The meeting of the Finance and Audit Workgroup was called to order by Chair Rhea Law at 10:35am. The following members were present: Rhea Law, John Ramil, Lee Arnold, Sherrill Tomasino, Brian Keenan, Stephanie Bryant, Gary Patterson, Roger Peters.

**Action Items:**

I. Amendment to Five Year Fixed Capital Improvement Plan 2009-10/2013-14  
   **Action:** Approval  
   
   Trudie Frecker presented the amendment to the Five Year Fixed Capital Improvement Plan. This is the second amendment to the plan. This amendment includes two items: restoring request to Cortellis match (donor match) for the Joint Military Leadership Center (inadvertently deleted, now added back); and demolition of the Administration Building is now a renovation and added back to the list.

   **Trustee Tomasino made a motion to approve the amendment to the USF System Five-Year Capital Improvement Plan. Trustee Ramil seconded the motion. The motion passed.**

II. Amendment to the Fixed Capital Outlay Projects Requiring Legislative Authorization and General Revenue Funds to Operate and Maintain  
   **Action:** Approval

   Ms. Frecker presented the Amendment to the Fixed Capital Outlay Projects Requiring Legislative Authorization and General Revenue Funds to Operate and Maintain. The amendment is to request general revenue funds to operate and maintain the Testbed Rehabilitative Robotics and Assistive Technologies Facility Phase I upon completion.

   **Trustee Arnold made a motion to approve the amendment to the Fixed Capital Outlay Projects Requiring Legislative Authorization and General Revenue Funds to Operate and Maintain. Trustee Tomasino seconded the motion. The motion passed.**

**Information Items:**

III. Finance Issues  
   a. Preliminary University 2008 Annual Financial Reports

   Nick Trivunovich presented the preliminary University 2008 Annual Financial Reports and some highlights.

   - State revenue is about 20% of the University’s total budget.
   - All sources of revenue, excluding capital revenue, were down $3.9M from the prior year.
• State appropriations decreased by $19.8M.
• Tuition and Fees revenue increased by $8.2M based on a slight increase in student credit hours and a 5% undergraduate tuition increase which occurred in Spring 2008.
• Although Contract & Grant revenue showed a reduction of $16.3M (mainly due to a decrease of salary support from the Moffitt Cancer Center – DIO flow-thru accounts transitioned away), it is anticipated that the University will see an increase in this revenue in 2008-09 based on an increase in 2007-08 Research awards to $360M. We generally reflect revenue for Contracts and Grants only to the extent of the amount of expenditures.
• Total operating expenses increased by $18.1M mainly due to increased expenditures in subcontract payments in grants, patient care costs, and renovations.
• The slight decrease in revenue and the increase in operating expenses led to a $22.9M reduction in net income. However, the net income of $25M exceeded the prior four year average net income of $8.5M.
• The USF Health Self insurance Plan contributed $7.2M to the University’s net income. This was due to a change in accounting practice for how claims liabilities are recognized.
• Total assets increased by $59.2M with the increases coming in non-E&G, non-recurring funding sources (mainly capital/PECO).
• Total cash and investments increased by $117.6M with the increases coming in areas where the funds are committed for a specific purpose including increases in construction funds, funds held for others (Financing Corp), and auxiliary funds.
• Cash and other current assets related to State Appropriations declined slightly. As we continue to spend from this accumulated cash, there will be some downward pressure on our net income as this cash is non-recurring. Net income will decrease next year.

Provost Wilcox commented that the University took a 15% reduction last year which amounted to $50M. This 15% reduction included $23M for academic enterprises. Will need to use carry forward to get through the next 18 months to provide classes for students to graduate, hire adjuncts and non-tenured faculty. We will spend down most of our cash/carry forward over the next 18 months while the economy turns around and recurring funds increase. Start-up funds, bonuses, and technology upgrades will all come from this cash. The cash cannot be used for base salary increases or to hire tenured faculty as these are not base, recurring resources.

Mr. Trivunovich explained that just because funds are recognized as “unrestricted” on financial statements, they are restricted for other purposes (ie for auxiliary bond payments/covenants, etc., covenants, etc., cover reserves).

Trustee Arnold reminded the workgroup that once we use more than 50% of our unrestricted/surplus cash, we must report to the BOT. He also noted this is our working capital – we will spend it down and have no way to replace this money.

Provost Wilcox stated if we could increase tuition, it would help, but not to the extent to replenish $50M of recurring revenue. He also remarked if we could close the doors to students, it would help – but we can’t. We enrolled a few more students this year.

b. Reconciliation of 2008-09 Operating Budget

Bertha Alexander presented the reconciliation of the 2008-09 operating budget and noted the following:
• Budget is a request for spending authority.
• The fund balance includes committed funds as well as the legislatively mandated 5% reserve. Most of the fund balance is attributed to the faculty practice plan and does
not include compensated balances (leave liability) which are recognized in the financial statements.

- The -9.5% variance in total revenue for 2007-08 was due to a decrease in state funding and timing issues (operating budget is prepared before year end).
- The 14.3% variance in the balance forward for 2008-09 is due to the self-insurance trust fund budget.
- The -5.6% variance in operating expenditures for 2008-09 is mainly auxiliary spending authority.
- Carry forward expenditures in 2007-08 were $82M – this is the most we’ve spent in any given year. Carry forward is typically for multi-year commitments.
- Non-operating transfers out are funds going to DSOs, faculty practice plan to UMSA, and auxiliary to Finance Corp.
- Operating budget is prepared on a cash basis financial statements are accrual basis.

Trustee Arnold requests a sheet that shows what our current surplus is and what it will look like at year end.

Trustee Tomasino asked are we where we expect to be in terms of spending at this point in the year. Ms. Frecker responded that there were no surprises on the Q1 reports – we were where we expected to be in Q1.

Provost Wilcox reported the most recent PECO projections are down 40%, which means about $100M in cuts to the universities (higher education).

IV. Audit Committee Roles & Responsibilities

Debra Gula distributed and presented a draft update of the roles and responsibilities for the Finance & Audit Workgroup.

Trustee Arnold asked if risk management is financial risk or all risk. Ms. Gula responded it is intended as financial, but the board may interpret as it wishes. Trustee Ramil recommended it be expanded and broad to include all risk.

Trustee Ramil noted that University Audit & Compliance (UAC) has gone through its own peer review and self-assessment.

Trustee Ramil asked the workgroup to provide feedback on the first bullet statement under finance - some have it end after members. This will be an approval item at the next workgroup meeting.

V. University Audit & Compliance Update

Ms. Gula gave the UAC update. The 2007-08 annual report is now on the UAC website. UAC completed the Tampa Cashier’s Office audit and it is out for final comments/review. Cycle is complete.

Ms. Gula updated the workgroup on cash collection sites. Started with 33 cash collection sites. There are 12 remaining full-service cash collection sites – 4 are the main cashier’s offices on each campus (one on each campus) and 8 are point-of-sale. All other cash collection sites have been closed or are now credit card only. Some have gone to web-based payments only. Ms. Gula indicated that UAC is not done. Some point-of-sale require software/new systems and other follow-up.
Chair Law congratulated Ms. Gula – this was a big potential liability and UAC has done a great job. Trustee Ramil agreed and indicated we have the minimum cash collection sites we need now and we would like to have zero. Ms. Gula stated we still have to watch for new ones popping up.

Ms. Gula again referenced the 2007-08 annual report. UAC was able to get back to the audit cycle and completed seven audits in 2007-08, did some consulting, and reporting on EthicsPoint.

Trustee Arnold commented that he likes the enterprise risk management concept and believes it belongs with this workgroup.

Having no further business, Chair Law adjourned the meeting at 12:20pm.