



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

Independent Auditor's Report and Basic Financial Statements

June 30, 2018



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, 2018, 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 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.

Supplementary 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, 2018**

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, 2018. 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 Univctctcf 6 (e)-12.047018. n ch stisiot wu.995 (ct)(h ad)9.004 (di)5.996

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, 2018, net assets increased by \$1.4 million and liabilities decreased by \$547 thousand from June 30, 2017.

	2018	2017	Increase (Decrease)
Assets			
Cash	\$ 4,086,723	\$ 3,677,516	\$ 409,207
Cash available from county treasurer			

Capital Assets

As of June 30, 2018, the Board had \$79.0 million invested in capital assets.

	2018	2017
Depreciable capital assets		
Buildings	\$ 3,781,454	\$ 3,781,454
Furniture & fixtures	78,515	-
Infrastructure	2,461,870	-
Capitalized lease properties	72,631,455	72,631,455
	<u>78,953,294</u>	<u>76,412,909</u>
Less accumulated depreciation	<u>29,364,110</u>	<u>28,011,983</u>
Depreciable capital assets, net	<u>\$ 49,589,184</u>	<u>\$ 48,400,926</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, 2018, the Board had \$46.0 million in capital lease obligations outstanding versus \$46.7

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2018

	General Fund	Permanent Fund	Total Governmental Funds
Assets			
Cash	\$ 4,086,723	\$ -	\$ 4,086,723
Cash available from county treasurer	3,926,963	-	3,926,963
Cash held by county treasurer in escrow	1,114,451	-	1,114,451
Investments	-	4,342,586	4,342,586
Investments managed by related party	-	7,739,931	7,739,931
Depreciable capital assets, net	-	-	-
Total assets	\$ 9,128,137	\$ 12,082,517	\$ 21,210,654
Liabilities			
Accrued liabilities	\$ 795,789	\$ -	\$ 795,789
Capital lease obligation			
Due within one year	-	-	-
Due beyond one year	-	-	-
Total liabilities	795,789	-	795,789
Deferred Inflow of Resources			
	-	-	-
Fund Balances			
Fund balances			
Nonspendable			
Endowment fund principal	-	5,582,858	5,582,858
Committed			
Maintenance Fund	-	472,440	472,440
Assigned			
Internally designated funds	10,901,873	-	10,901,873
Restricted-expendable for scholarships and other student support	-	6,027,219	6,027,219
Unassigned			
General fund	(2,569,525)	-	(2,569,525)
Total fund balances	8,332,348	12,082,517	20,414,865
Total liabilities and fund balances	\$ 9,128,137	\$ 12,082,517	\$ 21,210,654
Net Position			
Net investment in capital assets			
Unrestricted			
Restricted			
Expendable			
Nonexpendable			
Total net position			
Total liabilities, deferred inflow of resources and net position			

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, 2018

	General Fund	Permanent Fund	Total Governmental Funds
General Revenue			

GASB 34 Items (Note 1)	Statement of Activities
\$ -	\$ 1,240,714
-	12,500
-	7,916,417
-	896,425
<u>20,851</u>	<u>20,851</u>
20,851	10,086,907
<u>-</u>	<u>1,619,078</u>
<u>20,851</u>	<u>11,705,985</u>
-	4,829,196
-	606,024
1,352,127	1,352,127
-	166,678
-	600,000
-	800,000
(2,540,385)	-
-	1,951,506
<u>(698,138)</u>	<u>-</u>
<u>(1,886,396)</u>	<u>10,305,531</u>
<u>1,907,247</u>	<u>1,400,454</u>
<u>-</u>	<u>-</u>
1,907,247	1,400,454
<u>892,749</u>	<u>21,814,407</u>
<u>\$ 2,799,996</u>	<u>\$ 23,214,861</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, 2018

	Current Year Mill Levy Budget	Current Year Mill Levy Actual	Budget Variance Positive (Negative)
General Revenue			
Property tax	\$ 8,153,926	\$ 7,734,771	\$ (419,155)
Total revenue	8,153,926	7,734,771	(419,155)
Expenditures			
Scholarships and other student support	4,213,469	4,213,469	-

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2018

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

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2018

Net Position

Net position of the Board is

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2018

At June 30, 2018, 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	\$ 66,513	\$ 66,513	\$ -	\$ -
Fixed income mutual funds	1,213,653	17,279	268,137	928,237
Fixed income credit investments	260,445	-	-	260,445
		<u>\$ 83,792</u>	<u>\$ 268,137</u>	<u>\$ 1,188,682</u>
Pooled investment (managed by related party)	7,739,931			
Equity mutual funds	2,213,597			
Preferred stock	28,793			
Common stock	559,585			
	\$ 12,082,517			

The following classifies investment type by purpose at June 30, 2018.

Investment Type	Cash Held for Projects	Endowed Funds	Maintenance Funds	Gore Trust Funds	Total
Money market funds	\$ -	\$ -	\$ -	\$ 66,513	\$ 66,513
Fixed income mutual funds	-	-	-	1,213,653	1,213,653
Fixed income credit investments	-	-	-	260,445	260,445
Pooled investment	-	7,267,904	472,027	-	7,739,931
Equity mutual funds	-	-	-	2,213,597	2,213,597
Preferred stock	-	-	-	28,793	28,793
Common stock	-	-	-	559,585	559,585
Total investment	<u>\$ -</u>	<u>\$ 7,267,904</u>	<u>\$ 472,027</u>	<u>\$ 4,342,586</u>	<u>\$ 12,082,517</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.

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2018

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

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

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2018

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

Board of Trustees of Wichita State University
(A Component Unit of Wichita State University)
Notes to Basic Financial Statements
June 30, 2018

reduces the effective interest rate on the bonds to approximately 4.25%. The Series 2014-4 bonds

Supplementary Information

Board of Trustees of Wichita State University

Plant Fund	Permanent Fund	GASB 34 Items	Total
\$ (1,341,627)	\$ -	\$ -	\$ 4,086,723
-	-	-	3,926,963
1,114,451	-	-	1,114,451
-	4,342,586	-	4,342,586
-	7g0 G/TT1[Td33 Tc 227.14 395.25 Td()TjETQ		

Board of Trustees of Wichita State University

(A Component Unit of Wichita State University)

Statement of Financial Position

Year Ended June 30, 2016

	2016	2015	2014
Assets			
Current assets	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Investments	1,100,000	1,100,000	1,100,000
Property and equipment	1,100,000	1,100,000	1,100,000
Deferred outflows of resources	1,100,000	1,100,000	1,100,000
Other assets	1,100,000	1,100,000	1,100,000
Total assets	5,500,000	5,500,000	5,500,000
Liabilities and net position			
Accounts payable	1,100,000	1,100,000	1,100,000
Accrued liabilities	1,100,000	1,100,000	1,100,000
Deferred inflows of resources	1,100,000	1,100,000	1,100,000
Other liabilities	1,100,000	1,100,000	1,100,000
Net position	1,100,000	1,100,000	1,100,000
Total liabilities and net position	5,500,000	5,500,000	5,500,000

Plant Fund	Permanent Fund	GASB 34 Items	Total
\$ -	\$ 1,240,714	\$ -	\$ 1,240,714
-	12,500	-	12,500
-	-	-	7,916,417
16,069	828,277	-	896,425
-	-	-	1,619,078
-	-	20,851	20,851
<u>16,069</u>	<u>2,081,491</u>	<u>20,851</u>	<u>11,705,985</u>
-	250,855	-	4,829,196
-	208,225	-	606,024
-	96,553	-	166,678
-	-	-	600,000
-	-	-	800,000
2,540,385	-	(2,540,385)	-
1,951,506	-	-	1,951,506
698,138	-	(698,138)	-
-	-	1,352,127	1,352,127
<u>5,190,029</u>	<u>555,633</u>	<u>(1,886,396)</u>	<u>10,305,531</u>
<u>(5,173,960)</u>	<u>1,525,858</u>	<u>1,907,247</u>	<u>1,400,454</u>
<u>2,498,821</u>	<u>-</u>	<u>-</u>	<u>-</u>
(2,675,139)	1,525,858	1,907,247	1,400,454
<u>1,652,174</u>	<u>10,556,659</u>	<u>892,749</u>	<u>21,814,407</u>
<u>\$ (1,022,965)</u>	<u>\$ 12,082,517</u>	<u>\$ 2,799,996</u>	<u>\$ 23,214,861</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, 2018

	Current Year Mill Levy Budget	Current Year Mill Levy Actual	Mill Levy Carryover Prior Years Actual
General Revenue			
Property tax	\$ 8,153,926	\$ 7,734,771	\$ -
Investment earnings and net rentals	-	-	-
Experiential engineering building grant	-	-	-
Total revenue	<u>8,153,926</u>	<u>7,734,771</u>	<u>-</u>
Expenditures			
Scholarships and other student support	4,213,469	4,213,469	364,872
Economic and community development	446,000	397,799	-
General and administrative	77,396	65,885	-
Contingency	300,000	-	-
University support services	-	-	600,000
WSU Tech support	800,000	800,000	-
Campus Development	2,317,061	-	-
Debt service - principal payments	-	-	-
Debt service - interest payments	-	-	-
Total expenditures	<u>8,153,926</u>	<u>5,477,153</u>	<u>964,872</u>
Revenue over (under) expenditures	-	2,257,618	(964,872)
Other Financing Sources (Uses)			
Transfers	-	(2,257,618)	-
Revenues over expenditures	-	-	(964,872)
Total Fund Balance - Beginning of the Year	<u>-</u>	<u>(2,422,536)</u>	<u>8,282,164</u>
Total Fund Balance - End of the Year	<u>\$ -</u>	<u>\$ (2,422,536)</u>	<u>\$ 7,317,292</u>

msu