

**KENTUCKY STATE UNIVERSITY BOARD OF REGENTS
FINANCE & ADMINISTRATION COMMITTEE
SPECIAL CALLED MEETING**

***** Meeting Was Conducted in Person and by Teleconference ***
Wednesday, September 7, 2022
10:00 a.m. EDT**

**Board of Regents Room
Julian M. Carroll Academic Services Building, 2nd Floor
400 East Main Street
Frankfort, Kentucky 40601
(Primary Physical Location)**

MINUTES

I. Call To Order

The Committee's Chair, Regent Ed Hatchett, called the meeting to order at 10:00 a.m.

II. Roll Call

Chair Hatchett called the roll:

Regent Tammi Dukes	Not Present
Regent Charles Moyer, PhD	Present
Regent Robert Ramsey, Sr.	Present
Dr. James Tidwell	Present
Ms. Christina Jones	Present
Regent Edward Hatchett, Esq.	Present

Five Committee members were present during the roll call; a quorum was therefore established. Regent Dukes was not present at roll call but appeared shortly thereafter.

III. Approval of the Agenda

MOTION by Regent Moyer:

Move the Committee to approve the agenda of the September 7, 2022, Special Called Meeting of the Finance and Administration Committee.

Seconded by Regent Ramsey and passed without dissent.

IV. Preparation of Auditable Financial Statements for Years 2020 and 2021

Dr. Shields, Vice President for Finance & Administration and CFO, shared a presentation relating to the preparation of auditable financial statements for years 2020 and 2021. As to the first slide under the Balance Sheet tab, "Statements of Net Position," Chair Hatchett asked what was included in the Allowance for Doubtful Accounts and how it was calculated. Chair Hatchett asked if Dr. Shields could define more precisely the meanings of "Grant Receivable" and "Other Receivables".

Chair Hatchett inquired why the prepaid expenses category was empty and asked if it is typical to not see a number there. Chair Hatchett asked Dr. Shields to characterize the completeness of the financial information at this point in time. Dr. Shields replied that from his understanding, the information for the current year was just about 100% complete, and from what he has been told, the only outstanding action was for the University to put in final journal entries. Regent Dukes asked for clarification as to what the final journal entries were.

As Dr. Shields continued the presentation, Chair Hatchett asked how the decrease in deferred outflows/pension and the increase in deferred outflows/other postemployment benefits might be explained. Chair Hatchett further inquired as to total assets and deferred outflows and what the relationship is (in the non-current assets category) between gross and accumulated equipment.

As Dr. Shields discussed liabilities, Regent Moyer asked what the monthly payroll was at KSU and how the accrued payroll number shown in the presentation compares to the monthly payroll amount.

Chair Hatchett asked if the \$5 million line of credit was through Fifth Third Bank. He further queried why the accrued employee benefits entry was left blank and if there were accounts that needed to populate that category.

Regent Dukes asked for clarification as to long-term accrued payroll and payroll taxes, specifically asking for the definition of “long-term,” and why these entries are the exact same amount year over year. Chair Hatchett echoed Regent Dukes’ question.

Chair Hatchett asked if the long-term debt could have been caused by bonded indebtedness.

Regent Moyer inquired whether KSU’s pension plan is a defined benefit plan or a defined contribution plan, stating that he assumed that it is a defined benefit plan. As a follow up, Regent Moyer asked if the defined benefit plan was somehow rolled into the State pension plan. Ms. Raglin, Director of Human Resources, replied that Teacher’s Retirement is KSU’s defined benefit plan and is rolled into the State plan. Regent Moyer asked why KSU has a separate liability for shortfalls in its defined benefit plan if it is rolled into the State plan. Dr. Shields replied that KSU is liable for any portion of the benefit plan that KSU owes, according to regulation. Regent Moyer asked for the balance of KSU’s pension assets. Dr. Shields stated that the net pension liability as of FY 2021 is \$70,310,517. Regent Moyer asked if that amount is the shortfall between what is owed and what is funded. Dr. Shields replied in the affirmative.

Chair Hatchett stated that on a related note, he was aware that the General Assembly had been working to change the nature of retirement plans in state government as a whole. He then asked if new hires at KSU should be subjected to those changes or if they will continue to be enrolled in a defined benefit plan instead of a defined contribution plan going forward. Ms. Raglin responded that it would depend on the new employee’s position. Chair Hatchett asked how that would typically fall out, and wondered what new employees seem to be choosing. Regent Moyer requested an update or overview as to how KSU’s retirement works for a future meeting. Ms. Raglin agreed to gather that information.

Moving to the Income Statement tab, Dr. Shields continued his presentation. Chair Hatchett asked Dr. Shields to define the “Other Revenues” subcategory. Regent Moyer asked, regarding the “Student Tuition and Fees, Net of Allowance” category, if that was a net of allowance for doubtful accounts. Dr. Shields confirmed that the number had nothing to do with doubtful accounts. Chair Hatchett requested Dr. Shields to speak to the significant change in the bookstore numbers. Chair Hatchett asked if there were any other questions regarding operating revenues.

Proceeding to Operating Expenses, Chair Hatchett requested the definition of “institutional support.” Dr. Burnette, Interim Chief of Staff, provided the definitions of “institutional support” and “operations and management.”

Regent Dukes inquired why the “academic support” expense has almost doubled from 2020 to 2021. Dr. Burnette explained that COVID had a tremendous impact on the delivery of instruction and much of the expense could be related to the online hybrid delivery of instruction. Dr. Burnette suggested that this area be examined more thoroughly to see why that cost doubled. Regent Dukes asked for a follow-up on this issue.

Regent Moyer queried why institutional support increased by approximately 45%. Chair Hatchett asked Dr. Shields to define the “Auxiliary Enterprises” sub-category titled “Other.” Dr. Burnette inquired if athletic programs were included in the “Other” sub-category of Auxiliary Enterprises.

Regent Dukes requested clarification that the net loss number in the “Non-Operating Expenses” category was not actually a loss but was, in fact, a gain. Interim President Johnson clarified that it was a gain.

Regent Dukes noted a significant increase in investment income year over year and asked what precipitated the change. Dr. Burnette asked if the investment income was coming from the Foundation or the State. Dr. Shields replied that it came from both. Chair Hatchett asked where the Foundation shows up in the financial statements and whether the Foundation’s information is recorded separately since it is a separate entity. Dr. Shields replied that the Foundation was not separated out in the financial statements. Chair Hatchett asked for clarification that the Foundation was not separated out “at all.” Dr. Shields responded that Chair Hatchett was correct. Chair Hatchett asked if investment income meant operating investments and if it had nothing to do with the Foundation’s money.

Dr. Tidwell reflected that it would be a reasonable request to ask for a more detailed breakdown of what is captured in the overall group of “investment income,” as it appears that a number of things feed into this category. President Johnson agreed that this investment income category needed to be sorted out.

Chair Hatchett called for any other questions regarding the unaudited statements of revenues, expenses, and changes in net position.

Hearing no further questions, Dr. Shields proceeded to the Statement of Cash Flows, noting an increase of nearly \$10 million of net cash used in operating activities. Chair Hatchett asked about the big change in the bookstore’s numbers and also asked what was represented by the category “Loans to Employees.” Dr. Shields asked Ms. Raglin if she knew of any type of loans available to employees and she advised that she was not aware of any. Chair Hatchett again requested clarification regarding the bookstore’s numbers. Dr. Shields replied that he would further look into those numbers. Chair Hatchett asked if anyone present had a perspective on bonded indebtedness.

Chair Hatchett also asked about the category “Proceeds From Sales and Maturities of Investments” and inquired if that included mostly maturities and not sales.

Regent Moyer asked how KSU went from this statement of cash flow to needing \$23 million in one year. Dr. Shields replied that the \$23 million calculation came from CPE and Mr. Greg Rush, so he wasn’t sure how that came about; however, he noted that a number of things were taken into consideration. Regent Moyer asked if the liabilities from an accumulation of years should have shown up on the audited balance sheet and further commented that there would be a continuing question of how KSU arrived at its current situation.

Dr. Tidwell requested that Mr. Rush and Mr. Travis Powell speak to the Committee sometime in the near future to explain how they arrived at the \$23 million number. President Johnson commented that the administration actually does have that breakdown—down to the penny—and wondered why the Committee members did not have that information in their possession. Dr. Shields stated that while he does have that information and would send it out, he did not include it in this presentation as it was not represented in FY 2021.

Chair Hatchett asked Dr. Shields if he would be presenting the task list upon which he had collaborated with CPE. Dr. Shields replied that the task list was not yet completed. Dr. Burnette elaborated on the status of the task list, noting that it is actually a preliminary list. Dr. Burnette asked Mr. Zach Atwell, Board Liaison and Staff Attorney, to pull up the spreadsheet containing the preliminary task list.

As Dr. Burnette explained the 18 tasks listed, Chair Hatchett asked if there was a projected date related to Task 4, “Complete draft financial statements including notes, and all audit prep for FY 2021.” Chair Hatchett inquired how Protiviti was doing with regard to all this work. Dr. Burnette asked how often Dr. Shields was meeting with Protiviti.

Relative to Task 5, “Posting all payroll information to Banner,” Regent Dukes asked if there was a way to automatically upload payroll figures and calculations into Banner to remove the element of human intervention, thereby preserving the integrity of the information and ensuring that it is coming directly from the system. Regent Dukes also requested Dr. Shields to elaborate on the issues that KSU had experienced with ADP.

Chair Hatchett asked Dr. Burnette if he had any additional comments regarding the task list. Dr. Burnette replied that he would like to make the list a part of future presentations to keep the Committee apprised of the progress toward improving KSU’s financial health and viability.

V. Reconciliation of Payroll Listings With the Approved Budget

Dr. Shields shared that part of the reconciliation process involved meeting weekly with Payroll, Human Resources, and the Budget Director to make sure that information from each of these three areas matched up with the budget. He further noted that the reconciliations and communications between Payroll, Human Resources, and the Budget Director have minimized some challenges. Chair Hatchett asked how far along the reconciliation was at this point and further requested that the reconciliation be finalized as soon as possible.

VI. Cash Flow Projection for Fiscal Year

Chair Hatchett asked Dr. Shields how he proposed to address this agenda item. Dr. Shields asked to table this agenda item for at least another 30 days in order to get the first quarter completed, which would provide a more accurate picture of the fall enrollment numbers. Chair Hatchett asked if anyone present had a current enrollment number.

Dr. Shields stated that he had a presentation he would like to move forward that would hopefully answer some of the questions relating to enrollment and the budget. Chair Hatchett asked if the presentation would also cover student debt collection. Dr. Shields stated that he could speak on student debt collection, but that it was something that he and his team would not be initiating until at least 60 days after September 9, 2022, the conclusion of enrollment.

Chair Hatchett opined that Dr. Shields would continue to see this item come up repeatedly until the Committee receives the complete information that it needs and trusted that the next time the Committee meets with Dr. Shields, the members would hear more about student debt collection. Dr. Shields responded

that he would have a much clearer picture at that time as to student debt collection and the initial amount that will be sent forward.

Dr. Shields proceeded with a Financial Update presentation. Dr. Burnette asked Dr. Shields to provide a definition of “financially cleared” as it pertains to budgeted enrollment headcounts and to explain the protocol for uploading that information and populating that number into Banner. Regent Ramsey queried how the Debt Forgiveness Plan proposed by President Biden would impact the numbers of students not financially cleared if it came to fruition. Regent Moyer inquired if students who are in their final semester and who complete their academic responsibilities are allowed to graduate if they still owe an outstanding debt to the Institution.

As Dr. Shields continued the presentation and discussed three major roofing projects, Dr. Burnette asked who would be financing the cost of the roofing projects.

Chair Hatchett asked for the current total number of Business Office (Finance & Administration) personnel and additionally requested some context as to the 158 requests regarding the FY 2021 audit.

VII. Student Debt Collection

This agenda item was tabled for future discussion.

VIII. Adjournment

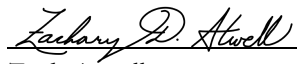
MOTION made by Regent Dukes:

Move the Committee to adjourn.

Seconded by Regent Ramsey and passed without dissent.

The meeting was adjourned at 12:46 p.m.

Submitted by:



Zach Atwell
Secretary, Board of Regents
Kentucky State University



Regent Ed Hatchett, Esq.
Chair, Finance & Administration Committee
Board of Regents
Kentucky State University

Approved with no corrections

Approved with corrections