



# Monthly Financial Update

Kentucky State University

July 2022

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.

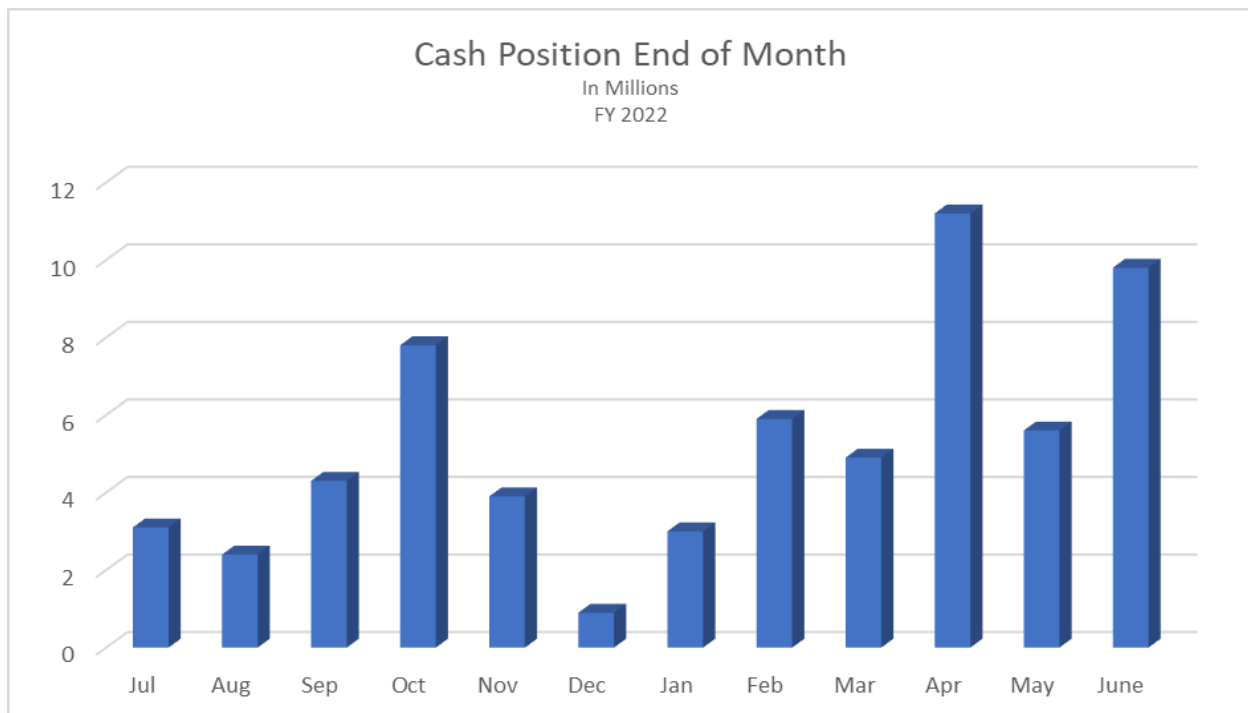
## Cash Position

The university's cash position (unaudited) on June 30, 2022 is outlined below:

|  |             |
|--|-------------|
| Cash Balance – June 30, 2022                       | \$9,771,979 |
| Reserved for Land Grant Match                      | \$768,312   |
| Reserved for Asset Preservation Fund               | \$1,659,854 |
| Reserved for Repayment of State Construction Funds | \$270,000   |
| Unreserved Cash Balance – June 30, 2022            | \$7,073,713 |

While a portion of these funds will be used to pay invoices for FY 2022 expenses that were not received by the university by June 30 (approximately \$1 million), the remainder is available for cash flow for FY 2023. The Council on Postsecondary Education (CPE) had targeted a cash balance of approximately \$5 million to \$6 million to provide sufficient cash flow for FY 2023. The university successfully met that target and should not need to access revenue anticipation notes or other short-term financing tools during FY 2023.

CPE is working with Kentucky State University (KSU) to develop measures of financial stability; one of those measures likely will be “days cash on hand.” Developing a sufficient cash reserve is essential for the stability of the university. As can be seen from the chart below, cash reserves continue to increase. However, there will be fluctuations in the cash balance throughout the year due to the cyclical nature of university revenues.



## **FY 2023 KSU Operating Budget**

On June 27, 2022, the KSU Board of Regents approved an operating budget for FY 2023. The approved budget assumes education and general and auxiliary revenues of approximately \$41 million. A reserve of \$1 million is incorporated into the approved budget.

As of the date of this report, the university has not reconciled the current payroll with the approved budget. The reconciliation is underway and should be complete by the end of July. Accurate budget projections cannot be developed until that step is completed. CPE staff are monitoring this process.

The FY 2023 budget also incorporates \$1.6 million in non-recurring funds related to the opening of the new residence hall. This will need to be addressed in future budgets to ensure a structurally sound budget.

## **Operational Issues: Accounting and Finance**

As discussed in the June 2022 update, there are several operational issues in accounting and finance that are not yet resolved. In addition to a vendor contract to prepare financial statements for FY 2021 and FY 2022, the university recently contracted with a vendor to provide accounting services. The university also has worked with staff from Eastern Kentucky University to assist KSU staff in closing the FY 2022 fiscal year and opening the FY 2023 fiscal year in Banner (the university accounting system).

CPE was notified by the KSU Chief Financial Officer that the payroll clearing account has not been fully reconciled this year; additional expenses may be reported once that reconciliation is complete. As a result, June 30, 2022 expenditure data is not provided in this update as a full accounting of expenditures is not available as of the date of this report. To complete these reconciliations, the CFO is securing additional contracted accounting staff.

Compilation of FY 2021 financial statements is on schedule and draft financial statements are expected to be available by July 30, 2022. Compilation of FY 2022 statements is expected to be complete by September 30, 2022. Completion of these compilations and the entry of the appropriate accounting adjustments in Banner will ensure that these accounts are reconciled and that expenditures are fully reported in a timely manner.