B31788

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT

OF

VINCENNES UNIVERSITY

VINCENNES, INDIANA

July 1, 2006 to June 30, 2007

FILED

04/23/2008

TABLE OF CONTENTS

UNIVERSITY OFFICIALS

Office	Official	Term
President	Richard E. Helton	07-01-06 to 06-30-08
Vice President for Financial Services and Government Relations	Phillip S. Rath	07-01-06 to 06-30-08
Chairman of the Board Of Trustees	Roderick H. Morgan	07-01-06 to 12-04-07
	John R. Gaylor	12-05-07 to 06-30-08

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, KNOX COUNTY, INDIANA

We have audited the financial statements of Vincennes University (University), as of and for the year ended June 30, 2007, which collectively comprise the University's basic financial statements and have issued our report thereon dated December 6, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in Finding 2007-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items Findings 2007-2 and 2007-3.

The University's response to the findings identified in our audit is described in the accompanying sections of the report entitled Corrective Action Plan and Official Response. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the University's management, Vincennes University Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

December 6, 2007

State Board of Accounts

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, KNOX COUNTY, INDIANA

Compliance

We have audited the compliance of Vincennes University (University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. The University's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the University's compliance with those requirements.

In our opinion, the University complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2007-2 and 2007-3.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in a University's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

The University's response to the findings identified in our audit is described in the accompanying Corrective Action Plan and Official Response sections of the report. We did not audit the University's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the University's management, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

April 1, 2008

State Board of Accounts

VINCENNES UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2007

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		$ 47,873
Federal Work-Study Program	84.033		42,259
Federal Pell Grant Program	84.063		6,334,645
Academic Competitiveness Grants	84.375		39,898
Total for cluster			6,464,675
U.S. DEPARTMENT OF JUSTICE			
Direct Grant			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		384,957
Total for federal grantor agency			384,957
U.S. DEPARTMENT OF LABOR			
Pass-Through South Central Indiana Workforce Board			
Workforce Investment Act (WIA) Cluster			
Region 8			
WIA Adult Program	17.258		634,943
WIA Youth Activities	17.259		838,480
WIA Dislocated Workers	17.260		671,979
Total for program			2,145,402
Pass-Through Grow Southwest Indiana Workforce Board, Inc.			
WIA Cluster			
Region 11			
WIA Adult Program	17.258		342,578
WIA Youth Activities	17.259		154,230
WIA Dislocated Workers	17.260		371,006
Total for program			867,814
Total for cluster			3,013,216
Direct Grant			
Mine Health and Safety Grants	17.600		114,063
Pass-Through Indiana Department of Family and Social Services Administration			
Senior Community Service Employment Program	17.235		17,723
Pass-Through Indiana Department of Workforce Development			
Work Incentives Grants	17.266		25,981
Total for federal grantor agency			3,170,983
U.S. DEPARTMENT OF TREASURY			
Pass-Through Indiana Department of Family and Social Services Administration			
Tax Counseling for the Elderly	21.006		6,700
Total for federal grantor agency			6,700

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

VINCENNES UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2007
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Trio Cluster			
Trio - Student Support Services	84.042		324,624
Trio - Talent Search	84.044		361,109
Trio - Project Aspiree	84.044A		199,535
Trio - Upward Bound	84.047		833,176
Total for program			1,718,444
Pass-Through Indiana Department of Education			
Adult Education - State Grant Program	84.002		456,560
Pass-Through Indiana Commission of Higher Education			
Vocational Education - Basic Grants to States	84.048		632,592
Pass-Through Indiana Department of Education			
Vocational Education - Basic Grants to States	84.048		37,003
Pass-Through Indiana Department of Workforce Development			
Tech-Prep Education	84.243		49,070
Total for federal grantor agency			2,893,669
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Indiana Department of Family and Social Services Administration			
Aging Cluster			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044		280,431
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		516,959
Nutrition Services Incentive Program	93.053		71,307
Total for Cluster			868,697
Special Programs for the Aging - Title VII, Chapter 2 - Long-Term Care Ombudsman Services for Older Individuals	93.042		11,912
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043		17,722
National Family Caregiver Support, Title III, Part E	93.052		116,243
Temporary Assistance for Needy Families	93.558		8,132
Social Services Block Grant	93.667		277,266
Centers for Medicare and Medicaid Services (CMS), Research Demonstrations and Evaluations	93.779		71,102
Total for federal grantor agency			1,371,074
U.S. DEPARTMENT OF NATIONAL AND COMMUNITY SERVICE			
Pass-Through Indiana Department of Family and Social Services Administration			
Retired and Senior Volunteer Program	94.002		87,255
Total for federal grantor agency			87,255
Total federal awards expended			$ 14,379,313

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

VINCENNES UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Vincennes University (University) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Federal Family Education Loans

The number of guaranteed loans and total amount for each program for Vincennes University students for the year ended June 30, 2007, were as follows:

Program Title	Number of Loans	Amount
Federal Stafford Student Loans (subsidized)	2,895	$ 6,828,449
Federal Stafford Student Loans (unsubsidized)	2,654	8,208,297
Parent Loan for Undergraduate Students (PLUS)	670	4,724,682

VINCENNES UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster
Various	WIA Cluster
84.048	Vocational Education – Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs: $431,379

Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

FINDING 2007-1, FINANCIAL REPORTING

The compilation and presentation of materially correct financial statements and related notes is the responsibility of the University's management. Therefore, it is important that management develop control procedures related to the preparation of financial statements and notes that enable management to prevent and detect potential misstatements prior to audit. As a result of our audit, we identified significant deficiencies in the University's financial statements and related notes that were not necessarily material, but were more than inconsequential.

Management of the University determined the cause of the significant deficiencies and subsequently corrected the financial statements and related notes. Deficiencies identified by the auditor are indications that the University needs to improve or strengthen its existing control procedures related to financial reporting.

Adequate controls over financial reporting should exist to ensure that the University's financial statements are properly presented in accordance with standards issued by the Governmental Accounting Standards Board. Additionally, management should follow controls which provide for adequate reviews of the financial statements and related notes prior to audit.

Section III – Federal Award Findings and Questioned Costs

Finding 2007-2, CASH MANAGEMENT – NONCOMPLIANCE REIMBURSABLE GRANT

Federal Agency: U.S. Department of Education
Federal Program: Vocational Education – Basic Grants to States
CFDA Number: 84.048
Pass-through Entity: Indiana Commission for Higher Education

The Vocational Education grant is administered on a reimbursement basis. Vincennes University submitted two funding requests for FY06-07 in August and October 2006. However, Vincennes University did not have actual expenses during these time frames to support the funding requests. For funding requests submitted August 30, 2006, and October 12, 2006, audit calculations revealed that the University claimed $86,152 and $296,111, respectively, more than actual expenditures at the submission date.

The Vocational Education grant is administered by Title 34 of the Code of Federal Regulations. The code of federal regulations at 34 CFR 80.21 (b) states: "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury Regulations at 31 CFR 205."

31 CFR 205 (b)(5) defines reimbursement basis as "Reimbursable funding means that a Federal Program Agency Transfers Federal funds to a State after the State has already paid out the funds for Federal assistance program purposes." Since 34 CFR 80.21(b) adopts these regulations, the funding requests submitted should be supported by actual expenses of the University for the corresponding time period.

In discussing with University officials, it was determined that this was the prescribed manner in acquiring the grant funds each year of the grant.

Failure to adhere to this requirement could cause the unit to be deemed ineligible to receive federal awards in the future.

We recommended that the University design and properly monitor claims procedures that would ensure federal funds are received on a reimbursement basis and are supported by actual expenditures.

FINDING 2007-3, QUESTIONED COSTS – VOCATIONAL EDUCATION GRANT

Federal Agency: U.S. Department of Education
Federal Program: Vocational Education – Basic Grants to States
CFDA Number: 84.048
Pass-through Entity: Indiana Commission for Higher Education

Vincennes University entered into a Vocational Education grant agreement with the Indiana Commission for Higher Education on July 1, 2006. Form D on the Grant application states the budgeted amounts for each of the seven program service areas.

Three program service areas had unallowable costs charged directly to the grant: Project Lead the Way, Pharmacy Technician, and Internships.

Supporting documentation lists salaries and internship stipends for the seven program service areas. The following variances were noted: Project Lead the Way, $8,932 over reported salary expenditures; Pharmacy Technician, $12,237 over reported salary expenditures; and Internships had over reported expenditures of $7,500 due to nonqualified students per grant agreement.

Vincennes University did not comply with OMB A-87, which specifies that support of salaries and wages should be monitored by periodic certifications regarding time distribution in addition to the standards for payroll documentation. The supporting documentation submitted for audit contained errors and was resubmitted with corrections to the amounts of salaries.

Failure to adhere to this requirement could cause the unit to be deemed ineligible to receive federal awards in the future.

Vincennes University should follow the guidance of OMB Circular A-21, Sponsored Programs Procedures, which categorizes time and effort of the personnel expenditures being charged to the grant.

Vincennes University should follow the guidance of the grant application and agreement when implementing the program areas and services.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Vincennes University
Audit Control Number: 05-2006-73497
Finding No. 2006-1, FISAP
Auditee Contact Person: Stanley J. Werne
Title of Contact Person: Director of Financial Aid
Phone Number: (812) 888-5999
Status of Finding: Complete

Vincennes University has established procedures within the financial aid office and the finance office to reconcile financial aid records to fiscal records on a monthly basis. This monthly reconciliation process facilitates a timely submission of the FISAP.

Vincennes University
Audit Control Number: 05-2006-73497
Finding No. 2006-2, Satisfactory Academic Progress
Auditee Contact Person: Stanley J. Werne
Title of Contact Person: Director of Financial Aid
Phone Number: (812) 888-5999
Status of Finding: Complete

Vincennes University implemented procedures to comply with its published policy on Satisfactory Academic Progress (SAP). With the implementation of the Banner Student module, procedures are in place for correctly identifying students who fail to meet the graduated standards for cumulative grade point average, the standard for a satisfactory completion rate, and the standard for maximum timeframe.

State Board of Accounts reviewed SAP in the current audit period with no exceptions. Vincennes University's new procedures ensure that students' SAP is properly evaluated.

Vincennes University
Audit Control Number: 05-2006-73497
Finding No. 2006-3, Reporting
Auditee Contact Person: Brad Musgrave
Title of Contact Person: Director of Upward Bound Services
Phone Number: (812) 888-5241
Status of Finding: Complete

Vincennes University has implemented review processes to insure data is being correctly coded and correctly entered into the system. The University has also utilized a Data Collection Tool from the United States Department of Education.

VINCENNES UNIVERSITY

Corrective Action Plan
For FY 2007 Audit

FINDING 2007-1 – FINANCIAL REPORTING

The compilation and presentation of materially correct financial statements and related notes is the responsibility of the University's management. Therefore, it is important that management develop control procedures related to the preparation of financial statements and notes that enable management to prevent and detect potential misstatements prior to audit. As a result of our audit, we identified significant deficiencies in the University's financial statements and related notes that were not necessarily material, but were more than inconsequential.

Management of the University determined the cause of the significant deficiencies and subsequently corrected the financial statements and related notes. Deficiencies identified by the auditor are indications that the University needs to improve or strengthen its existing control procedures related to financial reporting.

Adequate controls over financial reporting should exist to ensure that the University's financial statements are properly presented in accordance with standards issued by the Governmental Accounting Standards Board. Additionally, management should follow controls which provide for adequate reviews of the financial statements and related notes prior to audit.

Response/Action Plan:

Vincennes University strongly disagrees with the State Board of Account's interpretation of SAS 112. It is extremely clear to the University, as outlined in the American Institute of Certified Public Accountant's (AICPA) document Understanding SAS 112 and Evaluating Control Deficiencies that these findings are not reportable deficiencies for two specific reasons. The two misstatements, either individually or in aggregate, are immaterial and inconsequential. The University has corresponded with the State Board of Accounts regarding our interpretation of SAS 112. The Indiana State Board of Accounts admitted that qualitative factors were not considered when evaluating the misstatements and that these findings were material so they classified it as significant deficiencies. The findings did not affect the financial position of the University and the findings were not "more than inconsequential" to the reader.

Vincennes University supports the closer scrutiny of internal controls as required by SAS 112. The University has always adhered by strong internal controls which are essential to the success of the business operations and understands the importance of providing greater accountability. Within the SAS 112 framework, the VU Finance department continues to implement strong safeguards and controls at the University.

Finding 2007-2 CASH MANAGEMENT – NONCOMPLIANCE REIMBURSABLE GRANT

Federal Agency: U.S. Department of Education
Federal Program: Vocational Education – Basic Grants to States
CFDA Number: 84.048
Pass-through Entity: Indiana Commission for Higher Education
Auditee Contact Person: Tim Eaton, Director of Business Services and Budget
Phone Number: (812) 888-4308
Expected Completion Date: Corrective Action Already Taken

The Vocational Education grant is administered on a reimbursement basis. Vincennes University submitted two funding requests for FY06-07 in August and October 2006. However, Vincennes University did not have actual expenses during these time frames to support the funding requests. For funding requests submitted 8/30/06 and 10/12/06, audit calculations revealed that the University claimed $86,152 and $296,111, respectively more than actual expenditures at the submission date.

The Vocational Education grant is administered by Title 34 of the Code of Federal Regulations. The code of federal regulations at 34 CFR 80.21 (b) states "Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or sub grantee, in accordance with Treasury Regulations at 31 CFR 205."

31 CFR 205 (b)(5) defines reimbursement basis as "Reimbursable funding means that a Federal Program Agency Transfers Federal funds to a State after the State has already paid out the funds for Federal assistance program purposes." Since 34 CFR 80.21(b) adopts these regulations, the funding requests submitted should be supported by actual expenses of the University for the corresponding time period.

In discussing with University officials, it was determined that this was the prescribed manner in acquiring the grant funds each year of the grant.

Failure to adhere to this requirement could cause the unit to be deemed ineligible to receive federal awards in the future.

We recommend that the university design and properly monitor claims procedures that would ensure federal funds are received on a reimbursement basis and are supported by actual expenditures.

Response/Action Plan:

Vincennes University was following previous years' practices and protocols when administering the Perkins grant during Fiscal Year 2007. The University traditionally provides supplemental dollars out of the general fund for the programs under the Perkins grant. The University understands the importance of reporting and submitting accurate information; and has taken steps to modify the vouchering process and review for future years.

FINDING 2007-3 ALLOWABLE COSTS – VOCATIONAL EDUCATION GRANT

Federal Agency: U.S. Department of Education
Federal Program: Vocational Education – Basic Grants to States
CFDA Number: 84.048
Pass-through Entity: Indiana Commission for Higher Education
Auditee Contact Person: Michael Richards, Director of Tops Center
Phone Number: (812) 888-4297
Expected Completion Date: Corrective Action Already Taken

Vincennes University entered into a Vocational Education grant agreement with the Indiana Commission for Higher Education on July 1, 2006. Form D on the Grant application states the budgeted amounts for each of the seven program service areas.

Three program service areas had unallowable costs charged directly to the grant: Project Lead the Way, Pharmacy Technician, and Internships.

Supporting documentation lists salaries and internship stipends for the seven program service areas. The following variances were noted: Project Lead the Way, $8,932 over reported salary expenditures; Pharmacy Technician, $12,237 over reported salary expenditures; and Internships had over reported expenditures of $7,500 due to non qualified students per grant agreement.

Vincennes University did not comply with OMB A-87, which specifies that Support of salaries and wages should be monitored by periodic certifications regarding time distribution in addition to the standards for payroll documentation. The supporting documentation submitted for audit contained errors and was resubmitted with corrections to the amounts of salaries.

Failure to adhere to this requirement could cause the unit to be deemed ineligible to receive federal awards in the future.

Vincennes University should follow the guidance of OMB Circular A-21, Sponsored Programs Procedures, which categorizes time and effort of the personnel expenditures being charged to the grant.

Vincennes University should follow the guidance of the grant application and agreement when implementing the program areas and services.

Response/Action Plan:

The University concurs that Project Lead the Way and the Pharmacy Tech Program were over reported by $8,932 and $12,237 respectively. Under the new funding model for Fiscal Year 2007, the University was to transfer remaining budget amounts to other areas of the grant as needed. Vincennes University did not transfer these budgets to the under funded areas of the grant. The total budget for Perkins Funding was $632,592 and Vincennes University incurred $947,149 in allowable costs under this grant; therefore, allowable Perkins costs of $314,557 was covered by the University's general fund.

The University is now processing budget transfers from the over funded areas to the under funded areas of the FY2008 Perkins Grant which is in compliance with the contract.

The University does not agree with the over reported expenditure of $7,500 to non qualified students per grant agreement. The University supports student internships in several areas. The University reported spending $20,500 during the fiscal year for internships with three of those internships not falling under the grant. The grant states that the program, service or activity must relate to direct activities in the areas of Science, Technology, Engineering, Mathematics (STEM) and Entrepreneurship. It also states that the University will increase and strengthen the quality of internships in the areas of Life Science and Engineering. The University's definition of engineering students encompasses programs such as: Electronics, Robotics, Industrial Maintenance, Computer-Integrated Manufacturing (CIM), Computer Numeric Control (CNC) Machining, Tool and Die, and Injection Mold Tooling.

The University understands the importance of providing accurate documentation for reported statistics/ expenditures.

VINCENNES UNIVERSITY
EXIT CONFERENCE

The contents of this report were discussed on April 1, 2008, with Phillip S. Rath, Vice President for Financial Services and Government Relations; and Linda Waldroup, Controller. The official response has been made a part of this report and may be found on page 19.

VINCENNES
UNIVERSITY

Indiana State Board of Accounts
302 West Washington Street
Indianapolis, IN 46204-2765

April 1, 2008

Indiana State Board of Accounts:

This letter serves as an official response to the federal audit findings as reviewed with your agency on April 1, 2008. The University understands the importance of addressing these findings with corrective action plans.

Finding 2007-1 Financial Reporting- The University's position, as outlined in the AICPA's document *Understanding SAS 112 and Evaluating Control Deficiencies*, is that these findings are not significant deficiencies. It is extremely clear to the University that these findings are not reportable deficiencies for two specific reasons. The two misstatements, either individually or in aggregate, are immaterial and inconsequential. We have contacted industry experts in the auditing field and other universities who shared our interpretation of the new standard. The University believes qualitative factors should have been considered when making this determination.

Vincennes University supports the closer scrutiny of internal controls as required by SAS 112. The University has always adhered by strong internal controls which are essential to the success of the business operations and understands the importance of providing greater accountability. Within the SAS 112 framework, the VU Finance department will continue to implement strong safeguards and controls at the University.

Finding 2007-2 Cash Management for the federal program Vocational Education- Vincennes University was following previous years' practices and protocols when administering the Perkins grant during Fiscal Year 2007. The University traditionally provides supplemental dollars out of the general fund for the programs under the Vocational Rehab grant. The University understands the importance of reporting and submitting accurate information; and has already taken steps to be compliant with the contract.

Finding 2007-3 Allowable Costs for the federal program Vocational Education - The University concurs that several program areas were over reported. The University's total budget for Perkins funding was $632,592 and the University incurred $947,149 in allowable costs under this grant. Under the new funding model for Fiscal Year 2007, the University failed to transfer over funded areas of the grant to under funded areas of the grant. The University is now compliant with the current contract.

We appreciate the opportunity to respond to these audit findings. If you have questions pertaining to these responses, please contact myself or Linda Waldroup, University Controller.

Sincerely,

Phil S. Rath
Vice President for Financial Services and Government Relations

1002 North First Street • Vincennes, Indiana 47591-1504 Phone: (812) 888-4320 • Fax: (812) 888-2120






Vincennes University
Financial Report *2006-2007*

INDIANA'S FIRST COLLEGE

VINCENNES UNIVERSITY | 1002 NORTH FIRST STREET | VINCENNES, IN 47591

VISIT US ONLINE AT: WWW.VINU.EDU

Vision — Vincennes University is a premier learning institution, widely recognized for leadership in innovation and delivery of successful educational experiences. A broad range of program offerings and a commitment to superior service ensure the University's role as an important link in Indiana's economic and cultural vitality. VU is a diverse community whose members all share responsibility for supporting the University mission and are respected for their contribution.

Mission — Vincennes University, Indiana's first college, is the State's premier transfer institution and leader in innovative career programming. The VU community ensures educational access, delivers proven associate and baccalaureate programs, and offers cultural opportunities and community services in a diverse, student-centered, collegiate environment.

Vincennes University
Financial Report for 2006 - 2007

Table of Contents

Honoring Veterans at VU

The Jasper Academic Classroom Building

Board of Trustees celebrate the bicentennial of VU's Charter at Grouseland

The First Baccalaureate Graduates at VU
Class of 2007

Vincennes University
Financial Report for 2006 - 2007

Treasurer's Report

Vincennes University takes great pride in the role that it plays within Indiana's higher education institutions, and is committed to remaining a state leader in transfer programs, community and outreach services, and innovative career programs that leads to high-growth, high-demand occupations. Vincennes University's 2006-07 fiscal year is evident of these successes. The year was marked by stellar achievements, renovations, and projects that ensure the academic and financial strength of our great institution and its ability to deliver the highest quality education and programming.

During this historic year, Vincennes University was pleased to award its first baccalaureate degrees to students in both Technology and Homeland Security degree programs. Progress will continue next year, celebrating graduates in Nursing, Special Education, Health Care Management, Secondary Education Mathematics, and Secondary Education Science programs. Enrollment in baccalaureate programs continues to grow, and the University looks forward to seeing more graduates in the years to come.

Efforts to modernize and renew campus facilities through its renovation projects are on schedule. The $10 million renovation to Clark Hall will be completed in the Fall of 2008, and critical infrastructure projects, including major repairs to the steam line and electrical grid, will be completed campus-wide. In addition, the University continues to move forward with its $2 million laboratory renovations in the Health Science and Human Performance Division.

Vincennes University also broke ground on an $11 million State Center for Applied Technology to respond to Indiana's growing, technology-centered economy. Located on the Vincennes campus, the facility will be highly adaptive to learners in technology-based disciplines offering cutting-edge training facilities, smart classrooms, and workforce simulation opportunities for students, employees, and regional employers. Additional centers, located in Dubois County on the Vincennes University Jasper Campus, and in Gibson County, will further provide employers with expanded industry-driven training and education for new and incumbent workers in the high-demand manufacturing and technology arenas. These centers will continue to support current and future industry growth, transform the skill-sets of employees, and make lasting and significant impacts on Hoosier economic and workforce development.

In response to the increasing enrollment of the Jasper campus, the University is also pleased to have opened a new $4.3 million classroom facility on the Jasper campus during the Spring 2007 semester. The Jasper Academic Classroom building features quality instruction space for students and faculty, smart classrooms and state-of-the-art instructional technology for students.

Vincennes University's commitment to excellence in education has truly been apparent during the 2006-07 fiscal year. The institution continues to build on its great strengths and looks forward to another successful year of delivering quality educational programs, cultural opportunities, and community services that have proven to enrich lives throughout the University community.

This report represents the financial position and results of operations of Vincennes University for the fiscal year ended June 30, 2007.

Respectfully submitted,

Phillip S. Rath
Vice President for Financial Services and Government Relations

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
4TH FLOOR, ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
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To: The Officials of Vincennes University, Vincennes Indiana

We have audited the accompanying basic financial statements of Vincennes University, a component unit of the State of Indiana, as of and for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University as discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Vincennes University, as of June 30, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 6, 2007, on our consideration of Vincennes University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with *Government Auditing Standards,* and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS
December 6, 2007

STATE BOARD OF ACCOUNTS
State Board of Accounts

Vincennes University
Management's Discussion & Analysis

Introduction

Vincennes University is proud to present its financial statements for fiscal year 2007. The following discussion and analysis provides an overview of the financial position and activities of Vincennes University (the "University") for the year ended June 30, 2007 with comparative information for the year ended June 30, 2006. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes following this section.

One of the first two-year colleges in America, Vincennes University is also Indiana's oldest college. Currently, the University is a comprehensive public institution of higher learning with approximately 9,000 students. The University offers a broad range of degrees, including its recent addition of baccalaureate programs. These degrees include Bachelor of Science degrees in Health Care Management, Homeland Security and Public Safety, Secondary Education, Nursing, and Technology. Vincennes University has a statewide mission and is a state-supported university. Major extension sites are located in Jasper and Indianapolis, Indiana. The University also offers over 150 courses through its Distance Education program and at ten military sites across the United States. The University is accredited by the North Central Association of Colleges and Schools.

The University is committed to an open admission policy and recognizes that promoting individual growth and development must be its primary consideration. Furthermore, the University believes it must play a key role in programs of community development, cultural enrichment, and services appropriate to a post-secondary educational institution.

Using The Financial Statements

The University's financial report includes three financial statements: the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows. These financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities and require that financial statements be presented for aggregate operations which includes the Vincennes University Foundation, Incorporated.

Statement of Net Assets

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities--net assets--is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarization of the University's assets, liabilities, and net assets at June 30, 2007, with comparative data for 2006, is as follows:

Statement of Net Assets

	2007 (in thousands)	2006 (in thousands)
Current Assets	$ 70,083	$ 90,559
Non-current Assets		
Investments	42,642	14,140
Capital Assets, net	126,844	124,440
Other	1,846	2,826
Total Assets	*241,415*	*231,965*
Current Liabilities	16,059	16,136
Non-current Liabilities	58,535	61,865
Total Liabilities	*74,594*	*78,001*
Net Assets	**$ 166,821**	**$ 153,964**

The University's financial position remained strong at June 30, 2007, with assets of $241 million and liabilities of $74.6 million. This financial health reflects the prudent utilization of its financial resources, including careful cost controls, management of its endowments, conservative utilization of debt, and adherence to its long-range capital plan for the maintenance and replacement of the physical plant.

Current assets consist primarily of cash, short-term investments, and accounts receivable. Accounts Receivable includes sponsored programs, student loans, and student receivable for tuition, and room and board. Total current assets decreased $20.5 million to $70 million. During fiscal 2007, the University maximized investment returns by moving $28.5 million from short-term investments to long-term investments. The University also received $2 million from the state for capital appropriations.

Noncurrent assets increased $30 million from the previous year. As previously mentioned, the majority of this increase resulted from a shift in the investment portfolio. The $2.4 million increase in capital assets included the construction costs for the Jasper Academic Building which opened for the 2007 spring semester.

Current liabilities consist primarily of accounts payable, accrued compensation, and accrued vacation liability. Total current liabilities remained relatively unchanged at $16.1 million. The current portion of bonds payable due within one year is $2.6 million.

The majority of noncurrent liabilities totaling $58.5 million represent bonds payable net of bond discount. These bonds were issued to finance construction of three student residence halls, the student union, and seven academic buildings. Student fees and dormitory revenues secured these bonds. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

Net Assets

Net assets represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2007, with comparative data for 2006, is summarized as follows:

Summary of Net Assets

	2007 (in thousands)	*2006 (in thousands)*
Invested in Capital Assets, Net of Related Debt	$ 66,814	$ 61,242
Restricted:		
Non-expendable	2,355	2,465
Expendable	13,748	11,988
Unrestricted:		
Designated - Capital & Other	8,360	9,339
Designated - Quasi Endowment	22,833	21,673
General Operations	27,804	25,960
Auxiliary	24,907	21,297
Total Net Assets	**$ 166,821**	**$ 153,964**

Net assets, Invested in capital assets, net of related debt represent the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

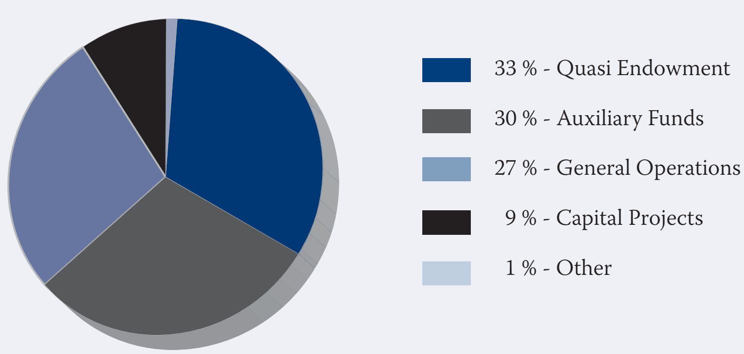
Restricted net assets - nonexpendable primarily include the University's permanent endowment funds. The corpus of these resources is only available for investment purposes.

Restricted net assets - expendable are subject to externally imposed restrictions governing their use. This category of net assets includes funds restricted for capital projects, external loan funds, and scholarship funds. Expendable net assets increased $1.8 million from the prior year. This increase is related to funds restricted for the repair and rehabilitation of campus infrastructure.

Unrestricted net assets are not subject to externally imposed stipulations. However, many of the University's unrestricted net assets have been designated or reserved for specific purposes such as auxiliaries, quasi endowment, dormitory reserves, and repair and replacement reserves for capital and infrastructure. Unrestricted net assets include board designated quasi endowment funds of $22.8 million. All income and gain derived from these quasi-endowment funds are used for the purpose of funding various designated University activities. General Operation's net assets increased $1.8 million which is attributable to the positive operations during the fiscal year. Auxiliary net assets increased approximately $3.6 million from the previous year which is attributable to the 6 percent increase in housing rates.

The following graph shows the percentage breakdown of unrestricted net assets of $83.9 million by designation:

Unrestricted Net Assets



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets presents the operating results of the University, as well as the nonoperating revenues and expenses. Governmental appropriations, while budgeted for operations, are considered nonoperating revenues as defined by GASB Statement No. 35. A summary of the Statement of Revenues, Expenses and Changes in Net Assets for the years ending June 30, 2007 and 2006 is as follows:

Statement of Revenues, Expenses, and Changes in Net Assets

	2007 (in thousands)	*2006 (in thousands)*
Operating Revenues:		
Tuition and Fees, net	$ 23,006	$ 24,252
Auxiliary, net	14,880	14,665
Grant and Contracts	24,138	25,871
Other	409	684
Total Operating Revenue	*62,433*	*65,472*
Operating Expenses	95,267	97,214
Net Operating Income (loss)	*(32,834)*	*(31,742)*
Non-Operating Revenues (Expenses):		
Governmental Appropriations	40,526	39,829
Gifts (including endowment and capital)	604	452
Investment Income	5,335	3,351
Gain (Loss) on Disposition of Capital Assets	(93)	396
Other Income and Expense	(2,685)	(2,926)
Total Non-Operating Revenue	*43,687*	*41,102*
Capital Appropriations	2,004	3,504
Increase in Net Assets	**12,857**	**12,864**
Net Assets – Beginning of Year	*153,964*	*141,100*
Net Assets – End of Year	**$ 166,821**	**$ 153,964**

Revenues

Operating revenues decreased 4.6 percent to $62 million from the prior year. The changes in revenue are as follows:

- Tuition and fees, net of scholarship allowances, decreased 5 percent from the prior year which was largely attributable to program changes in distance education. While enrollment was down slightly (less than one percent), student fee rates increased 5.9 percent.

- Auxiliary revenues primarily consist of student housing, bookstores, student activities, and workshops. Net auxiliary revenues increased 1.5 percent with housing rates increasing 6 percent from the prior year.

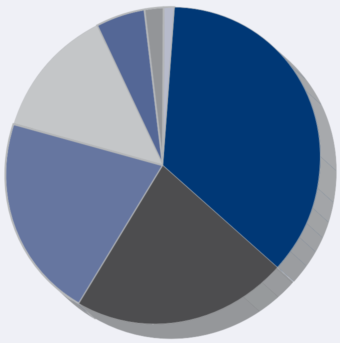
- Grants and contracts from the federal and nongovernmental agencies decreased $1.7 million and state grants remained relatively unchanged from the prior year. The University received 55 percent from federal agencies, 22 percent from state agencies, and 23 percent from nongovernmental agencies

Non-operating revenue increased $2.6 million from $41 million for the fiscal year ending June 30, 2007. The activity includes the following:

- Investment income reflects the interest income earned and accrued on all investments held by the University, including quasi endowments, endowments and capital project funds. Investments are properly recorded at market value. For fiscal year ended June 30, 2007, investment income increased approximately $2 million. This increase is attributable to the favorable interest rates and positive operations.

The following is a graphic illustration of revenues by source (both operating and nonoperating) used to fund the University for the year ended June 30, 2007:

Revenues: Operating and Non-Operating



Expenses

A comparative of the University's expenses for the years ending June 30, 2007 and 2006 is as follows:

Expense by Natural Object

	2007 (in thousands)	2006 (in thousands)
Operating:		
Compensation and Benefits	$ 55,818	$ 56,135
Supplies and Services	28,444	30,467
Depreciation	6,669	6,270
Scholarships and Fellowships	4,336	4,342
Total Operating Expense	*95,267*	*97,214*
Non-Operating:		
Interest and Other	2,685	2,926
Total Expenses	**$ 97,952**	**$ 100,140**

Operating expenses were $95 million for the fiscal year ending June 30, 2007. Changes in the major expenses categories are as follows:

- Total compensation and benefits comprised approximately 58.6 percent of operating expenses. The overall compensation increased 2 percent from the prior year while benefits decreased 7 percent from the prior year. The benefit decrease was related to the establishment of a $900,000 liability for Incurred But Not Reported Health Insurance Claims in fiscal year 2006.

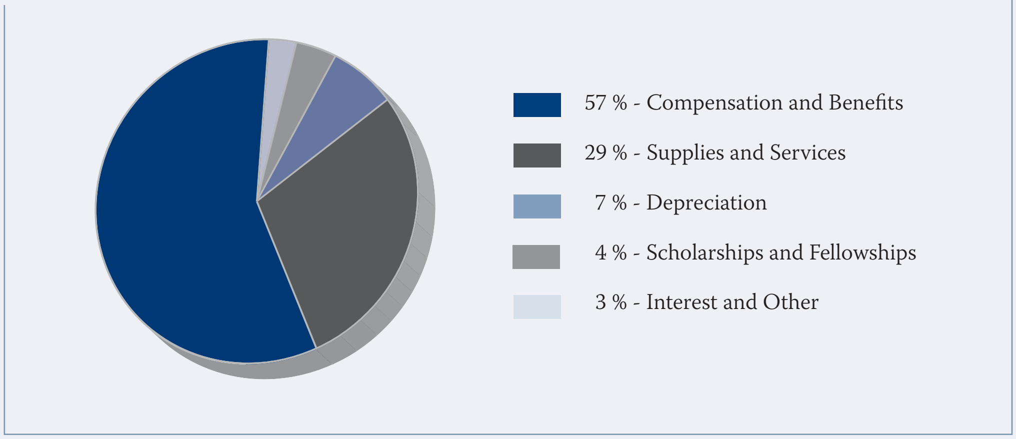
- Total supplies and expenses decreased 6.6 percent to $28.4 million from the previous year. As mentioned in the revenue section, the majority of this decrease is related to program changes in distance education. The University is no longer remitting fees for the distance education program to a third party.

- Depreciation expense of $6.7 million increased 6 percent from the prior year. This increase is due to the addition of a classroom building and the performing arts center.

The University continues to make cost containment an ongoing effort for all related supply and expense expenditures.

The following is a graphic illustration of total expenses by object:

Expense by Natural Object



In addition to their natural (object) classification, it is also informative to review operating expenses by function. A comparative of the University's expenses by functional classification for the year ended June 30, 2007 and 2006 is as follows:

The following is a graphic illustration of expense by function for 2007:

Expense by Function

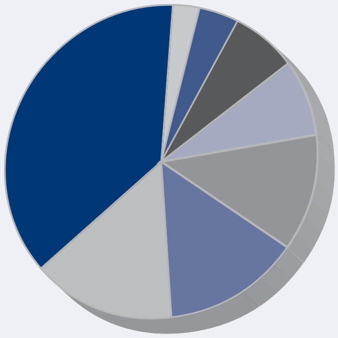
	2007 (in thousands)	*2006 (in thousands)*
Operating:		
Instruction	$ 36,304	$ 37,168
Sponsored Programs	13,378	13,888
Institutional & Academic Support	14,478	15,853
Auxiliary Enterprises	12,090	11,862
Operations & Maintenance of Plant	8,012	7,830
Depreciation	6,669	6,270
Scholarships and Fellowships	4,336	4,343
Total Operating Expense	*95,267*	*97,214*
Non-Operating:		
Interest and Other	2,685	2,926
Total Expenses	**$ 97,952**	**$ 100,140**

Major changes were comprised of the following:

- Auxiliary enterprises experienced an operating increase of 2 percent from the prior year and this increase was predominately related to increase in salaries and benefits costs.

- The institutional and academic support area had a decrease of $1.4 million compared to the previous year. As mentioned beforehand, this decrease was primarily related to the fiscal year 2006 recording of the liability for incurred but unreported health insurance claims.

Expense by Function



Statement of Cash Flows

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash. Cash received from operations primarily consists of student tuition, sponsored programs and auxiliary revenues. Significant sources of cash provided by non-capital financing activities, as defined by GASB, include state appropriations and gifts used to fund operating activities. For higher education institutions, these cash inflows are critical to funding the operations of the University.

A comparative of the Statement of Cash Flows for the years ended June 30, 2007 and 2006 is as follows:

Statement of Cash Flows

	2007 (in thousands)	*2006 (in thousands)*
Cash Received from Operations	$ 63,216	$ 65,429
Cash Expended for Operations	(88,784)	(90,142)
Net Cash used in Operating Activities	*(25,568)*	*(24,713)*
Net Cash Provided by Non-Capital Financing Activities	40,431	39,837
Net Cash Provided by (used in) Investing Activities	6,921	(1,287)
Net Cash Used in Capital and Related Financing Activities	(11,162)	(3,480)
Net Increase in Cash and Cash Equivalents	*10,622*	*10,357*
Cash & Cash Equivalents – Beginning of Year	**10,757**	**400**
Cash & Cash Equivalents – End of Year	**$ 21,379**	**$ 10,757**

The University's Cash and Cash Equivalents increased $10.6 million from the previous year. The increase in the cash and cash equivalents was pimarily related to positive operations and investment returns.

Economic Factors That Will Affect the Future

The University is well positioned to continue its strong financial condition and level of excellence in service to students, the community, and the State of Indiana. The University's strong financial position, coupled with our efforts toward cost containment will enable the University to provide the resources to support this level of excellence.

The University, an organization that relies heavily on human resources, is committed to retaining and attracting an outstanding faculty and staff. The double-digit increases in health care and prescription drug costs are a concern as the costs of the University's health benefits have increased dramatically over the past several years. Increasing costs for insurance, volatile utility costs, repair and maintenance of campus facilities and replacing equipment with current technology are also significant cost pressures facing the university.

The economic condition of Vincennes University is closely tied to that of the State of Indiana. State appropriations are the largest source of funding for the University. The specific fiscal impact on higher education in the State of Indiana is always uncertain because of its dependency on the state's economy. Vincennes University's low tuition cost continues to make the institution one of the best values in the State of Indiana offering a quality education with a residential experience.

The University continues to adhere to its long-range plan for upgrading and adding new facilities for instruction to meet the needs of our students and the community. The Jasper Academic Classroom Building was completed and opened for Spring 2007 semester classes. The University also received state approval to construct an $11 million Advanced Manufacturing Training Center on the Vincennes campus. The facility will feature state-of-the-art training facilities with smart classrooms and labs designed to be flexible and highly adaptable to business and industry training needs. Ground was broken on September 6, 2007. Bonds will be issued to fund this construction during fiscal year 2008.

During the 2007 Indiana General Assembly legislative session, Vincennes University received approval for three state funded capital projects. Two of the projects are state-of-the-art State Centers for Applied Technology to be located in Gibson County and the Vincennes University Jasper campus in Dubois County. These facilities will provide the State of Indiana with premier technological training centers located in the heart of an expanding industry and population base. The Jasper facility, an $8.8 million, 50,000 square foot facility, will also provide the opportunity to bring many of the Vincennes University technical programs, currently offered only on the Vincennes campus, to the Jasper campus. The Gibson site will be funded as a cash appropriation. The University also received funding approval for two million dollars to renovate Health and Science Laboratories. The University was also approved by the Indiana General Assembly to construct a $5 million multicultural center. This center will be dedicated to the empowerment of students through the creation and integration of unique opportunities that celebrate the rich diversity offered by our minority and international students.

Clark Residence Hall, one of the University's five residence halls, will undergo extensive renovation during the 2007-08 fiscal year. The $10 million renovation will include the development of private rooms and four-person suites with compact kitchen areas. The project is scheduled to be completed by the Fall Semester of 2008.

The University will be required to implement the provisions of GASB Statement No. 45, *Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions*, effective with the fiscal year ending June 30, 2008. The University will be required to address the accounting and reporting for costs and obligations related to postemployment healthcare and other non-pension benefits. The University has not yet determined the full impact of GASB Statement No. 45 on its financial statements, but is in the process of engaging an actuarial study.

As management wrestles with today's uncertain economic factors, the University's prudent use of resources, cost-containment efforts, and development of other sources of revenue will strengthen the institution and will ensure that it is well positioned to take advantage of the next upturn in the business cycle.

Vincennes University — Statement of Net Assets

As of June 30, 2007 and June 30, 2006

	2007	2006
Assets		
Current Assets		
Cash and Cash Equivalents	$ 21,378,520	$ 10,756,945
Short-Term Investments	39,404,756	69,567,844
Funds held with Bond Trustee	68,332	255,858
Appropriation Receivable from State	902,111	1,190,030
Accounts Receivable (Less Allowance of $3,050,371 in 2007 and $ 3,025,192 in 2006)	5,268,711	5,994,108
Current Portion of Notes Receivable	310,490	192,259
Inventories	1,810,200	1,773,477
Accrued Interest Income	674,255	598,387
Prepaid Expenses	265,546	229,914
Total Current Assets	*70,082,921*	*90,558,822*
Non-current Assets		
Funds held with Bond Trustee for Debt Service	248,644	238,803
Investments	42,642,275	14,140,482
Appropriation Receivable from State	902,111	1,804,222
Notes Receivable	695,674	783,148
Capital Assets, Net of Accumulated Depreciation	126,843,937	124,439,818
Total Non-current Assets	*171,332,641*	*141,406,473*
Total Assets	**$ 241,415,562**	**$ 231,965,295**
Liabilities		
Current Liabilities		
Accounts Payable	$ 2,220,504	$ 2,869,774
Capital Lease Payable	38,975	35,240
Accrued Payroll and Deductions Payable	5,896,887	5,342,285
Accrued Vacation Liability	1,298,737	1,183,509
Deferred Revenue	2,276,713	2,427,876
Accrued Interest on Bonds	294,580	313,186
Bonds Payable	2,595,000	2,595,000
Deposits	213,934	203,394
Deposits Held in Custody for Others	198,048	194,698
Other Liabilities	1,025,981	971,170
Total Current Liabilities	*16,059,359*	*16,136,132*
Non-current Liabilities		
Capital Lease Payable	62,389	101,364
Bonds Payable (Net of Unamortized Bond Premium (Discount) of $ 451,232 in 2007 and $ 522,929 in 2006)	57,356,232	60,647,929
Advances from Federal Government	1,116,332	1,116,332
Total Non-current Liabilities	*58,534,953*	*61,865,625*
Total Liabilities	*74,594,312*	*78,001,757*
Net Assets		
Invested in Capital Assets, Net of Related Debt	66,813,738	61,241,760
Restricted for Non-expendable:		
Scholarships & Instruction	2,355,216	2,465,281
Restricted for Expendable:		
Capital Projects	11,447,972	9,703,206
Loan Funds	487,771	463,638
Scholarships & Instruction	1,811,830	1,820,377
Unrestricted	83,904,723	78,269,276
Total Net Assets	*166,821,250*	*153,963,538*
Total Liabilities and Net Assets	**$ 241,415,562**	**$ 231,965,295**

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University Foundation, Inc.
Component Unit - Statement of Financial Position

As of June 30, 2007 with comparative figures for 2006

Assets	JUNE 30 2007	JUNE 30 2006	Liabilities and Fund Balances	JUNE 30 2007	JUNE 30 2006
Unrestricted Funds					
Cash	$ 55,095	$ 84,915	Accounts Payable	$ 11,439	$ 20,775
Amount Due from Agency Funds	249,043	209,697	Vacation Payable	9,649	7,854
Other Accounts Receivable	5,705	2,758	Deferred Income Other	16,575	15,525
Accrued Interest	7,901	10,022	Due VU General Fund	43,304	51,390
Investments	1,847,626	1,781,495	Funds Held in Trust	56,508	0
Pledge Receivable	6,162	7,750			
Equipment	10,757	10,073			
Accum. Deprec. - Equipment	(6,950)	(6,944)			
Prepaid Expense	2,994	5,097	Net Assets	4,475,327	4,,443,788
Property	2,434,469	2,434,469			
Total Unrestricted Funds	*$ 4,612,802*	*$ 4,539,332*	*Total Unrestricted Funds*	*$ 4,612,802*	*$ 4,539,332*
Current Restricted Fund					
Accrued Interest	$ 29,151	$ 27,718	Accounts Payable	$ 1,061	$ 283
Investments	14,661,105	11,460,679	Due to Unrestricted	65,315	20,605
Other Accounts Receivable	4,760	0	Funds Held in Trust	12,099,736	8,806,573
Pledge Receivable	642,206	0	Deferred Income Other	32,560	18,275
			Net Assets	3,138,550	2,642,661
Total Current Restricted Funds	*$ 15,337,222*	*$ 11,488,397*	*Total Current Restricted Funds*	*$ 15,337,222*	*$ 11,488,397*
Endowment Funds					
Accrued Interest	$ 80,019	64,031	Accounts Payable	$ 4,886	$ 1,450
Investments	19,352,995	16,536,739	Due VU General Fund	586	0
Other Accounts Receivable	480	0	Due to Unrestricted	183,728	189,092
			Annuity Payable	23,039	31,204
			Net Assets	19,221,255	16,379,024
Total Endowment Funds	*$ 19,433,494*	*$ 16,600,770*	*Total Endowment Funds*	*$ 19,433,494*	*$ 16,600,770*
TOTAL ASSETS	*$ 39,383,518*	*$ 32,628,499*	*TOTAL LIABILITIES & FUND BALANCE*	*$ 39,383,518*	*$ 32,628,499*

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University
Statement of Revenues, Expenses & Changes in Net Assets

For the Year Ended June 30, 2007 and June 30, 2006

	2007	2006
Operating Revenues		
Student Tuition & Fees	$ 28,362,314	$ 29,077,821
Scholarship Allowance - Tuition & Fees	(5,356,134)	(4,825,774)
Grants and Contracts	24,138,129	25,871,351
Auxiliary Enterprises	16,922,675	16,673,953
Scholarship Allowance - Auxiliary Enterprises	(2,042,626)	(2,009,391)
Other Revenues	408,686	683,821
Total Operating Revenues	*62,433,044*	*65,471,781*
Operating Expenses		
Salaries and Wages	40,999,541	40,237,407
Benefits	14,818,750	15,897,632
Scholarships and Fellowships	4,335,781	4,342,583
Supplies and Other Services	27,071,535	29,700,397
Equipment	1,372,471	766,317
Depreciation	6,669,142	6,269,706
Total Operating Expenses	*95,267,220*	*97,214,042*
Operating Income (Loss)	*(32,834,176)*	*(31,742,261)*
Non-operating Revenues (Expenses)		
Governmental Appropriations	40,525,974	39,829,065
Gifts and Bequests	604,370	451,791
Investment Income	3,954,606	2,928,451
Endowment Income	1,380,433	422,447
Gain (Loss) on Disposition of Capital Assets	(92,610)	395,804
Interest & Other Costs on Capital Asset-Related Debt	(2,512,247)	(2,414,211)
Other Non-operating Revenues (Expenses)	(172,838)	(511,834)
Total Non-operating Revenues (Expenses)	*43,687,688*	*41,101,513*
Income Before Other Revenues, Expenses, Gains or Losses	*10,853,512*	*9,359,252*
Capital Appropriations	2,004,200	3,504,200
Increase in Net Assets	*12,857,712*	*12,863,452*
Net Assets – Beginning of Year	153,963,538	141,100,086
Net Assets – End of Year	**$ 166,821,250**	**$ 153,963,538**

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University Foundation, Inc.
Component Unit - Statement of Activity

For the Year ending June 30, 2007 with comparative figures for 2006

Support and Revenue	Unrestricted	Current Restricted	Endowment	Total 2007	Total 2006
Contributions	$ 180,622	$ 1,278,167	$ 1,167,097	$ 2,625,886	$ 2,044,611
Phone-a-thon	17,374	0	0	17,374	20,711
Other Income	39,212	74,278	4,369	117,859	55,787
Investment Income	181,193	114,104	1,652,530	1,947,827	1,106,485
Unrealized Gain (Loss) on Investments	32,627	30,895	359,091	422,613	(50,719)
Administrative Income	241,334	0	0	241,334	173,782
Alumni Development	40,000	0	0	40,000	40,000
Alumni Income & Community Series	64,487	46,673	0	111,160	92,406
Total Support and Revenue	*$ 796,849*	*$ 1,544,117*	*$ 3,183,087*	*$ 5,524,053*	*$ 3,483,063*

Expenses	Unrestricted	Current Restricted	Endowment	Total 2007	Total 2006
Foundation Office	$ 375,179	$ 0	$ 0	$ 375,179	$ 255,233
Depreciation Expense	1,176	0	0	1,176	1,097
Annual Giving Program	95,018	0	0	95,018	69,707
Planned Giving Program	7,587	0	0	7,587	7,417
Major Gifts Program	0	0	0	0	50
Real Estate Program	459	0	0	459	367
Development Support	56,416	0	0	56,416	62,730
Community Relations	53,552	0	0	53,552	57,427
Mini-Grants	23,052	0	0	23,052	22,350
Special Projects	41,129	0	0	41,129	30,834
Red Skelton Center Fund	1,230	0	0	1,230	32,138
Brickyard Golf	18,868	0	0	18,868	27,988
Special Projects (DC Agenda)	35,036	0	0	35,036	41,132
Scholarships	2,000	125,033	353,172	480,205	469,733
Payments of Life Income Beneficiaries	0	0	0	0	1,607
Investment Expenses	6,375	9,567	53,231	69,173	73,416
Other Expenses	0	439,172	129,570	568,742	1,048,917
Administrative Fees	0	63,207	178,127	241,334	173,782
Alumni Expenses & Community Series	46,789	39,449	0	86,238	81,764
Total Expenses	*$ 763,866*	*$ 676,428*	*$ 714,100*	*$ 2,154,394*	*$ 2,457,689*
Increase in Net Assets	**$ 32,983**	**$ 867,689**	**$ 2,468,987**	**$ 3,369,659**	**$ 1,025,374**

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University Foundation, Inc.
Component Unit - Statement of Changes in Net Assets

For the Year ending June 30, 2007 with comparative figures for 2006

	Unrestricted	*Current Restricted*	*Endowment*	*Total 2007*	*Total 2006*
Net Assets Beginning of Year	**$ 4,443,788**	**$ 2,642,661**	**$ 16,379,024**	**$ 23,465,473**	**$ 22,440,099**
Excess of Support and Revenue Over Expenses	$ 32,983	$ 867,689	$ 2,468,987	$ 3,369,659	$ 1,025,374
Net Assets Adjustments:					
Additions	$ 6,300	$ 2,500	$ 378,744	$ 387,544	172,086
Deductions	(7,744)	(374,300)	(5,500)	(387,544)	(172,086)
Total Change for Year	*$ 31,539*	*$ 495,889*	*$ 2,842,231*	*$ 3,369,659*	*$ 1,025,374*
Net Assets, End of Year	**$ 4,475,327**	**$ 3,138,550**	**$ 19,221,255**	**$ 26,835,132**	**$ 23,465,473**

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University
Statement of Cash Flows

For the Year Ended June 30, 2007 and June 30, 2006

	2007	*2006*
Cash Flows from (for) Operating Activities		
Tuition and Fees	$ 23,932,262	$ 24,571,608
Grants and Contracts	24,097,618	25,301,264
Payments to Suppliers	(29,069,244)	(29,543,027)
Payments to Employees	(40,849,677)	(40,736,390)
Payments for Benefits	(14,298,784)	(15,309,369)
Payments for Scholarships and Fellowships	(4,335,781)	(4,342,583)
Loans Issued to Students	(230,408)	(209,749)
Collection of Loans to Students	199,651	278,766
Auxiliary Enterprises	14,618,977	14,517,278
Other Receipts	367,052	759,788
Net Cash Used in Operating Activities	*(25,568,334)*	*(24,712,414)*
Cash Flows from (for) Non-capital Financing Activities		
Governmental Appropriations	40,525,974	39,829,065
Gifts and Grants for Other than Capital Purposes	34,369	8,090
Gifts and Grants Transferred	(129,096)	0
Net Cash Provided by Non-capital Financing Activities	*40,431,247*	*39,837,155*
Cash Flows from (for) Capital and Related Financing Activities		
Proceeds from Capital Debt	0	23,293,274
Capital Appropriations	3,194,230	3,504,200
Capital Grants and Gifts Received	441,253	0
Proceeds from Sale of Capital Assets	1,908	395,804
Purchases of Capital Assets and Construction	(9,106,519)	(11,948,795)
Bond Reserve Cash Returned (Deposited)	177,685	(57,914)
Principal Paid on Capital Lease	(35,240)	(31,863)
Principal Paid on Capital Debt	(3,220,000)	(16,255,000)
Interest Paid on Capital Debt & Capital Lease	(2,615,122)	(2,380,188)
Net Cash Used by Capital and Related Financing Activities	*(11,161,805)*	*(3,480,482)*
Cash Flows from (for) Investing Activities		
Proceeds from Sales and Maturities of Investments	82,720,640	42,178,404
Investment Income	5,132,484	4,107,921
Purchase of Investments	(80,932,657)	(47,573,769)
Net Cash Provided by (Used in) Investing Activities	*6,920,467*	*(1,287,444)*
Net Increase (Decrease) in Cash	***10,621,575***	***10,356,815***
Cash and Cash Equivalents – Beginning of Year	10,756,945	400,130
Cash and Cash Equivalents – End of Year	**$ 21,378,520**	**$ 10,756,945**

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University
Statement of Cash Flows

For the Year Ended June 30, 2007 and June 30, 2006

Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities

	2007	*2006*
Net Operating Revenues and Expenses	$ (32,834,176)	$ (31,742,261)
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expenses	6,669,142	6,269,706
Changes in Assets and Liabilities:		
Receivables, Net	725,397	(357,408)
Inventories	(36,723)	(57,114)
Other Assets	(35,632)	(110,251)
Student Loans	(30,757)	69,017
Accounts Payable and Accrued Liabilities	43,480	1,125,332
Deferred Revenue	(140,623)	35,565
Gifts in Kind	25,653	7,545
Cash Flows Reported in Other Categories:		
Proceeds from Sale of Capital Assets	(1,908)	0
Capital Lease Payments	47,813	47,455
Net Cash Provided by (Used in) Operating Activities	**$ (25,568,334)**	**$ (24,712,414)**

The accompanying Notes to the Financial Statements are an integral part of this statement.

Vincennes University Notes to Financial Statements

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Vincennes University is an institution of higher education and is considered to be a component unit of the State of Indiana. The University is governed by a Board of Trustees as established by Indiana Code 23-13-18. The Board of Trustees of the University consists of ten trustees appointed by the Governor of the State. One of the trustees must be a resident of Knox County, one must be an alumnus of Vincennes University, and one must be a full-time student of the university during the term. There are also four ex-officio members of the board: the president of the University, the superintendent of the Vincennes Community School Corporation, the superintendent of the South Knox School Corporation, and the superintendent of the North Knox School Corporation. The University is included in the State's financial statements as a discrete component unit. Transactions with the State relate primarily to appropriations for operations and capital improvements and grants from various state agencies.

During the year ended June 30, 2004, the University implemented Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units*. This Statement amends GASB Statement No. 14, *The Financial Reporting Entity* to provide additional guidance to determine whether certain organizations for which the University is not financially accountable should be reported as component units based on the nature and significance of their relationship with the University.

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board (GASB), the financial reporting entity consists of the primary government, as well as its component unit, the Vincennes University Foundation, Inc.

The Vincennes University Foundation, Inc. is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds and invests are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of Vincennes University and the University's financial statements include discrete presentation of the Foundation by displaying the Foundation's audited financial statements in their original formats. The total amount the Foundation contributed to the University for scholarships, grants, capital projects and equipment for the year ending June 30, 2007, was $1,110,482 and for the year ending June 30, 2006, was $1,333,223. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Vincennes University Foundation, Inc. is a private not-for-profit organization that reports its financial results according to Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, and FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences, however significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

Financial statements for the Foundation can be obtained by calling the Vincennes University Foundation, Inc. at 812-888-4510.

Financial Statement Presentation

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This was followed in November 1999 by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. As a component unit of the State of Indiana, the University is also required to adopt GASB Statement No. 34 and Statement No. 35. The financial statement presentation required by GASB Statement No. 34 and Statement No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets, and cash flows. It replaces the fund-group perspective previously required.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant intra-agency transactions have been eliminated.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash Equivalents

For purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

The University accounts for its investments at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Accounts Receivable

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. The majority of each group resides in the State of Indiana. Accounts receivable also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

Inventories are carried at the lower of cost or market value on either the first-in, first-out ("FIFO") basis or the average cost basis.

Non-current Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other non-current assets, are classified as non-current assets in the Statement of Net Assets.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of $500 or more and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Infrastructure costs are minimal and included in the cost of Building and Improvements. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the asset, generally 40 to 50 years for buildings, 20 to 25 years for infrastructure and land improvements, and 3 to 10 years for equipment.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees, and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences

Employee vacation pay is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued vacation payable in the Statement of Net Assets and as a component of compensation, and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-current Liabilities

Non-current liabilities consist of principal amounts of a lease obligation and revenue bonds payable with a contractual maturity of greater than one year.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt — This represents the University's total investment in capital assets net of outstanding debt obligations related to those capital assets.

Restricted net assets -non-expendable — Non-expendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Restricted net assets -expendable — Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets — Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general operations of the University and may be designated for specific purposes by action of management or the Board of Trustees. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff. Unrestricted net assets include the Quasi-endowment funds, which are used to provide financial support to the students. Substantially all unrestricted net assets are designated for academic programs and initiatives, and capital programs.

Income Taxes

The University, as a political subdivision of the State of Indiana, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Classification of Revenues

The University has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating revenues — Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts and federal appropriations, and (4) interest on institutional student loans. Since the University's mission is to play a key role in programs of community development, cultural enrichment and services appropriate to a post-secondary educational institution, most grants and contracts are considered operating.

Non-operating revenues — Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or non-governmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

Component Unit

The Vincennes University Foundation, Inc. maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Permanently Restricted Net Assets — Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Temporarily Restricted Net Assets — Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/ or passage of time.

Unrestricted Net Assets — Net assets not subject to donor-imposed restrictions.

Revenues are recorded when earned. Contributions, including promises to give, are recognized as revenue in the period received at their fair values. Promises to give, or pledges, must be unconditional and legally enforceable to be recognized.

Expenses are recognized when incurred.

Investments in marketable securities are stated at fair market value.

Note 2 — Cash and Investments

Cash and investments as of June 30, 2007, are stated at market value. Indiana statutes authorize the University to invest in obligations of the U.S. Treasury and U.S. Agencies, certificates of deposits, repurchase agreements, savings and money market accounts, and negotiable order of withdrawal accounts. Cash deposits are insured by agencies of the federal government up to $100,000. Amounts over $100,000 are covered by the Indiana Public Depository Fund, which covers all public funds held in approved depositories. The total amount held in checking and money market accounts at various banks at June 30, 2007, equaled $22,410,899.

Quasi-endowment funds are managed by the trust departments of three major regional banks. These funds are invested in accordance with the policies set by the Finance Committee of the Board of Trustees. Other endowment funds held in trust consist of U. S. Treasury and U.S. Government Agency obligations, tax exempt municipal bonds, savings accounts, and certificates of deposit.

As of June 30, 2007, the University had the following investments:

Investment Type	*Market Value*	*Less than 1 Year*	*Maturity 1-5 Years*	*Maturity 6-10 Years*
Certificate of Deposits	$ 47,923,656	$ 35,762,724	$ 12,160,932	$ 0
U.S. Treasury Notes	3,629,878	1,203,087	1,422,145	1,004,646
U.S. Government Agencies	30,212,165	2,438,945	23,212,382	4,560,838
Mutual Funds	281,332	0	281,332	0
Total	**$ 82,047,031**	**$ 39,404,756**	**$ 37,076,791**	**$ 5,565,484**

Credit Risk — As a means of managing credit risk, University investment policy limits investments to A1 (Standard & Poor's) or P1 (Moody's). If a rating change occurs which disqualifies a security that is already present in the University portfolio it must be sold within 30 days of the discovery, unless it matures within six months of the rating change. At June 30, 2007, the University is in compliance with its credit risk policy for all investments.

Concentration of Credit Risk — The University places no limit on the amount that can be invested in any one issuer. More than 5 percent of the University's investments are in Certificate of Deposits, U.S. Treasury Bonds and U.S. Government Agencies. These investments are 58.41%, 4.42% and 36.82% respectively, of the University's total investments.

Interest Rate Risk — The risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not address exposure to fair value losses arising from changes in interest rates, but the investment objective is to obtain the highest revenue while maintaining safety and insuring adequate liquidity for institutional needs. To that end, management maintains a larger percentage (58% at year end) of investments in cash, cash equivalents, and short term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

Custodial Credit Risk — For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. University investment policy does not limit the value of investments that may be held by an outside party. Of the University's investments, $3,629,873 of the U.S. Treasury Notes, $11,698,754 of the U.S. Government Agencies, and $281,332 of the Mutual Funds are held by the counter party, a trust department, or an agent not in the University's name.

Foreign Currency Risk — There is a risk that exchange rate changes will adversely affect the fair value of an investment or a deposit. The University does not hold any foreign currency-denominated investments.

Note 3 — Inventories

Inventories are stated at the lower of cost or market value. Inventories are primarily comprised of the following:

Bookstores	$ 1,164,567
Commercial Repair - Aviation	209,814
Aviation Tech Center	161,386

Note 4 — Accounts Receivable

Accounts receivable are primarily comprised of the following:

Student Receivables - Tuition	$ 4,098,198
Auxiliaries	2,233,648
Sponsored Programs	1,429,806
Other	557,430
Total	8,319,082
Allowance for Doubtful Accounts	(3,050,371)
Total	$ 5,268,711

Capital appropriation receivable from the State consists of the following:

Current Portion of Receivable	$ 902,111
Non Current Portion of Receivable	902,111
Total	$ 1,804,222

Note 5 — Risk Management

The University is exposed to various risks of loss: torts, theft, damage or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; health and other medical benefits provided to employees and their dependents. The University handles these risks of loss through combinations of risk retention and commercial insurance. For building and contents, the risk retention is $25,000 per incident. General liability, commercial crime, aviation, worker's compensation, commercial automobile, and medical malpractice are all handled through fully insured commercial policies.

For health benefits, the University has an insured self-funded arrangement. The University retains the risk for medical benefits up to a stop loss provision of $300,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be $719,371 for the fiscal year 2006-2007 and $922,637 for the fiscal year 2005-2006.

Changes in the total reported self-insured health benefit liability during the year ending June 30, 2007 were as follows:

Balance, beginning of year	$ 922,637
Claims incurred	6,340,717
Claim payments	(6,543,983)
Balance, end of year	$ 719,371

Note 6 — Loans

The following is a list of the major funds representing the *restricted net assets - expendable, loan funds:*

Perkins Loan Fund	$ 151,551
Nursing Student Loan	254,471
Other	81,749
Total	$ 487,771

Note 7 — Compensated Absences

Employees have vested rights in accrued vacation time that is to be expended. Vested rights are those which have been earned by the employee for services already performed. Effective December 31, 2005, the maximum vacation accrual at any time shall be twice the annual allowance. The maximum number of days an employee may be paid upon termination of employment remains limited to the number of days which can be earned in 12 months. Recording of these liabilities is in accordance with generally accepted accounting principles.

Note 8 — Unrestricted Net Assets

As discussed in Note 1 to the financial statements, the University adopted new standards for external reporting purposes, which require net assets to be classified for accounting and reporting purposes into one of four net asset categories according to externally imposed restrictions. Unrestricted net assets, as defined by GASB Statement No. 35, are not subject to externally imposed stipulations; however, they are subject to internal restrictions. For example, unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees. A breakdown of these designations is shown in the Net Assets section of the Management's Discussion and Analysis. Designated unrestricted net assets were $56.1 million at June 30, 2007, and $52.3 million at June 30, 2006.

Note 9 — Scholarships and Instruction

The endowment funds are classified under net assets as Restricted for Scholarship & Instruction. They include both expendable and non-expendable funds. Itemized below are the total endowment funds having a fund balance greater than $10,000. All other endowments have been pooled.

Shircliff Memorial Scholarship	$ 36,456
Printing Industry	90,125
Zella Young Memorial Scholarship	157,446
Harry Watts Memorial Scholarship	16,123
Jean McCarthy Memorial Scholarship	16,086
Robert Forbes Memorial Scholarship	12,208
Shircliff Endowment Fund	221,570
Risley Endowment Fund	71,900
Shircliff Life Income	104,776
Lyons Life Income	24,854
Opal C Ramsey Fund	2,933,525
Mable Kuebler Trust	256,556
Estelle Emison Scholarship	28,131
All Others	69,637
Total	$ 4,039,393

Note 10 Banner Project

The University began implementing a new administrative computer system and web portal during the year ending June 30, 2005. Known as the VU Banner Project, the implementation ran for approximately thirty-six months. The Alumni module was the final module to be implemented with a go live date of July 2007. The new system will provide more efficient transaction processing in order to make strategic business decisions. The new technology will also integrate data among systems and reduce the cost of supporting the University's current mainframe system.

The fees for implementation, support and training are paid in quarterly installments. The total cost of the project is $2,167,050 with $1,281,089 being capitalized to date.

Note 11 — Capital Assets

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital Assets not being depreciated:					
Land	$ 11,427,531	$ 1,578,393	$ 22,298	$ 0	$ 12,983,626
Construction in Progress	5,227,943	3,899,507	0	(6,868,246)	2,259,204
Total Capital Assets not being depreciated	**16,655,474**	**5,477,900**	**22,298**	**(6,868,246)**	**15,242,830**
Capital Assets being depreciated:					
Building & Improvements	145,181,630	516,386	0	6,328,414	152,026,430
Equipment	38,123,304	3,237,625	4,074,947	539,832	37,825,814
Total Capital Assets being depreciated	**183,304,934**	**3,754,011**	**4,074,947**	**6,868,246**	**189,852,244**
Less Accumulated Depreciation for:					
Building & Improvements	47,204,612	3,585,958	0	0	50,790,570
Equipment	28,315,978	3,083,184	3,938,595	0	27,460,567
Total Accumulated Depreciation	**75,520,590**	**6,669,142**	**3,938,595**	**0**	**78,251,137**
Total Capital Assets, being depreciated, net	107,784,344	(2,915,131)	136,352	6,868,246	111,601,107
Capital Assets, net	**$ 124,439,818**	**$ 2,562,769**	**$ 158,650**	**$ 0**	**$ 126,843,937**

Note 12 — Pension Plans

A. Public Employees' Retirement Fund

Plan Description

Vincennes University contributes to the Public Employees' Retirement Fund (PERF), a defined benefit pension plan. The Public Employees' Retirement Fund (PERF) is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees hired prior to June 30, 2003, are eligible to participate in the defined benefit plan. Professional staff hired after this date are eligible for participation in a retirement income plan with Teachers Insurance and Annuity Association (TIAA) as described below. All other full-time employees hired after this date continue to be eligible to participate in the defined benefit plan provided by PERF. State statutes (IC 5-10.2 and 5-10.3) give the University authority to contribute to the plan and govern most requirements of the system. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer has elected to make the contributions on behalf of the member.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Public Employees' Retirement Fund, Harrison Building, Room 800, 143 West Market Street, Indianapolis, IN 46204, or by calling (317) 233-4162.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. On June 30, 2007, 406 employees were covered by PERF and total wages were $13,594,390. The University's contribution to the plan for the year end June 30, 2007 was $1,148,959. Related information provided by the actuary is presented in this note.

	PERF
Annual Required Contribution	$ 489,538
Interest on Net Pension Obligation	(63,120)
Adjustment to Annual Required Contribution	71,930
Annual Pension Cost	$ 498,348
Contributions Made	$ 612,887
Increase (Decrease) in Net Pension Obligation	*($114,539)*
Net Pension Obligation, Beginning of Year	*($870,625)*
Net Pension Obligation, End of Year	*($985,164)*

Contribution Rates:	**PERF**
University	5.5%
Contributed for Plan Members	3%
Actuarial Valuation Date	6/30/06
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Dollar Open
Remaining Amortization Period	Over 30 Years
Asset Valuation Method	Expected Actuarial Value Plus 25% of Market Value

Actuarial Assumptions:	**PERF**
Investment Rate of Return	7.25%
Projected Future Salary Increase Total	Based on PERF Experience in 1995-2000
Cost-of-Living Adjustments	1%

Three Year Trend Information

Year Ending	*Annual Pension Cost*	*Percentage of APC Contributed*	*Net Pension Obligation*
6/30/2004	$ 575,634	149%	($ 809,168)
6/30/2005	$ 461,682	113%	($ 870,625)
6/30/2006	$ 498,348	123%	($ 985,164)

Required Supplementary Information

Schedules of Funding Progress Public Employees Retirement Fund

Actuarial Valuation Date	*Actuarial Value of Assets* (a)*	*Actuarial Accrued Liability (AAL) (b)*	*Excess of Assets Over (Unfunded) AAL (a-b)*	*Funded Ratio (a/b)*	*Actual Covered Payroll (c)*	*Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)*
7/1/2004	**	**	**	**	**	**
7/1/2005	**	**	**	**	**	**
7/1/2006	$ 21,869,630	$ 22,280,461	($ 410,831)	98.00 %	$ 13,290,486	(3)%

* Determined to be equal to the same percent of accrued liability as entire state of Indiana.

** PERF corrected allocation percentages for the valuation dated 7/01/2006. Valuations for 7/01/2004 and 7/01/2005 were not restated.

B. Teachers' Retirement Fund

Plan Description

The University contributes to the Teachers' Retirement Fund (TRF), a defined benefit pension plan. The Teachers' Retirement Fund (TRF) is a cost-sharing, multiple employer public retirement system, which provides retirement benefits to plan members and beneficiaries. All employees engaged in teaching or in the supervision of teaching in the public schools of the State of Indiana are eligible to participate in the Teachers' Retirement Fund (TRF). Full-time faculty hired after July 1, 2003, are eligible for participation in a retirement income plan with Teachers Insurance and Annuity Association (TIAA) as described below. State statute (IC 20-12) gives the University authority to contribute and govern most requirements of the system. The TRF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the members' annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The University has elected to make the contributions on behalf of the member.

TRF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Teachers' Retirement Fund, 150 W. Market Street, Indianapolis, IN 46204, or by calling (317) 232-3860.

Funding Policy and Annual Pension Costs

The University is to contribute at an actuarially determined rate. The current rate has been actuarially determined under the entry age normal cost method to be 8.50% of covered wages. On June 30, 2007, 188 employees were covered by TRF and total wages were $14,599,750. The University's contribution to the plan for the fiscal years ending June 30, 2007, 2006 and 2005 were $1,651,825, $1,688,437 and $1,778,581, respectively. All required contributions were made by the University for each of the fiscal years.

C. TIAA/CREF

Faculty and professional staff hired prior to June 30, 2003, and having five or more years of continued employment are eligible to participate in a retirement income plan with Teachers Insurance and Annuity Association (TIAA). This is a defined contribution plan under IRC 403(b). Full-time faculty and professional staff hired after July 1, 2003, become eligible for the plan at the date of employment. There is no contribution to PERF or TRF for those employees covered under this policy. The University contributes 12% of covered wages for the new plan. An agreement between the University and TIAA is approved by the University Board of Trustees. On June 30, 2007, 482 employees were covered by TIAA/CREF and total wages were $25,131,021. During 2006/07, Vincennes University contributed $1,731,956 to TIAA/CREF on the employees behalf.

TIAA/CREF issues an annual financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 3rd Avenue, New York, NY 10017-3206.

Note 13 — Functional Statement

Operating expenses by functional classification are summarized as follows:

	Compensation and Benefits	*Scholarships and Fellowships*	*Supplies and Other Services*	*Equipment*	*Depreciation*	*Total*
Instruction	$ 30,680,661	$ -	$ 5,254,554	$ 368,740	$ -	$ 36,303,955
Sponsored Programs	6,927,287	-	6,044,247	406,575	-	13,378,109
Libraries	1,185,372	-	322,203	203,499	-	1,711,074
Community Services	255,517	-	78,413	5,469	-	339,399
Student Services	3,042,985	-	1,263,905	16,716	-	4,323,606
Operation & Maintenance of Plant	3,729,184	-	4,045,536	237,443	-	8,012,163
Institutional Support	6,279,452	-	1,769,080	55,929	-	8,104,461
Depreciation	-	-	-	-	6,669,142	6,669,142
Auxiliary Enterprises	3,717,833	-	8,293,597	78,100	-	12,089,530
Student Aid Expense	-	4,335,781	-	-	-	4,335,781
Total Operating Expenses	**$ 55,818,291**	**$ 4,335,781**	**$ 27,071,535**	**$ 1,372,471**	**$ 6,669,142**	**$ 95,267,220**

Note 14 — Capital Lease Obligation

Capital Lease Payable consists of a lease-purchase agreement between Vincennes University and Xerox Corporation for a Docutech Printer. The present value of the minimum payments of $185,624 was recorded as equipment.

Future minimum payments required under the capital lease and the net present value of the future payments are as follows:

Year ending June 30	*Principal*	*Interest*	*Minimum Payments*
2008	38,975	8,480	47,455
2009	43,106	4,349	47,455
2010	19,283	490	19,773
Total Minimum Lease Payments	**$ 101,364**	**$ 13,319**	**$ 114,683**

Note 15 — Long Term Debt

Long-term debt activity for the year ended June 30, 2007, is summarized as follows:

	Interest Rate	Amount Issued	Amount Retired 2006-2007	Amount Outstanding June 30, 2007	Amount Due Within One Year
Housing & Dining of 1983 Series A	3.000%	$ 5,000,000	$ 130,000	$ 2,800,000	$ 140,000
Student Fee Revenue Bonds of 1997 Series E	4.854%	25,535,000	1,815,000	8,065,000	1,635,000
Auxiliary Facilities System Revenue Bonds of 2006	4.126%	13,440,000	650,000	12,585,000	675,000
Variable Rate Demand Student Fee Bonds Series F	*Cannot exceed 10%*	9,045,000	380,000	7,955,000	-
Variable Rate Demand Student Fee Bonds Series G	*Cannot exceed 10%*	23,895,000	245,000	23,550,000	-
Student Fee Bonds Series H	4.373%	4,545,000	-	4,545,000	145,000
Total Bonds Payable			*$ 3,220,000*	*59,500,000*	*$ 2,595,000*
Unamortized Bond (Discount)				451,232	
Due Within One Year				(2,595,000)	
Total Long Term Liabilities				**$ $57,356,232**	

Debt obligations are generally callable by the University, bear interest at fixed and variable rates ranging from 3% to 10%, and mature at various dates through 2027. The Series F and Series G bonds are variable rate demand bonds. The University is paying monthly interest on $7,955,000 and $23,550,000 at the current interest rate of 3.75% at June 30, 2007. These variable rate demand student fee bonds mature on October 1, 2022, and October 1, 2024, respectively. Maturities and interest on bonds payable for the next five years, and in the next five year periods are as follows:

	Principal	*Interest*
2008	$ 2,595,000	$ 2,390,781
2009	3,245,000	2,262,601
2010	2,625,000	2,127,864
2011	2,745,000	2,005,876
2012	1,560,000	1,895,226
2013-2017	6,745,000	8,552,278
2018-2022	6,700,000	7,008,877
2023-2027	33,285,000	2,278,473
Total	*$ 59,500,000*	*$ 28,521,976*

Bonds Secured by Dormitory Revenues

The following bonds are secured by Dormitory Revenues of $10,606,755.

The Housing and Dining Revenue Bonds of 1983 Series A, issued June 1983 by the Board of Trustees to fund construction for residential building of Vigo Hall.

The Auxiliary Facilities System Revenue Bonds of 2006, issued in February 2006 by the Board of Trustees to refund the University's outstanding 1989, 1991 and 1996 series bonds for the construction of Vanderburgh and Godare Residence Halls.

Bonds Secured by Student Fees

The following bonds are secured by student fees of $28,362,314.

The Student Fee Revenue Bonds of 1997, issued in December 1997 by the Board of Trustees to refund the University's outstanding Student Fee Bonds, Series A, Series B, Series C, and Series D.

The Variable Rate Demand Student Fee Bonds, Series F, initial advance was issued March 2002 in the amount of $1,500,000 with two more advances in August 2002 and April 2003 totaling $5,175,000 and one in September 2003 in the amount of $2,370,000 by the Board of Trustees for the construction of Phase II of the Technology Building. The Series F Bonds will bear interest at a daily rate, weekly rate, long term rate, or fixed rate. When the Bonds are in the daily or weekly rate mode, the interest rate will be determined by the Remarketing Agent at the lowest rate of interest which, in its judgment, will cause the Bonds to have a market value equal to the principal amount plus accrued interest. In no event will the interest rate exceed 10%. As of June 30, 2007, the rate is set on a weekly rate of 3.75%.

The Vincennes University Variable Rate Demand Student Fee Bonds, Series G, were issued on October 14, 2004. The proceeds were used to fund construction of a performing arts center and a student sport facility. The initial advance of $11,455,000 was issued October 2004 with two more advances in March and June 2005 totaling $7,700,000. The final distribution of $4,740,000 was received in September 2005. The total proceeds from the issue including bond issuance costs was $23,895,000. Of this amount, $16,000,000 was used to fund construction of the Red Skelton Performing Arts Center and $7,000,000 was used to fund construction of the P. E. Recreational Sports Facility. The Series G Bonds will bear interest at a daily rate, weekly rate, long term rate, or fixed rate. When the Bonds are in the daily or weekly rate mode, the interest rate will be determined by the Remarketing Agent at the lowest rate of interest which, in its judgment, will cause the Bonds to have a market value equal to the principal amount plus accrued interest. As of June 30, 2007, the rate is set on a weekly rate of 3.75%.

The Vincennes University Student Fee Bonds, Series H, were issued on February 7, 2006, in the aggregate original principal amount of $4,545,000. It bears interest at fixed rates as stated in the maturity schedule. The net interest cost is 4.373% The proceeds were used to fund construction of an academic building on the Jasper Campus. This building houses additional classroom space to meet the increasing enrollment of students at the Vincennes campus in Jasper. The facility provides additional quality instruction space for several departments including: Business and Technology, Humanities and Social Sciences, Math and Science and Continuing Education. It provides new computer laboratory rooms.

Funds held with Bond Trustee

Current Funds Expected to be Depleted Within a Year	
Student Fee Bonds Series F	$ 9,741
Student Fee Bonds Series G	12,001
Student Fee Bonds Series H	38,109
Other B & I Accounts	8,481
Total Current Assets	$ 68,332
Non-Current Fund	
H & D Bonds of 1983 A & B Vigo Hall	248,644
Total Funds held with Bond Trustee	**$ 316,976**

Note 16 — Post-Retirement Benefits

The Financial Accounting Standards Board has passed SFAS 106, which in essence states "companies who currently account for other post-retirement employee benefits (OPEB) costs on a pay-as-you-go basis will now use the accrual method and recognize any and all related obligations. OPEB is defined as any form of benefits other than pensions - such as health care, life insurance, disability benefits, tuition assistance, employee discounts, legal plans, day care and housing subsidies. These benefits are provided by a mutual understanding by the employer and its employees whereby an employer undertakes to provide its current and former employees with benefits after they retire in exchange for the employees' service over a specified period of time, upon attaining a specified age while in service or both."

While SFAS 106 went into effect in 93-94, the University recognizes the estimated and potential negative impact such liabilities will have. Until actuarial studies have been completed, only estimates can be provided. The University will be required to implement the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective with the fiscal year ending June 30, 2008. The University will be required to address the accounting and reporting for costs and obligations related to postemployment healthcare and other non-pension benefits. The University has not yet determined the full impact of GASB Statement No. 45 on its financial statements. It is our opinion that the amounts will be extremely significant and have a material effect on financial presentation.

As of June 30, 2007, there were 247 retirees eligible for health benefits. Of the total cost of $6,412,869, $1,699,838 represented the current year benefit for health insurance provided to retirees. In addition to health, the University also provides life insurance for its employees. As with the health benefit, no liability is recorded for active employees based on service credits

for future benefits payable at retirement. As of June 30, 2007, there were 266 retirees eligible for life insurance benefits. Of the total cost of $163,509, $29,390 represented the current year benefit for life insurance provided to retirees.

To be eligible for post-retirement benefits of health insurance coverage and life insurance, an employee hired prior to July 1, 1997, must have 20 years of continuous full-time service and have at least reached the age of 55, or have 10 years of service and have at least reached the age of 65. Employees hired after July 1, 1997, must have 20 years of continuous full-time service and be eligible to receive retirement benefits under the state retirement plan with no reduction in pension benefits. Under either Indiana State Teachers' Retirement (ISTRF) or Public Employees' Retirement Fund (PERF), members become eligible for normal retirement with full benefits at age 65 with 10 or more years of creditable service, at age 60 with 15 or more years of creditable service, or at 55 with members age plus years of creditable service equal to 85 or more (Rule of 85). A member who does not qualify for the Rule of 85 will be eligible for early retirement with reduced benefits at age 50 with 15 or more years of creditable service.

Post Retirement Benefit Trust

The University has established a Grantor Trust to provide certain post retirement benefits for those employees of Vincennes University and their eligible dependents covered by the plan. The Vincennes University Foundation has been named as the Trustee. All contributions made to the trust, together with the income shall be held, invested and administered by the Trustee. Payments will be made out of the trust at the direction of Vincennes University to the University or its Plan Administrator. The total amount transferred to the trust during FY07 was $2,300,000.

Changes to the Grantor Trust for the year ended June 30, 2007 were as follows:

Balance, beginning of year	$8,493,051
Contributions to Trust	2,300,000
Interest, Dividends & Realized Gains	537,047
Unrealized Gains	398,542
Trustee Fees	(27,310)
Balance, end of year	*$11,701,330*

Note 17 Subsequent Events

The University continues to adhere to its long-range plan for upgrading and adding new facilities for instruction to meet the needs of our students and the community. The Jasper Academic Classroom Building was completed and opened for Spring 2007 semester classes. The University also received state approval to construct an $11 million Advanced Manufacturing Training Center on the Vincennes campus. The facility will feature state-of-the-art training facilities with smart classrooms and labs designed to be flexible and highly adaptable to business and industry training needs. Ground was broken on September 6, 2007. Bonds will be issued to fund this construction during fiscal year 2008.

During the 2007 Indiana General Assembly legislative session, Vincennes University received approval for three state funded capital projects. Two of the projects are state-of-the-art State Centers for Applied Technology to be located in Gibson County and the Vincennes University Jasper campus in Dubois County. These facilities will provide the State of Indiana with premiere technological training centers located in the heart of an expanding industry and population base. The Jasper facility, an $8.8 million, 50,000 square foot facility, will also provide the opportunity to bring many of the Vincennes University technical programs, currently offered only on the Vincennes campus, to the Jasper campus. The Gibson site will be funded as a cash appropriation. The University also received funding approval for two million dollars to renovate Health and Science Laboratories. The University was also approved by the Indiana General Assembly to construct a $5 million multicultural center. This center will be dedicated to the empowerment of students through the creation and integration of unique opportunities that celebrate the rich diversity offered by our minority and international students.

Clark Residence Hall, one of the University's six residence halls, will undergo extensive renovation during the 2007-08 fiscal year. The $10 million renovation will include the development of private rooms and four-person suites with compact kitchen areas. Financing will be obtained during fiscal year 2008. The project is scheduled to be completed by the Fall Semester of 2008.

Vincennes University
Financial Report for 2006 - 2007

Board Of Trustees

Officers of the University

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Indiana's First College

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