Andy Tompkins, President/CEO

The following Management's Discussion and Analysis (MDA) provides an overview of the financial performance of Wichita State University (University) based on currently known facts, decisions and conditions. It is designed to assist readers in understanding the accompanying financial statements. These financial statements are prepared in accordance with Government Accounting Standards Board (GASB) principles, with one exception. Due to the privacy of the Wichita State University Foundation, management, at the request of the WSU Foundation Board, elected to exclude a major component unit, Wichita State University Foundation, from these financial statements and footnotes.

requires the inclusion of this entity.

This MDA discussion should be read in conjunction with the University's financial statements and footnotes which have been prepared by management. The financial statements, footnotes and this discussion are the responsibility of management.

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

during fiscal year 2004. These new 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. Other significant changes to the financial statements included:

GASB Statement No. 35 categorizes the Statement of Net Position into a classified format of current and non-current. The Statement of Revenues, Expenses and Changes in Net Position categorizes revenues and expenses into operating and non-operating. Significant recurring sources of revenue are now shown as non-operating, including State appropriations, certain federal grants, and investment income. This represented 37.1% of the total University revenue for FY 2014. Public universities depend heavily on these revenues to fund their programs and services. As a result, the University will normally report a loss from operating activities.

Student tuition and fees are now reported net of scholarships funded by Federal and State grants as well as University resources.

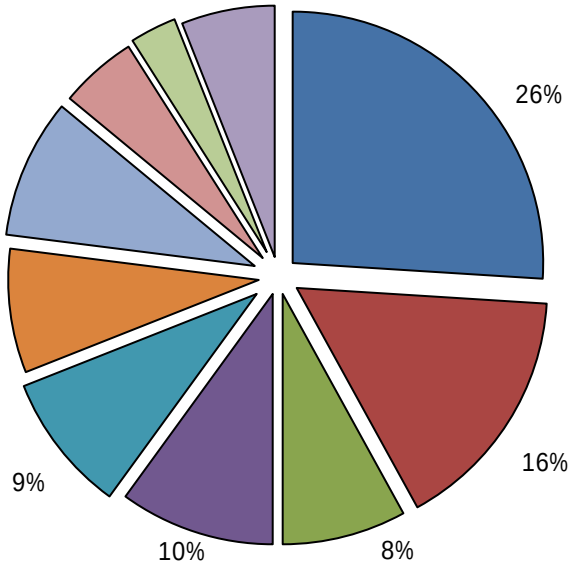
GASB Statement No. 35 requires the University to report accumulated depreciation on its capital assets.

GASB Statement No. 39, as amended by GASB Statement No. 61 requires the University to discretely display in the Statement of Net Position and the Statement of Revenues, Expenses and

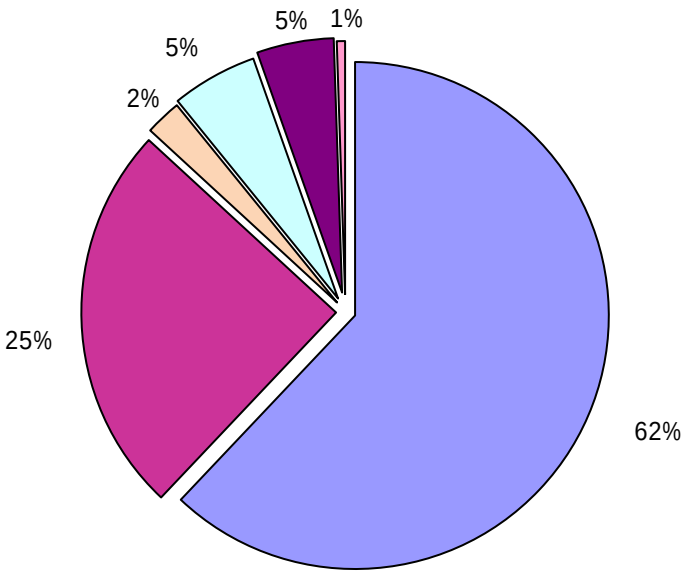
Total Net Position at June 30, 2014 was $239.0 million, a $4.5 million increase over the prior year, or a 1.9% increase. This is comprised of unrestricted of $49.1 million; invested in capital of $172.8 million; $6.8 million restricted for loans; $9.6 million restricted for capital projects, and $0.7 million restricted for debt service.

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.

Total expenditures for the year ended June 30, 2014 by program, including operating and non-operating, are displayed below:



Expenditures for the year ended June 30, 2014 by natural function classification, including operating and non-operating, are displayed below:



Wichita State University outlined 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". This expansion includes plan to begin construction in Fiscal Year 2015 of an Experiential Engineering Building tied to the University's strategic vision of being "internationally recognized for applied learning and research". It will include engineering laboratories and a maker space open to paying members which is part of a national trend toward providing expensive high end technology equipment in a center that can be accessed by students and the public to develop their ideas for inventions. Future plans include one or more partnership buildings, constructed with private funds by developers who will lease space to companies that want to work with WSU students and faculty, 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 2014, however, the current revenue collections are trending downward.

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.

Accounts payable and accrued liabilities	$	11,789,173

Each component unit is independently audited and received an unqualified certified 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

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

. 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.
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The University accounts for its investments at fair value in accordance with
Changes
in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Position.

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

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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

Capital asset activity for the University for the years ended June 30, 2014 and 2013 are summarized as follows:

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.

Accounts receivable are shown in the accompanying Statement of Net Position. At June 30, 2014 and 2013 accounts receivable net of allowance for doubtful accounts consisted of the following:

Student Tuition and Fees	$ 7,110,588	$ 5,871,309

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans to students at June 30, 2014 and 2013. 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.

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:

Summer Session	$ 6,436,612	$ 6,024,045
Grants and Contracts	2,809,744	3,946,920
	$ 9,246,356	$ 9,970,965

Future debt service requirements for all bonds outstanding at June 30, 2014, are as follows:

2015	$ 2,850,000	$ 1,360,218	$ 4,210,218
2016	2,995,000	1,208,445	4,203,445
2017	3,145,000	1,058,900	4,203,900
2018	3,290,000	901,283	4,191,283
2019	2,550,000	758,750	3,308,750
2020	2,675,000	631,250	3,306,250
2021	2,810,000	497,500	3,307,500
2022	2,495,000	347,625	2,842,625
2023	3,170,000	208,750	3,378,750
2024	3,285,000	93,600	3,378,600
Unamortized Bond Premiums	3,289,979	-	3,289,979
	$ 32,554,979	$ 7,066,321	$ 39,621,300

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, 2014, are as follows:

2015	$ 821,090	$ 268,780	$ 1,089,870
2016	853,802	236,068	1,089,870
2017	887,817	202,053	1,089,870
2018	923,186	166,684	1,089,870
2019	959,965	129,905	1,089,870
2020-2022	2,570,580	154,095	2,724,675
	$ 7,016,440	$ 1,157,585	$ 8,174,025

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

Classified employees participate in the Kansas Public Employees Retirement System (KPERS). Benefit provisions are established by State statute and provide retirement, disability, and death benefits to benefits eligible employees. KPERS issues an annual financial report that includes financial statements and required supplementary information. The report is available upon request from KPERS.

For the year ended June 30, 2014, active KPERS members who were participating prior to July 1, 2009 were required by statute to contribute 4% and the University to contribute 8.77% of the employee's covered payroll. KPERS dates effective July 1, 2009 and greater are now considered a Tier 2 KPERS member. They are required to contribute 6% and the University match is 8.77%. 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 KPERS plan:

Certain classified employees, due to their job types, participate in the Kansas Police and Fireman's Fund (KP&F). Benefit provisions are established by State statute and provide retirement, disability, and death benefits to benefit eligible employees. KP&F issues an annual financial report that includes financial statements and required supplementary information. The report is available upon request from KP&F.

For the year ended June 30, 2014, active KP&F members were required by statute to contribute 7% and the University to contribute 16.43% of the employee's 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 KP&F plan:

Eligible faculty and unclassified employees are required to participate in the Kansas Board of Regents (Regents) defined contribution retirement plan, which was authorized by K.S.A. 74-4925. The Regents have selected the following companies to provide investment options to participants: (1) Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), and (2) ING Financial Advisors. Benefits under these plans depend solely on the contributed amounts and the returns earned on the investment of those contributions. All contributions are fully vested with the first contribution.

For the year ended June 30, 2014, active members were required by State statute to contribute 5.5% and the University to contribute 8.5% 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:

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.

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

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As of June 30, 2014, the most recent actuarial valuation date, the actuarial liability for benefits was $9,602,000.

The University's policy is to fund the benefits on a pay-as-you-go basis that is paid implicitly through rate subsidization, resulting in an unfunded actuarial accrued liability of $9,602,000. The covered payroll (annual payroll of active employees covered by the plan) was $125,914,000, and the ratio of the UAAL to the covered payroll was 8.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions pq45(at72an)4( )r0arero va-3o2(o)3(ed tu(sh)-san17((o).)76 3o2(o)3(ed tu()4ET-3( )76 3ossu)et(s)]m4( )5 b6(ies3 Tm2w).-e

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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, 2014.

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.

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 will occur upon completion of the facility’s construction in August of 2014, at which time the University will account for this agreement as a capital lease. Lease payments will occur through fiscal year 2046, which is the term of the loan. As of June

The University's operating expenses for the years ended June 30, 2014 and 2013 by functional and natural classification are as follows:

The following disclosure meets the requirements in

With one exception, it also complies with

. The exception is that the University, at the request of the WSU Foundation Board, elected not to include the financial information of the Wichita State University Foundation, a component unit of the University, as a part of its financial statements. 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. (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 ation ormion 365(D2)Uon 365(D2)Uon 3

Wichita State University has adopted the following three newly enacted GASB (Governmental Accounting Standards Board) Statements:

1. , *(Codification of Accounting and Financial Reporting Guidance…)* – Effective fiscal year 2013
2. , *(Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position)* – Effective fiscal year 2013
3. , (*Items Previously Reported as Assets and Liabilities)* – Effective fiscal0392.35 1(dedis3(2)-3(0)7(1)-3(4)]T

	2014	2013
ASSETS		
Cash and cash equivalents	$ 10,207,569	$ 9,025,134
Pledges receivable, less allowance for uncollectible pledges (2014, $167,692; 2013, $165,733)	6,123,181	6,005,256
Contributions receivable	-	3,000,000
Investments	227,633,268	205,986,613
Mortgage receivable	43,752	46,025
Real estate	597,175	597,175
Buildings, equipment and software, at cost,		