

**MINUTES**  
**JOINT MEETING**  
**FINANCE/AUDIT AND CONSTRUCTION COMMITTEES**  
**UNIVERSITY OF SOUTHERN INDIANA**  
**BOARD OF TRUSTEES**

**November 2, 2005**

The Finance/Audit and Construction Committees of the University of Southern Indiana Board of Trustees met in joint session on Thursday, November 2, 2005, in the University Center. Present were Committee Chair Frank F. McDonald II '73 and Trustees Mark A. Day, G. Patrick Hoehn, J. David Huber, and James L. Will Sr. Also in attendance were Vice President for Business Affairs and Treasurer Mark Rozewski and Vice President for Governmental Relations Cindy Brinker.

Mr. McDonald called the meeting to order at 1:00 p.m.

(CONSTRUCTION)

**1. REPORT OF CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR BUSINESS AFFAIRS (Attachment A)**

Mr. McDonald called on Vice President Rozewski, who reported on the change orders in Attachment A.

**2. RECOMMENDATION TO SELECT ARCHITECT FOR DESIGN OF PHASE II OF THE RECREATION AND FITNESS CENTER**

Mr. McDonald called on Vice President Rozewski, who reported that in September 1998, the Construction Committee selected the Merci-Kinkel Collaborative to provide architectural and engineering services for the Recreation and Fitness Center. The firm of Jack R. Kinkel and Sons prepared a schematic design for the facility to be constructed in three phases, and Phase I was completed in 2001. Mr. Rozewski noted that the 2005 Indiana General Assembly authorized the University to borrow \$7.2 million for the construction of Phase II of the Center, which will add 46,000 square feet to the building. He reported that the Board of Trustees, in its meeting on November 2, 2005, will be asked to approve an authorizing resolution for Phase II of the Center and a recommendation to hire an architectural firm to provide services for Phase II. Mr. Rozewski recommended that the firm of Jack R. Kinkel and Sons, which prepared schematic designs for Phases II and III of the Recreation and Fitness Center at the time Phase I was designed, be hired to continue its work on this project and to design Phase II.

On a motion by Mr. Will, seconded by Mr. Huber, a recommendation to the Board of Trustees to engage the firm of Jack R. Kinkel and Sons to provide architectural and engineering services for Phase II of the Recreation and Fitness Center was approved.

(FINANCE/AUDIT)

**3. APPROVAL OF BUDGET ADJUSTMENTS, APPROPRIATIONS, AND TRANSFERS (Attachment B)**

Mr. Rozewski reviewed the budget adjustments, appropriations, and transfers and noted that the transactions in Attachment B include no policy issues or suggest any change in board policy regarding the budget. In response to a question from Mr. Day, Mr. Rozewski called on Michael Whipple, assistant treasurer and business office director, to discuss the history of the committee's practice of approving budget adjustments, appropriations, and transfers. Mr. Whipple reviewed the University's practice. Following discussion regarding the committee's practice of approving these changes, Mr. Rozewski assured the committee that the budget adjustments, appropriations, and transfers are made with appropriate managerial control and supervision.

On a motion by Mr. Will, seconded by Mr. Huber, the budget adjustments, appropriations, and transfers in Attachment B were approved.

#### **4. DISCUSSION OF BUDGET REPORTING POLICY (Attachment C)**

Mr. McDonald called on Vice President Rozewski to discuss the proposed budget reporting policy in Attachment C. Mr. Rozewski reviewed the existing practice for the Board of Trustees' approval of original budgets and subsequent adjustments and recommended the proposed budget approval and reporting process outlined in Attachment C.

Following discussion, the committee agreed by consensus to the recommendation and asked Mr. Rozewski for a report on the effectiveness of the revised plan in six months. The committee asked that the report include an assessment of the cumulative changes to budgets.

#### **5. REPORT ON PROPOSED SALE OF VARIOUS NEW HARMONY PROPERTIES**

Mr. McDonald called on Vice President Rozewski, who reviewed a discussion the committee had at its meeting on September 8, 2005, regarding the proposed sale of several commercial properties in New Harmony. Mr. Rozewski noted that the University owns and maintains 37 properties in the Town of New Harmony, and that while the state appropriation to maintain the buildings has been flat for many years, the cost of maintenance has continued to rise. In an effort to allow the University to focus its efforts on the core historical holdings which are integral to the mission of Historic New Harmony, it proposes the sale of the commercial properties. Mr. Rozewski reported that he has met with the Town Manager and other New Harmony officials and that the University is committed to work closely with the town throughout the process of selling the properties. He reported that appraisals have been completed and the combined properties are appraised at approximately \$250,000. He noted that the proceeds of the sale of any of the properties will be used in accord with the original intent of the donor for the benefit of New Harmony.

Mr. Rozewski reported that since the committee met in September, he has learned that the properties owned by USI were gifted years ago from Historic New Harmony, Inc., an organization whose interests and obligations were merged with those of the USI/New Harmony Foundation in 2003. The deeds of the buildings that USI owns in New Harmony have reverter clauses which state that if the University chooses to divest itself of the properties, they will revert to Historic New Harmony, Inc. Because Historic New Harmony, Inc. no longer exists, the properties therefore would revert to the USI/New Harmony Foundation, an entity of the University. Mr. Rozewski reported that he will meet with the USI/New Harmony Foundation Board of Directors at its next meeting to recommend that the Foundation waive its reverter rights. Following this waiver, the USI Board of Trustees can decide how to proceed with the sale of the properties.

#### **6. REVIEW OF 2005 AUDITED FINANCIAL STATEMENTS**

Mr. McDonald called on Director of Internal Audit Diana Biggs, who referred the committee to a draft of the University's Preliminary Financial Statements for the fiscal year ending June 30, 2005. Ms. Biggs reported that the audit is still in progress due to delays resulting from the University's recent conversion to the Banner administrative software system. She reported that while she does not expect any changes to the preliminary financial statements, there may be changes to the notes before the audit is completed. Ms. Biggs briefly reviewed the Statement of Net Assets, including assets, liabilities, and net assets. She reviewed the Statement of Financial Position of the USI Foundation, a component unit of the University, and the Statement of Revenue, Expenses, and Change in Net Assets, including revenues, expenses, non-operating revenues (expenses), and net assets. She concluded her report by reviewing the Notes to Financial Statements. A report will be presented on the completed 2005 audited financial statements at the next meeting of the Board of Trustees.

There being no further business, the meeting adjourned at 2:05 p.m.

**Report to University of Southern Indiana Board of Trustees  
November 2, 2005**

**Change Orders Issued by the Vice President for Business Affairs**

On September 6, 2001, the Board of Trustees adopted a procedure related to changes in construction contracts which included the following: "Change orders up to \$25,000 may be issued by the Vice President for Business Affairs and reported to the Board of Trustees at its next meeting." Consistent with that policy, the following change orders have been issued.

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**PROJECT:** David L. Rice Library

	<b><u>Description</u></b>	<b><u>Contractor</u></b>	<b><u>Amount</u></b>
<b><u>CO- CC 02</u></b>	Delete temperature controls for FCU-8 which has been deleted	Johnson Controls, Inc.	(\$800.00)
<b><u>CO- EC 27</u></b>	Electrical work to add panic buttons in restrooms on all floors	The State Group	23,977.00
<b><u>CO- EC 17</u></b>	Electrical installation for anti-theft system for library materials	The State Group	6,574.00
<b><u>CO- GC 20</u></b>	Add panic buttons in public restrooms on all floors	Deig Bros. Construction Co.	23,845.00
<b><u>CO- GC 21</u></b>	Make changes to accommodate window treatments	Deig Bros. Construction Co.	8,345.00
<b><u>CO- VDC 07</u></b>	Data installation for anti-theft system for library materials	Mel-Kay Electric Co	1,648.91

**BUDGET APPROPRIATIONS, ADJUSTMENTS, AND TRANSFERS**

**1. Transfer of Funds**

From:	90160-03000	Academic Building Facilities Fee Interest	
To:	91070-03140	Forum III Renovations	57,702

**2. Transfer and Appropriation of Funds**

From:	10001-05030	Career Counseling	
To:	16017-05110	Orientation Programs Supplies and Expense	14

From:	16011-05110	Activities Programming Board	
To:	16017-05110	Orientation Programs Supplies and Expense	1,000

From:	16017-05110	Orientation Programs	
To:	30105-05050	Recreation and Fitness Center Programs Supplies and Expense	100

From:	31010-05190	Residence Life Resident Assistants	
To:	16017-05110	Orientation Programs Supplies and Expense	303

From:	33105-01100	New Harmony Operations	
To:	10001-01090	Continuing Education Supplies and Expense	300

**University of Southern Indiana  
Board of Trustees  
Budget Approval and Reporting Process**

Under existing practice, the Board of Trustees is responsible for approving original budgets and all subsequent adjustments to original budgets, regardless of amount. Adjustments generally fall into two basic categories:

- 1) additional appropriations resulting from revenue generation or other sources; and
- 2) movement of previously approved amounts in one function to another function.

This practice frequently results in a high volume of reportable transactions that have no material effect on the financial position of the University and result in no material change in the support directed to the various funds, functions, and programs in the original, Board-approved budget. Therefore, to focus reporting on material transactions, staff recommends the following budget approval and reporting process:

- Movement of all approved budgets or appropriation of revenue shall be approved by the Treasurer or his designee.
- Any new appropriation to an existing operating budget greater than \$50,000 (or more than 10 percent of the original budget for the fund involved) shall be submitted to the Finance/Audit Committee for approval.
- It is understood that the Board of Trustees approves grant budgets by authorizing the institution to accept grants.