

Pittsburg State University Annual Financial Report

For the Fiscal Year ended June 30, 2009
Pittsburg, Kansas

PITTSBURG STATE UNIVERSITY

Annual Financial Report
For the Fiscal Year Ended June 30, 2009

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Graduates of the PSU Department of Nursing received their pins in a special ceremony held at Memorial Auditorium in May 2009.



Families of graduates filled the Weede Physical Education Building during commencement exercises. More than 600 students were eligible to participate in the Winter 2008 and 1,100 students in the Spring 2009 ceremonies.



The 2009 Outstanding Senior Woman, Emily Walters, Pittsburg, and Outstanding Senior Man, Jeremiah Johnson, also from Pittsburg, are shown with President Tom Bryant at the Spring 2009 commencement exercises.

Pittsburg State University

Management's Discussion and Analysis

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. During 2002-2003, Pittsburg State University implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and local Governments," and Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis for Public Colleges and Universities." 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. The financial statements, footnotes, and this discussion are the responsibility of management.

USING THIS ANNUAL REPORT

This report consists of the three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. The notes to the financial statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. As noted above, the University implemented new accounting standards issued by GASB during fiscal year 2003. These new standards changed the focus of our financial statements to a comprehensive one-look at the University as a whole (opposed to the traditional presentation of fund groups). Other significant changes to the financial statements include:

- GASB Statements No. 35 categorizes revenues into operating and non-operating. Significant recurring sources of revenue are now shown as non-operating, including state appropriations and investment income. Public universities depend heavily on these revenues to fund their programs and services. As a result, the University will always report a loss from operating activities.
- Student tuition and fees are now reported net of scholarships funded from University resources. Prior to fiscal year 2003, all scholarships were reported as a scholarship expense.
- GASB Statement No. 35 requires the University to report accumulated depreciation on its capital assets.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the assets, liabilities, and net assets 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 Assets includes all assets and liabilities 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 Assets, 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 assets are divided into three categories:

1. **Invested in capital assets, net of debt**, indicates the university's equity in property, plant, and equipment owned by the University.
2. **Restricted net assets** are 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 assets are 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 assets** are available to the University for any lawful purpose of the institution.

Total assets at June 30, 2009 were \$150.3 million, an increase of \$26.3 million or 21.2% compared to \$124.0 million at June 30, 2008. Capital assets, net of depreciation, comprised 67.6%, or \$101.6 million of the total assets.

Total liabilities were \$51.5 million at June 30, 2009, an increase of \$21.6 million or 72.5% compared to \$29.8 million at June 30, 2008. Noncurrent liabilities comprised 73.8%, or \$38.0 million of the liabilities. The increase in liabilities is attributed to an increase in Revenue Bonds Payable for the Bryant Student Health Center, University Parking System, and University Housing Improvement bonds totaling \$20 million.

Total net assets at June 30, 2009 were \$98.8 million, a \$4.7 million increase over the prior year of \$94.1 million or a 5.0% increase in net assets. The breakout of net assets is shown below:

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Capital assets, net of related debt	\$ 63,263,910	\$ 74,196,173
Restricted net assets	25,474,849	10,439,294
Unrestricted net assets	<u>10,060,716</u>	<u>9,469,124</u>
Total net assets	<u>\$ 98,799,475</u>	<u>\$ 94,104,591</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

The Statement of Revenues, Expenses and Changes in Net Assets 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, 2009 increased by 8.8% over the previous fiscal year. The following is a brief summary of the significant changes:

- Student tuition and fee revenues, after scholarship allowances, were \$26.3 million in 2009, compared to \$24.2 million in 2008, a net increase of 8.7%. This is the result of a tuition rate increase of 5.8% for the 2008-2009 academic year.
- Federal grants and contracts increased 32.0% from \$1.9 million in 2008 to \$2.5 million in 2009. The increase is attributed to increased sponsorships via the KTC Equipment grant, Novel Elasto Vegetable Oil grant, and Teach grant.
- Auxiliary enterprise revenues, increased from \$10.4 million to \$11.3 million in 2009. Auxiliary enterprises include University Housing, Parking Services, Health Services, Athletics, and Student Publications.

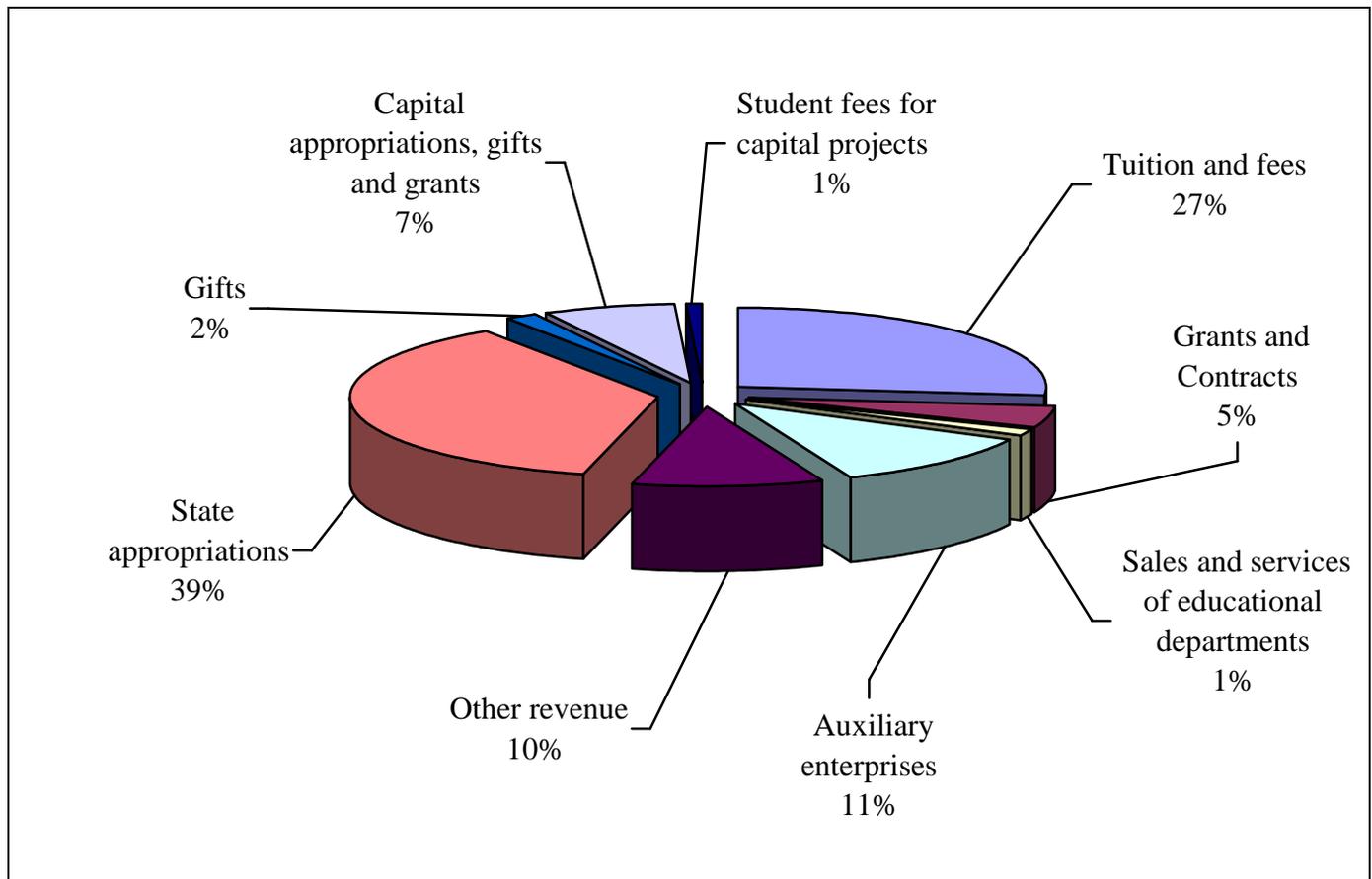
Total non-operating revenues were down 1.6% from the prior year from \$47.7 million to \$46.9 million. The following is a brief summary of the significant changes:

- State appropriations, the largest single source of revenue at the University, decreased from \$37.8 million to \$36.2 million, or 4.1%.
- Investment income decreased \$0.2 million, 19.1%, from \$1.0 million in 2008 to \$0.8 million in 2009. This is a result of a reduction in interest earnings to general restricted fee fund balances.
- Other nonoperating revenues increased 13.7% from \$6.6 million in 2008 to \$7.5 million in 2009. This increase is attributed to a 14.7% increase in Pell Grants, from \$5.5 million in 2008 to \$6.4 million in 2009. See Notes to Financial Statements, Note 15 – Other Grants.

Other revenues included the following:

- Capital appropriations increased \$0.4 million, 12.5%, from \$2.9 million in 2008 to \$3.3 million in 2009. Capital appropriations are comprised of the State's Infrastructure Maintenance Program and Rehabilitation and Repair Projects which will be used for deferred maintenance.
- Capital grants and gifts decreased 13.8% from \$4.4 million to \$3.8 million. Capital grants and gifts received are a result of private donations via the Pittsburg State University Foundation for the construction of the Bryant Student Health Center totaling \$1.3 million in 2009 and \$2.5 million for the construction of the Army National Guard Recreation Center in 2008.

Revenues for fiscal year 2009 are displayed in the following graph:



Expenses

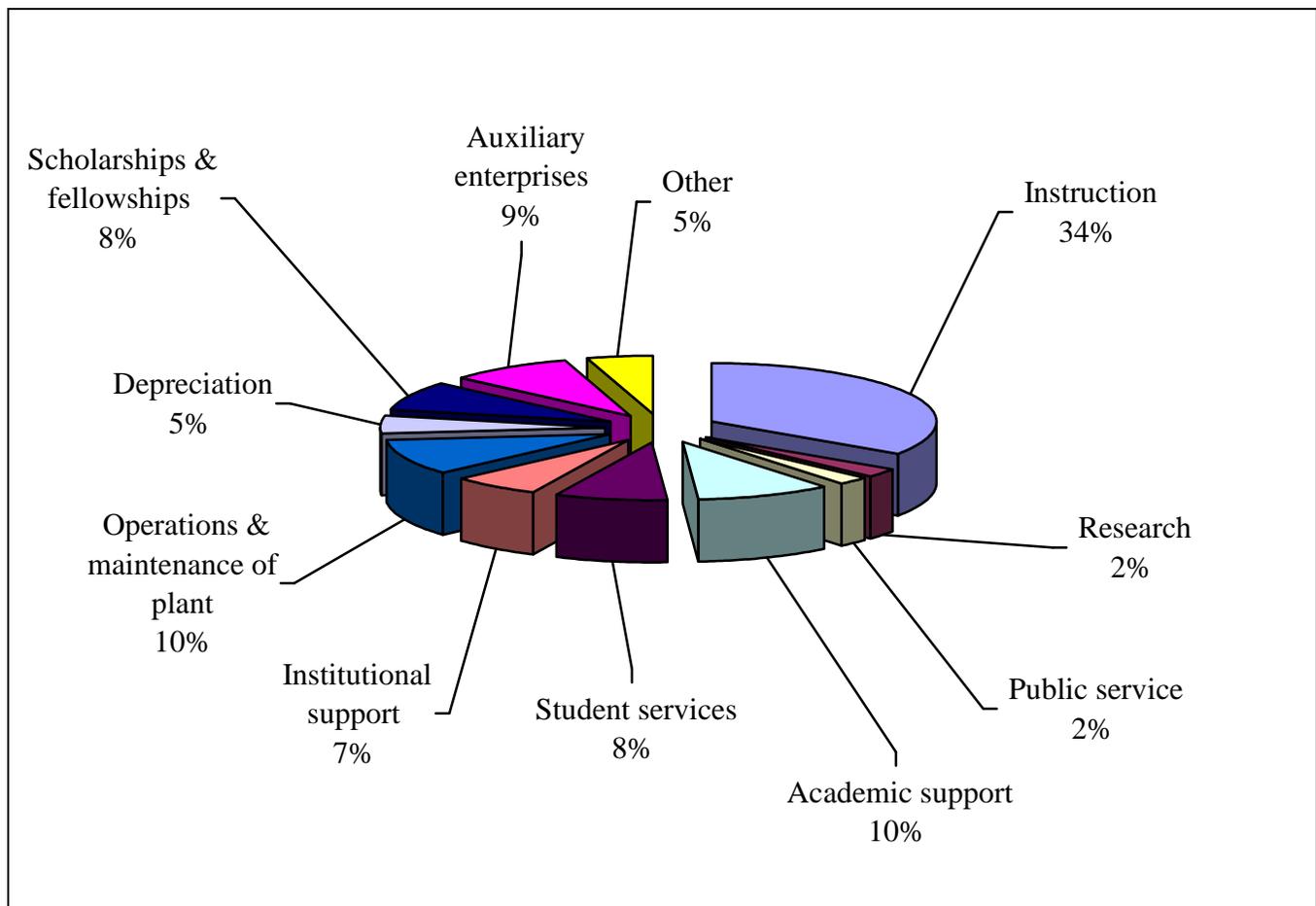
Operating expenses were \$92.5 million for the 2009 fiscal year compared to \$86.3 million for the 2008 fiscal year. This was an increase of \$6.2 million or 7.3%. The following is a brief summary of the significant changes:

- Student services were \$7.5 million in 2009, an increase of \$0.5 million or 7.3%, compared to \$7.0 million in 2008. Student service expenses include funds expended for activities beneficial to students and academic programs. Activities include programs provided through the Enrollment Management and Student Success department, various student organizations, and the Kansas Army National Guard Recreation Center.
- Scholarships and fellowships increased 8.7% from \$6.9 million in 2008 to \$7.5 million in 2009. This increase is primarily driven by an increase in awarded Pell grants.

- Auxiliary enterprise expenses, which include University Housing, Parking Services, Health Services, Athletics, and Student Publications, increased 2.7% from \$8.2 million in 2008 to \$8.4 million in 2009.
- Other operating expenses totaled \$2.8 million in 2009. Other operating expenses include a range of activities that varies from year to year. In 2009, the increase is primarily the result of an increase in 2009 capital encumbrances, most notably expenses for the deferred maintenance, new housing system, and parking system projects.

Non-operating expenses consist of interest expense and other nonoperating expenses, which increased by 16.8% and 43.3% respectively. The increase to other nonoperating expenses is driven by the cost of issue expense related to the Bryant Student Health Center, University Parking System Project, and the University Housing System Improvement Project revenue bonds.

Expenses for fiscal year 2009 are displayed in the following graph:



Extraordinary Items

The University did not have any special and extraordinary items in 2009.

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 Assets. 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 \$1.6 million and \$1.5 million in 2009 and 2008, respectively. The Foundation's financial statements are not included in the accompanying financial statements of the University.

Net Assets

Net assets increased by \$4.7 million over the previous fiscal year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments of the University during a period of time. Its purpose is to assess the University's ability to generate future net cash flows and meet its obligations as they come due. The following is a condensed statement of cash flows for the years ended June 30, 2009 and 2008:

	June 30, 2009	June 30, 2008
Net cash provided (used) by:		
Operating activities	\$ (40,159,670)	\$ (39,739,489)
Non-capital financing activities	45,017,005	45,769,257
Capital and related financing activities	12,000,782	(4,784,289)
Investing activities	801,958	1,969,856
Net increase (decrease) in cash	17,660,075	3,215,335
Beginning cash and cash equivalent balances	23,424,980	20,209,645
Ending cash and cash equivalent balances	\$ 41,085,055	\$ 23,424,980

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

CAPITAL ASSETS

The University continued to invest in capital assets during the 2009 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 completed during the current fiscal year:

- The McCray Hall renovation was started in the summer of 2008 and completed in April 2009 at a cost of \$2.8 million. The 31,996 square foot deferred maintenance improvement included new windows, new heating and air system, restoration of the existing brick/limestone exterior, integration of building controls with the central energy management system, correction of foundation settlement and positive drainage.

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

- The Bryant Student Health Center broke ground the fall of 2008 and opened in August of 2009. The \$3.1 million, new 11,500 square foot facility will provide a central location for medical and behavioral health services for students. Funding for this project includes revenue bonds, private donations and student fees.
- The Parking Expansion project started in the summer of 2009. The \$4 million project includes renovating and enlarging the existing gravel lots east of Nation Hall, north of Grubbs Hall and adjacent to the new Bryant Student Health Center. It also includes one new pedestrian plaza on Lindburg Street. This project is expected to be completed in the fall of 2009.
- The Housing System Maintenance and Improvement project was started in the summer of 2009 and is expected to take 4 years. The \$22 million project includes improvements to seven existing student housing facilities and construction of a new student housing facility. The renovation, estimated at \$12 million, will provide new exterior windows; student room doors; exterior entrance, corridor access, and stairwell doors; floor coverings; ceiling and lights; and all wall surface finishes. It also includes renovation of restroom and shower/bath facilities and upgrades to two dorms HVAC distribution systems. Bowen Hall, the first of seven existing dorms, was started in May of 2009 with a completion date of August 2009. The construction of a new five building 75,000 square foot student housing complex, estimated at \$10 million, will provide occupancy for approximately 200 residents. This project started in spring of 2009 with a completion date of July 2010. The facility will be apartment style design featuring private student bedrooms that include a private bath facility and efficiency kitchenettes. The project is financed by revenue bonds to be repaid from housing revenues.
- The Porter Hall Renovation was started in the summer of 2009 at a cost of approximately \$2.6 million. The 36,956 square foot deferred maintenance improvement was divided into two phases. Phase I includes all exterior work, including new windows and exterior doors, masonry restoration and rework clay tile roof areas. Phase I started in May of 2009 and will complete in October of 2009. Phase II includes all interior work, including new HVAC system, electrical service upgrades and new lights in studios. Phase II will begin in the spring of 2010 and complete in the fall of 2010.

DEBT ADMINISTRATION

At June 30, 2009, the University had \$32.2 million in debt outstanding.

Debt was issued in fiscal year 1998 to finance the University Housing System Willard Hall Renovation project and the Horace Mann Building Renovation project, Revenue Bonds Series 1998E and 1998P, totaling \$8.40 million.

Debt was issued in fiscal year 2003 to finance the Overman Student Center project, Revenue Bonds Series 2003 A-1 and A-2 totaling \$2.6 million. The bonds have been assigned a rating of "A" by Standard & Poor's Ratings Services.

Debt was issued in fiscal year 2004 to finance the Bonita Terrace project, Housing Revenue Bonds Series 2004D for \$1.2 million. The bonds have been assigned a rating of "A-" by Standard & Poor's Ratings Services.

Debt was issued in fiscal year 2005 to finance the Polymer Research Center project, Lease Revenue Bonds Series 2005D for \$3.0 million. Standard & Poor's rated the state's lease revenue bonds "AA" based on a state annual appropriation lease pledge.

Debt was issued in fiscal year 2009 to finance the Bryant Student Health Center project, Revenue Bonds Series 2009G for \$0.8 million. The bonds have been assigned a rating of "A" by Standard & Poor's Ratings Services. Prior to receipt of the Bryant Student Health Center project bond revenue, Series 2009G, the Kansas Board of Regents authorized the sale of bond anticipation notes, Series 2009-3, for \$1.5 million to temporarily fund the related construction and project costs. The stated \$1.5 million bond anticipation note was paid in fiscal year 2009 by Bryant Student Health Center bond proceeds, Series 2009G, and Bryant Student Health Center private gifts.

Debt was issued in fiscal year 2009 to finance the University Parking System project, Revenue Bonds Series 2009J for \$4.5 million. The bonds have been assigned a rating of “A” by Standard & Poor’s Ratings Services. Prior to receipt of the University Parking System bond revenue, Series 2009J, the Kansas Board of Regents authorized the sale of bond anticipation notes, Series 2009-2, for \$4.0 million to temporarily fund the related construction and project costs. The stated \$4.0 million bond anticipation note was paid in fiscal year 2009 by University Parking System bond proceeds, Series 2009J.

Debt was issued in fiscal year 2009 to finance the Housing System Improvement project, Revenue Bonds Series 2009H for \$14.6 million. The bonds have been assigned a rating of “A” by Standard & Poor’s Ratings Services. Prior to receipt of the Housing System Improvement Project bond revenue, Series 2009H, the Kansas Board of Regents authorized the sale of bond anticipation notes, Series 2009-1, for \$1.0 million to temporarily fund the related construction and project costs. The stated \$1.0 million bond anticipation note was paid in fiscal year 2009 by Housing System Improvement bond proceeds, Series 2009H.

More detailed information about the University’s noncurrent liabilities is available in Notes 8, 9, and 10 to the financial statements.

UNIVERSITY NEWS

On August 22, 2008 President Tom Bryant, the eighth president at Pittsburg State University, announced he would retire at the end of the 2008-09 academic year. This announcement came after 39 years of service to the University. His successor, President Steve Scott, was inaugurated as Pittsburg State University’s ninth president on October 23, 2009. His presidency begins after 20 years of service to Pittsburg State University as faculty in the College of Education, Dean, Vice President, and Provost.

ECONOMIC OUTLOOK

In fiscal year 2009, the State of Kansas revenues continued to fall similarly to fiscal year 2008. This downward trend is expected to continue through fiscal years 2010 and 2011 as the State continues to face a challenging economy. The State of Kansas provides approximately 37% of the total resources for the University during a fiscal year, down from 44% in 2006. Appropriations for fiscal year 2010 are currently set at \$34.1 million, compared to \$36.2 million received for fiscal year 2009, a decrease of 5.8%. Future reductions are possible as the governor and state legislature face a significant budget shortfall in fiscal year 2011.

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 fiscal year 2010 beyond those unknown variations having a global effect on virtually all types of business operations.

Enrollment for the academic fall 2009 semester continues to exceed prior semesters with 7,277 students enrolled, up 2.1% from last fall. Since 2004, the University has grown more than 11%. Enrollment increases are expected to continue for the spring 2010 semester.



Deferred maintenance funds brought to life several construction and renovation projects across campus, including the refurbishing efforts to historic Porter Hall.



In October 2008, ground was broken for the new Student Health Center. The new facility houses Student Health Services and University Counseling.



PSU celebrated the ribbon cutting for the Jungletron video scoreboard and display in September 2008, giving visitors to Brandenburg Field/Carnie Smith Stadium a new experience.

Pittsburg State University
Statement of Net Assets
As Of June 30, 2009 and 2008

	2009	2008
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 16,673,604	\$ 15,523,925
Restricted cash and cash equivalents	24,411,451	7,901,055
Accounts receivable, net	697,679	767,239
Loans to students, net	519,918	580,389
Inventories	363,758	382,561
Prepaid expenses	419,213	416,046
Total current assets	43,085,623	25,571,215
Noncurrent Assets		
Restricted investments	1,019,468	1,019,468
Loans to students, net	4,544,513	4,037,644
Capital assets, net	101,625,778	93,321,788
Total noncurrent assets	107,189,759	98,378,900
Total Assets	150,275,382	123,950,115
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	6,110,626	3,496,058
Deferred revenue	3,517,165	4,126,979
Accrued compensated absences	2,357,777	2,223,506
Revenue bonds payable - current portion	545,000	470,000
Capital leases payable - current portion	573,877	580,202
Deposits held in custody for others	375,833	416,238
Total current liabilities	13,480,278	11,312,983
Noncurrent Liabilities		
Other postemployment healthcare benefits	1,057,966	607,993
Capital leases payable	5,247,663	5,689,548
Revenue bonds payable	31,690,000	12,235,000
Total noncurrent liabilities	37,995,629	18,532,541
Total Liabilities	51,475,907	29,845,524

Pittsburg State University
Statement of Net Assets
As Of June 30, 2009 and 2008

<u>NET ASSETS</u>	<u>2009</u>	<u>2008</u>
Invested in capital assets, net of related debt	63,263,910	74,196,173
Restricted for		
Expendable		
Scholarships and fellowships	17	23
Research	73,592	11,939
Instructional department uses	591,102	485,937
Loans	5,514,697	5,406,382
Capital projects	15,920,754	2,817,214
Debt services	3,436,011	1,704,541
Other	(61,324)	13,258
Unrestricted	<u>10,060,716</u>	<u>9,469,124</u>
 Total Net Assets	 <u><u>\$ 98,799,475</u></u>	 <u><u>\$ 94,104,591</u></u>

See accompanying notes to financial statements

Pittsburg State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

	2009	2008
<u>OPERATING REVENUES</u>		
Tuition and fees (net of scholarship allowances of \$5,038,299 and \$4,545,032 in 2009 and 2008, respectively)	\$ 26,337,989	\$ 24,240,808
Federal grants and contracts	2,479,443	1,877,972
State and local grants and contracts	1,088,929	1,044,703
Nongovernmental grants and contracts	941,773	873,440
Sales and services of educational departments	1,433,197	1,439,710
Auxiliary enterprises:		
Housing	6,031,953	5,603,678
Parking	469,263	450,553
Health Services	1,391,053	1,273,904
Student Center	1,297,079	1,244,411
Athletics	1,916,715	1,658,520
Student Publications	169,374	170,227
Interest earned on loans to students	80,644	95,377
Other operating revenues	1,368,839	1,403,316
Total operating revenues	45,006,251	41,376,619
 <u>OPERATING EXPENSES</u>		
Educational and General		
Instruction	32,593,659	31,600,882
Research	2,277,968	2,145,501
Public Service	2,016,747	1,907,047
Academic support	9,216,187	9,284,590
Student services	7,459,172	6,950,335
Institutional support	6,184,434	6,024,632
Operations and maintenance of plant	9,498,528	9,430,800
Depreciation	4,556,623	3,788,103
Scholarships and fellowships	7,543,184	6,938,338
Auxiliary enterprises:		
Housing	4,237,877	4,111,327
Parking	167,915	225,272
Health Services	1,184,472	1,146,057
Student Center	1,142,021	1,137,888
Athletics	1,534,179	1,419,246
Student Publications	172,984	175,281
Other	2,750,991	(8,630)
Total operating expenses	92,536,941	86,276,669
Operating Income (Loss)	(47,530,690)	(44,900,050)

Pittsburg State University
Statement of Revenues, Expenses, and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

	2009	2008
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
State appropriations	36,241,630	37,797,864
Gifts	1,637,344	1,549,391
Investment income	801,958	990,844
Interest expense	(1,065,794)	(912,666)
Student fees for capital projects	733,223	730,020
Other nonoperating revenues	7,510,035	6,603,235
Other nonoperating expenses	(663,976)	(463,435)
Net nonoperating revenues (expenses)	45,194,420	46,295,253
Income before other revenues, expenses, gains, or losses	(2,336,270)	1,395,203
Capital appropriations	3,248,577	2,888,192
Capital grants and gifts	3,782,577	4,386,069
Increase In Net Assets	4,694,884	8,669,464
<u>NET ASSETS</u>		
Net assets - beginning of year	94,104,591	85,435,127
Net assets - end of year	\$ 98,799,475	\$ 94,104,591

See accompanying notes to financial statements

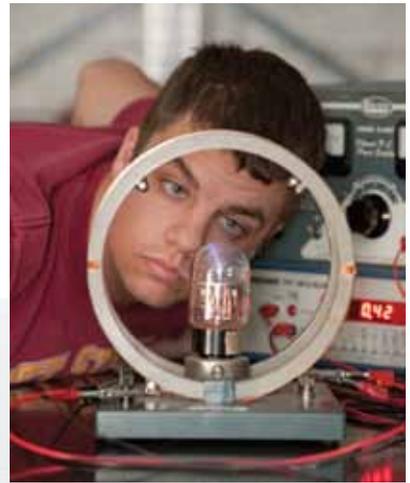
Pittsburg State University
Statement of Cash Flows
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 28,858,269	\$ 26,577,075
Sales and services of educational activities	1,430,212	1,436,865
Auxiliary enterprises:		
Housing	1,969,990	1,712,109
Parking	417,766	(47,705)
Health Services	227,783	103,092
Student Center	258,984	182,544
Athletics	410,160	198,317
Student Publications	(2,726)	(3,271)
Grants and contracts	4,638,938	4,298,384
Payments to suppliers	(11,796,698)	(11,321,506)
Payments to utilities	(1,716,181)	(1,746,390)
Compensation & benefits	(55,700,277)	(53,040,686)
Payments for scholarships and fellowships	(10,061,168)	(9,176,509)
Loans issued to students and employees	(1,107,286)	(964,503)
Collections on loans issued to students and employees	601,208	675,767
Other receipts (payments)	1,411,356	1,376,928
	<u>(40,159,670)</u>	<u>(39,739,489)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	36,241,630	37,797,864
Gifts	1,637,344	1,549,391
Federal family education loan receipts	23,708,795	20,094,862
Federal family education loan disbursements	(23,703,127)	(20,097,655)
Student organization agency transactions	(50,559)	56,214
Other	7,182,922	6,368,581
	<u>45,017,005</u>	<u>45,769,257</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from capital debt	26,500,000	24,313
Capital appropriations	2,512,000	3,069,000
Capital Grants and gifts	3,782,577	4,386,069
Student fees for capital projects	733,223	730,020
Purchases of capital assets	(12,789,112)	(11,000,967)
Principal paid on capital debt and leases	(7,491,916)	(979,363)
Interest paid on capital debt and leases	(911,331)	(916,402)
Disposal of asset	-	-
Other	(334,659)	(96,959)
	<u>12,000,782</u>	<u>(4,784,289)</u>
Net Cash Flows from Capital Financing Activities	<u>12,000,782</u>	<u>(4,784,289)</u>

Pittsburg State University
Statement of Cash Flows
For the Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	-	979,012
Investment income	801,958	990,844
Purchase of investments	-	-
	<u>801,958</u>	<u>1,969,856</u>
Net change in cash and cash equivalents	17,660,075	3,215,335
Cash and cash equivalents-beginning of year	23,424,980	20,209,645
Cash and cash equivalents-end of year	<u>\$ 41,085,055</u>	<u>\$ 23,424,980</u>
RECONCILIATION		
Operating income (loss)	\$ (47,530,690)	\$ (44,900,050)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	4,556,623	3,788,103
Changes in assets and liabilities:		
Accounts receivable, net	69,561	426,789
Loans to students, net	(446,398)	(201,267)
Inventories	18,803	(2,128)
Prepaid expenses	(3,167)	(39,566)
Accounts payable and accrued liabilities	2,460,105	27,707
Deferred revenue	126,763	220,154
Accrued compensated absences	134,271	325,241
Other postemployment healthcare benefits	449,973	607,993
Deposits held in custody for others	4,486	7,535
	<u>\$ (40,159,670)</u>	<u>\$ (39,739,489)</u>

See accompanying notes to financial statements



A physics student examines a project in a physics lab located in Yates Hall.



PSU names the 2008-2009 Outstanding Faculty Dr. Mark Johnson (Technology Management), Dr. Chris Fogliasso (Management and Marketing) and Dr. Mark Peterson (Social Sciences).



Students cheer on their sorority sisters and fraternity brothers during the annual spring activities of Greek Week.

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

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. The financial statements have not been audited.

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

Organization. Pittsburg State University is a regional, comprehensive, four-year state university serving the residents of Kansas and the four-state region of Kansas, Missouri, Oklahoma, and Arkansas. The university has an enrollment of more than 7,000 students where 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 North Central Association of Colleges and Schools, and 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. The financial activity and balances of the Pittsburg State University Foundation, Inc. and Pittsburg State University Alumni Association, Inc. are not included in the financial statements of the University as they are separate legal entities and the University does not appoint a voting majority of the Association's governing body.

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

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

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

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

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.

Noncurrent Cash and Investments. Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as noncurrent assets in the Statement of Net Assets.

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

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

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

Deferred Revenues. Deferred 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. Deferred revenues also include summer school tuition not earned during the current year, amounts received from grant and contract sponsors that have not yet been earned and certain capital appropriations which remain unspent at the end of the fiscal year.

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

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

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

Net Assets. The University's net assets are classified as follows:

Invested in capital assets, net of related debt. 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 assets – expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

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

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

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

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

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

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

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, 2009 and 2008 were \$41,085,055 and \$23,424,980 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.

Investments. The University's total investments at June 30, 2009 and 2008 of \$1,019,468 are administered by the Kansas Development Finance Authority. These monies represent bond reserve requirements.

NOTE 3 - Accounts Receivable

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

	<u>2009</u>	<u>2008</u>
Tuition and Fees	\$ 521,821	\$ 519,586
Auxiliary enterprises	88,868	86,849
Grants & Contracts	61,396	135,104
Other	<u>25,594</u>	<u>25,700</u>
Total	<u>\$ 697,679</u>	<u>\$ 767,239</u>

NOTE 4 – Loans to Students

Student loans made through the Federal Perkins Loan and Nursing Student Loan Programs comprise substantially all of the loans to students at June 30, 2009 and 2008. The Perkins Loan Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2009 and 2008, the allowance for uncollectible loans was estimated to be \$584,833 and \$551,740, respectively.

NOTE 5 – Inventories

Inventories consisted of the following at June 30:

	<u>2009</u>	<u>2008</u>
Physical Plant	\$ 225,293	\$ 267,039
Office Supplies	42,478	49,818
Other	<u>95,987</u>	<u>65,704</u>
Total	<u>\$ 363,758</u>	<u>\$ 382,561</u>

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE 6 – Capital Assets

Capital asset activity for the year ended June 30, 2009 and June 30, 2008 are as follows:

	2009			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 4,015,785	\$ 970,695	\$ 0	\$ 4,986,480
Land Improvements	4,034,359	0	0	4,034,359
Works of Art	666,454	0	0	666,454
Buildings & Improvements	113,035,705	14,317,031	0	127,352,736
Equipment & Furnishings	12,660,979	2,465,239	240,692	14,885,526
Vehicles	1,810,934	11,079	60,981	1,761,032
Software	899,834	1,011,126	0	1,910,960
Total	<u>\$ 137,124,050</u>	<u>\$ 18,775,170</u>	<u>\$ 301,673</u>	<u>\$ 155,597,547</u>
Less accumulated depreciation:				
Land Improvements	2,055,155	150,325	0	2,205,480
Buildings & Improvements	40,952,927	2,885,861	0	43,838,788
Equipment & Furnishings	8,915,029	1,198,935	238,488	9,875,476
Vehicles	1,223,149	163,329	60,981	1,325,497
Software	<u>555,250</u>	<u>158,173</u>	<u>0</u>	<u>713,423</u>
Total accumulated depreciation	<u>53,701,510</u>	<u>4,556,623</u>	<u>299,469</u>	<u>57,958,664</u>
Capital assets, net	<u>\$ 83,422,540</u>	<u>\$ 14,218,547</u>	<u>\$ 2,204</u>	97,638,883
Construction In Progress				3,986,895
				<u>\$ 101,625,778</u>

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

	2008			
	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 3,095,828	\$ 919,957	\$ 0	\$ 4,015,785
Land Improvements	3,854,405	179,954	0	4,034,359
Works of Art	666,454	0	0	666,454
Buildings & Improvements	106,571,810	6,463,895	0	113,035,705
Equipment & Furnishings	11,314,954	1,755,246	409,221	12,660,979
Vehicles	1,375,259	594,131	158,457	1,810,934
Software	1,042,946	41,248	184,360	899,834
Total	\$ 127,921,656	\$ 9,954,431	\$ 752,038	\$ 137,124,050
Less accumulated depreciation:				
Land Improvements	1,904,831	150,324	0	2,055,155
Buildings & Improvements	38,424,991	2,527,936	0	40,952,927
Equipment & Furnishings	8,478,545	842,638	406,154	8,915,029
Vehicles	1,194,498	187,108	158,457	1,223,149
Software	530,759	80,095	55,604	555,250
Total accumulated depreciation	50,533,624	3,788,101	620,215	53,701,510
Capital assets, net	\$ 77,388,032	\$ 6,166,330	\$ 131,823	83,422,540
Construction In Progress				9,899,248
				\$ 93,321,788

NOTE 7 – Deferred Revenue

Deferred revenues consisted of the following at June 30:

	2009	2008
Tuition and Fees	\$ 1,798,553	\$ 1,713,695
Grants & Contracts	954,588	899,502
Capital Appropriations	623,797	1,360,374
Auxiliary enterprises	140,227	153,408
Total	\$ 3,517,165	\$ 4,126,979

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE 8 - Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2009 and June 30, 2008 was as follows:

	2009				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 12,705,000	\$ 20,000,000	\$ 470,000	\$ 32,235,000	\$ 545,000
Lease obligations	6,269,750	131,992	580,202	5,821,540	573,877
Total long-term liabilities	\$ 18,974,750	\$ 20,131,992	\$ 1,050,202	\$ 38,056,540	\$ 1,118,877

	2008				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Revenue bonds payable	\$ 13,135,000	\$ 0	\$ 430,000	\$ 12,705,000	\$ 470,000
Lease obligations	6,794,800	31,787	556,837	6,269,750	580,202
Total long-term liabilities	\$ 19,929,800	\$ 31,787	\$ 986,837	\$ 18,974,750	\$ 1,050,202

NOTE 9 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:

	Principal Outstanding at 6/30/09
Kansas Development Finance Authority Revenue Bonds - Series E, 1998 (The Board of Regents – Pittsburg State University Housing System Renovation Project – Willard Hall) \$4,750,000 Due in annual installments of \$215,000 to \$340,000. Issued 12/1/98 with a final maturity on 10/1/23. Interest ranging from 3.4% to 4.9% payable semi-annually.	\$ 3,715,000
Kansas Development Finance Authority Revenue Bonds - Series P, 1998 (The Board of Regents – Pittsburg State University Horace Mann Administration Building Renovation Project) \$3,650,000 Due in annual installments of \$250,000 to \$300,000. Issued 12/1/98 with a final maturity on 10/1/18. Interest ranging from 3.0% to 4.85% payable semi-annually.	2,410,000
Kansas Development Finance Authority Revenue Bonds - Series A-1 & A-2, 2003 (The Board of Regents - Pittsburg State University Overman Student Center Project) \$2,610,000 Due in annual installments of \$195,000 to \$205,000. Issued 1/28/03 with a final maturity on 4/1/23. Interest ranging from 1.8% to 5.25% payable semi-annually.	2,055,000

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

	Principal Outstanding at 6/30/09
Kansas Development Finance Authority Revenue Bonds – Series D, 2004 (The Board of Regents - Pittsburg State University Housing System Renovation Project – Bonita Terrace) \$1,195,000 Due in annual installments of \$50,000 to \$130,000. Issued 7/14/04 with a final maturity on 10/1/19. Interest ranging from 3.0% to 4.75% payable semi-annually.	1,055,000
Kansas Development Finance Authority Revenue Bonds – Series D, 2005 (The Board of Regents – Pittsburg State University Kansas Polymer Research Center) \$3,000,000 Due in annual installments of \$155,000 to \$850,000. Issued 4/1/06 with a final maturity on 10/1/21. Interest is 5.18% payable semi-annually.	3,000,000
Kansas Development Finance Authority Revenue Bonds – Series G, 2009 (The Board of Regents – Pittsburg State University Bryant Student Health Center) \$825,000 Due in annual installments of \$50,000 to \$70,000. Issued 6/17/09 with a final maturity on 10/1/2023. Interest ranging from 2.5% to 4.75% payable semi-annually.	825,000
Kansas Development Finance Authority Revenue Bonds – Series J-1 & J-2, 2009 (The Board of Regents – Pittsburg State University Parking System Project) \$4,545,000 Due in annual installments of \$160,000 to \$330,000. Issued 6/17/09 with a final maturity on 10/1/2029. Interest ranging from 2.5% to 7.0% payable semi-annually.	4,545,000
Kansas Development Finance Authority Revenue Bonds – Series H-1 & H-2, 2009 (The Board of Regents – Pittsburg State University Housing System Improvement Project) \$14,630,000 Due in annual installments of \$380,000 to \$975,000. Issued 6/17/09 with a final maturity on 10/1/2034. Interest ranging from 2.5% to 7.3% payable semi-annually.	14,630,000

NOTE 10 - Revenue Bonds Maturity Schedule

Maturities of principal and interest requirements on revenue bonds payable for the year ended June 30, 2009 are as follows:

Year Ending June 30:	Principal	Interest	Total
2010	\$ 545,000	\$ 1,513,859	\$ 2,058,859
2011	725,000	1,792,214	2,517,214
2012	1,130,000	1,758,959	2,888,959
2013	1,165,000	1,717,521	2,882,521
2014	1,220,000	1,672,198	2,892,198
2015-2019	7,955,000	7,397,809	15,352,809
2020-2024	9,160,000	4,910,752	14,070,752
2025-2029	4,795,000	2,885,789	7,680,789
2030-2035	5,540,000	1,202,711	6,742,711
Total	\$ 32,235,000	\$ 24,851,812	\$ 57,086,812

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE 11 - Lease Obligations

Pittsburg State University is obligated for the purchase of certain equipment funded through the issuance of blanket financing agreements in the amount of \$5,821,540 and \$6,269,750 as of June 30, 2009 and 2008, respectively. Included in this balance is the \$4.5 million Master Lease Purchase agreement between the University and the State for the University's Energy Performance Contract. The University is responsible for repaying the State for the 20-year term of the lease.

Payments to liquidate these obligations as of June 30, 2009 are scheduled as follows:

Year Ending June 30:	Total
2010	\$ 573,877
2011	592,194
2012	559,071
2013	450,819
2014	337,375
2015 and thereafter	3,308,204
Total	\$ 5,821,540

NOTE 12 - Retirement Plans

University employees participate in two separate retirement programs. Classified employees participate in the "Kansas Public Employees Retirement System" (KPERS). This defined benefit program is funded through contributions by the University and the individual employees. The University contributed \$820,819 and \$724,059 during fiscal years 2009 and 2008, respectively, and individual employees contributed \$418,267 and \$399,157. Unclassified employees participate in the "Board of Regents Retirement Plan". This defined contribution program is funded through contributions by the University and the individual employees. The University contributed \$2,805,154 and \$2,605,942 during fiscal years 2009 and 2008, respectively, and individual employees contributed \$1,722,217 and \$1,596,758.

NOTE 13 – Other Postemployment Healthcare Benefits

Description. Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependents as for active employees and their dependents. 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. Non-Medicare participants are subsidized by the State, thus resulting in a liability to the State. The accounting for the health insurance for retirees is included in the State's Self-Insurance Health fund, with the subsidy provided from the Self-Insurance Health fund.

Funding Policy. The University provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). 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 appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditure on a pay-as-you-go basis through the Self Insurance Fund.

Annual OPEB Cost and Net OPEB Obligation. Due to implementation of GAB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB) in 2008, the University reported \$1,057,966 and \$607,993 for the net OPEB obligation liability for fiscal years 2009 and 2008, respectively. GASB 45 requires accrual-based measurement and recognition of OPEB expenses, such as retiree medical and dental costs, over the employees' years of service, along with the related liability. The University's annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed 30 years. The following table presents the components of the University's annual OPEB cost for the year, the University's contribution to the plan, and changes in the University's net OPEB obligation.

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

Normal cost (with interest)	\$	268,679
Amortization of UAAL		184,043
Interest on amortized liability		7,086
Annual OPEB cost (expense)		459,808
Interest on Net OPEB Obligation		23,408
Adjustment to the ARC		(33,243)
Increase in net OPEB obligation		449,973
Net OPEB obligation July 1, 2008		607,993
Net OPEB obligation June 30, 2009	\$	1,057,966

Schedule of Employer Contributions (for fiscal year ended)

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$607,993	\$0	0%	\$607,993
2009	\$449,973	\$0	0%	\$1,057,966

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$3,764,304. The University's policy is to fund the benefits on a pay as you go basis, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,764,304. The covered payroll (annual payroll of active employees covered by the plan) was \$47,956,800, and the ratio of the UAAL to the covered payroll was 8 percent.

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

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2008	\$0	\$5,137,853	\$5,137,853	0%	\$45,065,803	11%
6/30/2009	\$0	\$3,764,304	\$3,764,304	0%	\$47,956,800	8%

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

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

In the June 30, 2009 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.5 to 10 percent in the first ten years and an ultimate rate of 5.0 percent after ten years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

NOTE 14 - Commitments and Contingent Liabilities

At June 30, 2009 and 2008 the University had outstanding commitments under construction contracts totaling \$17,854,816 and \$5,298,870, respectively.

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

The University maintains specific insurance coverage as allowed by the State of Kansas and as required by outstanding bond issues. To a large extent, the University follows a policy of self-insurance. Certain claims against the University would require legislative approval (and potential funding) prior to settlement. The University is not aware of any significant outstanding claims as of June 30, 2010.

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.

NOTE 15 – Other Grants

The June 30, 2007 edition of GASB's *Comprehensive Implementation Guide* instructed that "Because of public institutions' administrative involvement with Pell grant requirements and because Pell grants are non-exchange transactions, public institutions should record Pell grant receipts as nonoperating revenues in their financial statements and any amounts applied to student receivable accounts should be recorded as scholarship discounts or allowances". Therefore the June 30, 2009 and 2008 Statement of Revenues, Expense, and Changes in Net Assets reflect the Pell grant reclassification from Federal grants and contracts to other nonoperating revenues.

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

	<u>2009</u>	<u>2008</u>
Pell Grants	\$ 6,358,482	\$ 5,544,141
SEOG Grants	178,945	178,945
Regents Supplemental Grants	<u>645,495</u>	<u>645,495</u>
Total	<u>\$ 7,182,922</u>	<u>\$ 6,368,581</u>

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE 16 – Natural Classifications with Functional Classifications

The University's operating expenses by functional and natural classification as of June 30, 2009 and June 30, 2008 are as follows:

	2009						Total
	Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation	Other Operating Expense	
Educational and general							
Instruction	\$ 29,757,813		\$	\$ 2,835,846		\$	\$ 32,593,659
Research	1,504,690		1,482	771,796			2,277,968
Public service	1,546,374		801	469,572			2,016,747
Academic support	6,559,692			2,656,495			9,216,187
Student services	5,454,956			2,004,216			7,459,172
Institutional support	5,041,246		(612)	1,141,378		2,422	6,184,434
Operations and maintenance of plant	6,462,828		1,700,372	1,335,328			9,498,528
Depreciation					4,556,623		4,556,623
Scholarships and fellowships		7,543,184					7,543,184
Auxiliary enterprises:							
Housing	1,604,332		583,237	2,050,308			4,237,877
Parking	28,971		35	138,909			167,915
Health Services	974,469		5,121	204,882			1,184,472
Student Center	582,367		172,098	387,556			1,142,021
Athletics	281,468			1,252,711			1,534,179
Student Publications	78,455			94,529			172,984
Other				2,619,266		131,725	2,750,991
Total	\$ 59,877,661	\$ 7,543,184	\$ 2,462,534	\$ 17,962,792	\$ 4,556,623	\$ 134,147	\$ 92,536,941

PITTSBURG STATE UNIVERSITY
Notes to Financial Statements
For the Years Ended June 30, 2009 and 2008

	2008						
	<u>Compensation & Benefits</u>	<u>Scholarships & Fellowships</u>	<u>Utilities</u>	<u>Supplies & Other Services</u>	<u>Depreciation</u>	<u>Other Operating Expense</u>	<u>Total</u>
Educational and general							
Instruction	\$ 28,904,274	\$	\$ 152	\$ 2,696,456	\$	\$	31,600,882
Research	1,434,781		1,976	708,744			2,145,501
Public service	1,458,759		902	447,386			1,907,047
Academic support	6,480,879			2,803,711			9,284,590
Student services	4,883,027			2,067,308			6,950,335
Institutional support	4,655,310			1,366,540		2,782	6,024,632
Operations and maintenance of plant	6,400,967		1,751,821	1,278,012			9,430,800
Depreciation					3,778,103		3,788,103
Scholarships and fellowships		6,938,338					6,938,338
Auxiliary enterprises:							
Housing	1,570,027		533,662	2,007,638			4,111,327
Parking	110,683			114,589			225,272
Health Services	914,868		5,472	225,717			1,146,057
Student Center	564,233		169,427	404,228			1,137,888
Athletics	149,083			1,270,163			1,419,246
Student Publications	76,015			99,266			175,281
Other				(54,580)		45,950	(8,630)
Total	<u>\$ 57,602,906</u>	<u>\$ 6,938,338</u>	<u>\$ 2,463,412</u>	<u>\$ 15,435,178</u>	<u>\$ 3,788,103</u>	<u>\$ 48,732</u>	<u>\$ 86,276,669</u>