

FCR 2

Office of the President
October 16, 2007

Members, Board of Trustees:

ACCEPTANCE OF AUDIT REPORT
AND THE REPORT ON INTERNAL CONTROL
FOR THE UNIVERSITY OF KENTUCKY FOR 2006-07

Recommendation: that the Board of Trustees accept (1) the University of Kentucky Consolidated Financial Statements for the year ended June 30, 2007, consisting of the Consolidated Statements of Net Assets, Consolidated Statements of Revenues, Expenses and Changes in Net Assets, Consolidated Statements of Cash Flows, Notes to Consolidated Financial Statements, and Management's Discussion and Analysis, and (2) the Independent Auditor's Report on the Internal Control Structure Based on the Audit of Financial Statements.

Background: The Audit Subcommittee of the Finance Committee of the University of Kentucky has reviewed the Consolidated Financial Statements for the year ended June 30, 2007, that have been audited by Deloitte & Touche LLP, Certified Public Accountants. The Consolidated Financial Statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*, which focuses on the financial condition, results of operations, and cash flows of the university as a whole, with resources classified for accounting and reporting purposes into four net asset categories: invested in capital assets (net of related debt), restricted-nonexpendable, restricted-expendable, and unrestricted.

The Consolidated Financial Statements of the university include the operations of the university, its for-profit subsidiary (Kentucky HealthCare Enterprise, Inc.) and its affiliated non-profit corporations (entities for which the University is financially accountable as defined by Statement No. 14 and amended by Statement No. 39 of the GASB and which meet the definition of an affiliated corporation under KRS section 164A.550)) as follows: the University of Kentucky Research Foundation and its for-profit subsidiaries (Kentucky Technology, Inc. and Coldstream Laboratories, Inc.); The Fund for Advancement of Education and Research in the University of Kentucky Medical Center; University of Kentucky Athletic Association; Central Kentucky Management Services, Inc., University of Kentucky Mining Engineering Foundation, Inc.; University of Kentucky Business Partnership Foundation, Inc.; University of Kentucky Gluck Equine Research Foundation, Inc.; University of Kentucky Humanities Foundation, Inc.; and University of Kentucky Center on Aging Foundation, Inc. The Consolidated Financial Statements also include the operations of Kentucky Medical Services Foundation, Inc., a non-profit entity for which the university is financially accountable as defined by GASB, but which is not an affiliated corporation under KRS.

(Copies of these reports will be available at the Trustees meeting.)

Action taken: Approved Disapproved Other _____