



FORT HAYS STATE
UNIVERSITY



ANNUAL FINANCIAL REPORT
FOR FISCAL YEAR 2021
ENDED JUNE 30, 2021



FORT HAYS STATE UNIVERSITY

FORT HAYS STATE UNIVERSITY ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2021

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FORT HAYS STATE UNIVERSITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2021

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 Position, 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. **Net invested in capital assets** 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, 2021, were \$247.9 million, an increase of \$8.3 million or 3.5%. Capital assets, net of depreciation, comprised 75.4 %, or \$186.8 million of the \$247.9 million in total assets.

Total Liabilities were \$75.2 million at June 30, 2021, an increase of \$0.5 million or a 0.7% increase compared to \$74.7 million at June 30, 2020. Long-term liabilities comprised 66.0%, or \$49.6 million of the total liabilities.

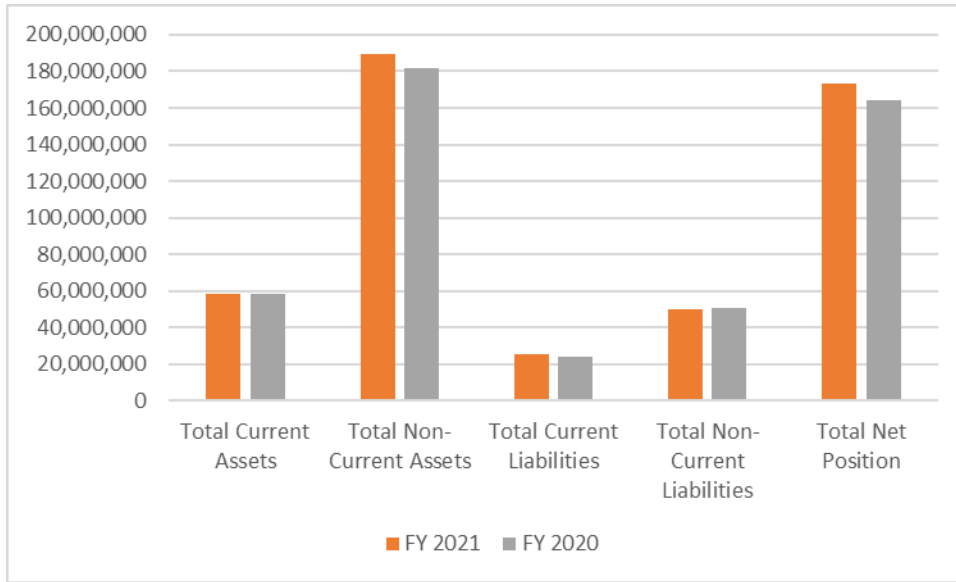
Total Net Position at June 30, 2021, was \$173.2 million, a \$9.3 million increase from the prior year, or a 5.7% increase in Net Position.

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For the Year Ended June 30, 2021

The breakout of net position is shown below:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Net investment in capital assets	\$150,821,901	\$142,115,005
Restricted net position	10,193,025	18,957,530
Unrestricted net position	<u>12,162,714</u>	<u>2,781,185</u>
Total net position	<u>\$173,177,640</u>	<u>\$163,853,720</u>

The composition of current and non-current assets and liabilities and net position is displayed below for both 2021 and 2020 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

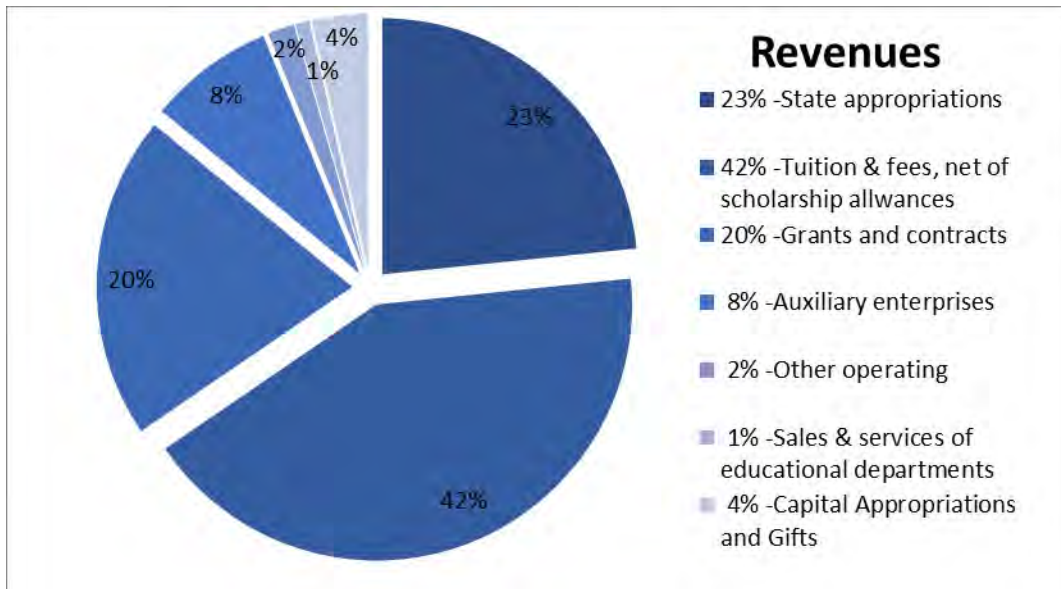
Operating revenues at the University as of June 30, 2021, decreased by 2.4% over the previous fiscal year. The following is a brief summary of the significant changes:

Student fee revenues, after scholarship allowances, were \$62.5 million in 2021, compared to \$60.0 million in 2020. This increase is a result of the Kansas Board of Regents allowing a 3.75% increase in tuition rates for fiscal year 2021. The University is experiencing fewer non-resident students overall with a noticeable decline in enrollments from surrounding states. Residential Life revenues were \$9.2 million in 2021 compared to \$8.5 million in 2020, an increase of \$0.7 million. The university moved to all online classes in March 2020 in response to the governor's orders as a result of the Coronavirus pandemic. The university refunded room and board to students for the period they were not allowed to live on campus. Residential Life received \$1.6 million of CARES Acts funds in FY2021 to offset the refunds to students and lost revenue.

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For the Year Ended June 30, 2021

Total non-operating revenues increased by 6.8%, when comparing FY2021 \$59.5 million to FY2020 \$55.7 million. State appropriations decreased 2.5% when comparing \$34.7 million in FY2021 to \$35.6 million in FY2020. Federal grants, including Pell grants and CARES Act grants, increased 45.5% to \$25.0 million from \$17.2 million in FY2020. This consists of a \$9.3 million increase of CARES Act grants less a decrease of \$1.5 million for Pell grants. Gift income decreased by 58.3% to \$2.2 million from \$5.2 million in FY2020. Gifts of \$4 million and \$1.1 million were received in FY2020 and FY2021, respectively, for the Center for Student Success addition to the Memorial Union building.

In summary, total revenues decreased by \$0.7 million, from \$149.3 million to \$148.6 million. The composition of FY2021 revenues is displayed in the following graph:



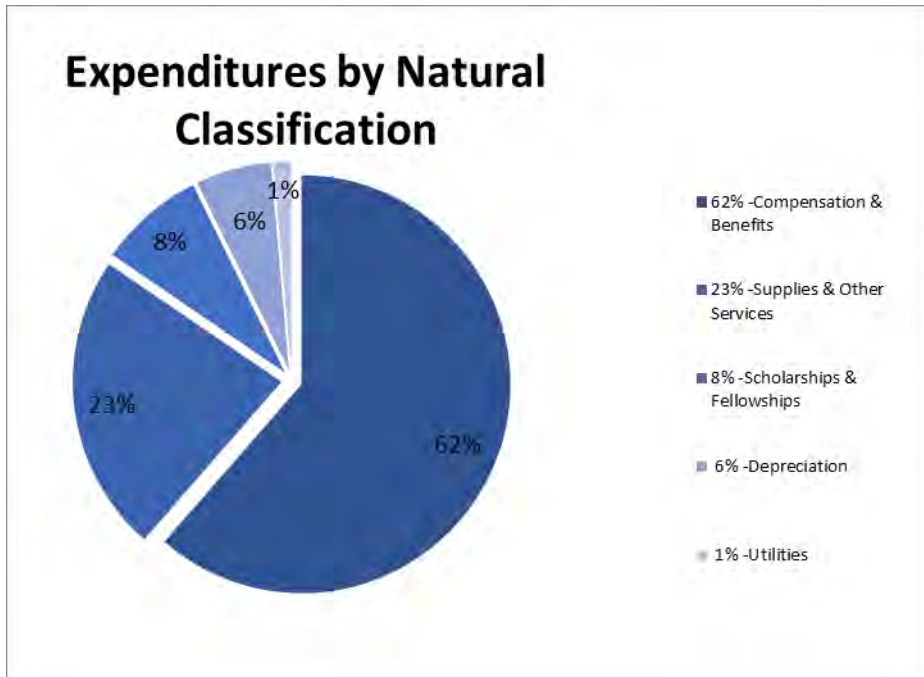
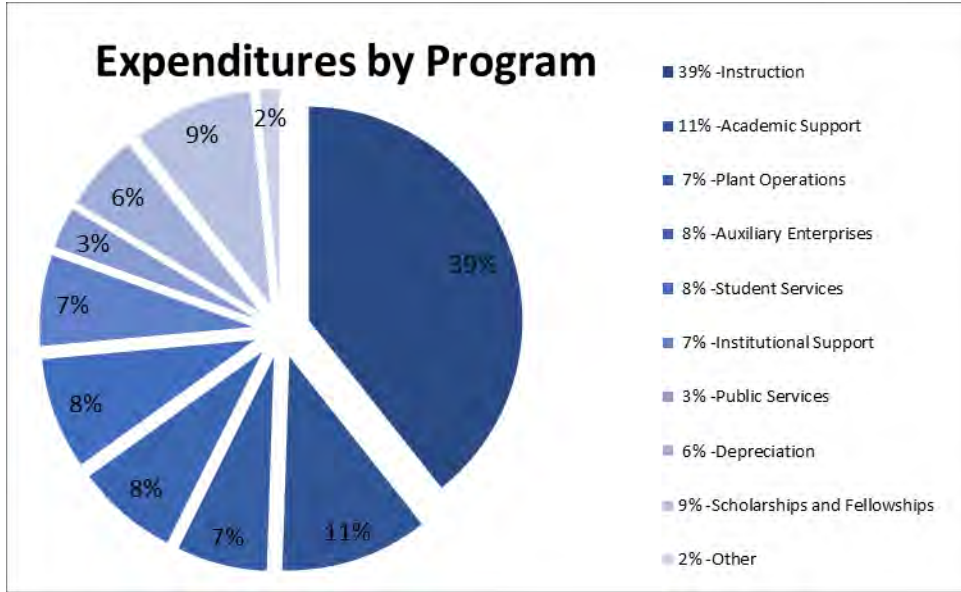
Expenses

Operating expenses were \$136.8 million for the 2021 fiscal year compared to \$133.2 million for the 2020 fiscal year. Operations and maintenance of plant expenses increased \$2.1 million; Student Union increased \$0.7 million; university health services increased \$0.4 million; research decreased by \$0.6 million and Residential Life decreased \$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, 2021



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. The University recorded \$87,375 for capital assets purchased by the Foundation. Expense items paid to or on behalf of the University by the Foundation include scholarships, equipment, salaries, travel, and miscellaneous office expenses. During the year ended June 30,

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2021, the Foundation made payments to the University of \$4,504,235. Foundation also paid \$61,798 to third parties on behalf of the university.

Net Position

Net position for the current year increased by \$9.3 million. This increase is primarily a result of a \$8.5 million decrease in capital projects, a \$8.7 million increase in net investment in capital assets, and a \$9.4 million increase in unrestricted of which \$3 million was from lost revenue and expense reimbursement from CARES Acts funds.

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 statement of cash flows for the fiscal years ended June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Net cash provided (used) by:		
Operating activities	\$(45,079,994)	\$(40,930,153)
Noncapital financing activities	60,579,313	54,426,614
Capital and related financing activities	(16,585,324)	(1,431,735)
Investing activities	-	-
Net increase (decrease) in cash	(1,086,005)	12,064,726
Beginning cash and cash equivalent balances	50,341,708	38,276,982
Ending cash and cash equivalent balances	\$ 49,255,703	\$ 50,341,708

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 2021 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:

Major construction projects completed during the current fiscal year: \$1 million roof repair to Gross Coliseum.

The following major construction projects were under construction at the end of the fiscal year: \$15.3 million Center for Student Success addition to the Memorial Union building, \$10.1 million renovation to Rarick Hall building, and a \$2.5 million replacement of generators in the Akers Energy Center building.

There were no major construction projects in the planning and design phases at year-end.

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For the Year Ended June 30, 2021

DEBT ADMINISTRATION

At June 30, 2021, the University had \$36 million in debt outstanding.

Debt in the amount of \$4.9 million 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 \$30.9 million 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 \$10.5 million 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 25.5% of the total resources for the University during fiscal year 2021. This was a decrease from the 26.3% provided for fiscal year 2020. The approved fiscal year 2022 state appropriation budget is \$36.9 million, up from \$34.7 million for fiscal year 2021. The increase for FY 2022 is considered one time funding due to a maintenance of effort requirement imposed on the State when participating in COVID relief funding. The legislature indicated there is no guarantee the funding will continue and placed certain restrictions concerning the use of the additional funds.

The State's latest revenue estimate and experience thus far for FY 2022 has increased. Tax revenues have improved substantially over those collected in FY 2021. Although the State's financial position is improved, there has been no indication higher education will see a funding increase. 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 2022 year is expected to decrease. International enrollments are expected to decline mainly due to the changing environment in China. It is not anticipated future discussions with the Chinese government will return the recruitment quotas to that of years past. 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 requested all universities maintain tuition rates for fiscal year 2022 at the rates approved for fiscal year 2021. This, combined with lower enrollments, will result in lower revenues for FY 2022. Revenue loss will be partially offset by federal COVID relief funds but will not replace ongoing revenue needs. The University is planning operating expense reductions to compensate for the reduction in revenue during FY 2022. A three year plan to reduce operating expense by \$5.4 million has been developed including other operating expense reductions and programs to incentivize early separation of faculty and staff. The university has launched a number of initiatives to increase retention and student recruitment. The university continues to be committed to maintaining 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, 2021 and 2020

ASSETS			Component Units	
	2021	2020	2021	2020
Current assets				
Cash and cash equivalents	\$ 35,603,157	\$ 31,286,047	\$ 580,600	\$ 264,054
Restricted cash and cash equivalents	13,652,546	19,055,661	-	-
Investments	249,297	242,872	-	-
Accounts receivable, net	6,070,134	4,619,307	1,699	13,195
Loans to students, net - current portion	552,101	632,594	-	-
Inventories	205,508	209,792	5,071	5,861
Prepaid expenses	2,135,563	2,067,874	-	-
Total current assets	58,468,306	58,114,147	587,370	283,110
Noncurrent assets				
Restricted cash and cash equivalents	-	-	7,427,819	4,956,361
Investments, bond reserve	-	-	415,249	302,159
Loans to students, net	2,657,998	3,351,289	-	-
Capital assets, net	186,776,584	178,156,651	1,928,732	2,112,945
Total noncurrent assets	189,434,582	181,507,940	9,771,800	7,371,465
Total assets	247,902,888	239,622,087	10,359,170	7,654,575
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions	2,757,578	1,762,906	-	-
Other post employment benefits	89,223	80,232	-	-
Total deferred outflows	2,846,801	1,843,138	-	-
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	14,115,826	12,948,571	110,272	27,322
Deferred revenue	6,391,249	5,224,471	139,669	-
Accrued compensated absences - current portion	1,798,418	1,981,083	-	-
Capital leases payable - current portion	229,683	441,963	-	-
Revenue bonds payable - current portion	1,705,000	1,645,000	-	-
Note Payable - current portion	-	-	81,430	78,029
Deposits held in custody for others	609,237	640,615	-	-
Perkins loans payable - federal portion	669,900	1,118,464	-	-
Unamortized bond premium/discounts, current portion	72,851	65,445	-	-
Total current liabilities	25,592,164	24,065,612	331,371	105,351
Noncurrent liabilities				
Accrued compensated absences	1,134,436	978,156	-	-
Capital leases payable	-	229,683	-	-
Other postemployment healthcare benefits	340,008	394,167	-	-
Perkins loans payable - federal portion	2,567,809	2,666,462	-	-
Revenue bonds payable	34,020,000	35,725,000	-	-
Note payable	-	-	566,988	648,672
Unamortized bond premium/discounts	725,367	798,218	-	-
Pension liability	10,859,753	9,827,340	-	-
Total noncurrent liabilities	49,647,373	50,619,026	566,988	648,672
Total liabilities	75,239,537	74,684,638	898,359	754,023
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	2,237,566	2,860,800	-	-
Other post employment benefits	94,946	66,067	-	-
Total deferred inflows	2,332,512	2,926,867	-	-
NET POSITION				
Net investment in capital assets	150,821,901	142,115,005	1,928,732	2,112,945
Restricted for:				
Expendable:				
Loans	669,900	694,276	-	-
Debt service	3,207,369	3,476,711	-	-
Capital projects	6,315,756	14,786,543	-	-
Other purposes	-	-	7,427,819	4,956,361
Unrestricted	12,162,714	2,781,185	104,260	(168,754)
Total net position	\$ 173,177,640	\$ 163,853,720	\$ 9,460,811	\$ 6,900,552

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, 2021 and 2020

	2021	Restated 2020	Component Units	
			2021	2020
<u>OPERATING REVENUES</u>				
Tuition and fees (net of scholarship allowances of \$12,554,541 and \$12,013,147 in 2021 and 2020 respectively)	\$ 62,546,424	\$ 60,034,331	\$ -	\$ -
Federal grants and contracts	3,515,585	6,003,816	-	-
State and local grants and contracts	1,785,642	2,179,605	-	-
Sales and services of educational departments	1,326,911	1,350,835	-	-
Auxiliary enterprises:				
Residential Life	9,217,037	8,595,927	-	-
Athletics	-	-	4,539,201	3,462,054
Parking	162,707	228,188	-	-
Student union	1,750,658	1,899,018	-	-
University health services	695,045	798,151	-	-
Interest earned on loans to students	95,980	119,121	-	-
Other operating revenues	2,411,550	4,376,414	200,460	135,453
Total operating revenues	<u>83,507,539</u>	<u>85,585,406</u>	<u>4,739,661</u>	<u>3,597,507</u>
<u>OPERATING EXPENSES</u>				
Educational and General				
Instruction	53,348,747	53,259,838	-	-
Research	439,179	1,055,135	-	-
Public service	4,262,832	4,257,814	-	-
Academic support	15,322,737	15,683,837	-	-
Student services	11,582,146	11,845,540	-	-
Institutional support	9,409,952	9,260,423	-	-
Operations and maintenance of plant	9,385,374	7,268,449	-	-
Depreciation	7,988,747	7,733,314	224,657	252,305
Scholarships and fellowships	12,437,516	11,879,494	-	-
Auxiliary enterprises:				
Residential Life	7,279,815	7,683,640	-	-
Athletics	-	-	1,882,018	2,957,963
Parking	76,561	77,103	-	-
Student union	1,924,274	1,254,097	-	-
University health services	1,257,279	808,726	-	-
Other operating expenses	2,064,657	1,128,518	72,727	127,270
Total operating expenses	<u>136,779,816</u>	<u>133,195,928</u>	<u>2,179,402</u>	<u>3,337,538</u>
Operating Income (Loss)	<u>(53,272,277)</u>	<u>(47,610,522)</u>	<u>2,560,259</u>	<u>259,969</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
State appropriations	34,748,540	35,653,962	-	-
Federal grants and contracts	25,064,506	17,230,008	-	-
Gifts	2,164,534	5,186,980	-	-
Investment income	-	-	-	-
Other non-operating revenue (expenses)	(1,261,811)	(1,319,830)	-	-
Interest expense	(1,236,822)	(1,078,977)	-	-
Net nonoperating revenues (expenses)	<u>59,478,947</u>	<u>55,672,143</u>	<u>-</u>	<u>-</u>
Income before other revenues, expenses, gains, or losses	6,206,670	8,061,621	2,560,259	259,969
Capital appropriations	<u>3,117,250</u>	<u>3,555,888</u>	<u>-</u>	<u>-</u>
Increase (Decrease) In Net Position	9,323,920	11,617,509	2,560,259	259,969
<u>NET POSITION</u>				
Net Position - beginning of year	163,853,720	152,236,211	6,900,552	6,640,583
Net Position - end of year	<u>\$ 173,177,640</u>	<u>\$ 163,853,720</u>	<u>\$ 9,460,811</u>	<u>\$ 6,900,552</u>

See accompanying notes to financial statements

FORT HAYS STATE UNIVERSITY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Tuition and fees	\$ 61,525,891	\$ 62,316,489
Sales and services of educational activities	1,199,241	1,374,868
Auxiliary enterprises:		
Residential Life	1,937,222	912,287
Parking	86,146	151,085
Student union	(173,616)	644,921
University health services	(562,234)	(10,575)
Grants and contracts	5,842,540	8,290,278
Payments to suppliers	(22,550,668)	(21,166,675)
Payments to utilities	(866,393)	(882,155)
Compensation and benefits	(79,994,598)	(82,196,316)
Payments for scholarships and fellowships	(14,804,839)	(15,601,186)
Loans issued to students and employees	-	-
Collection of loans to students and employees	773,784	741,291
Other receipts (payments)	2,507,530	4,495,535
Net cash used by operating activities	(45,079,994)	(40,930,153)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
State appropriations	34,748,540	35,653,962
Other federal grants and contracts	25,064,506	17,230,008
Gifts	2,164,534	5,186,980
Deposits held in custody for others	(37,803)	154,828
Federal family education loan receipts	50,559,007	46,243,629
Federal family education loan disbursements	(50,559,007)	(46,243,629)
Other	(1,360,463)	(3,799,164)
Net cash provided by noncapital financing activities	60,579,313	54,426,614
<u>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</u>		
Capital appropriations	3,440,091	3,772,795
Purchases of capital assets	(16,608,680)	(13,354,259)
Proceeds from sale of capital assets	-	10,480,000
Proceeds from issue of bonds	(2,086,963)	(1,645,384)
Principal paid on capital debt and leases	(1,264,327)	(893,466)
Interest paid on capital debt and leases	(65,445)	208,579
Other	(16,585,324)	(1,431,735)
Net cash used by capital financing activities	(16,585,324)	(1,431,735)
<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	(1,086,005)	12,064,726
Cash - beginning of the year	50,341,708	38,276,982
Cash - end of year	\$ 49,255,703	\$ 50,341,708
<u>RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>		
Operating income (loss)	\$ (53,272,277)	\$ (47,610,522)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	7,988,747	7,733,314
Changes in assets and liabilities:		
Accounts receivables, net	(1,773,668)	(844,915)
Loans to students, net	773,784	741,291
Inventories	4,284	(41,628)
Prepaid expenses	(67,689)	(89,181)
Accounts payable and accrued liabilities	746,196	(423,680)
Other post employment healthcare benefits	(54,159)	(46,670)
Deferred revenue	1,166,778	1,181,927
Pension liability	(565,605)	(1,974,385)
Accrued compensated absences	(26,385)	444,296
Net cash provided (used) by operating activities:	\$ (45,079,994)	\$ (40,930,153)

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, 2021 and 2020

ASSETS	2021	2020
	2021	2020
Cash and cash equivalents	\$ 185,856	\$ 181,055
Certificates of deposit and money market funds	6,360,603	4,240,700
Securities and limited partnerships	122,621,815	98,367,916
Student notes receivable and matching fund programs, net of allowance for doubtful accounts	220,941	233,050
Art and coin collection	86,635	86,635
Coins held for sale	80,099	79,639
Rental investments	497,448	520,059
Cash surrender value of life insurance	202,821	188,082
Oil working interests, less accumulated depletion	12,644	26,439
Land, buildings, equipment and oil royalties, less accumulated depreciation, depletion and reserve for impairment	15,637,200	13,188,817
Other	28,853	21,974
	\$ 145,934,915	\$ 117,134,366
LIABILITIES AND NET ASSETS		
Due to agency funds and other	\$ 120,378	\$ 4,566
Annuity contracts payable	326,848	625,937
Contributions in process	1,200	-
	448,426	630,503
NET ASSETS		
Without donor restrictions	\$ 19,022,563	\$ 12,145,224
With donor restrictions	126,463,926	104,358,639
	145,486,489	116,503,863
TOTAL NET ASSETS	145,486,489	116,503,863
TOTAL LIABILITIES AND NET ASSETS	\$ 145,934,915	\$ 117,134,366

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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND GAINS (LOSES)						
Fundraising						
Estates & planned gifts	\$ 1,559,138	\$ 1,729,934	\$ 3,289,072	\$ 358,783	\$ 8,210,432	\$ 8,569,215
Major gifts	20,000	6,942,627	6,962,627	14,000	3,634,949	3,648,949
Other	127,571	1,590,989	1,718,560	100,816	1,594,946	1,695,762
Total fundraising	1,706,709	10,263,550	11,970,259	473,599	13,440,327	13,913,926
Paycheck Protection Program proceeds	-	-	-	260,000	-	260,000
Investment return	6,733,288	18,621,066	25,354,354	742,619	(1,652,986)	(910,367)
Oil and gas	307	152,434	152,741	245	142,640	142,885
Farm rent	11,211	79,392	90,603	-	20,079	20,079
Management fees	659,430	-	659,430	787,962	-	787,962
Other revenues, net of bad debts	340,231	104,907	445,138	335,225	132,428	467,653
TOTAL REVENUES AND NET GAINS (LOSSES)	9,451,176	29,221,349	38,672,525	2,599,650	12,082,488	14,682,138
Net assets released from restrictions	7,177,983	(7,177,983)	-	10,284,601	(10,284,601)	-
TOTAL REVENUES, GAINS (LOSSES) AND OTHER SUPPORT	16,629,159	22,043,366	38,672,525	12,884,251	1,797,887	14,682,138
EXPENSES						
Program expenses						
University support and farm expenses	3,905,872	-	3,905,872	6,829,397	-	6,829,397
Scholarships, grants, and awards	2,806,602	-	2,806,602	2,747,094	-	2,747,094
Management fees	658,880	-	658,880	798,142	-	798,142
Oil expenses	69,367	-	69,367	114,084	-	114,084
Total program expenses	7,440,721	-	7,440,721	10,488,717	-	10,488,717
Management and general expenses	1,363,018	-	1,363,018	1,114,930	-	1,114,930
Fundraising expenses	1,310,937	-	1,310,937	1,237,841	-	1,237,841
TOTAL EXPENSES	10,114,676	-	10,114,676	12,841,488	-	12,841,488
EXCESS OF REVENUES OVER (UNDER) EXPENSES	6,514,483	22,043,366	28,557,849	42,763	1,797,887	1,840,650
OTHER CHANGES						
Change in value and actuarial gain (loss) on annuity contracts	11,988	412,585	424,573	(3,834)	(51,521)	(55,355)
Transfers (to) from agency funds	350,868	(350,664)	204	176,836	(176,836)	-
CHANGE IN NET ASSETS	6,877,339	22,105,287	28,982,626	215,765	1,569,530	1,785,295
NET ASSETS AT BEGINNING OF YEAR	12,145,224	104,358,639	116,503,863	11,929,459	102,789,109	114,718,568
NET ASSETS AT END OF YEAR	\$ 19,022,563	\$ 126,463,926	\$ 145,486,489	\$ 12,145,224	\$ 104,358,639	\$ 116,503,863

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, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,982,626	\$ 1,785,295
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and depletion	233,580	266,498
Adjustments to the allowance for uncollectible loans to student (net of recoveries)	-	1,351
Cancellation of loans to students meeting service requirements	37,000	19,722
Adjustments to annuities payable, net	40,911	75,615
Increase in cash surrender value of life insurance policies	(14,739)	(23,980)
Increase (decrease) in due to agency funds and other	115,812	(34,491)
Increase in contribution in process	1,200	-
Contributions of securities	(1,104,631)	(5,901,746)
Contributions of artwork and coins	(460)	-
Contributions of equipment and real estate	(2,653,319)	(2,390,215)
Contributions restricted for long-term investment	(2,224,621)	(776,178)
Net realized and unrealized (gains) losses on investments and annuity contracts	(22,655,501)	4,120,905
Net loss on disposition of equipment	597	6,317
Net loss on sale of real estate	73,876	24,018
Net gain on life insurance policy	-	(15,881)
Transfer of art to the University	-	66,177
Other	(6,879)	(634)
	825,452	(2,777,227)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	39,493,556	72,055,331
Proceeds from sales of real estate	106,024	103,982
Purchase of investments	(39,987,323)	(72,855,258)
Net (increase) decrease in certificates of deposit and savings	(2,119,903)	3,010,515
Disbursements of loans to students	(48,750)	(147,700)
Repayments of loans to students	23,859	20,259
Life insurance proceeds	-	66,163
Purchase of land, building, and equipment	(172,735)	(45,133)
	(2,705,272)	2,208,159
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investments	2,224,621	776,178
Payments to gift annuitants	(60,193)	(103,319)
Liquidation of annuities	(279,807)	-
	1,884,621	672,859
NET CASH PROVIDED BY OPERATING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,801	103,791
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	181,055	77,264
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 185,856	\$ 181,055

The accompanying notes are an integral part of these statements.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2021 and 2020

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), with the exception of GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units. 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 3,807, an enrollment of 3,693 in our partner universities in China, and online enrollment of 6,604, for a total enrollment of 14,104 as of Fall 2021. 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, 2021 and 2020

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, 2020. As the OPEB plan was measured at June 30, 2020, 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, 2021 and 2020

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 2021 summer session are reported in the Statement of Revenues, Expenses and Changes in Net Position as revenues and expenses for FY 2022. Summer session revenues received prior to June 30, 2021, are reported as unearned revenues in the Statement of Net Position. Expenses for the summer session paid prior to June 30, 2021, 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, 2021 and 2020

Reclassifications. Certain reclassifications have been made to the 2020 financial statements to conform to the 2021 statement presentation.

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, 2021 and 2020 was \$49,255,703 and \$50,341,708, 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, 2021 and 2020, investments in certificates of deposit for student activity accounts were \$249,2972 and \$242,872, respectively.

NOTE 3 - Accounts Receivable

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

	2021	2020
Tuition, fees & other	\$ 1,516,563	\$ 1,186,528
Auxiliary enterprises	94,960	169,828
Grants & contracts	2,763,911	1,245,410
Appropriated funds	1,694,700	2,017,541
	\$ 6,070,134	\$ 4,619,307

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, 2021. 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, 2021 and 2020, the allowance for uncollectible loans was estimated to be \$160,504 and \$199,194, respectively.

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2021 and 2020

NOTE 5 – Capital Assets

Capital asset activity for the year ended June 30, 2021 and June 30, 2020 was as follows:

	2021			
	Beginning Balance	Additions	Retirements	Ending Balance
Non-depreciable capital assets				
Land	\$ 304,456	\$ -	\$ -	\$ 304,456
Construction in progress	3,901,427	15,095,799	2,870,097	16,127,129
Software	5,666,862	423,470	-	6,090,332
Total non-depreciable capital assets	<u>9,872,745</u>	<u>15,519,269</u>	<u>2,870,098</u>	<u>22,521,917</u>
Depreciable capital assets				
Infrastructure	27,815,374	549,908	-	28,365,282
Buildings	210,517,110	2,327,582	-	212,844,692
Equipment	24,383,798	993,544	713,823	24,663,519
Intangible	4,345,873	-	5,915	4,339,958
Vehicles	1,645,639	116,055	158,973	1,602,721
Total depreciable capital assets	<u>268,707,794</u>	<u>3,987,089</u>	<u>878,711</u>	<u>271,816,172</u>
Total capital asset cost	<u>278,580,539</u>	<u>19,506,358</u>	<u>3,748,809</u>	<u>294,338,089</u>
Accumulated depreciation				
Infrastructure	9,346,128	1,045,977	-	10,392,105
Buildings	76,450,902	4,591,665	-	81,042,567
Equipment	11,922,930	1,660,204	686,243	12,896,891
Intangible	1,366,981	542,864	5,915	1,903,930
Vehicles	1,336,947	148,037	158,972	1,326,012
Total accumulated depreciation	<u>100,423,888</u>	<u>7,988,747</u>	<u>851,130</u>	<u>107,561,505</u>
Capital Assets Net	<u>\$ 178,156,651</u>	<u>\$ 11,517,611</u>	<u>\$ 2,897,678</u>	<u>\$ 186,776,584</u>
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>

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2021 and 2020

NOTE 6 - Changes In Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2021 and June 30, 2020 was as follows:

	2021				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Capital leases payable	\$ 671,646	\$ -	\$ 441,963	\$ 229,683	\$ 229,683
Revenue bonds payable	37,370,000	-	1,645,000	35,725,000	1,705,000
Bond premium	863,663	-	65,445	798,218	72,851
Compensated absences	2,959,239	-	26,385	2,932,854	1,798,418
Perkins loan program	3,784,926	-	547,217	3,237,709	669,900
Post employment benefits	394,167	-	54,159	340,008	-
Net pension liability	<u>9,827,340</u>	<u>1,032,413</u>	<u>-</u>	<u>10,859,753</u>	<u>-</u>
Total long-term liabilities	<u>\$ 55,870,981</u>	<u>\$ 1,032,413</u>	<u>\$ 2,780,169</u>	<u>\$ 54,123,225</u>	<u>\$ 4,475,852</u>

	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>

NOTE 7 – Revenue Bonds Outstanding

Bonds payable as of June 31, 2021 consist of the following:

Kansas Development Finance Authority Memorial Union Student Success Series 2020C \$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.	\$ 10,110,000
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.	23,640,000
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.	1,975,000

FORT HAYS STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENT
For the Years Ended June 30, 2021 and 2020

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
2022	\$ 1,705,000	\$ 1,267,517	\$ 2,972,517
2023	1,765,000	1,208,768	2,973,768
2024	1,845,000	1,134,167	2,979,167
2025	1,915,000	1,056,168	2,971,168
2026	1,445,000	989,917	2,434,917
2027-2031	8,030,000	4,148,525	12,178,525
2032-2036	9,415,000	2,744,025	12,159,025
2037-2041	9,605,000	975,888	10,580,888
	<u>\$ 35,725,000</u>	<u>\$ 13,524,975</u>	<u>\$ 49,249,975</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 \$234,380 and \$699,388 as of June 30, 2021 and 2020, respectively. Payments to liquidate these obligations are scheduled as follows:

Fiscal Year 2022	234,380
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The remaining principal balance for the master lease agreement as of June 30, 2021 and 2020 is \$229,683 and 671,646, 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 \$942,278 and 1,038,969 during fiscal years 2021 and 2020, respectively, and individual employees contributed \$387,248 and 421,991. 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 \$4,153,247 and 3,920,161 during fiscal years 2021 and 2020, respectively, and individual employees contributed \$2,665,424 and 2,520,283.

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	9.49%	14.41%
Police and Firemen	21.93	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 \$10,859,753 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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 0.129765%, which was a decrease of .009423% from its proportion measured as of June 30, 2019. As of June 30, 2020, the University's proportion of the total contributions made to the Police and Fire group was .094376% which was an increase of .012856% from its proportion measured as of June 30, 2019.

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For the year ended June 30, 2021 and 2020, Fort Hays State University recognized pension expense of \$356,750 and 46,924, respectively. At June 30, 2021 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	\$ 169,041	\$ 106,572
Net difference between projected and actual earnings on pension plan investments	972,143	-
Changes in proportion	98,430	2,130,994
Changes in assumptions	575,686	-
Contributions subsequent to measurement date	942,278	-
Total	\$ 2,757,578	\$ 2,237,566

\$942,278 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, 2022.

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:

2022	\$ (571,345)
2023	(231,948)
2024	117,180
2025	260,349
2026	3,498
	<u>\$ (422,266)</u>

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. The actuarial valuation was determined used the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Price inflation	2.75 percent
Salary increases	3.25 to 11.75 percent, including price inflation
Investment rate of return	7.50 percent compounded annually, net of investment expense, and including price inflation

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, 2019 valuation were based on the results of an actuarial experience study conducted for the three year period beginning January 1, 2016 and ending December 31, 2018.

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

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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 January 7, 2020, as provided by KPERS investment consultant, are summarized in the following table:

U.S. equities	23.50 %	5.20 %
Non-U.S. equities	23.50	6.40
Private equity	8.00	9.50
Private real estate	11.00	4.45
Yield driven	8.00	4.70
Real return	11.00	3.25
Fixed income	11.00	1.55
Short-term investments	4.00	0.25
Total	100.00	

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined in the separately issued KPERS financial report.

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 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Fort Hays State University proportionate share of the net pension liability	\$ 14,449,066	\$ 10,859,738	\$ 7,837,048

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 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

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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, 2021 there were 143 active members and 1 disabled member covered by the benefit term.

Total OPEB Liability: The university's total OPEB liability of \$340,008 was measured as of June 30, 2020, and was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020.

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2019 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	2.21%
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-2020.

The actuarial assumptions used in the June 30, 2020 valuation were based on actuarial experience study for the period July 1, 2016 – June 30, 2018. Other demographic assumptions are set to be consistent with the actuarial assumptions reflected in the December 31, 2019 KPERS pension valuation.

Changes in the Total OPEB Liability

Balance at fiscal year-end 6/30/20	<u>\$ 394,197</u>
Changes for the year:	
Service cost	28,693
Interest	13,568
Effect of economic/demographic gains or losses	(41,552)
Effect of assumptions changes or inputs	16,156
Benefit payments	<u>(71,024)</u>
Net changes	<u>(54,159)</u>
Balance at fiscal year-end 6/30/21	<u>\$ 340,008</u>

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 3.50% on June 30, 2019 to 2.21% on June 30, 2020.

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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	Current Rate	1% Increase
	(2.50%)	(3.50%)	(4.50%)
Total OPEB liability	\$ 351,724	\$ 340,008	\$ 328,497

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	\$ -	\$ 85,402
Changes in assumptions	18,199	9,544
Benefit payments subsequent to the measurement date	71,024	-
Total	\$ 89,223	\$ 94,946

The deferred outflow of resources related to the benefit payments subsequent to the measurement date totaling \$71,223 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, 2022. 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:	
2022	\$ (10,563)
2023	(10,563)
2024	(10,563)
2025	(10,563)
2026	(10,563)
Thereafter	(23,932)
	\$ (76,747)

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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, 2021 and June 30, 2020 was as follows:

	2021					Total
	Compensation and Benefits	Scholarships and Fellowships	Utilities	Supplies and Other Services	Depreciation	
Educational and General:						
Instruction	\$ 47,519,322	1,006,192	118	4,823,115	-	\$ 53,348,747
Research	200,658	56,725	-	181,796	-	439,179
Public service	2,229,419	3,720	-	2,029,693	-	4,262,832
Academic support	10,280,672	12,940	55,173	4,973,952	-	15,322,737
Student services	8,216,632	390,236	6,359	2,968,919	-	11,582,146
Institutional support	5,867,763	488,604	-	3,053,585	-	9,409,952
Operations and maintenance of plant	5,803,198	-	804,743	2,777,433	-	9,385,374
Depreciation	-	-	-	-	7,988,747	7,988,747
Scholarships and fellowships	61,014	9,295,158	-	3,081,344	-	12,437,516
Auxiliary enterprises:						
Residential Life	1,867,808	-	896,652	4,515,355	-	7,279,815
Parking	25,875	-	-	50,686	-	76,561
Student unions	706,290	2,478	157,591	1,057,915	-	1,924,274
Health services	674,860	-	1,018	581,401	-	1,257,279
Other operating expenses	555,568	-	-	1,509,089	-	2,064,657
Total operating expenses	\$ 84,009,079	11,256,053	1,921,654	31,604,283	7,988,747	\$ 136,779,816

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	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