

MINUTES
FINANCE/AUDIT COMMITTEE
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

November 2, 2006

The Finance/Audit Committee of the University of Southern Indiana Board of Trustees met on Thursday, November 2, 2006, in the University Center. In attendance were Committee Chair Frank F. McDonald II '73 and Trustees Bruce H. Baker, Mark A. Day, John M. Dunn, and Jeffrey L. Knight. Also in attendance was Vice President for Business Affairs and Treasurer Mark Rozewski.

Mr. McDonald called the meeting to order at 11:00 a.m.

1. REVIEW OF 2006 AUDITED FINANCIAL STATEMENTS

Chair McDonald called on Vice President Rozewski, who introduced Director of Internal Audit Diana Biggs to present a review of the 2006 audited financial statements. Ms. Biggs referred the Committee to a handout, a draft of the *University of Southern Indiana Preliminary Financial Statements for Fiscal Year Ending June 30, 2006*. She discussed the Management's Discussion and Analysis section and reviewed the Statement of Net Assets, including current assets, liabilities, and net assets, and the Statement of Revenues, Expenses, and Changes in Net Assets. She explained that in each of these statements, items in 2005 are labeled "Reclass" because some reclassifications and corrections were required.

Ms. Biggs reviewed the Notes to Financial Statements, specifically Note 11, which addresses a new Government Accounting Standards Board (GASB) standard regarding voluntary termination benefits and Note 12, which she noted is in draft form and will be completed prior to the printing of the final annual report.

2. REPORT ON REQUEST FOR PROPOSAL FOR INVESTMENT BANKING SERVICES FOR THE DESIGN OF THE COLLEGE OF BUSINESS/GENERAL CLASSROOM BUILDING PROJECT, THE COMPLETION OF THE LOWER LEVEL OF THE EDUCATION CENTER, AND THE CONSTRUCTION OF A PHYSICAL PLANT/SUPPORT SERVICES FACILITY

Mr. McDonald called on Vice President Rozewski, who reported that the University has issued a Request for Proposal for investment banking services for the design of the College of Business/General Classroom Building, the completion of the lower level of the Education Center, and the construction of a Physical Plant/Support Services facility. He reported that these projects represent \$6.6 million in fee replacement borrowing and that responses to the current request for proposal will be shared with the Committee at a future meeting.

Mr. Rozewski noted that in the full Board of Trustees meeting on November 2, 2006, the Board will be asked to approve a resolution to grant responsibility for oversight of the College of Business/General Classroom Building project to the Finance/Audit and Construction Committees.

3. APPROVAL OF RECOMMENDATION TO TRANSFER FUNDS TO THE VEBA (VOLUNTARY EMPLOYEES' BENEFIT ASSOCIATION) TRUST

Mr. McDonald asked Vice President Rozewski to review the recommendation to transfer funds to the VEBA (Voluntary Employees' Benefit Association) Trust. Mr. Rozewski noted that the VEBA Trust Investment Policy requires the approval of the Board of Trustees for a transfer of funds to the Trust. He noted that the VEBA Trust was established in 1995 to eventually accumulate sufficient principal whose income will partially or fully fund retiree health care costs. The cost of current retiree health costs are accommodated through the University's general operating budget and the University anticipates that these costs will be accommodated through the general operating budget long into the future. The VEBA Trust account provides a long-range plan to migrate the costs of retiree health care into an alternative financing source. He reported that the trust currently contains approximately \$6 million. He further reported that the University continues to work with an

investment advisor who assists in meeting investment goals and will report periodically to the Committee. The University also has retained an actuarial health care consultant to assist in determining the requirements of the trust and to review options regarding the health care benefits offered.

On a motion by Mr. Dunn, seconded by Mr. Knight, a recommendation to the Board of Trustees to transfer \$500,000 to the VEBA Trust was approved.

There being no further business, the meeting adjourned at 11:35 a.m.