



HLC Accreditation 2020-2021

## Evidence Document

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Finance and Administration

Financial Operations and Business  
Technology (FOBT)

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# Wichita State University Annual Financial Report FY 2018

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

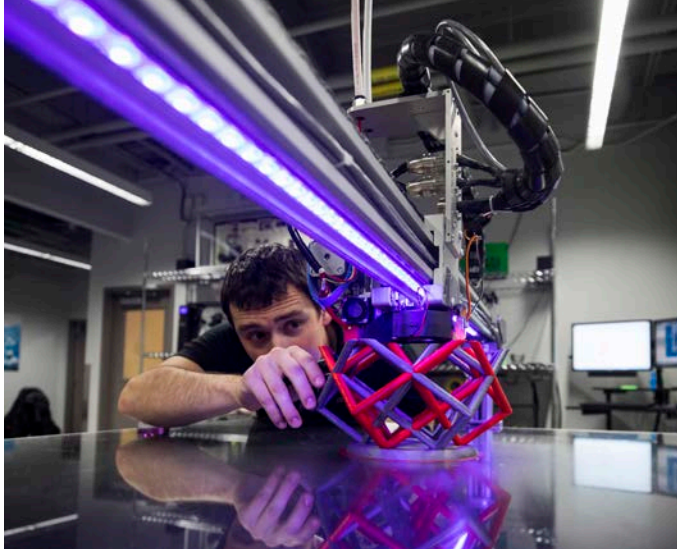
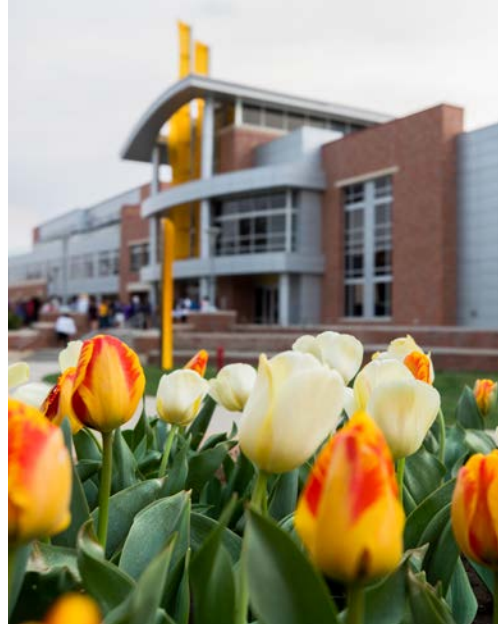
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**Additional information:** See GABS reports on the WSU web site: [https://www.wichita.edu/services/controller/documents/GASB Report for Fiscal Year 2018.pdf](https://www.wichita.edu/services/controller/documents/GASB_Report_for_Fiscal_Year_2018.pdf) (accessed April 5, 2021).



# Wichita State University Annual Financial Report

for the Fiscal Year Ended June 30, 2018





**Annual Financial Report  
for the Fiscal Year Ended June 30, 2018**

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

**Wichita State University  
Fiscal Year 2018 Annual GASB Financial Report**

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**Wichita State University  
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**Kansas Board of Regents and University Officers**

**Kansas Board of Regents**

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

**University Officers**

**Officer Reporting**

Werner Golling, Vice President for Finance and Administration

**Executive Administration**

John W. Bardo, President  
Richard Muma, Provost and Professor  
Werner Golling, Vice President for Finance and Administration  
Andrew Schlapp, Chief of Staff and Director of NIAR Business Development  
Lou Heldman, Vice President for Strategic Communications  
John Tomblin, Executive Director, NIAR, Vice President for Research and Technology Transfer  
Marché Fleming-Randle, Vice President for Diversity and Community Engagement  
Teri Hall, Vice President for Student Affairs  
David Moses, General Counsel  
Darron Boatright, Director of Athletics

**Fiscal Year 2018 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 (WSU), we offer you this discussion and analysis of the financial activities of WSU for the fiscal year ended June 30, 2018. This information is designed to identify and explain significant financial issues, changes in WSU's financial position and deviations from the prior fiscal year. In accordance with GASB Statement No. 39 as amended by GASB Statement No. 61, WSU 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 WSU'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**

- Net Position increased \$3.8 million or 1.7%.
- Operating revenue increased \$8.2 million or 4.3% driven by a \$2.9 million increase in sales and services provided by the National Institute of Aviation Research (NIAR) and a \$1.6 million increase in fees generated by the Community Engagement Institute. Tuition and fees increased \$3.6 million.
- Research expenses increased 22.8% or \$10.9 million.

**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.

**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.



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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.

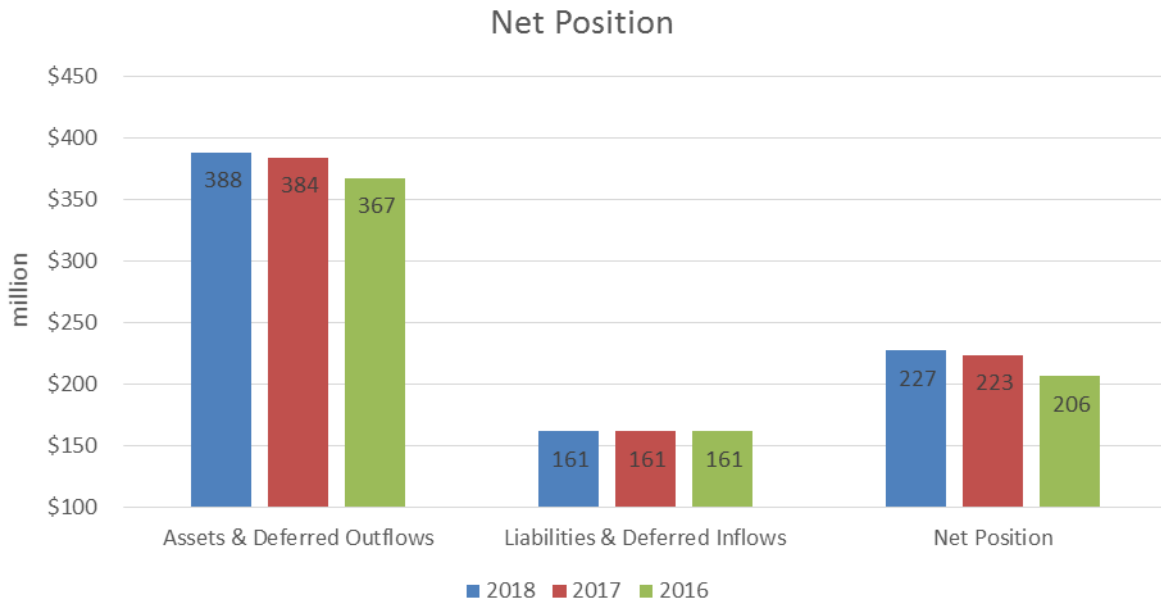
Net Position is divided into three categories:

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.

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current Assets	\$ 97,129,249	\$ 96,678,068	\$ 90,500,677
Noncurrent Assets	285,372,341	280,456,998	272,744,319
Total Assets	<u>\$ 382,501,590</u>	<u>\$ 377,135,066</u>	<u>\$ 363,244,996</u>
Deferred outflows	5,502,128	6,659,408	4,142,971
Current Liabilities	\$ 32,189,285	\$ 34,140,861	\$ 35,034,450
Noncurrent Liabilities	122,604,212	123,001,821	123,482,055
Total Liabilities	<u>\$ 154,793,497</u>	<u>\$ 157,142,682</u>	<u>\$ 158,516,505</u>
Deferred Inflows	6,137,153	3,329,791	3,092,966
Net Position			
Net Investment in Capital Assets	\$ 190,073,180	\$ 179,120,251	\$ 173,090,353
Restricted Net Position	11,032,799	12,159,701	16,774,288
Unrestricted Net Position	25,967,089	32,042,049	15,913,855
Total Net Position	<u>\$ 227,073,068</u>	<u>\$ 223,322,001</u>	<u>\$ 205,778,496</u>

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**Assets**

Total assets at June 30, 2018 were \$382.5 million, an increase of \$5.4 million or 1.4% compared to 2017. At June 30, 2017, total assets were \$377.1 million, an increase of \$13.9 million or 3.8% compared to 2016.

Current assets increased \$0.5 million in FY 2018 and increased \$6.2 million in FY 2017. The increase in FY 2017 is attributed to an \$8.0 million increase in accounts receivable, net which was slightly offset by a decrease of \$2.1 million in cash and cash equivalents. The FY 2017 increase in accounts receivable was driven by an increase of \$6.8 million in research receivables compared to FY 2016.

Noncurrent assets increased \$5.0 million in FY 2018 and \$7.7 million in FY 2017. These increases are due to WSU's new parking garage and continued construction on other projects as listed below in the Capital Asset section.

**Liabilities**

Overall, liabilities have trended lower from FY 2016 to FY 2018. Lease and revenue bonds payable have fallen \$4.1 million due to required payments even though WSU issued \$7.2 million in revenue bonds to build a parking garage in FY 2017. Net pension liability has fallen \$5.7 million since FY 2016. Accounts payable and accrued liabilities have fallen \$4.5 million mainly due to pay cycle timing at June 30.

In FY 2018, WSU recorded a new liability as the Federal government winds down the Perkins loan program. This new liability of \$7.5 million reflects the amount of student loan funds the Federal government gave WSU to lend to students. As students pay back their Perkins loans, WSU will repay the Federal government their portion.

**Net Position**

Total Net Position increased \$3.8 million in FY 2018 after increasing \$17.5 million in FY 2017.

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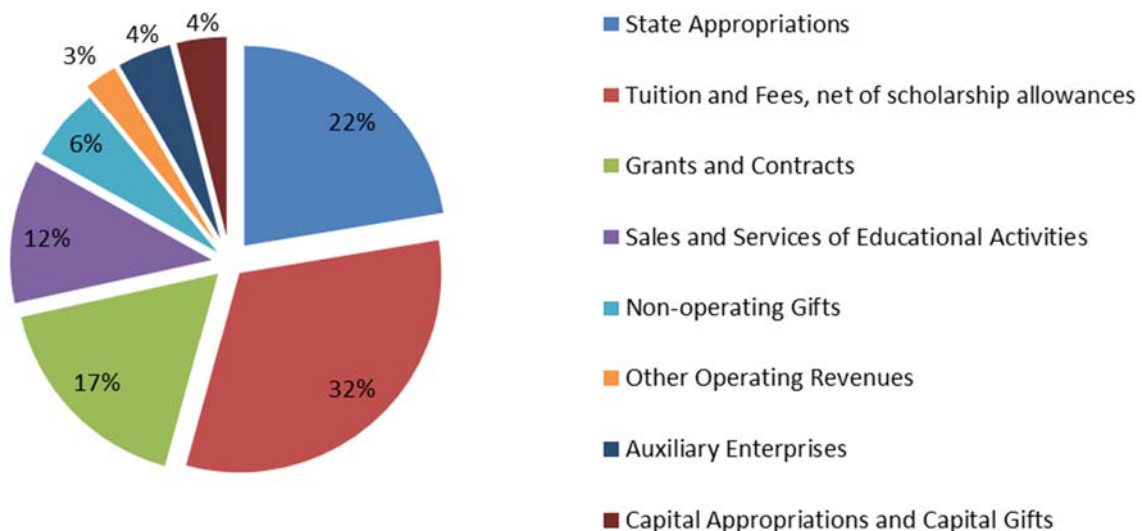
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

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.

	2018	2017	2016
Operating Revenue	\$ 197,493,282	\$ 189,336,288	\$ 173,310,863
Operating Expenses	301,304,427	279,820,893	272,637,738
Operating Loss	\$ (103,811,145)	\$ (90,484,605)	\$ (99,326,875)
Non-operating Revenue	\$ 96,567,431	\$ 100,997,158	\$ 100,388,139
Other Revenue	12,690,024	7,030,952	7,148,240
Total Increase in Net Position	\$ 5,446,310	\$ 17,543,505	\$ 8,209,504
Net Position - Beginning of Year	\$ 223,322,001	\$ 205,778,496	\$ 197,568,992
Restatement	(1,695,243)	-	-
Net Position - Beginning of Year, Restated	221,626,758	205,778,496	197,568,992
Net Position - End of Year	\$ 227,073,068	\$ 223,322,001	\$ 205,778,496

Total revenues by source for the year ended June 30, 2018 are shown below:

**Revenues**



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**Comparative Analysis of Fiscal Years 2018, 2017 and 2016**

Total operating revenues at WSU as of June 30, 2018, increased \$8.2 million or 4.3% over the previous year. The following is a brief summary of the significant changes:

- For FY 2018, net tuition fell \$1.7 million as a result of an increase in tuition allowances of \$2.9 million and additional losses in International graduate and undergraduate students due to difficulty in obtaining student Visas. Fees increased \$5.3 million resulting in net tuition and fees increasing \$3.6 million.
- Federal grants and contract revenue fell \$2.3 million in FY 2018 after increasing by \$11.1 million last year.
- Sales and services of educational activities grew \$5.0 million in FY 2018. Sales and services provided by NIAR increased \$2.9 million and fees generated by the Community Engagement Institute increased \$1.6 million.
- Housing revenues increased \$0.6 million while parking revenues increased \$0.3 million.

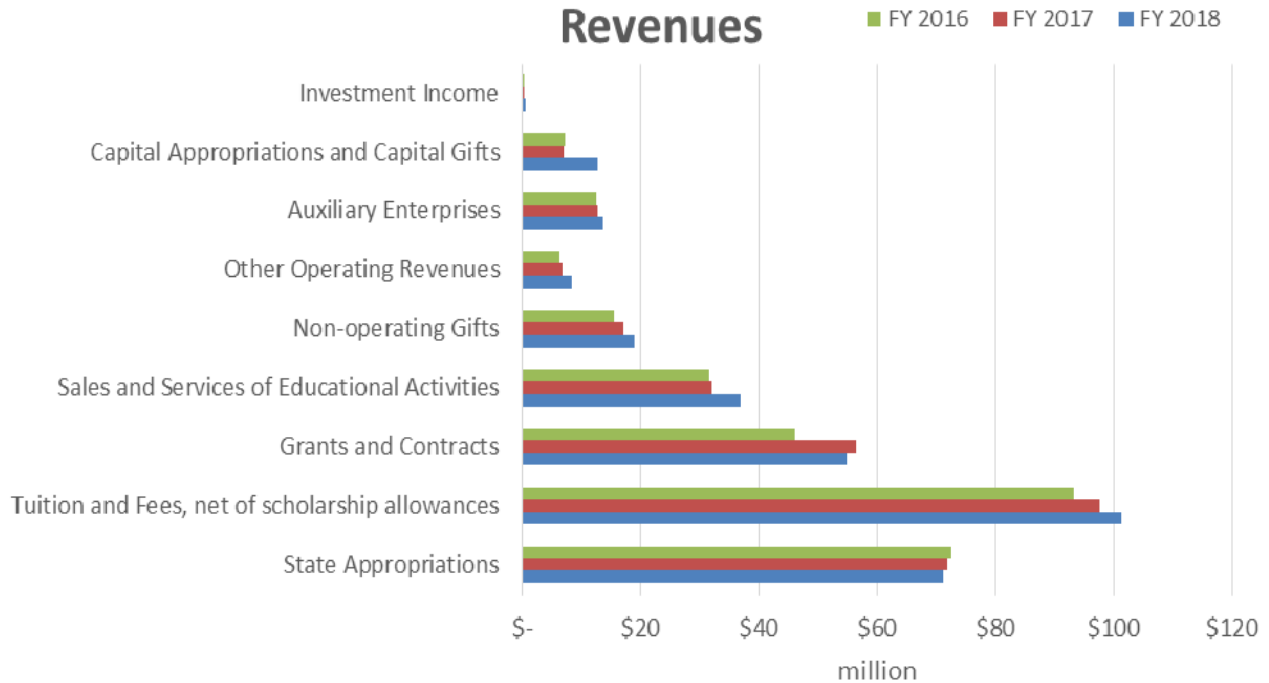
Total operating revenues for FY 2017 increased \$16.0 million or 9.2% over FY 2016.

- Tuition and fee revenues, after scholarship allowances, were \$97.7 million in FY 2017 compared to \$93.2 million in FY 2016. The \$4.5 million increase is attributed to an increase in tuition of \$2.7 million and the remaining increase due to a new Barton School of Business fee that generated \$1.8 million.
- Federal operating grants and contracts increased \$11.1 million over the previous fiscal year. The University experienced a decrease of \$1.0 million in Federal research associated with Community Education and an increase of \$12.0 million in Federal research associated with individuals or project research in Public Service.
- The remaining categories of operating revenues combined for an increase of \$1.1 million or 2.2%.

Total non-operating revenues increased \$2.6 million in FY 2018. Pell grants increased \$1.3 million and gifts increased \$1.7 million while State appropriations fell \$0.7 million and investment income increased \$0.3 million. Non-operating expenses increased \$7.1 million. The Federal Perkins loan has ended and WSU recorded the \$7.5 million of Federal funds held for Perkins loans as an expense in the current year. Total other revenues increased \$5.7 million due to a \$5.5 million increase in gifts for capital projects.

Total non-operating revenues (expenses) at WSU for FY 2017 increased \$0.6 million over the previous year. Gifts increased \$1.8 million while State appropriations fell \$0.4 million, Pell grants decreased \$0.2 million and the University paid \$0.2 million in bond issuance costs to finance the construction of a new parking garage. Total other revenues (expenses) at the University for FY 2017 decreased \$0.1 million or 1.6% due to a decrease in gifts for capital projects.

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**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 2018	\$ 68,047,654	\$ 32,651,575	\$ 12,186,744	\$ 112,885,973
FY 2017	64,885,427	28,709,436	12,005,174	105,600,037
FY 2016	65,958,857	25,140,673	14,302,532	105,402,062
<b>Contractual and Commodities, other</b>				
FY 2018	6,825,716	24,224,398	7,937,826	38,987,940
FY 2017	7,961,939	12,937,958	6,986,664	27,886,561
FY 2016	6,549,755	11,154,805	7,204,649	24,909,209
<b>Capital Equipment</b>				
FY 2018	1,336,974	1,964,965	238,818	3,540,757
FY 2017	(124,153)	6,269,029	131,888	6,276,764
FY 2016	663,601	7,086,957	388,141	8,138,699
<b>Totals for FY 2018</b>	<b>76,210,344</b>	<b>58,840,938</b>	<b>20,363,388</b>	<b>155,414,670</b>
<b>Totals for FY 2017</b>	<b>72,723,213</b>	<b>47,916,423</b>	<b>19,123,726</b>	<b>139,763,362</b>
<b>Totals for FY 2016</b>	<b>73,172,213</b>	<b>43,382,435</b>	<b>21,895,322</b>	<b>138,449,970</b>

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Expenses related to the University's mission of instruction, research and public service increased 11.2% or \$15.7 million in FY 2018. Each activity increased with Research expenses growing \$10.9 million, Instruction up \$3.5 million, and Public Service increased \$1.2 million. The year over year increase was driven by an \$11.1 million increase in contractual and commodity expenses followed by an increase of \$7.3 million in salary and benefits and a decrease in capital expenses of \$2.7 million.

FY 2018 total operating expenses increased \$21.5 million or 7.7%.

- More than half of the increase in operating expenses occurred in Research where expenses increased \$10.9 million or 18.6%. Salaries and benefits increased \$3.9 million while contractual and commodity expenses increased \$11.3 million. Spending on capital fell \$4.3 million.
- Expenses in Instruction increased \$3.5 million or 4.8%. Salaries and benefits increased \$3.1 million while contractual and commodity expenses fell \$1.1 million and spending on capital items increased \$1.5 million.
- Public Service spending increased \$1.2 million or 6.5%. The majority of the increase is related to contractual and commodity expenses which increased by \$1.0 million.
- Expenses for Student Service increased \$2.5 million or 8.5%. Salaries and benefits increased \$1.3 million and contractual and commodity expenses increased \$1.2 million.

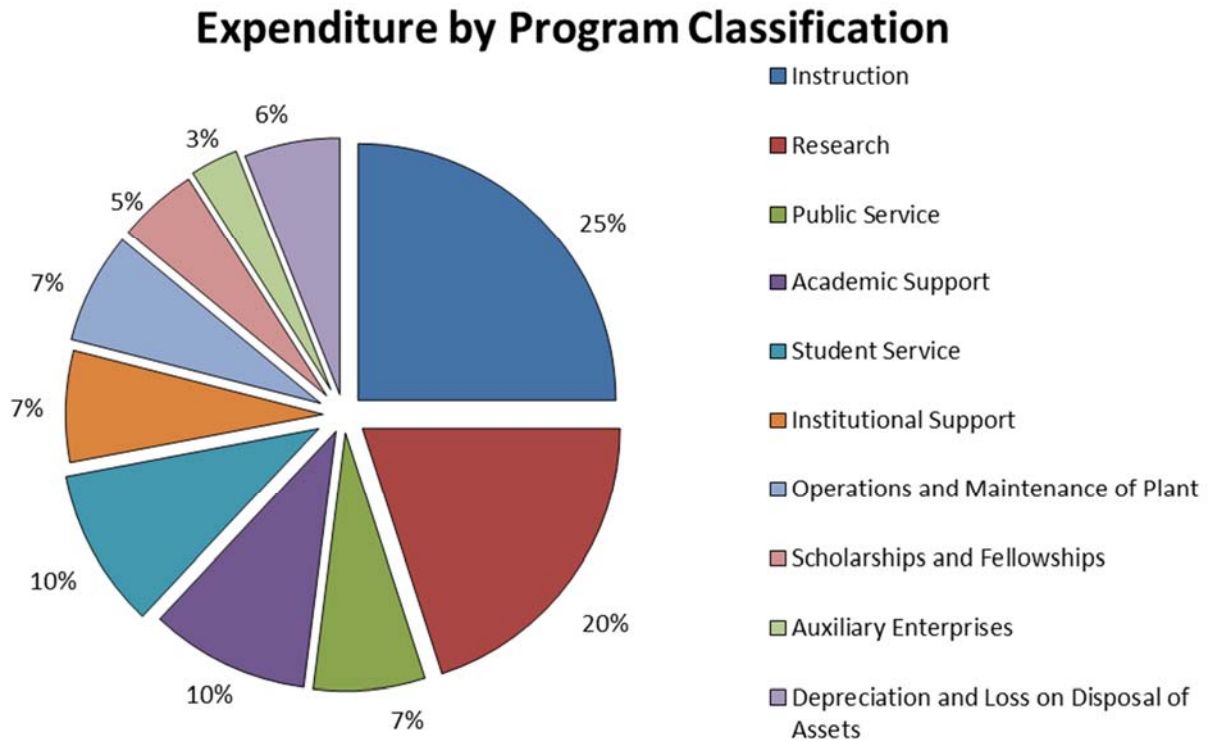
When looking at expenses categorically, 58.8% of all operating expenses are for salaries and benefits. This category increased \$11.3 million in FY 2018. The State of Kansas increased pay 2.5% for employees with less than five years of experience in July 2017. The remainder of the increase in salaries and benefits relates to increased benefit expenses and promotions.

In FY 2017, total operating expenses increased \$7.2 million or 2.6% over FY 2016.

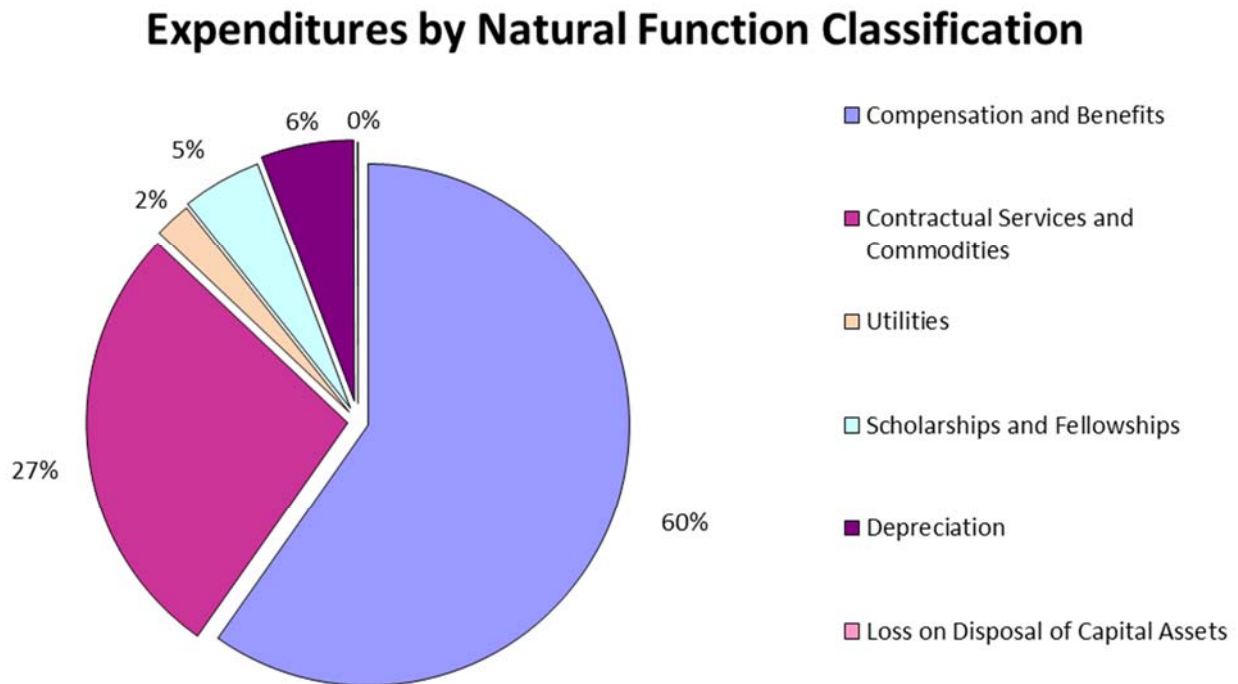
- Research expenses increased \$4.5 million or 10.5%, with \$3.6 million in increased compensation and benefits and a \$1.8 million increase in contractual and commodity expenses and a decrease of \$0.8 million in capital equipment.
- Expenses for Public Service fell \$2.8 million overall with a \$2.3 million decrease in salaries and wages.
- Student Service increased \$1.4 million, Scholarships and Fellowships increased \$0.9 million, Institutional Support increased \$1.5 million and Auxiliary Services expenses rose \$1.9 million when compared to FY 2016.

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Operating expenditures by program for the year ended June 30, 2018 are displayed below:



Operating expenditures by natural function classification for the year ended June 30, 2018 are displayed below:



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**NET POSITION**

Net position increased \$3.8 million or 1.7% in FY 2018. Net position totaled \$227.1 million at June 30, 2018. Most of net position, \$190.1 million is invested in capital assets net of depreciation and debt. \$10.0 million is restricted for capital projects and \$1.0 is restricted for loans. The remaining \$26.0 million is unrestricted and may be used for any lawful purpose of the institution.

Net Position increased \$17.5 million or 8.4% in FY 2017 compared to an increase of \$8.2 million in FY 2016. An increase in Federal grants and contracts of \$11.2 million was the main reason for the increase in Net Position in FY 2017.

**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, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Net cash provided (used by):			
Operating activities	\$ (87,372,883)	\$ (87,775,276)	\$ (86,847,378)
Non-capital financing activities	107,381,707	104,870,910	104,320,509
Capital and related financing/appropriations	(19,505,017)	(19,431,212)	(13,595,113)
Investing activities	<u>545,647</u>	<u>269,295</u>	<u>229,461</u>
Net increase (decrease) in cash	\$ <u>1,049,455</u>	\$ <u>(2,066,283)</u>	\$ <u>4,107,479</u>
Beginning cash and cash equivalent balances	\$ <u>66,893,460</u>	\$ <u>68,959,743</u>	\$ <u>64,852,264</u>
Ending Cash and Cash Equivalent Balances	\$ <u><u>67,942,915</u></u>	\$ <u><u>66,893,460</u></u>	\$ <u><u>68,959,743</u></u>

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**

WSU made significant investments in capital during FY 2018. Detailed information regarding capital asset additions, retirements and depreciation is available in Note 3 to the financial statements.

The following is a brief summary of the construction projects placed in service during the current fiscal year.

- **Ablah Library:** Renovation of restrooms, upgrades to finishes, partitions, cabinets, countertops, sinks and toilet fixtures. Replacement of plumbing, modifications to electrical wiring and upgrading of heating-ventilation-air-conditioning (HVAC) system. The project cost of \$217 thousand was funded with rehabilitation and repair funds.
- **Ahlberg Hall:** Electrical modification of two (2) classrooms located on the third floor. The project cost of \$257 thousand was funded with rehabilitation and repair funds.
- **Aircraft Structural Testing and Evaluation Center (ASTEC):** Leasehold improvements were made to the facility to allow testing for the effects of bird strikes on aircraft in flight. The project cost of \$111 thousand was funded with KART, university resources and private gifts.
- **Campus Fire Alarms:** Upgraded fire alarm systems in the Heskett Center, Media Resource Center and Child Development Center. The project cost of \$316 thousand was funded with rehabilitation and repair funds.
- **Charles Koch Arena:** Replaced existing metal halide sports lighting system with a LED sports lighting system mounted on a motorized truss system. Replaced all wiring to maintain existing house and emergency lighting fixtures being refitted with LED lamps. The project cost of \$462 thousand was funded with university resources.
- **Jardine Hall:** Remodeled a portion of the first floor to relocate the Shocker OneStop facility. Installed new heating-ventilating-air-conditioning (HVAC), replaced electrical conduit and plumbing system. The project cost of \$338 thousand was funded with deferred maintenance support and university funds.
- **National Center for Aviation Training:** Leasehold improvements were made to expand the facility to accommodate the installation of an additional autoclave inclusive of mechanical plumbing and electrical work. The project cost of \$250 thousand was funded with KART funds.
- **Parking Garage:** A four level parking garage was constructed to serve employees, students and visitors. The project cost of \$8.13 million was funded with revenue bond and university parking system funds.
- **Printing & Publications Building:** Remodeling of building included replacement of building mechanical systems, plumbing, heating-ventilating-air-conditioning (HVAC), electrical system lighting and fire alarm system. The project cost of \$628 thousand was funded with university and deferred maintenance support funds.

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- WSU Old Town: Leasehold improvements were completed to accommodate the relocation of the Department of Physician Assistant program and the Department of Physical Therapy program to 213 N. Mead. Remodeling included replacement of building mechanical systems, plumbing, heating-ventilating-air- conditioning (HVAC), electrical system lighting and fire alarm system. Replaced flooring, the project cost of \$3.04 million was funded with university resources.

Additionally, Wichita State University had several construction projects that are under construction or in the design phases at the end of the fiscal year.

- Advanced Education in General Dentistry (AEGD) Building: Remodeling of the building to accommodate the relocation of the WSU Tech Dental Assistant Program and the WSU's Dental Hygiene department. The project cost to date of \$165 thousand has been funded with university resources.
- Campus Parking: Fairmount Towers and Blake Hall are being demolished for the construction of additional campus parking. The project cost of \$14 thousand to date has been funded with university resources.
- Fiske Hall: Renovation of the entire interior structure. The project cost to date of \$449 thousand has been funded with rehabilitation and repair funds.
- Henrion Hall: An IDEAS laboratory is being constructed in the building. The project cost to date of \$50 thousand has been funded with university funds.
- Heskett Center: Replacement of the roof. The project cost to date of \$48 thousand has been funded with rehabilitation and repair funds.
- Innovation Campus: Various projects whose combined costs to date of \$2 million have been funded with Wichita State Innovation Alliance (WSIA) funds.
- Innovation Campus: A new crash test lab building is being constructed. The project cost to date of \$74 thousand has been funded with university resources.
- Jabara Hall: Remodel of the Psychology department located on the fourth floor, replacement of the roof, selected windows and storefront window systems. The project cost to date of \$71 thousand has been funded with university and rehabilitation and repair funds.
- Media Resource Center: Remodeling a section of the first floor. The project cost to date of \$11 thousand has been funded with university resources.
- McKnight Arts Center: Replacement of the roof. The project cost to date of \$593 thousand has been funded with rehabilitation and repair funds.
- National Institute for Aviation Research (NIAR) Building: Remodeling of the restrooms and additional electric power is being added to the NIAR Shop. The project cost to date of \$245 thousand has been funded with rehabilitation and repair and university resources.

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- Partnership II Building: Leasehold improvements are being made to the building for the College of Engineering. The project cost to date of \$400 thousand has been funded with Kan-Grow Engineering and university funds.
- Police Building: The heating-ventilating-air- conditioning (HVAC) system in the building is being replaced. The project cost of \$4 thousand to date has been funded with rehabilitation and repair funds.
- Shocker Hall: Leasehold improvements are being made to the residence hall office. The project cost of \$20 thousand to date has been funded with housing funds.
- Shocker Studios: Leasehold improvements are being made to the space in the former Wichita Mall to relocate selective College of Fine Arts studios. The project cost to date of \$47 thousand has been funded with remodeling and improvement funds.
- Wallace Hall: The project includes the replacement of the electrical distribution system and the remodeling of the first and second floor. The project cost to date of \$368 thousand has been funded with Kan-Grow Engineering, rehabilitation and repair and university funds.

**DEBT ADMINISTRATION**

At June 30, 2018, the University had \$25.8 million in revenue bond debt outstanding and \$64.6 million of capital leases payable. Detailed information about WSU's outstanding debt is available in Note 7 to the financial statements.

At June 30, 2017, WSU had \$29.8 million in revenue bond debt outstanding and \$66.5 million of capital leases payable. During FY 2017, the University issued \$7.4 million in revenue bonds to fund the construction of a parking garage located near the Rhatigan Student Center and also refunded Series 2003C for a net present value benefit of \$268,725.

At June 30, 2016, WSU had \$26.0 million in revenue bond debt outstanding and \$68.4 million of capital leases payable.

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**Management's Discussion and Analysis**

**ECONOMIC OUTLOOK**

For 2019, WSU's Center for Economic Development and Business Research projects Kansas employment will grow by 1.0%, adding approximately 13,900 new jobs to the Kansas economy. This continues the growth trend from 2018, when Kansas employment is estimated to grow 1.3% following a decline of 0.1% in 2017. The service sectors are projected to have strong growth in 2019 at 1.3%, with the fastest growth in the professional and business services sector and the leisure and hospitality sector. The production sectors are forecast to grow 1.2%, with the construction sector growing 3%, the fastest of any Kansas industry. Employment in the trade, transportation and utilities sector is projected to grow 0.9%, and government sector employment is expected to grow 0.1%.

Total Kansas wages are forecast to increase 2.6%, faster than inflation, in 2019 after Kansas wages grew less than inflation in 2016 and 2017. This suggests many workers will see increased pay as employment continues to grow. Total inflation-adjusted retail sales are projected to increase 0.8% in 2019 after retail sales declined in 2017, the increase likely a result of the projected increased wages in 2019.

For FY 2019, the Governor and Legislature appropriated a total State General Fund budget for University operations of \$62,895,123, which is 3.2% higher than FY 2018 and includes a partial restoration of FY 2017 budget reductions. In addition to the operating appropriation, the FY 2019 State budget includes; \$9,944,084 for Kansas Aviation Research and Technology (KART), \$5,161,231 for aviation infrastructure at the National Center for Aviation Training, and \$1,977,634 for a technology transfer facility.

Wichita State University continues with the 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". The Experiential Engineering Building tied to the University's strategic vision of being "internationally recognized as the model for applied learning and research" opened in August 2016. It includes 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 second partnership building, financed with private funds, opened in 2018. Tenants include the College of Engineering and Spirit AeroSystems. Future plans include a new home for the W. Frank Barton School of Business, National Institute for Aviation Research Crash Dynamics Lab, residence hall, YMCA/Student Wellness Center, hotel and commercial mixed-use buildings. Funding for these projects will be attained from private developers, mill levy proceeds, 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.

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.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of WSU's finances for all those with an interest in Wichita State University. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Werner Golling, Vice President for Finance and Administration, at 316.978.3030.

## **Financial Statements with Notes**

**WICHITA STATE UNIVERSITY  
STATEMENT OF NET POSITION  
As of June 30, 2018 and 2017**

	<u>University Funds</u>		<u>Component Units</u>	
	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>
<b><u>ASSETS</u></b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 67,942,915	\$ 66,893,460	\$ 30,646,503	\$ 30,443,157
Accounts receivable, net	25,182,396	25,961,009	6,840,836	5,203,909
Investments	169,139	168,569	2,486,711	2,839,450
Loans to students	3,074,654	2,880,928	-	-
Inventories	544,257	536,790	1,232,028	1,300,571
Prepaid expenses	215,888	237,312	215,221	2,767,563
Other current assets	-	-	1,053,687	1,007,069
<b>Total Current Assets</b>	<b>\$ 97,129,249</b>	<b>\$ 96,678,068</b>	<b>\$ 42,474,986</b>	<b>\$ 43,561,719</b>
<b>Noncurrent Assets</b>				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 1,114,451	\$ 1,055,995
Investments	40,402	40,301	11,998,725	10,444,117
Loans to students	4,938,119	5,037,114	-	-
Other assets	-	-	1,500	1,500
Capital Lease Receivable	-	-	60,066,777	61,120,464
Capital assets, net	280,393,820	275,379,583	51,397,028	49,429,716
<b>Total Noncurrent Assets</b>	<b>\$ 285,372,341</b>	<b>\$ 280,456,998</b>	<b>\$ 124,578,481</b>	<b>\$ 122,051,792</b>
<b>TOTAL ASSETS</b>	<b>\$ 382,501,590</b>	<b>\$ 377,135,066</b>	<b>\$ 167,053,467</b>	<b>\$ 165,613,511</b>
<b><u>DEFERRED OUTFLOWS</u></b>				
Deferred OPEB costs	\$ 274,658	\$ -	\$ -	\$ -
Deferred pension costs	5,227,470	6,659,408	-	-
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>\$ 5,502,128</b>	<b>\$ 6,659,408</b>	<b>\$ -</b>	<b>\$ -</b>

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**As of June 30, 2018 and 2017**

	<u>University Funds</u>		<u>Component Units</u>	
	<u>FY 2018</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2017</u>
<b><u>LIABILITIES</u></b>				
<b>Current Liabilities</b>				
Accounts payable and accrued liabilities	\$ 12,739,505	\$ 13,771,596	\$ 2,794,552	\$ 2,002,640
Unearned revenue	5,602,516	6,168,540	8,911,417	9,698,382
Loan payable	-	-	3,510,903	3,845,675
Accrued interest	-	-	244,980	249,827
Refundable advances from government grants	408,880	-	-	-
Revenue bonds payable	3,250,300	3,929,052	1,110,000	1,080,000
Lease payable	2,015,805	1,953,393	572,053	698,138
Accrued compensated absences	6,873,683	7,062,240	432,905	438,897
Due to other state agencies	-	-	-	-
Deposits held in custody for others	1,298,596	1,256,040	-	-
<b>Total Current Liabilities</b>	<b>\$ 32,189,285</b>	<b>\$ 34,140,861</b>	<b>\$ 17,576,810</b>	<b>\$ 18,013,559</b>
<b>Noncurrent Liabilities</b>				
Lease payable	\$ 62,539,373	\$ 64,555,178	\$ 45,466,488	\$ 46,038,541
Other postemployment benefit liability	1,754,307	-	-	-
Net pension liability	27,387,053	31,691,132	-	-
Refundable advances from government grants	7,091,002	-	-	-
Accrued compensated absences	1,317,315	933,802	-	-
Revenue bonds payable	22,515,162	25,821,709	59,301,754	60,792,027
<b>Total Noncurrent Liabilities</b>	<b>\$ 122,604,212</b>	<b>\$ 123,001,821</b>	<b>\$ 104,768,242</b>	<b>\$ 106,830,568</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 154,793,497</b>	<b>\$ 157,142,682</b>	<b>\$ 122,345,052</b>	<b>\$ 124,844,127</b>
<b><u>DEFERRED INFLOWS</u></b>				
Deferred OPEB costs	\$ 52,155	\$ -	\$ -	\$ -
Deferred pension costs	6,084,998	3,329,791	-	-
Deferred gain on refunding	-	-	750,647	-
<b>TOTAL DEFERRED INFLOWS</b>	<b>\$ 6,137,153</b>	<b>\$ 3,329,791</b>	<b>750,647</b>	<b>-</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	\$ 190,073,180	\$ 179,120,251	\$ 3,124,390	\$ 2,897,579
Restricted for:				
Nonexpendable	-	-	5,582,858	4,404,180
Expendable				
Loans	974,923	5,551,710	-	-
Capital projects	10,057,876	4,984,793	-	-
Debt service	-	1,623,198	-	195,582
Other purposes	-	-	8,215,429	9,037,572
Unrestricted	25,967,089	32,042,049	27,035,091	24,234,471
<b>TOTAL NET POSITION</b>	<b>\$ 227,073,068</b>	<b>\$ 223,322,001</b>	<b>\$ 43,957,768</b>	<b>\$ 40,769,384</b>

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**As of June 30, 2018 and 2017**

	University Funds		Component Units	
	FY 2018	FY 2017	FY 2018	FY 2017
<b>Operating Revenues:</b>				
Tuition and fees, net of scholarship allowances of \$24,185,667 in 2018 and \$21,249,219 in 2017	\$ 101,225,002	\$ 97,657,573	\$ 6,539,449	\$ 5,386,209
Federal grants and contracts	30,374,068	32,698,640	-	-
State and local grants and contracts	7,049,342	7,537,152	-	-
Sales and services of educational activities	36,897,330	31,920,073	18,162,745	17,288,176
Auxiliary enterprises				
Housing revenues (revenues are pledged as security for bonds)	11,913,215	11,296,830	-	-
Parking revenues	1,762,207	1,437,771	-	-
Interest earned on loans to students	119,713	117,901	20,851	65,415
Other operating revenues	8,152,405	6,670,348	1,637,796	662,496
<b>Total Operating Revenues</b>	<b>\$ 197,493,282</b>	<b>\$ 189,336,288</b>	<b>\$ 26,360,841</b>	<b>\$ 23,402,296</b>
<b>Operating Expenses:</b>				
Instruction	\$ 76,210,344	\$ 72,723,213	\$ -	\$ -
Research	58,840,938	47,916,423	-	-
Public Service	20,363,388	19,123,726	606,024	605,237
Academic Support	29,773,426	29,069,806	-	-
Student Service	31,230,170	28,777,389	27,065,951	21,502,002
Institutional Support	22,139,754	20,424,636	1,837,888	1,598,877
Operations and Maintenance of Plant	22,421,404	22,495,278	2,197,001	1,817,526
Scholarships and Fellowships	14,843,757	15,373,453	8,932,949	10,874,464
Auxiliary Enterprises	8,057,291	7,522,850	-	-
Other Expenses	-	212,559	2,280,202	2,194,295
Depreciation	17,287,902	15,959,466	1,489,770	1,334,945
Loss on disposal of capital assets	136,053	222,094	-	-
<b>Total Operating Expenses</b>	<b>\$ 301,304,427</b>	<b>\$ 279,820,893</b>	<b>\$ 44,409,785</b>	<b>\$ 39,927,346</b>
<b>Total Operating Loss</b>	<b>\$ (103,811,145)</b>	<b>\$ (90,484,605)</b>	<b>\$ (18,048,944)</b>	<b>\$ (16,525,050)</b>
<b>Non-operating Revenues (Expenses)</b>				
State appropriations	\$ 71,060,543	\$ 71,717,391	\$ -	\$ -
Federal grants and contracts	17,427,834	16,114,678	-	-
Gifts	18,850,774	17,145,871	12,087,812	8,067,450
Investment income	546,318	269,924	1,080,489	1,360,366
Direct Finance Lease Income	-	-	3,045,216	3,093,408
Interest expense	(3,822,112)	(4,013,018)	(4,866,458)	(4,607,052)
County tax subsidy	-	-	7,916,417	7,568,904
Perkins Loan Expense	(7,499,882)	-	-	-
Other nonoperating revenues (expenses)	3,956	(237,688)	(296,848)	(225,674)
<b>Total Non-operating Revenues (Expenses)</b>	<b>\$ 96,567,431</b>	<b>\$ 100,997,158</b>	<b>\$ 18,966,628</b>	<b>\$ 15,257,402</b>
<b>Total Income (Loss) Before Other Revenues, Expenses, Gains and Losses</b>	<b>\$ (7,243,714)</b>	<b>\$ 10,512,553</b>	<b>\$ 917,684</b>	<b>\$ (1,267,648)</b>
<b>Other Revenue (Expenses)</b>				
Capital appropriations	\$ 3,843,000	\$ 3,513,600	\$ -	\$ -
Gifts for capital projects	6,289,024	803,102	2,551,652	2,982,333
Student fees for capital projects	2,558,000	2,714,250	165,000	165,000
Capital assets transferred to other entities	-	-	(445,952)	(88,182)
<b>Total Other Revenue (Expenses)</b>	<b>\$ 12,690,024</b>	<b>\$ 7,030,952</b>	<b>\$ 2,270,700</b>	<b>\$ 3,059,151</b>
<b>Total Increase (Decrease) in Net Position</b>	<b>\$ 5,446,310</b>	<b>\$ 17,543,505</b>	<b>\$ 3,188,384</b>	<b>\$ 1,791,503</b>
<b>Net Position</b>				
<b>Net Position - Beginning of Year</b>	\$ 223,322,001	\$ 205,778,496	\$ 40,769,384	\$ 38,977,881
Restatement	(1,695,243)	-	-	-
Net Position - beginning of year, restated	221,626,758	205,778,496	40,769,384	38,977,881
<b>Net Position - End of Year</b>	<b>\$ 227,073,068</b>	<b>\$ 223,322,001</b>	<b>\$ 43,957,768</b>	<b>\$ 40,769,384</b>



**WICHITA STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended June 30, 2018 and 2017**

	<u>University Funds</u>	
	<u>FY 2018</u>	<u>FY 2017</u>
<b>Cash Flows from Operating Activities</b>		
Tuition and fees	\$ 101,428,838	\$ 97,460,076
Sales and services of educational activities	36,978,958	31,498,709
Auxiliary enterprise charges		
Housing	11,782,627	11,353,442
Parking	1,762,207	1,437,771
Research grants and contracts	38,766,330	34,416,012
Payments to suppliers	(83,690,128)	(70,633,989)
Payments for utilities	(6,813,387)	(6,471,412)
Payments for scholarships and benefits	(14,843,757)	(15,373,453)
Compensation and benefits	(179,636,750)	(178,084,653)
Loans issued to students	(1,291,506)	(1,741,440)
Collections on loans issued to students	1,196,775	1,676,813
Other receipts	6,986,911	6,686,848
	<u>6,986,911</u>	<u>6,686,848</u>
<b>Net Cash Flows from Operating Activities</b>	<u>\$ (87,372,883)</u>	<u>\$ (87,775,276)</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
State appropriations	\$ 71,060,543	\$ 71,717,391
Federal Grants	17,427,834	16,114,678
Gifts	18,850,774	17,145,871
Net decrease (increase) in funds held for others	42,556	(107,030)
	<u>42,556</u>	<u>(107,030)</u>
<b>Net Cash Flows from Noncapital Financing Activities</b>	<u>\$ 107,381,707</u>	<u>\$ 104,870,910</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital appropriations	\$ 3,843,000	\$ 3,513,600
Capital gifts	6,289,024	803,102
Student fees for capital projects	2,558,000	2,714,250
Purchase of capital assets	(22,438,193)	(24,090,728)
Redemption of bonds payable	-	(2,305,000)
Principal paid on capital debt and leases	(5,938,692)	(5,060,730)
Proceeds from long term debt	-	9,245,000
Interest paid on capital debt and leases	(3,818,156)	(4,250,706)
	<u>(3,818,156)</u>	<u>(4,250,706)</u>
<b>Net Cash Flows from Capital and Related Financing Activities</b>	<u>\$ (19,505,017)</u>	<u>\$ (19,431,212)</u>

**WICHITA STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**For the Years Ended June 30, 2018 and 2017**

	<u>University Funds</u>	
	<u>FY 2018</u>	<u>FY 2017</u>
<b>Cash Flows from Investing Activities</b>		
Investment income	\$ 545,647	\$ 269,295
<b>Net Cash Flows from Investing Activities</b>	<u>\$ 545,647</u>	<u>\$ 269,295</u>
<b>Net Change in Cash and Cash Equivalents</b>	\$ 1,049,455	\$ (2,066,283)
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>66,893,460</u>	<u>68,959,743</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 67,942,915</u>	<u>\$ 66,893,460</u>
<b>Reconciliation</b>		
Operating loss	\$ (103,811,145)	\$ (90,484,605)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	17,287,902	15,959,466
Loss on sale of assets	136,053	222,094
Changes in assets and liabilities:		
Accounts receivable, net	778,613	(7,955,288)
Loans to students, net	(94,731)	(64,627)
Other post employment benefits	(163,439)	(158,931)
Net pension obligation	(116,934)	(3,680,783)
Accrued salaries and wages	488,957	(5,915,824)
Inventories	(7,467)	(36,367)
Other current assets	21,424	9,726
Accounts payable and accrued liabilities	(1,521,048)	2,407,486
Due to other state agencies	-	(69,638)
Unearned revenue	(566,024)	1,541,496
Accrued compensated absences	194,956	450,519
<b>Net Cash Flows from Operating Activities</b>	<u>\$ (87,372,883)</u>	<u>\$ (87,775,276)</u>

**WICHITA STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF NET ASSETS**  
**For the Years Ended June 30, 2018 and 2017**

	Foundation Funds	
	FY 2018	FY 2017
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 21,909,387	\$ 13,463,255
Pledges receivable, less allowance for uncollectible pledges (2018, \$846,863; 2017, \$619,565)	31,916,934	23,240,296
Investments	259,061,571	236,419,927
Investment at equity	2,930,789	3,145,000
Mortgage receivable	32,683	35,779
Real estate	597,175	597,175
Buildings, equipment and software, at cost less accumulated depreciation	377,767	336,162
Cash surrender value of life insurance	4,908,214	4,791,958
Collections	15,907,324	15,834,823
Other assets	3,008,110	3,134,562
	<b>\$ 340,649,954</b>	<b>\$ 300,998,937</b>
<b>Total Assets</b>		
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 590,396	\$ 469,542
Annuities payable	671,976	817,257
Due to WSU Alumni Association	2,002,003	1,809,283
Due to WSU Board of Trustees	7,739,931	6,314,153
Due to WSU Departments	338,955	387,725
Due to Intercollegiate Athletic Association, Inc.	10,272,136	10,149,830
	<b>\$ 21,615,397</b>	<b>\$ 19,947,790</b>
<b>Total Liabilities</b>		
<b><u>NET ASSETS</u></b>		
Unrestricted		
Undesignated	\$ 7,416,704	\$ 6,903,928
Designated by Board for endowment purposes	861,001	845,983
Temporarily restricted	118,896,348	93,203,005
Permanently restricted	191,860,504	180,098,231
	<b>\$ 319,034,557</b>	<b>\$ 281,051,147</b>
<b>Total Net Assets</b>		

**WICHITA STATE UNIVERSITY FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**For the Years Ended June 30, 2018 and 2017**

	<b>2018</b>			<b>2017</b>	
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>	<b>Total</b>
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Contributions	\$ 522,875	\$ 26,664,022	\$ 11,762,273	\$ 38,949,170	\$ 15,846,933
Net investment return	439,572	14,803,189	-	15,242,761	21,443,954
Gain (loss) on collection item	-	251,500	-	251,500	(255,000)
Other income	1,703,544	1,552,944	-	3,256,488	4,795,750
Net assets released from restriction	<u>17,578,312</u>	<u>(17,578,312)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>\$ <u>20,244,303</u></b>	<b>\$ <u>25,693,343</u></b>	<b>\$ <u>11,762,273</u></b>	<b>\$ <u>57,699,919</u></b>	<b>\$ <u>41,831,637</u></b>
<b>EXPENSES</b>					
Program services:					
Scholarships	5,738,528	-	-	5,738,528	5,972,148
University Support	8,161,528	-	-	8,161,528	7,246,872
Support activities:					
Management and general	3,388,696	-	-	3,388,696	3,129,184
Fund raising	<u>2,427,757</u>	<u>-</u>	<u>-</u>	<u>2,427,757</u>	<u>2,399,232</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>19,716,509</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>19,716,509</u></b>	<b>\$ <u>18,747,436</u></b>
<b>Change In Net Assets</b>	<b>527,794</b>	<b>25,693,343</b>	<b>11,762,273</b>	<b>37,983,410</b>	<b>23,084,201</b>
<b>Net Assets, Beginning Of Year</b>	<b>\$ <u>7,749,911</u></b>	<b>\$ <u>93,203,005</u></b>	<b>\$ <u>180,098,231</u></b>	<b>\$ <u>281,051,147</u></b>	<b>\$ <u>257,966,946</u></b>
<b>Net Assets, End Of Year</b>	<b>\$ <u>8,277,705</u></b>	<b>\$ <u>118,896,348</u></b>	<b>\$ <u>191,860,504</u></b>	<b>\$ <u>319,034,557</u></b>	<b>\$ <u>281,051,147</u></b>

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**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 South Campus is located at 3805 E. Harry Street, Wichita, Kansas, and the Old Town Campus is located at 213 N. Mead, Wichita, Kansas. A fourth satellite campus began operations on July 1, 2018 and is named WSU Haysville, located at 106 Stewart Avenue in Haysville, 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.

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

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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.

**Recent Accounting Pronouncements.** GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, sets forth new financial reporting standards and disclosures for Other Postemployment Benefits (OPEB) and replace the requirements of GASB Statement No. 45. This statement requires the liability of the University be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plans fiduciary net position, if any. The OPEB liability is required to be determined through an actuarial valuation for the University.

The Statement also requires that deferred outflows of resources and deferred inflows of resources related to OPEB are required to be recognized by the University for changes in the components of the net OPEB liability including changes in assumptions, changes in benefit terms, and changes in actual and expected experience. In addition, employer contributions subsequent to the measurement date of the net OPEB liability are required to be reported as deferred outflows of resources.

Disclosures are required related to the Statement to disclose the following:

- Key provisions of the OPEB plan
- The number of participants
- Changes in the net OPEB liability
- Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rate
- Actuarial assumptions utilized in the valuation of the net OPEB liability.
- OPEB expense and details of the deferred outflows of resources and deferred inflows of resources excluding the expected amortization of the deferred outflows and deferred inflows.

The implementation of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, resulted in the University recognizing a net OPEB liability of \$1,754,307, deferred outflow of resources related to the OPEB plan of \$274,658, deferred inflows of resources related to the OPEB plan of \$52,155 and OPEB expense of \$827,693 at June 30, 2018. Updated disclosures are required by GASB 75. (See Note 9).

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**Investments.** Investments in equity securities, fixed income securities and mutual funds are carried at fair value. Fair value is determined using quoted market prices. Investments in nonnegotiable certificates of deposits and external investment pools are carried at cost.

**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 rent.

**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.

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 "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.

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**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.

**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.

**OPEB.** For the year ended June 30, 2018, the University implemented the provisions of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, and OPEB expense an actuarial valuation was completed and the OPEB liability was measured at June 30, 2017. As the OPEB plan was measured at June 30, 2017, the current year contributions to the Plan by the University are recorded as deferred outflows.

**Refundable Advances from Governmental Grants.** In accordance with GASB 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the University has recognized a liability for the federal portion of its Perkins Loan portfolio that is expected to be repaid to the Department of Education. Given that the Perkins Loan Program was not renewed and the wind-down procedures for the program require that the Federal funds be returned on an annual basis for the Department of Education's portion of the cash received each year, a liability has been recognized and an allocation is made between current and noncurrent based on expected repayment requirements in accordance with the current Department of Education guidelines.

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.



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**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.

**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.

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**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 2018</u>	<u>FY 2017</u>
Cash deposits with State Treasury	\$ 65,986,894	\$ 63,766,367
Cash deposits with financial institutions	1,227,947	2,431,487
Certificates of deposit	410,515	382,405
Funds held at Pooled Money Investment Board	527,100	522,071
	<u>\$ 68,152,456</u>	<u>\$ 67,102,330</u>

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 2018</u>	<u>FY 2017</u>
Cash and cash equivalents	\$ 67,942,915	\$ 66,893,460
Investments	209,541	208,870
	<u>\$ 68,152,456</u>	<u>\$ 67,102,330</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:

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- 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

**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, 2018 and 2017, the University had the following investments:

<u>Investment Type</u>	<u>FY 2018</u>	<u>FY 2017</u>
Certificates of Deposit	\$ 410,515	\$ 382,405

**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

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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.

**Note 3 - CAPITAL ASSETS**

Capital asset activity for the University for the Years ended June 30, 2018 and 2017 are summarized as follows:

	2018			
	Balance July 1, 2017	Additions	Retirements	
Capital Assets, Not Depreciable				
Land	\$ 4,753,281	\$ 843,400	\$ 15,778	\$ 5,580,903
Construction-in-Progress	13,510,975	12,457,297	18,682,742	7,285,530
Total Capital Assets, Not Depreciable	<u>\$ 18,264,256</u>	<u>\$ 13,300,697</u>	<u>\$ 18,698,520</u>	<u>\$ 12,866,433</u>
Capital Assets, Depreciable				
Leasehold Improvements	\$ 8,237,274	\$ 3,466,582	\$ 1,148,336	\$ 10,555,520
Infrastructure	23,146,977	1,550,525	-	24,697,502
Land Improvements	12,432,517	435,000	-	12,867,517
Buildings	159,378,751	10,529,791	-	169,908,542
Building Improvements	160,509,451	2,632,850	-	163,142,301
Equipment & Furnishings	91,305,150	9,243,539	1,295,590	99,253,099
Intangible, software	4,058,124	-	-	4,058,124
Vehicles	3,626,499	272,703	129,840	3,769,361
Total Capital Assets, Depreciable	<u>\$462,694,743</u>	<u>\$ 28,130,989</u>	<u>\$ 2,573,766</u>	<u>\$488,251,966</u>
Less Accumulated Depreciation				
Leasehold Improvements	\$ 2,852,529	\$ 1,084,511	\$ 1,100,620	\$ 2,836,419
Infrastructure	8,324,539	894,843	-	9,219,382
Land Improvements	5,979,720	457,586	-	6,437,306
Buildings	71,660,126	3,926,822	-	75,586,948
Building Improvements	45,766,877	3,929,566	-	49,696,443
Equipment & Furnishings	63,846,697	6,748,065	912,279	69,682,483
Intangibles, software	4,026,742	31,381	-	4,058,123
Vehicles	3,122,186	215,128	129,840	3,207,474
Total Accumulated Depreciation	<u>\$205,579,416</u>	<u>\$ 17,287,902</u>	<u>\$ 2,142,739</u>	<u>\$220,724,579</u>
Capital Assets, Depreciable - Net	<u>\$257,115,327</u>	<u>\$ 10,843,087</u>	<u>\$ 431,027</u>	<u>\$267,527,387</u>
Total Capital Assets - Net	<u>\$275,379,583</u>	<u>\$ 24,143,784</u>	<u>\$ 19,129,547</u>	<u>\$280,393,820</u>

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	2017			Balance June 30, 2017
	Balance July 1, 2016	Additions	Retirements	
<b>Capital Assets, Not Depreciable</b>				
Land	\$ 4,753,281	\$ -	\$ -	\$ 4,753,281
Construction-in-Progress	4,515,418	14,482,997	5,487,440	13,510,975
<b>Total Capital Assets, Not Depreciable</b>	<b>\$ 9,268,699</b>	<b>\$ 14,482,997</b>	<b>\$ 5,487,440</b>	<b>\$ 18,264,256</b>
<b>Capital Assets, Depreciable</b>				
Leasehold Improvements	\$ 8,237,274	\$ -	\$ -	\$ 8,237,274
Infrastructure	21,430,637	1,716,340	-	23,146,977
Land Improvements	11,819,873	612,644	-	12,432,517
Buildings	159,570,365	-	191,614	159,378,751
Building Improvements	157,887,253	2,654,805	32,607	160,509,451
Equipment & Furnishings	82,311,783	10,162,810	1,169,443	91,305,150
Intangibles, software	4,058,124	-	-	4,058,124
Vehicles	3,524,598	101,901	-	3,626,499
<b>Total Capital Assets, Depreciable</b>	<b>\$448,839,907</b>	<b>\$ 15,248,500</b>	<b>\$ 1,393,664</b>	<b>\$462,694,743</b>
<b>Less Accumulated Depreciation</b>				
Leasehold Improvements	\$ 2,049,016	\$ 803,513	\$ -	\$ 2,852,529
Infrastructure	7,486,937	837,602	-	8,324,539
Land Improvements	5,556,740	422,980	-	5,979,720
Buildings	67,607,397	4,091,013	38,284	71,660,126
Building Improvements	41,928,418	3,853,948	15,489	45,766,877
Equipment & Furnishings	59,080,034	5,731,131	964,468	63,846,697
Intangibles, software	3,995,361	31,381	-	4,026,742
Vehicles	2,934,288	187,898	-	3,122,186
<b>Total Accumulated Depreciation</b>	<b>\$190,638,191</b>	<b>\$ 15,959,466</b>	<b>\$ 1,018,241</b>	<b>\$205,579,416</b>
<b>Capital Depreciable Assets - Net</b>	<b>\$258,201,716</b>	<b>\$ (710,966)</b>	<b>\$ 375,423</b>	<b>\$257,115,327</b>
<b>Total Capital Assets - Net</b>	<b>\$267,470,415</b>	<b>\$ 13,772,031</b>	<b>\$ 5,862,863</b>	<b>\$275,379,583</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.

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**NOTE 4 - ACCOUNTS RECEIVABLE**

Accounts receivable are shown in the accompanying Statement of Net Position. At June 30, 2018 and 2017, accounts receivable net of allowance for doubtful accounts consisted of the following:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Student Tuition and Fees	\$ 11,808,161	\$ 10,928,438
Student Housing Contracts	1,984,791	1,854,203
Unspent State Appropriations for Rehabilitation and Repair	5,686,487	4,401,280
Service Clearing and Other Operating Activities	633,862	715,490
Federal, State, and Private Grants and Contracts	13,799,173	15,708,524
Less: Allowance for Doubtful Accounts	<u>(8,730,078)</u>	<u>(7,646,926)</u>
 Total Accounts Receivable	 <u>\$ 25,182,396</u>	 <u>\$ 25,961,009</u>

**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, 2018 and 2017. 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.

Effective October 1, 2017, the United States Department of Education (DOE) did not renew the Federal Perkins Loan Program. As a result, after a brief transition period, no new loans can be disbursed to students. The current guidance provided by DOE stipulates that as cash is collected by the University from loans disbursed prior to October 1, 2017, such funds are to be remitted back to DOE on a proportional basis (the Perkins program was originally funded by DOE with a small percentage matched by the University). Given this recent guidance, the University has determined that it is probable that DOE, as the provider of the original resource, will require the University to return all of the resources originally received under this program. At the time of the receipt of the resources, the University recorded non-exchange revenues, and thereby, the balance of the resources provided by DOE resides in the University's net position.

Pursuant to guidance provided by GASB 33, Accounting and Financial Reporting for Non-exchange Transactions, and based on the University's estimate that the return of these resources is probable, an expense and corresponding liability of \$7,499,882 has been recorded in the fiscal year ended June 30, 2018, on the University's financial statements.

**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:

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<u>Unearned Revenues</u>	<u>FY 2018</u>	<u>FY 2017</u>
Summer Session	\$ 4,368,150	\$ 4,367,743
Grants and Contracts	<u>1,234,366</u>	<u>1,800,797</u>
 Total Unearned Revenue	 <u>\$ 5,602,516</u>	 <u>\$ 6,168,540</u>

**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, 2018 and 2017, consisted of the following:

	2018					
	Total Outstanding June 30, 2017	Deletions June 30, 2018	Additions/ Restatement* June 30, 2018	Total Outstanding June 30, 2018	Current Liabilities as of June 30, 2018	Long-Term Liabilities as of June 30, 2018
<u>Liabilities</u>						
Capital Leases Payable						
Energy efficiency lease purchase agreement	\$ 4,381,811	\$ 947,096	\$ -	\$ 3,434,715	\$ 962,119	\$ 2,472,596
Union Corp Shocker Hall lease agreement	62,126,760	1,006,297	-	61,120,463	1,053,686	60,066,777
Other post employment benefits liability	-	-	1,754,307	1,754,307	-	1,754,307
Net Pension Liability	31,691,132	4,304,079	-	27,387,053	-	27,387,053
Refundable advances from government grants	-	-	7,499,882	7,499,882	408,880	7,091,002
Accrued compensated absences	7,996,042	-	194,956	8,190,998	6,873,683	1,317,315
Revenue Bonds Payable:						
WSU Research and Development Facilities Projects - Series 2005D	870,000	870,000	-	-	-	-
WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)	2,930,000	675,000	-	2,255,000	715,000	1,540,000
WSU Revenue Bonds - Rhatigan Student Center Renovation Series 2012A-1	14,170,000	1,745,000	-	12,425,000	1,835,000	10,590,000
WSU Revenue Bonds Parking Garage - Series 2016J	7,035,000	260,000	-	6,775,000	265,000	6,510,000
WSU Revenue Bonds Parking Garage - Series 2016J Refunding	2,065,000	-	-	2,065,000	-	2,065,000
Plus Bond Premiums (Discounts)						
Unamortized Bond Premiums	2,680,761	435,299	-	2,245,462	435,300	1,810,162
 Total Liabilities	 <u>\$ 135,946,506</u>	 <u>\$ 10,242,771</u>	 <u>\$ 9,449,145</u>	 <u>\$ 135,152,880</u>	 <u>\$ 12,548,668</u>	 <u>\$ 122,604,212</u>

\* Other post employment benefits liability amount of \$1,754,307 is due to prior period adjustment.

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	2017					
	Total			Total		
	Outstanding June 30, 2016	Deletions June 30, 2017	Additions June 30, 2017	Outstanding June 30, 2017	Current Liabilities as of June 30, 2017	Long-Term Liabilities as of June 30, 2017
<u>Liabilities</u>						
Capital Leases Payable						
Energy efficiency lease purchase agreement	\$ 5,341,547	\$ 959,736	\$ -	\$ 4,381,811	\$ 947,096	\$ 3,434,715
Union Corp Shocker Hall lease agreement	63,086,639	959,879	-	62,126,760	1,006,297	61,120,463
Other post employment healthcare benefits	158,931	158,931	-	-	-	-
Net Pension Liability	33,092,303	1,401,171	-	31,691,132	-	31,691,132
Accrued compensated absences	7,545,523	-	450,519	7,996,042	7,062,240	933,802
Revenue Bonds Payable:						
WSU Research and Development Facilities Projects - Series 2005D	1,700,000	830,000	-	870,000	870,000	-
WSU Research and Development Facilities Projects - Series 2003C	2,305,000	2,305,000	-	-	-	-
WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)	3,580,000	650,000	-	2,930,000	675,000	2,255,000
WSU Revenue Bonds - Rhatigan Student Center Renovation Series 2012A-1	15,835,000	1,665,000	-	14,170,000	1,745,000	12,425,000
WSU Revenue Bonds Parking Garage - Series 2016J	-	145,000	7,180,000	7,035,000	260,000	6,775,000
WSU Revenue Bonds Parking Garage - Series 2016J Refunding	-	-	2,065,000	2,065,000	-	2,065,000
Plus Bond Premiums (Discounts)						
Unamortized Bond Premiums	2,531,876	407,176	556,061	2,680,761	379,052	2,301,709
Total Liabilities	<u>\$ 135,176,819</u>	<u>\$ 9,481,893</u>	<u>\$ 10,251,580</u>	<u>\$ 135,946,506</u>	<u>\$ 12,944,685</u>	<u>\$ 123,001,821</u>

On December 20, 2016, Wichita State University issued \$2,065,000 in 2016J Series revenue bonds at a premium of \$338,000. The average coupon rate of the bonds is 5.00% with a true interest cost of 2.50%. The proceeds of the issuance of \$2,403,000 were used to redeem the 2003C Series bonds with an outstanding balance of \$2,305,000. The gain incurred on this refunding is \$268,725.



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**Revenue Bonds Payable**

Revenue bonds payable consisted of the following as of June 30, 2018:

	Principal Outstanding <u>June 30, 2018</u>
<u>WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)</u>	\$ 2,255,000
- Issued by Kansas Development Finance Authority on May 31, 2014	
- Original amount of \$5,880,000 (Premium \$1,000,153)	
- Due in annual installments with final maturity on June 1, 2021	
- Interest 5.00%, payable semi-annually	
- Secured by WSU revenues, excluding restricted revenues	
- FY 2019 principal payment due: \$715,000	
<u>WSU Revenue Bonds Series 2012A-1 (Rhatigan Student Center Renovation)</u>	\$ 12,425,000
- Issued by Kansas Development Finance Authority on May 31, 2014	
- Original amount of \$21,730,000 (Premium \$3,047,929)	
- Due in annual installments with final maturity on June 1, 2024	
- Interest ranging from 3.00% to 5.00%, payable semi-annually	
- Secured by WSU revenues, excluding restricted revenues	
- FY 2019 principal payment due: \$1,835,000	
<u>WSU Revenue Bonds Series 2016J Parking Garage</u>	\$ 6,775,000
- Issued by Kansas Development Finance Authority on December 20, 2016	
- Original amount of \$7,180,000 (Premium of \$218,090)	
- Due in annual installments with final maturity on June 1, 2036	
- Interest ranging from 2.00% - 5.00%, payable semi-annually	
- Secured by WSU revenues, excluding restricted revenues	
- FY 2019 principal payment due: \$265,000	
<u>WSU Revenue Bonds Series 2016J Parking Garage (Refunded Series 2003C)</u>	\$ 2,065,000
- Issued by Kansas Development Finance Authority on December 20, 2016	
- Original amount of \$2,065,000 (Premium of \$337,971)	
- Due in annual installments with final maturity on June 1, 2024	
- Interest 5.00%, payable semi-annually	
- Secured by WSU revenues, excluding restricted revenues	
- Principal payments will not commence until FY 2022	
	\$ 23,520,000

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Future debt service requirements for all bonds outstanding at June 30, 2018, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 2,815,000	\$ 998,956	\$ 3,813,956
2020	2,950,000	858,206	3,808,206
2021	3,100,000	710,706	3,810,706
2022	2,725,000	562,956	3,287,956
2023	3,395,000	426,706	3,821,706
2024-2036	8,535,000	1,483,518	10,018,518
Unamortized Bond Premiums	<u>2,245,462</u>	<u>-</u>	<u>2,245,462</u>
Total Debt Service Requirements	<u>\$ 25,765,462</u>	<u>\$ 5,041,048</u>	<u>\$ 30,806,510</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, 2018, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Rental Total</u>
2019	\$ 962,119	\$ 50,483	\$ 1,012,602
2020	977,380	35,222	1,012,602
2021	992,884	19,718	1,012,602
2022	<u>502,332</u>	<u>6,968</u>	<u>509,300</u>
	<u>\$ 3,434,715</u>	<u>\$ 112,391</u>	<u>\$ 3,547,106</u>

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

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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, 2018, future lease payments are as follows:

Year Ending June 30:	Future Minimum Lease Payments	Interest	Principal
2019	\$ 4,049,773	\$ 2,996,086	\$ 1,053,686
2020	4,051,473	2,943,926	1,107,547
2021	4,052,123	2,889,097	1,163,025
2022	4,052,593	2,831,565	1,221,028
2023	4,053,673	2,771,191	1,282,482
2024-2028	20,273,563	12,842,163	7,431,399
2029-2033	20,272,275	10,819,841	9,452,434
2034-2038	20,273,675	8,249,126	12,024,549
2039-2043	20,270,375	4,981,527	15,288,848
2044-2046	12,156,500	1,061,034	11,095,466
	<u>\$ 113,506,020</u>	<u>\$ 52,385,557</u>	<u>\$ 61,120,463</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.

For the year ended June 30, 2018, 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:

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Defined Contribution Plan Contributions

Year	Employee	Employer
2014	\$ 4,465,702	\$ 6,995,951
2015	4,984,360	7,776,914
2016	5,138,092	7,988,343
2017	5,556,839	8,633,102
2018	5,524,009	8,586,825

**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.

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

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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 6% of covered salary for Tier 1 member and 7.15% of covered salary for Tier 2 members for the years ending June 30, 2018 and 2017. 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 1.00% contribution rate for the Death and Disability Program) and the statutory contribution rate was 10.81% for the fiscal year ended June 30, 2017, and 12.01% for the fiscal year ended June 30, 2018. Contributions to the pension plan from the University were \$2,029,456 and \$1,717,061 for the years ended June 30, 2018 and 2017, respectively.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.** At June 30, 2018 and 2017, the University reported a liability of \$27,387,053 and \$31,691,132, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017.

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 non-employer contributions of the State/School subgroup within KPERS for the plan's fiscal year ended June 30, 2017.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2017, the University proportion was 0.37%, which was decrease of 0.07% from its proportion measured as of June 30, 2016. As of June 30, 2017, the University proportion of the total contributions made to the Police and Fire group within KPERS was 0.24%, which was a 0.01% increase from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018 and 2017, the University recognized a pension expense of \$1,917,723 and a pension credit of \$3,680,783, respectively. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 108,712	\$ 1,267,010
Net difference between projected and actual earnings on pension plan investments	622,436	-
Change in assumptions	1,343,978	43,327
Change in proportion	1,315,857	4,774,661
University contributions subsequent to measurement date	1,836,487	-
<b>Total</b>	<b>\$ 5,227,470</b>	<b>\$ 6,084,998</b>

\$1,836,487 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, 2019. 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:	
2018	\$ (981,961)
2019	(109,619)
2020	(269,978)
2021	(1,104,010)
2022	(228,447)
Total	\$ (2,694,015)

**Actuarial Assumptions.** The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary Increases, including wage increases	3.50 to 12.00%, including price inflation
Long-term Investment Rate of Return, net of investment expense, and including price inflation	7.75%

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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, 2016 valuation were based on the results of an actuarial experience study conducted for the three-year period beginning January 1, 2013 and ending December 31, 2015.

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, 2017 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%	6.80%
Fixed income	13%	1.25%
Yield driven	8%	6.55%
Real return	11%	1.71%
Real estate	11%	5.05%
Alternatives	8%	9.85%
Short-term investments	2%	-0.25%
Total	<u>100%</u>	

**Discount Rate.** The discount rate used to measure the total pension liability was 7.75%. 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
University's proportionate share of the net pension liability	\$ 36,705,157	\$ 27,387,053	\$ 19,530,605

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**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 – Postemployment Benefits Other Than Pensions (OPEB)**

**General Information about the OPEB Plan**

**Plan Description.** As a component unit of the State of Kansas, Wichita State University (WSU) participates in the State’s long-term disability program. Participating employers pay the cost of the long-term disability and life insurance coverage for their eligible members. The long-term disability plan is considered to be a single employer long-term disability plan. Eligible employees consist of all individuals who are: (1) currently active members of KPERS, (2) employees of an educational institution under the Kansas Board of Regents as defined in K.S.A. 74-4925, (3) eligible employees of University of Kansas Hospital Authority as defined in K.S.A. 76-3322, or elected officials. The plan provides a group life benefit for active members through a fully-insured program with Standard Insurance Company. Because this benefit is fully insured, it is not included in the scope of the actuarial valuation. The plan also provides a self-funded LTD benefit and a self-funded life insurance benefit for disabled members (referred to as “group life waiver of premium”) which is included in the actuarial valuation. The monthly benefit is 60% of the member’s monthly rate of compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income. If the disability begins before age 60, benefits are payable while disability continues until the member’s 65<sup>th</sup> birthday or retirement date, whichever first occurs. If the disability occurs at or after age 60, benefits are payable while disability continues, for a period of five years or until the date of the member’s retirement, whichever first occurs.

**Funding Policy.** WSU pays the cost of the long-term disability and life insurance premiums throughout each fiscal year for eligible members.

**Employees Covered By Benefit Terms.** At June 30, 2017, the following employees were covered by the benefit terms:

Disabled employees receiving benefits	23
Active employees	423
	446
	446

**Total OPEB Liability**

The University’s total OPEB liability of \$1,754,307 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

**Actuarial assumptions and other inputs.** The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:



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Price inflation	2.75 Percent
Salary increases	3.5 Percent, average, including inflation
Discount rate	3.58 Percent
Healthcare cost trend rates	N/A

The discount rate was based upon the Bond Buyer General Obligation 20-Year Municipal Bond Index as of the measurement date.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on MP-2017.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2016.

**Changes in the Total OPEB Liability**

Balances (Restated) as of June 30, 2017	\$ 1,969,901
Changes for the year:	
Service Cost	63,171
Interest	54,056
Changes of benefit terms	—
Differences between expected and actual experience	—
Changes in assumptions	(58,164)
Benefit payments	<u>(274,657)</u>
Net Changes	<u>(215,594)</u>
Balances as of June 30, 2018	<u><u>\$ 1,754,307</u></u>

There were no changes in benefit terms for the current year.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85 percent for the year-end June 30, 2016 to 3.58 percent for the year-ended June 30, 2017.

**Sensitivity of the total OPEB liability to changes in the discount rate.** The following presents the total OPEB liability of the University, as well as what the University's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.58 percent) or 1-percentage-point higher (4.58 percent) than the current discount rate:

	1% Decrease	Current	1% Increase
	2.58%	Discount Rate 3.58%	4.58%
Total OPEB Liability	\$ 1,834,443	\$ 1,754,307	\$ 1,679,704

**Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.** The healthcare cost trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS, therefore there is no change in the OPEB liability for any increase or decrease in the healthcare cost trend rate.

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**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the University recognized OPEB expense of \$827,693. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ —	\$ —
Changes of assumptions	(52,155)	—
Employer contributions subsequent to measurement date	—	274,658
<b>Total</b>	<b>\$ (52,155)</b>	<b>\$ 274,658</b>

\$274,658 reported as deferred outflows of resources related to OPEB resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$ (6,009)
2020	(6,009)
2021	(6,009)
2022	(6,009)
2023	(6,009)
Thereafter	(22,110)
Total	<u>\$ (52,155)</u>

For disclosures presented under GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits other than Pensions, for the year ended June 30, 2017, refer to the notes to the financial statements in the prior year audit report for the year ended June 30, 2017.

**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, 2018.

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In the normal course of operations, the University receives grants, contracts and other forms of reimbursement from various local 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 of the funds received from the Kansas Department of Commerce EEG grant to pay a portion of these revenue bonds.

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

The University's operating expenses for the years ended June 30, 2018 and 2017 by functional and natural classification are as follows:

<u>Classifications</u>	2018					
	Compensation and Benefits	Contractual Services and Commodities	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 68,047,654	\$ 8,160,435	\$ 2,255	\$ -	\$ -	\$ 76,210,344
Research	32,651,575	25,817,497	371,866	-	-	58,840,938
Public Service	12,186,744	8,166,387	10,257	-	-	20,363,388
Academic Support	20,971,598	8,801,726	102	-	-	29,773,426
Student Services	16,992,703	14,237,263	204	-	-	31,230,170
Institutional Support	14,548,842	7,590,912	-	-	-	22,139,754
Operation and Maintenance of Plant	12,765,503	3,891,710	5,764,191	-	-	22,421,404
Depreciation	-	-	-	-	17,287,902	17,287,902
Scholarships and Fellowships	-	-	-	14,843,757	-	14,843,757
Auxiliary Enterprises	1,875,672	5,517,107	664,512	-	-	8,057,291
Loss on Disposal of Assets	-	136,053	-	-	-	136,053
<b>Total</b>	<b>\$ 180,040,291</b>	<b>\$ 82,319,090</b>	<b>\$ 6,813,387</b>	<b>\$ 14,843,757</b>	<b>\$ 17,287,902</b>	<b>\$ 301,304,427</b>

<u>Classifications</u>	2017					
	Compensation and Benefits	Contractual Services and Commodities	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 64,885,427	\$ 7,833,717	\$ 4,069	\$ -	\$ -	\$ 72,723,213
Research	28,709,436	18,852,290	354,697	-	-	47,916,423
Public Service	12,005,174	7,099,595	18,957	-	-	19,123,726
Academic Support	19,672,300	9,397,506	-	-	-	29,069,806
Student Services	15,817,858	12,959,177	354	-	-	28,777,389
Institutional Support	13,097,965	7,326,671	-	-	-	20,424,636
Operation and Maintenance of Plant	12,729,580	4,320,143	5,445,555	-	-	22,495,278
Depreciation	-	-	-	-	15,959,466	15,959,466
Scholarships and Fellowships	-	-	-	15,373,453	-	15,373,453
Auxiliary Enterprises	1,808,315	5,066,755	647,780	-	-	7,522,850
Other	53,579	158,980	-	-	-	212,559
Loss on Disposal of Assets	-	222,094	-	-	-	222,094
<b>Total</b>	<b>\$ 168,779,634</b>	<b>\$ 73,236,928</b>	<b>\$ 6,471,412</b>	<b>\$ 15,373,453</b>	<b>\$ 15,959,466</b>	<b>\$ 279,820,893</b>

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**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 Division I of the National Collegiate Athletic Association and in the American Athletic 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 \$4,163,620 for operations and \$165,000 for capital debt retirement in FY 2018. The State of Kansas, through the University, pays directly the salaries and fringe benefits of certain Athletic Association personnel. The financial statements reflect \$3,544,889 in FY 2018 of direct institutional support 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 \$1,237,888 in FY 2018 and have been reflected in the Athletic Association's financial statements as indirect institutional support.

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

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**Notes to the Financial Statements**

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 also owns and operates, 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, 2018, 29% of the organization's support and revenue came from student fees, 32% from gross profit on sales, 37% from income direct financing lease and 2% 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 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.

**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

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**Notes to the Financial Statements**

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 2018, it furnished to the University \$4,829,196 for student support, and \$606,024 for economic community development.

**Investments.** The Board of Trustee's investment portfolio at June 30, 2018 is composed of the following:

	2018			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 66,513	\$ 66,513	\$ -	\$ -
Fixed income mutual funds	1,213,653	1,213,653	-	-
Fixed income credit investments	260,445	260,445	-	-
Pooled investments	7,739,931	-	7,739,931	-
Equity mutual funds	2,213,597	2,213,597	-	-
Preferred stock	28,793	28,793	-	-
Common stock	559,585	559,585	-	-
	<u>\$ 12,082,517</u>	<u>\$ 4,342,586</u>	<u>\$ 7,739,931</u>	<u>\$ -</u>

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.

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**Notes to the Financial Statements**

**Investments.** The Foundation's investment portfolio at June 30, 2018 is composed of the following:

	2018			
	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	\$ -	\$ -	\$ -	\$ -
Common & preferred stocks	45,193,853	45,193,853	-	-
Foreign stocks	34,014,725	34,014,725	-	-
Corporate bonds	36,809,902	-	36,809,902	-
Exchange-traded funds	-	-	-	-
Mortgage-backed securities	11,270,004	-	11,270,004	-
U.S. Government securities	19,911,973	19,911,973	-	-
Foreign bonds	99,452	-	99,452	-
Savings bonds	53,253	-	53,253	-
Zero coupon bonds	480,318	-	480,318	-
Commodity	-	-	-	-
Beneficial interests in trusts	15,313,381	-	-	15,313,381
	<u>\$ 163,146,861</u>	<u>\$ 99,120,551</u>	<u>\$ 48,712,929</u>	<u>\$ 15,313,381</u>
Investments at NAV (Practical Expedient)				
Hedge funds	76,495,910			
Venture Capital / Private equity	19,418,800			
Total Investments	<u>\$ 259,061,571</u>			

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

	2018	2017
Due in less than one year	\$ 11,726,548	\$ 11,130,395
Due in one to five years	22,027,537	12,108,574
Due in more than five years	475,000	1,576,425
	<u>34,229,085</u>	<u>24,815,394</u>
Less:		
Allowance for uncollectible pledges	846,863	619,565
Unamortized discount (at effective rate of 3%)	1,465,288	955,532
	<u>2,312,151</u>	<u>1,575,097</u>
	<u>\$ 31,916,934</u>	<u>\$ 23,240,297</u>

**NOTE 13 – OPERATING LEASES**

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 \$4,208,837. The following table summarizes future minimum lease obligations under these leases at June 30, 2018:

**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**Notes to the Financial Statements**

<u>Year Ending June 30</u>	<u>Lease Obligation</u>
2019	\$ 3,983,528
2020	3,572,353
2021	3,490,031
2022	3,509,659
2023	3,392,881
2024-2036	<u>27,724,433</u>
TOTAL	<u>\$ 45,672,885</u>

WSIA leases land and building space to tenants under various operating leases with initial terms that range from month-to-month to 25 years. Total income for the rental of land and buildings was \$2,960,995 and \$1,511,490 for the years ended June 30, 2018 and 2017, respectively.

<u>Year Ending June 30</u>	<u>Rental Income</u>
2019	\$ 2,461,743
2020	2,481,042
2021	2,512,127
2022	2,203,320
2023	2,078,604
2024-2027	<u>7,685,863</u>
TOTAL	<u>\$ 19,422,699</u>

**NOTE 14 – NEW GASB STATEMENTS**

In November 2016, the GASB issued Statement No. 83, Certain Asset Retirement Obligations, which will require governments to recognize certain liabilities related to retirements of tangible capital assets. This statement is effective for the year ending June 30, 2019.

In June 2017, the GASB issued Statement No. 87, Leases, which will require governmental lessees to recognize a lease liability and a right-to-use asset and will require a governmental lessor to recognize a lease receivable and a deferred inflow of resources for substantially all leases with terms greater than 12 months in length. This will result in the University recognizing certain leases that are currently recognized as operating leases differently as currently no liability or asset is recorded for operating leases and expenses are recorded on a pay-as-you-go basis for operating leases. This statement is effective for the year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, which eliminates the requirement for governments to capitalize interest costs on long-term construction projects. As interest costs would no longer be allowed to be capitalized, interest expense reported on the statement of revenue, expenses, and changes in net position will be more consistent with the actual interest costs incurred during the year than in years in which interest costs were capitalized. This statement is effective for the year ending June 30, 2021.



**WICHITA STATE UNIVERSITY**  
**For the Years Ended June 30, 2018 and 2017**  
**Required Supplementary Information**

**Schedule of Changes in the University's Total OPEB Liability and Related Ratios**

	Last Fiscal Year *
	2018
	June 30, 2017
Total OPEB Liability	
Service cost	\$ 63,171
Interest cost	54,056
Changes of benefit terms	—
Differences between expected and actual experience	—
Changes of assumptions or other inputs	(58,164)
Benefit payments	(274,657)
Net change in total OPEB liability	(215,594)
Total OPEB liability - beginning	1,969,901
Total OPEB liability - ending	\$ 1,754,307
Covered-employee payroll	\$ 14,235,000
Total OPEB liability as a percentage of covered-employee payroll	12.32%

\*GASB 75 requires presentation of ten years of data. As of June 30, 2018, only one year of information is available.

**Notes to Schedule:**

*Changes of benefit terms.* There were no changes in benefit terms.

*Changes of Assumptions.* Changes of assumptions and other input reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

Year Ended June 30	
2017	3.58%
2016	2.58%

## **APPENDICES**

### **COMPONENT UNITS**

**Appendix 1**  
**WICHITA STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**For The Years Ended June 30, 2018 and 2017**

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
	<b>ASSETS</b>							
<b>Current Assets</b>								
Cash and cash equivalents	\$ 30,646,503	\$ 30,443,157	\$ 17,283,318	\$ 17,279,134	\$ 5,349,499	\$ 5,741,190	\$ 8,013,686	\$ 7,422,833
Accounts receivable, net	6,840,836	5,203,909	5,985,481	4,475,099	855,355	728,810	-	-
Investments	2,486,711	2,839,450	2,401,551	195,582	1,368	189	83,792	2,643,679
Loans to students, net	-	-	-	-	-	-	-	-
Inventories	1,232,028	1,300,571	-	384,588	1,232,028	915,983	-	-
Prepaid expenses	215,221	2,767,563	133,341	2,691,944	81,880	75,619	-	-
Other current assets	1,053,687	1,007,069	-	772	1,053,687	1,006,297	-	-
<b>Total Current Assets</b>	<b>\$ 42,474,986</b>	<b>\$ 43,561,719</b>	<b>\$ 25,803,691</b>	<b>\$ 25,027,119</b>	<b>\$ 8,573,817</b>	<b>\$ 8,468,088</b>	<b>\$ 8,097,478</b>	<b>\$ 10,066,512</b>
<b>Noncurrent Assets</b>								
Restricted cash and cash equivalents	\$ 1,114,451	\$ 1,055,995	\$ -	\$ -	\$ -	\$ -	\$ 1,114,451	\$ 1,055,995
Investments	11,998,725	10,444,117	-	-	-	-	11,998,725	10,444,117
Other assets	1,500	1,500	-	-	1,500	1,500	-	-
Capital lease receivable	60,066,777	61,120,464	-	-	60,066,777	61,120,464	-	-
Capital assets, net	51,397,028	49,429,716	1,483,450	662,348	324,394	366,442	49,589,184	48,400,926
<b>Total Noncurrent Assets</b>	<b>\$ 124,578,481</b>	<b>\$ 122,051,792</b>	<b>\$ 1,483,450</b>	<b>\$ 662,348</b>	<b>\$ 60,392,671</b>	<b>\$ 61,488,406</b>	<b>\$ 62,702,360</b>	<b>\$ 59,901,038</b>
<b>TOTAL ASSETS</b>	<b>\$ 167,053,467</b>	<b>\$ 165,613,511</b>	<b>\$ 27,287,141</b>	<b>\$ 25,689,467</b>	<b>\$ 68,966,488</b>	<b>\$ 69,956,494</b>	<b>\$ 70,799,838</b>	<b>\$ 69,967,550</b>
<b>LIABILITIES</b>								
<b>Current Liabilities</b>								
Accounts payable and accrued liabilities	\$ 2,794,552	\$ 2,002,640	\$ 1,794,678	\$ 1,065,969	\$ 204,085	\$ 291,705	\$ 795,789	\$ 644,966
Deferred revenue	8,911,417	9,698,382	8,812,492	8,892,532	98,925	34,352	-	771,498
Loan payable	3,510,903	3,845,675	3,510,903	3,845,675	-	-	-	-
Accrued interest	244,980	249,827	-	2,146	244,980	247,681	-	-
Revenue bonds payable	1,110,000	1,080,000	-	-	1,110,000	1,080,000	-	-
Lease payable	572,053	698,138	-	-	-	-	572,053	698,138
Accrued compensated absences	432,905	438,897	-	-	432,905	438,897	-	-
<b>Total Current Liabilities</b>	<b>\$ 17,576,810</b>	<b>\$ 18,013,559</b>	<b>\$ 14,118,073</b>	<b>\$ 13,806,322</b>	<b>\$ 2,090,895</b>	<b>\$ 2,092,635</b>	<b>\$ 1,367,842</b>	<b>\$ 2,114,602</b>
<b>Noncurrent Liabilities</b>								
Revenue bonds payable	\$ 59,301,754	\$ 60,792,027	\$ -	\$ 316,000	\$ 59,301,754	\$ 60,476,027	\$ -	\$ -
Lease payable	45,466,488	46,038,541	-	-	-	-	45,466,488	46,038,541
<b>Total Noncurrent Liabilities</b>	<b>\$ 104,768,242</b>	<b>\$ 106,830,568</b>	<b>\$ -</b>	<b>\$ 316,000</b>	<b>\$ 59,301,754</b>	<b>\$ 60,476,027</b>	<b>\$ 45,466,488</b>	<b>\$ 46,038,541</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 122,345,052</b>	<b>\$ 124,844,127</b>	<b>\$ 14,118,073</b>	<b>\$ 14,122,322</b>	<b>\$ 61,392,649</b>	<b>\$ 62,568,662</b>	<b>\$ 46,834,330</b>	<b>\$ 48,153,143</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 750,647</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 750,647</b>	<b>\$ -</b>
<b>NET POSITION</b>								
Net investment in capital assets	\$ 3,124,390	\$ 2,897,579	\$ -	\$ -	\$ 324,394	\$ 366,442	\$ 2,799,996	\$ 2,531,137
Restricted for:								
Nonexpendable	5,582,858	4,404,180	-	-	-	-	5,582,858	4,404,180
Expendable								
Debt service	-	195,582	-	195,582	-	-	-	-
Other purposes	8,215,429	9,037,572	2,188,210	3,236,482	-	-	6,027,219	5,801,090
Unrestricted	27,035,091	24,234,471	10,980,858	8,135,081	7,249,445	7,021,390	8,804,788	9,078,000
<b>TOTAL NET POSITION</b>	<b>\$ 43,957,768</b>	<b>\$ 40,769,384</b>	<b>\$ 13,169,068</b>	<b>\$ 11,567,145</b>	<b>\$ 7,573,839</b>	<b>\$ 7,387,832</b>	<b>\$ 23,214,861</b>	<b>\$ 21,814,407</b>

**Appendix 2**  
**WICHITA STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**For The Years Ended June 30, 2018 and 2017**

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
<b>Operating Revenues:</b>								
Student fees	\$ 6,539,449	\$ 5,386,209	\$ 4,163,620	\$ 2,907,048	\$ 2,375,829	\$ 2,479,161	\$ -	\$ -
Sales and services of educational activities	18,162,745	17,288,176	15,562,676	15,165,918	2,600,069	2,122,258	-	-
Interest earned on loans to students	20,851	65,415	-	-	-	-	20,851	65,415
Other operating revenues	1,637,796	662,496	1,610,205	610,983	27,591	51,513	-	-
<b>Total Operating Revenue</b>	<b>\$ 26,360,841</b>	<b>\$ 23,402,296</b>	<b>\$ 21,336,501</b>	<b>\$ 18,683,949</b>	<b>\$ 5,003,489</b>	<b>\$ 4,652,932</b>	<b>\$ 20,851</b>	<b>\$ 65,415</b>
<b>Operating Expenses:</b>								
Public Service	\$ 606,024	\$ 605,237	\$ -	\$ -	\$ -	\$ -	\$ 606,024	\$ 605,237
Academic Support	-	-	-	-	-	-	-	-
Student Service	27,065,951	21,502,002	22,523,928	17,358,700	4,542,023	4,143,302	-	-
Institutional Support	1,837,888	1,598,877	1,237,888	1,598,877	-	-	600,000	-
Operations & Maintenance of Plant	2,197,001	1,817,526	1,067,990	650,869	329,011	366,657	800,000	800,000
Depreciation	1,489,770	1,334,945	-	-	137,643	150,322	1,352,127	1,184,623
Scholarships & Fellowships	8,932,949	10,874,464	4,041,806	3,870,179	61,947	166,911	4,829,196	6,837,374
Other Expenses	2,280,202	2,194,295	2,280,202	2,194,295	-	-	-	-
<b>Total Operating Expenses</b>	<b>\$ 44,409,785</b>	<b>\$ 39,927,346</b>	<b>\$ 31,151,814</b>	<b>\$ 25,672,920</b>	<b>\$ 5,070,624</b>	<b>\$ 4,827,192</b>	<b>\$ 8,187,347</b>	<b>\$ 9,427,234</b>
<b>Operating Income (Loss)</b>	<b>\$ (18,048,944)</b>	<b>\$ (16,525,050)</b>	<b>\$ (9,815,313)</b>	<b>\$ (6,988,971)</b>	<b>\$ (67,135)</b>	<b>\$ (174,260)</b>	<b>\$ (8,166,496)</b>	<b>\$ (9,361,819)</b>
<b>Nonoperating Revenues (Expenses)</b>								
Property tax	\$ 7,916,417	\$ 7,568,904	\$ -	\$ -	\$ -	\$ -	\$ 7,916,417	\$ 7,568,904
Gifts	12,087,812	8,067,450	10,728,014	7,936,914	119,084	127,236	1,240,714	3,300
Investment income	1,080,489	1,360,366	172,180	235,563	11,884	4,239	896,425	1,120,564
Direct Finance Lease Income	3,045,216	3,093,408	-	-	3,045,216	3,093,408	-	-
Interest expense	(4,866,458)	(4,607,052)	(9,753)	(19,612)	(2,905,199)	(2,921,558)	(1,951,506)	(1,665,882)
Other nonoperating revenues (expenses)	(296,848)	(225,674)	(130,170)	(109,872)	-	-	(166,678)	(115,802)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 18,966,628</b>	<b>\$ 15,257,402</b>	<b>\$ 10,760,271</b>	<b>\$ 8,042,993</b>	<b>\$ 270,985</b>	<b>\$ 303,325</b>	<b>\$ 7,935,372</b>	<b>\$ 6,911,084</b>
<b>Income (Loss) Before Other Revenues, (Expenses)</b>	<b>\$ 917,684</b>	<b>\$ (1,267,648)</b>	<b>\$ 944,958</b>	<b>\$ 1,054,022</b>	<b>\$ 203,850</b>	<b>\$ 129,065</b>	<b>\$ (231,124)</b>	<b>\$ (2,450,735)</b>
<b>Other Revenues (Expenses)</b>								
Gifts for capital projects	\$ 2,551,652	\$ 2,982,333	\$ 920,074	\$ 769,833	\$ -	\$ -	\$ 1,631,578	\$ 2,212,500
Student fees for capital projects	165,000	165,000	165,000	165,000	-	-	-	-
Capital assets transferred to other entities	(445,952)	(88,182)	(428,109)	-	(17,843)	(88,182)	-	-
<b>Net Other Revenues (Expenses)</b>	<b>\$ 2,270,700</b>	<b>\$ 3,059,151</b>	<b>\$ 656,965</b>	<b>\$ 934,833</b>	<b>\$ (17,843)</b>	<b>\$ (88,182)</b>	<b>\$ 1,631,578</b>	<b>\$ 2,212,500</b>
<b>Increase in Net Position</b>	<b>\$ 3,188,384</b>	<b>\$ 1,791,503</b>	<b>\$ 1,601,923</b>	<b>\$ 1,988,855</b>	<b>\$ 186,007</b>	<b>\$ 40,883</b>	<b>\$ 1,400,454</b>	<b>\$ (238,235)</b>
<b>Net Position</b>								
Net Position - Beginning of Year	40,769,384	38,977,881	11,567,145	9,578,290	7,387,832	7,346,949	21,814,407	22,052,642
Net Position - End of Year	\$ 43,957,768	\$ 40,769,384	\$ 13,169,068	\$ 11,567,145	\$ 7,573,839	\$ 7,387,832	\$ 23,214,861	\$ 21,814,407

