



**Annual Financial Report  
for the Fiscal Year Ended June 30, 2015**

**Prepared in Accordance with  
Government Accounting Standards  
Board (GASB) Principles**

**Wichita State University  
Fiscal Year 2015 Annual GASB Financial Report**

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**Kansas Board of Regents and University Officers**

**Kansas Board of Regents**

Blake Flanders, President/CEO  
Shane Bangerter, Chairman  
Zoe Newton, Vice Chairman  
Ann Brandau-Murguia  
Bill Feuerborn  
Helen Van Etten  
Joe Bain  
Daniel Thomas  
Dave Murfin  
Dennis Mullin

**University Officers**

**Officer Reporting**

Mary L. Herrin, Vice President for Administration and Finance

**Executive Administration**

John W. Bardo, President  
Anthony J. Vizzini, Provost and Senior Vice President  
Mary L. Herrin, Vice President for Administration and Finance  
David Moses, General Counsel  
Lou Heldman, Vice President for Strategic Communications  
John Tomblin, Vice President for Research and Technology Transfer

**Fiscal Year 2015 Financial Information**  
**Prepared in Accordance with Government Accounting Standards Board**  
**(GASB) Principles**

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

**Wichita State University**  
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**Management's Discussion and Analysis**

As management of Wichita State University (University), we offer you this discussion and analysis of the financial activities of the University for the fiscal year ended June 30, 2015. This information is designed to identify and explain significant financial issues, changes in the University's financial position and deviations from the prior fiscal year. In accordance with GASB Statement No. 39 as amended by GASB Statement No. 61, the University is required to include its component units within the financial report. Wichita State Innovation Alliance (WSIA) and Wichita State Innovation Alliance Investment Corporation (WSIAC) are component units with blended presentation within the University's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. Wichita State University Intercollegiate Athletic Association, Inc., Wichita State University Union Corporation, Wichita State University Board of Trustees and Wichita State University Foundation are presented discretely within the financial report. Due to differences in reporting models, the Wichita State University Foundation is presented separately from the other discrete component units. We encourage you to consider this information in conjunction with the financial statements and the notes to the financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles.

**FINANCIAL HIGHLIGHTS**

- Beginning Net Position was restated and lowered \$32,134,320 as a result of implementing GASB 68, Accounting and Financial Reporting for Pensions.
- Fiscal Year 2015 operations resulted in a decrease in Net Position of \$14,747,131 which is a \$21,091,949 swing when compared to Fiscal Year 2014's increase in Net Position of \$6,344,818, as explained in the analysis below.
- Capital assets, net of depreciation increased \$57,553,757 due to the University's new residence hall, Shocker Hall, opening in August 2014.

**USING THE FINANCIAL STATEMENTS**

This report consists of three financial statements: the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, 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. The 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 during fiscal year 2004. These standards changed the focus of the financial statements to a comprehensive one-look at the University as a whole, as opposed to the traditional presentation of fund groups. **For Fiscal Year 2015, the University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. The primary objective of this new standard is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and pension expense.**

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**STATEMENT OF NET POSITION**

The Statement of Net Position presents the assets, liabilities, 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 and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector enterprises. 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. The 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 twelve 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 purpose restrictions on the use of the assets.
3. Unrestricted Net Position is available to the University for any lawful purpose of the institution.

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The following is a summary of the University's assets, liabilities, and net position at June 30:

	2015	2014
Current Assets	\$ 89,432,659	\$ 102,198,058
Noncurrent Assets	274,867,083	217,178,002
Total Assets	\$ 364,299,742	\$ 319,376,060
 Deferred outflows	 2,159,996	 -
Current Liabilities	\$ 32,684,193	\$ 31,003,184
Noncurrent Liabilities	130,185,156	43,524,255
Total Liabilities	\$ 162,869,349	\$ 74,527,439
 Deferred Inflows	 5,623,219	 -
 Net Position		
Net Investment in Capital Assets	\$ 172,522,043	\$ 168,414,857
Restricted Net Position	15,041,348	19,221,760
Unrestricted Net Position	10,403,779	57,212,004
Total Net Position	\$ 197,967,170	\$ 244,848,621

**Comparative Analysis of Fiscal Years 2015 and 2014**

Current assets were \$89.4 million at June 30, 2015, a decrease of \$12.8 million compared to \$102.2 million at June 30, 2014. The decrease is attributed to a \$16.5 million reduction in cash and cash equivalents which was slightly offset by an increase of \$3.2 million in accounts receivable. Cash and cash equivalents decreased due to an increase in operating expenses (as explained below). The increase in accounts receivable is due in part to a timing difference in the collection of a \$2 million lump sum student tuition payment from a foreign country.

Noncurrent assets increased \$57.6 million in FY 2015. This increase is due to the completion and opening of the University's new residence hall, Shocker Hall.

Current liabilities increased 5% or \$1.7 million due to increases in accounts payable and accrued compensated absences.

Noncurrent liabilities increased \$86.7 million at June 30, 2015. This is due to the initial recording of a lease payable for Shocker Hall in the amount of \$61.9 million and the first year recording of GASB 68's net pension obligation of \$28.4 million. These two increases were partially offset by a decrease of \$3.3 million in revenue bonds payable.

Total Net Position at June 30, 2015 was \$198.0 million, a \$46.9 million decrease over the prior year. The decrease of 68% or \$32.1 million is due to the implementation of GASB 68 and the recording of net pension obligation. The remaining decrease in the overall financial health of the University is the result



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of current year operations which included a loss on disposal of capital assets of \$7.7 million. This loss on disposal is almost entirely due to the razing of Wheatshocker Hall.

**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.

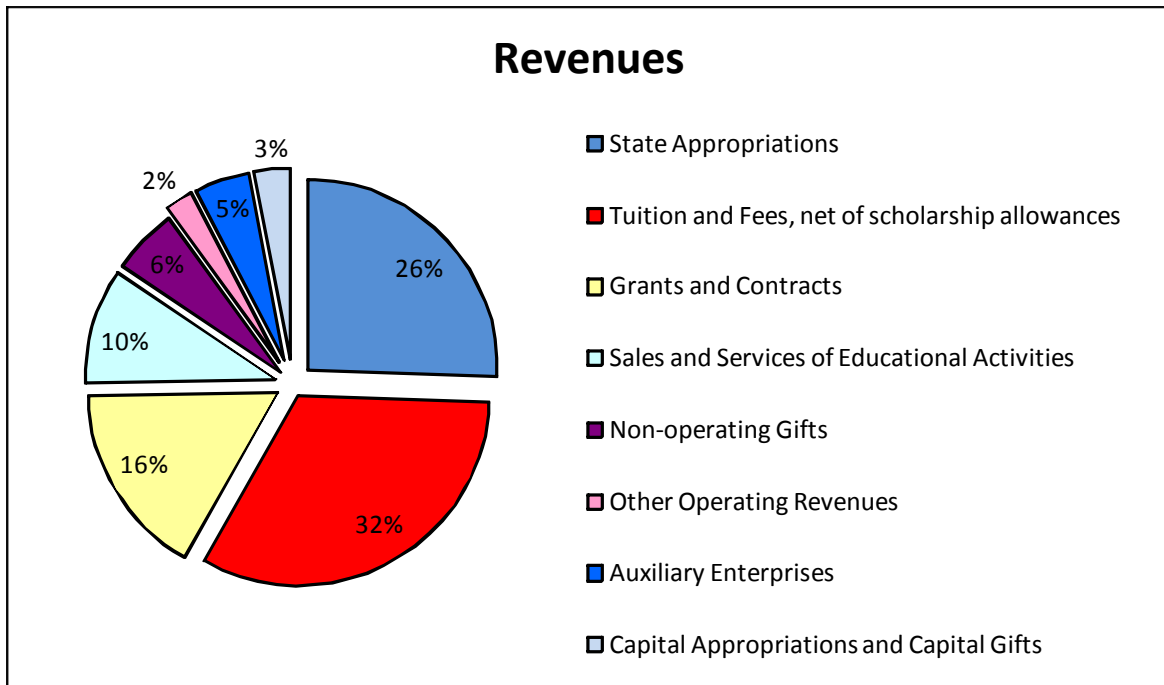
	<u>2015</u>	<u>2014</u>
Operating Revenue	\$ 166,494,292	\$ 157,821,636
Operating Expenses	291,414,509	260,657,493
Operating Loss	\$ <u>(124,920,217)</u>	\$ <u>(102,835,857)</u>
Non-operating Revenue	\$ 101,708,207	\$ 97,669,766
Other Revenue	8,464,879	11,510,909
Total Increase (Decrease) in Net Position	\$ <u>(14,747,131)</u>	\$ <u>6,344,818</u>
Net Position - Beginning of Year	\$ 244,848,621	\$ 234,514,257
Restatement	<u>(32,134,320)</u>	<u>3,989,546</u>
Net Position - Beginning of Year, Restated	<u>212,714,301</u>	<u>238,503,803</u>
Net Position - End of Year	\$ <u><u>197,967,170</u></u>	\$ <u><u>244,848,621</u></u>

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**REVENUES**

Total revenues by source for the year ended June 30, 2015 are shown below:



**Comparative Analysis of Fiscal Years 2015 and 2014**

Total operating revenues at the University as of June 30, 2015, increased \$8.7 million or 6% over the previous year. The following is a brief summary of the significant changes:

- Tuition and fee revenues, after scholarship allowances, were \$91.3 million in FY 2015 compared to restated \$77.6 million in FY 2014. The \$13.7 million increase is attributed to an increase in tuition of \$6.1 million and the remaining increase due to an increase in fees, including a new online learning fee that generated \$3.3 million and a new student fee for athletics generating \$2.8 million. Existing fees for campus infrastructure and engineering equipment increased \$3.3 million.
- Federal operating grants and contracts decreased \$2.6 million over the previous fiscal year. This decrease is from an overall decline in the availability of federal grants.
- State and local contracts and grants decreased by \$4.7 million from FY 2014. This decrease was a result in a change in funding from the State of Kansas. In FY 2015, the State included funding for the National Center for Aviation Training (NCAT) and the Kansas Aviation Research & Technology Growth Initiative in the annual appropriation to the University instead of awarding the University a grant.

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- Sales and services of educational activities decreased \$4.5 million, or 14% from FY 2014 due to a change in accounting methodology for FY 2015. If the University had used this methodology in FY 2014, it would have reduced FY 2014's amount by \$6.0 million and reflected an increase of \$1.5 million or 6% for FY 2015.
- Housing revenues increased \$5.0 million, or 77% over FY 2014 with the opening of Shocker Hall.

Total non-operating revenues (expenses) at the University as of June 30, 2015, increased \$4.0 million over the previous year. This increase is directly associated with the decrease in state and local contracts and grants listed above.

Total other revenues (expenses) at the University as of June 30, 2015, decreased \$3.0 million over the previous year due to an increase in interest expense.

**OPERATING EXPENSES**

Included in the total operating expenses of the University are the following activities which relate to the University's primary mission:

	<u>Instruction</u>	<u>Research</u>	<u>Public Service</u>	<u>Total</u>
<b>Salaries and Wages</b>				
FY 2015	\$ 68,206,135	\$ 26,098,185	\$ 15,144,234	\$ 109,448,554
FY 2014	<u>62,295,072</u>	<u>24,109,072</u>	<u>14,651,641</u>	<u>101,055,785</u>
<b>Increase (Decrease)</b>	<u>\$ 5,911,063</u>	<u>\$ 1,989,113</u>	<u>\$ 492,593</u>	<u>\$ 8,392,769</u>
<b>Contractual and Commodities, other</b>				
FY 2015	\$ 6,061,544	\$ 12,980,222	\$ 6,324,811	\$ 25,366,577
FY 2014	<u>4,388,440</u>	<u>16,449,252</u>	<u>6,034,496</u>	<u>26,872,188</u>
<b>Increase (Decrease)</b>	<u>\$ 1,673,104</u>	<u>\$ (3,469,030)</u>	<u>\$ 290,315</u>	<u>\$ (1,505,611)</u>
<b>Capital Equipment</b>				
FY 2015	\$ 1,498,574	\$ 2,751,858	\$ 343,977	\$ 4,594,409
FY 2014	<u>555,602</u>	<u>1,130,907</u>	<u>111,038</u>	<u>1,797,547</u>
<b>Increase (Decrease)</b>	<u>\$ 942,972</u>	<u>\$ 1,620,951</u>	<u>\$ 232,939</u>	<u>\$ 2,796,862</u>
<b>Totals for FY 2015</b>	\$ 75,766,253	\$ 41,830,265	\$ 21,813,022	\$ 139,409,540
<b>Totals for FY 2014</b>	<u>67,239,114</u>	<u>41,689,231</u>	<u>20,797,175</u>	<u>129,725,520</u>
<b>Increase (Decrease)</b>	<u>\$ 8,527,139</u>	<u>\$ 141,034</u>	<u>\$ 1,015,847</u>	<u>\$ 9,684,020</u>

Expenses related to the University's mission of instruction, research and public service increased \$9.7 million in FY 2015. Increases in salaries, wages and related fringe benefits for faculty and unclassified staff accounted for the major changes.

Expenses in all program classifications in FY 2015 increased \$30.7 million over the prior year. Every expense category increased except operations and maintenance of plant.

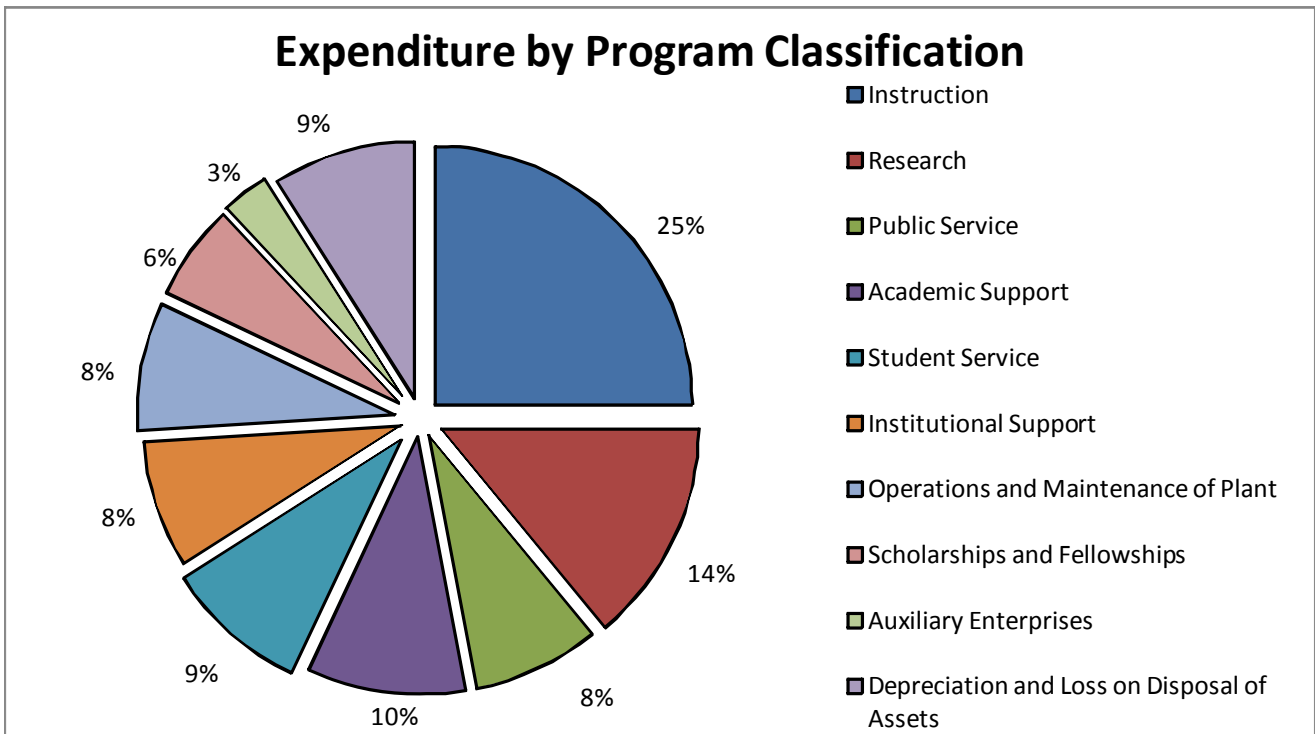
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- Instruction increased \$8.5 million or 13%, with \$5.7 million in increased compensation and benefits and a \$2.6 million increase in contractual and commodity expenses.
- Academic Support increased \$3.2 million or 12% with the majority of the increase in compensation and benefits.
- Student Service increased \$3.1 million, scholarships and fellowships increased \$2.3 million, and loss on disposal of capital assets increased \$6.4 million due to the razing of Wheatshocker Hall.

The University engaged in several initiatives during FY 2015 to enhance student customer service: \$1.5 million to provide a One-Stop location and call center, \$1.0 million to provide remote parking and shuttle service, \$1.0 million for new police and parking vehicles along with staff to patrol remote parking lots and provide expanded shuttle service to students. The University also spent \$1.4 million of tuition and fees to fund a state general fund budget rescission.

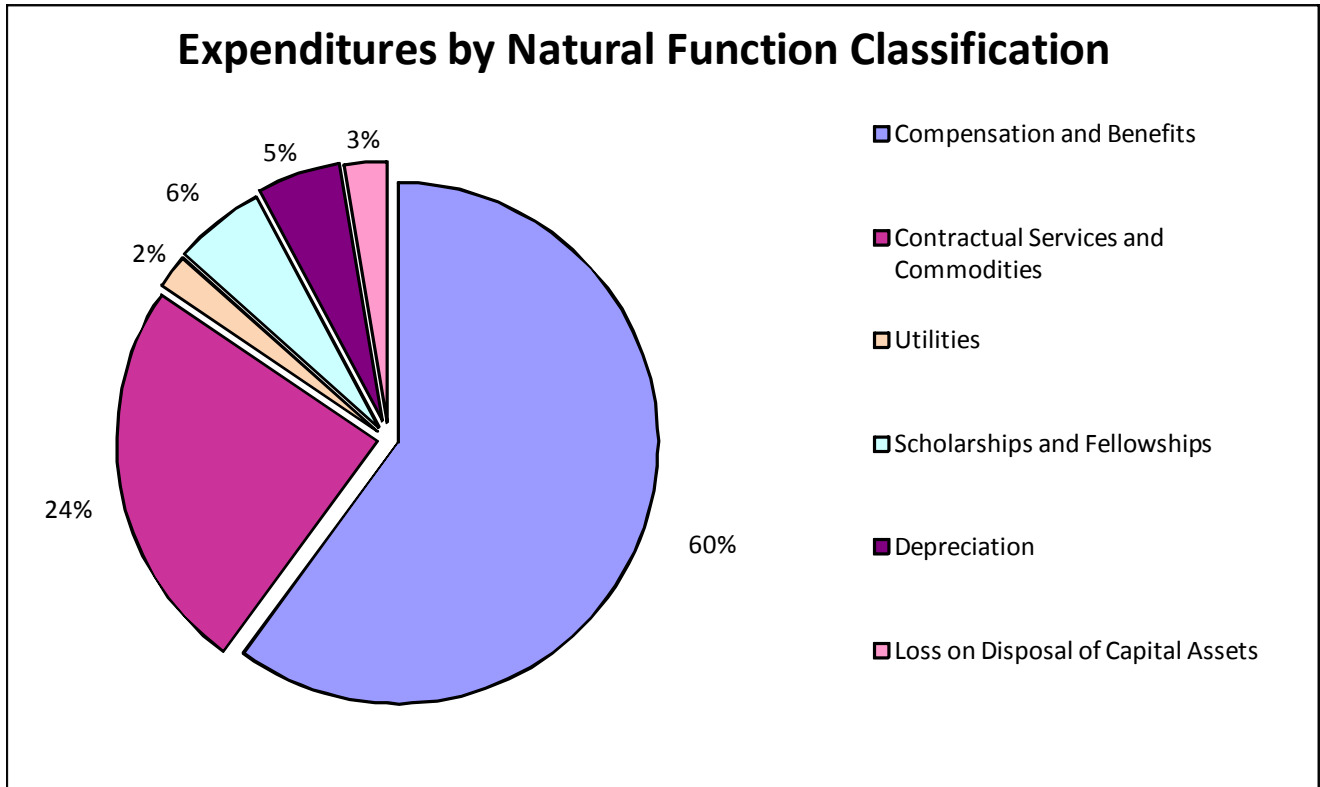
Total expenditures for the year ended June 30, 2015 by program, including operating and non-operating, are displayed below:



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Expenditures for the year ended June 30, 2015 by natural function classification, including operating and non-operating, are displayed below:



**NET POSITION**

Overall, Net Position decreased \$46.9 million in FY 2015 compared to a restated increase of \$10.3 million in FY 2014. As previously stated on page six, most of the decrease, 68%, or \$32.1 million is due to the implementation of GASB 68, the recording of net pension obligation. The remaining decrease in the overall financial health of the University is the result of current year operations which included a loss on disposal of capital assets of \$7.7 million. This loss on disposal is almost entirely due to the razing of Wheatshocker Hall.

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**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 new cash flows and meet its obligations as they come due.

**SUMMARY OF THE STATEMENT OF CASH FLOWS**

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Net cash provided (used by):		
Operating activities	\$ (104,430,273)	\$ (94,324,125)
Non-capital financing activities	105,657,652	98,316,311
Capital and related financing/appropriations	(17,873,646)	(22,867,737)
Investing activities	<u>102,581</u>	<u>85,458</u>
Net increase (decrease) in cash	\$ <u>(16,543,685)</u>	\$ <u>(18,790,093)</u>
Beginning cash and cash equivalent balances	\$ <u>81,395,949</u>	\$ <u>100,186,042</u>
<b>Ending Cash and Cash Equivalent Balances</b>	<b>\$ <u>64,852,264</u></b>	<b>\$ <u>81,395,949</u></b>

Cash provided by operating activities includes tuition and fees, certain grant and contract revenues, and sales and services of educational activities. Cash used for operating activities includes payments to employees and suppliers. Cash provided by non-capital financing activities includes State appropriations, Federal Pell grants, gifts, and the receipt and disbursement of the Federal Family Education Loan Programs (Stafford, Perkins and Plus Loans). Cash provided for capital and related financing activities represents capital appropriations, gifts and grants. This cash is used for construction, remodeling and repair of University facilities, as well as purchases of capital assets and debt servicing. Detailed information regarding the University's capital assets is available in Note 3 to the financial statements. Cash provided by investing activities includes purchases and sales of investments, as well as investment income earnings and losses realized.

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**CAPITAL ASSETS**

The University continued to make investments in capital during FY 2015. Detailed information regarding capital asset additions, retirements and depreciation is available in Note 3 to the financial statements.

The following construction projects were completed during the current fiscal year: Grace Wilkie Hall HVAC, Rhatigan Student Center Remodel, Engineering Building Roof, Hubbard Hall Roof, Hughes Metropolitan Complex Emergency Generator, Clinton Hall Koch Global Trading Center, Alumni Drive Pedestrian Plaza - Phase I, Hughes Metropolitan Complex Playing Field, Jardine Hall 4th Floor Remodel, Morrison Hall-Jardine Hall-McKnight Art Center Steam & Chilled Water Lines - Phase II, NIAR Virtual Engineering Lab, Engineering Building- Room 204 Conversion to Offices, Beggs Hall NetApp Center, Heskett Center/Ablah Library Restrooms, NIAR-Wallace Hall Roof, Hughes Metropolitan Complex Parking Lot East of AEGD Building and NIAR Aircraft Structural Testing and Evaluation Center (ASTEC) Phase II.

The following projects are underway/committed: Clinton Hall South Entrance & Exterior Stair Replacement, Geology Building Air Handlers, Charles Koch Arena Boilers, Campus Electrical Meters, Perimeter Road Relocation, Fiske Hall HVAC, Neff Hall HVAC, Heskett Center Gymnasium HVAC, Experiential Engineering Building, Wilkins Stadium Roof, Campus Wayfinding & Signage System, Jabara Hall IT HVAC, Wilner Auditorium Dressing Room Remodel, Lindquist Hall 1st & 2nd Floor Corridors and Classrooms, Duerksen Fine Arts Center ADA Ramp & Corridor, Fiske Hall Elevator & Stairwell, Beggs Hall Roof, Hubbard Hall Windows, McKnight Art Center Roof, Duerksen Fine Arts Center Practice Room Wall, Dental Hygiene Relocation, East Campus Parking Lot & Entry Drive - Phase I, Brennan Hall I Boiler, Duerksen Fine Arts Center Roof, Alumni Drive Pedestrian Plaza - Phase II, Jardine Hall Graduate School Remodel, Heskett Center, Media Resources Center and Child Development Center Fire Alarm System Upgrades, Morrison Hall-Jardine Hall-McKnight Art Center Steam & Chilled Water Lines - Phase III, Jabara Hall 4th Floor Psychology Remodel, Morrison Hall Academic Affairs Remodel, National Center for Aviation Training (NCAT) Burn Test Facility Leasehold Improvement, Ablah Library & Fiske Hall Restroom Remodels, Ablah Library & Fiske Hall Classroom Remodels, Human Resource Center Roof, KMUW Old Town - 121 N. Mead - Leasehold Improvement, Old Town Renovation -238 N. Mead - Leasehold Improvement and Campus Sidewalk Replacement.

**DEBT ADMINISTRATION**

At June 30, 2015, the University had \$29.3 million in revenue bond debt outstanding and \$68.0 million of capital leases payable outstanding as shown in Note 7-Long Term Liabilities.

Detailed information regarding all of the University's long-term liabilities is available in Note 7 to the financial statements.

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**ECONOMIC OUTLOOK**

For FY 2016, WSU's Center for Economic Development and Business Research (CEDBR) forecasts that overall employment in Kansas will increase by 1%, approximately 20,000 jobs to the Kansas economy. Much of this growth is expected to be in the service sector, which is forecast to add more than 14,000 jobs while growing 2%. Production sector is projected to grow by 1.2 % in FY 2015, while government employment is forecast to grow by less than 1%.

Total Kansas aggregate wages are forecast to increase 3% in FY 2016 to approximately \$271 billion, outpacing employment growth. Manufacturing wages are forecast to lag behind overall wage growth, with an increase of 2%.

For FY 2016, the Governor and Legislature appropriated a total State General Fund budget for University operations of \$63,148,842. This represents a decrease of 2% compared to the original State General Fund appropriations for operations for FY 2015.

Wichita State University is proceeding with a major expansion of the WSU campus to support job creation and a university strategy based on innovation. These changes are tied to the University's mission as "an essential educational, cultural and economic driver for Kansas and the greater public good". Construction is underway on an Experiential Engineering Building tied to the University's strategic vision of being "internationally recognized for applied learning and research". It will include engineering laboratories and a maker space open to paying members which is part of a national trend toward providing expensive high end technology equipment in a center that can be accessed by students and the public to develop their ideas for inventions. The first Partnership Building, financed with private funds, will lease space to companies that want to work with WSU students and faculty. Future plans include a new home for the W. Frank Barton School of Business with an adjacent Innovation Center, and other mixed use buildings. Funding for these projects will be attained from private developers, Mill Levy bonds, Capital Outlay Foundation campaigns, and other fees. WSU's Innovation Campus will change the way we educate and integrate with the community and the State of Kansas.

The official revenue estimate from the State of Kansas Division of Budget will not be available until November 2015; however, the current revenue collections are trending down.

Other than the above, the University is not aware of any 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 those unknown variations having a global impact on virtually all types of business operations.

Overall, the financial position of the University continues to be strong.



## **Financial Statements with Notes**

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2015 and 2014**

	<u>University Funds</u>		<u>Component Units</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
<b><u>ASSETS</u></b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 64,852,264	\$ 81,395,949	\$ 27,327,346	\$ 21,644,554
Accounts receivable, net	21,288,045	18,045,711	5,010,779	5,518,762
Investments	167,067	166,463	51,864,486	24,162,000
Loans to students	2,339,799	2,058,926	-	-
Inventories	530,454	531,009	1,058,528	1,292,696
Prepaid expenses	-	-	256,437	189,997
Other current assets	255,030	-	6,940	12,493
<b>Total Current Assets</b>	<b>\$ 89,432,659</b>	<b>\$ 102,198,058</b>	<b>\$ 85,524,516</b>	<b>\$ 52,820,502</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	-	-	629,376	-
Investments	40,100	40,000	7,810,074	7,861,122
Loans to students	4,924,267	4,789,043	-	792,348
Other assets	-	-	767,569	50,129,338
Capital Lease Receivable	-	-	61,859,274	-
Capital assets, net	269,902,716	212,348,959	6,502,552	-
<b>Total Noncurrent Assets</b>	<b>\$ 274,867,083</b>	<b>\$ 217,178,002</b>	<b>\$ 77,568,845</b>	<b>\$ 58,782,808</b>
<b>TOTAL ASSETS</b>	<b>\$ 364,299,742</b>	<b>\$ 319,376,060</b>	<b>\$ 163,093,361</b>	<b>\$ 111,603,310</b>
<b><u>Deferred Outflows</u></b>				
Deferred pension costs	\$ 2,159,996	-	-	-

**WICHITA STATE UNIVERSITY  
STATEMENT OF NET POSITION  
As of June 30, 2015 and 2014**

	<u>University Funds</u>		<u>Component Units</u>	
	<u>FY 2015</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2014</u>
<b><u>LIABILITIES</u></b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 15,537,695	\$ 14,309,235	\$ 2,007,561	\$ 1,769,919
Unearned revenue	5,461,556	6,131,060	7,168,511	6,005,021
Loan payable	-	-	2,054,756	1,281,050
Accrued interest	-	-	251,173	251,573
Revenue bonds payable	3,374,052	3,229,052	1,284,846	485,523
Lease payable	853,802	821,090	1,483,919	1,476,691
Accrued compensated absences	5,901,551	5,281,061	523,064	469,564
Due to other state agencies	255,030			
Deposits held in custody for others	1,300,507	1,231,686	-	-
<b>Total Current Liabilities</b>	<b>\$ 32,684,193</b>	<b>\$ 31,003,184</b>	<b>\$ 14,773,830</b>	<b>\$ 11,739,341</b>
<b>Noncurrent Liabilities</b>				
Lease payable	\$ 67,200,944	\$ 6,195,349	\$ 1,497,920	\$ 2,981,839
Other postemployment healthcare benefits	7,564,000	6,873,000	-	-
Net pension obligation	28,416,413	-	-	-
Accrued compensated absences	1,051,924	1,129,979	-	-
Revenue bonds payable	25,951,875	29,325,927	111,604,609	65,187,487
<b>Total Noncurrent Liabilities</b>	<b>\$ 130,185,156</b>	<b>\$ 43,524,255</b>	<b>\$ 113,102,529</b>	<b>\$ 68,169,326</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 162,869,349</b>	<b>\$ 74,527,439</b>	<b>\$ 127,876,359</b>	<b>\$ 79,908,667</b>
<b><u>DEFERRED INFLOWS</u></b>				
Deferred pension costs	\$ 5,623,219	-	-	-
<b><u>NET POSITION</u></b>				
Net investment in capital assets	\$ 172,522,043	\$ 168,414,857	\$ 921,318	\$ 1,952,351
Restricted for:				
Nonexpendable	-	-	4,399,374	4,394,630
Expendable				
Loans	6,477,185	6,791,459	-	-
Capital projects	7,426,719	9,612,934	-	-
Debt service	1,137,444	758,441	192,596	188,210
Other purposes	-	2,058,926	9,098,137	9,055,864
Unrestricted	10,403,779	57,212,004	20,605,577	16,103,588
<b>TOTAL NET POSITION</b>	<b>\$ 197,967,170</b>	<b>\$ 244,848,621</b>	<b>\$ 35,217,002</b>	<b>\$ 31,694,643</b>

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**As of June 30, 2015 and 2014**

	University Funds		Component Units	
	FY 2015	FY 2014	FY 2015	FY 2014
<b>Operating Revenues:</b>				
Tuition and fees, net of scholarship allowances of \$19,330,831 in 2015 and \$20,547,060 in 2014	\$ 91,329,271	\$ 77,551,943	\$ 5,529,895	\$ 6,013,557
Federal grants and contracts	19,982,263	22,603,939	-	-
State and local grants and contracts	7,995,653	12,699,935	-	-
Sales and services of educational activities	27,464,156	31,994,989	18,868,523	15,353,936
Auxiliary enterprises				
Housing revenues (revenues are pledged as security for bonds)	11,497,851	6,497,722	-	-
Parking revenues	1,398,875	1,968,580	-	-
Interest earned on loans to students	142,253	136,825	67,386	128,784
Other operating revenues	6,683,970	4,367,703	622,843	893,795
<b>Total Operating Revenues</b>	<b>\$ 166,494,292</b>	<b>\$ 157,821,636</b>	<b>\$ 25,088,647</b>	<b>\$ 22,390,072</b>
<b>Operating Expenses:</b>				
Instruction	\$ 75,766,253	\$ 67,239,114	\$ -	\$ -
Research	41,830,265	41,689,231	-	-
Public Service	21,813,022	20,797,175	558,386	624,004
Academic Support	28,884,624	25,727,291	-	-
Student Service	27,478,028	24,358,888	20,824,730	20,487,780
Institutional Support	23,052,072	21,600,221	-	-
Operations and Maintenance of Plant	23,554,416	23,991,571	2,776,689	1,827,092
Scholarships and Fellowships	16,486,784	14,225,958	7,963,392	7,441,132
Auxiliary Enterprises	8,966,276	6,531,187	-	-
Other Expenses	972,656	390,287	1,977,067	2,072,712
Depreciation	14,885,121	12,736,612	1,271,152	1,359,626
Loss on disposal of capital assets	7,724,992	1,369,958	-	-
<b>Total Operating Expenses</b>	<b>\$ 291,414,509</b>	<b>\$ 260,657,493</b>	<b>\$ 35,371,416</b>	<b>\$ 33,812,346</b>
<b>Total Operating Loss</b>	<b>\$ (124,920,217)</b>	<b>\$ (102,835,857)</b>	<b>\$ (10,282,769)</b>	<b>\$ (11,422,274)</b>
<b>Non-operating Revenues (Expenses)</b>				
State appropriations	\$ 71,866,324	\$ 66,279,677	\$ -	\$ -
Federal grants and contracts	18,039,617	17,573,026	-	-
Gifts	15,682,890	14,543,597	8,690,074	7,456,893
Investment income	103,286	85,458	269,130	1,552,645
Direct Finance Lease Income	-	-	2,743,753	-
Interest expense	(3,983,910)	(811,992)	(4,139,888)	(226,114)
County tax subsidy	-	-	7,407,583	7,084,310
Other nonoperating revenues (expenses)	-	-	(1,471,199)	(1,744,685)
<b>Total Non-operating Revenues (Expenses)</b>	<b>\$ 101,708,207</b>	<b>\$ 97,669,766</b>	<b>\$ 13,499,453</b>	<b>\$ 14,123,049</b>
<b>Total Income (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	<b>\$ (23,212,010)</b>	<b>\$ (5,166,091)</b>	<b>\$ 3,216,684</b>	<b>\$ 2,700,775</b>
<b>Other Revenue (Expenses)</b>				
Capital appropriations	\$ 3,842,823	\$ 5,490,674	\$ -	\$ -
Gifts for capital projects	1,822,210	2,620,389	2,222,500	22,500
Student fees for capital projects	2,799,846	3,399,846	165,000	165,000
Capital assets transferred to other entities	-	-	(2,081,825)	(2,162,424)
<b>Total Other Revenue (Expenses)</b>	<b>\$ 8,464,879</b>	<b>\$ 11,510,909</b>	<b>\$ 305,675</b>	<b>\$ (1,974,924)</b>
<b>Total Increase (Decrease) in Net Position</b>	<b>\$ (14,747,131)</b>	<b>\$ 6,344,818</b>	<b>\$ 3,522,359</b>	<b>\$ 725,851</b>
<b>Net Position</b>				
<b>Net Position - Beginning of Year</b>	<b>\$ 244,848,621</b>	<b>\$ 234,514,257</b>	<b>\$ 31,694,643</b>	<b>\$ 30,968,792</b>
Restatement	(32,134,320)	3,989,546	-	-
Net Position - beginning of year, restated	212,714,301	238,503,803	31,694,643	30,968,792
<b>Net Position - End of Year</b>	<b>\$ 197,967,170</b>	<b>\$ 244,848,621</b>	<b>\$ 35,217,002</b>	<b>\$ 31,694,643</b>

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

	University Funds	
	FY 2015	FY 2014
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 89,264,270	\$ 76,898,207
Sales and services of educational activities	27,757,605	34,523,780
Auxiliary enterprise charges		
Housing	10,931,726	6,528,338
Parking	1,398,875	1,968,580
Research grants and contracts	27,596,790	32,038,776
Payments to suppliers	(71,205,747)	(64,737,368)
Payments for utilities	(6,248,036)	(6,004,716)
Payments for scholarships and benefits	(16,486,784)	(14,225,958)
Compensation and benefits	(172,911,093)	(159,923,833)
Loans issued to students	(1,872,489)	(1,088,589)
Collections on loans issued to students	1,456,392	1,250,642
Other receipts	5,888,219	(1,551,984)
	<u>5,888,219</u>	<u>(1,551,984)</u>
<b>Net Cash Flows from Operating Activities</b>	<b>\$ (104,430,273)</b>	<b>\$ (94,324,125)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	\$ 71,866,324	\$ 66,279,677
Federal Grants	18,039,617	17,573,026
Gifts	15,682,890	14,543,597
Net decrease (increase) in funds held for others	68,821	(79,989)
	<u>68,821</u>	<u>(79,989)</u>
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>\$ 105,657,652</b>	<b>\$ 98,316,311</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	\$ 3,842,823	\$ 5,490,674
Capital gifts	1,822,210	2,137,045
Student fees for capital projects	2,799,846	3,399,846
Purchase of capital assets	(18,304,474)	(27,392,969)
Principal paid on capital debt and leases	(4,050,141)	(5,690,341)
Interest paid on capital debt and leases	(3,983,910)	(811,992)
	<u>(3,983,910)</u>	<u>(811,992)</u>
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<b>\$ (17,873,646)</b>	<b>\$ (22,867,737)</b>

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

	University Funds	
	FY 2015	FY 2014
<b>Cash Flows from Investing Activities</b>		
Investment income	\$ 102,581	\$ 85,458
<b>Net Change in Cash and Cash Equivalents</b>	\$ (16,543,685)	\$ (18,790,093)
<b>Cash and Cash Equivalents - Beginning of Year</b>	81,395,949	100,186,042
<b>Cash and Cash Equivalents - End of Year</b>	\$ 64,852,264	\$ 81,395,949
<b>Reconciliation</b>		
Operating loss	\$ (124,920,217)	\$ (98,846,311)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	14,885,121	12,736,612
Loss on sale of assets	7,724,992	1,369,958
Changes in assets and liabilities:		
Accounts receivable, net	(3,242,334)	(8,242,085)
Loans to students, net	(416,097)	162,053
Other post employment healthcare benefits	691,000	841,001
Net pension obligation	(254,684)	
Accrued salaries and wages	1,202,001	2,675,131
Inventories	555	2,244
Other current assets	(255,030)	797,168
Accounts payable and accrued liabilities	26,459	2,565,066
Due to other state agencies	255,030	-
Unearned revenue	(669,504)	(3,839,905)
Accrued compensated absences	542,435	(4,545,057)
<b>Net Cash Flows from Operating Activities</b>	\$ (104,430,273)	\$ (94,324,125)
<b>Supplemental Cash Flow Information</b>		
Capitalization of interest for capital assets in construction	\$ -	\$ 656,823
Capital assets acquired through capital lease	61,859,396	-
Bond principal payments made on behalf of Wichita State University by Wichita State University Union Corporation	-	483,343

**WICHITA STATE UNIVERSITY FOUNDATION  
STATEMENT OF NET ASSETS  
For the Years Ended June 30, 2015 and 2014**

	Foundation Funds	
	FY 2015	FY 2014
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 7,572,530	\$ 10,207,569
Pledges receivable, less allowance for uncollectible pledges (2015, \$653,194; 2014, \$167,692)	23,702,942	6,123,181
Investments	226,354,993	227,633,268
Mortgage receivable	41,297	43,752
Real estate	597,175	597,175
Buildings, equipment and software, at cost less accumulated depreciation	199,690	169,377
Cash surrender value of life insurance	4,314,517	3,984,207
Collections	15,966,615	15,867,188
Other assets	881,412	1,004,615
<b>Total Assets</b>	<b>\$ 279,631,171</b>	<b>\$ 265,630,332</b>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 449,709	\$ 433,948
Annuities payable	847,978	831,405
Due to WSU Alumni Association	1,560,935	1,588,844
Due to WSU Board of Trustees	6,676,830	6,959,244
Due to WSU Departments	1,126,848	1,144,685
Due to Intercollegiate Athletic Association, Inc.	8,014,515	6,161,864
<b>Total Liabilities</b>	<b>\$ 18,676,815</b>	<b>\$ 17,119,990</b>
<b><u>NET ASSETS</u></b>		
Unrestricted		
Undesignated	\$ 5,314,650	\$ 6,146,005
Designated by Board for endowment purposes	450,000	450,000
Temporarily restricted	83,717,522	82,514,764
Permanently restricted	171,472,184	159,399,573
<b>TOTAL Net Assets</b>	<b>\$ 260,954,356</b>	<b>\$ 248,510,342</b>

**WICHITA STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Years Ended June 30, 2015 and 2014**

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 382,394	\$ 15,870,904	\$ 12,072,611	\$ 28,325,909	\$ 11,488,289
Net investment return	659,494	(777,875)	-	(118,381)	23,566,289
(Loss) gain on property	(3,900)	-	-	(3,900)	(5,500)
Other income	3,068,169	-	-	3,068,169	2,715,360
Net assets released from restriction	13,890,271	(13,890,271)	-	-	-
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>\$ 17,996,428</b>	<b>\$ 1,202,758</b>	<b>\$ 12,072,611</b>	<b>\$ 31,271,797</b>	<b>\$ 37,764,438</b>
<b>EXPENSES</b>					
Program services:					
Scholarships	5,668,900	-	-	5,668,900	4,995,173
University Support	8,221,371	-	-	8,221,371	6,675,724
Support activities:					
Management and general	2,849,673	-	-	2,849,673	2,354,125
Fund raising	2,087,839	-	-	2,087,839	2,084,722
<b>TOTAL EXPENSES</b>	<b>\$ 18,827,783</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,827,783</b>	<b>\$ 16,109,744</b>
<b>Change In Net Assets</b>	<b>(831,355)</b>	<b>1,202,758</b>	<b>12,072,611</b>	<b>12,444,014</b>	<b>21,654,694</b>
<b>Net Assets, Beginning Of Year</b>	<b>\$ 6,596,005</b>	<b>\$ 82,514,764</b>	<b>\$ 159,399,573</b>	<b>\$ 248,510,342</b>	<b>\$ 226,855,648</b>
<b>Net Assets, End Of Year</b>	<b>\$ 5,764,650</b>	<b>\$ 83,717,522</b>	<b>\$ 171,472,184</b>	<b>\$ 260,954,356</b>	<b>\$ 248,510,342</b>



**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements and related supplemental information have been prepared in conformity with accounting principles generally accepted in the United States of America. The financial statements for the University have not been audited. Separately audited statements from component units, prepared in FASB format, are Wichita State University Intercollegiate Athletic Association, Wichita State University Foundation and Wichita State University Union Corporation. Another component unit, the Wichita State University Board of Trustees, has been audited and presented in the GASB format.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Organization.** Wichita State University (the "University") is an urban research institution providing undergraduate, graduate and professional education in a variety of academic programs. The University serves both traditional and nontraditional student bodies. The University is accredited by the Higher Learning Commission formerly the North Central Association of Colleges and Schools.

Undergraduate and graduate degrees are available from six colleges: Fairmount College of Liberal Arts and Sciences; W. Frank Barton School of Business; College of Education; College of Engineering; College of Fine Arts and College of Health Professions. 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 comprehensive annual financial report (CAFR) of the State of Kansas.

The University conducts classes at four locations. The main campus is located at 1845 Fairmount, Wichita, Kansas. There are three satellite campuses: the West Campus is located at 3801 North Walker Avenue, Maize, Kansas, the WSU Downtown Campus is located at 358 N. Main Street, Wichita, Kansas, and the South Campus is located at 200 W. Greenway Street, Suite 15A, Derby, Kansas.

**Financial Reporting Entity.** As required by the accounting principles generally accepted by the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), these financial statements present the financial position and financial activities of the University and its component units: Wichita State Innovation Alliance (WSIA), Wichita State Innovation Alliance Investment Corporation (WSIAIC), the Wichita State University Foundation, the Wichita State University Intercollegiate Athletic Association, Wichita State University Union Corporation and Wichita State University Board of Trustees.

WSIA and WSIAIC, in conformity with **GASB Statement No. 35 Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities** and with **GASB Statement No. 39 Determining Whether Certain Organizations are Component Units, as amended by GASB Statement No. 61, The Financial Reporting Entity** are considered blended component units.

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

Each discretely presented component unit is independently audited and received an unmodified opinion. Financial activities and balances of component units have been discretely presented on the University's financial statements. This discrete display presentation is in conformity with **GASB Statement No. 35 Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities and with GASB Statement No. 39 Determining Whether Certain Organizations are Component Units, as amended by GASB Statement No. 61, The Financial Reporting Entity.**

**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 except for the discretely presented component units. Since the component units are displayed discretely, inter-agency transactions have not been eliminated in accordance with GASB guidelines.

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

**Accounts Receivable.** Accounts receivable consists of tuition and fee charges to students, and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, State and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. (See Note 4)

**Inventories.** Inventories are recorded at the lower of cost, using the first in first out method, or market.

**Loans to Students.** The University makes loans to students under various federal and other loan programs. Such loans receivable are recorded net of estimated uncollectible amounts. (See Note 5)

**Prepaid Expenses.** Prepaid expenses primarily consist of insurance contracts.

**Restricted Cash Equivalents 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 non-current in the Statement of Net Position.

**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 of \$5,000 or more, and an estimated life 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.

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

Depreciation is computed using the straight-line, half-year convention method over the estimated useful lives of the assets. Useful life is 40 years for buildings, 25 years for infrastructure and land improvements, 8 years for non-information technology equipment, 5 years for vehicles and 3 years for information technology equipment. The University reserves the discretion to modify the useful life of an asset in an unusual circumstance.

Costs incurred during construction of long-lived assets are recorded as construction-in-progress and are not depreciated until placed in service. (See Note 3)

**Unearned Revenue.** Unearned revenues consist primarily of summer school tuition not earned during the current year and amounts received from grant and contract sponsors that have not yet been earned. (See Note 6)

**Compensated Absences.** Employee vacation is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded as accrued compensated absences in the Statement of Net Position, and as a component of operating expenses by University function in the Statement of Revenues, Expenses, and Changes in Net Position. The expenses are also a component of compensation and benefit expense in Note 11, "Operating Expenses by Natural Classification". (See Note 11)

**Deposits Held in Custody for Others.** Deposits held in custody for others consist primarily of funds for student organizations that are administered by the University.

**Noncurrent Liabilities.** Noncurrent liabilities include principal amounts of revenue bonds with contractual maturities greater than one year and certain liabilities associated with employee benefits. (See Notes 7, 8 and 9) Also included are lease principal amounts for energy saving projects on University buildings. (See Note 7) Bond premiums are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

**Deferred Inflows/Outflows.** Deferred outflows and deferred inflows result from the consumption or acquisition of net position in one period that is applicable to future periods. These items are reported separately from assets and liabilities.

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources. This separate financial element represents the consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources. This separate financial element represents the acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then.

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

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

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 depreciation less outstanding debt obligations used to acquire 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 net investment in capital assets.

**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.

**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.

**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 included auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. The auxiliary enterprises included here are student housing and parking operations.

**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). The University complies with this requirement by annually filing form 990-T through the Kansas Board of Regents Office.

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

**Classification of Revenues and Expenses.** The University has classified the activity on the Statement of Revenues, Expenses, and Changes in Net Position as either operating or non-operating revenues according to the following criteria:

**Operating Revenues and Operating Expenses:** Operating revenues and expenses include activities that have the characteristics of exchange transactions, including nearly all of the University's expenses and certain revenues such as (1) student tuition and fees, net of scholarships discounts and allowances, (2) sales and services of auxiliary enterprises, (3) certain Federal, State and local grants and contracts, and (4) interest on institutional student loans and auxiliary enterprises.

**Non-Operating Revenues (Expenses):** Non-operating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as State and Federal appropriations, Federal Pell grants, private gifts, 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 behalf of the students. 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.

**Reclassification.** Certain reclassifications have been made to the 2014 financial statements to conform to the current year's presentation. These reclassifications had no impact on total net position as previously reported.

**NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The carrying values of deposits and investments shown below are included in the Statement of Net Position as follows:

<u>Carrying Value</u>	<u>FY 2015</u>	<u>FY 2014</u>
Cash deposits with State Treasury	\$ 62,625,606	\$ 75,177,628
Cash deposits with financial institutions	1,507,349	729,476
Certificates of deposit	406,010	403,815
Funds held at Pooled Money Investment Board	520,466	520,466
	<u>\$ 65,059,431</u>	<u>\$ 76,831,385</u>

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

A reconciliation of deposits and investments to the Statement of Net Position as of June 30 is as follows:

<u>Deposits and Investments</u>	<u>FY 2015</u>	<u>FY 2014</u>
Cash and cash equivalents	\$ 64,852,264	\$ 81,395,949
Investments	207,167	206,463
	<u>\$ 65,059,431</u>	<u>\$ 81,602,412</u>

**Deposits**

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 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. The investments are managed by the Pooled Money Investment Board (PMIB), which maintains a published Investment Policy. The exceptions to this are any funds maintained in the University's imprest fund, organizational safekeeping fund, and any funds held by external entities on behalf of the University.

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

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

**Investments**

**Pooled Money Investment Board (PMIB).** The investment policy of the PMIB is governed by State statutes. The primary objectives are to attain safety, liquidity, and yield. Allowable investments for State pooled moneys not held in Kansas financial institutions are as follows:

- Direct obligations of, or obligations except mortgage backed securities, that are insured as to principal and interest by the U.S. Government, or any direct agency thereof, with maturities up to four years
- Repurchase agreements with Kansas banks or with primary government securities dealers
- Interfund loans to various State agencies as mandated by the Kansas Legislature limited to not more than the lesser of 10% or \$140,000,000 of State monies
- Certain Kansas agency and SKILL Act projects and bonds
- High grade commercial paper not to exceed 270 days to maturity
- High grade corporate bonds not to exceed 2 years to maturity

**WICHITA STATE UNIVERSITY**  
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**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The State Treasurer and PMIB minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirement for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in shorter-term securities.

As of June 30, 2015 and 2014 the University had the following investments:

<u>Investment Type</u>	<u>FY 2015</u>	<u>FY 2014</u>
Certificates of Deposit	\$ 406,010	\$ 403,815

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. The University investments may have credit risk, since the underlying securities may include securities other than those that take the form of U.S. Treasuries or obligations explicitly guaranteed by the U.S. Government. The investments are unrated and certain investments have an underlying collateral agreement.

**Custodial Credit Risk.** Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the University's name, and are held by either the counterparty or the counterparty's trust department or agent.

The University does not have a formal investment policy that addresses custodial credit risk. However, the University's custodial credit risk is estimated to be minimal based on the expressed investment policies of the State Treasurer and PMIB.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the University's investment in a single issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. Information about concentrations of investments with a single issuer is not provided by the State Treasurer or PMIB and therefore the University cannot provide this information.

The financial statements of the State of Kansas provide additional information about the risk associated with the State Treasurer's and PMIB's investment portfolio.

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**Note 3 - CAPITAL ASSETS**

Capital asset activity for the University for the years ended June 30, 2015 and 2014 are summarized as follows:

	<b>2015</b>			
	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
<b>Capital Assets, Not Depreciable</b>				
Land	\$ 3,148,519	\$ 1,604,762	\$ -	\$ 4,753,281
Construction-in-Progress	32,630,349	14,054,475	39,072,221	7,612,603
<b>Total Capital Assets, Not Depreciable</b>	<b>\$ 35,778,868</b>	<b>\$ 15,659,237</b>	<b>\$ 39,072,221</b>	<b>\$ 12,365,884</b>
<b>Capital Assets, Depreciable</b>				
Leasehold Improvements	\$ 6,145,570	\$ 546,805	\$ -	\$ 6,692,375
Infrastructure	18,509,857	556,378	-	19,066,235
Land Improvements	10,440,900	1,206,769	390,000	11,257,669
Buildings	110,331,802	61,103,108	11,572,517	159,862,393
Building Improvements	124,368,404	36,402,277	5,484,724	155,285,957
Equipment & Furnishings	75,677,596	3,578,993	2,988,941	76,267,648
Intangibles, software	4,058,124	-	-	4,058,124
Vehicles	3,405,083	675,273	364,647	3,715,709
<b>Total Capital Assets, Depreciable</b>	<b>\$ 352,937,336</b>	<b>\$ 104,069,603</b>	<b>\$ 20,800,829</b>	<b>\$ 436,206,110</b>
<b>Less Accumulated Depreciation</b>				
Leasehold Improvements	\$ 1,204,569	\$ 614,431	\$ -	\$ 1,819,000
Infrastructure	6,445,411	705,967	-	7,151,378
Land Improvements	5,037,278	394,349	273,600	5,158,027
Buildings	65,702,417	3,926,882	5,746,343	63,882,956
Building Improvements	38,810,611	2,902,584	3,393,628	38,319,567
Equipment & Furnishings	52,099,292	6,089,629	2,922,589	55,266,332
Intangibles, software	3,873,197	90,782	-	3,963,979
Vehicles	3,194,470	160,497	246,928	3,108,039
<b>Total Accumulated Depreciation</b>	<b>\$ 176,367,245</b>	<b>\$ 14,885,121</b>	<b>\$ 12,583,088</b>	<b>\$ 178,669,278</b>
<b>Capital Depreciable Assets - Net</b>	<b>\$ 176,570,091</b>	<b>\$ 89,184,482</b>	<b>\$ 8,217,741</b>	<b>\$ 257,536,832</b>
<b>Total Capital Assets - Net</b>	<b>\$ 212,348,959</b>	<b>\$ 104,843,719</b>	<b>\$ 47,289,962</b>	<b>\$ 269,902,716</b>



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	<b>2014</b>			
	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
<b>Capital Assets, Not Depreciable</b>				
Land	\$ 3,148,519	\$ -	\$ -	\$ 3,148,519
Construction-in-Progress	23,692,836	20,902,961	11,965,448	32,630,349
<b>Total Capital Assets, Not Depreciable</b>	<b>\$ 26,841,355</b>	<b>\$ 20,902,961</b>	<b>\$ 11,965,448</b>	<b>\$ 35,778,868</b>
<b>Capital Assets, Depreciable</b>				
Leasehold Improvements	\$ 2,014,359	\$ 4,131,211	\$ -	\$ 6,145,570
Infrastructure	17,678,800	831,057	-	18,509,857
Land Improvements	9,895,037	545,863	-	10,440,900
Buildings	110,817,559	-	485,757	110,331,802
Building Improvements	119,188,565	6,301,939	1,122,100	124,368,404
Equipment & Furnishings	70,830,173	6,604,419	1,756,996	75,677,596
Intangibles, software	4,058,124	-	-	4,058,124
Vehicles	3,323,782	91,796	10,495	3,405,083
<b>Total Capital Assets, Depreciable</b>	<b>\$ 337,806,399</b>	<b>\$ 18,506,285</b>	<b>\$ 3,375,348</b>	<b>\$ 352,937,336</b>
<b>Less Accumulated Depreciation</b>				
Leasehold Improvements	\$ 1,003,260	\$ 201,309	-	\$ 1,204,569
Infrastructure	5,767,421	677,990	-	6,445,411
Land Improvements	4,719,817	317,461	-	5,037,278
Buildings	63,746,196	2,404,224	448,003	65,702,417
Building Improvements	36,048,348	2,949,729	187,466	38,810,611
Equipment & Furnishings	47,452,490	5,955,399	1,308,597	52,099,292
Intangibles, software	3,693,588	179,609	-	3,873,197
Vehicles	3,154,074	50,891	10,495	3,194,470
<b>Total Accumulated Depreciation</b>	<b>\$ 165,585,194</b>	<b>\$ 12,736,612</b>	<b>\$ 1,954,561</b>	<b>\$ 176,367,245</b>
<b>Capital Depreciable Assets - Net</b>	<b>\$ 172,221,205</b>	<b>\$ 5,769,673</b>	<b>\$ 1,420,787</b>	<b>\$ 176,570,091</b>
<b>Total Capital Assets - Net</b>	<b>\$ 199,062,560</b>	<b>\$ 26,672,634</b>	<b>\$ 13,386,235</b>	<b>\$ 212,348,959</b>

The University elected not to capitalize certain collections. Those 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.

**WICHITA STATE UNIVERSITY**  
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**Notes to the Financial Statements**

**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable are shown in the accompanying Statement of Net Position. At June 30, 2015 and 2014 accounts receivable net of allowance for doubtful accounts consisted of the following:

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Student Tuition and Fees	\$ 11,122,757	\$ 7,472,776
Student Housing Contracts	1,503,222	937,097
Unspent State Appropriations	6,632,328	5,694,324
Service Clearing and Other Operating Activities	51,180	89,599
Federal, State, and Private Grants and Contracts	7,792,187	8,167,875
Less: Allowance for Doubtful Accounts	(5,813,630)	(4,315,959)
<b>Total Accounts Receivable</b>	<b>\$ 21,288,045</b>	<b>\$ 18,045,711</b>

**NOTE 5 - LOANS TO STUDENTS**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans to students at June 30, 2015 and 2014. The Programs provide for cancellation of a loan at rates from 15% to 30% per year up to a maximum of 100% if the participant complies with certain 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.

**NOTE 6 - UNEARNED REVENUES**

Unearned revenues consist primarily of summer session tuition and fees and advance collections on grants and contracts. The breakdown of unearned revenues is as follows:

<b>Unearned Revenues</b>	<b>FY 2015</b>	<b>FY 2014</b>
Summer Session	\$ 3,408,626	\$ 3,321,316
Grants and Contracts	2,052,930	2,809,744
<b>Total Unearned Revenue</b>	<b>\$ 5,461,556</b>	<b>\$ 6,131,060</b>

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**Notes to the Financial Statements**

**NOTE 7 - LONG-TERM LIABILITIES**

Bond premiums are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums. Long-term liabilities for the years ended June 30, 2015 and 2014, consisted of the following:

	<b>2015</b>					
	<b>Total Outstanding June 30, 2014</b>	<b>Deletions June 30, 2015</b>	<b>Additions June 30, 2015</b>	<b>Total Outstanding June 30, 2015</b>	<b>Current Liabilities as of June 30, 2015</b>	<b>Long-Term Liabilities as of June 30, 2015</b>
<b>Liabilities</b>						
Capital Leases Payable						
Energy efficiency lease purchase agreement	\$ 7,016,440	\$ 821,090	\$ -	\$ 6,195,350	\$ 853,802	\$ 5,341,548
Union Corp Shocker Hall lease agreement	-	-	61,859,396	61,859,396	1,266,954	60,592,442
Other post employment healthcare benefits	6,873,000	268,000	959,000	7,564,000	-	7,564,000
Net Pension Liability	-	-	28,416,413	28,416,413	-	28,416,413
Accrued compensated absences	6,411,040	-	542,435	6,953,475	5,901,551	1,051,924
Revenue Bonds Payable:						
National Institute for Aviation Research - Research and Development Facilities Projects - 2005D	-	-	-	-	-	-
Housing System Energy Improvement Bonds Series 2010	-	-	-	-	-	-
WSU Research and Development Facilities Projects - Series 2005D	3,240,000	750,000	-	2,490,000	790,000	1,700,000
WSU Research and Development Facilities Projects - Series 2003C	2,305,000	-	-	2,305,000	-	2,305,000
WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)	4,790,000	590,000	-	4,200,000	620,000	3,580,000
WSU Revenue Bonds - Rhatigan Student Center Renovation Series 2012A-1	18,930,000	1,510,000	-	17,420,000	1,585,000	15,835,000
Plus Bond Premiums (Discounts)						
Unamortized Bond Premiums	3,289,979	379,052	-	2,910,927	379,052	2,531,875
<b>Total Liabilities</b>	<b>\$ 52,855,459</b>	<b>\$ 4,318,142</b>	<b>\$ 91,777,244</b>	<b>\$ 140,314,561</b>	<b>\$ 11,396,359</b>	<b>\$ 128,918,202</b>
<b>2014</b>						
	<b>Total Outstanding June 30, 2013</b>	<b>Deletions June 30, 2014</b>	<b>Additions June 30, 2014</b>	<b>Total Outstanding June 30, 2014</b>	<b>Current Liabilities as of June 30, 2014</b>	<b>Long-Term Liabilities as of June 30, 2014</b>
<b>Liabilities</b>						
Capital Leases Payable						
Energy efficiency lease purchase agreement	\$ 7,806,072	\$ 789,632	\$ -	\$ 7,016,440	\$ 821,090	\$ 6,195,350
Other post employment healthcare benefits	6,032,000	219,000	1,060,000	6,873,000	-	6,873,000
Accrued compensated absences	5,284,755	-	1,126,285	6,411,040	5,281,061	1,129,979
Revenue Bonds Payable:						
National Institute for Aviation Research - Research and Development Facilities Projects - 2005D	1,610,000	1,610,000	-	-	-	-
Housing System Energy Improvement Bonds Series 2010	680,000	680,000	-	-	-	-
WSU Research and Development Facilities Projects - Series 2005D	3,960,000	720,000	-	3,240,000	750,000	2,490,000
WSU Research and Development Facilities Projects - Series 2003C	2,305,000	-	-	2,305,000	-	2,305,000
WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)	5,350,000	560,000	-	4,790,000	590,000	4,200,000
WSU Revenue Bonds - Rhatigan Student Center Renovation Series 2012A-1	20,365,000	1,435,000	-	18,930,000	1,510,000	17,420,000
Plus Bond Premiums (Discounts)						
Unamortized Bond Premiums	3,669,031	379,052	-	3,289,979	379,052	2,910,927
<b>Total Liabilities</b>	<b>\$ 57,061,858</b>	<b>\$ 6,392,684</b>	<b>\$ 2,186,285</b>	<b>\$ 52,855,459</b>	<b>\$ 9,331,203</b>	<b>\$ 43,524,256</b>

**WICHITA STATE UNIVERSITY**  
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**Notes to the Financial Statements**

**Revenue Bonds Payable**

Revenue bonds payable consisted of the following as of June 30, 2015:

	<b>Outstanding</b>	<b><u>June 30, 2015</u></b>
<p><b><u>WSU Research and Development Facilities Projects-Revenue Bonds Series 2005D for the Engineering Research Laboratory Building</u></b></p> <ul style="list-style-type: none"> <li>- Issued by Kansas Development Finance Authority on June 2, 2005</li> <li>- Original amount of \$12,180,000. In April 2006, \$4,000,000 for an Icing Tunnel Research project was canceled due to construction bids exceeding funding. These funds were returned to KDFA for reallocation to another University in the amount of \$3,000,000 and early redemption of bond principal of \$1,000,000.</li> <li>- Due in annual installments with final maturity on October 1, 2017</li> <li>- Interest ranging from 3.79% to 4.95%, payable semi-annually</li> <li>- Collateralized by University funds and State of Kansas appropriations</li> <li>- FY 2016 principal payment due: \$790,000</li> </ul>	\$	2,490,000
<p><b><u>WSU Research and Development Facilities Projects-Revenue Bonds Series 2003C for the Engineering Research Laboratory Building</u></b></p> <ul style="list-style-type: none"> <li>- Issued by Kansas Development Finance Authority on February 11, 2003</li> <li>- Original amount of \$2,305,000</li> <li>- Due in annual installments with final maturity on October 1, 2023</li> <li>- Interest rate is 5.00%, payable semi-annually</li> <li>- Collateralized by restricted use and sponsored research overhead funds from Wichita State University</li> <li>- Principal payments will not commence until FY 2022 due to the structuring of the debt service payments of the 2005D bond issue</li> </ul>	\$	2,305,000
<p><b><u>WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)</u></b></p> <ul style="list-style-type: none"> <li>- Issued by Kansas Development Finance Authority on May 31, 2014</li> <li>- Original amount of \$5,880,000 (Premium \$1,000,153)</li> <li>- Due in annual installments with final maturity on June 1, 2021</li> <li>- Interest 5.00%, payable semi-annually</li> <li>- Secured by WSU revenues, excluding restricted revenues</li> <li>- FY 2016 principal payment due: \$620,000</li> </ul>	\$	4,200,000
<p><b><u>WSU Revenue Bonds Series 2012A-1 (Rhatigan Student Center Renovation)</u></b></p> <ul style="list-style-type: none"> <li>- Issued by Kansas Development Finance Authority on May 31, 2014</li> <li>- Original amount of \$21,730,000.00 (Premium \$3,047,929)</li> <li>- Due in annual installments with final maturity on June 1, 2024</li> <li>- Interest ranging from 3.00% to 5.00%, payable semi-annually</li> <li>- Secured by WSU revenues, excluding restricted revenues</li> <li>- FY 2015 principal payment due: \$1,585,000</li> </ul>	\$	17,420,000
	\$	26,415,000

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**Notes to the Financial Statements**

Future debt service requirements for all bonds outstanding at June 30, 2015, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	\$ 2,995,000	\$ 1,208,445	\$ 4,203,445
2017	3,145,000	1,058,900	4,203,900
2018	3,290,000	901,283	4,191,283
2019	2,550,000	758,750	3,308,750
2020	2,675,000	631,250	3,306,250
2021-2024	11,760,000	1,147,475	12,907,475
Unamortized Bond Premiums	<u>2,910,927</u>	<u>-</u>	<u>2,910,927</u>
<b>Total Debt Service Requirements</b>	<u>\$ 29,325,927</u>	<u>\$ 5,706,103</u>	<u>\$ 35,032,030</u>

**Capital Leases Payable**

The University, on February 22, 2006, entered into a lease-purchase agreement and performance contract with Custom Energy Services, L.L.C. for a period of fifteen years that totaled \$12,316,635. The agreement was duly approved and authorized by the Kansas Board of Regents on February 16, 2006. The annual effective interest rate is 3.945%. The first payment was due October 1, 2006. Rental payments are due semi-annually on October 1 and April 1. The final rental payment is due October 1, 2021. Payments are to be made from University annual budget allocations. An energy audit identified over 100 energy saving measures resulting in a projected annual utility savings of \$1,173,811. These projects included lighting retrofit, water retrofit, replacement of boilers, cooling tower improvements, steam trap replacement, expansion of the energy management system and others. Custom Energy Services, L.L.C. guarantees annual savings to be at least \$1,118,277. This amount is greater than the cost of energy conservation measures, including financing cost, over the financing period. Savings from utilities are used to pay the debt service expenditures.

Future Lease-Purchase (Rental) requirements at June 30, 2015, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Rental Total</u>
2016	\$ 853,802	\$ 236,068	\$ 1,089,870
2017	887,816	202,053	1,089,869
2018	923,186	166,684	1,089,870
2019	959,965	129,905	1,089,870
2020	998,209	91,661	1,089,870
2021-2022	<u>1,572,372</u>	<u>62,434</u>	<u>1,634,806</u>
	<u>\$ 6,195,350</u>	<u>\$ 888,805</u>	<u>\$ 7,084,155</u>

**WICHITA STATE UNIVERSITY**  
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On August 1, 2013, the University entered into a management agreement with the Wichita State University Union Corporation (Union) whereby the University is to manage and operate a new housing and dining facility constructed and owned by the Union. Under the terms of the agreement, the University is obligated to make payments to the Union sufficient to cover the Union's debt service obligations on the loans used by the Union to finance the construction of the housing and dining facility. As part of this agreement, the Union also provided \$483,343 of funding to refund the remaining principal balance on the University's 2010 Housing System Energy Improvement Bonds. Commencement of this lease occurred upon completion of the facility's construction in August of 2014, at which time the University accounted for this agreement as a capital lease. Lease payments will occur through fiscal year 2046, which is the term of the lease.

As of June 30, 2015, future lease payments are as follows.

<u>Year Ending June 30:</u>	<u>Future Minimum Lease Payments</u>	<u>Amortization of Unearned Income</u>	<u>Capital Lease Payable Reduction/ (Income)</u>
2016	\$ 1,808,092	\$ 3,075,046	\$ (1,266,954)
2017	4,053,373	3,091,981	961,392
2018	4,052,173	3,044,341	1,007,832
2019	4,049,773	2,994,530	1,055,242
2020	4,051,473	2,942,352	1,109,120
2021-2025	20,265,562	13,833,097	6,432,465
2026-2030	20,275,912	12,083,301	8,192,612
2031-2035	20,271,487	9,856,959	10,414,528
2036-2040	20,273,937	7,029,207	13,244,731
2041-2045	20,264,874	3,435,180	16,829,695
2046	4,053,000	174,267	3,878,733
	<u>\$ 123,419,656</u>	<u>\$ 61,560,261</u>	<u>\$ 61,859,396</u>

**NOTE 8 - RETIREMENT PLANS**

The University participates in two cost-sharing multiple-employer defined benefit pension plans and one defined contribution pension plan.

**Defined Contribution Plan**

Eligible faculty and unclassified employees are required to participate in the Kansas Board of Regents (Regents) defined contribution retirement plan, which was authorized by K.S.A. 74-4925. The Regents have selected the following companies to provide investment options to participants: (1) Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), and (2) ING Financial Advisors. 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.

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**Notes to the Financial Statements**

For the year ended June 30, 2015, active members were required by State statute to contribute 6% and the University to contribute 9% of the employees' covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The following table provides a summary of contributions made to the defined contribution plan:

	Defined Contribution Plan Contributions	
	Employee	Employer
2013	\$ 4,325,987	\$ 6,782,476
2014	4,465,702	6,995,951
2015	4,984,360	7,776,914

**Voluntary Tax-Sheltered Annuity Program**

Employees may also elect to participate, up to the maximum dollar amount permitted by the Internal Revenue Code, in a voluntary tax-sheltered annuity program. This voluntary plan permits employees to designate a part of their earnings into tax-sheltered investments and thus defer Federal and State income taxes on their contributions and the accumulated earnings under the plan. Participation and the level of employee contributions are voluntary. The employer is not required to make contributions to the plan.

**Defined Benefit Pension Plan**

The University 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.

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Member employees chose 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) and the statutory contribution rate was 15.12% and 10.27%, respectively, for the fiscal year ended June 30, 2014. The actuarially determined employer contribution rate was 15.41% for the fiscal year ended June 30, 2015. The statutory contribution rate was 11.27% from July 1, 2014 to December 31, 2014 and 8.65% from January 1, 2015 to June 30, 2015. Contributions to the pension plan from The University were \$2,143,451 and \$2,077,421 for the years ended June 30, 2015 and 2014, respectively.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.** At June 30, 2015, The University reported a liability of \$28,416,413 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. The University proportion of the net pension liability was based on the ratio of The University actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2014. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014 The University proportion was 0.42%, which was a decrease of 0.02% from its proportion measured as of June 30, 2013. As of June 30, 2014 The University proportion of the total contributions made to the Police and Fire group within KPERS was 0.20%, which was a 0.01% decrease from its proportion measured as of June 30, 2013.



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For the year ended June 30, 2015, The University recognized pension expense of \$1,898,951. At June 30, 2015, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 16,545	\$ 642,336
Net difference between projected and actual earnings on pension plan investments	-	3,510,730
Change in proportion	-	1,470,153
University contributions subsequent to measurement date	2,143,451	-
Total	\$ 2,159,996	\$ 5,623,219

\$2,143,451 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ 1,312,526
2017	1,312,526
2018	1,312,526
2019	1,312,526
2020	356,570
Total	\$ 5,606,674

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**Actuarial Assumptions.** The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 12.50%, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00%

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

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocations as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.00%
Fixed income	14%	0.85%
Yield driven	8%	5.50%
Real return	11%	3.75%
Real estate	11%	6.65%
Alternatives	8%	9.50%
Short-term investments	1%	-
Total	<u>100%</u>	

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

**Sensitivity of the University’s proportionate share of the net pension liability to changes in the discount rate.** The following presents the University’s proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the University’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
University's proportionate share of the net pension liability	\$ 37,331,407	\$ 28,416,413	\$ 20,849,861

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

**NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Description.** As a component unit of the State of Kansas, Wichita State University (WSU) participates in the State’s health insurance benefit plan. Kansas statutes provide 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 the 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 WSU, thus resulting in a liability to WSU. At the State level, the accounting for 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.** WSU provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, 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 pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active employee premiums that would be lower if retirees were not part of the experience group.

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**Annual WSU Cost and Net WSU Obligation.** WSU's annual Other Post Employment Benefits (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the employer, 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 not to exceed 30 years.

The following table (rounded amounts) presents the components of WSU's annual OPEB cost for the year, the contribution to the plan, and changes in the University's net OPEB obligation.

<b>Annual OPEB Cost for Fiscal Year 2015</b>	
Amortization of Unfunded Actuarial	
Accrued Liability (UAAL)	\$ 434,000
Normal Cost (with Interest)	<u>650,000</u>
Annual Required Contribution (ARC)	1,084,000
Interest on Net OPEB Obligation	265,000
Adjustment to the ARC	<u>(390,000)</u>
Annual OPEB Cost	<u><u>959,000</u></u>
<b>Employer Contributions for Fiscal Year 2015</b>	
Claims Plus Administration Costs Paid on	
Behalf of Retirees	535,000
Retiree Contributions	<u>267,000</u>
Net Employer Contributions	<u><u>268,000</u></u>
<b>Net OPEB Obligation</b>	
Net OPEB Obligation July 1, 2014	6,873,000
Annual OPEB Cost	959,000
Net Employer Contributions	<u>(268,000)</u>
Net OPEB Obligation June 30, 2015	<u><u>\$ 7,564,000</u></u>

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

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2013	\$ 1,082,000	\$ 216,000	20%	\$ 6,032,000
2014	1,060,000	219,000	21%	6,873,000
2015	959,000	268,000	28%	7,564,000

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**Funded Status and Funding Progress – Rounded.** As of June 30, 2015, the most recent actuarial valuation date, the actuarial liability for benefits was \$8,222,000.

The University’s policy is to fund the benefits on a pay-as-you-go basis that is paid implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability of \$8,222,000. The covered payroll (annual payroll of active employees covered by the plan) was \$131,078,000, and the ratio of the UAAL to the covered payroll was 6.00%.

**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
2013	\$ -	\$ 9,616,000	\$ 9,616,000	-%	\$ 120,137,000	8%
2014	-	9,602,000	9,602,000	-%	125,914,000	8%
2015	-	8,222,000	8,222,000	-%	131,078,000	6%

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, presented as required supplementary information following the notes to the financial statements, 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.

**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.

In the June 30, 2015 actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85% 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 5.65% to 9.00% in the first ten years and 5.00% to 6.50% 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.

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**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The University, as a State educational institution of Kansas, is subject to the State of Kansas self-insurance program with regard to comprehensive general liability and personal injury insurance. The University is covered by the State's umbrella insurance policies for automobile liability and the Board of Regents building, contents and business interruption insurance policy. The State of Kansas does not insure State owned automobiles for bodily injury and property damages. Also, as a State educational institution, the University is self-insured relative to worker's compensation, medical and unemployment insurance. The University does maintain specific insurance coverage as allowed by the State of Kansas and as required by outstanding revenue bond issues. The University is not aware of any significant outstanding insurance claims as of June 30, 2015.

In the normal course of operations, the University receives grants, contracts and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit and disallowance by the agencies to ensure compliance with conditions precedent to such funds being provided. University officials believe that the liability, if any, for any reimbursement that may arise as the result of any audits, would not have a material effect on the University's financial position.

During 2015, the Board of Trustees of Wichita State University, issued Sedgwick County Public Building Commission Revenue Bonds for the construction of the Experiential Engineering Project. These bonds mature annually on February 1 with semiannual interest payments. The University has pledged a portion the funds received from the Kansas Department of Commerce EEG grant to pay a portion of these revenue bonds.

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**NOTE 11 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS**

The University's operating expenses for the years ended June 30, 2015 and 2014 by functional and natural classification are as follows:

<u>Classifications</u>	2015					<u>Total</u>
	<u>Compensation and Benefits</u>	<u>Contractual Services and Commodities</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	
Instruction	\$ 68,206,135	\$ 7,558,514	\$ 1,604	\$ -	\$ -	\$ 75,766,253
Research	26,098,185	15,414,437	317,643	-	-	41,830,265
Public Service	15,144,234	6,665,389	3,399	-	-	21,813,022
Academic Support	19,941,855	8,942,769	-	-	-	28,884,624
Student Services	15,909,520	11,568,163	345	-	-	27,478,028
Institutional Support	13,253,975	9,741,183	56,914	-	-	23,052,072
Operation and Maintenance of Plant	14,593,173	3,738,197	5,223,046	-	-	23,554,416
Depreciation	-	-	-	-	14,885,121	14,885,121
Scholarships and Fellowships	-	-	-	16,486,784	-	16,486,784
Auxiliary Enterprises	1,796,303	6,524,934	645,039	-	-	8,966,276
Other	148,465	824,145	46	-	-	972,656
Loss on Disposal of Assets	-	7,724,992	-	-	-	7,724,992
<b>Total</b>	<b>\$ 175,091,845</b>	<b>\$ 78,702,723</b>	<b>\$ 6,248,036</b>	<b>\$ 16,486,784</b>	<b>\$ 14,885,121</b>	<b>\$ 291,414,509</b>

<u>Classifications</u>	2014					<u>Total</u>
	<u>Compensation and Benefits</u>	<u>Contractual Services and Commodities</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	
Instruction	\$ 62,295,072	\$ 4,939,641	\$ 4,401	\$ -	\$ -	\$ 67,239,114
Research	24,109,072	17,330,456	249,703	-	-	41,689,231
Public Service	14,651,641	6,143,905	1,629	-	-	20,797,175
Academic Support	17,856,884	7,870,407	-	-	-	25,727,291
Student Services	13,985,772	10,372,997	119	-	-	24,358,888
Institutional Support	11,882,309	9,679,539	38,373	-	-	21,600,221
Operation and Maintenance of Plant	14,419,803	4,396,789	5,174,979	-	-	23,991,571
Depreciation	-	-	-	-	12,736,612	12,736,612
Scholarships and Fellowships	-	-	-	14,225,958	-	14,225,958
Auxiliary Enterprises	2,024,283	3,971,432	535,472	-	-	6,531,187
Other	329,479	60,768	40	-	-	390,287
Loss on Disposal of Assets	-	1,369,958	-	-	-	1,369,958
<b>Total</b>	<b>\$ 161,554,315</b>	<b>\$ 66,135,892</b>	<b>\$ 6,004,716</b>	<b>\$ 14,225,958</b>	<b>\$ 12,736,612</b>	<b>\$ 260,657,493</b>

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**NOTE 12 - COMPONENT UNITS**

The following disclosure meets the requirements in **GASB Statement 14, The Financial Reporting Entity - paragraph 61 and GASB Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments - paragraph 128**. It also complies with **Statement No. 39 of GASB - Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14**. Buildings and improvements, constructed, or purchased by the WSU Foundation or component units, become the property of the State of Kansas and Wichita State University. Generally, revenue bonded debt remains the liability of the component unit. Operating equipment and vehicles, purchased with component unit funds, remains an asset of the component unit.

**Wichita State University Intercollegiate Athletic Association, Inc.**

Wichita State University Intercollegiate Athletic Association, Inc. (the Athletic Association) was incorporated to schedule, manage and promote athletic contests of Wichita State University in harmony with the general education policy of the University. The Athletic Association has eight women's and seven men's sports which compete in Division I of the National Collegiate Athletic Association and in the Missouri Valley Conference.

The Athletic Board of Directors serves as an advisory body to the President of the University and the Director of Athletics. The Athletic Board consists of nineteen members who are appointed by the President from the following constituencies: twelve University personnel, three students, and four persons from the community. The Athletic Board provides the President and the Director of Athletics with its views on all significant questions relating to Athletic Association policies and activities. The management functions of the Athletic Association are delegated to the Director of Athletics by the President.

The Athletic Association prepares its financial statements according to Financial Accounting Standards Board (FASB) pronouncements including **Accounting Standard Codification Topic 958, Not-for-profit entities**. The Athletic Association is recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. The State of Kansas also recognizes the exemption. The Athletic Association is reported as a component unit by the University.

All land and structures, pertinent to the operation of the Athletic Association, are owned by the State of Kansas and have not been reflected as assets of the Athletic Association. The Student Government Association, through the University, allocates annually a portion of the student fees collected for support of the Athletic Association. This revenue amount was reflected on the financial statements in the amount of \$2,803,123 for operations and \$165,000 for capital debt retirement in FY 2015. The State of Kansas, through the University, pays directly the salaries and fringe benefits of certain Athletic Association personnel. The financial statements reflect \$3,133,930 in FY 2015 of State appropriations as revenue, and a like amount of salaries as expenses. The University also provides full maintenance, custodial, utilities and certain other costs on all athletic facilities. These expenses totaled \$1,359,853 in FY 2015 and have been reflected in the Athletic Association's financial statements as indirect facilities and administrative support.



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The Wichita State University Foundation (the Foundation) coordinates fund-raising for and manages investments on behalf of the University and the Athletic Association. Funds held by the Foundation, which are designated for Athletics and controlled by the Athletic Association, are included in the Athletic Association's financial statements. The Foundation holds certain funds designated for athletics, which are not controlled by the Athletic Association. Such funds are comprised primarily of endowed scholarship funds. The Athletic Association records contributions when such funds are disbursed to the Athletic Association for their restricted use.

Complete financial statements for the Athletic Association can be obtained from the WSU Athletic Association Business Office at 1845 Fairmount, Campus Box 18, Wichita, Kansas, 67260-0018.

**Wichita State University Union Corporation**

Wichita State University Union Corporation (the Union) serves as the student union for Wichita State University. It is a component unit of Wichita State University. It provides a bookstore, recreation, student activities, and an outsourced dining service to benefit the faculty, staff, students and alumni of the University. It also rents meeting room space to the University for student, faculty, and staff groups. The Union Corporation will also own and operate, through a management agreement with the University, Shocker Hall, a 332 unit, 784 bed, student housing and dining facility on the campus of the University. Construction on Shocker Hall was completed in August 2014.

The Union has an advisory board of directors to assist staff management. The sixteen person board of directors consists of five senior management and staff of the University, the Union Director, an Alumni Association representative and nine students.

The Union prepares its financial statements according to Financial Accounting Standards Board (FASB) pronouncements including **FASB Accounting Standard Codification Topic 958, Not-for-profit entities**. The organization is recognized by the Internal Revenue Service as tax exempt under Section 501(c)(3) of the Internal Revenue Code. The State of Kansas also recognizes the exemption.

For the year ended June 30, 2015, 34% of the organization's support and revenue came from student fees, 22% from gross profit on sales, 34% from income direct financing lease and 11% from other sources. Contributions are recognized when the donor makes an in-substance, unconditional pledge or outright cash gift. Donor wishes and restrictions dictate classification of the gifts as unrestricted, temporarily restricted or permanently restricted.

The Union buildings became the property of the State of Kansas when the University became a part of the State system on July 1, 1964. The Union does not recognize the buildings as assets on its financial statements. Building improvements, furniture and equipment are depreciated and recorded on the University financial statements. Methods of depreciation follow the guidelines established by the universities in the State of Kansas Regents System.

Complete financial statements for the Union Corporation can be obtained from the Rhatigan Student Center Finance Office at 1845 Fairmount, Campus Box 56, Wichita, Kansas, 67260-0056.

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**Wichita State University Board of Trustees**

The Wichita State University Board of Trustees (the Board of Trustees) is a governmental entity created by the State of Kansas Legislature in the 1963 Session when WSU became a part of the State's higher educational system. The Board of Trustees was established for educational enrichment purposes of Wichita State University. The Board of Trustees is reported as a component unit of Wichita State University.

The Board of Trustees is a separate corporation governed by section 115 of the Internal Revenue Code. The Board of Trustees is a governmental instrumentality exempt from income tax. A nine member board of directors is appointed by the Governor of the State of Kansas. It was formed to manage endowments, and the 1.5 mill levy in place at the time Wichita State University became a State institution in 1964.

The Board of Trustees' financial Statements are prepared in accordance with generally accepted accounting principles (GAAP). **The Governmental Accounting Standards Board (GASB) Statements No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended by GASB Statement No. 35 Basis Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities and with GASB Statement No. 39 Determining Whether Certain Organizations are Component Units, as amended by GASB Statement No. 61, The Financial Reporting Entity** are incorporated in the Board of Trustees' statements.

The Board of Trustees basic financial statements are prepared on a government-wide basis. All activities of the Board of Trustees are considered a single governmental type activity and for this reason the government-wide and fund financial statements are combined.

The Board of Trustees furnishes support to Wichita State University from the 1.5 mill levy funding. During FY 2014, it furnished to the University \$4,447,331 for student support, and \$558,386 for economic community development. Complete financial statements for the Board of Trustees can be obtained from the Board of Trustees Business Office at 1845 Fairmount, Campus Box 47, Wichita, Kansas, 67260-0047.

**Wichita State University Foundation**

The Wichita State University Foundation (the Foundation) provides support for the educational undertakings of Wichita State University and all related beneficial activities. It derives most of its revenue from contributions and earnings on investments.

The financial statements are prepared according to **Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements for Not-for-Profit Organizations**. Under FASB ASC 958-205, the Foundation is required to report information regarding its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets are those which have been limited by donors to a specified time period or purpose. Permanently restricted net assets are restricted by donors to be maintained in perpetuity by the Foundation.

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**Investments.** The Foundation's investment portfolio at June 30, 2015 is composed of the following:

	Fair Value	
	2015	2014
Certificates of deposit	\$ 2,082,423	\$ 3,918,122
Common & preferred stocks	44,799,233	49,760,736
Foreign stocks	36,617,180	40,051,327
Corporate bonds	21,634,063	18,476,225
Exchange-traded funds	2,453,514	2,437,133
Mortgage-backed securities	9,903,908	14,437,812
U.S. Government securities	13,211,716	3,770,644
Foreign bonds	3,316,617	4,976,868
Savings bonds	47,293	45,458
Zero coupon bonds	551,153	536,989
Commodity	3,188,693	10,194,080
Real estate	3,810,490	209,127
Hedge funds	59,780,436	62,932,937
Venture Capital/ Private equity	24,958,274	15,885,810
	\$ 226,354,993	\$ 227,633,268

**Pledge Receivables.** Pledge receivables consist of unconditional promises to give as summarized below:

	2015	2014
Due in less than one year	\$ 5,472,002	\$ 2,514,861
Due in one to five years	17,775,548	3,882,971
Due in more than five years	2,900,373	330,615
	26,147,923	6,728,447
Less:		
Allowance for uncollectible pledges	653,194	167,692
Unamortized discount (at effective rate of 3%)	1,791,787	437,574
	2,444,981	605,266
	\$ 23,702,942	\$ 6,123,181

**NOTE 13 – OPERATING LEASES**

Restricted For Management Use Only

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**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

Within the normal course of operations, the University has entered into various lease agreements considered to be operating leases under accounting standards. The current year operating lease expense was approximately \$1,454,000. The following table summarizes future minimum lease obligations under these leases at June 30, 2015:

<u>Year Ending June 3 Lease Obligation</u>		
2016	\$	1,666,145
2017		1,308,640
2018		998,161
2019		543,900
2020		543,900
2021-2025		959,500
2026-2030		31,800
TOTAL	\$	<u>6,052,046</u>

**NOTE 14 – NEW GASB STATEMENTS**

In June 2015, the GASB issued **Statement No. 75 Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions**, which will require governments providing defined other postemployment benefits (OPEB) plans to recognize their long-term obligations for benefits as a liability for the first time, and will expand required disclosures. This statement will be effective for the University’s fiscal year ending June 30, 2018. The University has not yet determined the effect that the adoption of this Statement will have on its financial statements.

**NOTE 15 – RESTATEMENTS**

**New GASB Statements.** Effective July 1, 2014, Wichita State University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements established standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses. As a result of the implementation, net position as of July 1, 2014 was restated to include the following:

Deferred outflow (deferred pension expense)	\$	2,077,421
Net pension obligation		<u>(34,211,741)</u>
Unrestricted net position		\$ (32,134,320)

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2015 and 2014**

**Notes to the Financial Statements**

**Other Restatements.** Wichita State University evaluated the method in which unearned tuition revenue and the subsequent expense were reported. Additionally, the University determined that Student Fees receivable and allowance had been incorrectly excluded from previous years. This evaluation and recalculation had impacted the following financial statement line items:

<b>Financial Statement line</b>	<b>Impact of Restatement</b>
Unearned tuition revenue	\$(3,115,295)
Cash and cash equivalents	(72,467)
Prepaid expenses related to summer classes	(817,677)
Accounts receivable fees	803,957
Accounts receivable fees allowance	(441,769)
Accrued compensated absences	(3,231,759)
Tuition revenue	1,331,495
Other operating revenues	468
Operating expenses	(497,590)
Net position - beginning of year	3,989,545

## **APPENDICES**

### **COMPONENT UNITS**

**Appendix 1**  
**WICHITA STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**For The Years Ended June 30, 2015 and 2014**

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U. Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<b>ASSETS</b>								
<b>Current Assets</b>								
Cash and cash equivalents	\$ 27,327,346	\$ 21,644,554	\$ 12,472,196	\$ 10,155,824	\$ 5,960,913	\$ 5,150,274	\$ 8,894,237	\$ 6,338,456
Accounts receivable, net	5,010,779	5,518,762	4,576,347	3,969,028	434,432	608,315	-	941,419
Investments	51,864,486	24,162,000	192,596	188,210	2,198,359	20,653,984	49,473,531	3,319,806
Loans to students, net	-	-	-	-	-	-	-	-
Inventories	1,058,528	1,292,696	-	-	1,058,528	1,292,696	-	-
Prepaid expenses	256,437	189,997	213,954	162,652	42,483	27,345	-	-
Other current assets	6,940	12,493	6,940	12,493	-	-	-	-
<b>Total Current Assets</b>	<b>\$ 85,524,516</b>	<b>\$ 52,820,502</b>	<b>\$ 17,462,033</b>	<b>\$ 14,488,207</b>	<b>\$ 9,694,715</b>	<b>\$ 27,732,614</b>	<b>\$ 58,367,768</b>	<b>\$ 10,599,681</b>
<b>Noncurrent Assets</b>								
Restricted cash and cash equivalents	\$ 629,376	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 629,376	\$ -
Investments	7,810,074	7,861,122	-	-	-	-	7,810,074	7,861,122
Other assets	767,569	792,348	-	-	767,569	792,348	-	-
Capital Lease Receivable	6,185,924	-	-	-	6,185,924	-	-	-
Capital assets, net	6,502,552	50,129,338	317,353	407,741	414,159	44,207,287	5,771,040	5,514,310
<b>Total Noncurrent Assets</b>	<b>\$ 77,568,845</b>	<b>\$ 58,782,808</b>	<b>\$ 317,353</b>	<b>\$ 407,741</b>	<b>\$ 63,041,002</b>	<b>\$ 44,999,635</b>	<b>\$ 14,210,490</b>	<b>\$ 13,375,432</b>
<b>TOTAL ASSETS</b>	<b>\$ 163,093,361</b>	<b>\$ 111,603,310</b>	<b>\$ 17,779,386</b>	<b>\$ 14,895,948</b>	<b>\$ 72,735,717</b>	<b>\$ 72,732,249</b>	<b>\$ 72,578,258</b>	<b>\$ 23,975,113</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Accounts payable and accrued liabilities	\$ 2,007,561	\$ 1,769,919	\$ 1,563,625	\$ 1,420,849	\$ 242,130	\$ 281,070	\$ 201,806	\$ 68,000
Deferred revenue	7,168,511	6,005,021	7,131,935	5,973,319	36,576	31,702	-	-
Loan payable	2,054,756	1,281,050	1,023,932	1,195,321	-	-	1,030,824	85,729
Accrued Interest	251,173	251,573	-	-	251,173	251,573	-	-
Revenue bonds payable	1,284,846	485,523	149,000	144,000	1,135,846	341,523	-	-
Lease Payable	1,483,919	1,476,691	-	-	-	-	1,483,919	1,476,691
Accrued compensated absences	523,064	469,564	-	-	523,064	469,564	-	-
<b>Total Current Liabilities</b>	<b>\$ 14,773,830</b>	<b>\$ 11,739,341</b>	<b>\$ 9,868,492</b>	<b>\$ 8,733,489</b>	<b>\$ 2,188,789</b>	<b>\$ 1,375,432</b>	<b>\$ 2,716,549</b>	<b>\$ 1,630,420</b>
<b>Noncurrent Liabilities</b>								
Lease Payable	\$ 1,497,920	\$ 2,981,839	\$ -	\$ -	\$ -	\$ -	\$ 1,497,920	\$ 2,981,839
Revenue bonds payable	111,604,609	65,187,487	469,000	626,000	63,425,641	64,561,487	47,709,968	-
<b>Total Noncurrent Liabilities</b>	<b>\$ 113,102,529</b>	<b>\$ 68,169,326</b>	<b>\$ 469,000</b>	<b>\$ 626,000</b>	<b>\$ 63,425,641</b>	<b>\$ 64,561,487</b>	<b>\$ 49,207,888</b>	<b>\$ 2,981,839</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 127,876,359</b>	<b>\$ 79,908,667</b>	<b>\$ 10,337,492</b>	<b>\$ 9,359,489</b>	<b>\$ 65,614,430</b>	<b>\$ 65,936,919</b>	<b>\$ 51,924,437</b>	<b>\$ 4,612,259</b>
<b>NET POSITION</b>								
Net investment in capital assets	\$ 921,318	\$ 1,544,610	\$ -	\$ -	\$ 414,159	\$ 574,559	\$ 507,159	\$ 970,051
Restricted for:								
Nonexpendable	4,399,374	4,394,630	-	-	-	-	4,399,374	4,394,630
Expendable								
Debt service	192,596	188,210	192,596	188,210	-	-	-	-
Other purposes	9,098,137	9,055,864	3,150,821	2,693,744	-	-	5,947,316	6,362,120
Unrestricted	20,605,577	16,511,329	4,098,477	2,654,505	6,707,128	6,220,771	9,799,972	7,636,053
<b>TOTAL NET POSITION</b>	<b>\$ 35,217,002</b>	<b>\$ 31,694,643</b>	<b>\$ 7,441,894</b>	<b>\$ 5,536,459</b>	<b>\$ 7,121,287</b>	<b>\$ 6,795,330</b>	<b>\$ 20,653,821</b>	<b>\$ 19,362,854</b>

**Appendix 2**  
**WICHITA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For The Years Ended June 30, 2015 and 2014**

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U. Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
<b>Operating Revenues:</b>								
Student fees	\$ 5,529,895	\$ 6,013,557	\$ 2,803,123	\$ 2,945,501	\$ 2,726,772	\$ 3,068,056	\$ -	\$ -
Sales and services of educational activities	18,868,523	15,353,936	14,358,285	13,098,552	2,510,238	2,255,384	2,000,000	-
Interest earned on loans to students	67,386	128,784	-	-	-	-	67,386	128,784
Other operating revenues	622,843	893,795	595,193	832,682	27,650	48,613	-	12,500
<b>Total Operating Revenue</b>	<b>\$ 25,088,647</b>	<b>\$ 22,390,072</b>	<b>\$ 17,756,601</b>	<b>\$ 16,876,735</b>	<b>\$ 5,264,660</b>	<b>\$ 5,372,053</b>	<b>\$ 2,067,386</b>	<b>\$ 141,284</b>
<b>Operating Expenses:</b>								
Public Service	\$ 558,386	\$ 624,004	\$ -	\$ -	\$ -	\$ -	\$ 558,386	\$ 624,004
Academic Support	-	-	-	-	-	-	-	-
Student Service	20,824,730	20,487,780	16,533,085	16,040,103	4,291,645	4,447,677	-	-
Institutional Support	-	-	-	-	-	-	-	-
Operations & Maintenance of Plant	2,776,689	1,827,092	1,430,430	667,533	340,461	358,575	1,005,798	800,984
Depreciation	1,271,152	1,359,626	105,349	148,305	193,658	228,970	972,145	982,351
Scholarships & Fellowships	7,963,392	7,441,132	3,334,687	2,897,210	181,374	84,827	4,447,331	4,459,095
Other Expenses	1,977,067	2,072,712	1,977,067	2,072,712	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 35,371,416</b>	<b>\$ 33,812,346</b>	<b>\$ 23,380,618</b>	<b>\$ 21,825,863</b>	<b>\$ 5,007,138</b>	<b>\$ 5,120,049</b>	<b>\$ 6,983,660</b>	<b>\$ 6,866,434</b>
<b>Operating Income (Loss)</b>	<b>\$ (10,282,769)</b>	<b>\$ (11,422,274)</b>	<b>\$ (5,624,017)</b>	<b>\$ (4,949,128)</b>	<b>\$ 257,522</b>	<b>\$ 252,004</b>	<b>\$ (4,916,274)</b>	<b>\$ (6,725,150)</b>
<b>Nonoperating Revenues (Expenses)</b>								
Property tax	\$ 7,407,583	\$ 7,084,310	\$ -	\$ -	\$ -	\$ -	\$ 7,407,583	\$ 7,084,310
Gifts	8,690,074	7,456,893	8,583,421	7,295,736	103,945	147,049	2,708	14,108
Investment income	269,130	1,552,645	177,716	143,651	2,520	2,778	88,894	1,406,216
Direct Finance Lease Income	2,743,753	-	-	-	2,743,753	-	-	-
Interest expense	(4,139,888)	(226,114)	(30,986)	(36,132)	(2,655,688)	-	(1,453,214)	(189,982)
Other nonoperating revenues (expenses)	(1,471,199)	(1,744,685)	(1,365,699)	(1,652,741)	-	-	(105,500)	(91,944)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 13,499,453</b>	<b>\$ 14,123,049</b>	<b>\$ 7,364,452</b>	<b>\$ 5,750,514</b>	<b>\$ 194,530</b>	<b>\$ 149,827</b>	<b>\$ 5,940,471</b>	<b>\$ 8,222,708</b>
<b>Income (Loss) Before Other Revenues, (Expenses)</b>	<b>\$ 3,216,684</b>	<b>\$ 2,700,775</b>	<b>\$ 1,740,435</b>	<b>\$ 801,386</b>	<b>\$ 452,052</b>	<b>\$ 401,831</b>	<b>\$ 1,024,197</b>	<b>\$ 1,497,558</b>
<b>Other Revenue (Expenses)</b>								
Gifts for capital projects	\$ 2,222,500	\$ 22,500	\$ -	\$ -	\$ -	\$ -	\$ 2,222,500	\$ 22,500
Student fees for capital projects	165,000	165,000	165,000	165,000	-	-	-	-
Capital assets transferred to other entities	(2,081,825)	(2,162,424)	-	(2,162,424)	(126,095)	-	(1,955,730)	-
<b>Net Other Revenue (Expenses)</b>	<b>\$ 305,675</b>	<b>\$ (1,974,924)</b>	<b>\$ 165,000</b>	<b>\$ (1,997,424)</b>	<b>\$ (126,095)</b>	<b>\$ -</b>	<b>\$ 266,770</b>	<b>\$ 22,500</b>
<b>Increase in Net Position</b>	<b>\$ 3,522,359</b>	<b>\$ 725,851</b>	<b>\$ 1,905,435</b>	<b>\$ (1,196,038)</b>	<b>\$ 325,957</b>	<b>\$ 401,831</b>	<b>\$ 1,290,967</b>	<b>\$ 1,520,058</b>
<b>Net Position</b>								
<b>Net Position - Beginning of Year</b>	<b>31,694,643</b>	<b>30,968,792</b>	<b>5,536,459</b>	<b>6,732,497</b>	<b>6,795,330</b>	<b>6,393,499</b>	<b>19,362,854</b>	<b>17,842,796</b>
<b>Net Position - End of Year</b>	<b>\$ 35,217,002</b>	<b>\$ 31,694,643</b>	<b>\$ 7,441,894</b>	<b>\$ 5,536,459</b>	<b>\$ 7,121,287</b>	<b>\$ 6,795,330</b>	<b>\$ 20,653,821</b>	<b>\$ 19,362,854</b>