



FORT HAYS STATE UNIVERSITY



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR 2020
ENDED JUNE 30, 2020



FORT HAYS STATE UNIVERSITY

FORT HAYS STATE UNIVERSITY ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2020

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FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

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 Statements of Net Position, the Statements of Revenues, Expenses, and Changes in Net Assets, and the Statements 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.

STATEMENTS OF NET POSITION

The Statements 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 Statements 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, 2020, were \$239.6 million, an increase of \$17.7 million or 3.0%. Capital assets, net of depreciation, comprised 74.3 %, or \$178.1 million of the \$239.6 million in total assets.

Total Liabilities were \$74.7 million at June 30, 2019, an increase of \$7.3 million or a 10.9% increase compared to \$67.4 million at June 30, 2019. Long-term liabilities comprised 67.8%, or \$50.6 million of the total liabilities.

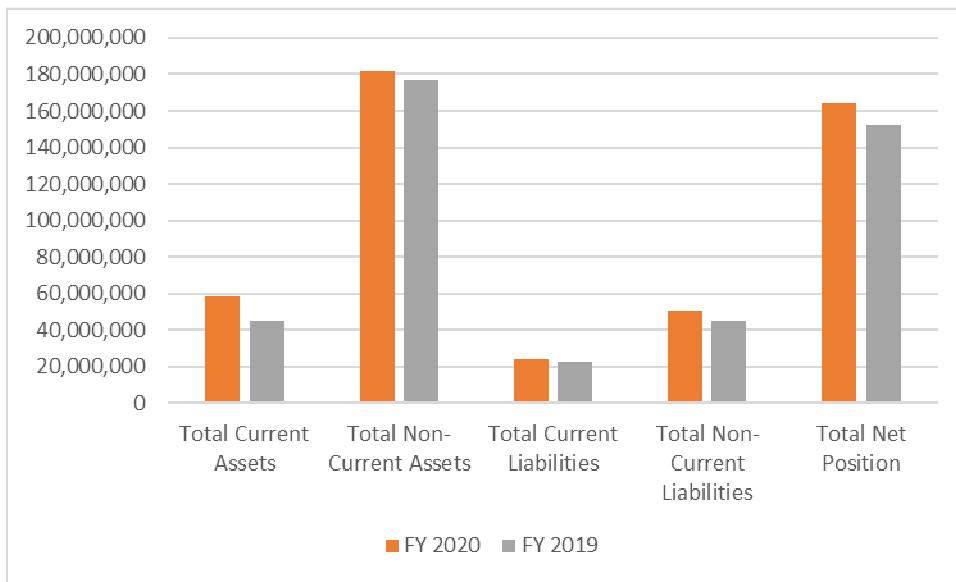
Total Net Position at June 30, 2020, was \$163.9 million, a \$11.6 million increase from the prior year, or a 7.6% increase in Net Position.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

The breakout of Net Position is shown below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Capital Assets, net of related debt.....	\$142,115,005	\$143,328,676
Restricted Net Position.....	18,957,530	5,815,542
Unrestricted Net Position	<u>2,781,185</u>	<u>3,091,993</u>
Total Net Position.....	<u>\$163,853,720</u>	<u>\$152,236,211</u>

The composition of current and non-current assets and liabilities and net position is displayed below for both 2020 and 2019 fiscal year-ends.



STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statements 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, 2020, decreased by 2.7% over the previous fiscal year. The following is a brief summary of the significant changes:

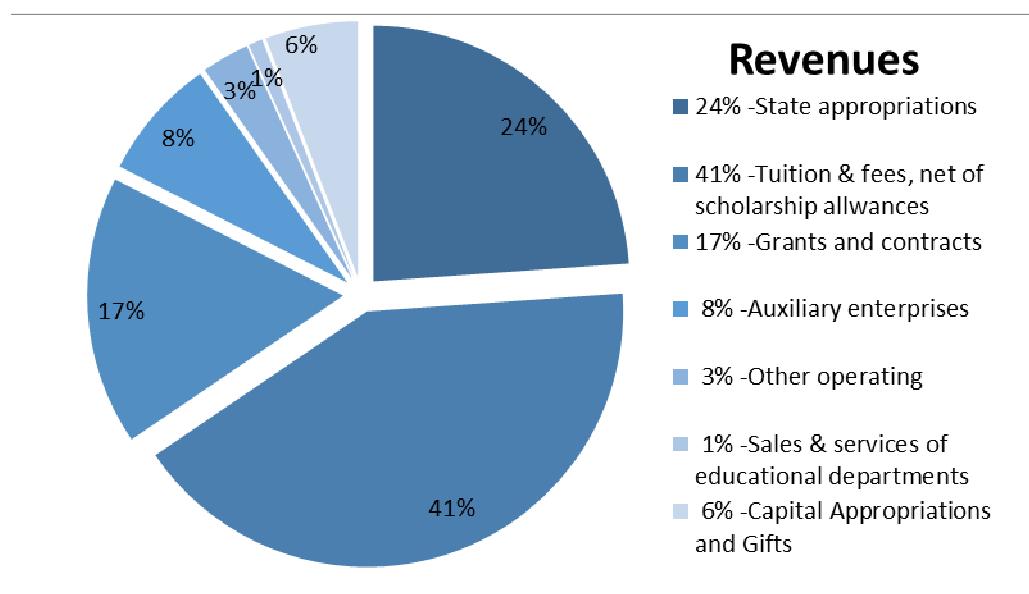
Student fee revenues, after scholarship allowances, were \$62.1 million in 2020, compared to \$63.7 million in 2019. This decrease is in part a result of the Kansas Board of Regents not allowing increases in tuition rates for fiscal year 2020 combined with a changing mix in credit hours and flat online credit hour production. The University is experiencing fewer non-resident students overall with a noticeable decline in enrollments from surrounding states. Residential Life revenues were \$8.6 million in 2020 compared to \$10.7 million in 2019, a decrease of \$2.1 million. The university moved to all on-line classes in March 2020 in response to the governor's orders in response to the Coronavirus pandemic. The university refunded room and board to the students for the period they were not allowed to live on campus. Refunds totaled over \$2 million. There was a \$1.4 million increase in federal operating

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

grants from the previous fiscal year, part of the Coronavirus Relief Fund programs provided by the Federal Government.

Total non-operating revenues increased by 18.6%, when comparing FY2020 \$55.7 million to FY2019 \$46.9 million. State appropriations increased 6.3% when comparing \$35.6 million in FY2020 to \$33.6 million in FY2019. Federal grants, including Pell Grants and CARES Act funds, increased 6.4% to \$17.2 million from \$16.2 million in FY2019. Gift income increased by 89.5% to \$5.2 million from \$2.7 million in FY2019. A gift of \$4 million was received for the Student Success Center addition to the Memorial Union building.

In summary, total revenues increased by \$3 million, from \$146.3 million to \$149.3 million. The composition of FY2020 revenues is displayed in the following graph:



Expenses

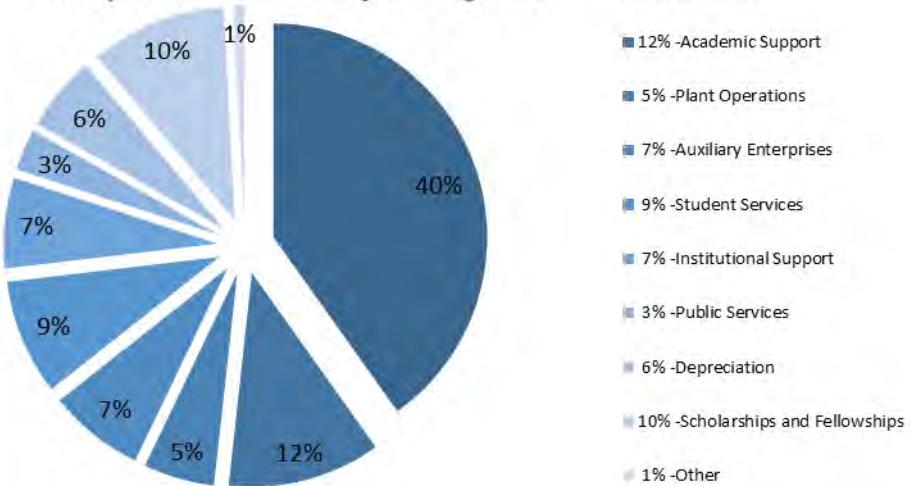
Operating expenses were \$135.3 million for the 2020 fiscal year compared to \$135.8 million for the 2019 fiscal year. Instruction expenses increased \$1.1 million; Academic Support decreased \$0.8 million; Student Services decreased \$0.3 million; and Institutional Support increased \$0.8 million.

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

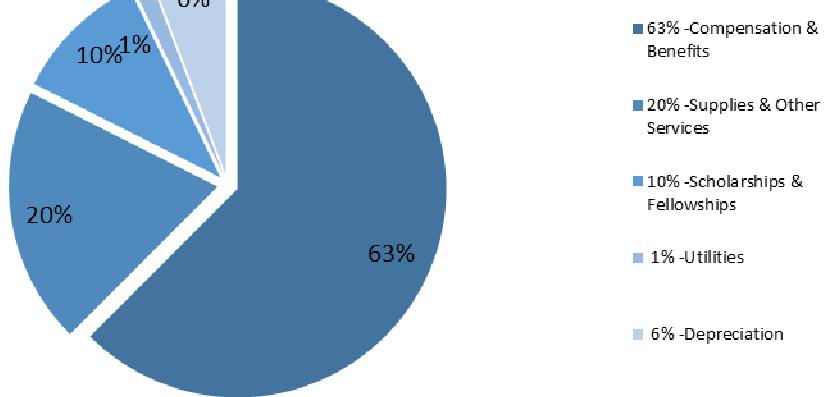
The composition of total expenses, including operating and non-operating are displayed on the next page:

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Expenditures by Program



Expenditures by Natural Classification



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. During the year ended June 30, 2020, the Foundation made payments to the University of \$5,050,442. The University also recorded \$111,099 for capital assets purchased by the Foundation.

FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

Net Position

Net position for the current year increased by \$11.6 million. This increase is primarily a result of a \$12.6 million increase in capital projects, a \$.8 million increase in debt service, and a \$1.2 million decrease in net investment in capital assets.

STATEMENTS OF CASH FLOWS

The Statements 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 statements of cash flows for the fiscal years ended June 30, 2020 and 2019:

	June 30, 2020	June 30, 2019
Net cash provided (used) by:		
Operating activities	\$ (40,930,153)	\$(35,695,393)
Noncapital financing activities	54,426,614	48,719,207
Capital and related financing activities	(1,431,735)	(16,775,616)
Investing activities	-	-
Net increase (decrease) in cash	12,064,726	(3,751,802)
Beginning cash and cash equivalent balances	38,276,982	42,028,784
Ending cash and cash equivalent balances	\$ 50,341,708	\$ 38,276,982

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 2020 fiscal year. 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: \$9.4 million Center for Art & Design building and \$4 million boiler replacement at Akers Energy Center.

The following major construction projects were under construction at the end of the fiscal year: \$15.5 million Center for Student Success addition to the Memorial Union building and \$10.1 million renovation to Rarick Hall building.

The following major construction projects are in the planning and design phases at year-end: Replacement of generators in the Akers Energy Center building.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

DEBT ADMINISTRATION

At June 30, 2020, the University had \$38 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 \$30,860,000 was incurred during the 2016 fiscal year to finance Wiest Hall Replacement and Themed Housing Project in the amount of \$26.8 million; and refunding of the Memorial Union Renovation Project in the amount of \$4.1 million.

Debt in the amount of 10,480,000 was incurred during the 2020 fiscal year to finance the Student Success Addition to the Memorial Union.

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 7, 8, and 9 to the financial statements.

ECONOMIC OUTLOOK

The State of Kansas provided approximately 26.3% of the total resources for the University during fiscal year 2020. This was an increase from the 25.5% provided for fiscal year 2019. The approved fiscal year 2021 state appropriation budget is \$34.7 million

The State also expects decreased revenue for fiscal year 2021. The State expects increased expenses primarily due to the court ordered increases to K-12 funding and Medicare expansion. Future reductions to FHSU's State General Fund allocation seems likely. 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. The administration will develop plans throughout fiscal year 2021 to reduce overall expenditures by an estimated \$3.5 million over the next two years.

Enrollment for the academic 2020-2021 year is expected to decrease. International enrollments are expected to decline mainly due to the changing environment in China. It is anticipated, with continued discussions with the Chinese government, this may be a short term decline. On campus enrollments continue to be pressured by decreasing populations in our market area and are expected to decline. In addition, we expect enrollments to decline short term due to the current COVID-19 pandemic. Funds provided by the State and Federal governments will provide relief to short term fluctuations in operating revenues but cannot be relied upon to supplant future enrollment growth or tuition rate changes.

The Kansas Board of Regents approved an increase of 3.75% for all tuition rates for fiscal year 2021. Even when including this change in rates, the University expects a slight decrease in revenues for fiscal year 2021 while planning for flat enrollment in fiscal year 2022. 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
STATEMENTS OF NET POSITION
As of June 30, 2020 and 2019

			Component Units	
	2020	2019	2020	2019
ASSETS				
Current assets				
Cash and cash equivalents	\$ 31,286,047	\$ 32,357,607	\$ 264,054	\$ 347,221
Restricted cash and cash equivalents	19,055,661	5,919,375	-	-
Investments	242,872	245,410	-	-
Accounts receivable, net	4,619,307	3,991,299	13,195	7,466
Loans to students, net - current portion	632,594	664,656	-	-
Inventories	209,792	168,164	5,861	6,523
Prepaid expenses	2,067,874	1,978,693	-	10,000
Total current assets	<u>58,114,147</u>	<u>45,325,204</u>	<u>283,110</u>	<u>371,210</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	-	4,956,361	4,835,034
Investments, bond reserve	-	-	302,159	303,620
Loans to students, net	3,351,289	4,060,518	-	-
Capital assets, net	178,156,651	172,535,706	2,112,945	1,411,262
Total noncurrent assets	<u>181,507,940</u>	<u>176,596,224</u>	<u>7,371,465</u>	<u>6,549,916</u>
Total assets	<u>239,622,087</u>	<u>221,921,428</u>	<u>7,654,575</u>	<u>6,921,126</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions	1,762,906	1,039,606	-	-
Other post employment benefits	80,232	74,599	-	-
Total deferred outflows	<u>1,843,138</u>	<u>1,114,205</u>	<u>-</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	12,948,571	12,317,139	27,322	129,949
Deferred revenue	5,224,471	4,042,544	-	150,594
Accrued compensated absences - current portion	1,981,083	2,539,643	-	-
Capital leases payable - current portion	441,963	415,384	-	-
Revenue bonds payable - current portion	1,645,000	1,230,000	-	-
Note Payable - current portion	-	-	78,029	-
Deposits held in custody for others	640,615	488,325	-	-
Perkins loans payable - federal portion	1,118,464	1,429,505	-	-
Unamortized bond premium/discounts, current portion	65,445	58,039	-	-
Total current liabilities	<u>24,065,612</u>	<u>22,520,579</u>	<u>105,351</u>	<u>280,543</u>
Noncurrent liabilities				
Accrued compensated absences	978,156	533,860	-	-
Capital leases payable	229,683	671,646	-	-
Other postemployment healthcare benefits	394,167	440,837	-	-
Perkins loans payable - federal portion	2,666,462	5,145,796	-	-
Revenue bonds payable	35,725,000	26,890,000	-	-
Note payable	-	-	648,672	-
Unamortized bond premium/discounts	798,218	597,045	-	-
Pension liability	9,827,340	10,573,094	-	-
Total noncurrent liabilities	<u>50,619,026</u>	<u>44,852,278</u>	<u>648,672</u>	<u>-</u>
Total liabilities	<u>74,684,638</u>	<u>67,372,857</u>	<u>754,023</u>	<u>280,543</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	2,860,800	3,372,008	-	-
Other post employment benefits	66,067	54,557	-	-
Total deferred Inflows	<u>2,926,867</u>	<u>3,426,565</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	142,115,005	143,328,676	2,112,945	1,411,262
Restricted for:				
Expendable:				
Loans	694,276	943,903	-	-
Debt service	3,476,711	2,637,191	-	-
Capital projects	14,786,543	2,234,448	-	-
Other Purposes	-	-	4,956,361	4,835,034
Unrestricted	2,781,185	3,091,993	(168,754)	394,287
Total Net position	<u>\$ 163,853,720</u>	<u>\$ 152,236,211</u>	<u>\$ 6,900,552</u>	<u>\$ 6,640,583</u>

See accompanying notes to financial statements.

FORT HAYS STATE UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2020 and 2019

	University Funds		Component Units	
	2020	2019	2020	2019
<u>OPERATING REVENUES</u>				
Tuition and fees (net of scholarship allowances of \$12,013,147 and \$11,359,796 in 2020 and 2019 respectively)	\$ 62,110,367	\$ 63,735,177	\$ -	\$ -
Federal grants and contracts	6,003,816	4,653,720	-	-
State and local grants and contracts	2,179,605	1,985,840	-	-
Sales and services of educational departments	1,350,835	1,167,198	-	-
Auxiliary enterprises:				
Residential Life	8,595,927	10,735,706	-	-
Athletics	-	-	3,462,054	4,369,523
Parking	228,188	230,098	-	-
Student Union	1,899,018	1,806,879	-	-
University Health Services	798,151	793,232	-	-
Interest earned on loans to students	119,121	132,367	-	-
Other operating revenues	4,376,414	4,829,255	135,453	165,218
Total operating revenues	<u>87,661,442</u>	<u>90,069,472</u>	<u>3,597,507</u>	<u>4,534,741</u>
<u>OPERATING EXPENSES</u>				
Educational and General				
Instruction	53,259,838	52,085,217	-	-
Research	1,055,135	1,017,293	-	-
Public service	4,257,814	4,446,532	-	-
Academic support	15,683,837	16,523,200	-	-
Student services	11,845,540	12,194,516	-	-
Institutional support	9,260,423	9,176,507	-	-
Operations and maintenance of plant	7,268,449	7,014,840	-	-
Depreciation	7,733,314	6,968,467	252,305	218,986
Scholarships and fellowships	13,955,530	14,536,717	-	-
Auxiliary enterprises:				
Residential Life	7,683,640	8,160,438	-	-
Athletics	-	-	2,957,963	3,339,998
Parking	77,103	81,140	-	-
Student Union	1,254,097	1,342,814	-	-
University Health Services	808,726	775,368	-	-
Other operating expenses	1,128,518	1,517,667	127,270	144,486
Total operating expenses	<u>135,271,964</u>	<u>135,840,716</u>	<u>3,337,538</u>	<u>3,703,470</u>
Operating Income (Loss)	<u>(47,610,522)</u>	<u>(45,771,244)</u>	<u>259,969</u>	<u>831,271</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
State appropriations	35,653,962	33,555,368	-	-
Federal grants and contracts	17,230,008	16,189,610	-	-
Gifts	5,186,980	2,736,648	-	-
Investment income	-	-	-	-
Other non-operating revenue (expenses)	(1,319,830)	(4,612,103)	-	-
Interest expense	(1,078,977)	(911,391)	-	-
Net nonoperating revenues (expenses)	<u>55,672,143</u>	<u>46,958,132</u>	<u>-</u>	<u>-</u>
Income before other revenues, expenses, gains, or losses	8,061,621	1,186,888	259,969	831,271
Capital appropriations	<u>3,555,888</u>	<u>3,766,313</u>	<u>-</u>	<u>-</u>
Increase (Decrease) In Net Position	11,617,509	4,953,201	259,969	831,271
<u>NET POSITION</u>				
Net Position - beginning of year	\$ 152,236,211	\$ 147,283,010	\$ 6,640,583	\$ 5,809,312
Net Position - end of year	<u>\$ 163,853,720</u>	<u>\$ 152,236,211</u>	<u>\$ 6,900,552</u>	<u>\$ 6,640,583</u>

See accompanying notes to financial statements

FORT HAYS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 62,316,489	\$ 63,747,090
Sales and services of educational activities	1,374,868	1,124,495
Auxiliary enterprises:		
Residential Life	912,287	2,575,268
Parking	151,085	148,958
Student union	644,921	464,065
University health services	(10,575)	17,864
Grants and contracts	8,290,278	6,686,628
Payments to Suppliers	(21,166,675)	(25,047,894)
Payments to utilities	(882,155)	(996,338)
Compensation and benefits	(82,196,316)	(76,657,639)
Payments for scholarships and fellowships	(15,601,186)	(13,615,978)
Loans issued to students and employees	-	-
Collection of loans to students and employees	741,291	901,875
Other receipts (payments)	4,495,535	4,956,213
Net cash used by operating activities	<u>(40,930,153)</u>	<u>(35,695,393)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	35,653,962	33,555,368
Other Federal Grants and Contracts	17,230,008	16,189,610
Gifts	5,186,980	2,736,648
Deposits held in custody for others	154,828	178,070
Federal family education loan receipts	46,243,629	49,924,085
Federal family education loan disbursements	(46,243,629)	(49,924,085)
Other	(3,799,164)	(3,940,489)
Net cash provided by noncapital financing activities	<u>54,426,614</u>	<u>48,719,207</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Capital appropriations	3,772,795	3,193,949
Purchases of capital assets	(13,354,259)	(17,397,167)
Proceeds from sale of capital assets	-	-
Proceeds from issue of bonds	10,480,000	-
Principal paid on capital debt and leases	(1,645,384)	(1,585,043)
Interest paid on capital debt and leases	(893,466)	(929,316)
Other	208,579	(58,039)
Net cash used by capital financing activities	<u>(1,431,735)</u>	<u>(16,775,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	-	-
Investment Income	-	-
Purchase of investments	-	-
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net Increase (decrease) in cash	12,064,726	(3,751,802)
Cash - beginning of the year	38,276,982	42,028,784
Cash - end of year	<u>\$ 50,341,708</u>	<u>\$ 38,276,982</u>
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (47,610,522)	\$ (45,771,244)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	7,733,314	6,968,467
Changes in assets and liabilities:		
Accounts receivables, net	(844,915)	168,533
Loans to students, net	741,291	901,875
Inventories	(41,628)	(48,772)
Prepaid expenses	(89,181)	(145,102)
Accounts payable and accrued liabilities	(423,680)	1,968,978
Other Postemployment Healthcare Benefits	(46,670)	(78,873)
Deferred revenue	1,181,927	(157,664)
Pension Liability	(1,974,385)	133,574
Accrued compensated absences	444,296	364,835
Net cash provided (used) by operating activities:	<u>\$ (40,930,153)</u>	<u>\$ (35,695,393)</u>

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	2020	2019
Cash and cash equivalents	\$ 181,055	\$ 77,264
Certificates of deposit and money market funds	4,240,700	7,251,215
Securities and limited partnerships	98,367,916	95,787,148
Student notes receivable and matching fund programs, net of allowance for doubtful accounts	233,050	126,682
Art and coin collection	86,635	152,812
Coins held for sale	79,639	79,639
Rental investments	520,059	542,670
Cash surrender value of life insurance	188,082	214,384
Oil working interests, less accumulated depletion	26,439	93,343
Land, buildings, equipment and oil royalties, less accumulated depreciation, depletion and reserve for impairment	13,188,817	11,064,769
Other	<u>21,974</u>	<u>21,340</u>
 TOTAL ASSETS	 <u>\$ 117,134,366</u>	 <u>\$ 115,411,266</u>
 LIABILITIES AND NET ASSETS		
Due to agency funds and other	\$ 4,566	\$ 39,057
Annuity contracts payable	<u>625,937</u>	<u>653,641</u>
 TOTAL LIABILITIES	 <u>630,503</u>	 <u>692,698</u>
 NET ASSETS		
Without donor restrictions	\$ 12,145,224	\$ 11,929,459
With donor restrictions	<u>104,358,639</u>	<u>102,789,109</u>
 TOTAL NET ASSETS	 <u>116,503,863</u>	 <u>114,718,568</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 117,134,366</u>	 <u>\$ 115,411,266</u>

The accompanying notes are an integral part of these statements.

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

Year ended June 30,

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (LOSES)						
Fund raising						
Estates & planned gifts	\$ 358,783	\$ 8,210,432	\$ 8,569,215	\$ 2,792	\$ 11,916,300	\$ 11,919,092
Major gifts	14,000	3,634,949	3,648,949	81,000	7,456,453	7,537,453
Other	100,816	1,594,946	1,695,762	102,151	1,651,255	1,753,406
Total fund raising	473,599	13,440,327	13,913,926	185,943	21,024,008	21,209,951
Paycheck Protection Program proceeds	260,000	-	260,000	-	-	-
Investment return	742,619	(1,652,986)	(910,367)	1,636,911	1,359,826	2,996,737
Oil and gas	245	142,640	142,885	276	187,053	187,329
Farm rent	-	20,079	20,079	-	23,404	23,404
Management fees	787,962	-	787,962	318,371	-	318,371
Other revenues, net of bad debts	335,225	132,428	467,653	341,719	678,648	1,020,367
TOTAL REVENUES AND NET GAINS (LOSES)	2,599,650	12,082,488	14,682,138	2,483,220	23,272,939	25,756,159
Net assets released from restrictions	10,284,601	(10,284,601)	-	6,125,723	(6,125,723)	-
TOTAL REVENUES, GAINS (LOSES) AND OTHER SUPPORT	12,884,251	1,797,887	14,682,138	8,608,943	17,147,216	25,756,159
EXPENSES						
Program expenses						
University support and farm expenses	6,829,397	-	6,829,397	3,307,634	-	3,307,634
Scholarships, grants, and awards	2,747,094	-	2,747,094	2,541,725	-	2,541,725
Management fees	798,142	-	798,142	345,365	-	345,365
Oil expenses	114,084	-	114,084	120,930	-	120,930
Total program expenses	10,488,717	-	10,488,717	6,315,654	-	6,315,654
Management and general expenses	1,114,930	-	1,114,930	1,076,699	-	1,076,699
Fundraising expenses	1,237,841	-	1,237,841	1,247,577	-	1,247,577
TOTAL EXPENSES	12,841,488	-	12,841,488	8,639,930	-	8,639,930
EXCESS OF REVENUES OVER (UNDER) EXPENSES	42,763	1,797,887	1,840,650	(30,987)	17,147,216	17,116,229
OTHER CHANGES						
Change in value and actuarial gain (loss) on annuity contracts	(3,834)	(51,521)	(55,355)	470	(9,082)	(8,612)
Transfers (to) from agency funds	176,836	(176,836)	-	127,903	(127,903)	-
CHANGE IN NET ASSETS	215,765	1,569,530	1,785,295	97,386	17,010,231	17,107,617
NET ASSETS AT BEGINNING OF YEAR	11,929,459	102,789,109	114,718,568	11,832,073	85,778,878	97,610,951
NET ASSETS AT END OF YEAR	\$ 12,145,224	\$ 104,358,639	\$ 116,503,863	\$ 11,929,459	\$ 102,789,109	\$ 114,718,568

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,

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,785,295	\$ 17,107,617
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and depletion	266,498	259,134
Adjustments to the allowance for uncollectible loans to student (net of recoveries)	1,351	(2,987)
Cancellation of loans to students meeting service requirements	19,722	82,900
Adjustments to annuities payable, net	75,615	77,299
Increase in cash surrender value of life insurance policies	(23,980)	(9,747)
Decrease in agency funds and other	(34,491)	(903)
Contributions of securities	(5,901,746)	(9,883,656)
Contributions of artwork and coins	-	(73,257)
Contributions of equipment and real estate	(2,390,215)	(3,747,681)
Contributions restricted for long-term investment	(776,178)	(2,851,814)
Net realized and unrealized losses (gains) on investments and annuity contracts	4,120,905	145,032
Net loss on disposition of equipment	6,317	267
Net loss on sale of real estate	24,018	-
Net gain on life insurance policy	(15,881)	(352,172)
Transfer of art to the University	66,177	-
Other	(634)	(1,264)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(2,777,227)</u>	<u>748,768</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	72,055,331	45,943,088
Proceeds from sales of real estate	103,982	-
Purchase of investments	(72,855,258)	(47,265,294)
Net (increase) decrease in certificates of deposit and savings	3,010,515	(2,618,094)
Disbursements of loans to students	(147,700)	(81,400)
Repayments of loans to students	20,259	10,298
Life insurance proceeds	66,163	502,554
Purchase of land, building, and equipment	(45,133)	(20,471)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>2,208,159</u>	<u>(3,529,319)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	776,178	2,851,814
Payments to gift annuitants	(103,319)	(103,599)
Liquidation of annuities	-	(5,736)
Contributions of annuities	-	42,748
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>672,859</u>	<u>2,785,227</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>103,791</u>	<u>4,676</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>77,264</u>	<u>72,588</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 181,055</u>	<u>\$ 77,264</u>

The accompanying notes are an integral part of these statements.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2020 and 2019

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. The financial statements have not been audited.

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 4,190, an enrollment of 4,075 in our partner universities in China, and an enrollment in our Virtual College of 6,768, for a total enrollment of 15,033 as of Fall 2020. 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. Each discretely presented component unit is independently audited.

Financial activities and balances of component units have been discretely 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, 2020 and 2019

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.

Other Postemployment Benefit Plan. 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 other postemployment benefit (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, 2019. As the OPEB plan was measured at June 30, 2019, 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, 2020, 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, 2020 and 2019

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 2020 summer session are reported in the Statement of Revenues, Expenses and Changes in Net Position as revenues and expenses for FY 2021. Summer session revenues received prior to June 30, 2020, are reported as unearned revenues in the Statement of Net Position. Expenses for the summer session paid prior to June 30, 2020, 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, 2020 and 2019

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, 2020 and 2019 was \$50,341,708 and \$38,276,982, 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, 2020 and 2019, investments in certificates of deposit for student activity accounts were \$242,872 and \$245,410, respectively.

NOTE 3 - Accounts Receivable

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

	<u>2020</u>	<u>2019</u>
Tuition, fees & other	\$ 1,186,528	\$ 1,087,077
Auxiliary enterprises	169,828	192,417
Grants & contracts	1,245,410	477,357
Appropriated funds	<u>2,017,541</u>	<u>2,234,448</u>
	\$ <u>4,619,307</u>	\$ <u>3,991,299</u>

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, 2020. 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, 2020 and 2019, the allowance for uncollectible loans was estimated to be \$199,194 and \$236,259, respectively.

FORT HAYS STATE UNIVERSITY
 NOTES TO FINANCIAL STATEMENT
 For the Years Ended June 30, 2020 and 2019

NOTE 5 – Capital Assets

Capital asset activity for the year ended June 30, 2020 and June 30, 2019 was as follows:

	2020			
	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets				
Land	\$ 304,456	\$ -	\$ -	\$ 304,456
Construction in progress	14,605,711	9,581,376	20,285,660	3,901,427
Software	2,700,022	2,966,840		5,666,862
Total non-depreciable capital assets	<u>17,610,189</u>	<u>12,548,216</u>	<u>20,285,660</u>	<u>9,872,745</u>
Depreciable capital assets				
Infrastructure	26,892,663	922,711	-	27,815,374
Buildings	191,315,597	19,201,513	-	210,517,110
Equipment	23,543,085	919,025	78,312	24,383,798
Intangible	4,345,873	-	-	4,345,873
Vehicles	1,647,389	73,745	75,495	1,645,639
Total depreciable capital assets	<u>247,744,607</u>	<u>21,116,994</u>	<u>153,807</u>	<u>268,707,794</u>
Total capital asset cost	<u>265,354,796</u>	<u>33,665,210</u>	<u>20,439,467</u>	<u>278,580,539</u>
Accumulated depreciation				
Infrastructure	8,325,461	1,020,667	-	9,346,128
Buildings	72,045,414	4,405,488	-	76,450,902
Equipment	10,381,664	1,594,287	53,021	11,922,930
Intangible	823,747	543,234	-	1,366,981
Vehicles	1,242,804	169,637	75,494	1,336,947
Total accumulated depreciation	<u>92,819,090</u>	<u>7,733,313</u>	<u>128,515</u>	<u>100,423,888</u>
Capital Assets Net	<u>\$ 172,535,706</u>	<u>\$ 25,931,897</u>	<u>\$ 20,310,952</u>	<u>\$ 178,156,651</u>
	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>

FORT HAYS STATE UNIVERSITY
 NOTES TO FINANCIAL STATEMENT
 For the Years Ended June 30, 2020 and 2019

NOTE 6 - Changes In Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2020 and June 30, 2019 was as follows:

	2020				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases payable	\$ 1,087,030	\$ -	\$ 415,384	\$ 671,646	\$ 441,963
Revenue bonds payable	28,120,000	10,480,000	1,230,000	37,370,000	1,645,000
Bond premium	655,084	266,618	58,039	863,663	65,445
Compensated absences	3,073,503	-	114,264	2,959,239	1,981,083
Perkins loan program	6,575,301	-	2,790,375	3,784,926	1,118,464
Post employment benefits	440,837	-	46,670	394,167	-
Net pension liability	<u>10,573,094</u>	<u>-</u>	<u>745,754</u>	<u>9,827,340</u>	<u>-</u>
Total long-term liabilities	<u>\$ 50,524,849</u>	<u>\$ 10,746,618</u>	<u>\$ 5,400,486</u>	<u>\$ 55,870,981</u>	<u>\$ 5,251,955</u>

	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
Bond 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	1,493,192	-	6,575,301	1,429,505
Post employment benefits	519,710	-	78,873	440,837	-
Net pension liability	<u>13,079,878</u>	<u>-</u>	<u>2,506,784</u>	<u>10,573,094</u>	<u>-</u>
Total long-term liabilities	<u>\$ 52,778,494</u>	<u>\$ 1,975,094</u>	<u>\$ 4,228,739</u>	<u>\$ 50,524,849</u>	<u>\$ 5,672,571</u>

NOTE 7 – Revenue Bonds Outstanding

Bonds payable as of June 31, 2020 consist of the following:

Kansas Development Finance Authority Memorial Union Student Success Series 2020C \$ 10,480,000

\$10,480,000 issued April 1, 2020 with a final maturity date of 04/01/2039.

Interest ranging from 3.125% to 5.0%, payable semi annually

Kansas Development Finance Authority Wiest Hall Replacement Bonds Series 2016B 24,465,000

\$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

Kansas Development Finance Authority Memorial Union Renovation Revenue 2,425,000

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.

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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
2021	\$ 1,645,000	\$ 1,329,772	\$ 2,974,772
2022	1,705,000	1,267,518	2,972,518
2023	1,765,000	1,208,767	2,973,767
2024	1,845,000	1,134,168	2,979,168
2025-2029	8,025,000	4,691,937	12,716,937
2030-2034	8,820,000	3,339,913	12,159,913
2035-2039	10,450,000	1,716,587	12,166,587
2040-2041	3,115,000	166,085	3,281,085
	<u>\$ 37,370,000</u>	<u>\$ 14,854,747</u>	<u>\$ 52,224,747</u>

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 \$699,388 and \$1,155,074 as of June 30, 2020 and 2019, respectively. Payments to liquidate these obligations are scheduled as follows:

Fiscal Year 2021	\$ 465,008
Fiscal Year 2022	234,380

The remaining principal balance for the master lease agreement as of June 30, 2020 and 2019 is \$671,646 and \$1,087,030, 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 \$1,038,969 and 988,228 during fiscal years 2020 and 2019, respectively, and individual employees contributed \$421,991 and 439,871. 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 \$3,920,161 and 3,704,439 during fiscal years 2020 and 2019, respectively, and individual employees contributed \$2,520,283 and 2,382,361.

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 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".

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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, 2019 are as follows:

	Actuarial employer rate	Statutory employer capped rate
State employees	8.28%	13.21%
Police and Firemen	22.13	22.13

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

At June 30, 2020, Fort Hays State University reported a liability of \$9,827,340 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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, 2019. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2019 Fort Hays State University proportion was 0.139188%, which was a decrease of .009996% from its proportion measured as of June 30, 2018. As of June 30, 2019, the University's proportion of the total contributions made to the Police and Fire group was .0815205% which was a decrease of .005895% from its proportion measured as of June 30, 2018.

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For the year ended June 30, 2020, Fort Hays State University recognized pension expense of \$46,924. At June 30, 2020 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	\$ 124,826	\$ 234,366
Net difference between projected and actual earnings on pension plan investments	166,231	-
Changes in proportion	161,888	2,622,210
Changes in assumptions	270,992	4,224
Contributions subsequent to measurement date	1,038,969	-
Total	<u>\$ 1,762,906</u>	<u>\$ 2,860,800</u>

\$1,038,969 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, 2021.

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:

2021	\$ (622,686)
2022	(849,274)
2023	(502,022)
2024	(151,521)
2025	<u>(11,360)</u>
	<u><u>\$ (2,136,863)</u></u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. 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. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2018, 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.

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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. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	6.85%
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	100%	

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	\$ 13,492,733	\$ 9,827,365	\$ 6,752,164

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.

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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 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 a 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, 2020, there were 180 active members and 6 disabled members covered by the benefit term.

Total OPEB Liability: The university's total OPEB liability of \$394,167 was measured as of June 30, 2019, and was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 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	3.50%
Healthcare cost trend rates	Not applicable for the coverage in this plan
Retiree share of benefit costs	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, 2019 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, 2018 KPERS pension valuation.

Changes in the Total OPEB Liability

Balance at fiscal year-end 6/30/19	<u>\$ 440,837</u>
Changes for the year:	
Service cost	28,074
Interest	16,688
Effect of economic/demographic gains or losses	(19,982)
Effect of assumptions changes or inputs	4,629
Benefit payments	(76,079)
Net changes	(46,670)
Balance at fiscal year-end 6/30/20	<u>\$ 394,167</u>

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Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The discount rate decreased from 3.87% on June 30, 2018 to 3.50% on June 30, 2019.

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 (2.50%) or 1-percentage-point higher (4.50%) than the current discount rate:

	1% Decrease <u>(2.50%)</u>	Current Rate <u>(3.50%)</u>	1% Increase <u>(4.50%)</u>
Total OPEB liability	\$ 406,760	\$ 394,167	\$ 381,706

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, 2020, the university recognized OPEB expense of \$36,766. At June 30, 2019, 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	\$ -	\$ 54,914
Changes in assumptions	4,153	11,153
Benefit payments subsequent to the measurement date	76,079	-
Total	\$ 80,232	\$ 66,067

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$80,232 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, 2021. 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 ending June 30:		
2020	\$ (7,996)	
2021	(7,996)	
2022	(7,996)	
2023	(7,996)	
2024	(7,996)	
Thereafter	<u>(21,934)</u>	
	<u><u>\$ (61,914)</u></u>	

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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, 2020 and June 30, 2019 was as follows:

	2020					
	Compensation and Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	Total
Educational and General:						
Instruction	\$ 47,086,618	508,003	858	5,664,359	-	\$ 53,259,838
Research	342,887	49,916	-	662,332	-	1,055,135
Public service	2,179,452	3,586	-	2,074,776	-	4,257,814
Academic support	10,264,937	17,661	48,367	5,352,872	-	15,683,837
Student services	8,342,444	329,432	7,147	3,166,517	-	11,845,540
Institutional support	5,732,410	508,003	-	3,020,010	-	9,260,423
Operations and maintenance of plant	6,155,077	-	825,783	287,589	-	7,268,449
Depreciation	-	-	-	-	7,733,314	7,733,314
Scholarships and fellowships	67,107	12,707,282	-	1,181,141	-	13,955,530
Auxiliary enterprises:						
Residential Life	2,280,018	-	879,300	4,524,322	-	7,683,640
Parking	29,132	-	-	47,971	-	77,103
Student unions	797,839	-	164,056	292,202	-	1,254,097
Health services	635,480	-	596	172,650	-	808,726
Other operating expenses	617,350	-	-	511,168	-	1,128,518
Total operating expenses	\$ 84,530,751	14,123,883	1,926,107	26,957,909	7,733,314	\$135,271,964

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	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	55,035	13,566,795	-	914,887	-	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	610,289	-	-	907,378	-	1,517,667
Total operating expenses	<u>\$ 80,706,914</u>	<u>15,226,464</u>	<u>2,019,420</u>	<u>30,919,451</u>	<u>6,968,467</u>	<u>\$135,840,716</u>