

Kentucky State University

Board of Regents Meeting

Finance and Business Committee

April 26, 2013

Regent Lavaughn Henry, Chairperson
Regent Ronald Banks
Regent David Guarnieri
Regent Syamala Reddy
Regent Charles Whitehead
Ms. Anita Lockridge, Staff

KENTUCKY STATE UNIVERSITY
Regular Meeting of the
Board of Regents
Finance and Business Committee
April 26, 2013
10:00 a.m.
Board Room - Academic Services Building
Frankfort, Kentucky

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Finance and Business Committee
April 26, 2013
10:00 a.m.
Board Room – Academic Services Building
Frankfort, Kentucky

AGENDA

- | | | |
|--------------|--|---|
| I. | Call to Order | Regent Lavaughn Henry,
Chairperson |
| II. | Roll Call | Ms. Lillian Graham |
| III. | Opening Remarks | Regent Lavaughn Henry |
| IV. | Approval of Minutes
<u>January 25, 2012 Meeting</u> | Regent Lavaughn Henry |
| V. | <u>Executive Summary Report</u> | Ms. Anita Lockridge, Vice President
Finance Administration |
| VI. | Informational Items
1. <u>FY 2012 Budget vs. Actual</u>
2. <u>FY 2012 Financial Statements</u>
(unaudited)
3. <u>Human Resource Services Report</u> | |
| VII. | Action Items:
<u>Approval of FY 2014 Financial Plan</u> | |
| VIII. | Discussion | |
| IX. | Adjournment | |

Agenda Item Background

To:	Board of Regents Finance and Business Affairs Committee	Date: April 26, 2013
From:	Ms. Anita Lockridge Vice President for Finance Administration	
Subject:	January 25, 2013 Committee Minutes	
Reason for Consideration:	Approval	Enclosures: Yes

Background:

The minutes of the Finance and Business Affairs Committee meeting for January 25, 2013, require approval in order to become an official part of the committee records.

Recommendation:

It is recommended that the Finance Administration Affairs Committee approve the minutes of the October 26, 2012 meeting.

Approval

Initiator:	Ms. Anita Lockridge Vice President for Finance Administration
Board Action Date:	April 26, 2013
Effective Date:	April 26, 2013

Finance and Business Committee
April 26, 2013
10:00 a.m.
Board Room – Academic Services Building
Frankfort, Kentucky

MINUTES

I. Call to Order

Regent Henry called the meeting to order at 10:11a.m. on January 25, 2013.

II. Roll Call

Regent Henry asked for the roll call, which was recorded as follows:

Regent Lavaughn Henry, present
Regent Ron Banks, present
Regent David Guarnieri, present
Regent Syamala Reddy, absent
Regent Chuck Whitehead, absent
Mrs. Lockridge, present

A quorum was declared.

III. Approval of Minutes

Action: Motion to approve the minutes from the October 26, 2012 Finance Administration Committee meeting was made by Regent Banks and seconded by Regent Guarneri. The minutes stand approved as presented.

Regent Henry recognized Mrs. Lockridge to carry the discussion forward.

IV. Vice President's Report

Executive Summary

Vice President Lockridge gave an overview of the Executive Summary Narrative. She stated that we are monitoring the assessment of tuition and mandatory fees for Fall and Spring semester. In the Fall, tuition and fees were short about \$370,000.00 from our adjusted budget. She stated that expenses for six months year to date approximated 39% of our budget. She further stated that operations will align for the reduction in revenue and that conversation has already begun

with the Cabinet. Vice President Lockridge will report back at the next Board meeting.

Personnel Change

Vice President Lockridge introduced Mr. James Persley who was recently promoted to the position of Coordinator, Collections and Cash Manager. He previously worked at Sullivan University and PNC Bank. He graduated from University of Kentucky with a BA in Business Administration in Agriculture Economics.

NCAA Agreed-Upon Procedures

Vice President Lockridge stated that Dean Dorton Allen Ford, PLLC has completed the work and has issued a draft report to management.

Budget

Vice President Lockridge stated that we are in our budget planning season. She stated that the budget will be presented at the next BOR Finance Committee meeting and also to the full Board for approval.

Taxes and Benefits Statements

Vice President Lockridge stated that employee W2's have been mailed and are also available online via employee self-service. The 1099's have been completed and also mailed and the 1098T's will be printed and mailed today. Vice President Lockridge stated that employee benefits statements will be mailed with the assistance of Neace Lukens, the University's employee benefits broker. Vice President Lockridge's PowerPoint presentation showed an example of an employee benefits statement.

Benesolve

Mr. Meiseles gave an overview of Benesolv, a subsidiary of Neace Lukens, which provides call center services that employees can contact with questions about claims, eligibility, benefit options and other service issues. BeneSolv is Kentucky State University's benefits advocate supported by a system that is accessible 24 hours a day. Copies of the Human Resource Services Newsletter were distributed to the committee members which featured an article on BeneSolv.

Neace Lukens

Vice President Lockridge stated that Neace Lukens will be on campus January 31st to give an Affordable Care Act presentation and February 14th for the Healthcare Claims Utilization Review. The President's Cabinet and EBAC committee have been invited to attend the presentations. EBAC is an acronym

for Employee Benefits Advisory Committee which is comprised of faculty and staff.

KYSU.Learn.com

Mrs. Logsdon gave an overview of KYSU.Learn.com which is an online professional development resource system that allows employees to take online courses to enhance their skills.

Perkins Loan Program

Vice President Lockridge gave an overview of the Perkins Loan Program at KSU after introducing Mr. Edward Samuels, Student Counselor for Perkins loans. Currently the university is not disbursing any new loans under the program. The cohort rate target is 15% by June 30 of each fiscal year. As of January 31st, the default rate was 25.9% representing twenty accounts of which all qualified for forbearance. The University will be reviewing the program to decide whether to exit the program or continue servicing the loans internally.

V. Adjournment

Motion for adjournment of the Finance and Business committee meeting was made by Regent Henry and seconded by Regent Banks. The meeting adjourned at 10:37am.

Submitted by:

Approved by:

Anita Lockridge, Vice President for Finance and Business Affairs

Lavaughn Henry, Chairperson
Finance and Business Affairs
Committee

Approved with no corrections

Approved with corrections

Finance and Business Committee
April 26, 2013
10:00 a.m.
Board Room – Academic Services Building
Frankfort, Kentucky
Agenda Item Background

To:	Board of Regents Finance and Business	Date: April 26, 2013
From:	Ms. Anita Lockridge, Vice President for Finance Administration	
Subject:	Executive Summary	
Reason for Consideration:	Informational	Enclosures: Yes

Background:**Recommendation:****Informational**

Initiator:	Ms. Anita Lockridge Vice President for Finance Administration
Board Action Date:	April 26, 2013
Effective Date:	April 26, 2013

**KENTUCKY STATE UNIVERSITY
BOARD OF REGENTS**

**Report to the
Finance and Business Committee**

**Anita Lockridge
Vice President for Finance Administration**

April 26, 2013

Kentucky State University
Finance and Business Committee Meeting
April 26, 2013

Fiscal 2013 Budget vs. Actual

For Fiscal 2013, planned budget results are presented in item B3 as of March 31, 2013.

Fiscal 2013 Financial Statements (unaudited)

For Fiscal 2031, unaudited comparative financials are presented in item B4 as of March 31, 2013.

Budget Planning

The Budget for FY 14 is being presented at this meeting for approval.

Fiscal 2013 Audit

Dean|Dorton|Allen|Ford began the interim audit work the week of April 15th.

Perkins Loan Program

On March 18th, the U.S. Department of Education conducted a webinar on Perkins liquidation. Based on the information that is provided to KSU, we will review our files and determine whether to remain in the program or to exit the program. As of April 11, 2013, the cohort default rate is 18.9%.

Finance and Business Committee
April 26, 2013
10:00 a.m.
Board Room – Academic Services Building
Frankfort, Kentucky

Agenda Item Background

To:	Board of Regents Finance and Business Committee	Date: April 26, 2013
From:	Ms. Anita Lockridge Vice President for Finance Administration	
Subject:	Budget vs. Actual	
Reason for Consideration:	Informational	Enclosures: Yes

Background: Revenues and expenses are presented for the Educational and General Fund (E&G), Auxiliary Fund, Land Grant and Action Agenda Funds. Budget vs. Actual does not include restricted grants and contracts.

The summary of operations presented below is to assist in understanding the results reflected in the budget vs. actual report as of March 2013.

The state appropriates funds for Land Grant as required by the U.S. Department of Agriculture. Land Grant, Action Agenda and Auxiliary Funds are not available to the University for discretionary spending.

Revenue

- State appropriations are received in installments of 30% (July), 25% (October), 25% (January) and 20% (April) of each year. At March 2013, \$18.8 million (80%) of appropriations have been received.
- Student Tuition and Fees have been posted for Fall 2012 and Spring 2013 enrollment. Auxiliary revenues represent housing and board for resident students enrolled for Fall 2012 and Spring 2013. Student tuition and fees revenue amounts may decrease for the Spring 2013 semester due to student withdrawals after they have enrolled.

- Other revenue includes athletic income, indirect cost recovery, facility rentals, interest income, state funding for Regional Stewardship and fund balance reserve.

Expense

- Salaries and benefits expenses are at 66.3% of the revised budget.
- Supplies, Travel, Communications and Services were expended at a level appropriate for the percent of fiscal year expired. These expenses are incurred more heavily during the academic year. Services include utilities and other services used for fall semester preparation. This variance is considered normal.
- Interdepartmental Costs may reflect reductions in expenses which are due to timing in recording journal entries. Fixed Costs include maintenance agreements that require payment in full at the beginning of the service agreement; therefore, these expenses are not incurred evenly over the fiscal year. This variance is considered normal.
- Student Aid should be recorded consistent with Tuition and Fees. Student Aid is typically recorded as students complete the registration process and accepts aid awards.
- Transfers include debt service obligations and internal reallocations. Transfers are typically recorded at the beginning of the fiscal year. This variance is considered normal.

Recommendation: None

Informational

Initiator:	Tao- fe Bi, Budget Analyst, Budget Policy and Planning
Board Action Date:	April 26, 2013
Effective Date:	April 26, 2013

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**Budget vs. Actual
Nine Months Ending March 31, 2013
Amounts shown in dollars**

	YTD ACTUAL BY FUND GROUP									
	Approved Budget	Revised Budget	Budget after Reduction	YTD Actual Activity	YTD Actual % of Revised Budget	% Expired	Variance	Education & General	Auxiliary	Land Grant & Action Agenda
Revenues										
State Appropriations	23,537,400	23,537,400	23,537,400	18,829,922	80.00%	75.00%	-20.00%	1,418,120.72	0	3,987,850
Student Tuition & Mandatory Fees	25,975,156	25,975,156	21,108,797	19,911,297	91.47%	75.00%	-5.53%	19,911,297	0	0
Auxiliaries	7,203,860	7,203,860	7,203,860	5,870,323	81.49%	75.00%	-18.51%	0	5,870,323	0
Other	5,129,900	5,129,900	5,129,900	1,623,826	31.65%	75.00%	-68.35%	1,623,826	0	0
Revenues Total	61,846,316	61,846,316	56,979,957	46,265,369	74.81%	75.00%	-25.19%	36,407,196	5,870,323	3,987,850
Expenditures										
Salaries/Wages/Benefits	35,985,693	36,492,435	32,440,440	20,818,663	61.18%	75.00%	-35.82%	17,920,242	859,123	2,039,297
Supplies & Other	2,488,004	2,580,284	2,492,224	1,159,718	46.53%	75.00%	-53.47%	841,877	98,535	219,307
Travel	1,667,313	1,536,811	1,588,220	895,920	56.11%	75.00%	-43.59%	773,080	761	122,067
Communications	581,478	820,324	607,862	266,248	43.80%	75.00%	-56.20%	257,892	6,871	1,485
Services	9,367,556	9,033,542	8,478,382	5,593,163	64.97%	75.00%	-34.03%	2,807,180	2,569,029	216,954
Interdepartmental	383,919	387,048	394,420	6,728	1.71%	75.00%	-98.29%	81,479	(106,367)	28,616
Fixed Costs	2,894,908	4,288,722	3,133,446	2,714,269	86.62%	75.00%	-13.38%	1,805,919	810,990	97,360
Student Aid	4,890,510	4,857,877	4,890,310	5,062,286	103.52%	75.00%	3.52%	4,844,464	217,822	0
Capital	96,612	188,618	(904,310)	584,115	-61.59%	75.00%	-161.59%	286,619	0	297,496
Expenditures Total	58,356,023	59,115,455	53,120,994	37,401,110	62.76%	75.00%	-37.24%	29,623,761	4,456,767	3,022,592
Surplus (Deficit) before Transfers	3,490,293	2,730,861	3,858,963	9,164,258				6,785,431	1,413,557	965,268
Mandatory & Nonmandatory transfers	3,490,293	2,730,864	3,330,864	1,812,379	54.41%	75.00%	-45.59%	321,443	789,031	701,905
Surplus (Deficit)	0	0	528,099	7,351,880				6,463,991	624,525	263,363

Finance and Business Committee
April 26, 2013
10:00 a.m.
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Frankfort, Kentucky

Agenda Item Background

To:	Board of Regents Finance and Business Committee	Date: April 26, 2013
From:	Ms. Anita Lockridge, Vice President for Finance Administration	
Subject:	Preliminary Unaudited Financial Statements for nine months – Ending March 31, 2013	
Reason for Consideration:	Informational	Enclosures: Yes

Background:

The comparative Interim Financial Statements are included as of March 31, 2013 and March 31, 2012. A brief summary explanation of certain current assets and plant items follows:

1. Cash and cash equivalents total \$26.3 million and \$31.9 million for March 2013 and 2012 respectively. This amount for March 31, 2013 includes \$17.8 million that is restricted for Land Grant and Action Agenda programs and \$2.7 million that is restricted for plant purposes. The remainder is current operating cash that will be available for current operations during the year.
2. Accounts receivable totaling \$15.1 million and \$15.3 million for March 2013 and 2012, respectively, includes the receivables from students, grants and loans. As of March 31, 2013, this amount includes \$8 million in student accounts receivables, and \$7.1 million that is grants and other accounts receivables. There is a decrease in accounts receivable of \$256,741 comparing 2013 to 2012.
3. Current liabilities for March 31, 2013 and March 31, 2012 amounts to \$6.1 million and \$7.4 million consisting of accounts payable and accrued payroll liabilities. Accrued compensated absences total \$1.7 million and Deferred Revenue totals \$1.4 million as of March 31, 2013. There is a variance of \$1.3 million in current liabilities primarily due to processing of payroll related deductions.

4. As of March 2013, net assets reflect a \$944,888 increase primarily due to an increase in a gain in market value of endowment investment income, increase in net capital assets, decrease in bonds and capital lease obligations, a decrease in accounts payable and accrued liabilities.
5. Tuition and fee revenue comparison for March 2013 and 2012 represents a \$2.1 million decrease. Net student tuition and fees totals \$16.6 million and \$18.7 million in March 2013 and 2012 respectively.
6. Auxiliary revenue comparison for March 2013 and 2012 represents a decrease of \$812 thousand.
7. Operating expenses for March 2013 decreased by \$4.6 million compared to operating expenses in 2012. The decrease was primarily due a one month Board approved wage increase granted in December 2011 that is not represented in March 2013 and other decreases in wages.
8. The Statement of Cash Flows reflects a net decrease of \$2.4 million at March 31, 2013. Operations consumed \$19.4 million and \$25.8 million in March 2013 and 2012, respectively.

Recommendation:

Informational

Initiator:	Ms. Katherine Napier, Associate Vice President for Business Operations
Board Action Date:	April 26, 2013
Effective Date:	April 26, 2013

Kentucky State University
Statement of Net Assets
March 31, 2013
(Unaudited)

	<u>FY 2013</u>	<u>FY 2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	26,268,646	31,951,176
Accounts, grants and loans receivable, net	15,097,761	15,354,502
Investments	-	-
Inventory and other current assets	125,977	89,280
Total current assets	41,492,384	47,394,958
Noncurrent assets		
Accounts, grants and loans receivable, net	678,714	794,226
Investments	13,349,960	11,252,023
Capital assets, net	83,559,110	81,161,556
Total noncurrent assets	97,587,784	93,207,805
Total assets	139,080,168	140,602,763
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,593,344	2,535,283
Accrued compensated absences	1,728,558	2,081,660
Deferred revenue	1,380,332	1,777,290
Deposits	126,640	112,913
Other current liabilities	203,067	140,748
Bonds and capital lease obligations	1,109,623	764,247
Total current liabilities	6,141,564	7,412,141
Noncurrent liabilities		
Bonds and capital lease obligations	7,277,520	8,474,426
Federal grants refundable	991,709	991,709
Total noncurrent liabilities	8,269,229	9,466,135
Total liabilities	14,410,793	16,878,276
NET ASSETS		
Invested in capital assets, net of related debt	75,171,967	71,922,883
Restricted		
Nonexpendable	12,100,957	11,253,589
Expendable	8,278,051	6,492,019
Unrestricted	29,118,400	34,055,996
Total net assets	124,669,375	123,724,487