

MINUTES OF THE FINANCE COMMITTEE
University of Kentucky Board of Trustees
October 12, 2010, 11:30 AM
18th Floor Patterson Office Tower, Board Room

Committee Members Present

Jim Stuckert, Chairperson, Jo Hern Curriss, Keith Gannon, Bill Gatton, Terry Mobley, and Frank Shoop

Approval of Minutes

The minutes of the September 14, 2010 Finance Committee meeting were approved as presented.

FCR 1, (Consent)

Jim Stuckert, Chairperson, acknowledged a pledge of Warren Rosenthal of Lexington, Kentucky, totaling \$500,000. The Schmidt Vocal Arts Center Renovation Fund will receive \$200,000. The remaining \$300,000 is to support the Opera Program in the College of Fine Arts School of Music. Mr. Stuckert acknowledged Mr. Rosenthal's generous support to the University throughout the years.

FCR 2, Audit Report

Angie Martin, Vice President for Financial Operations and Treasurer, presented the University's Audited Financial Statements for the fiscal year ended June 30, 2010, and the Independent Auditor's report on the University's internal controls. BKD LLP, the University's external auditor, has completed the audit and issued their report. The report expresses an unqualified (or "clean") opinion on the University's financial statements. BKD also has issued its Report on Internal Controls, which, as part of their audit, noted no material weaknesses in the University's system. The University ended the year in a strong financial position. As of June 30, 2010, the University had assets of \$3.54 billion, liabilities of \$1.15 billion, and net assets, or fund balances, of \$2.39 billion. Net assets increased \$176.9 million during the fiscal year. Frank Shoop moved for approval. Jo Curriss seconded, and the motion for approval unanimously carried.

FCR 3, Construct New Student Housing

Bob Wiseman, Vice President for Facilities Management, requested that the Board approve the initiation of the construction of new student housing. This project will construct approximately 98,000 square feet of new student residential space housing approximately 350 beds. The rooms will be suite-style with two bedrooms sharing a common bath. The scope of the project is \$30 million which will be funded with Agency Bonds with the debt service paid by Housing. The goal is to have the new residence hall online by August 2012. Terry Mobley moved for approval. Frank Shoop seconded, and the motion for approval unanimously carried.

FCR 4, Construct Community Health Center Facility

Bob Wiseman requested the Board authorize the Executive Vice President for Finance and Administration to negotiate terms for an \$11.5 million federal grant and initiate the construction of a community health center facility in Hazard, Kentucky, pending acceptable terms. The total scope is not expected to exceed \$12 million. The College of Medicine will provide any additional funding needed. Jo Curris moved for approval. Bill Gatton seconded, and the motion for approval unanimously carried.

Other Business

Jim Stuckert reported on the Audit Subcommittee which met on October 12. Mary McKinley, Partner, and Chris Graff, Manager from BKD LLP presented the 2010 audited financial statements. The statements were issued with a clean opinion. Ms. McKinley also presented the Report on Internal Control over Financial Reporting and on Compliance and other matters based on an Audit of the Financial Statements performed in accordance with Government Auditing Standards. Mr. Graff presented the Statement on Auditing Standards (SAS) No. 112/114 Report and Management Letter. None of the required reports noted any material weaknesses in internal control.

The Committee reviewed the engagement letter for the calendar 2010 and fiscal year 2010-11 audits and compilation. The letter was approved.

Joseph Reed, UK's Senior Director of Internal Audit, presented a report on the 2009-10 internal audit annual activity and the fiscal year 2010-11 work plan.

The next meeting of the Audit Subcommittee will be Tuesday, March 29, 2011. The Subcommittee will review pre-audit communication for the fiscal year ended June 30, 2011, the internal audit 2010-2011 work plan update, and internal audit and audit subcommittee charters.

Next Meeting

Tuesday, December 7, 2010, 11:15 AM, 18th Floor Patterson Office Tower Board Room

Respectfully submitted,

Barbara Royalty-Tatum

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