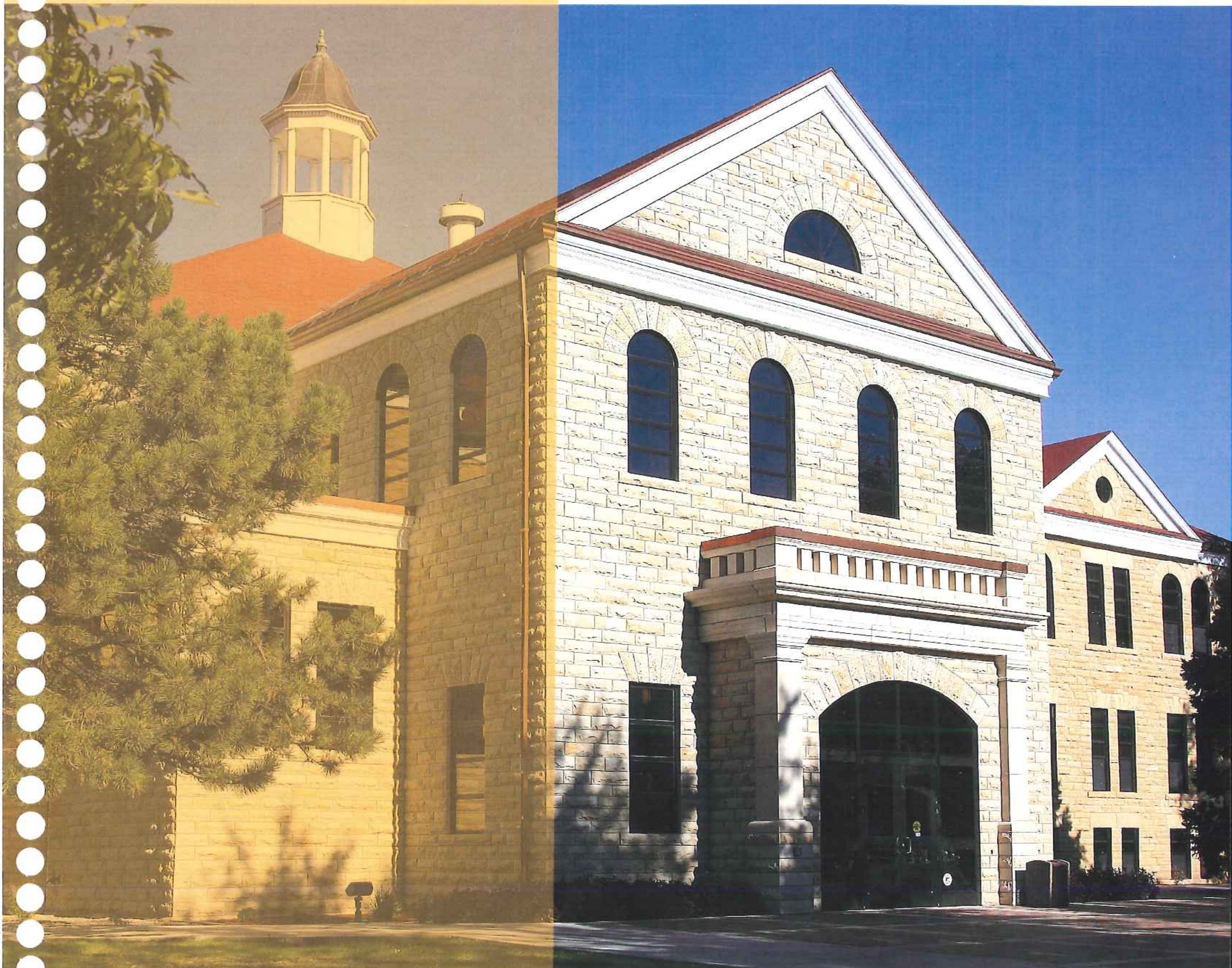
FORT HAYS STATE UNIVERSITY

Forward thinking. World ready.



ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2015 ENDED JUNE 30, 2015

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FORT HAYS STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of Fort Hays State University (the "University") based on currently known facts, decisions and conditions and 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 the exception of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units. This discussion – along with the financial statements and related footnote disclosures – has been prepared by and is the responsibility of management.

USING THIS ANNUAL REPORT

This report consists of the three financial statements, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB Statements 37 and 38. These statements establish standards for external financial reporting for public colleges and universities and require that financial statements be presented on a consolidated basis to focus on the University as a whole. The notes to the financial statements present additional information to further define the financial statements.

STATEMENT OF NET POSITION

The Statement of Net Position presents the assets, deferred outflows, liabilities, deferred inflows 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 institutions. 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.

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. **Invested in capital assets, net of debt**, 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 are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities who 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.

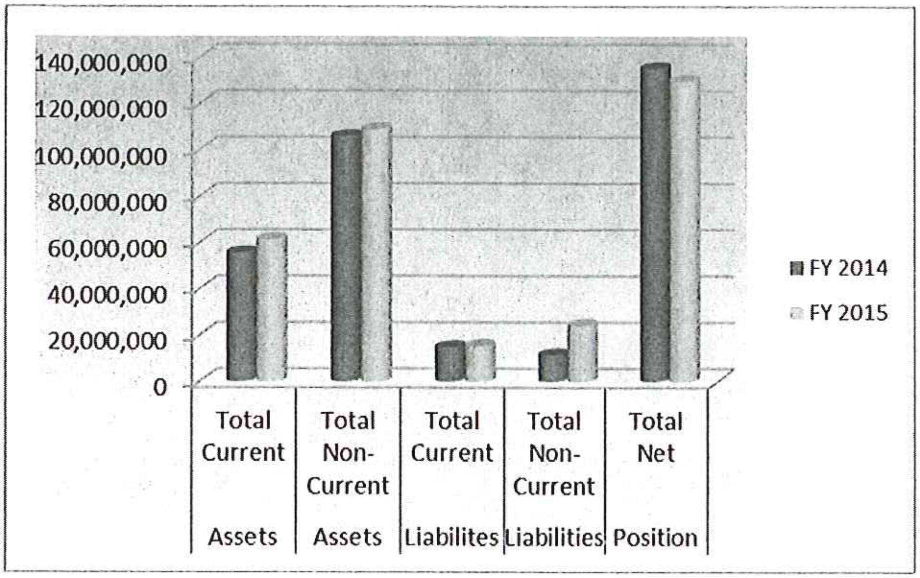
Total Assets at June 30, 2015, were $170.2 million, an increase of $8.7 million or 5.4%. Capital assets, net of depreciation, comprised 61.1 %, or $104.0 million of the $170.2 million in total assets.

Total Liabilities were $39.7 million at June 30, 2015, an increase of $13.3 million or a 50.4% increase compared to $26.4 million at June 30, 2014 due to the inclusion of KPERS Pension Liability in 2015 not included in 2014. Long-term liabilities comprised 61.0%, or $24.2 million of the total liabilities.

Total Net Position at June 30, 2015, was $129.6 million, a $5.6 million decrease over the prior year, or a 4.1% decrease in Net Position. The breakout of Net Position is shown below:

	June 30, 2015	June 30, 2014
Capital Assets, net of related debt.............	$95,887,183	$93,515,853
Restricted Net Position..........................	10,384,377	18,411,567
Unrestricted Net Position	23,308,544	23,238,397
Total Net Position........................	$129,580,104	$135,165,817

The composition of current and non-current assets and liabilities and net position is displayed below for both 2015 and 2014 fiscal year-ends.



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.

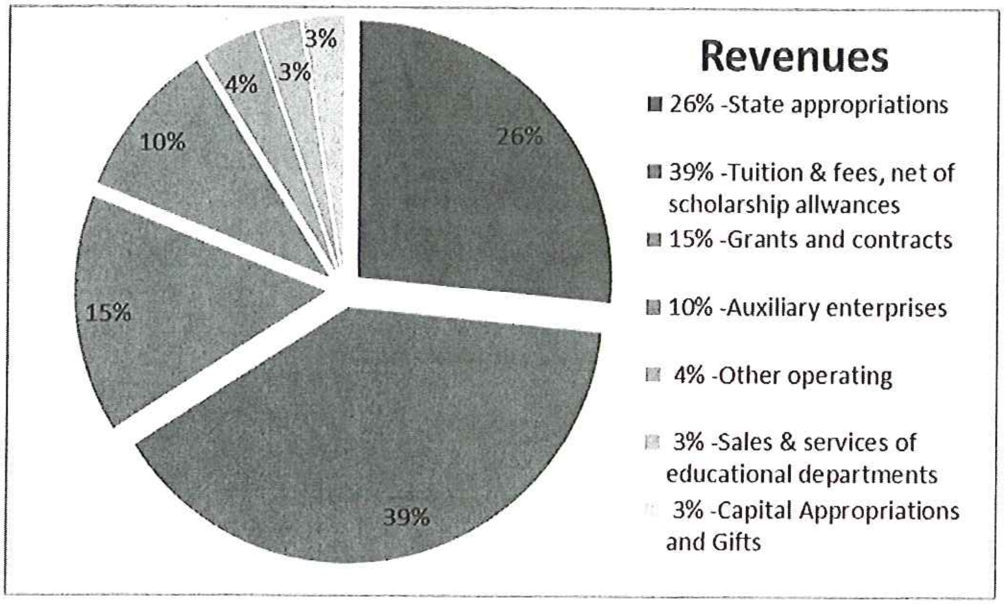
Revenues

Operating revenues at the University as of June 30, 2015, increased by 4.8% over the previous fiscal year. The following is a brief summary of the significant changes:

- Student fee revenues, after scholarship allowances, were $48.5 million in 2015, compared to $47.6 million in 2014. This increase is in part a result of a 3.6% tuition increase approved by the Kansas Board of Regents for fiscal year 2015. The goal of the tuition increase, which was the result of collaboration between University administration & University students, was to provide additional funds to the University to improve or enhance student education and services. Reasonable tuition charges and a continued effort to expand our Virtual College Program on the national and international level have resulted in increased enrollments in those programs.

Total non-operating revenues increased by 3.2%, when comparing FY2015 $45.2million to FY2014 $44.2 million. State appropriations increased 2.2% when comparing $33.3 million in FY2015 to $32.6 million in FY2014. Federal grants, specifically Pell Grants, increased 3.7% to $14.1 million from $13.6 million in FY2014.

In summary, total revenues increased by $6.0 million, from $119.6million to $125.6 million. The composition of FY2015 revenues is displayed in the following graph:

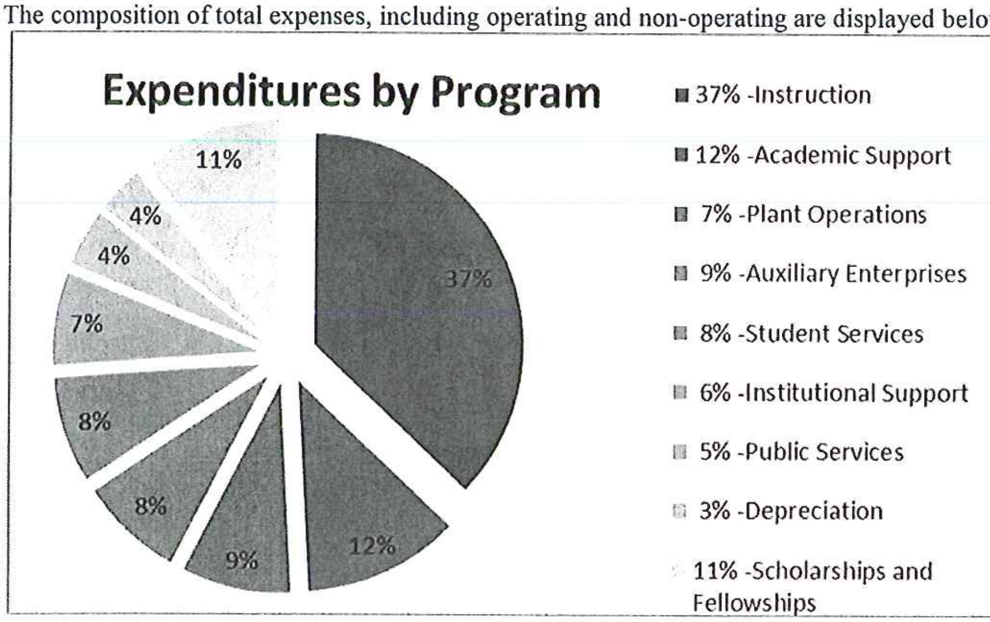


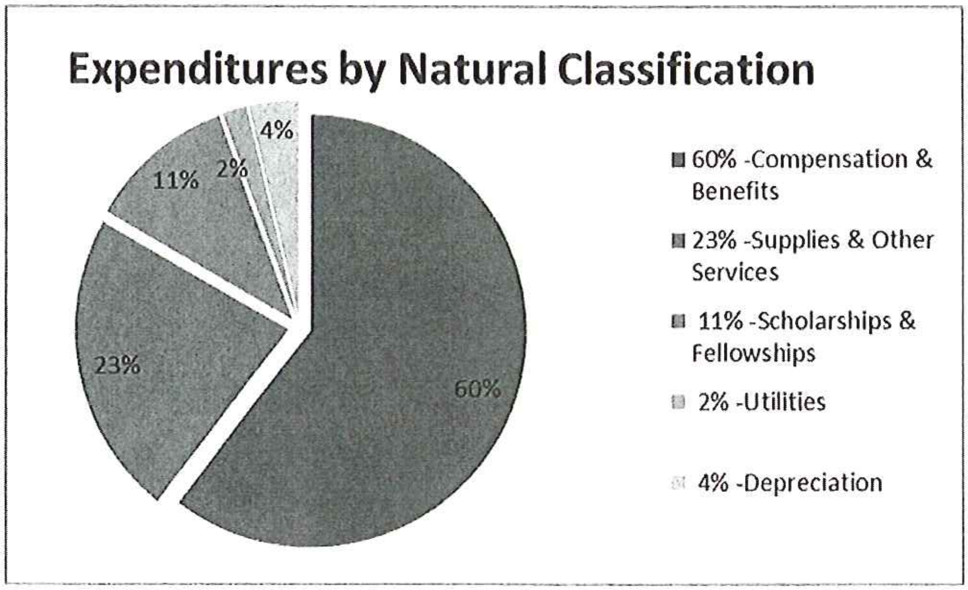
Expenses

Operating expenses were $114.5 million for the 2015 fiscal year compared to $111.7 million for the 2014 fiscal year. Instruction expenses increased $.8 million; Scholarships and fellowships increased $.1 million; Student Services increased $.1 million. Institutional Support increased $.7 million.

Non-operating expenses are comprised of the investment of bond reserve funds, bond interest expense, the student loan program, and other non capitalized expenditures.

The composition of total expenses, including operating and non-operating are displayed below:





Extraordinary Items

The University did not have any special and extraordinary items in 2015.

Foundation Expenses Paid On Behalf of University

The Fort Hays State University Foundation (FHSUF), a separate not-for-profit organization whose primary mission is to raise funds for the University, provides direct and indirect support to the University that is not entirely reflected in the University's Statement of Revenues, Expenses and Changes in Net Assets. Expense items paid on behalf of the University by FHSUF include expenses such as equipment, miscellaneous office expenses and travel. Total University support provided by FHSUF equaled approximately $212,910 and $14,313 in 2015 and 2014, respectively.

Net Position

Net position for the current year increased $8.7 million. This increase is primarily a result of an increase in capital assets, net of depreciation and an increase in tuition and fees mainly due to an increase in Virtual College enrollment. The overall Net Position decreased by $5.6 million due to the inclusion of the KPERS pension liability in the amount of $14,269,401in the restated balance forward from 06/30/2014.

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 net cash flows and meet its obligations as they come due. Cash flows for the fiscal year-ends 2015 and 2014 are displayed below:

	June 30, 2015	June 30, 2014
Net cash provided (used) by:		
Operating activities	$(36,245,169)	$(36,779,868)
Non-capital financing activities	47,961,787	45,577,274
Capital and related financing activities	(6,302,332)	(17,427,933)
Investing activities	5,421	11,357
Net increase (decrease) in cash	5,419,707	(7,619,170)
Beginning cash and cash equivalent balances	49,219,066	56,838,236
Ending cash and cash equivalent balances	$ 54,638,773	$ 49,219,066

Net cash provided/used by operating activities includes tuition and fees, grant and contract revenues, auxiliary enterprise revenues, sales of educational activities, and payments to employees and suppliers. Cash flows from operating activities will always be negative since GASB requires state appropriations to be reported as cash flows from non-capital financing activities. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show all uses of cash and cash equivalents to purchase investments, and all increases in cash and cash equivalents as a result of selling investments or earning income on cash and investments.

CAPITAL ASSETS

The University continued to invest in capital assets during the 2015 fiscal year. Detailed financial information regarding capital asset additions, retirements & depreciation is available in Note 6 to the financial statements. The following is a brief summary of major capital projects currently in process:

Construction of The Center for Networked Learning academic building completed in the fall. This building houses the Department of Informatics, the Virtual College, and the Center for Teaching Excellence and Learning Technologies. The building opened for the fall 2014 semester. The total cost of this University funded project was $10.5 million.

DEBT ADMINISTRATION

At June 30, 2015, the University had $9.8 million in debt outstanding.

Debt in the amount of $4,887,055 was incurred during the 2005 fiscal year to finance the Energy Improvement Conservation Project. This project was part of a state wide energy endeavor to reduce energy and related costs for the Regent's system. Anticipated energy savings are expected to pay the semi-annual debt payments. The debt is setup on a 16.5 year payout terminating October 1, 2021.

Debt in the amount of $7,790,000 was incurred during the 2006 fiscal year to finance the Memorial Union Renovation Project. $7,205,000 in non-taxable Series 2005G-1 and $585,000 in taxable Series 2005G-2 Revenue Bonds were issued.

Standard and Poor's Ratings Services has assigned the Bonds an underlying rating of "A". More detailed information about the University's long-term liabilities is available in Notes 8 and 9 to the financial statements.

ECONOMIC OUTLOOK

The State of Kansas provided approximately 26% of the total resources for the University during fiscal year 2015. Appropriations for fiscal year 2015 were set at $33.3 million. State of Kansas resources are expected to continue to decline due to changes in income tax policy. The University's administration has developed a four step strategy of reducing operating costs by implementing efficiencies, making cuts in the budgets of offices and departments, generating new revenue through enrollment growth, and instituting marginal increases in tuition.

The University economic outlook is strong. Enrollment for the academic 2015-2016 year is expected to increase due to our continued efforts to maintain affordable tuition rates which continue to be the lowest in the Kansas Regent's system. Continued regional and international recruitment will show increases in headcount in our virtual college and on campus during the next several years.

FORT HAYS STATE UNIVERSITY
STATEMENT OF NET POSITION
as of June 30, 2015 and 2014

	University Funds 2015	University Funds 2014 (Restated)	Component Units 2015	Component Units 2014 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	$ 49,679,384	$ 44,171,327	$ 586,542	$ 522,614
Restricted cash and cash equivalents	4,959,389	5,047,739	-	
Investments	256,424	255,591	-	237,354
Accounts receivable, net	3,548,284	3,564,750	929	2,824
Loans to students, net - current portion	1,084,744	1,020,144	-	-
Inventories	149,500	127,572	60,173	61,397
Prepaid expenses	1,642,407	1,408,809	1,116	-
Total current assets	61,320,132	55,595,932	648,760	824,189
Noncurrent assets				
Restricted cash and cash equivalents	-	-	-	-
Investments, bond reserve	115,000	115,000	244,993	-
Loans to students, net	4,799,435	5,022,523	-	-
Capital assets, net	103,977,947	100,797,897	1,120,931	1,221,548
Total noncurrent assets	108,892,382	105,935,420	1,365,924	1,221,548
Total Assets	$ 170,212,514	$ 161,531,352	$ 2,014,684	$ 2,045,737
DEFERRED OUTFLOWS OF RESOURSES				
Pension contributions	1,177,963	-	-	-
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$ 8,919,252	$ 8,891,143	$ 311,912	$ 277,534
Deferred revenue	3,174,601	2,925,992	-	-
Accrued compensated absences - current portion	2,072,281	1,912,401	-	-
Capital leases payable - current portion	359,943	338,666	-	-
Revenue bonds payable - current portion	460,000	445,000	23,827	95,100
Deposits held in custody for others	325,229	340,555	-	-
Due to Other Funds	140,253	-	-	-
Total current liabilities	15,451,559	14,853,757	335,739	372,634
Noncurrent liabilities				
Accrued compensated absences	369,375	409,193	-	-
Capital leases payable	2,185,821	2,512,585	-	-
Other postemployment healthcare benefits	3,358,000	3,045,000	-	-
Revenue bonds payable	5,085,000	5,545,000	-	-
Pension liability	13,209,799	-	-	
Total noncurrent liabilities	24,207,995	11,511,778	-	-
Total Liabilities	$ 39,659,554	$ 26,365,535	$ 335,739	$ 372,634
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	2,150,815	-	-	-
NET POSITION				
Net investment In capital assets	$ 95,887,183	$ 93,515,853	$ 1,120,931	$ 1,126,448
Restricted for:				
Expendable:				
Loans	6,728,361	6,844,466	-	-
Debt service	1,531,551	1,590,374	-	-
Capital projects	2,124,465	9,976,727	-	-
Unrestricted	23,308,544	23,238,397	558,014	546,655
Total Net position	$ 129,580,104	$ 135,165,817	$ 1,678,945	$ 1,673,103

See accompanying notes to fnancial statements.

FORT HAYS STATE UNIVERSITY
STATEMENT OF REVENUES,EXPENSES, AND CHANGES IN NET POSITION
for the Years Ended June 30, 2015 and 2014

	University Funds 2015	University Funds Restated 2014	Component Units 2015	Component Units Restated 2014
OPERATING REVENUES				
Tuition and fees (net of scholarship allowances of $8,144,475 and $7,663,858 in 2015 and 2014 respectively)	$ 49,427,894	$ 47,627,221	$ -	$ -
Federal grants and contracts	2,738,752	2,523,511	-	-
State and local grants and contracts	1,618,760	1,898,393	-	-
Sales and services of educational departments	3,328,207	2,157,400	-	-
Auxiliary enterprises:				
Residential Life	9,395,699	9,125,553	-	-
Athletics	-	-	2,921,517	2,985,219
Parking	266,906	374,285	-	-
Student Union	2,056,533	1,973,893	-	-
University Health Services	905,789	804,337	-	-
Interest earned on loans to students	114,273	115,899	-	-
Other operating revenues	4,965,646	4,806,805	514,607	520,894
Total operating revenues	$ 74,818,459	$ 71,407,297	$ 3,436,124	$ 3,506,113
OPERATING EXPENSES				
Educational and General				
Instruction	$ 42,315,452	$ 41,519,211	$ -	$ -
Research	75,047	591,847	-	-
Public service	5,067,637	5,118,823	-	-
Academic support	13,858,879	13,860,395	-	-
Student services	9,339,737	9,214,937	-	-
Institutional support	8,130,866	7,406,995	-	-
Operations and maintenance of plant	7,605,950	7,895,368	-	-
Depreciation	4,208,367	3,819,648	128,556	119,941
Scholarships and fellowships	12,482,930	12,385,159	-	-
Auxiliary enterprises:				
Residential Life	7,125,317	7,484,422	-	-
Athletics	-	-	2,785,158	2,572,952
Parking	70,100	53,190	-	-
Student Union	1,280,117	1,114,072	-	-
University Health Services	853,333	733,187	-	-
Other operating expenses	2,067,911	459,228	508,176	538,868
Total operating expenses	$ 114,481,643	$ 111,656,482	$ 3,421,890	$ 3,231,761
Operating Income (Loss)	(39,663,184)	(40,249,185)	14,234	274,352
NON-OPERATING REVENUES (EXPENSES)				
State appropriations	$ 33,308,350	$ 32,576,818	$ -	$ -
Federal grants and contracts	14,115,298	13,645,588	-	-
Gifts	212,910	14,313	-	-
Investment income	5,421	11,357	-	-
Other non-operating revenue (expenses)	(2,215,744)	(1,649,745)	-	-
Interest expense	(234,031)	(377,776)	-	-
Net nonoperating revenues (expenses)	$ 45,192,204	$ 44,220,555	$ -	$ -
Income before other revenues, expenses, gains, or losses	$ 5,529,020	$ 3,971,370	$ 14,234	$ 274,352
Capital appropriations	3,154,668	1,941,508	-	-
Increase (Decrease) In Net Position	$ 8,683,688	$ 5,912,878	$ 14,234	$ 274,352
NET POSITION				
Net Positiom - beginning of year	135,165,817	129,252,939	1,673,103	1,398,751
Revisions to beginning net position	(14,269,401)	-	(8,392)	-
Net Position - beginning of year(as adjusted)	120,896,416	129,252,939	1,664,711	1,398,751
Net Position - end of year	$ 129,580,104	$ 135,165,817	$ 1,678,945	$ 1,673,103

See accompanying notes to financial statements

FORT HAYS STATE UNIVERSITY
STATEMENT OF CASH FLOWS
for the Years Ended June 30, 2015 and 2014

	2015	Restated 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 49,427,854	$ 47,627,221
Sales and services of educational activities	3,328,207	2,157,400
Auxiliary enterprises:		
Residential Life	9,395,699	9,125,553
Parking	266,906	374,285
Student union	2,056,533	1,973,893
University health services	905,789	804,337
Grants and contracts	4,357,512	4,421,904
Payments to Suppliers	(26,157,999)	(27,805,313)
Payments to utilities	(2,133,218)	(2,529,165)
Compensation and benefits	(69,186,171)	(65,421,992)
Payments for scholarships and fellowships	(12,795,888)	(13,460,460)
Loans issued to students and employees	(1,104,323)	(830,529)
Collection of loans to students and employees	1,084,743	1,020,144
Other receipts (payments)	4,309,187	5,762,854
Net cash provided (used) by operating activities	$ (36,245,169)	$ (36,779,868)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	$ 33,308,350	$ 32,576,818
Other Federal Grants and Contracts	14,115,298	13,645,588
Gifts	212,910	14,313
Deposits held in custody for others	325,229	340,555
Federal family education loan receipts	50,329,887	48,088,819
Federal family education loan disbursements	(50,329,887)	(48,088,819)
Net cash provided by noncapital financing activities	$ 47,961,787	$ 46,577,274
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	$ 3,154,668	$ 2,653,000
Purchases of capital assets	(7,372,858)	(16,394,720)
Proceeds from issue of bonds	-	-
Principal paid on capital debt and leases	(783,676)	(710,118)
Interest paid on capital debt and leases	(352,347)	(384,277)
Other	(948,119)	(2,591,818)
Net cash used by capital financing activities	$ (6,302,332)	$ (17,427,933)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ -	$ -
Investment Income	5,421	11,357
Purchase of investments	-	-
Net cash provided by investing activities	$ 5,421	$ 11,357
Net Increase (decrease) in cash	5,419,707	(7,619,170)
Cash - beginning of the year	49,219,066	56,838,236
Cash - end of year	$ 54,638,773	$ 49,219,066
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	$ (39,663,184)	$ (40,249,185)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	4,208,367	3,819,648
Changes in assets and liabilities:		
Accounts receivables, net	16,466	(1,850,335)
Loans to students, net	158,488	352,871
Inventories	(21,928)	(3,610)
Prepaid expenses	(233,598)	(77,036)
Accounts payable and accrued liabilities	(28,109)	514,245
Other Postemployment Healthcare Benefits	(313,000)	294,000
Deferred revenue	(248,609)	362,916
Accrued compensated absences	(120,062)	56,618
Net cash provided (used) by operating activities:	$ (36,245,169)	$ (36,779,868)

See accompanying notes to financial statements

FORT HAYS STATE UNIVERSITY FOUNDATION
Consolidated Statements of Financial Position
June 30, 2015 and 2014

ASSETS

	2015	2014
Cash and Cash Equivalents	$ 53,582	$ 62,362
Cetificates a nd money market funds	5,531,916	2,948,601
Securities and limited partnerships	59,749,785	55,678,282
Student notes receivable and matching fund programs, net of allowance for doubtful accounts	144,792	189,540
Art and Coin Collections	98,186	66,051
Cash surrendeer value of life insurance	341,045	313,794
Oil and working interess, less accumulated depletion	380,275	-
Land, buildings, equipment and oil royalties, less accumulated depreciation, depletion and reserve for impairment	5,306,297	5,688,772
Other	16,659	31,823
Total Assets	$ 71,622,537	$ 64,979,225

LIABILITIES AND NET ASSETS

	2015	2014
Liabilities		
Due to agency funds and other	$ 44,034	$ 39,899
Annuity contracts payable	619,323	636,681
Total Liabilities	$ 663,357	$ 676,580
Net Assets		
Unrestricted	$ 8,576,684	$ 8,430,312
Temporarily restricted	29,115,741	25,503,763
Permanently restricted	33,266,755	30,368,570
Total Net Assets	$ 70,959,180	$ 64,302,645
Total Liabilities and Net assets	$ 71,622,537	$ 64,979,225

FORT HAYS STATE UNIVERSITY FOUNDATION
Consolidated Statements of Activities
June 30, 2015 and 2014

		2015		2014
Revenues, Gains and (losses)				
Fund Raising				
Estate and planned gifts	$	1,463,854	$	643,032
Major Gifts		7,343,066		3,931,522
Other		1,724,524		1,627,667
Total Fund Raising	$	10,531,444	$	6,202,221
Investment return and Gain on sale of real estate	$	1,425,221	$	9,150,084
Oil and gas		170,258		223,618
Farm rent		19,063		12,875
Management fees		93,640		61,476
Other revenues, net of bad debts		282,690		283,752
Total Revenues and Net Gains (Losses)	$	12,522,316	$	15,934,026
Net asets released from restrictions		-		
Total Revenues, Gains (Losses) and Other Suppc	$	12,522,316	$	15,934,026
Expenses and Losses				
Program and General				
Scholarships, grants and awards	$	1,836,010	$	1,671,282
Fund and farm expenses		2,250,776		2,138,163
Managenment fees		82,827		49,045
Foundation operating expenses		1,571,572		1,577,684
Oil expenses		6,124		-
Power of one campaign expenses		15,067		30,789
Campus call expenses		39,213		35,151
Total Program and General Expenses	$	5,801,589	$	5,502,114
Excess of Revenues Over (Under) Expenses	$	6,720,727	$	10,431,912
Other Changes				
Change in value and actuarial gain (loss) on annuity contracts	$	(58,499)	$	19,404
Transfers (to) from agency funds		(5,693)		(495)
Interfund transfers		-		-
Adjustment due to ASC 958-320-45		-		-
Change in Net Assets	$	6,656,535	$	10,450,821
Net Assets at Beginning of Year	$	64,302,645	$	53,851,824
Net Assets at End of Year	$	70,959,180	$	64,302,645

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America with the exception of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units. Fort Hays State University has made the decision not to include the Fort Hays State University Foundation, formerly the Fort Hays State University Endowment Association, within the University's financial statements. The financial statements of the Foundation appear immediately after the University's financial statements. The University's financial statements have not been audited.

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Organization. Fort Hays State University (University) is a regional university principally serving western Kansas. The University's primary emphasis is undergraduate liberal arts education, which includes the humanities, the fine arts, the social/behavioral sciences and the natural/physical sciences. The University, located in Hays, Kansas, has an on campus enrollment of 4,763, an enrollment of 3,124 in our partner universities in China, and an enrollment in our Virtual College of 6,323, for a total enrollment of 14,210. The University is accredited by the North Central Association of Colleges and Schools, 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 financial report of the State of Kansas.

Financial Reporting Entity. As required by accounting principles generally accepted in the United States of America, these financial statements present the financial position and financial activities of the University and its component units: the Fort Hays State University Alumni Association, the Fort Hays Sate University Athletic Association and the Sternberg Museum Foundation.

Financial activities and balances of component units have been discreetly presented on the University's financial statements. This discreet 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 39 Determining Whether Certain Organizations are Component Units, as amended by GASB Statement No 61, The Financial Reporting Entity.

The financial activity and balances of the Fort Hays State University Foundation (FHSUF) are not included in the financial statements of the University as the Foundation is a legally separate entity and the University does not appoint a voting majority of the Foundation's governing body. The FHSUF financial statements are included on the facing pages to the University's financial statements.

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 component units. Since the component units are displayed discreetly, 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.

Investments. The University accounts for its investments at fair value in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* 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 Assets.

Accounts Receivable. Accounts receivable consists of tuition and fee charges 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.

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

Loans to Students. Loans to students consist of loans from the Federal Perkins Loan Fund. Loans receivable are allocated into current and noncurrent based upon sampled and historical balances collectible in less than one year and collectible in more than one year. (See Note 5)

Restricted Cash and 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 noncurrent assets in the Statements 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 $5,000 or more, and estimated useful life of 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 equipment, 5 years for vehicles and 3 years for information technology equipment. Costs incurred during construction of long lived assets are recorded as construction-in-progress and are not depreciated until placed in service.

Deferred Revenues. Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include summer school tuition not earned during the current year and amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences. Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position, and as an expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Deposits Held In Custody For Others. Deposits held in custody for others consists primarily of student organizations' monies administered by the University.

Noncurrent Liabilities. Noncurrent liabilities include principal amounts of revenue bonds payable, capital lease obligations associated with energy savings projects on University buildings with contractual maturities greater than one year, and estimated amounts for accrued compensated absences that will not be paid within the next fiscal year.

Deferred Inflows/Outflows. Deferred outflows and deferred inflows result from the consumption or acquisition of net assets in one period that is applicable to future periods. These items are reported separately from assets and liabilities. Deferred outflows and deferred inflows for June 30, 2015, refer to activity pertaining to the recognition of the KPERS Pension liability per GASB 68.

Net Position. In accordance with GASB 63, The Statement of Net Position replaces the Statement of Net Assets and is presented in a format that displays assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position.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 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 – expendable: Restricted expendable net position include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Restricted net position – nonexpendable*:* Restricted nonexpendable net assets consist 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.

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 include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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 according to the following criteria:

Operating Revenues and Operating Expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as 1) student tuition and fees, net of scholarship 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 and 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 the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating 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.

Summer Session. Revenues and expenses for the summer session are reported within the fiscal year in which the summer session is predominately conducted. Accordingly, revenues and expenses for the 2014 summer session are reported in the Statement of Revenues, Expenses and Changes in Net Position as revenues and expenses for FY 2015. Summer session revenues received prior to June 30, 2015, are reported as unearned revenues in the Statement of Net Position. Expenses for the summer session paid prior to June 30, 2015, are reported as prepaid expenses. Kansas Board of Regents officials determined this methodology and believe the departure from generally accepted accounting principles will not have a material effect on the University's financial position.

NOTE 2 –Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents: The carrying amount of the University's deposits with the State Treasurer and other financial institutions at June 30, 2015 and 2014 was $54,638,773 and $49,219,066, respectively.

Investments: Fort Hays State University's total investments are $256,424 is held in certificates of deposit for the student activity accounts. The Kansas Development Finance Authority invests another $115,000. These monies represent bond reserve requirements.

NOTE 3 - Accounts Receivable

Accounts receivable, net of estimated uncollectible amounts, consisted of the following at June 30, 2015:

Tuition & Fees	$	1,194,758
Auxiliary		84,509
Grants & Contracts		1,382,585
Fund 8001 Appropriations		886,432
	$	3,548,284

NOTE 4 – Inventories

Inventories consisted of the following at June 30, 2015:

Physical Plant		60,701
Office Supplies		88,799
	$	149,500

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, 2015. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to a maximum of 100% if the participant complies with certain provisions. The federal government reimburses the University for amounts cancelled under these 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. The University has provided an allowance for uncollectible loans, which, in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2015, the allowance for uncollectible loans was estimated to be $309,694.

NOTE 6 -Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows

	Beginning Balance	Additions	Retirements	Ending Balance
Land	304,456	-	-	304,456
Construction In Progress	9,976,727	995,516	8,847,778	2,124,465
Infrastructure	15,299,981	3,077,973	-	18,377,954
Buildings	123,107,709	11,075,020	-	134,182,729
Equipment	23,008,210	1,570,984	498,857	24,080,337
Total	171,697,083	16,719,493	9,346,635	179,069,941
Less accumulated depreciation:				
Infrastructure	4,194,835	616,918	-	4,811,753
Buildings	57,202,977	2,622,114	-	59,825,091
Equipment	9,501,373	1,397,203	443,426	10,455,150
Total	70,899,185	4,636,235	443,426	75,091,994
Capital assets, net	100,797,898	12,083,258	8,903,209	103,977,947

NOTE 7 - Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital Leases Payable	$ 2,884,430	-	348,619	$ 2,545,764	$ 359,943
Revenue bonds payable	5,990,000	-	445,000	5,545,000	460,000
Post Employment Benefits	3,045,000	313,000	-	3,358,000	-
Compensated absences	2,321,594	120,062	-	2,441,656	2,072,281
Total long-term liabilities	$ 14,241,024	433,062	793,619	$ 13,890,420	$ 2,892,224

NOTE 8 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:

		Principal Outstanding at 6/30/15
Kansas Development Finance Authority Lewis Field Stadium Renovation Revenue Bonds, Series 2003D-2. $1,150,000 due in annual installments of $55,000 to $200,000. Issued April 1, 2003, with a final maturity date of April 1, 2018. Interest ranging from 2.00% to 4.125%, payable semi-annually.	$	365,000
Kansas Development Finance Authority Memorial Union Renovation Revenue Bonds, Series 2005G. $7,790,000 due in annual installments of $285,000 to $575,000. Issued November 15, 2005, with a final maturity date of October 1, 2025. Interest ranging from 3.30% to 4.60%, payable semi-annually.	$	5,180,000

NOTE 9 - Revenue Bonds Maturity Schedule:

Maturities of principal and interest requirements on revenue bonds payable are as follows:

Year Ending June 30:	Principal	Interest	Total
2015-2017	940,000	435,611	1,375,611
2018-2022	2,445,000	726,812	3,171,812
2023-2028	2,160,000	195,894	2,355,894
Total	$ 5,545,000	1,358,317	$ 6,903,317

NOTE 10 – Capital Leases Payable

Fort Hays State University is obligated for the purchase of certain equipment funded through the Master Lease and Facilities Conservation Improvement Program in the amount of $2,888,311 as of June 30, 2015. Payments to liquidate these obligations are scheduled as follows:

Fiscal Year 2016 Total	420,244	Fiscal Year 2020 Total	455,686
Fiscal Year 2017 Total	428,836	Fiscal Year 2021 Total	465,008
Fiscal Year 2018 Total	437,604	Fiscal Year 2022 Total	234,380
Fiscal Year 2019 Total	446,553		

NOTE 11 – Pension and Retirement Plans

University employees participate in two separate retirement programs. University Support Staff (USS) employees participate in the "Kansas Public Employees Retirement System" (KPERS). This defined benefit program is funded through contributions by the University and the individual employees. The University contributed $1,078,601 during fiscal year 2015 and individual employees contributed $543,872. Unclassified and some USS employees participate in the "Board of Regents Retirement Program". This defined contribution program is funded through contributions by the University and the individual employees. The University contributed $2,956,755 during fiscal year 2015 and individual employees contributed $1,915,177.

Pensions. For the year ended June 30, 2015, Fort Hays State 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.

General Information about the Pension Plan

Plan description: Fort Hays State 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.

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 members 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 15.12% and 10.27%, respectively, for the fiscal year ended June 30, 2014. The actuarially determined employer contribution rate was 15.41% for the fiscal year ended June 30, 2015. 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 Fort Hays State University were $1,078,601 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, Fort Hays State University reported a liability of $13,209,799 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014. Fort Hays State University proportion of the net pension liability was based on the ratio of Fort Hays State University actual contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2014. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014 Fort Hays State University proportion was 19.84%, which was a decrease of .374% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, Fort Hays State University recognized pension expense of $996,085. At June 30, 2015 Fort Hays State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred inflows of Resources
Difference between expected and actual experience	$ 6,820	$ 300,218
Net difference between projected and actual earnings on pension plan investments	-	1,625,296
Changes in proportion	92,542	225,301
FHSU contributions subsequent to measurement date	1,078,601	-
Total	$ 1,177,963	$ 2,150,815

$99,362 reported as deferred outflows of resources related to pensions resulting from Fort Hays State 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	494,636
2017	494,636
2018	494,636
2019	72,419
2020	-
Thereafter	-
Total	1,556,327

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 percent
Wage inflation	4.00 percent
Salary increases, including wage increases	4.00 to 12.50 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	8.00 percent

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, 2013, valuation were based on the results of an actuarial experience study conducted for the three year period beginning December 31, 2009.

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.00%
Fixed income	14	0.85
Yield driven	8	5.50
Real return	11	3.75
Real estate	11	6.65
Alternatives	8	9.50
Short-term investments	1	-
Total	100%	

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 Fort Hays State 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 Fort Hays State University proportionate share of the net pension liability to changes in the discount rate: The following presents Fort Hays State University proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what Fort Hays State University 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%)
Fort Hays State University proportionate share of the net pension liability	$ 17,341,650	$ 13,209,799	$ 9,702,914

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS financial report.

Payables to the Pension Plan: For the year ended June 30, 2015, Fort Hays State University recorded a payable to KPERS for $13,209,799 for legally required contributions.

Subsequent events: Under the budgetary allotment process for the State of Kansas, the Kansas governor has authority to reduce the approved budget for purposes of balancing the budget. For the State's fiscal year ending June 30, 2015, the KPERS employer contribution to the State/School group was reduced by $58 million. It is unknown at the time whether this reduction will have a significant effect on Fort Hays State University proportionate share of the KPERS collective net pension liability, or an effect on any actuarial assumptions used by KPERS to calculate the net pension liability. During the 2015 state legislative session, Senate Bill 228 was passed authoring the issuance of one or more series of revenue bonds to provide deposits to KPERS in a total amount not to exceed $1 billion. The purpose of such bond issuance would be for financing a portion of the unfunded actuarial pension liability of KPERS, which would also have an effect on the collective net pension liability. Final issuance of such bonds must be approved by a resolution of the State Finance Council. As of the date of this report, no such bonds under Senate Bill 228 had been issued. The effect of any potential bond issuance on Fort Hays State University proportionate share of the KPERS collective net pension liability is unknown at this time.

Changes in benefit terms: Effective January 1 2014, KPERS Tier 1 member's employee contribution rate increased to 5.0% and then on January 1, 2015, will increase to 6.00%, with an increase in benefit multiplier to 1.85% for future years of service. For Tier II members retiring after July 1, 2012, the cost of living adjustment (COLA) is eliminated, but members will receive a 1.85% multiplier for all years of service.

NOTE 12 - Commitments and Contingent Liabilities

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 property insurance. The university maintains specific insurance coverage as allowed by the State of Kansas and as required by outstanding revenue bond issues. Also, the University is self-insured relative to worker's compensation, medical and unemployment insurance.

In the normal course of operations, the University receives grants and other forms of reimbursement from various Federal and State agencies. These activities are subject to audit by agents of the funding authority, the purpose of which is to ensure compliance with conditions precedent to providing of such funds. University officials believe that the liability, if any, for any reimbursement that may arise as the result of audits, would not be material.

NOTE 13 –Expenses by Natural and Functional Classifications

		Compensation & Benefits	Scholarships & Fellowships	Utilities	Supplies & Other Services	Depreciation		Total
Educational and general								
Instruction	$	36,857,226	495,845	1,512	4,960,869	-	$	42,315,452
Research		112,662	23,854	-	(61,469)	-		75,047
Public service		2,840,623	3,094	693	2,223,227	-		5,067,637
Academic support		8,496,964	18,941	60,686	5,282,288	-		13,858,879
Student services		6,481,660	345,253	5,479	2,507,346	-		9,339,737
Institutional support		5,015,368	258,902	1,051	2,855,545	-		8,130,866
Operations and maintenance of plant		5,469,122	-	1,015,655	1,121,173	-		7,605,950
Depreciation		-	-	-	-	4,208,367		4,208,367
Scholarships and fellowships		21,992	11,649,999	-	810,939	-		12,482,930
Auxilliary Enterprises								
Residential Life		1,757,234	-	829,923	4,538,160	-		7,125,317
Parking		24,711	-	-	45,389	-		70,100
Student unions		776,863	-	217,843	285,411	-		1,280,117
University health services		640,183	-	376	212,774	-		853,333
Other operating expenses		691,563	-	-	1,376,348	-		2,067,911
Total	$	69,186,171	12,795,888	2,133,218	26,157,999	4,208,367	$	114,481,643

NOTE 14 – Other Postemployment Healthcare Benefits

Description. Kansas statute provides 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 dependents as for active employees and their dependents. The health insurance benefit plan is a single employer defined benefit plan administered by 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 the State, thus resulting in a liability to the State. The accounting for the 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. The University provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statute, 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 premiums that would be lower if retirees were not part of the experience group.

Annual OPEB Cost and Net OPEB Obligation. The University's annual OPEB (Other Post Employment Benefits) cost is calculated based on the annual required contribution of the employer (ARC), 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 of not to exceed thirty years. The following table presents the components of the University's annual OPEB cost for the year, the University's contribution to the plan, and changes in the University's net OPEB obligation.

Normal cost (with interest)	$	237,000
Amortization of UAAL		283,000
Annual OPEB cost (expense)		520,000
Adjustment to the ARC		(173,000)
Interest on Net OPEB Obligation		117,000
Increase in net OPEB obligation (related to implicit rate subsidy)		464,000
Net Employer Contribution		(151,000)
Net OPEB obligation July 1, 2014		3,045,000
Net OPEB obligation June 30, 2015	$	3,358,000

Schedule of Employer Contributions (for fiscal year ended)

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2013	$513,000	$122,000	24%	$2,629,000
2014	$485,000	$ 69,000	14%	$3,045,000
2015	$464,000	$151,000	33%	$3,338,000

Funded Status and Funding Progress. As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was $4,421,000. The University's policy is to fund the benefits that are paid implicitly through rate subsidization resulting in an unfunded actuarial accrued liability (UAAL) of $4,421,000. The covered payroll (annual payroll of active employees covered by the plan) was $50,634,000, and the ratio of the UAAL to the covered payroll was 10.2 percent.

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 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.

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll ((b-a)/c)
6/30/2013	$0	$4,660,000	$4,660,000	0%	$48,431,000	10%
6/30/2014	$0	$4,538,000	$4,538,000	0%	$51,370,000	9%
6/30/2015	$0	$4,421,000	$4,421,000	0%	$50,634,000	9%

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, 2015, actuarial valuation, the projected unit credit method was applied. The actuarial assumptions included a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's pooled funds and investments. The valuation assumed annual healthcare cost trend rates of 5.0 to 6.5 percent in the first nine years and an ultimate rate of 5.0 percent after nine years. The valuation followed generally accepted actuarial methods and included tests as considered necessary to assure the accuracy of the results. The UAAL is being amortized over a 30 year open period in level dollar amounts.

NOTE 15- RESTATEMENT

After the June 30, 2014, Annual Financial reports were published the format of reporting financial information in the reports was reconsidered to better mirror the State's Comprehensive Annual Financial Report (CAFR). The University is now presenting the blended component units in a separate column rather than blending them with the University's information.

The Net position for 06/30/2014 was restated as follows due to the above reporting change and other changes in Balance sheet activity:

June 30, 2014	Net Position	$136,884,020
Less restated amounts to Net Position		(1,718,203)
Restated June 30, 2014	Net Position	$135,165,817

GASB 68 was also implemented and is reflected on the Statement of Net Position on the Deferred Outflows and Deferred Inflows line. The Pension liability for the KPERS retirement program has also been recognized in the Noncurrent Liabilities section. As a result of this the ending Net Position for 06/30/2014 had to be adjusted to reflect the inclusion of the KPERS liability for prior years as follows:

June 30, 2014	Net Position	$135,165,817
Less June 30, 2014	KPERS liability	(14,269,401)
Restated June 30, 2014	Net Position	$120,896,416