



BOARD OF TRUSTEES OF WICHITA STATE UNIVERSITY

INDEPENDENT AUDITOR'S REPORT AND ANNUAL FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2020

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Independent Auditor's Report and Basic Financial Statements

June 30, 2020

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
June 30, 2020

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Independent Auditor's Report

Board of Trustees
Board of Trustees of Wichita State University
Wichita, Kansas

We have audited the accompanying financial statements of the governmental activities and each major fund of the Board of Trustees of Wichita State University (Board), a component unit of Wichita State University, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of June 30, 2020, and the respective changes in financial position thereof and the general fund budgetary comparison for the governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Management's Discussion and Analysis
Year Ended June 30, 2020

Introduction

Our discussion and analysis of the Board of Trustees of Wichita State University (Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

The Board is a governmental entity responsible for the management of the mill levy monies arising out of the tax levy upon the citizens of Sedgwick County, Kansas and was established for the education enrichment purposes of Wichita State University (WSU) as a whole, including all the colleges and branches or divisions thereof as well as all the facilities and activities thereof, consistent with the objectives, operation and management of WSU. The Board is also responsible for the endowed funds of the University of Wichita (University) before the University became a state institution in 1964.

Financial Highlights

The Board's net position increased by \$0.02 million or approximately 0.1% from 2019. During the year, the Board received total revenue of \$10.57 million and expended \$10.56 million. Revenue decreased \$0.14 million from 2019, mainly due to a lower investment return in 2020. During 2020, expenditures for scholarships decreased \$0.38 million and the Board's support for university projects decreased \$0.60 million. Total expenditures decreased by \$0.95 million over 2019.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. These basic financial statements are composed of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Board's finances in a manner similar to a private-sector business. The statement of net position presents information on all of the Board's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating. The statement of activities presents information showing how the Board's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow changes only in future fiscal periods (for example, salaries and benefits earned but unpaid as of year-end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Board maintains two governmental funds: the general fund and the permanent fund.

The Board adopts an annual mill levy budget. A budgetary comparison has been provided for the mill levy as supplemental information to the financial statements.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Board's financial position. In the case of the Board, as of June 30, 2020, net assets increased by \$0.02 million. Total assets fell \$0.60 million while total liabilities and deferred inflows dropped \$0.62 million from June 30, 2019.

	2020	2019	Increase (Decrease)
Assets			
Cash	\$ 4,782,393	\$ 3,705,028	\$ 1,077,365
Cash available from county treasurer	4,085,613	4,005,502	80,111
Cash held by county treasurer in escrow	1,140,818	1,129,001	11,817
Investments	4,414,556	4,514,830	(100,274)
Investments managed by related party	7,407,557	7,771,685	(364,128)
Depreciable capital assets, net	46,971,242	48,280,213	(1,308,971)
Total assets	<u>\$ 68,802,179</u>	<u>\$ 69,406,259</u>	<u>\$ (604,080)</u>
Liabilities			
Accrued liabilities	\$ 779,972	\$ 785,901	\$ (5,929)
Capital lease/long-term obligations			
Due within one year	613,155	593,450	19,705
Due beyond one year	44,259,882	44,873,037	(613,155)
Total liabilities	<u>45,653,009</u>	<u>46,252,388</u>	<u>(599,379)</u>
Deferred Inflow of Resources	<u>708,944</u>	<u>729,796</u>	<u>(20,852)</u>
Net Position			
Net investment in capital assets	1,389,261	2,083,930	(694,669)
Unrestricted	9,701,292	8,526,070	1,175,222
Restricted			
Expendable	5,701,412	6,168,198	(466,786)
Nonexpendable	5,648,261	5,645,877	2,384
Total net position	<u>22,440,226</u>	<u>22,424,075</u>	<u>16,151</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 68,802,179</u>	<u>\$ 69,406,259</u>	<u>\$ (604,080)</u>

The reduction in assets was almost entirely due to annual depreciation on Board assets. Total liabilities and deferred inflow of resources reduced by approximately 1.32% from 2019 as a result of payments on the Board's outstanding capital lease with the Sedgwick County Public Building Commission.

	2020	2019	Increase (Decrease)
General Revenue			
Gifts and contributions	\$ 2,511	\$ 66,337	\$ (63,826)
Contributions from related entities	25,000	-	25,000
Property tax	8,323,920	8,037,828	286,092
Investment return and rentals, net	108,350	738,284	(629,934)
Miscellaneous	20,852	20,851	1
	<u>8,480,633</u>	<u>8,863,300</u>	<u>(382,667)</u>
Program Revenue			
Experiential engineering building grant	<u>2,092,730</u>	<u>1,852,376</u>	<u>240,354</u>
	<u>10,573,363</u>	<u>10,715,676</u>	<u>(142,313)</u>
Expenses/Expenditures			
Scholarships	4,587,035	4,962,765	(375,730)
Economic and community development	597,513	578,934	18,579
Depreciation	1,308,971	1,308,971	-
General and administrative	117,918	89,930	27,988
University support	1,250,000	1,850,000	(600,000)
WSU Tech support	800,000	800,000	-
Interest	<u>1,895,775</u>	<u>1,915,862</u>	<u>(20,087)</u>
	<u>10,557,212</u>	<u>11,506,462</u>	<u>(949,250)</u>
Revenues Over (Under) Expenses/Expenditures	<u>\$ 16,151</u>	<u>\$ (790,786)</u>	<u>\$ 806,937</u>

Total revenue was \$0.14 million less in 2020 when compared to 2019. Gifts fell \$0.06 million and investment income fell \$0.63 million. Property tax revenue increased \$0.29 million and the State of Kansas grant for the John Bardo Center, increased \$0.24 million.

Expenditures decreased \$0.95 million in 2020 when compared to 2019. While the budget for scholarships was unchanged from 2019, expenditures for scholarships fell \$0.38 million to \$4.59 million. Expenditures for Wichita State capital projects decreased \$0.60 million from 2019 while the Board made its second annual contribution of \$1.25 million for Wichita State's new health and wellness facility located in the heart of campus.

Capital Assets

As of June 30, 2020, the Board had \$79.0 million invested in capital assets.

	<u>2020</u>	<u>2019</u>
Depreciable capital assets		
Buildings	\$ 3,781,454	\$ 3,781,454
Furniture & fixtures	78,515	78,515
Infrastructure	2,461,870	2,461,870
Capitalized lease properties	<u>72,631,455</u>	<u>72,631,455</u>
	78,953,294	78,953,294
Less accumulated depreciation	<u>31,982,052</u>	<u>30,673,081</u>
Depreciable capital assets, net	<u>\$ 46,971,242</u>	<u>\$ 48,280,213</u>

Capitalized leased properties are improvements used to support the operations of WSU. The improvements were made utilizing proceeds from current or prior bond obligations. Leases on these improvements serve as collateral for outstanding long-term obligations.

Debt Administration

At June 30, 2020, the Board had \$44.87 million in capital lease obligations outstanding versus \$45.47 million capital lease obligations at June 30, 2019.

	<u>2020</u>	<u>2019</u>
Capital lease/long-term obligations		
Due within one year	\$ 613,155	\$ 593,450
Due beyond one year	<u>44,259,882</u>	<u>44,873,037</u>
Total long-term obligations	<u>\$ 44,873,037</u>	<u>\$ 45,466,487</u>

Economic Factors and Next Year's Budget

The Board's appointed trustees considered many factors prior to adopting the fiscal year 2021 budget.

The major factor that influences the budget for fiscal year 2021 is the anticipated level of tax revenue received from Sedgwick County. The source of the tax revenue is property taxes from the 1.5 mill levy assessed on the valuation of taxable property in Sedgwick County. The executive director of the Board of Trustees works with officials of the City of Wichita and Sedgwick County to determine the estimated revenue for the next budget year.

Request for Information

This financial report is designed to provide a general overview of the Board's finances for all those with an interest in the Board. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Troy Bruun, Associate Vice President, at 316.978.5585.

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2020

	General Fund	Permanent Fund	Total Governmental Funds
Assets			
Cash	\$ 4,782,393	\$ -	\$ 4,782,393
Cash available from county treasurer	4,085,613	-	4,085,613
Cash held by county treasurer in escrow	1,140,818	-	1,140,818
Investments	-	4,414,556	4,414,556
Investments managed by related party	-	7,407,557	7,407,557
Depreciable capital assets, net	-	-	-
Total assets	\$ 10,008,824	\$ 11,822,113	\$ 21,830,937
Liabilities			
Accrued liabilities	\$ 779,972	\$ -	\$ 779,972
Capital lease obligation			
Due within one year	-	-	-
Due beyond one year	-	-	-
Total liabilities	779,972	-	779,972
Deferred Inflow of Resources			
	-	-	-
Fund Balances			
Fund balances			
Nonspendable			
Endowment fund principal	-	5,648,261	5,648,261
Committed			
Maintenance fund	-	472,440	472,440
Assigned			
Internally designated funds	4,434,993	-	4,434,993
Restricted-expendable for scholarships and other student support	-	5,701,412	5,701,412
Unassigned			
General fund	4,793,859	-	4,793,859
Total fund balances	9,228,852	11,822,113	21,050,965
Total liabilities and fund balances	\$ 10,008,824	\$ 11,822,113	\$ 21,830,937
Net Position			
Net investment in capital assets			
Unrestricted			
Restricted			
Expendable			
Nonexpendable			
Total net position			
Total liabilities, deferred inflow of resources and net position			

See Notes to Basic Financial Statements

GASB 34 Items (Note 1)	Statement of Net Position
\$ -	\$ 4,782,393
-	4,085,613
-	1,140,818
-	4,414,556
-	7,407,557
<u>46,971,242</u>	<u>46,971,242</u>
<u>\$ 46,971,242</u>	<u>\$ 68,802,179</u>
\$ -	\$ 779,972
613,155	613,155
<u>44,259,882</u>	<u>44,259,882</u>
<u>44,873,037</u>	<u>45,653,009</u>
<u>708,944</u>	<u>708,944</u>
(5,648,261)	-
(472,440)	-
(4,434,993)	-
(5,701,412)	-
<u>(4,793,859)</u>	<u>-</u>
<u>(21,050,965)</u>	<u>-</u>
<u>24,531,016</u>	<u>46,361,953</u>
1,389,261	1,389,261
9,701,292	9,701,292
5,701,412	5,701,412
<u>5,648,261</u>	<u>5,648,261</u>
<u>22,440,226</u>	<u>22,440,226</u>
<u>\$ 46,971,242</u>	<u>\$ 68,802,179</u>

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Year Ended June 30, 2020

	General Fund	Permanent Fund	Total Governmental Funds
General Revenue			
Gifts and contributions	\$ -	\$ 2,511	\$ 2,511
Contributions from related entities	-	25,000	25,000
Property tax	8,323,920	-	8,323,920
Investment return and rentals, net	54,084	54,266	108,350
Miscellaneous	-	-	-
	<u>8,378,004</u>	<u>81,777</u>	<u>8,459,781</u>
Program Revenue			
Experiential engineering building grant	<u>2,092,730</u>	<u>-</u>	<u>2,092,730</u>
Total revenue	<u>10,470,734</u>	<u>81,777</u>	<u>10,552,511</u>
Expenses/Expenditures			
Scholarships and other student support	4,257,628	329,407	4,587,035
Economic and community development	420,177	177,336	597,513
Depreciation	-	-	-
General and administrative	78,482	39,436	117,918
University support services	1,250,000	-	1,250,000
WSU Tech support	800,000	-	800,000
Interest	1,895,775	-	1,895,775
Principal debt payments	<u>593,450</u>	<u>-</u>	<u>593,450</u>
Total expenses/expenditures	<u>9,295,512</u>	<u>546,179</u>	<u>9,841,691</u>
Revenue over (under) expenses/expenditures	<u>1,175,222</u>	<u>(464,402)</u>	<u>710,820</u>
Change in Net Position/Fund Balance	1,175,222	(464,402)	710,820
Total Net Position/Fund Balance - Beginning of the Year	<u>8,053,630</u>	<u>12,286,515</u>	<u>20,340,145</u>
Total Net Position/Fund Balance - End of the Year	<u>\$ 9,228,852</u>	<u>\$ 11,822,113</u>	<u>\$ 21,050,965</u>

GASB 34 Items (Note 1)	Statement of Activities
\$ -	\$ 2,511
-	25,000
-	8,323,920
-	108,350
<u>20,852</u>	<u>20,852</u>
20,852	8,480,633
<u>-</u>	<u>2,092,730</u>
<u>20,852</u>	<u>10,573,363</u>
-	4,587,035
-	597,513
1,308,971	1,308,971
-	117,918
-	1,250,000
-	800,000
-	1,895,775
<u>(593,450)</u>	<u>-</u>
<u>715,521</u>	<u>10,557,212</u>
<u>(694,669)</u>	<u>16,151</u>
(694,669)	16,151
<u>2,083,930</u>	<u>22,424,075</u>
<u>\$ 1,389,261</u>	<u>\$ 22,440,226</u>

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Statement of Mill Levy Fund Revenue, Expenditures and Changes
in Fund Balance – General Fund – Budgetary Basis
Year Ended June 30, 2020

	Current Year Mill Levy Budget	Current Year Mill Levy Actual	Budget Variance Positive (Negative)
General Revenue			
Property tax	\$ 8,471,225	\$ 8,243,810	\$ (227,415)
Total revenue	<u>8,471,225</u>	<u>8,243,810</u>	<u>(227,415)</u>
Expenditures			
Scholarships and other student support	4,213,469	4,257,628	(44,159)
Economic and community development	446,000	420,177	25,823
General and administrative	77,396	74,241	3,155
Contingency	300,000	-	300,000
WSU Tech support	800,000	800,000	-
Total expenditures	<u>5,836,865</u>	<u>5,552,046</u>	<u>284,819</u>
Other Financing Sources (Uses)			
Transfers	<u>(2,634,360)</u>	<u>(2,745,848)</u>	<u>(111,488)</u>
Revenue Under Expenditures	<u>\$ -</u>	<u>\$ (54,084)</u>	<u>\$ (54,084)</u>

Board of Trustees of Wichita State University (A Component Unit of Wichita State University)

Notes to Basic Financial Statements

June 30, 2020

Note 1: Organization and Summary of Significant Accounting Policies

Reporting Entity

Board of Trustees of Wichita State University (Board) is a governmental entity responsible for the management of the mill levy monies arising out of the tax levy upon the citizens of Sedgwick County, Kansas and was established for the education enrichment purposes of Wichita State University (WSU) as a whole, including all the colleges and branches or divisions thereof as well as all the facilities and activities thereof, consistent with the objectives, operation and management of WSU. The Board is also responsible for the endowed funds of the University of Wichita (University) before the University became a state institution in 1964.

The Board was established under State of Kansas statute 76-3a16 and for accounting purposes is a component unit of WSU which is a component unit of the State of Kansas. The Board is not financially accountable for any other organizations. The financial statements reflect the operations of the Board and do not reflect the complete operations of WSU or the State of Kansas. As such, the Board's financial results are included in the State of Kansas's Comprehensive Annual Financial Report.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of the Board. The Board follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in the primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of the Board's financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in net current assets and unassigned fund balance is a measure of available spendable resources. This means that only current liabilities are generally included on the governmental fund balance sheet.

The statement of net position does not equal the governmental funds balance sheet at June 30, 2020, due to net capital assets and certain liabilities that are not payable from available spendable resources in the statement of net position. See discussion regarding GASB 34 Items column below.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred and is expected to be paid from available spendable resources.

GASB 34 Items Column

The GASB 34 Items column on the governmental funds balance sheet/statement of net position represents the recording of capital assets, certain liabilities and deferred inflows of resources as required by GASB 34 and other GASB pronouncements.

The GASB 34 Items column on the statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities is comprised of the following for the year ended June 30, 2020:

Amounts reported for the General Fund are different from the statement of net position because of:

Depreciable capital assets, net	
of accumulated depreciation	\$ 46,971,242
Long-term obligations	(44,873,037)
Long-term obligations - deferred gain	<u>(708,944)</u>
Total GASB 34 Items amount	<u><u>\$ 1,389,261</u></u>

Amounts reported for the General Fund are different from the statement of activities because of:

Depreciation expense	\$ 1,308,971
Principal debt payments	(593,450)
Deferred gain	<u>(20,852)</u>
Total GASB 34 Items amount	<u><u>\$ 694,669</u></u>

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2020

Compliance

Budget

An annual budget is adopted on a basis consistent with budgetary basis. The budget is based on receipts from the property tax mill levy and includes only the Mill Levy Fund and the Plant Fund included in the Supplementary Information and therefore does not reconcile back to the basic financial statements. The Board does not budget for the General Fund, only for the Mill Levy Fund.

WSU prepares the annual budget for the mill levy and presents it to the Board for review and approval. During the year ended June 30, 2020, the budget for the mill levy had been approved by the Board, the City of Wichita, Sedgwick County and the Kansas Board of Regents. Total expenditures for the mill levy may not legally exceed the amount appropriated.

Fund Financial Statements

In order to ensure observation of limitations and restrictions placed on the use of the resources available to the Board, the accounts of the Board are maintained in accordance with the principles of “fund accounting.” This is the process by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. For financial reporting, the major funds have been grouped and are presented in this report as follows:

General Fund

The General Fund is further divided internally into the following:

Operating Fund – This fund is used to account for unrestricted revenue and related operations of the Board and to acquire and maintain property.

Mill Levy Fund – This fund is comprised of monies arising out of the tax levy upon the citizens of Sedgwick County, Kansas.

Permanent Fund

Endowment and similar funds – This fund is comprised of endowment, restricted and committed funds. Endowment funds consist of investments or property, the principal of which is to remain intact with only the income available for expenditure. Restricted funds are expendable for scholarships and other student funds. Committed funds, while established by the Board for the same purposes as endowment funds, may be expended at the discretion of the Board. Committed funds in the Maintenance Fund are committed for facility maintenance.

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Board to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Risk Management

The Board is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. No claims have exceeded the amounts of coverage provided by these policies in any of the past three fiscal years.

Cash Available From County Treasurer

Cash available from county treasurer represents mill levy monies collected by Sedgwick County and expected to be distributed to the Board by the end of calendar year 2020.

Investments and Investment Return

Investments are stated at fair market value. All realized and unrealized gains and losses are accounted for in the fund which owned such asset.

Investment earnings (losses) consist of interest and dividend income and the net change for the year in the fair value of investments carried at fair value.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is provided on the straight-line method over the lease term for capitalized lease properties. Depreciation on all other capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Improvements	7-40 years
Machinery and equipment	5-10 years

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

Net Position

Net position of the Board is classified in four components. Net investment in capital assets, consist of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is noncapital assets that must be used for a particular purpose as specified by creditors, grantors or donors external to the Board, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position is noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Board, such as permanent endowments. Unrestricted net position is remaining assets less remaining liabilities that do not meet the definition of net investment in capital assets or restricted.

Fund Balance – Governmental Funds

The fund balances of the Board’s governmental funds are displayed in four components:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact.

Committed – Amounts that can be used only for the specific purposes as approved by the Board. Commitments may be changed or lifted only by the Board taking the same formal action that imposed the constraint originally.

Assigned – Amounts intended to be used by the Board for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

Unassigned – The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The Board considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The Board applies assigned amounts first and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

At June 30, 2020, internally designated funds were assigned in the following manner:

Scholarships and student support	\$ 1,768,199
Economic and community development	515,974
Campus development	983,085
Debt service	1,140,818
Operations	<u>26,917</u>
	<u><u>\$ 4,434,993</u></u>

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

Income Taxes

The Board is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. Accordingly, no provision for income taxes is included in the financial statements.

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it.

State law requires collateralization of all deposits with federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies or instrumentalities or the state of Kansas; bonds of any city, county, school district or special road district of the state of Kansas; bonds of any state; or a surety bond having an aggregate value at least equal to the amount of the deposits.

At June 30, 2020, \$4,532,393 of the Board's bank balances of \$4,782,393 were exposed to custodial credit risk. Deposits are covered by federal depository insurance up to \$250,000. The excess is covered by collateral held in the pledging bank's trust department in the Board's name. Fair value of pledged collateral is maintained at levels in excess of uninsured deposit balances.

Investments

The Board may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At June 30, 2020, the Board had the following investments and maturities:

Investment Type	Fair Value	Maturities in Years		
		Less than 1	1-5	Greater than 5
Money market funds	\$ 220,801	\$ 220,801	\$ -	\$ -
Fixed income mutual funds	1,222,929	-	200,491	1,022,438
Fixed income credit investments	297,717	-	-	297,717
		<u>\$ 220,801</u>	<u>\$ 200,491</u>	<u>\$ 1,320,155</u>
Pooled investment (managed by related party)	7,407,557			
Equity mutual funds	1,957,494			
Preferred stock	17,144			
Common stock	698,471			
	<u>\$ 11,822,113</u>			

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

The following classifies investment type by purpose at June 30, 2020.

Investment Type	Cash Held for Projects	Endowed Funds	Maintenance Funds	Gore Trust Funds	Total
Money market funds	\$ -	\$ -	\$ -	\$ 220,801	\$ 220,801
Fixed income mutual funds	-	-	-	1,222,929	1,222,929
Fixed income credit investments	-	-	-	297,717	297,717
Pooled investment	-	6,738,791	668,766	-	7,407,557
Equity mutual funds	-	-	-	1,957,494	1,957,494
Preferred stock	-	-	-	17,144	17,144
Common stock	-	-	-	698,471	698,471
Total investment	<u>\$ -</u>	<u>\$ 6,738,791</u>	<u>\$ 668,766</u>	<u>\$ 4,414,556</u>	<u>\$ 11,822,113</u>

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Wichita State University Foundation (Foundation) (see *Note 7*) investment policy followed by the Board includes ongoing assessment of the composition of fixed income investments to total investments.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Board requires investments to be maintained in accordance with the Wichita State University Foundation investment policy.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the Board’s \$11.82 million of investments, \$11.82 million (including \$7.4 million managed by a related party) of the underlying securities are held by the investment’s counterparty, not in the name of the Board, and are therefore exposed to custodial credit risk.

Concentration of Credit Risk – The Board places no limit on the amount that may be invested in any one issuer. At June 30, 2020, the Board’s investment in a pooled investment managed by a related party constituted 62.7% of its total investments.

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

Summary of Carrying Values

The carrying values of deposits above are included in the governmental funds balance sheet/statement of net position as follows:

Carrying value	
Deposits	<u>\$ 4,782,393</u>

Note 3: Endowments and Similar Funds

The Board has established an investment policy with the objectives of protecting the principal of these funds and maximizing total investment return without assuming extraordinary risks. It is the goal of the Board to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 4.25%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. As of June 30, 2020, the Board had a total of \$296,146 of net appreciation from investment of donor-restricted endowments available for expenditure. This amount is reported in expendable restricted net position on the statement of net position. The laws of the State of Kansas do not currently restrict the Board's ability to spend net appreciation on donor-restricted endowment funds.

Note 4: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

**Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)**

Notes to Basic Financial Statements

June 30, 2020

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 220,801	\$ 220,801	\$ -	\$ -
Fixed income mutual funds	1,222,929	1,222,929	-	-
Fixed income credit investments	297,717	297,717	-	-
Pooled investment	7,407,557	-	7,407,557	-
Equity mutual funds	1,957,494	1,957,494	-	-
Preferred stock	17,144	17,144	-	-
Common stock	698,471	698,471	-	-
	<u>\$ 11,822,113</u>	<u>\$ 4,414,556</u>	<u>\$ 7,407,557</u>	<u>\$ -</u>

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Board has no investments classified as Level 3.

**Board of Trustees of Wichita State University
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Notes to Basic Financial Statements

June 30, 2020

Note 5: Capital Assets

Capital assets activity for the year ended June 30, 2020, was:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Depreciable capital assets				
Buildings	\$ 3,781,454	\$ -	\$ -	\$ 3,781,454
Furniture and fixtures	78,515	-	-	78,515
Infrastructure	2,461,870	-	-	2,461,870
Capitalized lease properties	72,631,455	-	-	72,631,455
	<u>78,953,294</u>	<u>-</u>	<u>-</u>	<u>78,953,294</u>
Less accumulated depreciation	30,673,081	1,308,971	-	31,982,052
Depreciable capital assets, net	<u>\$ 48,280,213</u>	<u>\$ (1,308,971)</u>	<u>\$ -</u>	<u>\$ 46,971,242</u>

Note 6: Long-term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments/ Transfers</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Capital lease obligation	<u>\$ 45,466,487</u>	<u>\$ -</u>	<u>\$ (593,450)</u>	<u>\$ 44,873,037</u>	<u>\$ 613,155</u>

During 2015, the Board issued Sedgwick County Public Building Commission Revenue Bonds, Series 2014-3 and Series 2014-4 in the amounts of \$38,895,000 and \$6,050,000, respectively. The Series 2014-3 bonds issued bear interest, payable semiannually, at nominal rates of 3.40% to 5.00%, which begin August 2015 and continue until 2054. Annual principal payments begin February 2027 and continue until 2054. The bonds were sold at a premium of approximately \$2.76 million, which reduces the effective interest rate on the bonds to approximately 4.25%. The Series 2014-4 bonds issued bear interest, payable semiannually, at nominal rates of 1.95% to 3.90%, which begin August 2015 and continue until 2027. Annual principal payments began February 2018 and continue until 2027.

During 2017, the John Bardo Center was substantially completed. The construction in progress and Series 2014-3 and Series 2014-4 revenue bonds associated with the project were transferred to the Sedgwick County Public Building Commission (PBC) at the fair value of the building, totaling \$46,736,679. Future payments will continue in accordance with the original Series 2014-3 and Series 2014-4 revenue bonds noted above. The Board then leased the building back from the PBC. The effective interest rate of this capital lease, based on the payment terms is 4.14%. The transfer resulted in a gain of \$771,498. This gain is deferred and shown on the statement of net position as a deferred inflow of resources and will be recognized over the remaining term of the lease.

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2020

Aggregate annual maturities and sinking fund requirements of long-term debt at June 30, 2020, are:

Year Ending	Principal	Interest	Total Payments
2021	\$ 613,155	\$ 1,882,081	\$ 2,495,236
2022	647,098	1,851,038	2,498,136
2023	675,341	1,823,885	2,499,226
2024	702,868	1,795,558	2,498,426
2025	724,575	1,771,082	2,495,657
Thereafter	<u>41,510,000</u>	<u>30,910,969</u>	<u>72,420,969</u>
	<u>\$ 44,873,037</u>	<u>\$ 40,034,613</u>	<u>\$ 84,907,650</u>

Note 7: Related Party Transactions

Certain assets related to endowed funds were transferred to the Foundation for management in accordance with a management services agreement. Cash and certain investments were combined with Foundation accounts. The amount of assets, consisting of investments, pooled with Foundation accounts totaled \$7,407,557 at June 30, 2020. The Foundation charges the Board an annual fee of \$12,500 for time spent by Foundation employees on Board business.

WSU paid \$2,092,730 to the Board to help fund the sublease payments for the John Bardo Center.

During 2020, the Board contributed \$1,250,000 for a new health and wellness facility.

Supplementary Information

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Schedule of Fund Assets, Liabilities and Fund Balances (Deficit)
(Including Capital Assets)
June 30, 2020

	Mill Levy Carryover	Mill Levy	Plant Fund
Assets			
Cash	\$ 4,434,993	\$ 347,400	\$ -
Cash available from county treasurer	-	4,085,613	-
Cash held by county treasurer in escrow	-	-	1,140,818
Investments	-	-	-
Investments managed by related party	-	-	-
Capitalized lease properties	-	-	-
Furniture and fixtures	-	-	-
Infrastructure	-	-	-
Buildings	-	-	-
Accumulated depreciation	-	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,434,993</u>	<u>\$ 4,433,013</u>	<u>\$ 1,140,818</u>
 Liabilities and Fund Balances			
Liabilities			
Accrued liabilities	\$ -	\$ -	\$ 779,972
Capital lease	-	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	-	-	779,972
	<hr/>	<hr/>	<hr/>
Deferred Inflow of Resources	-	-	-
	<hr/>	<hr/>	<hr/>
Fund Balances (Deficit)			
Invested in capital assets	-	-	-
Restricted			
Expendable	-	-	-
Nonexpendable	-	-	-
Unrestricted	4,434,993	4,433,013	360,846
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	4,434,993	4,433,013	360,846
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances (deficit)	<u>\$ 4,434,993</u>	<u>\$ 4,433,013</u>	<u>\$ 1,140,818</u>

Permanent Fund	GASB 34 Items	Total
\$ -	\$ -	\$ 4,782,393
-	-	4,085,613
-	-	1,140,818
4,414,556	-	4,414,556
7,407,557	-	7,407,557
-	72,631,455	72,631,455
-	78,515	78,515
-	2,461,870	2,461,870
-	3,781,454	3,781,454
-	(31,982,052)	(31,982,052)
<u>\$ 11,822,113</u>	<u>\$ 46,971,242</u>	<u>\$ 68,802,179</u>
\$ -	\$ -	\$ 779,972
-	44,873,037	44,873,037
-	44,873,037	45,653,009
-	708,944	708,944
-	1,389,261	1,389,261
5,701,412	-	5,701,412
5,648,261	-	5,648,261
472,440	-	9,701,292
<u>11,822,113</u>	<u>1,389,261</u>	<u>22,440,226</u>
<u>\$ 11,822,113</u>	<u>\$ 46,971,242</u>	<u>\$ 68,802,179</u>

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)

Schedule of Fund Activities

Year Ended June 30, 2020

	Operating	Cash Flow	Mill Levy Carryover	Mill Levy
Revenue				
Gifts and contributions	\$ -	\$ -	\$ -	\$ -
Contributions from related entities	-	-	-	-
Property tax	-	-	-	8,323,920
Investment return and net rentals	42,301	-	-	-
Experiential engineering building grant	-	-	2,092,730	-
Miscellaneous	-	-	-	-
	<u>42,301</u>	<u>-</u>	<u>2,092,730</u>	<u>8,323,920</u>
Total revenue	<u>42,301</u>	<u>-</u>	<u>2,092,730</u>	<u>8,323,920</u>
Expenses/Expenditures				
Scholarships and other student support	-	-	-	4,257,628
Economic and community development	-	-	-	420,177
General and administrative	58,086	-	-	-
University support services	-	-	1,250,000	-
WSU Tech support	-	-	-	800,000
Interest	-	-	-	-
Principal debt payment	-	-	-	-
Depreciation expense	-	-	-	-
	<u>58,086</u>	<u>-</u>	<u>1,250,000</u>	<u>5,477,805</u>
Total expenditures	<u>58,086</u>	<u>-</u>	<u>1,250,000</u>	<u>5,477,805</u>
Revenue over (under) expenses/expenditures	<u>(15,785)</u>	<u>-</u>	<u>842,730</u>	<u>2,846,115</u>
Transfers	<u>(18,039)</u>	<u>(1,446,237)</u>	<u>(5,913,464)</u>	<u>3,521,635</u>
Increase (Decrease) in Fund Balances	<u>(33,824)</u>	<u>(1,446,237)</u>	<u>(5,070,734)</u>	<u>6,367,750</u>
Fund Balances (Deficit), Beginning of Year	<u>33,824</u>	<u>1,446,237</u>	<u>9,505,727</u>	<u>(1,934,737)</u>
Fund Balances (Deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,434,993</u>	<u>\$ 4,433,013</u>

Plant Fund	Permanent Fund	GASB 34 Items	Total
\$ -	\$ 2,511	\$ -	\$ 2,511
-	25,000	-	25,000
-	-	-	8,323,920
11,783	54,266	-	108,350
-	-	-	2,092,730
-	-	20,852	20,852
<u>11,783</u>	<u>81,777</u>	<u>20,852</u>	<u>10,573,363</u>
-	329,407	-	4,587,035
-	177,336	-	597,513
20,396	39,436	-	117,918
-	-	-	1,250,000
-	-	-	800,000
1,895,775	-	-	1,895,775
593,450	-	(593,450)	-
-	-	1,308,971	1,308,971
<u>2,509,621</u>	<u>546,179</u>	<u>715,521</u>	<u>10,557,212</u>
<u>(2,497,838)</u>	<u>(464,402)</u>	<u>(694,669)</u>	<u>16,151</u>
<u>3,856,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,358,267	(464,402)	(694,669)	16,151
<u>(997,421)</u>	<u>12,286,515</u>	<u>2,083,930</u>	<u>22,424,075</u>
<u>\$ 360,846</u>	<u>\$ 11,822,113</u>	<u>\$ 1,389,261</u>	<u>\$ 22,440,226</u>

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Schedule of Mill Levy Budget and General Fund Activity
Year Ended June 30, 2020

	Current Year Mill Levy Budget	Current Year Mill Levy Actual	Mill Levy Carryover Prior Years Actual
General Revenue			
Property tax	\$ 8,471,225	\$ 8,243,810	\$ -
Investment earnings and net rentals	-	-	-
Experiential engineering building grant	-	-	-
	<u>8,471,225</u>	<u>8,243,810</u>	<u>-</u>
Expenditures			
Scholarships and other student support	4,213,469	4,257,628	-
Economic and community development	446,000	420,177	-
General and administrative	77,396	74,241	-
Contingency	300,000	-	-
University support services	-	-	-
WSU Tech support	800,000	800,000	-
Debt service - principal payments	-	-	-
Debt service - interest payments	-	-	-
	<u>5,836,865</u>	<u>5,552,046</u>	<u>-</u>
Revenue over (under) expenditures	2,634,360	2,691,764	-
Other Financing Sources (Uses)			
Transfers	<u>(2,634,360)</u>	<u>(2,745,848)</u>	<u>5,913,464</u>
Revenues over expenditures	-	(54,084)	5,913,464
Total Fund Balance - Beginning of the Year	<u>-</u>	<u>(2,414,162)</u>	<u>6,843,272</u>
Total Fund Balance - End of the Year	<u><u>\$ -</u></u>	<u><u>\$ (2,468,246)</u></u>	<u><u>\$ 12,756,736</u></u>

Other General Fund Actual	Total General Fund Actual
\$ -	\$ 8,243,810
42,301	42,301
<u>2,092,730</u>	<u>2,092,730</u>
<u>2,135,031</u>	<u>10,378,841</u>
-	4,257,628
-	420,177
-	74,241
-	-
1,250,000	1,250,000
-	800,000
593,450	593,450
<u>1,905,944</u>	<u>1,905,944</u>
<u>3,749,394</u>	<u>9,301,440</u>
(1,614,363)	1,077,401
<u>2,745,848</u>	<u>5,913,464</u>
1,131,485	6,990,865
<u>5,993,929</u>	<u>10,423,039</u>
<u><u>\$ 7,125,414</u></u>	<u><u>\$ 17,413,904</u></u>

