



**Annual Financial Report
for the Fiscal Year Ended June 30, 2016**

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

**Wichita State University
Fiscal Year 2016 Annual GASB Financial Report**

Table of Contents

	<u>Page Number</u>
Kansas Board of Regents and University Officers	1
Fiscal Year 2016 Financial Information	
<u>Management’s Discussion and Analysis</u>	3
<u>Financial Statements with Notes</u>	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	18
Statement of Cash Flows	19
WSU Foundation Statement of Net Assets	21
WSU Foundation Statement of Activities, Expenses and Changes in Net Position	22
Notes to Financial Statements	23
<u>Appendices – Component Units</u>	
Appendix 1-Statement of Net Position of Component Units	53
Appendix 2-Statement of Revenues, Expenses and Changes in Net Position of Component Units	54

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report
Kansas Board of Regents and University Officers

Kansas Board of Regents

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

University Officers

Officer Reporting

Mary L. Herrin, Vice President for Administration and Finance

Executive Administration

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

Fiscal Year 2016 Financial Information
Prepared in Accordance with Government Accounting Standards Board
(GASB) Principles

Management's Discussion and Analysis

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

As management of Wichita State University (University), we offer you this discussion and analysis of the financial activities of the University for the fiscal year ended June 30, 2016. This information is designed to identify and explain significant financial issues, changes in the University's financial position and deviations from the prior fiscal year. In accordance with GASB Statement No. 39 as amended by GASB Statement No. 61, the University is required to include its component units within the financial report. Wichita State Innovation Alliance (WSIA) and Wichita State Innovation Alliance Investment Corporation (WSIAC) are component units with blended presentation within the University's Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position. Wichita State University Intercollegiate Athletic Association, Inc., Wichita State University Union Corporation, Wichita State University Board of Trustees and Wichita State University Foundation are presented discretely within the financial report. Due to differences in reporting models, the Wichita State University Foundation is presented separately from the other discrete component units. We encourage you to consider this information in conjunction with the financial statements and the notes to the financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles.

FINANCIAL HIGHLIGHTS

- Net position increased \$8.2 million which is a \$23.3 million improvement when compared to a decrease in net position of \$15.1 million in FY 2015.
- Operating expenses decreased \$19.8 million as explained in the analysis below.

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 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, 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.

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

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:

	2016	2015
Current Assets	\$ 90,500,677	\$ 88,592,938
Noncurrent Assets	272,744,319	274,672,956
Total Assets	\$ 363,244,996	\$ 363,265,894
 Deferred outflows	 4,142,971	 2,159,996
Current Liabilities	\$ 35,034,450	\$ 32,048,523
Noncurrent Liabilities	123,482,055	130,185,156
Total Liabilities	\$ 158,516,505	\$ 162,233,679
 Deferred Inflows	 3,092,966	 5,623,219
 Net Position		
Net Investment in Capital Assets	\$ 173,090,353	\$ 172,522,043
Restricted Net Position	16,774,288	14,847,221
Unrestricted Net Position	15,913,855	10,199,728
Total Net Position	\$ 205,778,496	\$ 197,568,992

Comparative Analysis of Fiscal Years 2016 and 2015

Current assets increased \$1.9 million in FY 2016 with a \$4.1 million increase in cash offset by a reduction in accounts receivable of \$2.7 million. Cash increased during the year after the University slowed spending in response to the State of Kansas imposing mid-year budget reductions. The reduction in accounts receivable is a return to normal after a \$3.2 million increase in accounts receivable last year due in part to a timing difference in the collection of a \$2.0 million lump sum student tuition payment from a foreign country.

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

Noncurrent assets decreased \$2.2 million during the year as asset retirements and depreciation exceeded asset additions.

Current liabilities increased \$3.0 million. \$1.7 million of the increase was in accounts payable and accrued liabilities due to an increase in accrued salaries and wages. Lease payable increased \$1.1 million as principle due on the University's residence hall lease increases in FY 2017.

Noncurrent liabilities decreased \$6.7 million at June 30, 2016. This is due to a \$7.4 million decrease in other postemployment healthcare benefits. Beginning January 1, 2017, retirees who purchase healthcare coverage will be in a separate pool from active employees of the University. This change reduces the university's liability. A \$4.7 million increase in net pension obligation was nearly offset by principle payments of \$4.2 million on outstanding debt.

Total Net Position at June 30, 2016 was \$205.8 million, an \$8.2 million increase over the prior year. The increase is almost entirely attributable to the \$7.4 million reduction in other postemployment healthcare benefits liability.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position presents the total revenues earned and expenses incurred by the University for operating, non-operating and other related activities during a period of time. Its purpose is to assess the University's operating results.

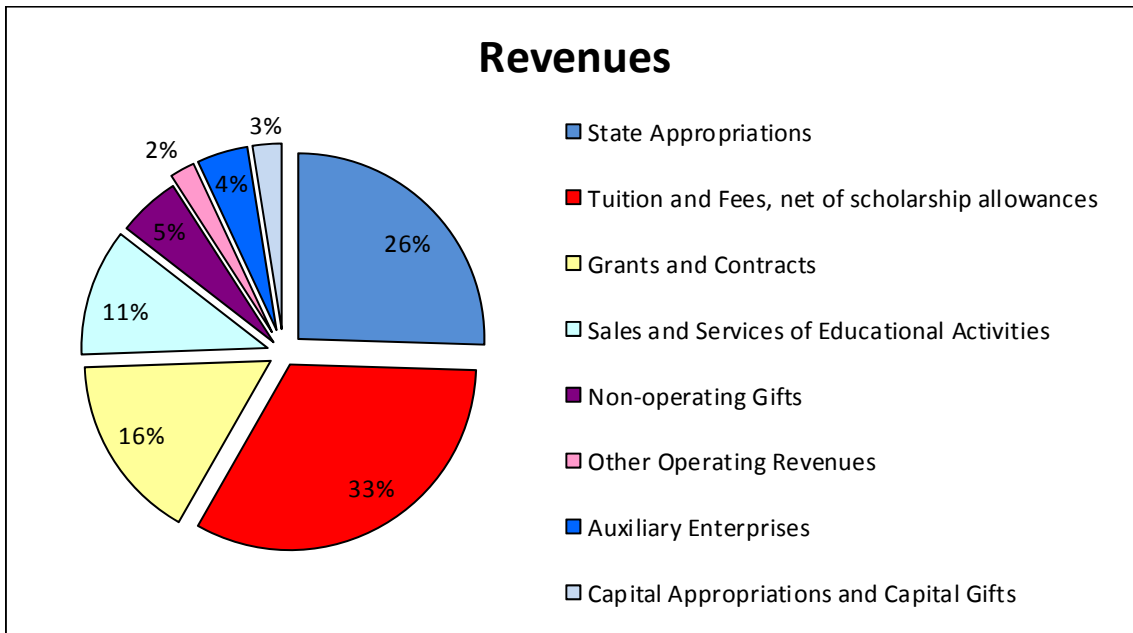
	<u>2016</u>	<u>2015</u>
Operating Revenue	\$ 173,310,863	\$ 167,200,810
Operating Expenses	272,637,738	292,519,205
Operating Loss	\$ <u>(99,326,875)</u>	\$ <u>(125,318,395)</u>
Non-operating Revenue	\$ 100,388,139	\$ 101,708,207
Other Revenue	7,148,240	8,464,879
Total Increase (Decrease) in Net Position	\$ <u>8,209,504</u>	\$ <u>(15,145,309)</u>
Net Position - Beginning of Year	\$ 197,568,992	\$ 244,848,621
Restatement		<u>(32,134,320)</u>
Net Position - Beginning of Year, Restated	<u>197,568,992</u>	<u>212,714,301</u>
Net Position - End of Year	<u>\$ 205,778,496</u>	<u>\$ 197,568,992</u>

**Wichita State University
Fiscal Year 2016 Annual GASB Financial Report**

Management's Discussion and Analysis

REVENUES

Total revenues by source for the year ended June 30, 2016 are shown below:



Comparative Analysis of Fiscal Years 2016 and 2015

Total operating revenues at the University as of June 30, 2016, increased \$6.1 million or 3.7%. The following is a brief summary of changes:

- Tuition and fee revenues, after scholarship allowances, were \$93.2 million in FY 2016 compared to restated \$92.1 million in FY 2015 an increase of \$1.1 million or 1.2%.
- Federal operating grants and contracts increased \$1.6 million over the previous fiscal year. The majority of the increase was due to a \$1.3 million increase in a Multi-Robotic Additive Manufacturing or MRAM grant.
- Sales and services of educational activities increased \$4.0 million, or 14.7% from FY 2015. Most of the increase, \$2.8 million, was in research and specifically in professional charges and fees.

Total non-operating revenues (expenses) at the University as of June 30, 2016, decreased \$1.3 million or 1.3%. Federal Pell grants decreased \$1.7 million.

Total other revenues (expenses) at the University decreased \$1.3 million over the previous year. Capital appropriations fell \$0.7 million and gifts for capital projects decreased \$0.6 million.

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

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>
Salaries and Wages				
FY 2016	\$ 65,958,857	\$ 25,140,673	\$ 14,302,532	\$ 105,402,062
FY 2015	<u>68,206,135</u>	<u>26,098,185</u>	<u>15,144,234</u>	<u>109,448,554</u>
Increase (Decrease)	<u>\$ (2,247,278)</u>	<u>\$ (957,512)</u>	<u>\$ (841,702)</u>	<u>\$ (4,046,492)</u>
Contractual and Commodities, other				
FY 2016	\$ 6,549,755	\$ 11,154,805	\$ 7,204,649	\$ 24,909,209
FY 2015	<u>6,061,544</u>	<u>12,980,222</u>	<u>6,324,811</u>	<u>25,366,577</u>
Increase (Decrease)	<u>\$ 488,211</u>	<u>\$ (1,825,417)</u>	<u>\$ 879,838</u>	<u>\$ (457,368)</u>
Capital Equipment				
FY 2016	\$ 663,601	\$ 7,086,957	\$ 388,141	\$ 8,138,699
FY 2015	<u>1,498,574</u>	<u>2,751,858</u>	<u>343,977</u>	<u>4,594,409</u>
Increase (Decrease)	<u>\$ (834,973)</u>	<u>\$ 4,335,099</u>	<u>\$ 44,164</u>	<u>\$ 3,544,290</u>
Totals for FY 2016	\$ 73,172,213	\$ 43,382,435	\$ 21,895,322	\$ 138,449,970
Totals for FY 2015	<u>75,766,253</u>	<u>41,830,265</u>	<u>21,813,022</u>	<u>139,409,540</u>
Increase (Decrease)	<u>\$ (2,594,040)</u>	<u>\$ 1,552,170</u>	<u>\$ 82,300</u>	<u>\$ (959,570)</u>

Expenses related to the University's mission of instruction, research and public service decreased \$1.0 million in FY 2016 compared to an increase of \$9.7 million in FY 2015. The University implemented a mid-year hiring freeze except for critical positions and tightened spending in response to a State of Kansas budget reduction.

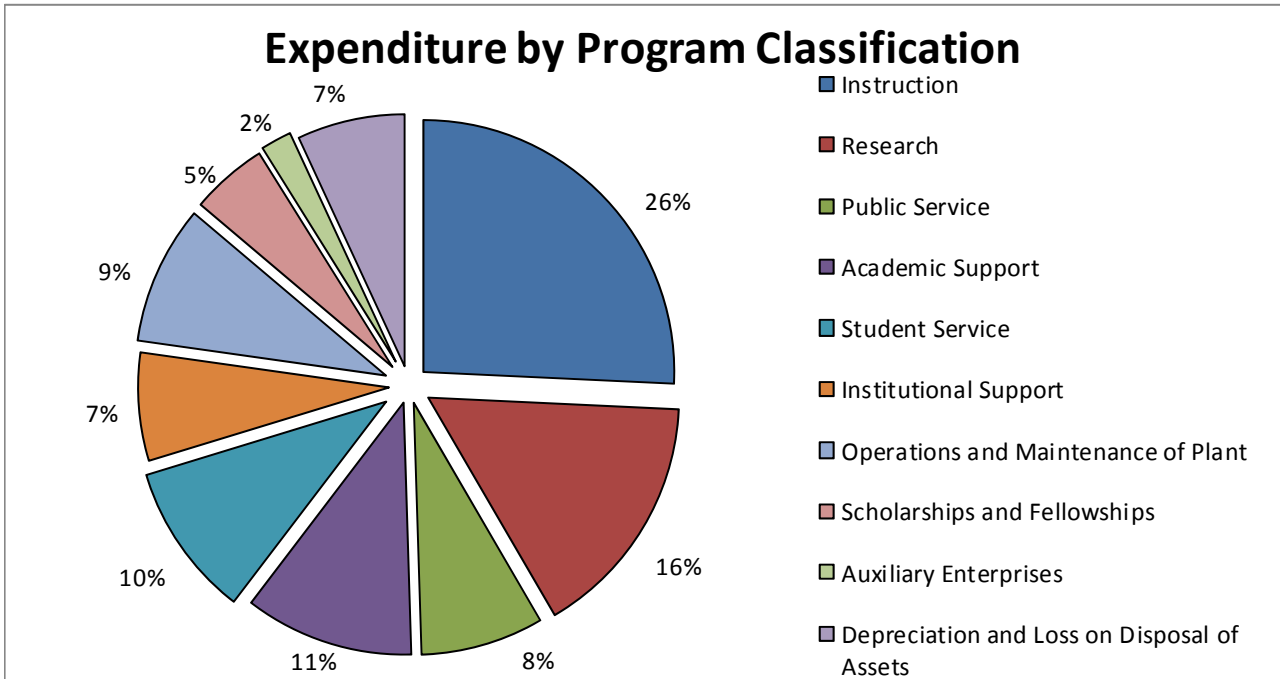
The Statement of Revenues, Expenses and Changes in Net Position shows operating expenses decreased \$19.9 million over the prior year. Every expense category decreased except Research and Public Service.

- Institutional Support decreased \$5.3 million with nearly all of the decrease in contractual services and commodities.
- Auxiliary Services decreased \$3.4 million in FY 2016 as a result of higher than normal expenses in FY 2015 when the University spent nearly \$3.0 in parking lot improvements and shuttle service enhancements.
- Loss on disposal of capital assets decreased \$6.5 million in FY 2016 as the University incurred a \$6.4 million loss on the disposal of Wheatshocker Apartments in FY 2015.

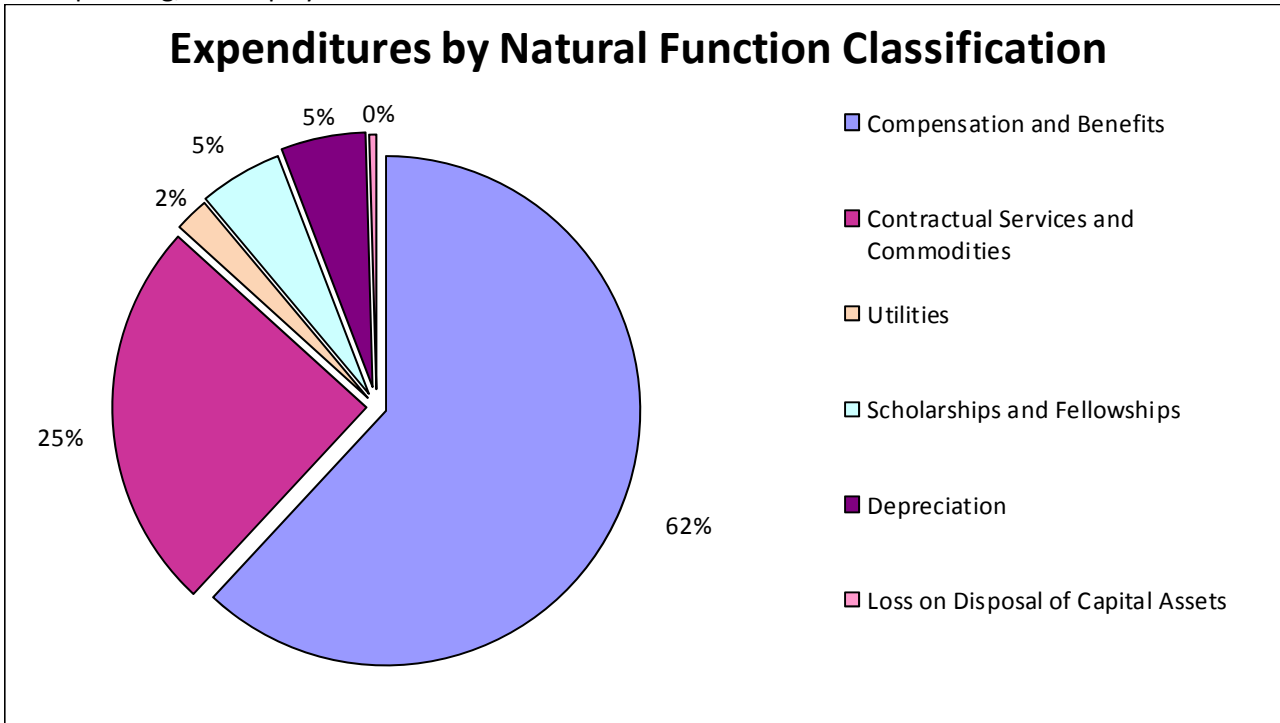
**Wichita State University
Fiscal Year 2016 Annual GASB Financial Report**

Management's Discussion and Analysis

Total expenditures for the year ended June 30, 2016 by program, including operating and non-operating, are displayed below:



Expenditures for the year ended June 30, 2016 by natural function classification, including operating and non-operating, are displayed below:



Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

NET POSITION

Overall, Net Position increased \$8.2 million in FY 2016 compared to a restated decrease of \$15.1 million in FY 2015. This \$23.3 million improvement in the financial health of the University was the result of expenses decreasing \$19.7 million and revenues increasing \$3.6 million.

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

	June 30, 2016	June 30, 2015
Net cash provided (used by):		
Operating activities	\$ (86,847,378)	\$ (104,430,273)
Non-capital financing activities	104,320,509	105,657,652
Capital and related financing/appropriations	(13,595,113)	(17,873,646)
Investing activities	229,461	102,581
Net increase (decrease) in cash	\$ 4,107,479	\$ (16,543,685)
Beginning cash and cash equivalent balances	\$ 64,852,264	\$ 81,395,949
Ending Cash and Cash Equivalent Balances	\$ 68,959,743	\$ 64,852,264

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.

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

CAPITAL ASSETS

The University continued to make investments in capital during FY 2016. Detailed information regarding capital asset additions, retirements and depreciation is available in Note 3 to the financial statements.

The following construction projects were completed during the current fiscal year: Clinton Hall Front Entrance Remodel, Charles Koch Arena Boiler, Perimeter Road Relocation, Jabara Hall IT HVAC, Lindquist Hall 1st and 2nd Floors, Brennan Hall I Boiler, Alumni Drive Pedestrian Plaza - Phase II, Graduate School Remodel, Marcus Welcome Center Lighting & Dimming System, Morrison Hall Academic Affairs Remodel, NCAT Burn Test Facility Leasehold Improvement, KMUW Old Town - 121 N. Mead - Leasehold Improvement, Old Town 238 N. Mead - Leasehold Improvement, Campus Sidewalk Replacement, Campus Street Replacements and NIAR Air Capital Flight Line Leasehold Improvement.

The following projects are underway/committed: Geology Building Air Handlers, Campus Utility Meters, Fiske Hall HVAC, Neff Hall HVAC, Heskett Center Gym HVAC, Wilkins Stadium Roof, Campus Wayfinding and Signage System, Wilner Auditorium Dressing Room Remodel, Duerksen Fine Arts Center ADA Ramp & Corridor, Fiske Hall Elevator & Stairwell, Beggs Hall Roof, Hubbard Hall Windows, McKnight Arts Center Roof, Duerksen Fine Arts Center Practice Room Wall, Dental Hygiene Relocation, Duerksen Fine Arts Center Roof, Heskett Center, Media Resource Center, Child Development Center Fire Alarm System Upgrades, Morrison Hall, Jardine Hall, McKnight Art Center Steam & Chilled Water Lines - Phase III, Jabara Hall 4th Floor Psychology Remodel, Ablah Library & Fiske Hall Restroom Remodels, Ahlberg Hall & Fiske Hall Classroom Remodels, Human Resources Center Roof, ASTEC Bird Strike Facility Leasehold Improvement, Henrion Hall IDEAS Lab, Jabara Hall Lecture Rooms 127 & 128 Remodel, Lindquist Hall 2nd & 3rd Floor Restroom Remodel, Alumni Drive Ped Plaza - Phase III - Ped Walk South of Plaza, Old Town 213 N. Mead - Leasehold Improvement, Central Energy Plant Boiler Upgrades and Ennovar Office Remodel.

DEBT ADMINISTRATION

At June 30, 2016, the University had \$26.0 million in revenue bond debt outstanding and \$68.4 million of capital leases payable outstanding as shown in Note 7-Long Term Liabilities.

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

Wichita State University
Fiscal Year 2016 Annual GASB Financial Report

Management's Discussion and Analysis

ECONOMIC OUTLOOK

For 2017, WSU's Center for Economic Development and Business Research (CEDBR) forecasts that overall employment in Kansas will increase by 0.9%, approximately 12,000 jobs to the Kansas economy. Much of this growth is expected to be in the service sector, which is forecast to add more than 10,000 jobs. The other set of sectors expected to have substantial employment growth is the trade, transportation and utilities sectors, with 0.6% growth. The production sectors are expected to grow by 0.1 %, while government employment is forecast to be flat.

Total Kansas aggregate wages are forecast to increase 2.2% in 2017, outpacing employment growth. Due to weak employment growth in the manufacturing sector, total manufacturing wages are projected to grow more slowly with 1.1% growth.

For FY 2017, the Governor and Legislature appropriated a total State General Fund budget for University operations of \$61,617,393. This represents a decrease of 2.4% compared to the original State General Fund appropriations for operations for FY 2016.

Wichita State University is proceeding with a major expansion of the WSU campus to support job creation and a university strategy based on innovation. These changes are tied to the University's mission as "an essential educational, cultural and economic driver for Kansas and the greater public good". Construction is nearing completion on an Experiential Engineering Building tied to the University's strategic vision of being "internationally recognized for applied learning and research". It will include engineering laboratories and a makerspace 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. Airbus Americas is moving its engineering center, and 400 Wichita employees, to campus and will employ up to 100 students. A Law Enforcement Training Center will also be built on the Innovation Campus to serve city and county law enforcement as well as Wichita State's criminal justice students. A private apartment complex will open on campus in August 2017 with room for 285 residents. Construction will begin by spring 2017 on a 123 room Element by Westin Hotel and Starbucks has announced plans to construct its largest Wichita location on the Innovation Campus. Future plans include a new home for the W. Frank Barton School of Business with an adjacent Innovation Center, and other mixed use buildings. Funding for these projects will be attained from private developers, Mill Levy bonds, Capital Outlay Foundation campaigns and other fees. WSU's Innovation Campus will change the way we educate and integrate with the community and the State of Kansas.

The official revenue estimate from the State of Kansas Division of Budget will not be available until November 2016; however, the current revenue collections are trending down.

Other than the above, the University is not aware of any currently known facts, decisions, or conditions that are expected to have significant effect on the financial position or results of operations during this Fiscal Year beyond those unknown variations having a global impact on virtually all types of business operations.

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

Financial Statements with Notes

**WICHITA STATE UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2016 and 2015**

	<u>University Funds</u>		<u>Component Units</u>	
	<u>FY 2016</u>	<u>Restated FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 68,959,743	\$ 64,852,264	\$ 30,398,996	\$ 27,327,346
Accounts receivable, net	18,005,721	20,703,354	5,174,727	5,010,779
Investments	168,040	167,067	26,792,333	51,864,486
Loans to students	2,619,712	2,339,799	-	-
Inventories	500,423	530,454	1,042,344	1,058,528
Prepaid expenses	247,038	-	267,825	256,437
Other current assets	-	-	963,735	6,940
Total Current Assets	<u>\$ 90,500,677</u>	<u>\$ 88,592,938</u>	<u>\$ 64,639,960</u>	<u>\$ 85,524,516</u>
Noncurrent Assets				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 630,000	\$ 629,376
Investments	40,201	40,100	7,501,649	7,810,074
Loans to students	5,233,703	4,924,267	-	-
Other assets	-	-	742,791	767,569
Capital Lease Receivable	-	-	62,126,761	61,859,274
Capital assets, net	267,470,415	269,708,589	34,240,266	6,502,552
Total Noncurrent Assets	<u>\$ 272,744,319</u>	<u>\$ 274,672,956</u>	<u>\$ 105,241,467</u>	<u>\$ 77,568,845</u>
TOTAL ASSETS	<u>\$ 363,244,996</u>	<u>\$ 363,265,894</u>	<u>\$ 169,881,427</u>	<u>\$ 163,093,361</u>
<u>DEFERRED OUTFLOWS</u>				
Deferred pension costs	\$ 4,142,971	2,159,996	-	-

**WICHITA STATE UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2016 and 2015**

	<u>University Funds</u>		<u>Component Units</u>	
	<u>FY 2016</u>	<u>Restated FY 2015</u>	<u>FY 2016</u>	<u>FY 2015</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 17,279,934	\$ 15,537,695	\$ 7,099,579	\$ 2,007,561
Unearned revenue	4,627,044	5,080,916	7,601,061	7,168,511
Loan payable	-	-	2,518,984	2,054,756
Accrued interest	-	-	251,173	251,173
Revenue bonds payable	3,524,052	3,374,052	1,306,101	1,284,846
Lease payable	1,919,615	853,802	1,497,920	1,483,919
Accrued compensated absences	6,251,097	5,901,551	435,279	523,064
Due to other state agencies	69,638	-	-	-
Deposits held in custody for others	1,363,070	1,300,507	-	-
Total Current Liabilities	\$ 35,034,450	\$ 32,048,523	\$ 20,710,097	\$ 14,773,830
Noncurrent Liabilities				
Lease payable	\$ 66,508,571	\$ 67,200,944	\$ -	\$ 1,497,920
Other postemployment healthcare benefits	158,931	7,564,000	-	-
Net pension obligation	33,092,303	28,416,413	-	-
Accrued compensated absences	1,294,426	1,051,924	-	-
Revenue bonds payable	22,427,824	25,951,875	110,193,449	111,604,609
Total Noncurrent Liabilities	\$ 123,482,055	\$ 130,185,156	\$ 110,193,449	\$ 113,102,529
TOTAL LIABILITIES	\$ 158,516,505	\$ 162,233,679	\$ 130,903,546	\$ 127,876,359
<u>DEFERRED INFLOWS</u>				
Deferred pension costs	\$ 3,092,966	5,623,219	-	-
<u>NET POSITION</u>				
Net investment in capital assets	\$ 173,090,353	\$ 172,522,043	\$ 7,751,572	\$ 921,318
Restricted for:				
Nonexpendable	-	-	4,401,045	4,399,374
Expendable				
Loans	6,131,666	6,477,185	-	-
Capital projects	9,126,115	7,232,592	-	-
Debt service	1,516,507	1,137,444	194,042	192,596
Other purposes	-	-	10,722,079	9,098,137
Unrestricted	15,913,855	10,199,728	15,909,143	20,605,577
TOTAL NET POSITION	\$ 205,778,496	\$ 197,568,992	\$ 38,977,881	\$ 35,217,002

WICHITA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
As of June 30, 2016 and 2015

	University Funds		Component Units	
	FY 2016	Restated FY 2015	FY 2016	FY 2015
Operating Revenues:				
Tuition and fees, net of scholarship allowances of \$19,330,831 in 2015 and \$20,547,060 in 2014	\$ 93,188,443	\$ 92,074,295	\$ 5,511,138	\$ 5,529,895
Federal grants and contracts	21,602,674	19,982,263	-	-
State and local grants and contracts	8,204,039	7,995,653	-	-
Sales and services of educational activities	31,504,123	27,464,156	17,761,565	18,868,523
Auxiliary enterprises				
Housing revenues (revenues are pledged as security for bonds)	11,056,413	11,497,851	-	-
Parking revenues	1,504,131	1,398,875	-	-
Interest earned on loans to students	122,771	142,253	107,012	67,386
Other operating revenues	6,128,269	6,645,464	780,673	622,843
Total Operating Revenues	\$ 173,310,863	\$ 167,200,810	\$ 24,160,388	\$ 25,088,647
Operating Expenses:				
Instruction	\$ 73,172,213	\$ 75,766,253	\$ -	\$ -
Research	43,382,435	41,830,265	-	-
Public Service	21,895,322	21,813,022	825,939	558,386
Academic Support	28,801,941	28,884,624	-	-
Student Service	27,390,873	27,478,028	22,165,534	20,824,730
Institutional Support	18,889,585	24,156,768	-	-
Operations and Maintenance of Plant	23,312,452	23,554,416	1,715,008	2,776,689
Scholarships and Fellowships	14,424,262	16,486,784	7,448,620	7,963,392
Auxiliary Enterprises	5,588,079	8,966,276	-	-
Other Expenses	(99,998)	972,656	2,159,570	1,977,067
Depreciation	14,655,921	14,885,121	1,253,702	1,271,152
Loss on disposal of capital assets	1,224,653	7,724,992	-	-
Total Operating Expenses	\$ 272,637,738	\$ 292,519,205	\$ 35,568,373	\$ 35,371,416
Total Operating Loss	\$ (99,326,875)	\$ (125,318,395)	\$ (11,407,985)	\$ (10,282,769)
Non-operating Revenues (Expenses)				
State appropriations	\$ 72,537,302	\$ 71,866,324	\$ -	\$ -
Federal grants and contracts	16,342,346	18,039,617	-	-
Gifts	15,378,298	15,682,890	9,216,102	8,690,074
Investment income	230,535	103,286	16,159	269,130
Direct Finance Lease Income	-	-	3,077,624	2,743,753
Interest expense	(4,100,342)	(3,983,910)	(4,886,222)	(4,139,888)
County tax subsidy	-	-	7,357,128	7,407,583
Other nonoperating revenues (expenses)	-	-	(1,301,179)	(1,471,199)
Total Non-operating Revenues (Expenses)	\$ 100,388,139	\$ 101,708,207	\$ 13,479,612	\$ 13,499,453
Total Income (Loss) Before Other Revenues, Expenses, Gains and Losses	\$ 1,061,264	\$ (23,610,188)	\$ 2,071,627	\$ 3,216,684
Other Revenue (Expenses)				
Capital appropriations	\$ 3,184,200	\$ 3,842,823	\$ -	\$ -
Gifts for capital projects	1,250,540	1,822,210	2,455,104	2,222,500
Student fees for capital projects	2,713,500	2,799,846	165,000	165,000
Capital assets transferred to other entities	-	-	(930,852)	(2,081,825)
Total Other Revenue (Expenses)	\$ 7,148,240	\$ 8,464,879	\$ 1,689,252	\$ 305,675
Total Increase (Decrease) in Net Position	\$ 8,209,504	\$ (15,145,309)	\$ 3,760,879	\$ 3,522,359
Net Position				
Net Position - Beginning of Year	\$ 197,568,992	\$ 244,848,621	\$ 35,217,002	\$ 31,694,643
Restatement	-	(32,134,320)	-	-
Net Position - beginning of year, restated	197,568,992	212,714,301	35,217,002	31,694,643
Net Position - End of Year	\$ 205,778,496	\$ 197,568,992	\$ 38,977,881	\$ 35,217,002

WICHITA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	University Funds	
	FY 2016	Restated FY 2015
Cash Flows from Operating Activities		
Tuition and fees	\$ 96,168,622	\$ 89,264,270
Sales and services of educational activities	31,261,177	27,757,605
Auxiliary enterprise charges		
Housing	10,648,820	10,931,726
Parking	1,504,131	1,398,875
Research grants and contracts	27,458,022	27,596,790
Payments to suppliers	(67,640,368)	(71,205,747)
Payments for utilities	(5,937,887)	(6,248,036)
Payments for scholarships and benefits	(14,424,262)	(16,486,784)
Compensation and benefits	(173,879,774)	(172,911,093)
Loans issued to students	(1,866,086)	(1,872,489)
Collections on loans issued to students	1,276,737	1,456,392
Other receipts	8,583,490	5,888,219
	<u>8,583,490</u>	<u>5,888,219</u>
Net Cash Flows from Operating Activities	<u>\$ (86,847,378)</u>	<u>\$ (104,430,273)</u>
Cash Flows from Noncapital Financing Activities		
State appropriations	\$ 72,537,302	\$ 71,866,324
Federal Grants	16,342,346	18,039,617
Gifts	15,378,298	15,682,890
Net decrease (increase) in funds held for others	62,563	68,821
	<u>62,563</u>	<u>68,821</u>
Net Cash Flows from Noncapital Financing Activities	<u>\$ 104,320,509</u>	<u>\$ 105,657,652</u>
Cash Flows from Capital and Related Financing Activities		
Capital appropriations	\$ 3,184,200	\$ 3,842,823
Capital gifts	1,250,540	1,822,210
Student fees for capital projects	2,713,500	2,799,846
Purchase of capital assets	(12,415,157)	(18,304,474)
Principal paid on capital debt and leases	(4,227,854)	(4,050,141)
Interest paid on capital debt and leases	(4,100,342)	(3,983,910)
	<u>(4,100,342)</u>	<u>(3,983,910)</u>
Net Cash Flows from Capital and Related Financing Activities	<u>\$ (13,595,113)</u>	<u>\$ (17,873,646)</u>

WICHITA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	University Funds	
	FY 2016	Restated FY 2015
Cash Flows from Investing Activities		
Investment income	\$ 229,461	\$ 102,581
Net Cash Flows from Investing Activities	\$ 229,461	\$ 102,581
Net Change in Cash and Cash Equivalents	\$ 4,107,479	\$ (16,543,685)
Cash and Cash Equivalents - Beginning of Year	64,852,264	81,395,949
Cash and Cash Equivalents - End of Year	\$ 68,959,743	\$ 64,852,264
Reconciliation		
Operating loss	\$ (99,326,875)	\$ (125,318,395)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation expense	14,655,921	14,885,121
Loss on sale of assets	1,224,653	7,724,992
Changes in assets and liabilities:		
Accounts receivable, net	2,697,633	(2,844,156)
Loans to students, net	(589,349)	(416,097)
Other post employment healthcare benefits	(7,405,069)	691,000
Net pension obligation	162,662	(254,684)
Accrued salaries and wages	1,567,736	1,202,001
Inventories	30,031	555
Other current assets	(247,038)	(255,030)
Accounts payable and accrued liabilities	174,503	26,459
Due to other state agencies	69,638	255,030
Unearned revenue	(453,872)	(669,504)
Accrued compensated absences	592,048	542,435
Net Cash Flows from Operating Activities	\$ (86,847,378)	\$ (104,430,273)
Supplemental Cash Flow Information		
Capitalization of interest for capital assets in construction	\$ -	\$ -
Capital assets acquired through capital lease	1,227,243	61,859,396
Bond principal payments made on behalf of Wichita State University by Wichita State University Union Corporation	-	-

WICHITA STATE UNIVERSITY FOUNDATION
STATEMENT OF NET ASSETS
For the Years Ended June 30, 2016 and 2015

	Foundation Funds	
	FY 2016	FY 2015
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 13,607,651	\$ 7,572,530
Pledges receivable, less allowance for uncollectible pledges (2015, \$653,194; 2014, \$167,692)	23,571,586	23,702,942
Investments	214,601,236	226,354,993
Investment at equity	3,145,000	-
Mortgage receivable	38,644	41,297
Real estate	597,175	597,175
Buildings, equipment and software, at cost less accumulated depreciation	379,296	199,690
Cash surrender value of life insurance	4,405,440	4,314,517
Collections	16,022,930	15,966,615
Other assets	737,329	881,412
	\$ 277,106,287	\$ 279,631,171
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 536,869	\$ 449,709
Annuities payable	918,365	847,978
Due to WSU Alumni Association	1,517,567	1,560,935
Due to WSU Board of Trustees	5,968,813	6,676,830
Due to WSU Departments	754,305	1,126,848
Due to Intercollegiate Athletic Association, Inc.	9,443,422	8,014,515
	\$ 19,139,341	\$ 18,676,815
<u>NET ASSETS</u>		
Unrestricted		
Undesignated	\$ 6,382,098	\$ 5,314,650
Designated by Board for endowment purposes	819,337	450,000
Temporarily restricted	75,163,768	83,717,522
Permanently restricted	175,601,743	171,472,184
	\$ 257,966,946	\$ 260,954,356

WICHITA STATE UNIVERSITY FOUNDATION
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>				<u>2015</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE, GAINS, AND OTHER SUPPORT					
Contributions	\$ 899,783	\$ 10,962,840	\$ 4,129,559	\$ 15,992,182	\$ 28,325,909
Net investment return	2,602,852	(5,863,780)	-	(3,260,928)	(118,381)
(Loss) gain on property	(80,500)	-	-	(80,500)	(3,900)
Other income	3,459,359	-	-	3,459,359	3,068,169
Net assets released from restriction	<u>13,652,814</u>	<u>(13,652,814)</u>	-	-	-
TOTAL REVENUE, GAINS, AND OTHER SUPPORT	<u>\$ 20,534,308</u>	<u>\$ (8,553,754)</u>	<u>\$ 4,129,559</u>	<u>\$ 16,110,113</u>	<u>\$ 31,271,797</u>
EXPENSES					
Program services:					
Scholarships	5,779,181	-	-	5,779,181	5,668,900
University Support	7,873,633	-	-	7,873,633	8,221,371
Support activities:					
Management and general	2,970,607	-	-	2,970,607	2,849,673
Fund raising	<u>2,474,102</u>	-	-	<u>2,474,102</u>	<u>2,087,839</u>
TOTAL EXPENSES	<u>\$ 19,097,523</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,097,523</u>	<u>\$ 18,827,783</u>
Change In Net Assets	1,436,785	(8,553,754)	4,129,559	(2,987,410)	12,444,014
Net Assets, Beginning Of Year	<u>\$ 5,764,650</u>	<u>\$ 83,717,522</u>	<u>\$ 171,472,184</u>	<u>\$ 260,954,356</u>	<u>\$ 248,510,342</u>
Net Assets, End Of Year	<u>\$ 7,201,435</u>	<u>\$ 75,163,768</u>	<u>\$ 175,601,743</u>	<u>\$ 257,966,946</u>	<u>\$ 260,954,356</u>

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Undergraduate and graduate degrees are available from six colleges: Fairmount College of Liberal Arts and Sciences; W. Frank Barton School of Business; College of Education; College of Engineering; College of Fine Arts and College of Health Professions. The University is governed by the Kansas Board of Regents and is an agency of the State of Kansas. As an agency of the State of Kansas, the University is included in the comprehensive annual financial report (CAFR) of the State of Kansas.

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

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

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

Basis of Accounting. For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated except for the discretely presented component units. Since the component units are displayed discretely, inter-agency transactions have not been eliminated in accordance with GASB guidelines.

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

Recent Accounting Pronouncements. GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University and Component Units have the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the University's and Component Units' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the University's and Component Units' own data.

When available, quoted prices are used to determine fair value by the University and Component Units. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. The University's and Component Units' Level 1 investments primarily consist of investments in mutual funds, cash equivalents and equity securities.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

The implementation of GASB 72 did not have a significant impact on the University's financial statements.

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 insurance contracts and 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,

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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.

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.

The University's net position is classified as follows:

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

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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.

Reclassification. Certain reclassifications have been made to the 2015 financial statements to conform to the current year's presentation. These reclassifications had no impact on total net position as previously reported.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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 2016</u>	<u>FY 2015</u>
Cash deposits with State Treasury	\$ 66,533,647	\$ 62,625,606
Cash deposits with financial institutions	1,705,817	1,507,349
Certificates of deposit	407,781	406,010
Funds held at Pooled Money Investment Board	520,739	520,466
	<u>\$ 69,167,984</u>	<u>\$ 65,059,431</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 2016</u>	<u>FY 2015</u>
Cash and cash equivalents	\$ 68,959,743	\$ 64,852,264
Investments	208,241	207,167
	<u>\$ 69,167,984</u>	<u>\$ 65,059,431</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:

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

- 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, 2016 and 2015 the University had the following investments:

<u>Investment Type</u>	<u>FY 2016</u>	<u>FY 2015</u>
Certificates of Deposit	\$ 407,781	\$ 406,010

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

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

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

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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, 2016 and 2015 are summarized as follows:

	2016			Balance June 30, 2016
	Balance July 1, 2015	Additions	Retirements	
Capital Assets, Not Depreciable				
Land	\$ 4,753,281	\$ -	\$ -	\$ 4,753,281
Construction-in-Progress	7,612,603	7,020,036	10,117,221	4,515,418
Total Capital Assets, Not Depreciable	\$ 12,365,884	\$ 7,020,036	\$ 10,117,221	\$ 9,268,699
Capital Assets, Depreciable				
Leasehold Improvements	\$ 6,692,375	\$ 2,122,949	\$ 578,050	\$ 8,237,274
Infrastructure	19,066,235	3,301,402	937,000	21,430,637
Land Improvements	11,257,669	562,204	-	11,819,873
Buildings	159,668,266	-	97,901	159,570,365
Building Improvements	155,285,957	3,059,017	457,721	157,887,253
Equipment & Furnishings	76,267,648	7,698,950	1,654,815	82,311,783
Intangibles, software	4,058,124	-	-	4,058,124
Vehicles	3,715,709	152,145	343,256	3,524,598
Total Capital Assets, Depreciable	\$ 436,011,983	\$ 16,896,667	\$ 4,068,743	\$ 448,839,907
Less Accumulated Depreciation				
Leasehold Improvements	\$ 1,819,000	\$ 529,916	\$ 299,900	\$ 2,049,016
Infrastructure	7,151,378	822,799	487,240	7,486,937
Land Improvements	5,158,027	398,713	-	5,556,740
Buildings	63,882,956	3,746,469	22,028	67,607,397
Building Improvements	38,319,567	3,776,088	167,237	41,928,418
Equipment & Furnishings	55,266,332	5,181,049	1,367,347	59,080,034
Intangibles, software	3,963,979	31,382	-	3,995,361
Vehicles	3,108,039	169,505	343,256	2,934,288
Total Accumulated Depreciation	\$ 178,669,278	\$ 14,655,921	\$ 2,687,008	\$ 190,638,191
Capital Assets, Depreciable - Net	\$ 257,342,705	\$ 2,240,746	\$ 1,381,735	\$ 258,201,716
Total Capital Assets - Net	\$ 269,708,589	\$ 9,260,782	\$ 11,498,956	\$ 267,470,415

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

	2015			
	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015
Capital Assets, Not Depreciable				
Land	\$ 3,148,519	\$ 1,604,762	\$ -	\$ 4,753,281
Construction-in-Progress	32,630,349	14,054,475	39,072,221	7,612,603
Total Capital Assets, Not Depreciable	\$ 35,778,868	\$ 15,659,237	\$ 39,072,221	\$ 12,365,884
Capital Assets, Depreciable				
Leasehold Improvements	\$ 6,145,570	\$ 546,805	\$ -	\$ 6,692,375
Infrastructure	18,509,857	556,378	-	19,066,235
Land Improvements	10,440,900	1,206,769	390,000	11,257,669
Buildings	110,331,802	60,908,981	11,572,517	159,668,266
Building Improvements	124,368,404	36,402,277	5,484,724	155,285,957
Equipment & Furnishings	75,677,596	3,578,993	2,988,941	76,267,648
Intangibles, software	4,058,124	-	-	4,058,124
Vehicles	3,405,083	675,273	364,647	3,715,709
Total Capital Assets, Depreciable	\$ 352,937,336	\$ 103,875,476	\$ 20,800,829	\$ 436,011,983
Less Accumulated Depreciation				
Leasehold Improvements	\$ 1,204,569	\$ 614,431	\$ -	\$ 1,819,000
Infrastructure	6,445,411	705,967	-	7,151,378
Land Improvements	5,037,278	394,349	273,600	5,158,027
Buildings	65,702,417	3,926,882	5,746,343	63,882,956
Building Improvements	38,810,611	2,902,584	3,393,628	38,319,567
Equipment & Furnishings	52,099,292	6,089,629	2,922,589	55,266,332
Intangibles, software	3,873,197	90,782	-	3,963,979
Vehicles	3,194,470	160,497	246,928	3,108,039
Total Accumulated Depreciation	\$ 176,367,245	\$ 14,885,121	\$ 12,583,088	\$ 178,669,278
Capital Depreciable Assets - Net	\$ 176,570,091	\$ 88,990,355	\$ 8,217,741	\$ 257,342,705
Total Capital Assets - Net	\$ 212,348,959	\$ 104,649,592	\$ 47,289,962	\$ 269,708,589

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable are shown in the accompanying Statement of Net Position. At June 30, 2016 and 2015 accounts receivable net of allowance for doubtful accounts consisted of the following:

	June 30, 2016	June 30, 2015
Student Tuition and Fees	\$ 9,507,920	\$ 12,291,097
Student Housing Contracts	1,910,816	1,503,222
Unspent State Appropriations	4,299,879	6,632,328
Service Clearing and Other Operating Activities	363,764	51,180
Federal, State, and Private Grants and Contracts	8,465,836	7,792,187
Less: Allowance for Doubtful Accounts	(6,542,493)	(7,566,661)
Total Accounts Receivable	\$ 18,005,721	\$ 20,703,354

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, 2016 and 2015. The Programs provide for cancellation of a loan at rates from 15% to 30% per year up to a maximum of 100% if the participant complies with certain provisions.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal government, the loans are written off and assigned to the U. S. Department of Education.

NOTE 6 - UNEARNED REVENUES

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

Unearned Revenues	FY 2016	FY 2015
Summer Session	\$ 4,249,156	\$ 3,027,986
Grants and Contracts	377,888	2,052,930
Total Unearned Revenue	\$ 4,627,044	\$ 5,080,916

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

NOTE 7 - LONG-TERM LIABILITIES

Bond premiums are capitalized and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premiums. Long-term liabilities for the years ended June 30, 2016 and 2015, consisted of the following:

Liabilities	2016					
	Total	Deletions	Additions	Total	Current	Long-Term
	Outstanding			Outstanding	Liabilities as of	Liabilities as of
	June 30, 2015	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016	June 30, 2016
Capital Leases Payable						
Energy efficiency lease purchase agreement	\$ 6,195,350	\$ 853,803	\$ -	\$ 5,341,547	\$ 959,736	\$ 4,381,811
Union Corp Shocker Hall lease agreement	61,859,396	-	1,227,243	63,086,639	959,879	62,126,760
Other post employment healthcare benefits	7,564,000	7,405,069	-	158,931	-	158,931
Net Pension Liability	28,416,413		4,675,890	33,092,303	-	33,092,303
Accrued compensated absences	6,953,475	-	592,048	7,545,523	6,251,097	1,294,426
Revenue Bonds Payable:						
WSU Research and Development						
Facilities Projects - Series 2005D	2,490,000	790,000	-	1,700,000	830,000	870,000
WSU Research and Development						
Facilities Projects - Series 2003C	2,305,000	-	-	2,305,000	-	2,305,000
WSU Revenue Bonds						
Series 2012A-2 (Housing 2002P Refunding)	4,200,000	620,000	-	3,580,000	650,000	2,930,000
WSU Revenue Bonds - Rhatigan Student Center						
Renovation Series 2012A-1	17,420,000	1,585,000	-	15,835,000	1,665,000	14,170,000
Plus Bond Premiums (Discounts)						
Unamortized Bond Premiums	2,910,927	379,051		2,531,876	379,052	2,152,824
Total Liabilities	\$ 140,314,561	\$ 11,632,923	\$ 6,495,181	\$ 135,176,819	\$ 11,694,764	\$ 123,482,055

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

Revenue Bonds Payable

Revenue bonds payable consisted of the following as of June 30, 2016:

	Outstanding June 30, 2016
<p><u>WSU Research and Development Facilities Projects-Revenue Bonds Series 2005D for the Engineering Research Laboratory Building</u></p> <ul style="list-style-type: none"> - Issued by Kansas Development Finance Authority on June 2, 2005 - Original amount of \$12,180,000. In April 2006, \$4,000,000 for an Icing Tunnel Research project was canceled due to construction bids exceeding funding. These funds were returned to KDFA for reallocation to another University in the amount of \$3,000,000 and early redemption of bond principal of \$1,000,000. - Due in annual installments with final maturity on October 1, 2017 - Interest ranging from 3.79% to 4.95%, payable semi-annually - Collateralized by University funds and State of Kansas appropriations - FY 2016 principal payment due: \$830,000 	\$ 1,700,000
<p><u>WSU Research and Development Facilities Projects-Revenue Bonds Series 2003C for the Engineering Research Laboratory Building</u></p> <ul style="list-style-type: none"> - Issued by Kansas Development Finance Authority on February 11, 2003 - Original amount of \$2,305,000 - Due in annual installments with final maturity on October 1, 2023 - Interest rate is 5.00%, payable semi-annually - Collateralized by restricted use and sponsored research overhead funds from Wichita State University - Principal payments will not commence until FY 2022 due to the structuring of the debt service payments of the 2005D bond issue 	\$ 2,305,000
<p><u>WSU Revenue Bonds Series 2012A-2 (Housing 2002P Refunding)</u></p> <ul style="list-style-type: none"> - 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 2016 principal payment due: \$650,000 	\$ 3,580,000
<p><u>WSU Revenue Bonds Series 2012A-1 (Rhatigan Student Center Renovation)</u></p> <ul style="list-style-type: none"> - 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 2016 principal payment due: \$1,665,000 	\$ 15,835,000
	\$ 23,420,000

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

Future debt service requirements for all bonds outstanding at June 30, 2016, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2017	\$ 3,145,000	\$ 1,058,900	\$ 4,203,900
2018	3,290,000	901,283	4,191,283
2019	2,550,000	758,750	3,308,750
2020	2,675,000	631,250	3,306,250
2021	2,810,000	497,500	3,307,500
2022-2024	8,950,000	649,975	9,599,975
Unamortized Bond Premiums	<u>2,531,876</u>	<u>-</u>	<u>2,531,876</u>
Total Debt Service Requirements	<u>\$ 25,951,876</u>	<u>\$ 4,497,658</u>	<u>\$ 30,449,534</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, 2016, are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Rental Total</u>
2017	\$ 959,736	\$ 124,000	\$ 1,083,736
2018	947,096	65,506	1,012,602
2019	962,119	50,483	1,012,602
2020	977,380	35,222	1,012,601
2021	992,884	19,718	1,012,602
2022	<u>502,332</u>	<u>3,968</u>	<u>506,300</u>
	<u>\$ 5,341,547</u>	<u>\$ 298,897</u>	<u>\$ 5,640,444</u>

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

As of June 30, 2016, future lease payments are as follows.

<u>Year Ending June 30:</u>	<u>Future Minimum Lease Payments</u>	<u>Interest</u>	<u>Principal</u>
2017	\$ 4,053,373	\$ 3,093,494	\$ 959,879
2018	4,052,173	3,045,876	1,006,297
2019	4,049,773	2,996,086	1,053,687
2020	4,051,473	2,943,926	1,107,547
2021	4,052,123	2,889,097	1,163,026
2022-2026	20,267,653	13,523,983	6,743,670
2027-2031	20,274,200	11,687,792	8,586,408
2032-2036	20,271,813	9,351,625	10,920,188
2037-2041	20,274,063	6,383,359	13,890,704
2042-2046	20,264,925	2,609,692	17,655,233
	<u>\$ 121,611,569</u>	<u>\$58,524,930</u>	<u>\$ 63,086,639</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.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

For the year ended June 30, 2016, active members were required by State statute to contribute 6% and the University to contribute 9% of the employees' covered payroll. The Kansas Legislature establishes and may amend active plan members' and the University's contribution rates. The following table provides a summary of contributions made to the defined contribution plan:

	Defined Contribution Plan Contributions	
	Employee	Employer
2013	\$ 4,325,987	\$ 6,782,476
2014	4,465,702	6,995,951
2015	4,984,360	7,776,914
2016	5,138,092	7,988,343

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 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.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

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

State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rate was 11.27% and 8.65%, respectively, for the fiscal year ended June 30, 2015. The actuarially determined employer contribution rate was 10.80% for the fiscal year ended June 30, 2014. The statutory contribution rate was 11.27% from July 1, 2014 to December 31, 2014 and 8.65% from January 1, 2015 to June 30, 2015. Contributions to the pension plan from the University were \$2,153,044 and \$2,143,451 for the years ended June 30, 2016 and 2015, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At June 30, 2016, the University reported a liability of \$33,092,303 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The University proportion of the net pension liability was based on the ratio of the University actual contributions to KPERS, relative to the total employer and nonemployer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2015. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2015 the University proportion was 0.46%, which was an increase of 0.04% from its proportion measured as of June 30, 2014. As of June 30, 2015 the University proportion of the total contributions made to the Police and Fire group within KPERS was 0.21%, which was a 0.01% increase from its proportion measured as of June 30, 2014.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

For the year ended June 30, 2016, the University recognized pension expense of \$2,349,930. At June 30, 2016, The University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 13,708	\$ 971,830
Net difference between projected and actual earnings on pension plan investments	-	870,669
Change in assumptions	-	85,325
Change in proportion	1,976,219	1,165,142
University contributions subsequent to measurement date	2,153,044	-
Total	\$ 4,142,971	\$ 3,092,966

\$2,153,044 reported as deferred outflows of resources related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (587,692)
2017	(587,692)
2018	(587,692)
2019	433,741
2020	226,296
Total	\$ (1,103,039)

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00 to 16.00%, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00%

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

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2012.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	47%	6.30%
Fixed income	13%	0.80%
Yield driven	8%	4.20%
Real return	11%	1.70%
Real estate	11%	5.40%
Alternatives	8%	9.40%
Short-term investments	2%	-0.50%
Total	<u>100%</u>	

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
University's proportionate share of the net pension liability	\$ 42,847,931	\$ 33,092,303	\$ 24,809,388

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

NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Description. As a component unit of the State of Kansas, Wichita State University (WSU) participates in the State’s health insurance benefit plan. Kansas statutes provide that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements. The health insurance benefit generally provides the same coverage for retirees and their dependants as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by the Kansas Health Policy Authority. The benefit is available for selection at retirement and is extended to retirees and their dependents for life. Non-Medicare participants are subsidized by WSU, thus resulting in a liability to WSU. At the State level, the accounting for health insurance for retirees is included in the State’s Self-Insurance Health Fund, with the subsidy provided from the Self-Insurance Health Fund.

Funding Policy. WSU provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statutes, which may be amended by the State Legislature, established that participating retirees contribute to the employee group health fund benefits plan, including administrative costs.

The University does not pay retiree benefits directly; they are paid implicitly over time through employer subsidization of active employee premiums that would be lower if retirees were not part of the experience group.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

Annual WSU Cost and Net WSU Obligation. WSU's annual Other Post Employment Benefits (OPEB) cost is calculated based on the Annual Required Contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

Annual OPEB Cost for Fiscal Year 2016	
Annual Required Contribution (ARC)	\$ 242,148
Interest on Net OPEB Obligation	291,214
Adjustment to the ARC	<u>(7,668,203)</u>
Annual OPEB Cost	<u><u>(7,134,841)</u></u>
Employer Contributions for Fiscal Year 2016	
Claims Plus Administration Costs Paid on Behalf of Retirees	618,686
Retiree Contributions	<u>348,458</u>
Net Employer Contributions	<u><u>270,228</u></u>
Net OPEB Obligation	
Net OPEB Obligation July 1, 2015	7,564,000
Annual OPEB Cost	(7,134,841)
Net Employer Contributions	<u>(270,228)</u>
Net OPEB Obligation June 30, 2016	<u><u>\$ 158,931</u></u>

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

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2013	\$ 1,082,000	\$ 216,000	20%	\$ 6,032,000
2014	1,060,000	219,000	21%	6,873,000
2015	959,000	268,000	28%	7,564,000
2016	(7,134,841)	270,228	-4%	158,931

Funded Status and Funding Progress – Rounded. As of June 30, 2016, the most recent actuarial valuation date, the actuarial liability for benefits was \$158,931.

The University's policy is to fund the benefits on a pay-as-you-go basis that is paid implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability of \$158,931. The covered payroll (annual payroll of active employees covered by the plan) was \$142,623,409, and the ratio of the UAAL to the covered payroll was 0.11%.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
2013	\$ -	\$ 9,616,000	\$ 9,616,000	-%	\$ 120,137,000	8%
2014	-	9,602,000	9,602,000	-%	125,914,000	8%
2015	-	8,222,000	8,222,000	-%	131,078,000	6%
2016	-	158,931	158,931	-%	142,623,409	0%

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

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

In the June 30, 2016 actuarial valuation, the entry age normal, level dollar method was applied. The actuarial assumptions included a 3.85% investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. Since the plan is becoming employee-pay-all in 2017, the trend rates for Medical, Prescription Drug and Administrative costs was assumed to be -100% in 2017 and 0% thereafter. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. As the subsidy ends December 31, 2016, the amortization is set to equal the benefit payments for the period.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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, 2016.

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

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

NOTE 11 - NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses for the years ended June 30, 2016 and 2015 by functional and natural classification are as follows:

<u>Classifications</u>	2016					
	<u>Compensation and Benefits</u>	<u>Contractual Services and Commodities</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 65,958,857	\$ 7,212,620	\$ 736	\$ -	\$ -	\$ 73,172,213
Research	25,140,673	17,956,662	285,100	-	-	43,382,435
Public Service	14,302,532	7,588,652	4,138	-	-	21,895,322
Academic Support	19,480,844	9,321,054	43	-	-	28,801,941
Student Services	15,483,569	11,907,134	170	-	-	27,390,873
Institutional Support	13,296,162	5,593,423	-	-	-	18,889,585
Operation and Maintenance of Plant	13,369,693	4,924,306	5,018,453	-	-	23,312,452
Depreciation	-	-	-	-	14,655,921	14,655,921
Scholarships and Fellowships	-	-	-	14,424,262	-	14,424,262
Auxiliary Enterprises	1,761,122	3,197,734	629,223	-	-	5,588,079
Other	3,699	(103,721)	24	-	-	(99,998)
Loss on Disposal of Assets	-	1,224,653	-	-	-	1,224,653
Total	\$ 168,797,151	\$ 68,822,517	\$ 5,937,887	\$ 14,424,262	\$ 14,655,921	\$ 272,637,738

<u>Classifications</u>	2015					
	<u>Compensation and Benefits</u>	<u>Contractual Services and Commodities</u>	<u>Utilities</u>	<u>Scholarships and Fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 68,206,135	\$ 7,558,514	\$ 1,604	\$ -	\$ -	\$ 75,766,253
Research	26,098,185	15,414,437	317,643	-	-	41,830,265
Public Service	15,144,234	6,665,389	3,399	-	-	21,813,022
Academic Support	19,941,855	8,942,769	-	-	-	28,884,624
Student Services	15,909,520	11,568,163	345	-	-	27,478,028
Institutional Support	13,253,975	10,845,879	56,914	-	-	24,156,768
Operation and Maintenance of Plant	14,593,173	3,738,197	5,223,046	-	-	23,554,416
Depreciation	-	-	-	-	14,885,121	14,885,121
Scholarships and Fellowships	-	-	-	16,486,784	-	16,486,784
Auxiliary Enterprises	1,796,303	6,524,934	645,039	-	-	8,966,276
Other	148,465	824,145	46	-	-	972,656
Loss on Disposal of Assets	-	7,724,992	-	-	-	7,724,992
Total	\$ 175,091,845	\$ 79,807,419	\$ 6,248,036	\$ 16,486,784	\$ 14,885,121	\$ 292,519,205

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

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 Missouri Valley Conference.

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

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

All land and structures, pertinent to the operation of the Athletic Association, are owned by the State of Kansas and have not been reflected as assets of the Athletic Association. The Student Government Association, through the University, allocates annually a portion of the student fees collected for support of the Athletic Association. This revenue amount was reflected on the financial statements in the amount of \$2,917,600 for operations and \$165,000 for capital debt retirement in FY 2016. The State of Kansas, through the University, pays directly the salaries and fringe benefits of certain Athletic Association personnel. The financial statements reflect \$3,026,863 in FY 2016 of State appropriations as revenue, and a like amount of salaries as expenses. The University also provides full maintenance, custodial, utilities and certain other costs on all athletic facilities. These expenses totaled \$1,198,336 in FY 2016 and have been reflected in the Athletic Association's financial statements as indirect facilities and administrative support.

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

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

Wichita State University Union Corporation

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

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

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

For the year ended June 30, 2016, 31% of the organization's support and revenue came from student fees, 11% from gross profit on sales, 37% from income direct financing lease and 13% from other sources. Contributions are recognized when the donor makes an in-substance, unconditional pledge or outright cash gift. Donor wishes and restrictions dictate classification of the gifts as unrestricted, temporarily restricted or permanently restricted.

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

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

Wichita State University Board of Trustees

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

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

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

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

The Board of Trustees furnishes support to Wichita State University from the 1.5 mill levy funding. During FY 2016, it furnished to the University \$3,491,714 for student support, and \$310,950 for economic community development.

Investments. The Board of Trustee's investment portfolio at June 30, 2016 is composed of the following:

	2016			
	Fair Value	Level 1	Level 2	Level 3
Money market funds	\$ 24,163,533	\$ 24,163,533	\$ -	\$ -
Fixed income mutual funds	1,289,960	1,289,960	-	-
Fixed income credit investments	274,129	274,129	-	-
Pooled investments	5,968,814	-	5,968,814	-
Equity mutual funds	1,916,596	1,916,596	-	-
Common stock	470,874	470,874	-	-
Preferred Stock	15,956	15,956	-	-
	<u>\$ 34,099,862</u>	<u>\$ 28,131,048</u>	<u>\$ 5,968,814</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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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.

Investments. The Foundation's investment portfolio at June 30, 2016 is composed of the following:

	2016			
	Fair Value	Level 1	Level 2	Level 3
Certificates of deposit	\$ 38,928,888	\$ 38,928,888		
Common & preferred stocks	-	-		
Foreign stocks	24,821,905	24,821,905		
Corporate bonds	29,868,264		29,868,264	
Exchange-traded funds	9,081,716	9,081,716		
Mortgage-backed securities	9,128,617		9,128,617	
U.S. Government securities	14,224,760	14,224,760		
Foreign bonds	1,560,089		1,560,089	
Savings bonds	49,200		49,200	
Zero coupon bonds	494,867		494,867	
Commodity	212,138	212,138		
Real estate	1,073,905	1,073,905		
Hedge funds	49,891,568			49,891,568
Venture Capital/ Private equity	35,265,319			35,265,319
	<u>\$ 214,601,236</u>	<u>\$ 88,343,312</u>	<u>\$ 41,101,037</u>	<u>\$ 85,156,887</u>

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

	2016	2015
Due in less than one year	\$ 9,790,465	\$ 5,472,002
Due in one to five years	13,664,417	17,775,548
Due in more than five years	1,900,573	2,900,373
	<u>25,355,455</u>	<u>26,147,923</u>
Less:		
Allowance for uncollectible pledges	633,247	653,194
Unamortized discount (at effective rate of 3%)	1,150,622	1,791,787
	<u>1,783,869</u>	<u>2,444,981</u>
	<u>\$ 23,571,586</u>	<u>\$ 23,702,942</u>

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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 \$2,092,385. The following table summarizes future minimum lease obligations under these leases at June 30, 2016:

Year Ending June 30:	Lease Obligation
2017	\$ 1,994,722
2018	1,410,205
2019	955,944
2020	955,944
2021	890,220
2022-2026	1,816,780
2027-2031	31,800
TOTAL	\$ 8,055,615

NOTE 14 – NEW GASB STATEMENTS

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

NOTE 15 – RESTATEMENTS

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

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

WICHITA STATE UNIVERSITY
For the Years Ended June 30, 2016 and 2015

Notes to the Financial Statements

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

Financial Statement Line	Impact of Restatement Increase (Decrease)
Other Current Assets	\$ (255,030)
Accounts receivable fees	1,168,339
Accounts receivable fees allowance	(1,753,155)
Capital Assets	(194,127)
Unearned tuition revenue	(380,640)
Due to other State agencies	(255,030)
Tuition revenue	745,023
Other operating revenues	(38,506)

APPENDICES

COMPONENT UNITS

Appendix 1
WICHITA STATE UNIVERSITY
STATEMENT OF NET POSITION
For The Years Ended June 30, 2016 and 2015

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U. Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
ASSETS								
Current Assets								
Cash and cash equivalents	\$ 30,398,996	\$ 27,327,346	\$ 15,034,236	\$ 12,472,196	\$ 5,954,414	\$ 5,960,913	\$ 9,410,346	\$ 8,894,237
Accounts receivable, net	5,174,727	5,010,779	4,558,008	4,576,347	616,719	434,432	-	-
Investments	26,792,333	51,864,486	194,041	192,596	79	2,198,359	26,598,213	49,473,531
Loans to students, net	-	-	-	-	-	-	-	-
Inventories	1,042,344	1,058,528	-	-	1,042,344	1,058,528	-	-
Prepaid expenses	267,825	256,437	252,614	213,954	15,211	42,483	-	-
Other current assets	963,735	6,940	3,856	6,940	959,879	-	-	-
Total Current Assets	\$ 64,639,960	\$ 85,524,516	\$ 20,042,755	\$ 17,462,033	\$ 8,588,646	\$ 9,694,715	\$ 36,008,559	\$ 58,367,768
Noncurrent Assets								
Restricted cash and cash equivalents	\$ 630,000	\$ 629,376	\$ -	\$ -	\$ -	\$ -	\$ 630,000	\$ 629,376
Investments	7,501,649	7,810,074	-	-	-	-	7,501,649	7,810,074
Other assets	742,791	767,569	-	-	742,791	767,569	-	-
Capital Lease Receivable	62,126,761	61,859,274	-	-	62,126,761	61,859,274	-	-
Capital assets, net	34,240,266	6,502,552	702,527	317,353	349,858	414,159	33,187,881	5,771,040
Total Noncurrent Assets	\$ 105,241,467	\$ 77,568,845	\$ 702,527	\$ 317,353	\$ 63,219,410	\$ 63,041,002	\$ 41,319,530	\$ 14,210,490
TOTAL ASSETS	\$ 169,881,427	\$ 163,093,361	\$ 20,745,282	\$ 17,779,386	\$ 71,808,056	\$ 72,735,717	\$ 77,328,089	\$ 72,578,258
LIABILITIES								
Current Liabilities								
Accounts payable and accrued liabilities	\$ 7,099,579	\$ 2,007,561	\$ 1,451,562	\$ 1,563,625	\$ 311,157	\$ 242,130	\$ 5,336,860	\$ 201,806
Deferred revenue	7,601,061	7,168,511	7,563,205	7,131,935	37,856	36,576	-	-
Loan payable	2,518,984	2,054,756	1,683,225	1,023,932	-	-	835,759	1,030,824
Accrued interest	251,173	251,173	-	-	251,173	251,173	-	-
Revenue bonds payable	1,306,101	1,284,846	153,000	149,000	1,153,101	1,135,846	-	-
Lease Payable	1,497,920	1,483,919	-	-	-	-	1,497,920	1,483,919
Accrued compensated absences	435,279	523,064	-	-	435,279	523,064	-	-
Total Current Liabilities	\$ 20,710,097	\$ 14,773,830	\$ 10,850,992	\$ 9,868,492	\$ 2,188,566	\$ 2,188,789	\$ 7,670,539	\$ 2,716,549
Noncurrent Liabilities								
Lease Payable	\$ -	\$ 1,497,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,497,920
Revenue bonds payable	110,193,449	111,604,609	316,000	469,000	62,272,541	63,425,641	47,604,908	47,709,968
Total Noncurrent Liabilities	\$ 110,193,449	\$ 113,102,529	\$ 316,000	\$ 469,000	\$ 62,272,541	\$ 63,425,641	\$ 47,604,908	\$ 49,207,888
TOTAL LIABILITIES	\$ 130,903,546	\$ 127,876,359	\$ 11,166,992	\$ 10,337,492	\$ 64,461,107	\$ 65,614,430	\$ 55,275,447	\$ 51,924,437
NET POSITION								
Net investment in capital assets	\$ 7,751,572	\$ 921,318	\$ -	\$ -	\$ 349,858	\$ 414,159	\$ 7,401,714	\$ 507,159
Restricted for:								
Nonexpendable	4,401,045	4,399,374	-	-	-	-	4,401,045	4,399,374
Expendable								
Debt service	194,042	192,596	194,042	192,596	-	-	-	-
Other purposes	10,722,079	9,098,137	5,450,806	3,150,821	-	-	5,271,273	5,947,316
Unrestricted	15,909,143	20,605,577	3,933,442	4,098,477	6,997,091	6,707,128	4,978,610	9,799,972
TOTAL NET POSITION	\$ 38,977,881	\$ 35,217,002	\$ 9,578,290	\$ 7,441,894	\$ 7,346,949	\$ 7,121,287	\$ 22,052,642	\$ 20,653,821

Appendix 2
WICHITA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For The Years Ended June 30, 2016 and 2015

	Total Component Units		Intercollegiate Athletic Association Component Unit		W.S.U. Union Corporation Component Unit		W.S.U. Board of Trustees Component Unit	
	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015	FY 2016	FY 2015
Operating Revenues:								
Student fees	\$ 5,511,138	\$ 5,529,895	\$ 2,917,600	\$ 2,803,123	\$ 2,593,538	\$ 2,726,772	\$ -	\$ -
Sales and services of educational activities	17,761,565	18,868,523	15,452,377	14,358,285	2,309,188	2,510,238	-	2,000,000
Interest earned on loans to students	107,012	67,386	-	-	-	-	107,012	67,386
Other operating revenues	780,673	622,843	623,442	595,193	157,231	27,650	-	-
Total Operating Revenue	\$ 24,160,388	\$ 25,088,647	\$ 18,993,419	\$ 17,756,601	\$ 5,059,957	\$ 5,264,660	\$ 107,012	\$ 2,067,386
Operating Expenses:								
Public Service	\$ 825,939	\$ 558,386	\$ -	\$ -	\$ -	\$ -	\$ 825,939	\$ 558,386
Academic Support	-	-	-	-	-	-	-	-
Student Service	22,165,534	20,824,730	17,889,488	16,533,085	4,276,046	4,291,645	-	-
Institutional Support	-	-	-	-	-	-	-	-
Operations & Maintenance of Plant	1,715,008	2,776,689	587,093	1,430,430	326,704	340,461	801,211	1,005,798
Depreciation	1,253,702	1,271,152	101,384	105,349	182,067	193,658	970,251	972,145
Scholarships & Fellowships	7,448,620	7,963,392	3,513,622	3,334,687	215,238	181,374	3,719,760	4,447,331
Other Expenses	2,459,570	1,977,067	2,459,570	1,977,067	-	-	-	-
Total Operating Expenses	\$ 35,568,373	\$ 35,371,416	\$ 24,251,157	\$ 23,380,618	\$ 5,000,055	\$ 5,007,138	\$ 6,317,161	\$ 6,983,660
Operating Income (Loss)	\$ (11,407,985)	\$ (10,282,769)	\$ (5,257,738)	\$ (5,624,017)	\$ 59,902	\$ 257,522	\$ (6,210,149)	\$ (4,916,274)
Nonoperating Revenues (Expenses)								
Property tax	\$ 7,357,128	\$ 7,407,583	\$ -	\$ -	\$ -	\$ -	\$ 7,357,128	\$ 7,407,583
Gifts	9,216,102	8,690,074	9,096,735	8,583,421	117,599	103,945	1,768	2,708
Investment income	16,159	269,130	195,882	177,716	3,194	2,520	(182,917)	88,894
Direct Finance Lease Income	3,077,624	2,743,753	-	-	3,077,624	2,743,753	-	-
Interest expense	(4,886,222)	(4,139,888)	(25,861)	(30,986)	(2,938,005)	(2,655,688)	(1,922,356)	(1,453,214)
Other nonoperating revenues (expenses)	(1,301,179)	(1,471,199)	(1,201,422)	(1,365,699)	-	-	(99,757)	(105,500)
Total Nonoperating Revenues (Expenses)	\$ 13,479,612	\$ 13,499,453	\$ 8,065,334	\$ 7,364,452	\$ 260,412	\$ 194,530	\$ 5,153,866	\$ 5,940,471
Income (Loss) Before Other Revenues, (Expenses)	\$ 2,071,627	\$ 3,216,684	\$ 2,807,596	\$ 1,740,435	\$ 320,314	\$ 452,052	\$ (1,056,283)	\$ 1,024,197
Other Revenue (Expenses)								
Gifts for capital projects	\$ 2,455,104	\$ 2,222,500	\$ -	\$ -	\$ -	\$ -	\$ 2,455,104	\$ 2,222,500
Student fees for capital projects	165,000	165,000	165,000	165,000	-	-	-	-
Capital assets transferred to other entities	(930,852)	(2,081,825)	(836,200)	-	(94,652)	(126,095)	-	(1,955,730)
Net Other Revenue (Expenses)	\$ 1,689,252	\$ 305,675	\$ (671,200)	\$ 165,000	\$ (94,652)	\$ (126,095)	\$ 2,455,104	\$ 266,770
Increase in Net Position	\$ 3,760,879	\$ 3,522,359	\$ 2,136,396	\$ 1,905,435	\$ 225,662	\$ 325,957	\$ 1,398,821	\$ 1,290,967
Net Position								
Net Position - Beginning of Year	35,217,002	31,694,643	7,441,894	5,536,459	7,121,287	6,795,330	20,653,821	19,362,854
Net Position - End of Year	\$ 38,977,881	\$ 35,217,002	\$ 9,578,290	\$ 7,441,894	\$ 7,346,949	\$ 7,121,287	\$ 22,052,642	\$ 20,653,821