

WASHBURN UNIVERSITY BOARD OF REGENTS
Audit Committee Meeting
December 4, 2015

Regents Present: Brent Boles (committee chair), Larry Wolgast (committee member) Bill Sneed (appointed committee member), Paul Hoferer, Terry Beck

The meeting was called to order at 3:00 p.m. by Regent Boles.

Regent Sneed served as committee member to provide a quorum for the meeting.

Minutes of the September 25, 2015 meeting were approved as distributed.

Vice President Rick Anderson introduced Tim Hall of the auditing firm, RubinBrown. Mr. Hall thanked the Board and administration for the opportunity to serve the University for the sixth year. He said this was Chester Moyer's first year on the Washburn audit, providing a fresh perspective with partner rotation. Mr. Hall acted as manager overseeing the engagement.

Mr. Hall presented the required auditor communications and the highlights of Washburn's FY15 Annual Audit. The highlights include:

Overall Tuition Revenue increased slightly due to a rate increase that was partially offset by a decline in enrollment. Investment income declined \$4.9 million due primarily to unrealized changes in the market value of investments. There was an overall decline in Revenue of \$5.1 million from FY14.

With the enrollment decline the campus was able to more actively manage its cost structure resulting in a decrease in educational and general fund expenses of \$1.4 million and savings from interest on debt of \$615,000 from refinancing and capitalization of interest during construction. This was partially offset by \$1.2 of additional health insurance claims for an overall expense reduction of over \$1 million from FY14. This resulted in an increase in Net Position of \$6.4 million (6.1% of expenses) for FY15.

Assets increased \$32.1 million primarily in cash of \$19.5 million from bond issuance proceeds dedicated to the housing project and an increase of \$11.1 million in capital assets from our ESCO project and the Welcome Center.

Liabilities increased \$25.6 million primarily from an increase in Long-term Debt related to the new Housing and Dining Project.

No material weaknesses or significant deficiencies were found. Recommendations dealt with staffing issues from the past year involving separation of duties. VP Anderson indicated we were not fully staffed during the audit period. He said bigger schools can deal with the separation of duties issue better than an entity our size when employee changes are being made. Regent Sneed encouraged management to continue to keep staffing at a high priority level. Mr. Leach said transaction limits on daily wire transfer amounts have been established with CoreFirst. If a certain limit is reached a call is made to the Finance Office to verify the transfer amount. VP Anderson said if we have staff deficiencies that affect recommendations we will do market research to assess changes that need to be made.

In answer to Regent Wolgast's query Mr. Hall said the University is in a healthy financial position. Being able to use capital funds for projects is an asset to the University.

The Auditors are in final review with their partners and plan to issue the audit report dated next week.

VP Anderson thanked Chris Leach and Rhonda Thornburgh for the work done on the audit, saying he felt blessed to have such a good core staff. He also noted that Mr. Leach serves on the prestigious NACUBO Accounting Principles Council.

It was moved and seconded to recommend approval to the full Board of Regents to accept the "final draft" audit with an unmodified opinion on the University financial statements for the year ending June 30, 2015, assuming there are no changes from today until the final issue date planned for next week.

Meeting was adjourned at 3:45 p.m.