

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:

	2016					
	Total	Deletions	Additions	Total	Current	Long-Term
	Outstanding			Outstanding		
Liabilities	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
2015						
	Total	Deletions	Additions	Total	Current	Long-Term
Liabilities	Outstanding			Outstanding		
	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

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Revenue Bonds Payable

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

		<u>Outstanding</u> <u>June 30, 2016</u>
<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

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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><u>\$ 25,951,876</u></u>	<u><u>\$ 4,497,658</u></u>	<u><u>\$ 30,449,534</u></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><u>\$ 5,341,547</u></u>	<u><u>\$ 298,897</u></u>	<u><u>\$ 5,640,444</u></u>

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

As of June 30, 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
<u>2042-2046</u>	<u>20,264,925</u>	<u>2,609,692</u>	<u>17,655,233</u>
	<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.