

Kentucky State University

Board of Regents Meeting

Finance Committee

October 24, 2014

Regent LaVaughn Henry, Chairperson

Regent David Guarnieri

Regent Syamala Reddy

Regent Charles Whitehead

Regent Elaine Farris

Ms. Deborah Martin, Staff

KENTUCKY STATE UNIVERSITY

Regular Meeting of the

Board of Regents

Finance Committee

October 24, 2014

10:15 am to 11:00 am

Board Room – Academic Services Building

Frankfort, Kentucky

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KENTUCKY STATE UNIVERSITY
Regular Meeting of the
Board of Regents
Finance Committee
October 24, 2014
10:15 am to 11:00 am
Board Room – Academic Services Building
Frankfort, Kentucky

AGENDA

- | | | |
|-------|--|---|
| I. | Call to Order | Regent LaVaughn Henry,
Chairperson |
| II. | Roll Call | Ms. Deborah Martin, Interim Vice
President for Finance |
| III. | Opening Remarks | Regent Henry |
| IV. | Approval of Minutes | Regent Henry |
| V. | Executive Summary Report | Ms. Martin |
| VI. | Informational Items: | Ms. Martin |
| | 1. Budget vs. Actual | |
| | 2. Unaudited Comparative
Financial Statements | |
| | 3. Human Resource Services
Report | |
| | 4. CPE Funding Model
Update | |
| VII. | Discussion | Ms. Martin |
| VIII. | Adjournment | |

Agenda Item Background

To:	Board of Regents Finance Committee	Date: October 24, 2014
From:	Ms. Deborah Martin, Interim Vice President for Finance	
Subject:	July 25, 2014 Committee Minutes	
Reason for Consideration:	Approval	Enclosures: Yes

Background:

The minutes of the Finance Committee meeting for July 25, 2014 require approval in order to become an official part of the committee records.

Recommendation:

It is recommended that the Finance Committee approve the minutes of the July 25, 2014 meeting.

Initiator:	Ms. Deborah Martin, Interim Vice President for Finance
Board Action Date:	October 24, 2014
Effective Date:	October 24, 2014

**Regular Meeting of the
Board of Regents
Finance Committee
July 25, 2014
10:00 am to 10:45 am
Board Room – Academic Services Building
Frankfort, Kentucky**

MINUTES

Regent LaVaughn Henry , Chairperson called the Finance Committee meeting of the Kentucky State University Board of Regents to order at 10:00 a.m. on July 25, 2014. Regent Henry asked the secretary to call roll:

LaVaughn Henry	Present	David Guarnieri	Not Present
Syamala Reddy	Not Present		
Charles Whitehead	Present		

A quorum was declared.

I. Approval of Minutes

Action: Motion to approve the minutes from the April 25, 2014 Finance Committee meeting was made by Regent Whitehead and seconded by Regent Henry. The minutes stand approved as presented .

Regent Henry recognized Vice President Lockridge to carry the discussion forward.

II. Vice President's Report

Executive Summary Narrative

Vice President Lockridge gave an overview of the Executive Summary. Ms. Lockridge noted that for the eleven months ending May 2014 the bottom line was \$4.7 million dollars positive. She cautioned that the University will not end the year in a positive as projected. Regent Henry inquired of the estimated amount of the negative. Vice President Lockridge stated that staff were estimating approximately two million dollars. She also stated that there were some expenditures that weren't anticipated at the end of the year, the majority were contractual allowances.

Audit

Vice President Lockridge stated that the week of July 14th the auditors were on campus for revenue testing and to start some of their preliminary work and will return the weeks of August 18th and 25th

to complete the audit procedures. The audit report is due to the Finance Administration Cabinet by October 3rd.

Budget

Vice President Lockridge stated that the University has transitioned for this upcoming budget year to a per credit hour price structure and that any student taking between 12-18 hours will be charged a flat rate. This proposal was presented to the Council on Postsecondary Education at their June 20th meeting and approved. Vice President Lockridge stated that most of the operating budgets have been loaded into Banner. She stated that only 50% of the budget for the year was loaded and they will be monitoring performance and results.

Kentucky Council on Postsecondary Education

Vice President Lockridge informed the committee that the Kentucky Council on Postsecondary Education has begun to have meetings to work on a model of how appropriations will be allocated in the next biennium budget. She stated that President Burse is part of that discussion on a different level and she and Mr. Mason have attended meetings. Vice President Lockridge stated that the guiding principles will be developed by April, 2015.

Insurance Renewal

The renewal of the University's insurance was completed with an effective date of July 1, 2014. Ms. Lockridge stated that the University has changed its Workers Compensation carrier from Brickstreet to Kemi due to Brickstreet's 50% price increase.

New Student Orientation

Vice President Lockridge stated that the Bursar's Office participated in the New Student Orientations that were held June 20th and July 18th. The Bursar's Office will present Understanding Your Wired Account and Student Payment Plans at the next orientation scheduled for August 14th.

Vice President Lockridge gave an overview of the Bursar's Office presentation for New Student Orientation, Understanding Your Wired Account and Student Payment Options. She stated that on July 18th personal letters were sent to students' home addresses and also e-mail addresses informing them of their account balances, instructions on how to access their wired accounts, the different forms of payment plans and a letter from President Burse. Ms. Lockridge noted that beginning this semester new and returning students with a zero balance are required to pay 50% of their current charges by August 22nd and the remaining balance is due by the end of the term. She stated that returning students with a prior balance are required to pay 50% of their current term charges by August 22 and the remaining balance for the current term and prior term must be paid within twelve months. She stated that the KSU Payment Installment Option is available to all students.

Staffing

Vice President Lockridge introduced Ms. Latrina Sweatt, as the Grant Accountant in Finance Administration. She stated that Ms. Sweatt will be responsible for Title III.

III. Adjournment

Motion for adjournment of the Finance Committee's July 25 2014 meeting was made by Regent Whitehead and seconded by Regent Henry. The meeting adjourned at 10:35 a.m.

Submitted by:

Approved by:

Ms. Anita Lockridge, Vice President of
Finance

LaVaughn Henry, Chairperson
Finance and Business
Committee

_____ . Approved with no corrections

_____ . Approved with corrections

Agenda Item Background

To:	Board of Regents Finance Committee	Date: October 24, 2014
From:	Ms. Deborah Martin, Interim Vice President for Finance	
Subject:	Executive Summary	
Reason for Consideration:	Informational Item	Enclosures: Yes

Background:

Please see attached.

Recommendation:

Informational Item

Initiator:	Ms. Deborah Martin, Interim Vice President for Finance
Board Action Date:	October 24, 2014
Effective Date:	October 24, 2014

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS**

Report to the

Finance Committee

Deborah Martin

Interim Vice President for Finance

October 24, 2014

Fiscal 2014 Budget vs. Actual and Financial Statements (unaudited)

For Fiscal 2015, planned budget results and unaudited comparative financials are presented in item B3 as of September 30, 2014.

Audit Update

Dean[Dorton]Allen[Ford] has completed the work on KSU's annual audited financial statements. KSU submitted to the Finance & Administration Cabinet Office of the Controller the completed audit reports and closing package on October 15th.

Budget Reforecast for FY 14-15

The Financial Plan for FY 14-15 was approved at a meeting of the Board of Regents (BOR) on June 4, 2014. Because of a realized reduction in revenue due to lower enrollment, the budget department is analyzing the impact on the University and is working on a reforecast of expenditures. The Cabinet is discussing and entertaining all savings opportunities.

Enrolled Students

Beginning in Fall 2014, new and returning students were required (at a minimum) to pay 50% of their Fall 2014 tuition/fees and to sign up for a four (4) or twelve (12) month Payment Installment Option (PIO), depending on whether they did not or did have a prior balance, respectively. Payments are due on the 30th of each month. Students who did not make a payment on September 30th, or who had a payment returned by the bank, were contacted by email and phone by October 8th. As of October 6, 2014, the following had occurred in regards to returned/non-payments for students on payment plans:

Payments returned by the bank – 30 students, total student account balance \$202,547
No payment received for PIO – 99 students, total student account balance \$418,492

Homecoming

The Student Billing and Collection Office participated in Homecoming events that took place the week of October 13th.

Other Items

Refer to the Human Resources Update contained within.

Agenda Item Background

To:	Board of Regents Finance Committee	Date: October 24, 2014
From:	Ms. Deborah Martin, Interim Vice President for Finance	
Subject:	Unaudited Comparative Financial Statements for the two months ending September 30, 2014	
Reason for Consideration:	Informational Item	Enclosures: Yes

Background: See the following pages.

Informational Item

Initiator:	Ms. Deborah Martin, Interim Vice President for Finance
Board Action Date:	October 24, 2014
Effective Date:	October 24, 2014

Kentucky State University

Budget vs. Actual

Three months ending September 30, 2014

(Amounts shown in dollars)

	Approved Budget	YTD Actual Activity	YTD Actual % of Budget	Variance %	YTD ACTUAL BY FUND GROUP		
					Education and General	Auxiliary	Land Grant and Action Agenda
REVENUE							
State appropriations	23,429,600	7,028,880	30.00%	-70.00%	6,000,330		1,028,550
Student tuition & mandatory fees	20,205,500	8,564,048	42.38%	-57.62%	8,564,048		
Auxiliaries	6,187,500	2,571,294	41.56%	-58.44%		2,571,294	
Other	3,682,000	652,121	17.71%	-82.29%	652,121		
Total revenue	53,504,600	18,816,343	35.17%	-64.83%	15,216,499	2,571,294	1,028,550
EXPENDITURES							
Instruction	12,985,000	2,129,409	16.40%	-83.60%	2,106,490		22,919
Research	1,942,100	333,035	17.15%	-82.85%			333,035
Public Service	1,621,100	325,201	20.06%	-79.94%	27,812		297,389
Academic Support	2,174,600	372,036	17.11%	-82.89%	372,036		
Student Services	5,749,100	1,217,878	21.18%	-78.82%	1,217,878		
Institutional Support	12,351,600	2,179,021	17.64%	-82.36%	2,178,937		84
Operations & Maintenance	5,450,600	1,013,382	18.59%	-81.41%	1,013,382		
Student Financial Aid	5,043,000	2,659,772	52.74%	-47.26%	2,659,772		
Residence Halls	2,957,200	327,733	11.08%	-88.92%		327,733	
Dining	2,513,800	255,735	10.17%	-89.83%		255,735	
Other Auxiliaries	716,500	187,589	26.18%	-73.82%		187,589	
Total expenditures	53,504,600	11,000,791	20.56%	-79.44%	9,576,307	771,141	653,343
Surplus (deficit) before transfers	-	7,815,552			5,640,192	1,800,153	375,207
Mandatory & non mandatory transfers	-	-			-	-	-
Surplus (deficit) before other activity	-	7,815,552			5,640,191	1,800,153	375,207
Other fund net activity	-	182,429					
Increase (decrease) in net position	-	7,997,981					

Year to date - 25.00% of budget has expired

Kentucky State University

Statement of Net Position

	<u>September 2014</u>	<u>September 2013</u>
ASSETS		
Current assets:		
Cash and cash equivalents	24,514,072	26,293,105
Accounts, grants, and loans receivable, net	10,493,782	16,261,039
Inventory and other current assets	166,092	191,488
Total current assets	35,173,945	42,745,632
Noncurrent assets:		
Accounts, grants, and loans receivable, net	236,802	384,468
Investments	16,404,587	13,883,698
Capital assets, net	79,714,312	82,315,260
Total noncurrent assets	96,355,702	96,583,426
Total assets	131,529,647	139,329,058
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	2,435,822	3,702,030
Accrued compensated absences	1,903,781	1,633,551
Unearned revenue	1,064,784	1,301,888
Deposits	176,051	167,510
Other current liabilities	97,876	409,519
Bonds and capital lease obligations, net	720,097	825,613
Total current liabilities	6,398,411	8,040,110
Noncurrent liabilities		
Bonds and capital lease obligations	6,580,805	7,050,371
Other long term liabilities	534,914	1,291,709
Total noncurrent liabilities	7,115,719	8,342,080
Total liabilities	13,514,130	16,382,191
NET POSITION		
Invested in capital assets, net of related debt		
Restricted	72,934,209	75,782,722
Nonexpendable	8,657,506	11,409,979
Expendable	5,193,071	2,810,728
Unrestricted	31,230,731	32,943,439
Total Net Position	118,015,517	122,946,868

Kentucky State University

Statement of Revenues, Expenses and Changes in Net Position (By Function)

Periods Ending September 30, 2014 and 2013

(Unaudited)

	<u>September 2014</u>	<u>September 2013</u>
REVENUES		
Operating revenue:		
Student tuition and fees (gross)	8,699,818	11,537,256
Less: Scholarship allowances	(2,420,742)	(2,204,536)
Student tuition and fees (net of scholarships)	6,279,076	9,332,720
Federal grants and contracts	1,854,743	1,738,825
Federal appropriations	1,808,345	1,655,375
State and local grants and contracts	418,561	709,802
Auxiliary enterprises		
Residence halls	1,304,478	1,736,636
Dining	1,224,322	1,607,059
Bookstore	4,990	37,500
Other auxiliaries	10,698	22,404
Other operating revenues	718,730	733,717
Total operating revenue	13,623,943	17,574,039
EXPENSES		
Operating expenses:		
Educational and general		
Instruction	2,302,305	2,393,660
Research	1,425,666	1,407,435
Public service	1,978,531	2,064,510
Academic support	707,015	617,133
Student services	1,544,862	1,792,214
Institutional support	2,288,391	2,834,639
Operations and maintenance of plant	1,033,284	1,423,070
Student aid	3,140,175	4,135,632
Depreciation	1,031,004	1,026,180
Auxiliary enterprises		
Residence halls	327,733	290,862
Dining	255,735	608,078
Other auxiliaries	187,589	244,001
Depreciation	81,040	82,559
Total operating expenses	16,303,330	18,919,975
Operating income (loss)	(2,679,387)	(1,345,936)

Kentucky State University

Statement of Revenues, Expenses and Changes in Net Position (By Function)

Periods Ending September 30, 2014 and 2013

(Unaudited)

	<u>September 2014</u>	<u>September 2013</u>
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	7,028,880	7,061,222
Federal grants and contracts	2,598,289	2,878,369
Gifts	-	90,602
Investment income (net of investment expenses)	1,101,489	347,757
Interest on capital asset related debt	(51,330)	(142,215)
Other non-operating revenues (expenses)	-	803
Net non-operating revenues	<u>10,677,328</u>	<u>10,236,538</u>
Income (loss) before other revenues, expenses, gains or losses	<u>7,997,942</u>	<u>8,890,602</u>
Endowment Gifts	39	-
Capital appropriations	-	-
Increase (decrease) in net assets	<u>7,997,981</u>	<u>8,890,602</u>
Net assets, beginning of year	<u>110,017,536</u>	<u>114,056,265</u>
Net assets, end of year	<u>118,015,517</u>	<u>122,946,868</u>

Kentucky State University
Statement of Cash Flows
Periods Ending September 30, 2014 and 2013
(Unaudited)

	<u>September 2014</u>	<u>September 2013</u>
Cash flows from operating activities		
Tuition and fees	4,036,425	4,117,619
Grants and contracts	4,151,671	3,915,004
Payments to suppliers	(3,986,044)	(4,055,822)
Payments to employees	(8,323,937)	(8,566,482)
Student financial aid	(3,503,365)	(4,084,647)
Loans issued to students	-	11,746
Collection of loans issued to students	-	47,666
Auxiliary enterprises		
Residence halls and dining	2,528,800	3,343,695
Bookstore	4,990	37,500
Other auxiliaries	10,698	22,404
Other receipts	702,702	773,927
Net cash from operating activities	<u>(4,378,060)</u>	<u>(4,437,390)</u>
Cash flows from noncapital financing activities		
State appropriations	7,028,880	7,061,222
Federal grants and contracts	2,598,290	2,878,369
Gifts for other than capital purposes	-	90,602
Student organization agency receipts	78,784	76,698
Student organization agency disbursements	(71,954)	(70,044)
Other receipts (payments)	-	803
Net cash from noncapital financing activities	<u>9,634,039</u>	<u>10,037,650</u>
Cash flows from capital financing activities		
Capital appropriations	-	-
Purchases of capital assets	(165,336)	(238,381)
Proceeds from capital debt	-	-
Principal paid on capital debt	(101,204)	-
Interest paid on capital debt	(51,329)	(142,215)
Net cash flows from capital financing activities	<u>(317,870)</u>	<u>(380,596)</u>
Cash flows from investing activities		
Interest received on investments	1,101,489	47,557
Investment expenses	-	(16,106)
Proceeds from sale of investments	2,183,637	847,195
Purchases of investments	(3,285,126)	(874,537)
Other Investments	-	(38,652)
Net cash flows from investing activities	<u>-</u>	<u>(34,544)</u>
Net increase (decrease) in cash and cash equivalents	4,938,109	5,185,121
Cash and cash equivalents at beginning of year	<u>19,575,963</u>	<u>21,107,984</u>
Cash and cash equivalents at end of year	<u>24,514,072</u>	<u>26,293,105</u>

Kentucky State University

Statement of Cash Flows

Periods Ending September 30, 2014 and 2013

(Unaudited)

	<u>September 2014</u>	<u>September 2013</u>
Reconciliation of net operating gain (loss) to net cash from operating activities		
Operating gain (loss)	(2,679,387)	(1,345,936)
Adjustments to reconcile operating income to net cash from operating activities		
Depreciation expense	1,112,044	1,108,739
Gain (loss) on disposal of capital assets	-	-
Bad debt expense	-	-
Changes in assets and liabilities:		
Receivables, net	(1,954,112)	(5,326,288)
Inventory and prepaid expenses	(8,248)	347,033
Accounts payable and accrued liabilities	(966,420)	411,016
Accrued compensated absences	346,431	-
Other liabilities	6,176	346,236
Unearned revenue	(234,544)	21,810
Net cash from operating activities	(4,378,060)	(4,437,390)

Agenda Item Background

To:	Board of Regents Finance Committee	Date: October 24, 2014
From:	Ms. Deborah Martin, Interim Vice President for Finance	
Subject:	Human Resources Update	
Reason for Consideration:	Informational Item	Enclosures: No

Background:

Human Resource Services has initiated and continued several significant projects for the University as described below.

Recommendation:

1. The faculty and staff Classification and Compensation systems review project (C&C) is proceeding. All completed position description questionnaires (PDQ) have been provided to the project consultant, Dr. James Fox, of Fox Lawson & Associates. Via a Kentucky State University subscription, access to a customizable salary survey database of the College and University Professional Association for Human Resources (CUPA-HR) has also been provided to the consultant. Consultant interviews with selected staff members have also been scheduled. The consultant reports that the project is on schedule for completion in June 2015.
2. The University's annual benefits open enrollment period was successfully completed.
3. Human Resources is a member of the Banner Steering Committee which will be actively involved in the Banner Revitalization Project.
4. Human Resources is involved in the review and consideration of various cost savings approaches.
5. Human Resources is an active participant in the implementation of training needed to be in compliance with the Campus Accountability and Safety Act.

Informational Item

Initiator:	Ms. Deborah Martin, Interim Vice President for Finance
Board Action Date:	October 24, 2014
Effective Date:	October 24, 2014

Council on Postsecondary Education (CPE)

Funding Model Update

Resolution Adopted at CPE's November 7, 2013 Meeting

The Council on Postsecondary Education expresses its unqualified support for the 2014-2016 Postsecondary Education Budget Recommendation and particularly the development of funding requests for strategic investments in addition to the traditional base funding.

The Council hereby resolves that, as a result of budget deliberations over the past year, it is evident that there is a need for the development of a comprehensive funding model that aligns the Commonwealth's investment in postsecondary education with the Commonwealth's postsecondary education policy objectives. As such, the Council president is hereby directed to establish a working group that, at minimum, includes leadership of each of the public universities and KCTCS and members of this Council, for the purpose of developing a comprehensive model for the allocation of state General Fund appropriations for institutional operations that incorporates elements of campus performance, mission, and enrollment, as well as any other components as determined through the process. The new model shall be developed for implementation in the 2016-2018 biennial budget recommendation.

Make up of Committee

The Funding Model Steering Committee is comprised of fifteen (15) members: CPE Chair, CPE President, three (3) CPE members, nine (9) institutional presidents, and one (1) Governor's office representative. The committee shall establish the basic principles under which the new funding model approach is to be developed and provide guidance and clarification regarding those principles.

Actions to Date of Committee

- Working on a set of Goals and Guiding Principles that may address:
 - Mission Sensitivity;
 - Outcomes;
 - Completion Driven Metrics;
 - Easy communication and explanation of funding model;
 - Sustainable – Model will be able to adapt to all funding scenarios;
 - Reasonable Stable – Model will not produce drastic changes in funding from year to year;
 - Flexible – Model will be able to address unique situations that may arise;
 - Allow Appropriate Exclusions – The KSU Land Grant state match allocation would be an example; and
 - Efficient

- Other State Funding Models that have been reviewed.
 - Ohio
 - Tennessee
 - Indiana
 - Mississippi
 - Past Kentucky Funding Models
 - KSCTS Funding Model – Distribution to the System’s Community Colleges
- Decision Points under discussion.
 - Redistribution of University’s Base (current year) Budget – State Appropriation;
 - Performance Funding – From additional state appropriations only;
 - What model to use – Mississippi, Tennessee, hybrid Mississippi Model;
 - Sector Differentiation and how they are divided/funded – Research Institutions (UK and UL) – Comprehensives (Regional Universities) – KSU in sector by itself – KCTCS;
 - Performance funding indicators – Degree Production, Persistence, STEM, etc.;
 - Weighting – Resident vs. Non Resident – Pell eligible and minority students, etc.;
 - Timetable to completion of model – January, 2015 – April, 2015; and
 - Utilization of Model not only for additional state appropriations but also for budget reductions.