



FORT HAYS STATE UNIVERSITY

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ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2019 ENDED JUNE 30, 2019



FORT HAYS STATE UNIVERSITY

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FORT HAYS STATE UNIVERSITY ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2019

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Michael J. Drees, Controller
Rachel Depenbusch, Associate Controller

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FORT HAYS STATE UNIVERSITY
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

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 Position, 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, 2019, were \$221.9 million, an increase of \$6.4 million or 3.0%. Capital assets, net of depreciation, comprised 77 %, or \$172.5 million of the \$221.9 million in total assets.

Total Liabilities were \$67.4 million at June 30, 2019, a decrease of \$1.2 million or a 1.7% decrease compared to \$68.6 million at June 30, 2018. Long-term liabilities comprised 66.6%, or \$44.9 million of the total liabilities.

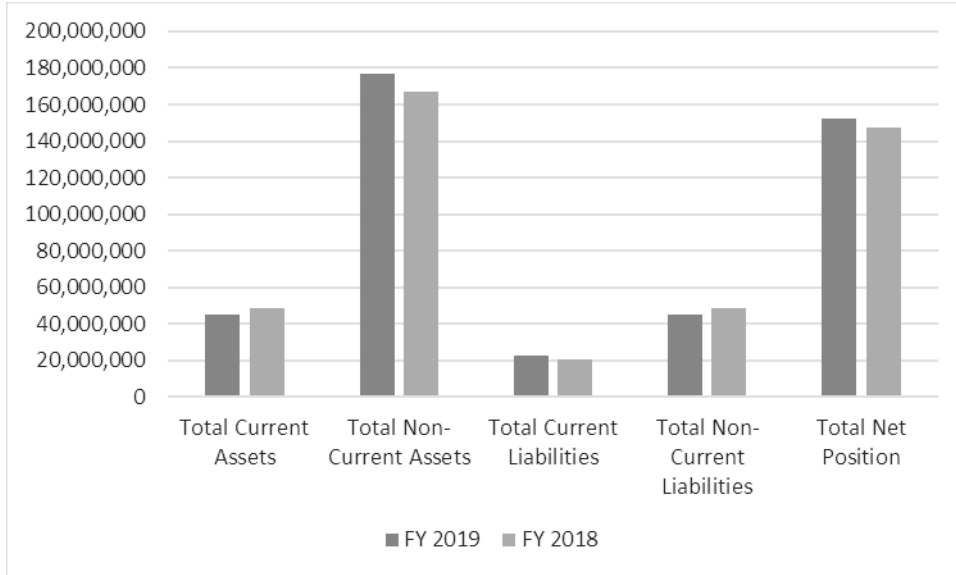
Total Net Position at June 30, 2019, was \$152.2 million, a \$4.9 million increase from the prior year, or a 3.3% increase in Net Position.

FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

The breakout of Net Position is shown below:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Capital Assets, net of related debt.....	\$143,328,676	\$131,314,933
Restricted Net Position.....	5,815,542	6,342,912
Unrestricted Net Position	<u>3,091,993</u>	<u>9,625,165</u>
Total Net Position.....	<u>\$152,236,211</u>	<u>\$147,283,010</u>

The composition of current and non-current assets and liabilities and net position is displayed below for both 2019 and 2018 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

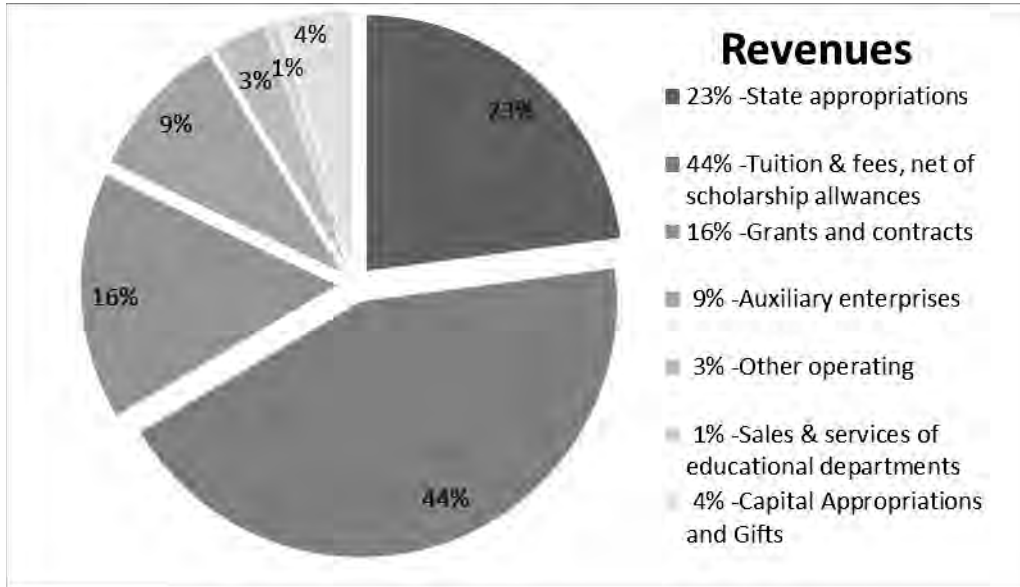
Operating revenues at the University as of June 30, 2019, increased by 4% over the previous fiscal year. The following is a brief summary of the significant changes:

Student fee revenues, after scholarship allowances, were \$63.7 million in 2019, compared to \$62.7 million in 2018. This increase is in part a result of a 2.5% tuition increase approved by the Kansas Board of Regents for fiscal year 2019. 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.

FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Total non-operating revenues increased by 4.7%, when comparing FY2019 \$46.9 million to FY2018 \$44.8 million. State appropriations increased 2.4% when comparing \$33.6 million in FY2019 to \$32.8 million in FY2018. Federal grants, including Pell Grants, increased 1.9% to \$16.2 million from \$15.9 million in FY2018.

In summary, total revenues increased by \$9.1 million, from \$137.1 million to \$146.3 million. The composition of FY2019 revenues is displayed in the following graph:



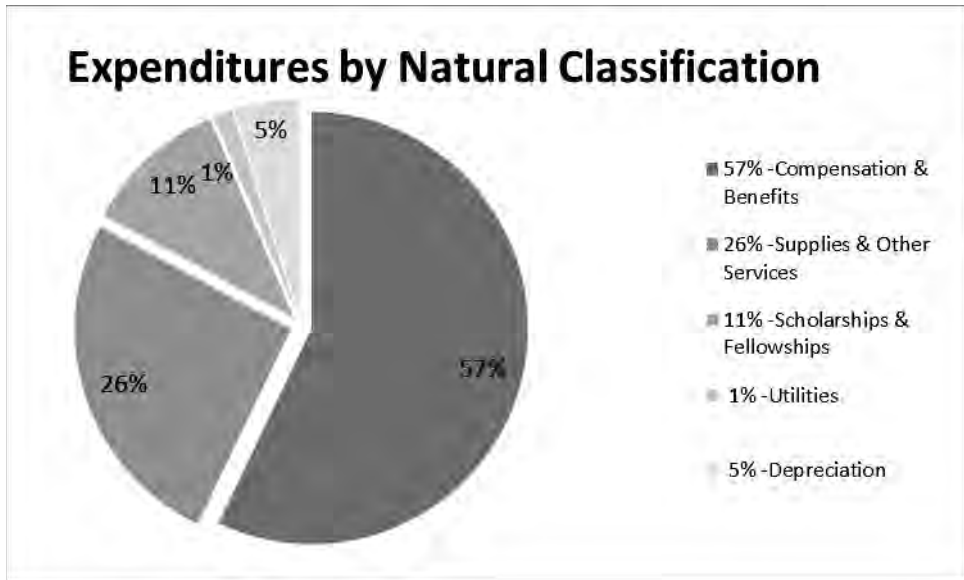
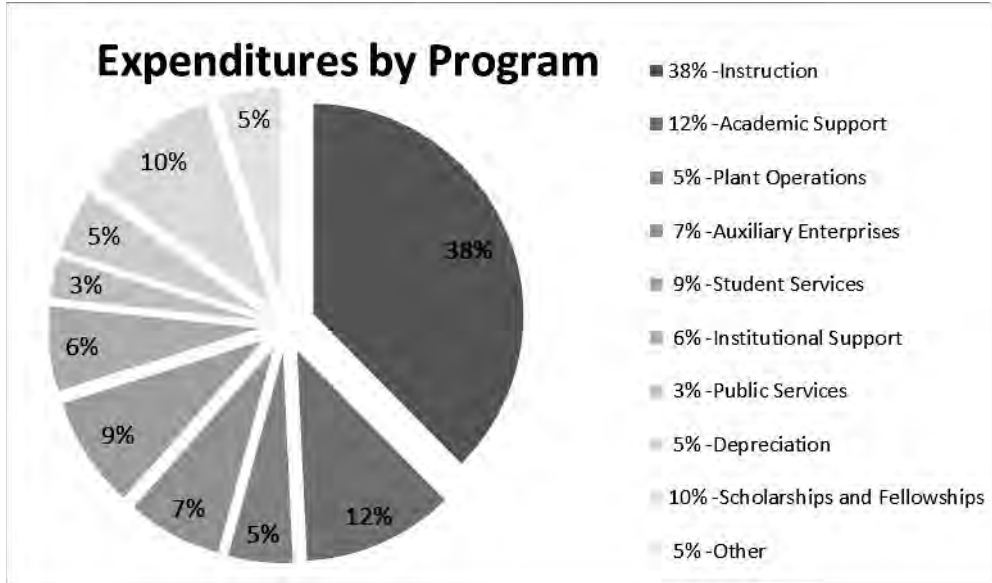
Expenses

Operating expenses were \$135.8 million for the 2019 fiscal year compared to \$132.7 million for the 2018 fiscal year. Instruction expenses increased \$4.2 million; Academic Support increased \$0.2 million; Student Services increased \$0.4 million; and Institutional Support decreased \$0.1 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 on the next page:

FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2019



Foundation Expenses Paid On Behalf of University

The Fort Hays State University Foundation, 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 the Foundation include expenses such as equipment, miscellaneous office expenses, and travel. Total University support provided by the Foundation equaled approximately \$2,690,190 in 2019. Capital Gifts from the Foundation was approximately 513,116 in 2019

FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

Net Position

Net position for the current year increased by \$5.0 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.

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. Following is a condensed statement of cash flows for the fiscal years ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Net cash provided (used) by:		
Operating activities	\$(35,695,393)	\$(39,359,868)
Noncapital financing activities	48,719,207	50,224,916
Capital and related financing activities	(16,775,616)	(13,243,172)
Investing activities	-	-
Net increase (decrease) in cash	(3,751,802)	(2,378,124)
Beginning cash and cash equivalent balances	42,028,784	44,406,908
Ending cash and cash equivalent balances	\$ 38,276,982	\$ 42,028,784

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 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 2019 fiscal year. Detailed financial information regarding capital asset additions, retirements & depreciation is available in Note 5 to the financial statements. The following is a brief summary of major capital projects currently in process:

The following major construction projects completed during the current fiscal year: \$31.1 million Victor E Villages building and parking lot.

The following major construction projects were under construction at the end of the fiscal year: \$9.4 million Center for Art & Design building and \$4 million boiler replacement at Akers Energy Center.

The following major construction projects are in the planning and design phases at year-end: Center for Student Success addition to the Memorial Union building and renovation to Rarick Hall building.

FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019

DEBT ADMINISTRATION

At June 30, 2019, the University had \$29.2 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 \$30,845,000 was incurred during the 2016 fiscal year to finance Wiest Hall Replacement and Themed Housing Project in the amount of \$26.7 million; and refunding of the Memorial Union Renovation Project in the amount of \$4.1 million.

Moody's Ratings Services has assigned the Bonds an underlying rating of "A1 with a stable outlook". 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 26.2% of the total resources for the University during fiscal year 2019. This was an increase from the 25.3% provided for fiscal year 2018. The approved fiscal year 2020 state appropriation budget is \$35.8 million

The State of Kansas expects increased revenue for fiscal year 2020. The State expects increased expenses primarily due to the court ordered increases to K-12 funding and Medicare expansion. Future enhancements to FHSU is a slight possibility. The University administration will monitor developments in the State's overall operating budget while having plans in place for changes in overall funding to higher education.

Enrollment for the academic 2019-2020 year is expected to increase slightly. Regional and international recruitment is expected to show an increase in headcount in our virtual college while on campus will remain level. The Kansas Board of Regents held the resident and non-resident tuition rates at fiscal year 2019 levels. The University expects a slight increase in revenues for fiscal year 2020 while planning for flat enrollment in fiscal year 2021. The university is working on initiatives to increase retention and student recruitment. The university will continue efforts to maintain affordable tuition rates which are the lowest in the Kansas Regent's system.

FORT HAYS STATE UNIVERSITY
STATEMENT OF NET POSITION
As of June 30, 2019 and 2018

ASSETS			Component Units	
	2019	2018	2019	2018
Current assets				
Cash and cash equivalents	\$ 32,357,607	\$ 37,573,731	\$ 347,221	\$ 249,182
Restricted cash and cash equivalents	5,919,375	4,455,053	-	-
Investments	245,410	258,428	-	-
Accounts receivable, net	3,991,299	3,587,470	7,466	11,379
Loans to students, net - current portion	664,656	699,735	-	-
Inventories	168,164	119,390	6,523	8,659
Prepaid expenses	1,978,693	1,833,591	10,000	3,320
Total current assets	45,325,204	48,527,398	371,210	272,540
Noncurrent assets				
Restricted cash and cash equivalents	-	-	4,724,952	3,979,646
Investments, bond reserve	-	-	303,620	286,965
Loans to students, net	4,060,518	4,927,314	-	-
Capital assets, net	172,535,706	162,107,006	1,411,262	1,520,258
Total noncurrent assets	176,596,224	167,034,320	6,439,834	5,786,869
Total assets	221,921,428	215,561,718	6,811,044	6,059,409
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions	1,039,606	2,526,081	-	-
Other post employment benefits	74,599	70,184	-	-
Total deferred outflows	1,114,205	2,596,265	-	-
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	12,317,139	11,304,731	127,899	102,937
Deferred revenue	4,042,544	4,200,208	150,594	147,160
Accrued compensated absences - current portion	2,539,643	2,174,808	-	-
Capital leases payable - current portion	415,384	390,043	-	-
Revenue bonds payable - current portion	1,230,000	1,195,000	-	-
Deposits held in custody for others	488,325	323,273	-	-
Perkins loans payable - federal portion	1,429,505	607,927	-	-
Unamortized bond premium/discounts, current portion	58,039	58,039	-	-
Total current liabilities	22,520,579	20,254,029	278,493	250,097
Noncurrent liabilities				
Accrued compensated absences	533,860	416,793	-	-
Capital leases payable	671,646	1,087,030	-	-
Other postemployment healthcare benefits	440,837	519,710	-	-
Perkins loans payable - federal portion	5,145,796	4,474,182	-	-
Revenue bonds payable	26,890,000	28,120,000	-	-
Unamortized bond premium/discounts	597,045	655,084	-	-
Pension liability	10,573,094	13,079,878	-	-
Total noncurrent liabilities	44,852,278	48,352,677	-	-
Total liabilities	67,372,857	68,606,706	278,493	250,097
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	3,372,008	2,257,716	-	-
Other post employment benefits	54,557	10,551	-	-
Total deferred inflows	3,426,565	2,268,267	-	-
NET POSITION				
Net investment In capital assets	143,328,676	131,314,933	1,411,262	1,520,258
Restricted for:				
Expendable:				
Loans	943,903	896,843	-	-
Debt service	2,637,191	2,628,908	-	-
Capital projects	2,234,448	2,817,161	-	-
Other Purposes	-	-	4,724,952	3,980,637
Unrestricted	3,091,993	9,625,165	396,337	308,417
Total Net position	\$ 152,236,211	\$ 147,283,010	\$ 6,532,551	\$ 5,809,312

See accompanying notes to financial statements.

FORT HAYS STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	<u>University Funds</u>		<u>Component Units</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<u>OPERATING REVENUES</u>				
Tuition and fees (net of scholarship allowances of \$11,359,796 and \$10,292,848 in 2019 and 2018 respectively)	\$ 63,735,177	\$ 62,753,810	\$ -	\$ -
Federal grants and contracts	4,653,720	4,758,663	-	-
State and local grants and contracts	1,985,840	2,300,621	-	-
Sales and services of educational departments	1,167,198	360,929	-	-
Auxiliary enterprises:				
Residential Life	10,735,706	10,818,675	-	-
Athletics	-	-	4,259,442	3,125,401
Parking	230,098	291,706	-	-
Student Union	1,806,879	1,983,197	-	-
University Health Services	793,232	809,744	-	-
Interest earned on loans to students	132,367	112,596	-	-
Other operating revenues	4,829,255	2,449,148	165,218	193,632
Total operating revenues	<u>90,069,472</u>	<u>86,639,089</u>	<u>4,424,660</u>	<u>3,319,033</u>
<u>OPERATING EXPENSES</u>				
Educational and General				
Instruction	52,085,217	47,852,822	-	-
Research	1,017,293	1,047,388	-	-
Public service	4,446,532	4,039,625	-	-
Academic support	16,523,200	16,312,464	-	-
Student services	12,194,516	11,820,133	-	-
Institutional support	9,176,507	9,325,878	-	-
Operations and maintenance of plant	7,014,840	7,112,024	-	-
Depreciation	6,968,467	6,098,623	218,986	169,977
Scholarships and fellowships	14,536,717	14,307,994	-	-
Auxiliary enterprises:				
Residential Life	8,160,438	9,494,714	-	-
Athletics	-	-	3,337,949	3,369,042
Parking	81,140	83,033	-	-
Student Union	1,342,814	1,842,011	-	-
University Health Services	775,368	792,337	-	-
Other operating expenses	1,517,667	2,594,572	144,486	164,731
Total operating expenses	<u>135,840,716</u>	<u>132,723,618</u>	<u>3,701,421</u>	<u>3,703,750</u>
Operating Income (Loss)	<u>(45,771,244)</u>	<u>(46,084,529)</u>	<u>723,239</u>	<u>(384,717)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
State appropriations	33,555,368	32,777,502	-	-
Federal grants and contracts	16,189,610	15,945,703	-	-
Gifts	2,736,648	307,154	-	-
Investment income	-	-	-	-
Other non-operating revenue (expenses)	(4,612,103)	(3,280,560)	-	-
Interest expense	(911,391)	(951,382)	-	-
Net nonoperating revenues (expenses)	<u>46,958,132</u>	<u>44,798,417</u>	<u>-</u>	<u>-</u>
Income before other revenues, expenses, gains, or losses	1,186,888	(1,286,112)	723,239	(384,717)
Capital appropriations	<u>3,766,313</u>	<u>1,497,923</u>	<u>-</u>	<u>-</u>
Increase (Decrease) In Net Position	4,953,201	211,811	723,239	(384,717)
<u>NET POSITION</u>				
Net Position - beginning of year	147,283,010	147,553,740	5,809,312	6,117,399
Revisions to beginning net position	-	(482,541)	-	76,630
Net Position - beginning of year (as adjusted)	<u>147,283,010</u>	<u>147,071,199</u>	<u>5,809,312</u>	<u>6,194,029</u>
Net Position - end of year	<u>\$ 152,236,211</u>	<u>\$ 147,283,010</u>	<u>\$ 6,532,551</u>	<u>\$ 5,809,312</u>

See accompanying notes to financial statements

FORT HAYS STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	2019	2018
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Tuition and fees	\$ 63,747,090	\$ 63,435,853
Sales and services of educational activities	1,124,495	467,595
Auxiliary enterprises:		
Residential Life	2,575,268	1,323,961
Parking	148,958	208,673
Student union	464,065	141,186
University health services	17,864	17,407
Grants and contracts	6,686,628	6,675,263
Payments to Suppliers	(25,047,894)	(26,279,352)
Payments to utilities	(996,338)	(990,346)
Compensation and benefits	(76,657,639)	(73,134,207)
Payments for scholarships and fellowships	(13,615,978)	(13,700,067)
Loans issued to students and employees	-	(717,120)
Collection of loans to students and employees	901,875	771,485
Other receipts (payments)	4,956,213	2,420,401
Net cash provided (used) by operating activities	(35,695,393)	(39,359,868)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
State appropriations	33,555,368	32,777,502
Other Federal Grants and Contracts	16,189,610	15,945,703
Gifts	2,736,648	307,154
Deposits held in custody for others	178,070	935
Federal family education loan receipts	49,924,085	51,648,748
Federal family education loan disbursements	(49,924,085)	(51,648,748)
Other	(3,940,489)	1,193,622
Net cash provided by noncapital financing activities	48,719,207	50,224,916
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Capital appropriations	3,193,949	1,497,923
Purchases of capital assets	(17,397,167)	(12,056,654)
Proceeds from sale of capital assets	-	-
Proceeds from issue of bonds	-	-
Principal paid on capital debt and leases	(1,585,043)	(1,645,886)
Interest paid on capital debt and leases	(929,316)	(976,982)
Other	(58,039)	(61,573)
Net cash used by capital financing activities	(16,775,616)	(13,243,172)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Proceeds from sales and maturities of investments	-	-
Investment Income	-	-
Purchase of investments	-	-
Net cash provided by investing activities	-	-
Net Increase (decrease) in cash	(3,751,802)	(2,378,124)
Cash - beginning of the year	42,028,784	44,406,908
Cash - end of year	\$ 38,276,982	\$ 42,028,784
<u>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (45,771,244)	\$ (46,084,529)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	6,968,467	6,098,623
Changes in assets and liabilities:		
Accounts receivables, net	168,533	409,530
Loans to students, net	901,875	53,765
Inventories	(48,772)	13,186
Prepaid expenses	(145,102)	(95,478)
Accounts payable and accrued liabilities	1,968,978	1,088,791
Other Postemployment Healthcare Benefits	(78,873)	37,169
Deferred revenue	(157,664)	(12,167)
Pension Liability	133,574	(909,221)
Unamortized bond premiums	-	-
Due to Other Funds/Deposits held for others	-	-
Accrued compensated absences	364,835	40,463
Net cash provided (used) by operating activities:	\$ (35,695,393)	\$ (39,359,868)

See accompanying notes to financial statements

FORT HAYS STATE UNIVERSITY FOUNDATION
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS
(Prepared On A Cash Basis)

Year ended June 30,

ASSETS	2019	2018
Cash and cash equivalents	\$ 77,264	\$ 72,588
Certificates of deposit and money market funds	7,251,215	4,633,121
Securities and limited partnerships	95,787,148	84,726,318
Student notes receivable and matching fund programs, net of allowance for doubtful accounts	126,682	135,493
Art and coin collection	152,812	152,812
Coins held for sale	79,639	6,382
Rental investments	542,670	565,282
Cash surrender value of life insurance	214,384	355,019
Oil working interests, less accumulated depletion	93,343	165,076
Land, buildings, equipment and oil royalties, less accumulated depreciation, depletion and reserve for impairment	11,064,769	7,461,673
Other	21,340	20,076
	\$ 115,411,266	\$ 98,293,840
LIABILITIES AND NET ASSETS		
Due to agency funds and other	\$ 39,057	\$ 39,960
Annuity contracts payable	653,641	642,929
	692,698	682,889
NET ASSETS		
Without donor restrictions	\$ 11,929,459	\$ 11,832,073
With donor restrictions	102,789,109	85,778,878
	114,718,568	97,610,951
	\$ 115,411,266	\$ 98,293,840

The accompanying notes are an integral part of these statements.

FORT HAYS STATE UNIVERSITY FOUNDATION
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS
(Prepared On A Cash Basis)

Year ended June 30,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (LOSSES)						
Fund raising						
Estates & planned gifts	\$ 2,792	\$ 11,916,300	\$ 11,919,092	\$ 85,045	\$ 2,622,236	\$ 2,707,281
Major gifts	81,000	7,456,453	7,537,453	52,419	3,975,084	4,027,503
Other	102,151	1,651,255	1,753,406	126,733	1,601,106	1,727,839
Total fund raising	185,943	21,024,008	21,209,951	264,197	8,198,426	8,462,623
Investment return	1,636,911	1,359,826	2,996,737	2,124,144	3,274,793	5,398,937
Oil and gas	276	187,053	187,329	284	177,234	177,518
Farm rent	-	23,404	23,404	-	15,092	15,092
Management fees	318,371	-	318,371	159,775	-	159,775
Other revenues, net of bad debts	341,719	678,648	1,020,367	332,133	20,710	352,843
TOTAL REVENUES AND NET GAINS (LOSSES)	2,483,220	23,272,939	25,756,159	2,880,533	11,686,255	14,566,788
Net assets released from restrictions	6,125,723	(6,125,723)	-	6,124,876	(6,124,876)	-
TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT	8,608,943	17,147,216	25,756,159	9,005,409	5,561,379	14,566,788
EXPENSES						
Program expenses						
University support and farm expenses	3,307,634	-	3,307,634	3,729,394	-	3,729,394
Scholarships, grants, and awards	2,541,725	-	2,541,725	2,334,456	-	2,334,456
Management fees	345,365	-	345,365	181,722	-	181,722
Oil expenses	120,930	-	120,930	106,688	-	106,688
Total program expenses	6,315,654	-	6,315,654	6,352,260	-	6,352,260
Management and general expenses	1,076,699	-	1,076,699	924,462	-	924,462
Fundraising expenses	1,247,577	-	1,247,577	1,146,748	-	1,146,748
TOTAL EXPENSES	8,639,930	-	8,639,930	8,423,470	-	8,423,470
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(30,987)	17,147,216	17,116,229	581,939	5,561,379	6,143,318
OTHER CHANGES						
Change in value and actuarial gain (loss) on annuity contracts	470	(9,082)	(8,612)	2,827	13,356	16,183
Transfers (to) from agency funds & other	-	-	-	-	12,035	12,035
Interfund transfers	127,903	(127,903)	-	202,386	(202,386)	-
CHANGE IN NET ASSETS	97,386	17,010,231	17,107,617	787,152	5,384,384	6,171,536
NET ASSETS AT BEGINNING OF YEAR	11,832,073	85,778,878	97,610,951	11,044,921	80,394,494	91,439,415
NET ASSETS AT END OF YEAR	<u>\$ 11,929,459</u>	<u>\$ 102,789,109</u>	<u>\$ 114,718,568</u>	<u>\$ 11,832,073</u>	<u>\$ 85,778,878</u>	<u>\$ 97,610,951</u>

The accompanying notes are an integral part of these statements.

FORT HAYS STATE UNIVERSITY FOUNDATION
STATEMENTS OF CASH FLOWS
(Prepared On A Cash Basis)

Year ended June 30,

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,107,617	\$ 6,171,536
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and depletion	259,134	255,671
Adjustments to the allowance for uncollectible loans to student (net of recoveries)	(2,987)	7,689
Cancellation of loans to students meeting service requirements	82,900	-
Adjustments to annuities payable, net	77,299	71,951
Increase in cash surrender value of life insurance policies	(9,747)	(86)
Decrease in agency funds	(903)	(6,420)
Contributions of securities	(9,883,656)	(740,201)
Contributions of artwork and coins	(73,257)	(6,382)
Contributions of equipment and real estate	(3,747,681)	(3,900)
Contributions restricted for long-term investment	(2,851,814)	(3,369,335)
Net realized and unrealized losses (gains) on investments and annuity contracts	145,032	(2,667,361)
Net loss on disposition of equipment	267	802
Net loss on sale of real estate	-	2,516
Net loss on disposition of artwork	-	17,289
Net gain on life insurance policy	(352,172)	-
Other	(1,264)	(2,371)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	748,768	(268,602)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	45,943,088	17,971,000
Proceeds from sales of real estate	-	7,484
Transfer of family nurse practitioner funds	-	(3,120)
Transfer from art collection	-	200
Purchase of investments	(47,265,294)	(22,015,978)
Net (increase) decrease in certificates of deposit and savings	(2,618,094)	1,039,747
Disbursements of loans to students	(81,400)	(13,177)
Repayments of loans to students	10,298	32,857
Life insurance proceeds	502,554	-
Purchase of land, building, and equipment	(20,471)	(50,698)
NET CASH USED IN INVESTING ACTIVITIES	(3,529,319)	(3,031,685)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	2,851,814	3,369,335
Payments to gift annuitants	(103,599)	(97,368)
Liquidation of annuities	(5,736)	(2,771)
Contributions of annuities	42,748	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,785,227	3,269,196
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,676	(31,091)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	72,588	103,679
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 77,264	\$ 72,588

The accompanying notes are an integral part of these statements.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

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 as prescribed by the Governmental Accounting Standards Board (GASB). 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 4,486, an enrollment of 4,498 in our partner universities in China, and an enrollment in our Virtual College of 6,924, for a total enrollment of 15,908 as of Fall 2019. The University is accredited by the Higher Learning Commission of 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 and the Fort Hays State University Athletic Association.

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 may be found following the University's financial statement.

In preparing the financial statements, all significant transactions and balances between the University and the component units have been eliminated to avoid overstatement of 1) revenues and expenses on the Statement of Revenues, Expenses and Changes in Net Position, and 2) balances on the Statement of Net Position.

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.

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 Statement No.72, Fair Value Measurement and Application. 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. 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 carried at cost.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

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 4)

Capital Assets. Capital assets are recorded at cost at the date of acquisition, or estimated acquisition 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.

Unearned 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, pensions and other postemployment benefits that will not be paid within the next fiscal year.

Pensions. In accordance with provisions of GASB 68, Accounting and Financial Reporting for Pensions, the University has reported its proportional share of the entire Kansas Public Employees Retirement System (KPERs) pension liability. 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 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 purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are at fair value.

OPEB. In accordance with provisions of GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the university has reported its proportional share of the entire KPERs OPEB liability. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the OPEB plan, and OPEB expense, an actuarial valuation was completed and the OPEB liability was measured at June 30, 2018. As the OPEB plan was measured at June 30, 2018, the current year contributions to the Plan by the University are recorded as deferred outflows.

Deferred Inflows/Outflows. Deferred outflows and deferred inflows result from the consumption or acquisition of net assets in one period that are applicable to future periods. These items are reported separately from assets and liabilities. Deferred outflows and deferred inflows for June 30, 2019, refer to activity pertaining to the recognition of KPERs Pension liability per GASB 68 and Other Postemployment Benefits per GASB 75.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

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 University 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. The University has classified its revenue as either operating or non-operating revenues according to the following criteria::

Operating Revenues: Operating revenues 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 educational activities and auxiliary enterprises, 3) most federal, state and local grants and contracts, and 4) interest on institutional student loans.

Non-operating Revenues: Non-operating revenues include activities that have characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations 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 non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

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 2019 summer session are reported in the Statement of Revenues, Expenses and Changes in Net Position as revenues and expenses for FY 2020. Summer session revenues received prior to June 30, 2019, are reported as unearned revenues in the Statement of Net Position. Expenses for the summer session paid prior to June 30, 2019, 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.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

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, 2019 and 2018 was \$38,276,982 and \$42,028,784, respectively. The University’s deposits with the State Treasurer are pooled with the funds of other state agencies and then, in accordance with statutory limitations, placed in short term investments with the exception of the bond funds. All bond proceeds are invested in conjunction with specifications stated in the bond resolutions.

State law requires the University to deposit the majority of its cash balances with the State Treasurer, who holds and invests the funds. These investments are managed by the Pooled Money Investment Board (PMIB), which maintains a published investment policy. The exceptions to this are any funds maintained in the University’s imprest fund, organizational safe keeping, revenue bond project and reserve funds and any funds held by external entities on behalf of the University.

Cash balances maintained by the State Treasurer are pooled and are held in a general checking account and other special purpose bank accounts. The available cash balances beyond immediate need are pooled for short-term investment purposes by PMIB and are reported at fair value, based on quoted market prices.

The majority of deposit balances not maintained by the State Treasurer are covered by FDIC or collateralized. The University does not have a formal deposit policy regarding custodial credit risk. However, management has evaluated the financial stability of the financial institution involved and believes the custodial credit risk is minimal.

Investments: As of June 30, 2019 and 2018, investments in certificates of deposit for student activity accounts were \$245,410 and \$258,428, respectively.

NOTE 3 - Accounts Receivable

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

	2019	2018	
Tuition, fees & other	\$ 1,087,077	\$ 1,122,262	
Auxiliary enterprises	192,417	117,703	
Grants & contracts	477,357	685,421	
Appropriated funds	2,234,448	1,662,084	
	\$ 3,991,299	\$ 3,587,470	

NOTE 4 - Loans to Students

Student loans made through the Federal Perkins Loan Program comprise substantially all of the loans to students at June 30, 2019. 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, 2019 and 2018, the allowance for uncollectible loans was estimated to be \$236,259 and \$281,347, respectively.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

NOTE 5 –Capital Assets

Capital asset activity for the year ended June 30, 2019 and June 30, 2018 was as follows:

	2019			
	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets				
Land	\$ 304,456	\$ -	\$ -	\$ 304,456
Construction in progress	33,749,154	14,520,996	33,664,439	14,605,711
Software	1,221,462	1,478,560		2,700,022
Total non-depreciable capital assets	<u>35,275,072</u>	<u>15,999,556</u>	<u>33,664,439</u>	<u>17,610,189</u>
Depreciable capital assets				
Infrastructure	25,919,699	972,964	-	26,892,663
Buildings	158,716,426	32,599,171	-	191,315,597
Equipment	22,765,918	1,432,643	655,476	23,543,085
Intangible	4,345,873	-	-	4,345,873
Vehicles	1,583,999	75,503	12,113	1,647,389
Total depreciable capital assets	<u>213,331,915</u>	<u>35,080,281</u>	<u>667,589</u>	<u>247,744,607</u>
Total capital asset cost	<u>248,606,987</u>	<u>51,079,837</u>	<u>34,332,028</u>	<u>265,354,796</u>
Accumulated depreciation				
Infrastructure	7,341,134	984,327	-	8,325,461
Buildings	68,283,008	3,762,406	-	72,045,414
Equipment	9,514,287	1,503,897	636,520	10,381,664
Intangible	280,512	543,235	-	823,747
Vehicles	1,081,040	174,603	12,839	1,242,804
Total accumulated depreciation	<u>86,499,981</u>	<u>6,968,468</u>	<u>649,359</u>	<u>92,819,090</u>
Capital Assets Net	<u>\$ 162,107,006</u>	<u>\$ 44,111,369</u>	<u>\$ 33,682,669</u>	<u>\$ 172,535,706</u>
2018				
	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets				
Land	\$ 304,456	\$ -	\$ -	\$ 304,456
Construction in progress	41,695,965	4,833,254	12,780,065	33,749,154
Software	4,801,423	746,135	4,326,096	1,221,462
Total non-depreciable capital assets	<u>46,801,844</u>	<u>5,579,389</u>	<u>17,106,161</u>	<u>35,275,072</u>
Depreciable capital assets				
Infrastructure	25,483,916	435,783	-	25,919,699
Buildings	142,431,979	16,284,447	-	158,716,426
Equipment	22,858,156	2,487,671	2,579,909	22,765,918
Intangible	19,778	4,326,095	-	4,345,873
Vehicles	1,574,939	225,401	216,341	1,583,999
Total depreciable capital assets	<u>192,368,768</u>	<u>23,759,397</u>	<u>2,796,250</u>	<u>213,331,915</u>
Total capital asset cost	<u>239,170,612</u>	<u>29,338,786</u>	<u>19,902,411</u>	<u>248,606,987</u>
Accumulated depreciation				
Infrastructure	6,384,095	957,039	-	7,341,134
Buildings	65,141,112	3,141,896	-	68,283,008
Equipment	10,383,461	1,535,494	2,404,668	9,514,287
Intangible	5,827	274,685	-	280,512
Vehicles	1,107,142	189,509	215,611	1,081,040
Total accumulated depreciation	<u>83,021,637</u>	<u>6,098,623</u>	<u>2,620,279</u>	<u>86,499,981</u>
Capital Assets Net	<u>\$ 156,148,975</u>	<u>\$ 23,240,163</u>	<u>\$ 17,282,132</u>	<u>\$ 162,107,006</u>

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

NOTE 6 - Changes In Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2019 and June 30, 2018 was as follows:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases payable	\$ 1,477,073	\$ -	\$ 390,043	\$ 1,087,030	\$ 415,384
Revenue bonds payable	29,315,000	-	1,195,000	28,120,000	1,230,000
Premium	713,123	-	58,039	655,084	58,039
Compensated absences	2,591,601	481,902	-	3,073,503	2,539,643
Perkins loan program	5,082,109	1,007,590	-	6,089,699	1,429,505
Post employment benefits	519,710	-	78,873	440,837	-
Net pension liability	13,079,878	-	2,506,784	10,573,094	-
Total long-term liabilities	\$ 52,778,494	\$ 1,489,492	\$ 4,228,739	\$ 50,039,247	\$ 5,672,571

	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases payable	\$ 1,842,959	\$ -	\$ 365,886	\$ 1,477,073	\$ 390,043
Revenue bonds payable	30,595,000	-	1,280,000	29,315,000	1,195,000
Premium	774,696	-	61,573	713,123	58,039
Compensated absences	2,416,558	175,043	-	2,591,601	2,174,808
Perkins loan program	-	5,082,109	-	5,082,109	607,927
Post employment benefits	-	519,710	-	519,710	-
Net pension liability	13,528,228	-	48,350	13,079,878	-
Total long-term liabilities	\$ 49,157,441	\$ 5,776,862	\$ 2,155,809	\$ 52,778,494	\$ 4,425,817

NOTE 7 - Revenue Bonds Outstanding

Revenue bonds payable consist of the following:

	Principal Outstanding at 6/30/19
Kansas Development Finance Authority Wiest Hall Replacement Bonds Series 2016B \$26,750,000 issued April 1, 2016 with a final maturity date of 04/01/2041. Interest ranging from 3.0% to 4.0%, payable semi annually	\$ 25,255,000
Kansas Development Finance Authority Memorial Union Renovation Revenue Bonds, Refunded Series 2016B. \$4,095,000. Issued April 1, 2016, with a final maturity date of 04/01/2025. Interest ranging from 2.0% to 4.0%, payable semi-annually.	\$ 2,865,000

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2019 and 2018

NOTE 8 - Revenue Bonds Maturity Schedule:

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

Year Ending June 30	Principal	Interest	Total
2020	\$ 1,230,000	\$ 951,505	\$ 2,181,505
2021	1,275,000	902,305	2,177,305
2022	1,325,000	851,305	2,176,305
2023	1,365,000	811,555	2,176,555
2024-2028	5,945,000	3,334,475	9,279,475
2029-2033	5,705,000	2,485,356	8,190,356
2034-2038	6,685,000	1,506,631	8,191,631
2039-2041	4,590,000	327,528	4,917,528
	\$ 28,120,000	\$ 11,170,660	\$ 39,290,660

NOTE 9 – 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 \$1,155,074 and \$1,601,627 as of June 30, 2019 and 2018, respectively. Payments to liquidate these obligations are scheduled as follows:

Fiscal Year 2020	\$	455,686
Fiscal Year 2021		465,008
Fiscal Year 2022		234,380

The remaining principal balance for the master lease agreement as of June 30, 2019 and 2018 is \$1,087,030 and \$1,477,073, respectively.

NOTE 10 – 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 \$988,228 and 932,941 during fiscal years 2019 and 2018, respectively, and individual employees contributed \$439,871 and 453,856. 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 \$3,704,439 and 3,434,443 during fiscal years 2019 and 2018, respectively, and individual employees contributed \$2,382,361 and 2,206,122.

General Information about the Pension Plan

Plan description: Some of the Fort Hays State University support staff 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

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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 distributed 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. 74-4920 establish the KPERS member-employee contributions rates. Effective July 1, 2009, KPERS has two benefit structures and contribution rates depend on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing member hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 5% of covered salary for Tier 1 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 1% contribution rate for the Death and Disability Program) and the statutory contribution rates for the year ended June 30, 2018 are as follows:

	Actuarial employer rate	Statutory employer capped rate
State employees	9.62%	12.01%
Police and Firemen	20.09	20.09

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

At June 30, 2019, Fort Hays State University reported a liability of \$10,573,094 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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 and Police and Fire subgroups within KPERS for the fiscal year ended June 30, 2018. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2018 Fort Hays State University proportion was 0.149184%, which was a decrease of .032468% from its proportion measured as of June 30, 2017. As of June 30, 2018, the University's proportion of the total contributions made to the Police and Fire group was .087415% which was a decrease of .005862% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, Fort Hays State University recognized pension expense of \$93,983. At June 30, 2019 Fort Hays State University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 51,394	\$ 426,353
Net difference between projected and actual earnings on pension plan investments	188,829	-
Changes in proportion	388,886	2,934,925
Changes in assumptions	410,497	10,730
Total	\$ 1,039,606	\$ 3,372,008

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:

2020	\$ (414,086)
2021	(563,037)
2022	(805,816)
2023	(449,781)
2024	(99,682)
	<u>\$ (2,332,402)</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The actuarial valuation was determined used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.75 percent
Wage inflation	3.50 percent
Salary increases, including wage increases	3.50 to 12.0 percent, including inflation
Long-term rate of return net of investment expense, and including price inflation	7.75 percent

Mortality rates were based on the RP-2014 Mortality Tables, with age setbacks and age set forwards as other adjustments based on different membership groups. The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study conducted for the three year period beginning January 1, 2013 and ending December 31, 2015.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of the most recent experience study, dated November 18, 2016, as provided by KPERS' investment consultant, are summarized in the following table:

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.80%
Fixed income	13	1.25
Yield driven	8	6.55
Real return	11	1.71
Real estate	11	5.05
Alternatives	8	9.85
Short-term investments	2	(0.25)
Total	<u>100%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from 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's 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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Fort Hays State University proportionate share of the net pension liability	\$ 14,305,144	\$ 10,573,106	\$ 7,419,455

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

Note 11 – Postemployment Benefits Other Than Pensions (OPEB)

Plan Description. The university participates in an agent multiple-employer defined benefit other post-employment benefit (OPEB) plan which is administered by KPERS. The Plan provides long-term disability benefits and life insurance benefit for disabled members to KPERS members, as provided by K.S.A. 74-04927. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. Because the trust's assets are used to pay employee benefits other than OPEB, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. There is no stand-alone financial report for the plan.

Benefits provided:

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60% (prior to January 1, 2006, 66 2/3%) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver premium provision.

Long-term disability benefit: Monthly benefit is 60% of the member's monthly compensation, with a minimum of \$100 and maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include

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Social Security primary disability or retirement benefits, worker's compensation benefits, other disability benefits from any other source by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability occurs after age 60, benefits are payable while disability continues, for a period of 5 years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the term of the disability or 24 months per lifetime, whichever is less. There are no automatic cost-of-living increase provisions. KPERS has the authority to implement an ad hoc cost-of living increase.

Group life waiver of premium benefit: Upon the death of an employee who is receiving monthly disability benefits, the plan will pay a lump-sum benefit to eligible beneficiaries. The benefit amount will be 150% of the greater of the member's previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for 5 or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price before the life insurance benefit is computed. The indexing is based on the consumer price index, less one percentage point, to compute the death benefit. If an member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual life insurance plan.

Members covered by benefit terms. At June 30, 2019, the following members were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	6
Active employees	180
	186
	186

Total OPEB Liability

The university's total OPEB liability of \$440,837 was measured as of June 30, 2018, and was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all period included in the measurement, unless otherwise noted:

Price inflation	2.75%
Payroll growth	3.00%
Salary increases, including inflation	3.50 to 10%, including price inflation
Discount rate	3.87%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit cost	Not applicable for the coverage in this plan

The discount rate was based on the Bond Buyer General Obligation 20-Year Municipal Bond Index.

Mortality rates were based on the RP-2014 Mortality tables, as appropriate, with adjustment for mortality improvements based on Scale MP-2018.

The actuarial assumptions used in the June 30, 2018 valuation were based on actuarial experience study for the period July 1, 2014 – June 30, 2016. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2017 KPERS pension valuation.

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Changes in the Total OPEB Liability

Balance at fiscal year-end 6/30/18	\$ 519,710
Changes for the year:	
Service cost	27,870
Interest	18,280
Effect of economic/demographic gains or losses	(46,604)
Effect of assumptions changes or inputs	(3,820)
Benefit payments	(74,599)
Net changes	(78,873)
Balance at fiscal year-end 6/30/19	\$ 440,837

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate increased from 3.58% on June 30, 2017 to 3.87% on June 30, 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the university, as well as what the university's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 453,999	\$ 440,837	\$ 427,909

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The healthcare trend rates do not affect the liabilities related to the long-term disability benefits sponsored by KPERS. Therefore, there is no sensitivity to a change in healthcare trend rates.

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

For the year ended June 30, 2019, the university recognized OPEB expense of \$39,732. At June 30, 2018, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$ -	\$ 41,795
Changes in assumptions	-	12,762
Benefit payments subsequent to the measurement date	74,599	-
Total	\$ 74,599	\$ 54,557

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$74,599 consist of payments made to KPERS for benefits and administrative costs, and will be recognized as a reduction in the total OPEB liability during the year ended June 30, 2020. Other amounts reported as deferred outflows of sources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$ (6,418)
2021	\$ (6,418)
2022	\$ (6,418)
2023	\$ (6,418)
2024	\$ (6,418)
Thereafter	(22,467)
	\$ (54,557)

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NOTE 12 - Commitments and Contingent Liabilities

The University, as an agency of the State 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 Kansas Board of Regents' 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

Operating expenses by natural classification for the years ended June 30, 2019 and June 30, 2018 was as follows:

	2019					
	Compensation and Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Educational and General:						
Instruction	\$ 44,526,036	828,384	2,779	6,728,018	-	\$ 52,085,217
Research	394,825	63,790	-	558,678	-	1,017,293
Public service	2,160,375	-	-	2,286,157	-	4,446,532
Academic support	10,153,510	17,352	50,626	6,301,712	-	16,523,200
Student services	7,853,911	419,314	6,845	3,914,446	-	12,194,516
Institutional support	5,347,612	330,829	-	3,498,066	-	9,176,507
Operations and maintenance of plant	5,974,331	-	936,088	104,421	-	7,014,840
Depreciation	-	-	-	-	6,968,467	6,968,467
Scholarships and fellowships	-	13,566,795	-	969,922	-	14,536,717
Auxiliary enterprises:						
Residential Life	2,162,884	-	833,818	5,163,736	-	8,160,438
Parking	31,986	-	-	49,154	-	81,140
Student unions	804,735	-	188,465	349,614	-	1,342,814
Health services	631,385	-	799	143,184	-	775,368
Other operating expenses	665,324	-	-	6,375,837	-	7,041,161
Total operating expenses	\$ 80,706,914	15,226,464	2,019,420	36,442,945	6,968,467	\$141,364,210

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	2018					
	Compensation and Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Educational and General:						
Instruction	\$ 42,584,197	559,849	956	4,707,826	-	\$ 47,852,828
Research	371,246	44,629	-	631,513	-	1,047,388
Public service	2,072,332	2,332	175	1,964,786	-	4,039,625
Academic support	9,660,546	10,995	55,576	6,585,348	-	16,312,465
Student services	7,242,083	378,637	5,612	4,193,801	-	11,820,133
Institutional support	5,190,460	280,812	-	3,854,606	-	9,325,878
Operations and maintenance of plant	5,630,882	-	927,804	553,338	-	7,112,024
Depreciation	-	-	-	-	6,098,623	6,098,623
Scholarships and fellowships	99,283	13,351,744	-	856,967	-	14,536,717
Auxiliary enterprises:						
Residential Life	2,070,254	-	903,452	6,521,008	-	9,494,714
Parking	30,151	-	-	52,882	-	83,033
Student unions	796,791	-	201,859	843,361	-	1,842,011
Health services	671,685	-	1,877	118,775	-	792,337
Other operating expenses	593,085	-	223	2,001,264	-	2,594,572
Total operating expenses	<u>\$ 77,012,995</u>	<u>14,628,998</u>	<u>2,097,534</u>	<u>32,885,475</u>	<u>6,098,623</u>	<u>\$ 132,723,625</u>