30, 2019 measurement date, PSU's State Employer proportion was 0.177% which was a decrease of 0.025% from its proportion measured as of June 30, 2018. At June 30, 2019 PSU's Kansas Police & Fire Group proportion was 0.081%, which was a decrease of 0.045% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the University recognized pension expense of \$899,259. The following sources were used to report deferred outflows of resources and deferred inflows of resources related to pensions.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 146,049	\$ 298,747
Net difference between projected and actual earnings on pension plan investments	207,466	-
Changes in proportion	182,760	2,918,527
Changes of assumption	337,599	5,132
Total	\$ <u>873,874</u>	\$ <u>3,222,406</u>

The amount of \$873,874 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, 2020. 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:	
2021	\$ (424,554)
2022	(850,608)
2023	(671,040)
2024	(366,894)
2025	(35,436)
Thereafter	-
Total	\$ <u>(2,348,532)</u>

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

<u>Actuarial Cost Method</u>	<u>Entry age normal</u>
Inflation	2.75 percent
Salary Increase	3.50 to 12.00 percent, including price inflation
Investment Rate of Return	7.75 percent compounded annually, net of investment including price inflation

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

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, 2018, 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)	
	<u>100.00</u>			

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

In KPERS, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2019 was 1.2 percent.

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

In addition, 2017 S Sub. For Sub. HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first-year payment of \$6.4 million paid in full at the beginning of Fiscal Year 2018, and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan. The 2019 Legislature passed House Sub for Sen Bill 109, which directed on-behalf payments of \$56 million and \$82 million be made to the System. The \$56 million payment was received by the System on June 30, 2018, and recorded as Fiscal Year 2018 contributions. The \$82 million was received July 1, 2019, and was recorded as Fiscal Year 2019 contributions. The 2019 Legislative session passed Senate Bill 9 which authorized a transfer of \$115 million to KPERS, received in March 2019.

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years, between 11 to 12 percent. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

**Sensitivity of Pittsburg State University's proportionate share of the net pension liability to changes in the discount rate.** The following presents PSU's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
PSU's proportionate share of the net pension liability	\$ 17,461,271	\$ 12,706,978	\$ 8,718,302

**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.

<b>Total OPEB Liability, Balance as of:</b>	<b>June 30, 2018</b>	<b>June 30, 2019</b>
Disability Income	\$ 637,311	\$ 719,633
Life Waiver	138,919	163,887
Total OPEB Liability	776,230	883,520
Covered Payroll	9,484,031	8,419,963
Total OPEB Liability as a % of covered payroll	8.18%	10.49%

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, calculated based on the discount rate and actuarial assumptions below, and was rolled forward to the measurement date as of June 30, 2019. Any significant changes during this period have been reflected as prescribed by GASB Statement 75.

**Discount rate.** The discount rate used was 3.87% and 3.50% for the June 30, 2018 and June 30, 2019 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, 2018 and June 30, 2019 were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2015. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2018 KPERS pension valuation.

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

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	3.50%

#### Changes in Total OPEB Liability

Balance as of June 30, 2019	\$	776,230
Changes for the year:		
Service cost		41,022
Interest on total OPEB Liability		29,666
Effect of plan changes		0
Effect of economic/demographic gains or losses		129,665
Effect of assumption changes or inputs (Discount rate change from 3.58% to 3.87%)		9,281
Benefit payments		(102,344)
Balance as of June 30, 2020	\$	883,520

**Sensitivity Analysis.** The following represents the total OPEB liability of PSU, calculated using the discount rate of 3.50%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.50%) or 1 percentage point higher (4.50%) than the current rate.

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Total OPEB liability	\$ 908,496	\$ 883,520	\$ 858,451

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.

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 883,520	\$ 883,520	\$ 883,520

**Deferred Inflows/Outflows.** For the year ended June 30, 2020, the PSU recognized OPEB expense of \$97,454. At June 30, 2020, PSU reported deferred inflows and outflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual experience	\$ (16,671)	\$ 116,339
Changes of assumption	(19,075)	(13,995)
Total	\$ (35,746)	\$ 102,344

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:	
2021	\$ 9,361
2022	9,361
2023	9,361
2024	9,361
2025	9,361
Thereafter*	19,793
Total	\$ 66,598

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



# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

#### 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, 2020 and 2019 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:

	<b>2020</b>	<b>2019</b>
Pell Grants	\$ 7,835,836	\$ 8,298,570
Regents Supplemental Grants	664,522	638,706
SEOG Grants	178,945	178,945
Teach Grants	122,809	109,500
CARES Higher Ed Relief Fund - Student Grant	1,149,200	-
Coronavirus Relief Fund	9,896	-
Other Grants	211,635	159,482
Total	\$ 10,172,843	\$ 9,385,203

#### NOTE 16 - Commitments and Contingent Liabilities

At June 30, 2020 and 2019 the University had outstanding commitments under construction contracts totaling \$230,302 and \$7,535, respectively.

The University is not currently a defendant in a lawsuit.

The University maintains specific insurance coverage as allowed by the State of Kansas and as required by outstanding bond issues. To a large extent, the University follows a policy of self-insurance. Certain claims against the University would require legislative approval (and potential funding) prior to settlement. The University is not aware of any significant outstanding claims as of June 30, 2020.

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.

# Pittsburg State University

## Notes to Financial Statements

### For the Years Ended June 30, 2020 and 2019

#### NOTE 17 – Natural Classification with Functional Classifications

The University's operating expenses by functional and natural classification as of June 30, 2020 and June 30, 2019 are as follows:

	2020					
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Total
Educational and general						
Instruction	\$ 32,329,154	\$	\$ 150	\$ 3,486,545	\$	\$ 35,815,849
Research	2,154,784		-	328,935		2,483,719
Public service	1,396,830		164	1,300,253		2,697,247
Academic support	6,249,874			2,482,666		8,732,540
Student services	6,820,087		-	2,617,798		9,437,885
Institutional support	6,330,473		(10,123)	1,678,312		7,998,662
Operations and maintenance of plant	6,281,656		2,157,235	1,092,916		9,531,807
Depreciation					7,748,945	7,748,945
Scholarships and fellowships		8,680,875				8,680,875
Auxiliary enterprises:						
Housing	1,603,114		652,147	2,390,326		4,645,587
Parking	85,534			9,194		94,728
Health Center	1,244,321		21,063	43,143		1,308,527
Student Center	706,675		241,300	298,301		1,246,276
Athletics	599,672			1,670,504		2,270,176
Student Publications	43,409			38,159		81,568
Other				241,942		241,942
Total	<u>\$ 65,845,583</u>	<u>\$ 8,680,875</u>	<u>\$ 3,061,936</u>	<u>\$ 17,678,994</u>	<u>\$ 7,748,945</u>	<u>\$ 103,016,333</u>

	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	<u>\$ 65,914,391</u>	<u>\$ 7,297,072</u>	<u>\$ 3,122,845</u>	<u>\$ 19,159,147</u>	<u>\$ 7,616,272</u>	<u>\$ 103,109,727</u>