AGENDA ITEM 1 - Call to Order

Required statutory notice having been given, a meeting of the Finance Committee of the Board of Regents of Western Kentucky University was held in the Regents Conference Room of the Wetherby Administration Building. The meeting was called to order by Chairman Burns Mercer at approximately 10:50 a.m., CDT. The committee met as a committee of the whole board with the following members present:

- Mr. Earl Fischer
- Ms. N. Joy Gramling
- Mr. C.C. Howard Gray
- Ms. Tara D. Higdon
- Mrs. Peggy Loafman
- Mr. Cornelius A. Martin
- Dr. Raymond Mendel
- Mr. Burns Mercer
- Mr. Fred N. Mudge
- Mr. Raymond B. Preston

Ms. Bale was absent.

Also present were Dr. Thomas C. Meredith, President; Mrs. Liz Esters, Staff Assistant for Special Projects and Secretary to the Board of Regents; Dr. Robert Haynes, Vice President for Academic Affairs; Dr. James R. Ramsey, Vice President for Finance and Administration; Dr. Jerry Wilder, Vice President for Student Affairs; Dr. Randall Capps, Parliamentarian; Mr. Fred Hensley, Interim Vice President for Institutional Advancement and Director of University Relations, and Ms. Deborah Wilkins, University Counsel.

In keeping with the policy of the Board, the agenda for the meeting and information and materials pertinent to items thereon had been mailed in advance of the meeting by the President to members of the Board.

AGENDA ITEM 1 - Recommendation for acceptance of the 1994-95 Annual Financial Report
RECOMMENDATION:

President Thomas C. Meredith recommends the acceptance of the audited Annual Financial Report for the 1994-95 fiscal year.

Background:

The preparation of the financial statements of an organization is the responsibility of the management of that organization. An external auditor reviews the financial statements to ensure that the information presented is reasonable. The audit of the 1994-95 financial statements of Western Kentucky University was performed by Baird, Kurtz and Dobson (BKD).

The audit is a "clean" audit. BKD has made four current year recommendations in their management letter addressed to President Meredith and the Board of Regents. Management is currently reviewing each of these recommendations and responses and will be discussed with the Board of Regents at its meeting.

Staff is also analyzing the findings of BKD that pertain to the audit of federal programs as required by the U.S. Office of Management and Budget Circular A-133. The findings of BKD with regard to federal programs are immaterial findings which do not impact the reasonableness of the financial statements. Staff will be prepared to address each of these findings with the Board of Regents at the October 27 meeting.

Representatives of BKD were present at the Board of Regents’ meeting to discuss the Annual Financial Report.

Finally, it should be noted that this year the Annual Financial Report is being included as part of an annual report of Western Kentucky University. This report will include programmatic information as well as financial information on the institution.

Secretary's Note: Board members were provided copies of the audit report prior to the meeting, and copies are filed in the Board’s official files.

Dr. James Ramsey, Vice President for Finance and Administration, commented that:

- Financial statements are responsibility of University;
- Compliance with laws, regulations, terms and conditions of contracts and grants is the responsibility of University management;
- Establishment and maintenance of an internal control structure is responsibility of University management

The external auditor, Baird, Kurtz & Dodson, provides opinions that:

- Financial statements present fairly the financial position of Western Kentucky University;
- University has complied with applicable laws, regulations, contracts, and grants;
- Design and operation of internal control structure are effective.

The 1994-95 Annual Financial Report presented to the Board:

- Is a "Clean Audit" - no material weaknesses;
Mr. Ron Shrewsbury and Ms. Sherri Stokes from Baird, Kurtz and Dodson were present to respond to questions. Ms. Stokes reiterated Dr. Ramsey's statement that it was a "clean audit--unqualified opinion;" with regards to the federal portion of the audit, there were no major findings found. The Federal Government requires a lot of detail. Ms. Stokes commended the staff with whom they worked at Western for their cooperativeness and assistance during the audit.

Ms. Stokes highlighted the following four management recommendations:

- **IMPROVING INVENTORY CUTOFF PROCEDURES**
  
  Although a University policy exists for department personnel to sign and date green copies of purchase orders indicating when items were received, we noted some bookstore purchase order copies that were not dated. To achieve a proper inventory cutoff, purchase order copies should contain the date on which the goods were received.

  During inventory cutoff testing, we noted items received prior to physical inventory count for which no corresponding liability was recorded in accounts payable. This resulted in an immaterial overstatement of bookstore income at year end. We recommend that procedures related to accruing invoices received after year end, but applicable to the previous fiscal year, be reviewed.

- **ACCOUNT FOR SALARY-RELATED BENEFITS**
  
  GASB Statement No. 16 requires that the liability for any salary-related benefits applicable to either sick pay or vacation pay be recorded. The amount of such liability is not material to your financial statements at June 30, 1995, and accordingly, has not been recorded. However, subsequent to year end, the University has recorded the liability to comply with the requirement as the amount may be material in future years.

- **IMPROVING FIXED-ASSET RECORDS**
  
  Detailed property records for equipment as reconciled differ from the amount for equipment recorded in the general ledger. **To improve the accuracy of recorded financial information and help eliminate large year-end corrections, the causes of this difference should be determined, and appropriate adjustments should be made to the asset records and the general ledger.**

- **STRENGTHENING INTERNAL AUDIT PROCEDURES**
  
  We recommend that the University develop a more formalized plan of comprehensive audit procedures which will be performed annually by
the internal audit staff. As the procedures are performed throughout the year, periodic reports detailing the internal auditor’s work and findings should be submitted to the President, with copies of the reports being concurrently submitted to the Chairman of the Finance Committee.

Dr. Ramsey shared tables from pages 4-5 of the Financial Statement. Copies of those tables 1-3 which outline the 1994/95 Fund Balance are attached to the Minutes as Exhibit I. Dr. Ramsey noted that the recommendation for acceptance of the 1994/95 Financial Statement includes the recommended increase in the institutional reserve from $4.1 million to $4,264,000. This was addressed by the Board last year--as the budget grows provision should also made for growth in the reserve.

Motion for acceptance of the 1994-95 Annual Financial Report was made by Mr. Mercer, seconded by Mr. Gray and carried.

AGENDA ITEM 2 - Review of First Quarter Financial Statement for 1995-96

A copy of the first quarter financial statement for 1995-96 is attached to the minutes as Exhibit II.

AGENDA ITEM 3 - Recommendation for approval of the Revised Budget for the First Quarter Financial Report for 1995-96

The revised budget reflects the condition at the end of the first quarter of 1995-96 and is attached to the minutes as Exhibit III. The total operating revenue budget has increased from $119 to $124 million, and the primary change is under grants and contracts where grant monies that were received in the old year and were not expended in the old year are carried forward until the completion of the grant. Additionally the revised budget reflects a $2.5 million fund balance allocation that is based primarily on carry forward of encumbrances from the old year and some carry forward for revenue-dependent accounts.

Motion for approval of the revised budget for the first quarter financial report for 1995-96 was made by Mr. Preston, seconded by Ms. Loafman, and carried.

AGENDA ITEM 4 - Recommendation for approval of the fund balance
allocations:

**Academic and Students**

- $300,000 Instructional equipment
- 75,000 President's Special Grant Fund (Proposals up to $2,000)
- 18,250 University farm equipment
- 5,000 Computer Science Dept. equipment
- 98,400 Faculty Research Fund (Grants)
- 11,600 Registrar's equipment
- 10,250 Center for Teaching & Learning for workshops
- 4,000 Orientation and Registration (OAR) equipment
- 21,190 Faculty computer upgrade (lease purchase)
- 100,000 Instructional computing incentive pool
- 100,000 Computer upgrades for non-faculty offices
- 30,000 Faculty affirmative action plan
- 2,850 Student Life - equipment
- 3,560 Student Financial Assistance - equipment
- 114,300 Moving to a New Level - new initiatives

**Total** $894,400

**Maintenance/Construction**

- 1,600 Air conditioners (Van Meter)
- 9,000 Potter conference rooms' equipment
- 60,000 Expand post office in DUC to consolidate postal operation
- 30,000 Post office equipment upgrade
- 21,800 Emergency generator
- 12,000 Academic Complex - replace brick parapet wall
- 10,000 Tate Page - replace brick wall caps
- 10,000 Restore colonnade at FAC
- 30,000 Renovation - Vision Research Lab
- 200,000 Renovate the track at Smith Stadium
- 25,000 Construct lower campus restrooms and concession stand
- 135,000 Painting of building interiors - Phase I
- 200,000 Bring Academic Computing to WAB and renovate
- 25,000 ADA - Baseball press box elevator

**Total** $769,400

**Advancement**

- $200,000 Alumni/Development data base and telemarketing software
- 3,600 WKU Foundation - high speed laser printer
- 6,500 University Relations - color laser writer
- 15,000 New campus map and visitor's guide
- 9,000 Alumni Affairs and Development - Computer equipment
- 3,000 University Relations - audio and recruiting equipment
- 1,700 University Relations - 35 mm slide scanner
- 4,000 Advancement - computer hardware and software upgrades
- 15,000 Institute for Economic Development - interactive communications equipment

**Total** $257,800

**Safety**
$18,000  Tornado warning system  
25,000  Crisis management equipment  
5,000  Public Safety - security system for Public Safety Bldg.  
17,500  Public Safety - new vehicle  
10,500  Public Safety - renovate training room  
3,000  Public Safety - various equipment  

$79,000  Total  

$2,000,600  Grand Total  

President Meredith presented the above recommendation noting that each vice president was asked to determine their primary nonrecurring needs; they were submitted; prioritized, and reviewed by the vice presidents and president to determine the items to recommend. The President highlighted the following:

- **$894,400 on the Academic and Student Category** with a major amount going into instructional equipment outside the budgeted amount.
  
  Includes money for incentives to departments across campus to increase the minority hiring on campus in terms of faculty.
  
  Includes an allocation for initial support for Moving to a New Level..."

- **$769,400 in the Maintenance/Construction Category**
  
  In addition to this recommendation, a recommendation will be brought forward in the near future to expend the rest of the interest money from leftover bond projects.
  
  Additionally, the State has recently approved our request for $337,000 in funds to upgrade the electrical distribution system on campus.

- **$257,800 in the category of Advancement**

- **$79,000 in the Safety category.**

Dr. Mendel initiated discussion regarding addressing the need for equipping all buildings on campus with feminine hygiene machines.

President Meredith noted that he has a committee that deals with those kinds of issues, and he addresses those items as they come forward, and this issue has been dealt with. He suggested that if there were additional needs, the committee should review them.

Dr. Mendel made a motion to find the money in the reserve funds to make sure that every building on campus has at least one bathroom that is so equipped.

Chairman Mercer stated that he was uncomfortable with not having cost data, etc. at the current meeting.

President Meredith suggested to the Board that he work with the Committee to determine if they still have a concern; and if they do, he will take care of it admin-
AGENDA ITEM 5 - Recommendation for approval of budget priorities for guidance during the preparation of the 1996/97 budget

RECOMMENDATION:

President Thomas C. Meredith recommends the following budget priorities for 1996-97. [These are not listed in order of priority.]

- Continued efforts to increase funding for instruction, research, and libraries;
- Continued efforts to enhance faculty and staff salaries;
- Funding for the implementation of "Moving to a New Level . . ." including enhanced expenditures on "technology" consistent with the Board of Regents' goals, and
- Continued enhancement of campus maintenance.

Background

Each year the Board of Regents identifies the most important budget priorities to guide the University Budget Committee in its allocation of resources as part of the budget preparation process. The Board of Regents identified its shared values and goals at a Board Retreat held on September 11 and 12, 1995. The priorities listed above are consistent with these shared values and goals. These budget priorities are also consistent with the Council on Higher Education's strategic plan and with the University's commitment to performance funding.

Motion for approval of the recommended budget priorities for guidance during the preparation of the 1996/97 budget was made by Mr. Preston, seconded by Ms. Loafman and carried.

Mr. Mercer noted that Dr. Mendel had provided everyone with a handout for informational purposes that will be discussed at a future date. Mr. Mercer noted that this information was not provided in advance to the administration, so they have not had the opportunity to do comparative information.

With no further business to come before the committee, motion for adjournment was made by Mr. Preston, seconded by Ms. Loafman, and carried. The committee meeting adjourned at approximately 11:29 a.m.