MEMBERS PRESENT: Cathy Dickens, Garth Lovvorn, Senator Arthur Orr, Dwight Lovell, Mike McCoy, and Barbara Ferguson, reporting.

MEMBERS ABSENT: John Berzett, Ronnie Chronister, Dr. Ed Nichols, Macke Mauldin, Dr. Robert Glenn

Ms. Dickens called the meeting to order at 10:40 am. After roll call, Ms. Dickens addressed the first item of new business; the audit report for fiscal year ending 09/30/2014. Mr. McCoy informed the board that the report shows that the University increased total net assets during the past year. This has been the case for the last 5 years. He also informed the board that audit report includes a finding relating to timely external reporting for student financial aid. Mr. McCoy indicated this is a very insignificant finding. There were no findings directly related to University finances. Mr. McCoy reported that the auditors, CDPA, will be unable to attend the board meeting later today to discuss the audit report; however, they will hold an exit conference to which the entire board will be invited to attend. The committee discussed that it would be easier for the University if the fiscal year ended on June 30 rather than September 30. Mr. McCoy indicated he did not feel it would be possible to change the fiscal year end date due to the Alabama constitution. Senator Orr confirmed that all state agencies must be on the September 30 fiscal year end. Mr. McCoy informed the committee that the Athens State University Foundation has a December 31 fiscal year end. The University has requested the Foundation to change to a September 30 fiscal year end.

Ms. Dickens addressed the next agenda item relating to the external financial report. Mr. McCoy reminded the committee that questions had been expressed from within the University about the financial stability of the University. Dr. Glenn asked for a third party to perform a financial analysis to validate internal reports. Mr. McCoy prepared a Request for Information (RFI), and Dr. Robert Toutkoushian, an economist for the University of Georgia, was selected to prepare the report. Mr. McCoy informed the committee that Dr. Toutkoushian’s draft report has been submitted and will be finalized in the coming weeks. Mr. McCoy discussed the following highlights of the report:

- Athens State relies on student tuition to fund budgets in the absence of endowments and other contributions.
- Athens State faculty salaries are the 2nd highest of the 14 peer institutions included in the report.

The committee asked where the 14 peer institutions were located and how Dr. Toutkoushian identified these institutions. Mr. McCoy indicated that level of instruction, size of institution and types of degrees awarded were a few of the criteria used by Dr. Toutkoushian to select peer institutions. The committee felt that it was also important to compare Athens State to more local institutions since those are who we compete with for both students and employees.
Mr. McCoy provided a handout for the next agenda item relating to the financial summary for the quarter ending 12/31/2014. Operations for the first quarter resulted in a $6.2 million excess revenues over expenses. Mr. McCoy pointed out that the excess was primarily due to the fact that almost all spring tuition and fee revenue had already been received. These tuition and fees will be used to pay operating expenses and personnel costs for the entire spring semester. Additionally, Mr. McCoy pointed out that credit hour production for both fall and spring semesters were more than budget, particularly in distance learning classes. Mr. McCoy is recommending to re-establish the transfer to plant funds that had previously been cut to balance the budget. He is also planning to reconvene the Budget Advisory Committee to look at funding some of the critical needs that were previously deferred to balance the budget.

Mr. McCoy provided the committee a summary of the University’s budget procedures. Mr. McCoy indicated that all board members would be invited to the budget hearings in April. Mr. McCoy also provided a handout summarizing the Education Trust Fund request that was submitted for 2015-2016. The University requested an increase of $1,762,192. Items represented in the increase include salaries/benefits, operating budgets, debt service, and technology expenses.

The committee asked about the increase in debt service as it relates to the ACA Phase II financing. Mr. McCoy informed the committee that the Phase II financing was awarded to First National Bank. The debt is structured as a bank loan rather than a bond issue. The total amount financed was $5,000,000; however, Mr. McCoy reminded the committee that the University would only be required to fund payback of $3,000,000 from operations since the University will be receiving $2,000,000 in TVA in lieu of tax payments over the next ten years. The University financed the entire $5,000,000 with repayment being made over a ten year period. Ms. Dickens discussed that it is very important to plan and document how to ensure the ACA is viable so that the University shows a good return on its investment.

Mr. McCoy provided the committee with a handout updating campus projects. In particular Mr. Lovvorn asked about the civic center proposal. Mr. McCoy indicated the project is on hold because both the city and county have other commitments at this time. The University cannot finance the project alone. Mr. McCoy indicated all plans developed by the architects will be provided to the University in the event the project becomes feasible in the future. Mr. Lovvorn asked that the plans be shared with the board members.

The meeting was adjourned at 11:50 a.m.