

SITUATION – JULY 21, 2021

- Approximately \$2.8 million cash available
- Over \$3 million outstanding invoices, \$1.7 million over 121 days past due
- Over \$2 million payroll charges due by July 27
- Approximately \$5.5 million due to the state to clear construction invoices paid by the state
- Energy performance contract payment due in June not paid until July (\$621,868)
- Revenue Anticipation Note - \$5 million carried over from June to July

TEMPORARY RESOLUTION

- The Council on Postsecondary Education supported request to the state budget office to advance 4th quarter state allotment of \$5.4 million
- Funds made available on July 22
- Only a temporary solution
- Paid almost all invoices over 60 days old during the week of the July 26
- Working to clear all invoices over 30 days old by September 1
- Will probably need to draw on Revenue Anticipation Note to cover August payroll

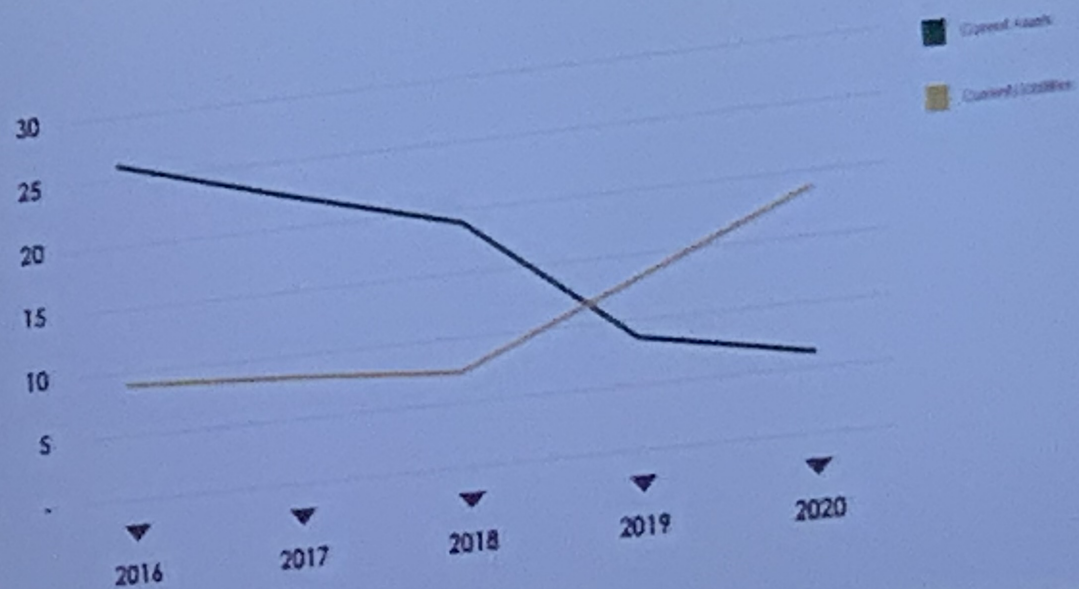
CASH POSITION

- Cash situation should improve in September as we program remaining CARES funding is allocated and Title IV is for fall semester
- Cash position likely to become a problem again in the spring as the 4th quarter allotment from the state will not be available
- Between the \$5.4 million advanced from the 4th quarter, the \$5.5 million owed to the state, the invoices carried forward from the last fiscal year into FY 2022, there is approximately \$15 million for fiscal year 2022
- Actions to aggressively manage the budget for the remainder of the fiscal year and remaining CARES federal funding will help, but will probably not be enough to address the shortfall

KENTUCKY STATE UNIVERSITY CASH AND CASH EQUIVALENTS (MILLIONS)



KENTUCKY STATE UNIVERSITY CURRENT ASSETS VS. CURRENT LIABILITIES (MILLIONS)



PENSION AND CAPITAL IMPROVEMENT IMPACTS ON NET POSITION

Fiscal Year	2020	2019	2018	2017	2016
Total Net Position Per Audit	(1,571,130)	(3,911,645)	(1,077,522)	(8,701,364)	(8,362,208)
Plus Inflows and Pension Liability	103,349,285	106,039,622	116,248,434	114,850,582	104,247,795
Less Outflows	18,594,112	15,179,797	14,488,964	18,349,336	9,056,663
Net Pension Impact	84,755,173	90,859,825	101,759,470	96,501,246	95,191,132
Net Position without Pension Impact	83,184,043	86,948,180	102,836,992	105,202,610	103,553,340
Capital Assets and Restricted	85,100,944	78,099,009	81,610,935	81,385,190	81,119,634
Net Position Less Pension Impact, Capital Assets and Restricted	(1,916,901)	8,849,171	21,226,057	23,817,420	22,433,706

BUDGETARY ISSUES

- Based on documents in the University budget office, expenditures have exceeded the approved budget in each of the last three years. When invoices that were held for payment until the next fiscal year are considered, the overage is significant.
- In December 2019, the University stopped reimbursement payments to the state accounts that manage our construction projects. Balance owed is approximately \$5.5 million. USDA has been notified of the processing errors and delays in clearing the balance with the state.
- The University deferred FICA payments from April 2020 through December 2020. This was allowed under relief measures for Covid-19. Total deferrals were \$1,430,000 and will have to be repaid over the next two fiscal years. Payments of \$715,000 will be due in December of 2021 and 2022. This deferral does not appear to be reflected in the University budget documents.

BUDGETARY ISSUES (CONT.)

- It appears that \$457,492.95 of the state appropriation dedicated to the land-grant match was not expended by the end of fiscal year 2021. This amount will need to be expended from the FY 2022 state appropriation, in addition to the amount budgeted for FY2022, to meet the University's full match requirement.

CURRENT ACTIONS TO ADDRESS ISSUES – CASH POSITION

- Advanced the 4th Quarter State General Fund allotment to provide cash flow
- Renewed the Revenue Anticipation Note – no draws have been taken yet – but one will probably be required in late August
- Began developing a cash management plan which will include a monthly cash forecast. Expect to complete by September 1.

CURRENT ACTIONS TO ADDRESS ISSUES – PROCESSES

- Implemented a new process on July 27 to provide verification that the state is reimbursed for all construction invoices from that date forward. Reported new process to Finance and Administration Cabinet and USDA.
- Began creating a master budgeted position listing. Expect to complete by mid-August. Personnel management plan will be developed after master budgeted position listing is complete.
- Engaged the internal auditor to assist with a review of expenditures for the past three years.
- Purchasing is maintaining a list of all current contracts. These will be reviewed for necessity by end of August.

CURRENT ACTIONS TO ADDRESS ISSUES – CARES FUNDING

- Developing balance forgiveness plan using federal funding. Expect plan to be implemented second week of August.
- Developing a plan for additional aid to students as required by federal funding requirements. Target for completion is September 1.
- Developing a plan to responsibly use all available federal relief funds. Target for completion – September 1.

MOVING FORWARD

- Develop revised FY 2022 operating budget for presentation to the Board at the September meeting
- Work with the Council on Postsecondary Education on a financial plan and management improvement plan
- Work with the Council on Postsecondary Education to develop the FY 2022-24 Biennial Budget request for the University
- Continue to review and improve financial and administrative policies and procedures
- Begin the FY 2021 external financial audit

MOVING FORWARD (CONT.)

BOARD WILL RECEIVE NEW REPORTS EACH MEETING ON:

- Cash position compared to prior year
- Aging schedule of payables
- Current accounts receivable
- Personnel actions
- Additional reports recommended by the Council on Postsecondary Education

SUMMARY

- Approximately \$15 million shortfall in FY 2022 due to expenses carried forward from past years
- Additional one-time state aid may be necessary
- Review of all recurring expenditures underway
- Reviewing options with endowment