

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

Table of Contents

	<u>Page Number</u>
Kansas Board of Regents and University Officers	1
Fiscal Year 2015 Financial Information	
<u>Management's Discussion and Analysis</u>	3
<u>Financial Statements with Notes</u>	
Statement of Net Position	16
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows	19
WSU Foundation Statement of Net Assets	21
WSU Foundation Statement of Activities, Expenses, and Changes	

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report
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.

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

Management's Discussion and Analysis

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

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

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

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

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

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

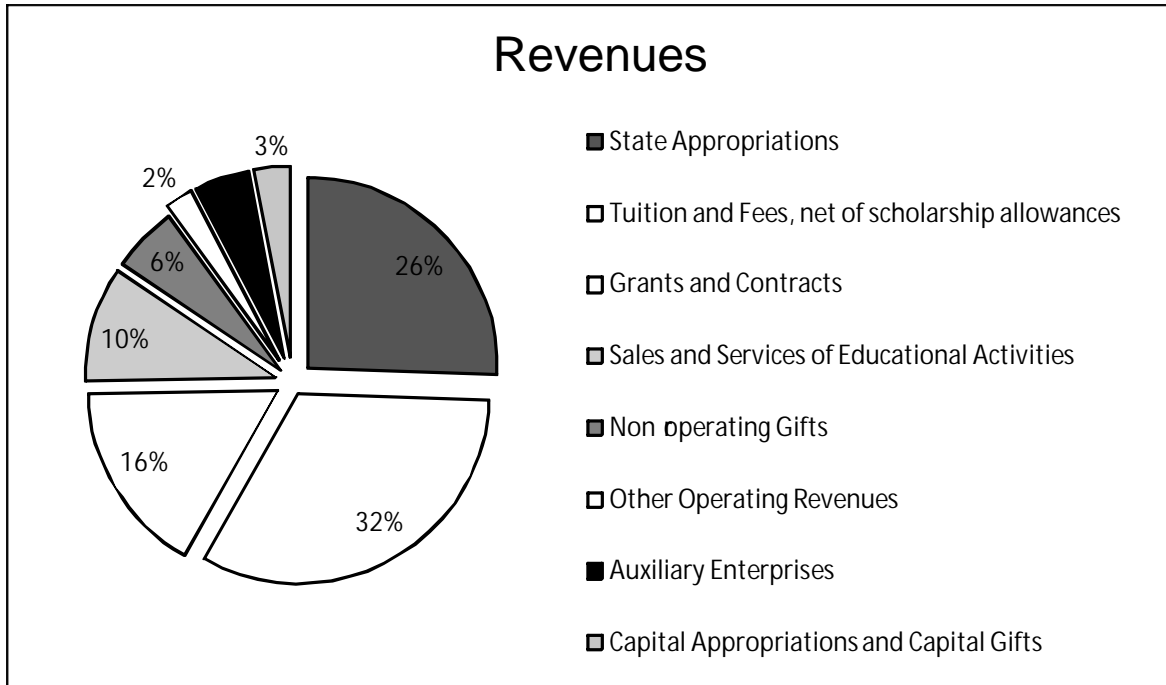
of

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

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.

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

- 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

June

2

\$

Included in the total operating expenses of the University for the year ended June 30, 2015, are \$2,224,317,000, or 2.22% of total operating expenses.

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

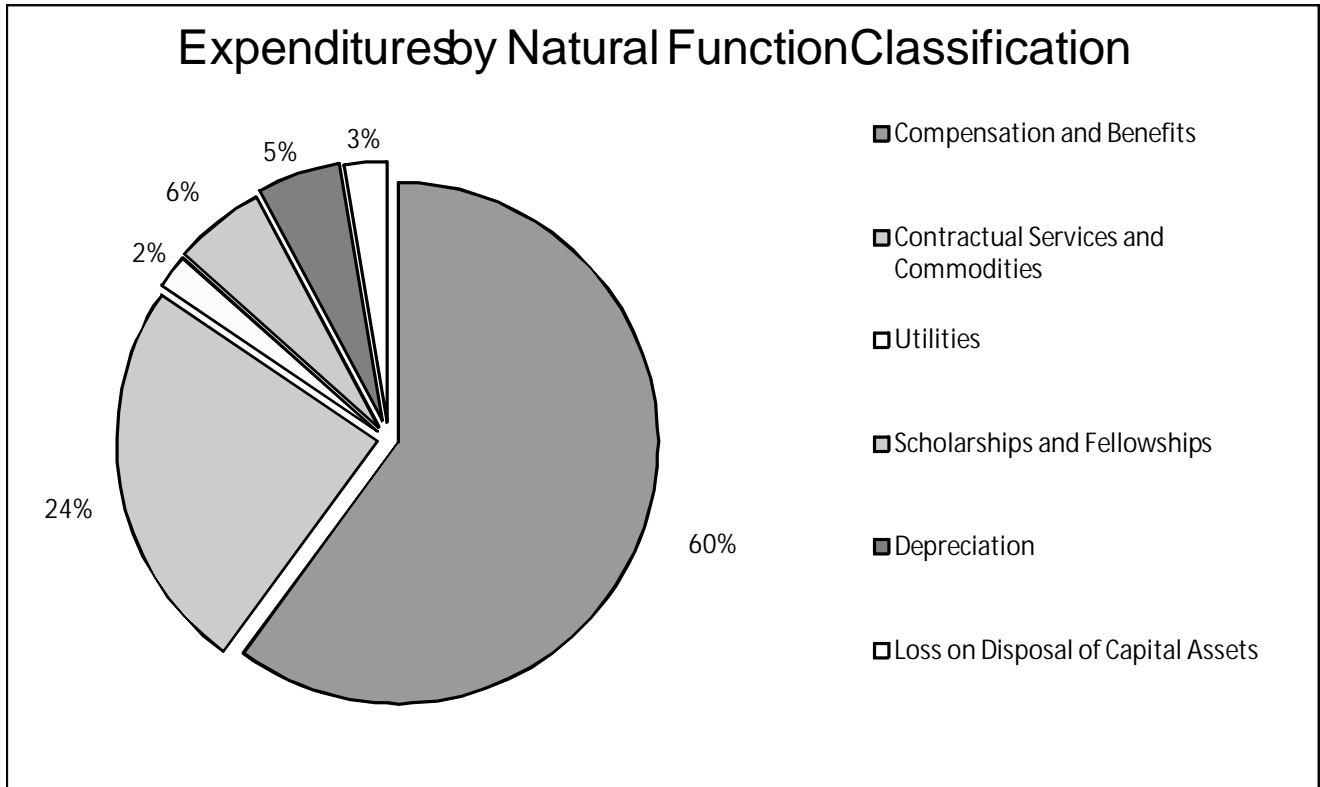
Management's Discussion and Analysis

- 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

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

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.

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents cash receipts and payments of the University during a period of time. Its purpose

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

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

Wichita State University
Fiscal Year 2015 Annual GASB Financial Report

Management's Discussion and Analysis

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 open

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>FY2015</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2014</u>
ASSETS				
Current Assets				
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		r
Inventories	530,454	531,009	1,058,528	1,292,696
Prepaid expenses			256,437	189,997
Other current assets	255,030		r 6,940	12,493
Total Current Assets	\$ 89,432,659	\$ 102,198,058	\$ 85,524,516	\$ 52,820,502
Noncurrent Assets				
Restricted cash and cash equivalents	\$ r	\$ r	\$ 629,376	\$ r
Investments	40,100	40,000	7,810,074	7,861,122
Loans to students	4,924,267	4,789,043		r 792,348
Other assets	r		767,569	50,129,338
Capital Lease Receivable	r		61,859,274	r
Capital assets, net	269,902,716	212,348,959	6,502,552	r
Total Noncurrent Assets	\$ 274,867,083	\$ 217,178,002	\$ 77,568,845	\$ 58,782,808
TOTAL ASSETS	\$ 364,299,742	\$ 319,376,060	\$ 163,093,361	\$ 111,603,310
Deferred Outflows				
Deferred pension costs	\$ 2,159,996		r	r

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

WICHITA STATE UNIVERSITY
STATEMENT OF REVENUES,

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WICHITA STATE UNIVERSITY

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

	FY2015	FY2014
<u>ASSETS</u>		
Current Assets		
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
Total Assets	\$ 279,631,171	\$ 265,630,332

LIABILITIES

Current Liabilities		
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		

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
REVENUE, GAINS, AND OTHER SUPPORT					
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)	-	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	\$ 17,996,428	\$ 1,202,758	\$ 12,072,611	\$ 31,271,797	\$ 37,764,438
EXPENSES					
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
TOTAL EXPENSES	\$ 18,827,783	\$ -	\$ -	\$ 18,827,783	\$ 16,109,744
Change In Net Assets	(831,355)	1,202,758	12,072,611	12,444,014	21,654,694
Net Assets, Beginning Of Year	\$ 6,596,005	\$ 82,514,764	\$ 159,399,573	\$ 248,510,342	\$ 226,855,648
Net Assets, End Of Year	\$ 5,764,650	\$ 83,717,522	\$ 171,472,184	\$ 260,954,356	\$ 248,510,342

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

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

Notes to the Financial Statements

Each discretely presented component unit is independently

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

Notes to the Financial Statements

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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

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:

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 statute,

KS Statute 49-1101.

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

Notes to the Financial Statements

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

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

Notes to the Financial Statements

Note 3 CAPITAL ASSETS

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

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

Notes to the Financial Statements

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
Capital Assets, Not Depreciable				
Land	\$ 3,148,519	\$	\$	\$ 3,148,519
Construction in Progress	23,692,836	20,902,961	11,965,448	32,630,349
Total Capital Assets, Not Depreciable	\$ 26,841,355	\$ 20,902,961	\$ 11,965,448	\$ 35,778,868
Capital Assets, Depreciable				
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			

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
For the Years Ended June 30, 2015 and 2014

Notes to the Financial

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

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:

Total	Total	Current	Long-Term
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WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2015 and 2014

Notes to the Financial Statements

Revenue Bonds Payable

Revenue bonds payable consisted of the following as of

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

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>r 2,910,927</u>
Total Debt Service Requirements	<u><u>\$ 29,325,927</u></u>	<u><u>\$ 5,706,103</u></u>	<u><u>\$ 35,032,030</u></u>

Capital Lease 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
<u>2021 - 2022</u>	<u>1,572,372</u>	<u>62,434</u>	<u>1,634,806</u>
	<u><u>\$ 6,195,350</u></u>	<u><u>\$ 888,805</u></u>	<u><u>\$ 7,084,155</u></u>

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

Notes to the Financial Statements

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.

Year Ending June 30:	Future Minimum Lease Payments	Amortization of Unearned Income	Capital Lease Payable Reduction (Income)
2016	\$ 1,808,092	\$ 3,075,046	\$ (1,266,954)
2017	4,053,373		

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.

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

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:

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.

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

Notes to the Financial Statements

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 #922.

Contributions. K.S.A. 74 #919 and K.S.A. 74 #9,210 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 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 5% of covered salary.

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

Notes to the Financial Statements

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

Notes to the Financial Statements

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

WICHITA STATE UNIVERSITY
For the

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

Notes to the Financial Statements

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

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

Notes to Ended

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

Notes to the Financial Statements

NOTE 11 NATURAL CLASSIFICATIONS VS THE 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>	Compensation and Benefits	Contractual Services and Commodities	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 68,206,135	\$ 7,558,514	\$ 1,604	\$	\$ r	\$ 75,766,253
Research	26,098,185	15,414,437	317,643	r	r	41,830,265r
Public Service	15,144,234	6,665,389	3,399	r	r	21,813,022r
Academic Support	19,941,855	8,942,769	r	r	r	28,884,624r
Student Services	15,909,520	11,568,163	345	r	r	27,478,028r
Institutional Support	13,253,975	9,741,183	56,914	r	r	23,052,072r
Operation and Maintenance of Plant	14,593,173	3,738,197	5,223,046	r	r	23,554,416r
Depreciation	r	r	r	r	14,885,121r	14,885,121
Scholarships and Fellowships	r	r	r	16,486,784 r	r	16,486,784
Auxiliary Enterprises	1,796,303	6,524,934	645,039	r	r	8,966,276r
Other	148,465	824,145	46	r	r	972,656r
Loss on Disposal of Assets	r	7,724,992	r	r	r	7,724,992r
Total	\$ 175,091,845	\$ 78,702,723	\$ 6,249,036	\$ 16,486,784	\$ 10,885,121	\$ 291,919,000

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

Notes to the Financial Statements

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 the NCAA Division I and II conferences. The Athletic Association is a not-for-profit corporation.

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

Notes to the Financial Statements

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

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

Notes to the Financial Statements

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

WICHITA STATE UNIVERSITY
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 30</u>	<u>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)

APPENDICES

COMPONENTS

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

	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014
Operating Revenues:								
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
Total Operating Revenue	\$ 25,088,647	\$ 22,390,072	\$ 17,756,601	\$ 16,876,735	\$ 5,264,660	\$ 5,372,053	\$ 2,067,386	\$ 141,284
Operating Expenses:								
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	-	-	-	-	-	-