

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE OF THE  
UNIVERSITY OF LOUISVILLE BOARD OF TRUSTEES

In Open Session

Members of the University of Louisville Audit Committee met at 11:00 a.m., on October 14, 2010, in the Jefferson Room, Grawemeyer Hall, Belknap Campus, with members present and absent as follows:

Present: Ms. Brucie Moore, Chair  
Mr. Robert Rounsavall  
Mr. Brent Fryrear  
Dr. Salem George  
Judge Rebecca Jackson  
Mr. J. Chester Porter (arrived at 12:05 p.m.)  
Ms. Debbie Scoppechio (arrived at 12:05 p.m.)

Other Trustees

Present: Dr. Mark Lynn  
Prof. Robert Staat  
Dr. William Selvidge

Guests: Ms. Mary McKinley, CPA, BKD  
Ms. Jennifer Williams, BKD

From the

University: Dr. James R. Ramsey, President (arrived at 12:05 p.m)  
Dr. William Pierce, Interim Executive Vice President for Research  
Ms. Angela D. Koshewa, University Counsel  
Mr. Mike Curtin, Vice President for Finance  
Mr. Keith Inman, Vice President for University Advancement  
Mr. David Barker, Associate VP for Audit Services &  
Institutional Compliance  
Mr. Larry Zink, Controller  
Ms. Susan Magness, Assistant Controller  
Mr. Mark Hebert, Director, Media Relations  
Ms. Anne Rademaker, CPA, Manager of Accounts  
Mrs. Debbie Dougherty, Board Liaison

I. Call to Order

Having determined a quorum present, Chair Moore called the meeting to order at 11:00 a.m.

Approval of Minutes, May 13, 2010

Judge Jackson made a motion, which Mr. Fryrear seconded to approve the minutes of May 13, 2010. The motion passed.

II. Action Item: Approval of Consolidated Audited Financial Statements for Year Ending June 30, 2010 and Independent Auditor's Report

Chair Moore directed the committee's attention to the financial statements for the period ending June 30, 2010. Vice President Curtin, and Ms. Mary McKinley, CPA, partner from BKD, explained the audit and responded to questions.

Vice President Curtin reported the external auditors have issued a clean, unqualified report. The financial condition of the University is very positive. Financial highlights included:

- The University's financial position remains strong at June 30, 2010, with assets of \$1.2 billion and liabilities of \$480 million. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, were \$772.3 million as of June 30, 2010.
- Gross tuition and fees were \$214.2 million for the year ended June 30, 2010, an increase of \$15.2 million, or 8% compared to the \$199.0 million reported in the previous year. Approved tuition rate increases for 2009-10 generated approximately \$7.8 million in additional tuition revenues in addition to enrollment increases and other fee increases, which contributed approximately \$7.4 million.
- Total general fund appropriations from the Commonwealth were \$157.2 million for the year. Appropriations and certain other revenues and expenses are reported under Government Accounting Standards Board (GASB) Statement No. 35 as nonoperating revenues. In addition to the general fund appropriations, the University was subrecipient of \$12.2 million of state fiscal stabilization funds, under the American Recovery and Reinvestment Act. These funds were used to provide scholarships, supplementing the reduced general fund appropriations, and are reported as nonexchange grants and contracts revenue.
- Operating revenues amounted to \$546.0 million and operating expenses were \$780.4 million resulting in a net operating loss of \$234.4 million. When adjusted for \$157.2 million in state appropriations and \$92.1 million in other net nonoperating revenues, net assets of the University increased by \$14.9 million for the year ended June 30, 2010.

Chair Moore thanked Vice President Curtin and Ms. Williams for an excellent review of the audited financial statements. Mr. Fryrear made a motion, which Dr. George seconded, to approve the

**President's recommendation that the Board of Trustees approve the Audited Financial Statements for the period ending June 30, 2010 and Independent Auditor's Report as presented under Governmental Accounting Standards Board (GASB) 34.**

The motion passed.

III. Report from the Associate Vice President for Audit Services and Institutional Compliance

Audit Services Activities, February 2010 through September 2010

Mr. Barker reviewed the report of Audit Services activities for the period of February 2010 through September 2010. Each recommendation was developed to improve internal controls or foster process improvements. The report summarized key issues and recommendations from each audit. Mr. Barker reported the Audit Services department has received excellent cooperation and support from all levels of management. Each recommendation has a target completion date. Audit Services performs a semi-annual (December and June) follow up on each recommendation to determine if the action plan has been implemented. The status of these recommendations is identified in this report. Mr. Barker shared highlights of the report (the complete report is attached to the minutes). Judge Jackson made a motion, which Mr. Fryrear seconded, to approve the President's recommendation to approve the following audit plan for 2010-11:

Enhanced Fiscal Management Initiative	Human Resources/Student Administration Upgrade
Identity Management/Email Implementation	Grants and Contracts
Personal Service Contracts (deferred from prior year)*	Pathology
Men's Basketball and Football Programs	Travel and Employee Reimbursements*
Weisskopf Child Evaluation Center*	Oracle Grants Module (deferred from prior year)
Data Encryption	Virtual Private Network*
Data Warehouse	Enterprise Risk Assessment*

