



Monthly Financial Update

Kentucky State University

September 2023

HB 250, enacted in the 2022 Regular Session of the Kentucky General Assembly, directs the Kentucky Council on Postsecondary Education to provide a monthly financial update on Kentucky State University to the Legislative Research Commission and the Office of the Governor.

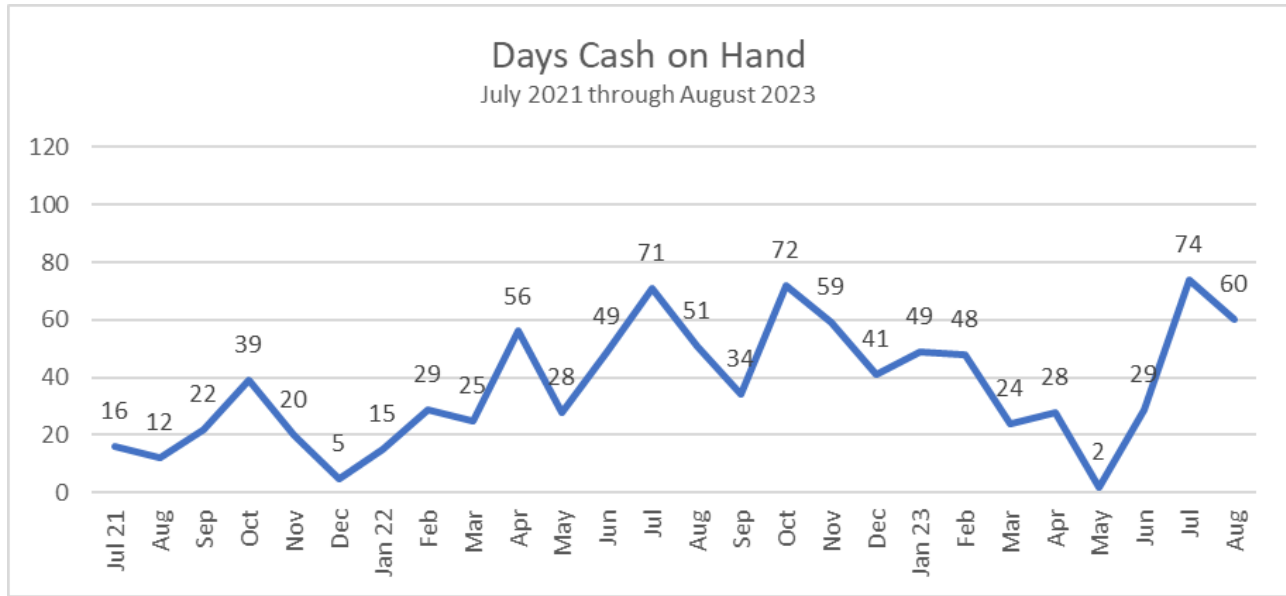
Cash Position

The university's cash balance (unaudited) on August 31, 2023, was \$11,921,496. The August cash balance includes the following reserved items:

- \$2.2 million is reserved for asset preservation projects and is not available for general expenditure. This reserve is held by KSU and represents the available balance of student fees collected for asset preservation projects.
- \$4.0 million is held by the State and reserved for various capital projects, including \$3.4 million of "Asset Preservation Pool" projects approved to be funded with state bonds in the 2022-2024 biennial budget.



Days cash on hand (DCOH) decreased to 60 days as of August 31, 2023, consistent with the monthly decrease in August 2022. Excluding the \$6.2 million reserved for asset preservation and other capital projects, DCOH available to support operations is 29 days at the end of August. Industry standards recommend maintaining 146 days or approximately five months of cash on hand to cover expected operating expenses. As the university is well below industry standards, CPE will continue to closely monitor the university's cash position and will also work with university leadership on a plan to build cash reserves.



Financial Reporting

As shared in previous reports, CPE contracted with Moss Adams to provide independent verification of KSU’s progress on the Management Improvement Plan. Verification work is now underway for the first quarter of fiscal year 2024 and on the following monthly finance-related deliverables:

- Master list of budgeted positions reconciled to departmental budgets
- Budget to actual reports for E&G, Auxiliaries, Land Grant Match and Asset Preservation
- Budget projections for E&G, Auxiliaries, Land Grant Match and Asset Preservation
- Clearing accounts reconciled within 14 days of end of each month
- Bank accounts reconciled within 14 days of end of each month
- Monthly closing entries posted within 14 days of end of each month
- Previous month’s accounting ledger closed by the 15th day of each month
- Credit card account reconciliations
- Cash position report, cash forecast and other financial information

As reported in CPE’s Quarterly Report for Q4 2023, KSU demonstrated progress on the monthly deliverables; however, several items were not implemented or were partially implemented. Some of the incompletions were likely due to the failure to provide supporting documentation to Moss Adams in a timely manner and we are working with KSU and Moss Adams to improve the verification process. The Q1 2024 Quarterly Report will report on the completion of the incomplete items from last quarter as well as the deliverables due in the current quarter.

Related to financial reporting and shared in last month’s report, KSU is completing a Banner accounting system optimization project entailing a revised chart of accounts and implementation/utilization of system-delivered reports. Additionally, KSU is completing an Argos reporting tool optimization project to automate several key management reports that are

currently generated manually. Successful completion of these optimization projects will facilitate improved accounting and reporting, including GAAP financial statements, endowment utilization/stewardship reporting, budget to actual reports and student accounts receivable aging reports.

KSU is currently utilizing Your Part-Time Controller (YPTC), an external service provider, to assist with the following critical processes/functions:

- Budget to Actual Reporting/Budget Projections
- Student Accounts Receivable and Collections Reporting
- Cash Forecasting

CPE and Moss Adams met recently with KSU and YPTC staff to validate the accuracy and integrity of the procedures and internal controls related to the above functions. All three functions will greatly benefit from the optimization projects referenced previously as the functions are currently performed manually. Additionally, the processes/reports will benefit from the knowledge and experience gained from continued monthly completion and review by senior leadership, leading to refinements to the processes.

Moss Adams will be on-site at KSU in November 2023 to meet with staff members and discuss various Management Improvement Plan deliverables.

Moving Forward

Obtaining a complete financial reporting and assessment of the institution is still a work in progress, but the situation is improving, as reported in the Quarterly Report for Q4 2023. With successful completion of the Banner/Argos optimization projects and completion of the monthly and other Management Improvement Plan deliverables, including audited financial statements and quarterly GAAP financial statements, CPE will be able to truly monitor the fiscal status of the institution on a month-to-month basis and provide more information in these reports each month.

CPE assigned a project manager to assist KSU in scheduling the completion of deliverables and submitting the related reporting for the Q1 2024 Quarterly Report. Weekly meetings are held with each KSU point of contact for the corresponding deliverable to track progress and help ensure deadlines are met. Preliminarily, it appears that more progress will be captured this quarter.

The university is communicating with the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), the U.S. Department of Education and the National Collegiate Athletics Association regarding noncompliance with various requirements. A response to a request for information from SACSCOC is due October 13, 2023, and KSU staff are working diligently to compile that information. A negative outcome resulting from these communications could have an adverse financial impact on the university, although demonstration of satisfactory progress towards full compliance should assist in avoiding a major negative outcome.

Completion of the audited financial statements for fiscal years 2021 and 2022 in the near future is critical. CPE is working with KSU and the external audit firm to facilitate the completion of the audits. An update on the outcome of these communications will be provided in future reports.

At the September 27, 2023, KSU Board of Regents meeting, the board approved a revised budget for Fiscal Year 2024 (FY24). The related board action item is attached. The revised FY24 budget is based on a total Fall 2023 enrollment of 1,540 students and assumes Spring 2024 enrollment will be 93% of fall enrollment based on previous trend analysis. Additionally, the budget estimates a combined drop/uncollected percentage of 10%. The university will monitor budget to actual results throughout the fiscal year and recommend a revised budget to the Board Regents if necessary.

At the September 19, 2023, CPE Board meeting, the board approved modifications to the Management Improvement Plan, including but not limited to the allocation of \$10 million in incentive funding for completion of MIP objectives and deliverables. The related board action item is attached. The modifications and incentive funding were determined based on completion of the prior two quarterly reports for KSU, review of the Examination of Certain Financial Operations and Internal Policies and Controls of KSU issued by the Kentucky Auditor of Public Accounts, and engaging with new KSU President Dr. Koffi Akakpo on his vision for the university.



KENTUCKY STATE UNIVERSITY BOARD OF REGENTS

ACTION ITEM 6D

ACTION ITEM

Approval of Revised Budget for Fiscal Year 2024 (FY24).

FACTS

KSU's revised budget is being presented to continue fiscal operations for the new fiscal year. This budget is based on the following assumptions:

- Projections are based on registration reports dated August 31, 2023.
- A combined drop/uncollectable percentage of 10% is estimated for FY24 due to lack of preparation for Fall 2023 by the previous administration.
- Spring enrollment is expected to be 93% of fall enrollment based on previous trend analysis.

The structure for the revised FY24 budget is categorized into three sections:

- Education & General
- Auxiliary
- Asset Preservation

Please note:

- The Asset Preservation budget is listed independently and no revisions were needed.
- Based on the recommendation from the external auditors and the Council on Postsecondary Education (CPE), Land Grant Match has been moved to a grant fund so that it can be properly reflected as restricted.
- West Louisville of \$200K has also been moved to a grant fund and not reflected in state appropriation totals
- Year to Date (YTD) consists of data as of August 31, 2023.

EDUCATION AND GENERAL

Revenues

Tuition revenue was derived from the following enrollment and tuition projection:

| | |
|-------------------------|-------|
| Part-time | 235 |
| Full-time Res Halls | 926 |
| Full-time Non-Res Halls | 379 |
| Total Enrollment | 1,540 |



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| | |
|--|---------------------|
| Revenue Per Student | 5,296 |
| Budgeted Revenue Before Uncollectible | \$8,155,840 |
| Uncollectible Estimate | 10% |
| Budgeted Fall Revenue | \$7,340,256 |
| Spring Enroll % | 93% |
| Spring Revenue | \$6,826,438 |
| Total Budgeted Rev | \$14,166,694 |
| Less: Institutional Aid | (2,000,000) |
| Net Tuition Revenue - Non-High School | \$12,166,694 |
| High School Enrollment | 224 |
| Tuition Revenue High School | 112,000 |
| Total Projected Tuition Revenue | \$12,278,694 |

YTD tuition revenue reflects student accounts billed as of August 31, 2023.

Uncollected student balances for FY24 are included in the Tuition revenue.

Non-Mandatory Fees consist of:

- Course Fees
- Auto Registration
- Application/Orientation/Graduation Fees
- Transcript and Payment Plan Fees
- Activities and Tickets

Student Debt Relief – HEERF was displayed incorrectly in the FY24 adopted budget. The amount is actually a method of payment and was already captured in the tuition revenue.

Institutional Aid (Scholarships) this amount remains unchanged in the FY24 revised budget.

Indirect Cost Reimbursement is currently 51% and this remains unchanged in the FY24 revised budget.



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Other Sources consist of: reimbursements, rebates, interest income, and investment income.

State Appropriations Operating changed by \$200k in the FY24 revised budget due to West Louisville being moved to a grant fund.

State Appropriations - Debt Service remains unchanged in the FY24 revised budget.

Total revenue for the revised FY24 budget totals \$32,528,394.

Expenses

Personnel services are slightly higher because of an estimation of additional positions that will be needed in facilities. This total also includes every position being filled.

The vacancy credit consists of knowing that every vacant position will not be filled at any given time during FY24.

The EAB contract was removed from Operating Expenditures which is the difference between the FY24 recommended budget and the FY24 revised budget.

Maintenance expenditures were lowered due to the cancellation of the \$3 million Sodexo Facilities contract.

Based on prior year trends, other expenses included rental expenses, non-mandatory transfers, books/periodicals, and computers.

AUXILIARY

Auxiliary's revenue and expenditures were adjusted based on current enrollment.

Services and Contracts include Sodexo Dining, Follett (bookstore) and the new residence hall payment.

Building and Equipment Reserves are for renovations.

BUDGETARY IMPLICATION

Based on FY24 revenue and expenditures, there will be a surplus of \$460,894, which will be placed into contingency.

RECOMMENDATION

President Akakpo recommends that the Board of Regents approve the revised budget for FY24.

MOTION

Approve the revised budget for Fiscal Year 2024.



**KENTUCKY STATE
UNIVERSITY
REVISED BUDGET**

FY2024



**KENTUCKY STATE
UNIVERSITY**

**Kentucky State University
Summary of E & G Revenue and Expenditures
2023-2024 Revised Budget**

| | FY 2024 Adopted Budget | FY 2024 Revised Budget | FY 2024 Through Aug 31 2023 | FY 2024 Percent of Budget |
|-------------------------------------|-----------------------------------|-----------------------------------|--|--|
| Tuition and Fees | 14,533,048 | 14,278,694 | 8,715,428 | 61% |
| Student Uncollected Amounts | | | | |
| Non-Mandatory Fees | 312,500 | 270,000 | 30,305 | 11% |
| Student Debt Relief - HEERF | 1,846,045 | - | - | |
| Institutional Aid (Scholarships) | (2,000,000) | (2,000,000) | (99,164) | 5% |
| Indirect Cost Reimbursement | 170,822 | 170,800 | 92,540 | 54% |
| Other Sources | 914,471 | 200,000 | 107,501 | 54% |
| State Appropriations Operating | 18,938,900 | 18,738,900 | 5,461,630 | 29% |
| State Appropriations - Debt Service | 870,000 | 870,000 | 870,000 | 100% |
| Total E&G Revenue | 35,585,786 | 32,528,394 | 15,178,240 | 47% |
| Personnel Services | 21,260,172 | 21,747,500 | 3,208,209 | 15% |
| Vacancy Credit | | (1,500,000) | | |
| Operating Expenditures | 1,019,875 | 750,000 | 7,684 | 1% |
| Travel Expenses | 733,335 | 600,000 | 2,521 | 0% |
| Services and Contracts | 6,602,224 | 6,600,000 | 1,546,900 | 23% |
| Maintenance | 4,297,976 | 1,100,000 | 281,715 | 26% |
| Equipment | 503,252 | 400,000 | 39,324 | 10% |
| Other Expenses | 3,207,652 | 1,500,000 | 68,634 | 5% |
| Debt Service | 870,000 | 870,000 | 870,000 | 100% |
| West Louisville - Moved to Grant | 200,000 | - | | |
| Total E&G Expenses | 38,694,486 | 32,067,500 | 6,024,987 | 19% |
| Contingency | - | 460,894 | | |
| Surplus/(Deficit) | (3,108,700) | (0) | | |



Kentucky State University
Summary of Auxiliary Revenue and Expenditures
2023-2024 Revised Budget

| | FY 2024 Adopted Budget | FY 2024 Revised Budget | FY 2024 Through Sep 12 2023 | FY 2024 Percent of Budget |
|---------------------------------|------------------------------|---------------------------|-----------------------------------|---------------------------------|
| Housing | | 5,589,700 | 3,427,483 | 61% |
| Dining | | 3,055,300 | 1,779,458 | 58% |
| Bookstore | | 1,427,600 | 826,144 | 58% |
| Other Sources | | 100,000 | 7,811 | 8% |
| Scholarships | | | (126,720) | |
| Total Auxiliary Revenue | 9,033,100 | 10,172,600 | 5,914,176 | 58% |
| Personnel Services | | 680,450 | 19,446 | 3% |
| Services and Contracts | | 6,598,975 | 161,129 | 2% |
| Building Reserve | | 1,500,000 | - | |
| Equipment Reserve | | 100,000 | - | |
| Total Auxiliary Expenses | 5,924,402 | 8,779,425 | 180,575 | 2% |
| Surplus/(Deficit) | 3,108,698 | 1,393,175 | | |

Asset Preservation¹

| | |
|---|----------------------------|
| Balance Carry Forward | \$ 1,963,674 |
| Asset Preservation Fees Collected | \$ 375,000 |
| Total Asset Preservation Revenue | <u>\$ 2,338,674</u> |

Restricted Funds¹

TITLE: Modifications to the Kentucky State University Management Improvement Plan

RECOMMENDATION: The Executive Committee will provide a recommendation to the Council on the proposed modifications to the Kentucky State University Management Improvement Plan in accordance with HB 250 (2022).

PRESENTER: Madison Silvert, Council Chair

COMMITTEE REVIEW AND RECOMMENDATION

The Executive Committee will consider the proposed modifications during its September 19 morning meeting. If approved by the Committee, they will request the Council take final approval action.

SUPPORTING INFORMATION

In the process of completing the first two quarterly reports for the Kentucky State University (KSU) Management Improvement Plan, review of the Examination of financial Operations and Internal Policies and Controls of KSU issued by the Kentucky Auditor of Public Accounts (APA), and engaging with new KSU President Dr. Koffi Akakpo on his vision for the university, CPE staff has identified proposed modifications to the Plan, including but not limited to the allocation of \$10 million in incentive funding for completion of Objectives and Deliverables.

Recommended modifications and funding allocations are outlined below.

Add the following new Objectives, corresponding Deliverables, Deadlines for Completion, and Funding Allocations:

- Objective: Develop a plan for a new college of business, engineering, and technology
 - Deliverable: Submission and acceptance of the plan that includes, but is not limited to, a detailed rationale supporting the proposal containing relevant data and milestones and objectives with a corresponding timetable.
 - Deadline: Q3 2024
 - Funding: \$2,225,000 dedicated for this purpose
 - Rationale: President Akakpo has proposed the idea to the KSU Board of Regents of creating a college of engineering at KSU to help meet the ever-growing need for engineers in Kentucky and close the gaps on underrepresented minority graduates in the engineering field. There are significant funding

opportunities both from the federal government and private donors to support the growth of such a program at HBCU's and these funds would provide seed funding to begin developing the program and the physical and human infrastructure to support it. KSU currently offers a 3-year pre-engineering program from which this new program would be built.

- Objective: Create a center for Global Learning and International Student Services
 - Deliverable: Submission of the plan that includes, but is not limited to, a detailed rationale supporting the proposal containing relevant data and milestones and objectives with a corresponding timetable.
 - Deadline: Q3 2024
 - Funding: \$235,000 dedicated for this purpose
 - Rationale: KSU currently has no coordinated function to assist in the recruitment and retention of international students and this funding would provide start-up assistance for a center for Global Learning and International Student services. International students have unique needs to support their enrollment, including but not limited to issues surrounding student visas, and this new center would be dedicated to addressing those issues both on the front end and throughout their enrollment. In addition, the center would seek partnerships with government and nonprofit organizations from other countries to recruit international students and create exchange programs for existing KSU students.

- Objective: Digitization of Student Records
 - Deliverable: Contract award to qualified vendor.
 - Deadline: Q3 2024
 - Funding: \$90,000 dedicated for this purpose
 - Rationale: The vast majority of KSU's student records are not in a digital format which is necessary to meet best practices in this area and assist the registrar's office in the effective administration of student records. These funds would assist in funding a project to digitize student records and convert them to a secure format that is easily searchable and accessible.

- Objective: Completion of a 5-year budget for the university
 - Deliverable: Completion of a five-year budget and presentation to the KSU Board of Regents and/or its Finance Committee.
 - Deadline: Q4 2024
 - Funding: N/A
 - Rationale: A five-year budget helps an institution plan and set goals and priorities for the institution's future. Future annual budgets will not be prescribed by the five-year budget, but this document, and the process of creating it, will help the institution determine the resources it needs to meet future goals and objectives.

- Objective: Incorporate National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual for Higher Education (FARM) as a guiding document for all business procedures.
 - Deliverable: Implement training program for business procedures
 - Deadline: Q1 2025
 - Funding: N/A
 - Rationale: This is an existing Objective with a new proposed Deliverable. Once business procedures are updated, a comprehensive training program should be initiated to ensure that new procedures are implemented and followed with fidelity.

- Objective: Create a tracking system for the Board of Regents for resolutions passed with regular updates on implementation
 - Deliverable: Implemented tracking system.
 - Deadline: Q1 2025
 - Funding: N/A
 - Rationale: The APA report included this a recommendation due to failure of past administrations to implement board actions. While CPE expects the new administration to follow through with board directives, providing regular updates on that process in a formalized way improves transparency and helps keep the Board accountable to itself.

- Objective: Provide annual training to all staff, with a focus on select KSU policies, which should include, at a minimum, ethics, conflicts of interest, conflicts of commitment (as applicable).
 - Deliverable: Comprehensive train plan with modules, as applicable.
 - Deadline: Q4 2025 for all applicable policies, however once policies are finalized training should be planned, as applicable.
 - Funding: N/A
 - Rationale: The APA report included this a recommendation due to lack of staff understanding of institutional policies and procedures. The Plan currently contains Objectives and Deliverables related to the revision of policies and procedures, but training will ensure the follow-through required for resulting compliance.

Release incentive funding for successful completion of the following current Objectives and Deliverables:

- Objective: Determine an operating structure for a distinct KSU online subsidiary through an evaluation of the following:
 A separate administrative structure to increase autonomy and innovation in online learning;
 Potential financial aid issues associated with an online subsidiary;

The effectiveness of a competency-based, eight-week model for online learning; and, The use of a case management model in which students and families are assigned one point of contact throughout the enrollment management process.

- Deliverable: Summative report and implementation plan
 - Deadline: Q3 2024
 - Funding: \$4,600,000 dedicated for this purpose
 - Rationale: The primary basis for advocacy of incentive funding for KSU was the creation of a distinct, competency based online subsidiary of the institution. In FY 2023, the Council allocated \$2.5 million for the project and the additional funding allocated here would fund services provided by KSU's online programming partner Magellan for FYs 2025 and 2026. Magellan was awarded a contract for this project through a competitive bid process on June 30, 2023.
- Objective: Complete the Banner accounting system optimization project and ADP payroll system transition to Banner.
 - Deliverable: Completed transition from ADP to Banner payroll module
 - Deadline: Q4 2024
 - Funding: \$350,000 dedicated for this purpose
 - Rationale: Transitioning payroll into Banner will put KSU's financial and HR management functions into one system for ease of administration. Considering the biggest cost driver at any university is personnel, it is essential that these systems be integrated.
- Objective: Develop a campus master plan and a three to five-year capital project plan focused on asset preservation
 - Deliverable: Completed campus master plan and capital project plan
 - Deadline: Q2 2024
 - Funding: \$500,000 to be used at the institution's discretion
 - Rationale: Capital planning is paramount to the success of any high functioning university with a significant physical footprint like KSU. This deliverable will allow the board to set priorities for new construction and, more importantly for KSU, asset preservation and maintenance. A campus master plan provides the framework for capital requests for the institution and helps set it on a path to meet the physical infrastructure needs of the students and the larger campus community.
- Objective: Incorporate National Association of College and University Business Officers (NACUBO) Financial Accounting and Reporting Manual for Higher Education (FARM) as a guiding document for all business procedures.
 - Deliverable: Completed business procedures document
 - Deadline: Q2 2024
 - Funding: \$250,000 to be used at the institution's discretion
 - Rationale: Updating procedures to conform with best practice is paramount to improving the business functions of any organization. This requirement will also

help address many of the findings from the Auditor of Public Accounts (APA) report issued last spring.

- Objective: Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.
 - Deliverable: Revise and update Business Procedures Manual
 - Deadline: Q2 2024
 - Funding: \$250,000 to be used at the institution's discretion
 - Rationale: Updating procedures to conform with best practice is paramount to improving the business functions of any organization. This requirement will also address many of the findings from the Auditor of Public Accounts (APA) report issued last spring.

- Objective: Implement a formal accounting and reporting framework for endowment distributions.
 - Deliverables:
 - Review endowment agreements and recommend new agreements where needed
 - Correct accounting for prior withdrawals in 2019 and 2020 for accuracy
 - Correct accounting structure in Banner related to endowment accounts
 - Correct endowment reporting on FY 2021 and FY 2022 financial statements for accuracy
 - Review updated endowment investment policy for completeness and alignment with best practices
 - Deadline: Q4 2024
 - Funding: \$500,000 to be used at the institution's discretion
 - Rationale: Considering KSU's current budget constraints, accessing endowment proceeds for scholarships and faculty fellowships will allow other resources to be used for other purposes. There are several deliverables tied to this objective and incentivizing this objective will help to accelerate its completion.

- Objective: Develop a system to manage institution-wide and program/departmental student cohorts to improve completion rates.
 - Deliverable: Summative report and Implementation Plan
 - Deadline: Q2 2024
 - Funding: \$500,000 to be used at the institution's discretion
 - Rationale: While showing recent improvement, KSU's graduation and degree production student metrics are likely to regress in the near future due to failure of recent prior administrations to effectively manage student progress toward graduation. Incentivizing the completion of a comprehensive system to manage student success will make this important project an even higher priority and have a more immediate impact getting individual students the help they need to meet their educational goals each semester and ultimately graduate.

- Objective: Evaluate and revise internal budgetary controls and provide a quarterly budget to actual report to the Board of Regents.
 - Deliverables:
 - Master list of budgeted positions reconciled to departmental budgets monthly
 - Monthly budget to actual reports for E&G, Auxiliaries, Land Grant Match, and Asset Preservation
 - Budget projection prepared monthly for E&G, Auxiliaries, Land Grant Match, and Asset Preservation
 - Deadline: 20th of each month
 - Funding: See below
 - Rationale: See below

- Objective: Improve the accounting and reporting system, as well as internal controls over financial reporting, and provide quarterly Generally Accepted Accounting Principles (GAAP) statements and other financial information to the Board of Regents.
 - Deliverables:
 - Clearing accounts reconciled within 14 days of end of each month
 - Bank accounts reconciled within 14 days of end of each month
 - Monthly closing entries posted within 14 days of end of each month
 - Month closed by the 15th day of each month
 - Credit card account reconciliations
 - Statement of Revenues, Expenses and Changes in Net Position by 15th of each month (income statement)
 - Statement of Net Position by 15th of each month (cash flow and trial balance)
 - Balance of asset preservation fund reserves for month-end
 - Accounts payable aging summary
 - Monthly report of collection activity
 - Monthly report of outstanding student balances
 - Deadline: 20th of each month
 - Funding: \$500,000 upon successful completion of all monthly deliverables in 3 consecutive months to be used at the institution's discretion
 - Rationale: The back-end accounting, finance, and budgeting functions at KSU must be completed timely and accurately in order for the institution to move toward financial stability. Virtually all university decisions have a budgetary impact and the financial information upon which those decisions are made must be solidified in order to be completely relied upon. Since the adoption of the Management Improvement Plan, KSU has struggled to meet all month deliverables each month and the award of incentive funding will reward sustained performance in this most important area.