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

AUDIT REPORT

OF

VINCENNES UNIVERSITY

VINCENNES, INDIANA

July 1, 2009 to June 30, 2010

FILED
02/15/2011

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SCHEDULE OF OFFICIALS

Office	Official	Term
President	Richard E. Helton	07-01-09 to 06-30-11
Vice President for Financial Services and Government Relations	Phillip S. Rath	07-01-09 to 06-30-11
Chairman of the Board of Trustees	John R. Gaylor	07-01-09 to 06-30-11

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, VINCENNES, INDIANA

We have audited the financial statements of Vincennes University (University), as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the University's Board of Trustees, management, others within the entity, 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
State Board of Accounts

October 20, 2010

STATE OF INDIANA
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, 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 could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2010. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance 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 2010-1, 2010-2, and 2010-3.

Internal Control Over Compliance

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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Vincennes University as of and for the year ended June 30, 2010, and have issued our report thereon dated October 20, 2010. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole

The University's response to the findings identified in our audit is described in the accompanying section of the report entitled Summary Schedule of Prior Audit Findings and Corrective Action Plan. 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 Board of Trustees, management, others within the entity, 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
State Board of Accounts

January 24, 2011

VINCENNES UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION		
Direct Grant		
Student Financial Aid Cluster		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	$ 227,725
Federal Family Education Loans - PLUS	84.032	3,752,689
Federal Family Education Loans - Stafford	84.032	31,277,395
ARRA - Federal Work Study Program	84.033	35,851
Federal Work-Study Program	84.033	205,140
Federal Perkins Loans (FPL) - Federal Capital Contributions	84.038	1,281,728
Federal Pell Grant Program	84.063	16,138,262
Federal Direct Student Loans - Plus	84.268	1,988
Federal Direct Student Loans - Stafford	84.268	204,314
Academic Competitiveness Grants (ACG)	84.375	364,570
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	32,500
Total for federal grantor agency		53,522,162
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct Grant		
Student Financial Aid Cluster		
Nursing Student Loans	93.364	268,915
Total for federal grantor agency		268,915
Total for cluster		53,791,077
U.S. DEPARTMENT OF AGRICULTURE		
Direct Grant		
Public Television Station Digital Transition Grant Program	10.861	507,348
Total for federal grantor agency		507,348
U.S. DEPARTMENT OF JUSTICE		
Direct Grant		
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	141,213
Total for federal grantor agency		141,213
U.S. DEPARTMENT OF LABOR		
Pass-Through South Central Indiana Workforce Board, Inc.		
Workforce Investment Act (WIA) Cluster		
Region 8		
WIA Adult Program	17.258	639,787
ARRA - WIA Adult Program	17.258	243,089
WIA Youth Program	17.259	688,888
WIA Dislocated Workers	17.260	756,139
ARRA - WIA Dislocated Workers	17.260	117,058
Total for pass-through entity		2,444,961
Pass-Through Grow Southwest Indiana Workforce Board, Inc.		
Workforce Investment Act (WIA) Cluster		
Region 11		
WIA Adult Program	17.258	860,019
ARRA - WIA Adult Program	17.258	308,329
WIA Youth Program	17.259	593,999
ARRA - WIA Youth Program	17.259	58,762
WIA Dislocated Workers	17.260	1,229,092
ARRA - WIA Dislocated Workers	17.260	169,774
Total for pass-through entity		3,219,975
Total for cluster		5,664,936
Direct Grants		
WIA Pilots, Demonstrations and Research Projects	17.261	10,000
H-1B Job Training Grants	17.268	83,259
Mine Health and Safety Grants	17.600	237,079
Pass-Through Grow Southwest Indiana Workforce Board, Inc.		
Region 11		
WIA Pilots, Demonstrations and Research Projects	17.261	58,699
Incentives Grant - WIA Section 503	17.267	30,329
Veteran's Employment Program	17.802	37,897

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, 2010
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Total Federal Awards Expended
U.S. DEPARTMENT OF LABOR (continued)		
Pass-Through South Central Indiana Workforce Board, Inc.		
Region 8		
Work Incentive Grant	17.266	30,434
Veteran's Employment Program	17.802	31,874
Total for federal grantor agency		6,184,507
U.S. DEPARTMENT OF THE TREASURY		
Pass-Through Indiana Department of Family and Social Services Administration		
Tax Counseling for the Elderly	21.006	12,883
Total for federal grantor agency		12,883
NATIONAL SCIENCE FOUNDATION		
Direct Grant		
Education and Human Resources	47.076	4,355
Total for federal grantor agency		4,355
U.S. DEPARTMENT OF EDUCATION		
Direct Grant		
Trio Cluster		
Trio - Student Support Services	84.042	358,441
Trio - Talent Search	84.044	379,468
Trio - Project Aspiree	84.044A	249,046
Trio - Upward Bound	84.047	690,999
Total for cluster		1,677,954
Career and Technical Education - Basic Grants to States	84.048	601,016
Pass-Through Indiana Department of Education		
Adult Education - Basic Grants to States	84.002	526,749
Fund for the Improvement of Postsecondary Education	84.116	482,154
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	182,551
Total for federal grantor agency		3,470,424
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	396,260
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	535,375
Nutrition Services Incentive Program	93.053	115,531
ARRA - Aging Congregate Nutrition Services for States	93.707	41,412
Total for cluster		1,088,578
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	6,487
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	19,298
National Family Caregiver Support - Title III, Part E	93.052	139,365
Social Services Block Grant	93.667	236,045
Total for federal grantor agency		1,489,773
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	83,379
Total for federal grantor agency		83,379
Total federal awards expended		$ 65,684,959

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

1. 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.

Student Financial Assistance

Expenditures for non-loan assistance made to students are recognized and reported in the Schedule of Expenditures of Federal Awards.

Student loan programs are funded by the federal government under various programs; e.g. Perkins Student Loan program. Activity related to this loan program includes federal and university capital contributions, loan repayments, interest earned on loans, cancellation of loans, and administrative and collection costs. The Schedule of Expenditures of Federal Awards reflects only current year loans to students.

2. Federal Family Educational Loans

The Schedule of Expenditures of Federal Awards includes Federal Family Educational Loans which are not made by the University but received by its students. The University is responsible only for the performance of certain administrative duties with respect to these loans.

The University processed the following amounts of new loans under the Federal Family Education Loan Program for the year ended June 30, 2010:

Program	Federal CFDA Number	Amount
Stafford Loans (Subsidized and Unsubsidized)	84.032	$ 31,277,395
Federal Parent Loans for Undergraduate Students (PLUS)	84.032	3,752,689

In prior years, the amounts of loans received by students were not included as federal expenditures in the Schedule of Expenditures of Federal Awards, as allowed by OMB Circular A-133.

3. Federal Student Loan Program

The University participates in various loan programs. The University maintains a revolving loan fund for the Perkins and Nursing Student Loan Programs. The Perkins Loan and the Nursing Student Loan Programs are administered by the University and balances and transactions relating to these programs are included in the University's financial statements. Therefore, the federal expenditures include the entire amount of that fund, including outstanding loans to students. The following schedule represents loans outstanding as of June 30, 2010:

Cluster/Program Title	Federal CFDA Number	Outstanding Loan Amount
Federal Perkins Loan Program	84.038	$ 1,281,728
Nursing Student Loan Program	93.364	268,915

In prior years, the amounts of loans outstanding were not included as federal expenditures in the Schedule of Expenditures of Federal Awards, as allowed by OMB Circular A-133.

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?	none reported

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	Aging Cluster
Various	Workforce Investment Act (WIA)

Dollar threshold used to distinguish between Type A and Type B programs: $866,938

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-01, CASH MANAGEMENT – NONCOMPLIANCE REIMBURSABLE GRANT

Federal Agency: U.S. Department of Labor
Federal Program: Workforce Investment Act
CFDA Numbers: 17.258, 17.259, and 17.260
Federal Award Number: N/A
Pass-through Entity: Indiana Department of Workforce Development

The Workforce Investment Act (WIA) grant is administered on a reimbursement basis.

The Workforce Investment Act (WIA) grant is administered by Title 29 of the Code of Federal Regulations. The code of federal regulations at 29 CFR 97.21 (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 part 205."

31 CFR 205.12 (b)(5) defines reimbursement basis as follows: "Reimbursable funding means that a Federal Program Agency transfers Federal funds to a State after that State has already paid out the funds for Federal assistance program purposes." Since 29 CFR 97.21 (b) adopts these regulations, the funding requests submitted should be supported by an actual expense of the University for the corresponding time period.

The Vincennes University Workforce Development Service (WDS) Region 11 submitted 12 Accrued Expenditure Reports (AER) for FY09-10. However, WDS did not maintain detailed monthly expenditure reports for 10 out of 12 Accrued Expenditure Reports (AER). Grow Southwest Indiana Workforce Board, Inc. contracted with Fiscal Agent and Fiscal Monitor, Crowe Horwath, and Regional Operator, Thomas P. Miller (dba Grow Southwest Workforce), to monitor the service provider, WDS Region 11. The Fiscal Agent, Fiscal Monitor, and the Regional Operator did not properly review the AERs submitted for reimbursement for any reliable documentation before signing off on the claims and issuing the checks.

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.

FINDING 2010-02, QUESTIONED COSTS – NO VALID CONTRACTS

Federal Agency: U.S. Department of Labor
Federal Program: Workforce Investment Act (WIA)
CFDA Number: 17.258, 17.259, 17.260
Federal Award Number: N\A
Pass-through Entity: Indiana Department of Workforce Development

The Vincennes University Workforce Development Service (WDS) Region 8 and Region 11 had expenditures for rental of facilities with two entities without valid contracts.

20 CFR 667.410 (a), states in part: "Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to: (1) Determine that expenditures have been made against the cost categories and within the cost limitations . . . " OMB A-87, Attachment B, specifies that "Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available."

WDS Region 8 contracted with South Central Educational Alliance for facility rental and expended $3,900 in 2009-2010. However, the rental contract expired in 2007. South Central Region 8 Workforce Board, Inc. contracted with Fiscal Agent and Fiscal Monitor, Crow Horwath, and Regional Operator, CLI, John Corcoran, to monitor the service provider, WDS Region 8. The Fiscal Agent, Fiscal Monitor, and the respective Regional Operators did not properly review the reimbursement claims submitted for payment for any reliable documentation before signing off on the claims and issuing the checks.

WDS Region 11 expended $148,925.04 in 2009-2010 to Grow Southwest Indiana Workforce Board, Inc. for facility rental. However, the contract for the rental facility was with Grow Southwest Indiana Workforce Board, Inc. and Career Choices, Inc. as the sublessee not Vincennes University. Grow Southwest Indiana Workforce Board, Inc. contracted with Fiscal Agent and Fiscal Monitor, Crowe Horwath, and Regional Operator, Thomas P. Miller (dba Grow Southwest Indiana Workforce Board, Inc.), to monitor the service provider, WDS Region 11. The Fiscal Agent, Fiscal Monitor, and the respective Regional Operators did not properly review the reimbursement claims submitted for payment for any reliable documentation before signing off on the claims and issuing the checks.

Expenditures made for facility rental without valid contracts amount to $152,825, which is considered a questioned cost.

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 20 CFR 667.410 and OMB Circular A-87, which specify that monitoring of contracts, should be performed periodically to ensure that expenditures being charged to the grant are valid. Vincennes University should implement procedures for monitoring contractual payments from grant funds.

FINDING 2010-3, DETERMINATION OF UNOFFICIAL WITHDRAWAL

Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
CFDA Number: Various
Pass-through Entity: N/A

For nine of the fourteen students tested who unofficially withdrew, the University did not identify students as unofficial withdrawals within thirty days of the end of the academic period.

34 CFR 668.22 (j)(2) states: "An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the - (i) Payment period or period of enrollment, as appropriate, in accordance with paragraph (e)(5) of this section; (ii) Academic year in which the student withdrew; or (iii) Educational program from which the student withdrew."

The University is not in compliance with 34 CFR 668.22 (j)(2), Treatment of Title IV funds when a student withdraws.

University officials need to identify all students that unofficially withdraw within thirty days after the end of the academic period to determine if any Title IV funds are required to be refunded.

Summary Schedule of Prior Audit Findings

Finding Number 2009-1

Fiscal Year:	2009
Auditee Contact Person:	Stanley J. Werne
Title of Contact Person:	Director of Financial Aid
Phone Number:	(812) 888-5999
Status of Finding:	In Process with Department of Education

We had originally provided the data requested by Ms. Clare Barger at the U.S. Department of Education in June 2010. She asked for additional documentation, which we submitted on October 26, 2010. We have not yet received a judgment of what action the university must take. We are awaiting a determination by Ms. Barger.

CORRECTIVE ACTION PLAN

Finding 2010-01 Cash Management – Noncompliance Reimbursable Grant

Federal Agency: U.S. Department of Labor
Federal Program: Workforce Investment Act
CFDA Number: 17.258, 17.259, and 17.260
Federal Award Number: N\A
Pass-through Entity: Indiana Department of Workforce Development
Auditee Contact Person: David Tucker, Vice President of Workforce Dev/Community Services
Phone Number: (812) 888-4266
Expected Completion Date: Corrective Action Already Taken

The Workforce Investment Act (WIA) grant is administered on a reimbursement basis.

The Workforce Investment Act (WIA) grant is administered by Title 29 of the Code of Federal Regulations. The code of federal regulations at 29 CFR 97.21 (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 29 CFR 97.21 (b) adopts these regulations, the funding requests submitted should be supported by an actual expense of the University for the corresponding time period.

The Vincennes University Workforce Development Service (WDS) Region 11 submitted 12 Accrued Expenditure Reports (AER) for FY09-10. However, WDS did not maintain detailed monthly expenditure reports for 10 out of 12 Accrued Expenditure Reports (AER). Grow Southwest Indiana Workforce Board, Inc. contracted with Fiscal Agent, Crowe Horwath, and Regional Operator, Thomas P. Miller (dba Grow Southwest Workforce), to monitor the service provider, WDS Region 11. The Fiscal Agent, Fiscal Monitor, and the Regional Operator did not properly review the AERs submitted for reimbursement for any reliable documentation before signing off on the claims and issuing the checks.

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:

The Vincennes University Workforce Development Service (WDS) Region 11 was restructured as a result of a contract change for fiscal year 2010. During this time, Region 11 was transitioning to a new computer system and data was not tracked properly. As the year progressed, Region 11's fiscal staff was able to migrate to the new system and develop new reporting and claim procedures; therefore, becoming compliant.

Vincennes University WDS reviewed all 2010 expenditures and claims. It was determined that the total claims paid were supported by authorized expenditures under the contract which did not exceed the contract amount. It was also verified that the claim along with the support is reviewed by the Executive Director before submission. The University recognized the importance of adhering to this requirement and had resolved this issue before the end of fiscal year 2010.

Finding 2010-02 Questioned Costs – No Valid Contracts

Federal Agency: U.S. Department of Labor
Federal Program: Workforce Investment Act (WIA)
CFDA Number: 17.258, 17.259, 17.260
Federal Award Number: N\A
Pass-through Entity: Indiana Department of Workforce Development
Auditee Contact Person: David Tucker, Vice President of Workforce Dev/Community Services
Phone Number: (812) 888-4266
Expected Completion Date: Corrective Action Already Taken

The Vincennes University Workforce Development Service (WDS) Region 8 and Region 11 had expenditures for rental of facilities with two entities without valid contracts.

20 CFR Part 652, Section 667.410, states in part, "Each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to determine that expenditures have been made against the cost categories and within the cost limitations…" OMB A-87, Attachment B, which specifies that "Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available."

WDS Region 8 contracted with South Central Educational Alliance for facility rental and expended $3,900 in 2009-2010. However, the contract expired in 2007 for these rental payments. South Central Region 8 Workforce Board, Inc. contracted with Fiscal Agent, Crow Horwath, and Regional Operator, CLI, John Corcoran, to monitor the service provider, WDS Region 8. The Fiscal Agent, Fiscal Monitor, and the respective Regional Operators did not properly review the reimbursement claims submitted for payment for any reliable documentation before signing off on the claims and issuing the checks.

WDS Region 11 expended $148,925.04 in 2009-2010 to Grow Southwest Indiana Workforce Board, Inc. for facility rental. However, the contract for the rental facility was with Grown Southwest Indiana Workforce Board, Inc. and Career Choices, Inc. as the sublessee not Vincennes University. Grow Southwest Indiana Workforce Board, Inc. contracted with Fiscal Agent, Crowe Horwath, and Regional Operator, Thomas P. Miller (dba Grow Southwest Workforce), to monitor the service provider, WDS Region 11. The Fiscal Agent, Fiscal Monitor, and the respective Regional Operators did not properly review the reimbursement claims submitted for payment for any reliable documentation before signing off on the claims and issuing the checks.

Expenditures made for facility rental without valid contracts amount to $152,825, which is considered a questioned cost.

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 20 CFR Part 652, Section 667.410 and OMB Circular A-87, which specifies that monitoring of contracts, should be performed periodically to ensure that expenditures being charged to the grant are valid. Vincennes University should implement procedures for monitoring contractual payments from grant funds.

Response/Action Plan:

The Vincennes University Workforce Development Service (WDS) Region 11 was restructured as a result of a contract change for fiscal year 2010. The University failed to update a sublease agreement as the sublessee. Internal controls exist to review contracts before payment; however, this contract was overlooked. The University has updated this agreement and is now compliant with this requirement.

The Vincennes University Workforce Development Service (WDS) Region 8 was aware of the expired contract and had notified South Central Educational Alliance by a letter dated April 24, 2008. The landlord wanted to operate on the month-to-month extension provision because they were trying to be removed as landlord of that particular building. It was a drawn out process; however, Region 8 felt that they were still abiding by the contract on a month-to-month basis since the contract clearly stated that the *"tenant shall have the option to extend the lease on a month-to-month basis under the same terms and conditions as contained until a new lease is signed";* however, the contract was with the Orange County Commissioners as Landlord, and Indiana State University as Fiscal Agent for South Central Educational Alliance as leasing agent. Indiana State University ceased as the fiscal agent in December 2009. The Auditor of Orange County became the new landlord in Jan 2010 and WDS Region 8 entered into an updated contract at that time.

Finding 2010-3 Determination of Unofficial Withdrawal

Federal Agency: U.S. Department of Education
Federal Program: Student Financial Aid Cluster
CFDA Number: Various
Pass-through Entity: N/A
Auditee Contact Person: Stanley J. Werne, Director of Financial Aid
Phone Number: (812) 888-5999
Expected Completion Date: Corrective Action Already Taken

For nine of the fourteen students tested who unofficially withdrew, the University did not identify students as unofficial withdrawals within thirty days of the end of the academic period.

34CFR668.22(j)(2) states: "An institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (i) payment period or period of enrollment, as appropriate, in accordance with paragraph (e)(5) of this section; (ii) academic year in which the student withdrew; or (iii) educational program from which the student withdrew.

The University is not in compliance with 34CFR668.22(j)(2), Treatment of Title IV funds when a student withdraws.

University officials need to identify all students that unofficially withdraw within thirty days after the end of the academic period to determine if any Title IV funds are required to be refunded.

Response/Action Plan:

The University understands the importance of identifying unofficial withdrawals timely and had been actively seeking a better solution. For Fall 2010, the University modified its system to require professors to enter the last date of attendance on students receiving an F and/or withdrawing from a class. This new feature will timely identify those students unofficially withdrawing from the University.

VINCENNES UNIVERSITY
EXIT CONFERENCE

The contents of this report were discussed on January 24, 2011, with Phillip S. Rath, Vice President for Financial Services and Government Relations; Linda Waldroup, Controller; Tim Eaton, Budget Director; Conya Wampler, Director of Accounting; Diana Marmaduke, Staff Accountant; David Tucker, Vice President for Workforce Development and Community Services; John A. Stachura, First Vice Chairman, Board of Trustees; and Stan Werne, Financial Aid Director.

Vincennes University

S'INSTRUIRE POUR SERVIR

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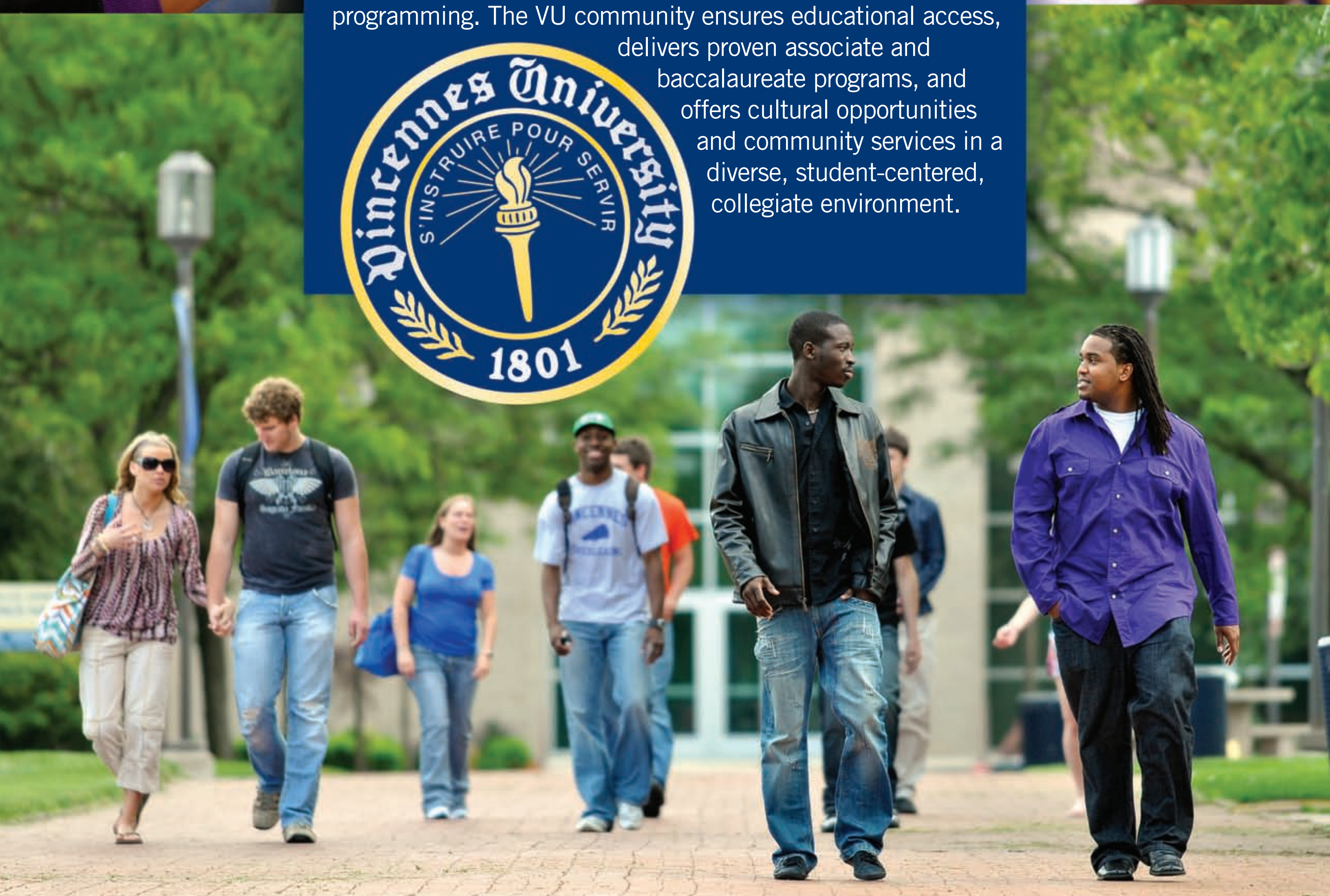
ANNUAL FINANCIAL REPORT | 2009.2010

VISION STATEMENT

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 STATEMENT

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.



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, INDIANA

We have audited the accompanying basic financial statements of Vincennes University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2010 and 2009. 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 audits. 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 audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, based on our audits 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, 2010 and 2009, 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 October 20, 2010, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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
STATE BOARD OF ACCOUNTS

October 20, 2010

VINCENNES UNIVERSITY TREASURER'S REPORT

While facing many challenges, Vincennes University (VU) strives to operate in the most efficient and effective manner possible. Results from operations continue to be positive while the institution remains the most affordable residential college in Indiana. With increasing enrollments the University searches for ways to actively manage declines in State funding while meeting the needs of our students.

VU continues to ensure our students' academic experience takes place in high quality facilities. The VU John Deere Ag Tech/Diesel program recently celebrated the grand opening of its new $2.5 million facility. Through a partnership with Purdue University, this facility includes two state-of-the-art laboratories and is located at the Southwest-Purdue Agricultural Center, a 200-acre research farm in Knox County. In addition, construction on the Gibson County Center for Advanced Manufacturing and Logistics facility is moving forward. These facilities will provide Southwest Indiana with premier technological training centers focused on agriculture, manufacturing and logistics.

In a continuing effort to support workforce training, Vincennes University is completing a high-tech training center which will be named the Haas CNC Training Center. This center is now under development in the Indiana Center for Applied Technology on the Vincennes campus and represents an expansion of VU's partnership with Haas Automation. These labs will be one-of-a-kind in the nation and will demonstrate advanced manufacturing at its highest level.

Vincennes University continues to remain Indiana's leader in transfer programs, quality community services, and innovative career programming leading to high-growth, high-demand occupations. During the 2009-2010 fiscal year, VU was proud to deliver services to over 15,000 students, inclusive of all 92 Indiana counties, 26 states, and more than 35 foreign countries. VU also continues to serve the needs of Indiana's employers by offering over 200 accredited associate degree programs and seven baccalaureate degree programs along with a multitude of options and certificates with nearly 100% job placement in many areas.

I am pleased to present the 2009-2010 Vincennes University Financial Report for the fiscal year ended June 30, 2010. This report is a complete and permanent record of the financial status of Vincennes University for the period stated.

Respectfully submitted,

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

Vincennes University is proud to present its financial statements for fiscal year 2010. 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, 2010 with comparative information for the year ended June 30, 2009. 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 an enrollment of approximately 9,400 full-time equivalents. 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, Education-Science Concentration, Education – Special Education, Education – Math Concentration, 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 420 courses through its Distance Education program and at twelve 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 include 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, 2010, with comparative data for 2009, is as follows:

STATEMENT OF NET ASSETS	2010 (in thousands)	2009 (in thousands)
Current Assets	$ 35,500	$ 55,056
Non-current Assets		
Investments	110,682	80,337
Capital Assets, net	157,146	147,638
Other	2,353	1,210
Total Assets	**$ 305,681**	**$ 284,241**
Current Liabilities	$ 23,725	$ 26,753
Non-current Liabilities	62,009	58,108
Total Liabilities	**$ 85,734**	**$ 84,861**
Net Assets	**$ 219,947**	**$ 199,380**

The University's financial position remained strong at June 30, 2010, with assets of $306 million and liabilities of $85.7 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. The University maximized investment returns by moving funds from short-term investments to long-term investments which decreased total current assets by $19.6 million to $35.5 million.

Noncurrent assets increased $41 million from the previous year. As previously mentioned, the majority of this increase resulted from a shift in the investment portfolio. The $9.5 million increase in capital assets was related to the construction in progress at year end which included: the Gibson County Center for Advanced Manufacturing and Logistics, the John Deere/Diesel Building, and the PE Renovation and Aquatic Center. The University's contribution toward the Other Postemployment Benefit (OPEB) obligation was in excess of the annual required contribution resulting in a net asset of $1.32 million.

Current liabilities consist primarily of accounts payable, loans payable, accrued compensation, and accrued vacation liability. Total current liabilities decreased $3 million to $23.7 million. This decrease is related to the payoff of the interim loan obtained for the construction of Clark Hall. During the fiscal year, the University issued bonds to secure permanent financing for this project.

The majority of noncurrent liabilities represent bonds payable net of unamortized bond premium (discount) totaling $61 million. These bonds were issued to finance construction of four student residence halls, the student union, and eight 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, 2010, with comparative data for 2009, is summarized as follows:

STATEMENT OF NET ASSETS	2010 (in thousands)	2009 (in thousands)
Invested in capital assets, net of related debt	$ 91,379	$ 78,269
Restricted:		
Nonexpendable	2,380	2,379
Expendable	9,906	7,966
Unrestricted:		
Designated - Capital & Other	6,920	12,162
Designated for Quasi Endowment	27,367	26,126
General Operations	44,357	38,643
Auxiliary	37,638	33,835
Total Net Assets	**$ 219,947**	**$ 199,380**

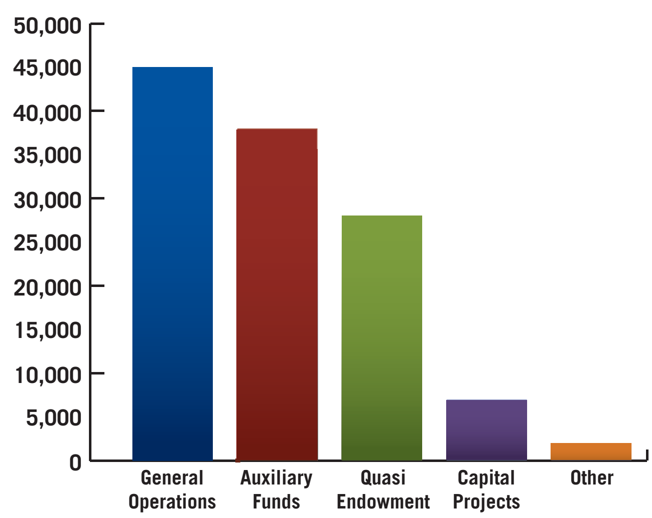
Net assets, Invested in capital assets, net of related debt represent the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

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.

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 $27.4 million. All income and gain derived from these quasi-endowment funds are used for the purpose of funding various designated University activities. General Operations' net assets increased $5.7 million which is attributable to the positive operations during the fiscal year. Auxiliary net assets increased approximately $3.8 million from the previous year which a portion is attributable to the 4 percent increase in housing rates.

The following graph shows the percentage breakdown of unrestricted net assets of $116.3 million by designation:

UNRESTRICTED NET ASSETS
(in thousands of dollars)



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, 2010 and 2009 is as follows:

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET ASSETS	2010 (in thousands)	2009 (in thousands)
Operating Revenue:		
Tuition and Fees, net	$ 29,054	$ 26,486
Auxiliary, net	18,655	16,421
Grant and Contracts	19,089	15,265
Other	676	500
Total Operating Revenue	**$ 67,474**	**$ 58,672**
Operating Expenses	**116,447**	**107,219**
Net Operating Income (loss)	**$ (48,973)**	**$ (48,547)**
Non-operating Revenues (Expenses):		
Governmental Appropriations	$ 41,782	$ 43,532
Federal and State Student Aid	23,522	14,683
Gifts (including endowment and capital)	2,979	1,845
Investment Income	4,140	6,021
Gain (Loss) on Disposition of Capital Assets	(278)	(114)
Other Income and Expense	(2,605)	(2,152)
Total Non-operating Revenue	**$ 69,540**	**$ 63,815**
Increase in Net Assets	**$ 20,567**	**$ 15,268**
Net Assets - Beginning of Year	**199,380**	**184,112**
Net Assets - End of Year	**$ 219,947**	**$ 199,380**

REVENUES

Operating revenues increased 15 percent to $67.5 million from the prior year. The changes in revenue are as follows:

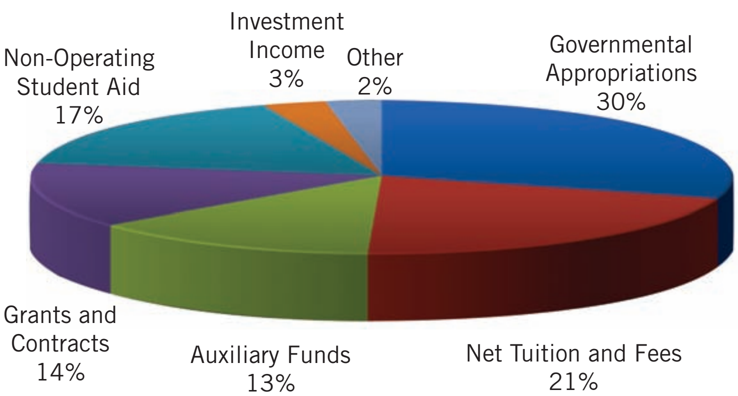
- Tuition and fees, net of scholarship allowances and bad debt, increased 9.7 percent from the prior year which was largely attributable to the increase in enrollment and the student fee rates increasing 3.75 percent.
- Auxiliary revenues primarily consist of student housing, bookstores, student activities, and workshops. Net auxiliary revenues increased 13.6 percent with housing rates increasing 4 percent from the prior year.
- For grants and contracts, the University received an estimated 66 percent from federal agencies, 25 percent from state agencies, and 9 percent from nongovernmental agencies.

Non-operating revenue increased $5.7 million to $63.8 million from the previous year. The activity includes the following:

- Federal and state student aid increased $8.8 million to $23.5 million. This increase is largely attributable to the amount of Pell aid awarded with the increase in enrollment.
- Investment income decreased $1.9 million during the fiscal year which was attributable to market conditions.
- Due to state budget cuts, the general operating appropriations decreased $1.25 million. Reimbursement for debt service decreased $500,000.
- Contributions increased $1.13 million which is attributable to a large donation of $1.5 million to establish a high-tech training center which will be named the Haas CNC Training Center.

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, 2010.

REVENUE BY SOURCE



EXPENSES

A comparative of the University's expenses for the years ending June 30, 2010 and 2009 is as follows:

EXPENSE BY NATURAL OBJECT	2010 (in thousands)	2009 (in thousands)
Operating:		
Compensation and Benefits	$ 62,789	$ 61,560
Supplies and Services	34,488	31,341
Depreciation	7,919	7,343
Scholarships and Fellowships	11,251	6,974
Total Operating Expense	$ 116,447	$ 170,218
Non-operating:		
Interest and Other	$ 2,883	$ 2,265
Total Expenses	**$ 119,330**	**$ 109,483**

Operating expenses were $116 million for the fiscal year ending June 30, 2010. Changes in the major expenses categories are as follows:

- Total salaries and benefits comprised approximately 53 percent of total expenses. Overall salaries increased 4.0 percent from the prior year which was attributable to the expansion of the Workforce Development region in which the University administers services.
- Total scholarships and fellowships increased $4.3 million from the previous year. With the enrollment growth, the University experienced an increase in student aid which attributed to the increased scholarship expense.
- Total supplies and expenses increased $3.2 million to $34.5 million from the previous year, as mentioned beforehand, can be contributed to the expansion of the University's Workforce Development region.
- Increased enrollment also contributed to the increase in supply and maintenance costs.

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

STATEMENT OF CASH FLOWS

The Statement of Cash Flows provides 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, 2010 and 2009 is as follows:

STATEMENT OF CASH FLOWS	2010 (in thousands)	2009 (in thousands)
Cash received from operations	$ 65,728	$ 58,721
Cash expended for operations	(109,725)	(101,017)
Net cash used in operating activities	$ (43,997)	$ (42,296)
Net cash provided by non-capital financing activities	$ 68,486	$ 58,610
Net cash provided by (used in) investing activities	(6,665)	(9,267)
Net cash used in capital and related financing activities	(20,803)	(12,719)
Net increase in cash and cash equivalents	$ (2,979)	$ (5,672)
Cash and cash equivalents, beginning of year	17,318	22,990
Cash and cash equivalents, end of year	$ 14,339	$ 17,318

The University's Cash and Cash Equivalents decreased $2.98 million from the previous year. The decrease in the cash and cash equivalents was primarily related to the shifting of cash and cash equivalents to long term investments.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The economic condition of Vincennes University is closely tied to that of the State of Indiana with state appropriations being the largest source of funding for the University. The State and Federal governments continue to recognize the importance of an education in our nation at a time when governmental appropriations are declining. The University is challenged to meet the needs of a rising enrollment with declining resources.

The University is dedicated to its long-range plans for upgrading and adding new facilities for instruction. Construction has begun on a Center for Advanced Manufacturing and Logistics in Gibson County, with an estimated cost of $12 million. This facility will provide the State of Indiana with a premier technological training center located in the heart of an expanding industry and population base.

Vincennes University constructed a new facility that houses both the John Deere Agricultural Program and the Diesel Heavy Equipment Program, located on Southwest-Purdue Agricultural Center, a 200-acre research farm in Knox County that is owned and operated by Purdue. Opening Fall 2010, this facility will allow for cohabitation and greater cooperation between the institutions for research, education, and training directly related to agriculture, agribusiness, and John Deere technology.

Construction has begun on the $8 million renovation of the Physical Education complex. The complex will undergo a complete pool renovation, replacement of the HVAC system, conversion to steam heat, ADA compliance enhancements, installation of new flooring, classroom and office reconfiguration, and renovations of the entrances and exits. Davis Hall, home of VU's public service and broadcasting division, will be renovated at a cost of $850,000 which will include the replacement of four-story glass curtain walls located at the building's two entrances. Bonds will be issued during FY2011 in the amount of $5 million for the PE Complex and in the amount of $850,000 for Davis Hall.

The Indiana General Assembly has also given the University approval for the construction and renovation of several capital projects. One of these projects includes a $5 million multicultural center to be constructed on the Vincennes campus. 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. A second facility that has been approved is the construction of a Center for Applied Technology and Advanced Manufacturing on the Jasper campus. This facility will cost approximately $12 million dollars and will allow Indiana to strengthen its economic development by supplying skilled workers to meet industry needs.

Health care and prescription drug costs are a primary concern as the costs of the University's health benefits continue to escalate. Increasing costs for insurance, volatile utility costs, repair and maintenance of campus facilities, and replacing equipment with state-of-the-art technology are also significant cost pressures facing the university.

Management's prudent use of resources and cost-containment efforts in today's uncertain economic environment will ensure that the University continues to remain financially sound.

VINCENNES UNIVERSITY STATEMENT OF NET ASSETS

As of June 30, 2010 and June 30, 2009

ASSETS	2010	2009
Current Assets		
Cash and Cash Equivalents	$ 14,338,512	$ 17,318,199
Short-term Investments	8,409,352	28,202,021
Funds held with Bond Trustee	15,299	10,156
Accounts Receivable (Less Allowance of $4,183,338 2010 and $ 3,940,014 2009)	9,710,562	7,127,897
Current Portion of Notes Receivable	458,105	395,245
Inventories	1,918,866	1,307,033
Accrued Interest Income	445,265	555,133
Prepaid Expenses	204,298	139,997
Total Current Assets	**35,500,259**	**55,055,681**
Non-current Assets		
Funds held with Bond Trustee for Debt Service	253,344	255,156
Investments	110,600,597	79,893,318
Derivative Instrument - Interest Rate Swap	81,375	443,185
Notes Receivable	783,173	680,075
OPEB Asset	1,316,195	276,023
Capital Assets, Net of Accumulated Depreciation	157,145,997	147,637,681
Total Non-current Assets	**270,180,681**	**229,185,438**
Total Assets	**$305,680,940**	**$284,241,119**
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 4,034,422	$ 3,112,473
Capital Lease Payable	-	19,283
Accrued Payroll and Deductions Payable	5,429,910	5,425,024
Accrued Vacation Liability	1,157,073	1,339,855
Deferred Revenue	2,420,219	2,244,687
Accrued Interest on Debt	373,599	205,169
Bonds Payable	4,915,000	2,925,000
Loans Payable	-	10,000,000
Deposits	270,523	237,636
Deposits Held in Custody for Others	4,074,694	228,349
Other Liabilities	1,049,895	1,015,065
Total Current Liabilities	**23,725,335**	**26,752,541**
Non-current Liabilities		
Bonds Payable (Net of Unamortized Bond Premium (Discount) of $1,891,187 2010 and $323,728 2009)	60,811,187	56,548,728
Deferred Inflow of Resources (Interest Rate Swap)	81,375	443,185
Advances from Federal Government	1,116,332	1,116,332
Total Non-current Liabilities	**62,008,894**	**58,108,245**
Total Liabilities	**85,734,229**	**84,860,786**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	91,378,659	78,268,619
Restricted for Non-expendable:		
Scholarships & Instruction	2,379,586	2,379,586
Restricted for Expendable:		
Capital Projects	7,089,591	5,306,147
Loan Funds	516,227	515,749
Scholarships & Instruction	2,299,913	2,143,914
Unrestricted	116,282,735	110,766,318
Total Net Assets	**219,946,711**	**199,380,333**
Total Liabilities and Net Assets	**$305,680,940**	**$284,241,119**

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, 2010 with comparative figures for 2009

ASSETS	2010	2009	LIABILITIES AND FUND BALANCES	2010	2009
UNRESTRICTED FUNDS					
Cash	$ 33,182	$ 41,421	Accounts Payable	$ 3,575	$ 3,694
Amount Due from Agency Funds	181,874	114,429	Vacation Accrual	8,109	10,022
Other Accounts Receivable	38	-	Deferred Income Other	12,095	10,981
Accrued Interest Receivable	2,300	5,830	Due V.U. General Fund	150,087	53,797
Investments	1,702,815	1,642,219	Refundable Advance	770,200	770,200
Equipment	21,668	19,785			
Accum. Deprec. - Equipment	(14,248)	(11,165)			
Prepaid Expense	3,866	6,033			
Property	1,038,509	1,038,509	*Net Assets*	*2,025,938*	*2,008,367*
Total Unrestricted Funds	**$ 2,970,004**	**$ 2,857,061**	**Total Unrestricted Funds**	**$ 2,970,004**	**$ 2,857,061**
CURRENT RESTRICTED FUNDS					
Cash	$ -	$ 3,608	Accounts Payable	$ 24,659	$ 20,612
Accrued Interest Receivable	9,932	12,347	Due to Unrestricted	55,511	-
Investments	21,875,403	17,539,193	Funds Held in Trust	19,552,810	15,299,982
Other Accounts Receivable	7,260	4,237	Deferred Income Other	56,395	47,779
Prepaid Expense	24,000	4,108			
			Net Assets	*2,227,220*	*2,195,120*
Total Current Restricted Funds	**$21,916,595**	**$17,563,493**	**Total Current Restricted Funds**	**$21,916,595**	**$17,563,493**
ENDOWMENT FUNDS					
Amount Due from Agency Funds	$ 16,107	$ 3,873	Accounts Payable	$ 33,522	$ 10,334
Accrued Interest Receivable	22,155	60,845	Due V.U. General Fund	7,580	-
Investments	18,444,769	17,826,807	Due to Unrestricted	126,363	114,429
			Annuity Payable	685,216	744,502
			Net Assets	*17,630,350*	*17,022,260*
Total Endowment Funds	**$18,483,031**	**$17,891,525**	**Total Endowment Funds**	**$18,483,031**	**$17,891,525**
TOTAL ASSETS	**$43,369,630**	**$38,312,079**	**TOTAL LIABILITIES AND FUND BALANCE**	**$43,369,630**	**$38,312,079**

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

VINCENNES UNIVERSITY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the year ended June 30, 2010 and June 30, 2009

	2010	2009
Operating Revenues		
Student Tuition & Fees	$40,128,854	$33,840,433
Scholarship Allowance-Tuition & Fees	(11,074,505)	(7,355,752)
Grants and Contracts	19,088,998	15,265,140
Auxiliary Enterprises	22,637,670	19,040,935
Scholarship Allowance-Auxiliary Enterprises	(3,983,065)	(2,619,866)
Other Revenues	675,939	500,311
Total Operating Revenues	**67,473,891**	**58,671,201**
Operating Expenses		
Salaries and Wages	46,491,592	44,745,374
Benefits	16,297,866	16,814,931
Scholarships and Fellowships	11,250,957	6,974,160
Supplies and Other Services	33,517,202	29,944,818
Equipment	971,100	1,396,531
Depreciation	7,918,753	7,342,858
Total Operating Expenses	**116,447,470**	**107,218,672**
Operating Income (Loss)	**(48,973,579)**	**(48,547,471)**
Non-Operating Revenues (Expenses)		
Governmental Appropriations	41,782,380	43,532,203
Federal and State Student Aid	23,521,598	14,683,286
Gifts and Bequests	2,978,984	1,844,652
Investment Income	2,608,465	4,280,784
Endowment Income	1,531,443	1,739,733
Gain (Loss) on Disposition of Capital Assets	(278,175)	(113,585)
Interest & Other Costs on Capital Asset - Related Debt	(2,520,163)	(2,095,079)
Other Non-operating Revenues (Expenses)	(84,575)	(56,613)
Total Non-operating Revenues (Expenses)	**69,539,957**	**63,815,381**
Increase In Net Assets	**20,566,378**	**15,267,910**
Net Assets - Beginning of Year	**199,380,333**	**184,112,423**
Net Assets - End of Year	**$219,946,711**	**$199,380,333**

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, 2010 with comparative figures for 2009

SUPPORT AND REVENUE	Unrestricted	Current Restricted	Endowment	2010 Total	2009 Total
Contributions	$ 145,586	$ 452,247	$ 38,580	$ 636,413	$ 1,360,651
Phone-a-thon	6,299	-	-	6,299	7,662
Other Income	24,505	136,255	17,390	178,150	194,771
Investment Income (Loss)	101,763	79,454	967,065	1,148,282	(43,224)
Unrealized Gain (Loss) on Investments	53,364	73,582	567,774	694,720	(1,926,844)
Administrative Income	248,982	-	-	248,982	213,570
Alumni Development	40,000	-	-	40,000	40,000
Alumni Income & Community Series	55,792	100,546	-	156,338	159,857
Total Support and Revenue	**$ 676,291**	**$ 842,084**	**$1,590,809**	**$3,109,184**	**$ 6,443**

EXPENSES	Unrestricted	Current Restricted	Endowment	2010 Total	2009 Total
Foundation Office	$ 316,443	$ -	$ -	$ 316,443	$ 326,391
Depreciation Expense	3,083	-	-	3,083	3,133
Annual Giving Program	75,779	-	-	75,779	86,159
Planned Giving Program	4,436	-	-	4,436	5,537
Development Support	56,946	-	-	56,946	55,471
Community Relations	59,278	-	-	59,278	57,740
Mini-Grants	5,956	-	-	5,956	28,312
Special Projects	59,391	-	-	59,391	71,494
President's Golf Tournament	-	5,104	-	5,104	12,519
Scholarships	10,000	117,046	528,192	655,238	676,577
Investment Expenses	4,390	4,175	46,171	54,736	68,332
Other Expenses	508	478,326	242,896	721,730	590,187
Administrative Fees	-	78,498	170,484	248,982	213,570
Alumni Expenses & Community Series	56,592	127,729	-	184,321	207,101
Total Expenses	**$ 652,802**	**$ 810,878**	**$ 987,743**	**$2,451,423**	**$ 2,402,523**
Increase (Decrease) in Net Assets	**$ 23,489**	**$ 31,206**	**$ 603,066**	**$ 657,761**	**$(2,396,080)**

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, 2010 with comparative figures for 2009

	Unrestricted	Current Restricted	Endowment	2010 Total	2009 Total
Net Assets Beginning of Year	$2,008,367	$2,195,120	$17,022,260	$21,225,747	$23,621,827
Increase (Decrease) in Net Assets	**$ 23,489**	**$ 31,206**	**$ 603,066**	**$ 657,761**	**$ (2,396,080)**
Net Assets Adjustments:					
Additions	$ 3,250	$ 9,918	$ 5,024	$ 18,192	$ 135,049
Deductions	(9,168)	(9,024)	-	(18,192)	(135,049)
Total Change for Year	**$ 17,571**	**$ 32,100**	**$ 608,090**	**$ 657,761**	**$ (2,396,080)**
NET ASSETS, END OF YEAR	**$2,025,938**	**$2,227,220**	**$17,630,350**	**$21,883,508**	**$21,225,747**

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, 2010 and June 30, 2009

	2010	2009
CASH FLOWS FROM (FOR) OPERATING ACTIVITIES		
Tuition and Fees	$ 28,344,351	$ 26,791,668
Grants and Contracts	18,100,089	14,839,749
Payments to Suppliers	(34,160,395)	(33,534,054)
Payments to Employees	(46,565,356)	(44,534,841)
Payments for Benefits	(17,442,169)	(15,742,325)
Payments for Scholarships and Fellowships	(11,250,957)	(6,974,160)
Loans Issued to Students	(306,933)	(230,857)
Collection of Loans to Students	140,975	146,645
Auxiliary Enterprise	18,591,832	16,664,066
Other Receipts	551,079	278,400
Net Cash Used in Operating Activities	**(43,997,484)**	**(42,295,709)**
CASH FLOWS FROM (FOR) NON-CAPITAL FINANCING ACTIVITIES		
Governmental Appropriations	41,782,380	43,532,203
Gifts and Grants for Other than Capital Purposes	22,858,363	15,077,453
Funds Held in Trust for Others	3,845,098	-
Net Cash Provided by Non-capital Financing Activities	**68,485,841**	**58,609,656**
CASH FLOWS FROM (FOR) CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from Capital Debt	38,586,832	6,095,000
Capital Appropriations	-	902,111
Capital grants and gifts received	2,934,414	60,000
Proceeds (loss) from sale of capital assets	8,429	(2,505)
Insurance Recovery - Flood	-	1,606,662
Purchases of Capital Assets and Construction	(17,593,946)	(14,521,719)
Bond Reserve Cash Returned (Deposited)	(3,331)	1,552
Principal Paid on Capital Lease	(19,283)	(43,106)
Principal Paid on Capital Debt	(42,270,000)	(4,620,000)
Interest Paid on Capital Debt & Lease	(2,446,323)	(2,197,201)
Net Cash Used in Capital and Related Financing Activities	**(20,803,208)**	**(12,719,206)**
CASH FLOWS FROM (FOR) INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	95,821,640	42,248,320
Investment Income	4,584,766	4,787,438
Purchase of Investments	(107,071,242)	(56,302,671)
Net Cash Used in Investing Activities	**(6,664,836)**	**(9,266,913)**
NET INCREASE (DECREASE) IN CASH	**(2,979,687)**	**(5,672,172)**
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	**17,318,199**	**22,990,371**
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 14,338,512**	**$ 17,318,199**

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, 2010 and June 30, 2009

	2010	2009
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:		
Net Operating Revenues and Expenses	$(48,973,579)	$(48,547,471)
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	7,918,753	7,342,858
Changes in Assets and Liabilities:		
Receivables, Net	(2,154,353)	744,988
Inventories	(611,833)	268,075
Other Assets	(64,301)	(1,782)
Student Loans	(165,958)	(84,212)
OPEB Asset	(1,040,172)	880,962
Accounts Payable and Accrued Liabilities	760,848	(2,058,132)
Deferred Revenue	208,419	621,937
Gifts in Kind	18,165	11,230
Cash Flows Reported in Other Categories:		
Proceeds from Sale of Capital Assets & Auxiliary Enterprise	(1,970)	(112)
Insurance Recovery	-	(1,535,776)
Property Transferred to Foundation	-	63,805
Capital Lease Payments	49,501	48,649
Other Non-Operating Revenues (Expenses)	58,996	(50,728)
Net Cash Provided by (Used in) Operating Activities	**$(43,997,484)**	**$(42,295,709)**

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

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.

The University adheres to 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 College 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 is 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, which 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. During the year ended June 30, 2010, the VU Foundation distributed $1,314,154 to the University for restricted and unrestricted purposes. 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) Accounting Standards Codification. Most significant to the Foundation's operations and reporting model is the FASB Accounting Standards Codification 958 (formerly FASB 116 and 117). 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

The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) *Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB.

During fiscal year 2010, the University adopted GASB Statement No. 51, *"Accounting for Intangible Assets."* The University had adopted GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments,"* during fiscal year 2009.

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.

Deposits/Funds Held for Others

Deposits represent dormitory room deposits and other miscellaneous deposits. Current balances in Funds Held for Others result from the University acting as an agent or fiduciary, for another entity. These include amounts held for student clubs and for the Complete College America, Inc.

Compensated Absences

Liabilities for compensated absences are recorded for vacation leave for eligible employees based on actual earned amount. This accrual includes the employer share of social security and Medicare taxes, and contributions to pension plans. 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. The liability and expense incurred are recorded at year end as accrued vacation payable in the Statement of Net Assets and has a component of salary and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Assets.

Non-current Liabilities

Non-current liabilities consist of a deferred inflow of resources from an interest rate swap, principal amounts of a revenue bonds payable with a contractual maturity of greater than one year, and advances from the federal government.

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. Substantially all unrestricted net assets are designated for academic programs and initiatives, and general operations of the University.

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) grants and contracts, 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 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, most federal and state student aid 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 Asset – 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, 2010, 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 $250,000. Amounts over $250,000 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, 2010, equaled $15,802,781.

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, 2010, the University had the following investments:

Investment Type	Market Value	Maturity Less than 1 Year	Maturity 1-5 Years	Maturity 6-10 Years
Certificate of Deposits	$ 10,125,565	$ 4,048,664	$ 6,076,901	$ -
U. S. Treasury Notes	3,891,250	102,941	2,549,793	1,238,516
U. S. Government Agencies	104,605,937	4,257,747	61,692,812	38,655,378
Mutual Funds	387,197	-	382,197	-
Total	**$119,009,949**	**$ 8,409,352**	**$ 70,701,703**	**$ 39,893,894**

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, 2010, the University is in compliance with its credit risk policy for all investments.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's investment policy places no limit on the amount that can be invested in any single issuer. There were no investments meeting the 5 percent concentration risk threshold since U.S. government issues and U.S. governmental agency securities are exempt from this requirement.

Interest Rate Risk – Interest rate risk is 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 investments in cash, cash equivalents, and short term investments to be in 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, $3,891,250 of the U.S. Treasury Notes, $12,354,726 of the U.S. Government Agencies, and $387,197 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 – This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not hold any foreign currency-denominated investments.

Note 3 - Accounts Receivable

Accounts receivable are primarily comprised of the following:	
Student Receivables--Tuition	$ 6,995,850
Auxiliaries	2,380,995
Sponsored Programs	2,519,007
Refundable Advance from Foundation	63,805
Other	1,934,243
Total Accounts Receivable	**13,893,900**
Allowance for Doubtful Accounts	(4,183,338)
Net Accounts Receivable	**$ 9,710,562**

Note 4 - Inventories

Inventories are stated at the lower of cost or market value.

Inventories are primarily comprised of the following:	
Bookstores	$1,526,504
Commercial Repair - Aviation	$128,458
Aviation Tech Center	$155,429

Note 5 - Derivative Instrument

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2010, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the 2010 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2010		
	Classification	Amount	Classification	Amount	Current Notional
Cash flow hedge: Pay-fixed interest rate swap	Deferred Inflow of Resources	($361,810)	Derivative Instrument Interest Rate Swap	$81,375	$8,640,000

As of June 30, 2010, the University determined that the pay-fixed interest rate swap met the criteria for effectiveness. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate bonds. The fair value of the interest rate swaps were estimated based on the present value of their estimated future cash flows.

The following table displays the objective and terms of the University's hedging derivative instrument outstanding at June 30, 2010, along with the credit rating of the associated counterparty:

Type	Objective	Current Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the 2009 Series I Bonds	$8,640,000	12/23/08	12/1/28	65% of 6 mo. USD-LIBOR-BBA w/ 1 Day Look back + 208.00 bps	A1

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, 2010, the University is in compliance with its credit risk policy for all investments. The fair value of the hedging derivative instrument in an asset position as of June 30, 2010 is $81,375. Since both the derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure since the fair value of the derivative instrument would be netted against the payoff of the debt.

Interest Rate Risk – Interest Rate Risk is the risk that changes in interest rates will adversely impact the fair market value of the derivative instrument. On its pay-fixed, receive-variable interest rate swap, the University will be negatively impacted by the lower rate environment, which will decrease the fair market value of its derivative instrument. The derivative instrument fixes the hedged debt at 4.09%.

Basis Risk – Basis Risk is the risk that the University may lose cash flows because of the differences in the indexes upon which the derivative instrument and the item it hedges are based. The University is not exposed to basis risk since the derivative instrument and the debt being hedged are both based on the six-month Libor index.

Termination Risk – The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. The University is also exposed to termination risk if the student fee bonds are prepaid or partially prepaid, but only to the extent the notional amount of the swap transactions exceeds the remaining amount after the prepayment of the student fee bond.

Rollover Risk – Rollover Risk is the risk that the maturity of the derivative instrument is shorter than the maturity of the associated debt. Since both the derivative instrument and the debt being hedged have identical maturity dates, there is no rollover risk to the University.

Note 6 - Capital Assets

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital Assets not being depreciated:					
Land	$ 14,607,397	$ 842,865	$ 6,136	$ (79,025)	$ 15,365,101
Construction in Progress	2,087,385	10,771,491	-	(3,577,838)	9,281,038
Total Capital Assets not being depreciated	**16,694,782**	**11,614,356**	**6,136**	**(3,656,863)**	**24,646,139**
Capital Assets being depreciated:					
Building and Improvements	176,908,559	613,757	516,933	3,589,884	180,595,267
Equipment	42,991,284	5,597,922	1,240,743	66,979	47,415,442
Total Capital Assets being depreciated	**219,899,843**	**6,211,679**	**1,757,676**	**3,656,863**	**228,010,709**
Less Accumulated Depreciation for:					
Building & Improvements	58,099,640	4,443,549	267,848	-	62,275,341
Equipment	30,857,304	3,475,204	1,096,998	-	33,235,510
Total Accumulated Depreciation	**88,956,944**	**7,918,753**	**1,364,846**	**-**	**95,510,851**
Total Capital Assets being depreciated, net	**130,942,899**	**(1,707,074)**	**392,830**	**3,656,863**	**132,499,858**
Capital Assets, net	**$147,637,681**	**$ 9,907,282**	**$ 398,966**	**$ -**	**$157,145,997**

Note 7 - Long Term Debt

Long-term debt activity for the year ended June 30, 2010, is summarized as follows:	Interest Rate	Amount Issued	Amount Retired 2009-2010	Amount Outstanding June 30, 2010	Amount Due Within One Year
Housing & Dining Bonds of 1983 Series A	3.000%	$5,000,000	$ 150,000	$ 2,370,000	$ 150,000
Student Fee Revenue Bonds of 1997 Series E	4.854%	25,535,000	1,590,000	2,590,000	1,680,000
Auxiliary Facilities System Revenue Bonds of 2006	4.126%	13,440,000	725,000	10,480,000	750,000
Auxiliary Facilities System Revenue Bonds of 2009	4.728%	10,160,000	-	10,160,000	345,000
Variable Rate Demand Student Fee Bonds Series F	*Cannot exceed* 10%	9,045,000	6,990,000	-	-
Variable Rate Demand Student Fee Bonds Series G	*Cannot exceed* 10%	23,895,000	21,065,000	-	-
Student Fee Bonds Series H	4.373%	4,545,000	160,000	4,090,000	165,000
Student Fee Bonds Series I	4.090%	9,095,000	300,000	8,640,000	320,000
Student Fee Bonds Series J	3.858%	26,795,000	1,290,000	25,505,000	1,505,000
Total Bonds Payable			**$32,270,000**	**$ 63,835,000**	**$ 4,915,000**
Unamortized Bond Premium (Discount)				1,891,187	
Due Within One Year				(4,915,000)	
Total Long Term Liabilities				**$ 60,811,187**	

Debt obligations are generally callable by the University, bear interest at fixed and variable rates ranging from 3% to 4.854%, and mature at various dates through 2030. Maturities and interest on bonds payable for the next five years, and in the next five year periods are as follows:

	Principal	Interest
2011	$4,915,000	$2,678,824
2012	3,800,000	2,499,333
2013	3,925,000	2,362,110
2014	3,585,000	2,221,748
2015	3,715,000	2,094,421
2016-2020	21,055,000	8,052,891
2021-2025	16,645,000	3,304,679
2026-2030	6,195,000	652,542
Total	**$63,835,000**	**$23,866,548**

Bonds Secured by Dormitory and Dining Center Revenues

The Housing and Dining Revenue Bonds of 1983 Series A, were issued June 1983 by the Board of Trustees to fund construction for residential building of Vigo Hall. These bonds are secured by a pledge of all net income generated from Vigo Hall and Tecumseh Dining Center.

The Auxiliary Facilities System Revenue Bonds, Series 2006, were 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. The Auxiliary Facilities System Revenue Bonds, Series 2009, were issued in November 2009 by the Board of Trustees to finance, refinance or reimburse certain costs of the renovation of Clark Residence Hall. These bonds are secured by a pledge and parity lien on the net income from Auxiliary Facilities.

Bonds Secured by Student Fees

The following bonds are secured by a pledge of and first lien on all academic fees except the student union fees and other fees released from the lien of the Indenture pursuant to terms thereof.

The Student Fee Revenue Bonds of 1997, Series E, were 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 Vincennes University Student Fee Bonds, Series H, were issued on February 7, 2006, in the aggregate original principal amount of $4,545,000. They bear interest at fixed rates as stated in the maturity schedule. The proceeds were used to fund construction of an academic building on the Jasper campus.

The Vincennes University Student Fee Bonds, Series I, were issued on December 23, 2008, in the aggregate original principal amount of $9,095,000. It bears a variable interest rate which is 65% of USD-LIBOR-BBA with a one-day lookback plus 208.0 basis points; however, the University entered into a Swap Agreement fixing the rate at 4.09%. The proceeds were used to fund the construction of the Indiana Center for Applied Technology and the renovation of the McCormick Science Center.

Current Refunding of Variable Rate Demand Student Fee Bonds, Series F and G

During the fiscal year ending June 30, 2010, the University refinanced the outstanding Variable Rate Demand Student Fee Bonds, Series F and G. The $26,795,000 Student Fee Bonds, Series J have a net interest cost of 3.858% and were issued to refund $6,990,000 of outstanding Student Fee Bonds, Series F and $21,065,000 of outstanding Student Fee Bonds, Series G. The net proceeds of $28,240,053 (after payment of $217,373 in issuance costs and receipt of $1,662,426 in unamortized premiums) redeemed the Variable Rate Demand Student Fee Bonds, Series F and G in full. As a result, these bonds were defeased and the liability has been removed from the Statement of Net Assets. The refunding resulted in no accounting loss. The University, in effect, decreased its aggregate debt service payments by $2,436,689 over the next fifteen years. The refunding resulted in an economic gain (difference between the present values of the old and new debt service payments) of $1,823,036.

Funds held with bond trustee Current Funds Expected to be Depleted Within a Year	
Revenue Bonds of 2009	$ 7,538
Revenue Bonds of 2006	5,150
Other B & I Accounts	2,611
Total Current	**$ 15,299**
H & D Bonds of 1983 A & B Vigo Hall	253,344
Total Funds held with Bond Trustee	**$268,643**

Note 8 - 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 $25,000. All other endowments have been pooled.

Shircliff Memorial Scholarship	$ 41,015
Printing Industry	70,457
Zella Young Memorial Scholarship	177,136
Shircliff Endowment Fund	209,119
Risley Endowment Fund	85,223
Shircliff Life Income	117,464
Lyons Life Income	28,372
Opal C Ramsey Fund	3,307,793
Mabel Kuebler Trust	282,569
Estelle Emison Scholarship	31,649
The Adler and Susan Lyons Endowment	26,416
All Others	146,528
Total	**$ 4,523,741**

Note 9 - 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 support staff employees are eligible to participate in the defined benefit plan. Professional staff hired prior to July 1, 2003 may continue to participate. 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.

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, 2010, 424 employees were covered by PERF and total wages were $14,397,440. The University's contribution to the plan for the year end June 30, 2010 was $1,372,177. Related information provided by the actuary is presented in this note.

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 5-10.2) 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. This 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 University has contributed the employer and employee share of required contributions, 7% and 3% of covered wages. On June 30, 2010, 167 employees were covered by TRF and total wages were $12,873,296. The University's contribution to the plan for the fiscal years ending June 30, 2010, 2009 and 2008 were $604,598, $506,772 and $549,684, 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). The University contributes 5% of covered wages for this plan. 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 this plan. Both plans are defined contribution plans under IRC 403(b). An agreement between the University and TIAA is approved by the University Board of Trustees. On June 30, 2010, 464 employees were covered by TIAA/CREF and total wages were $ 25,780,146. During 2009/10, Vincennes University contributed $2,011,422 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. This report may be obtained by writing the Teachers Insurance and Annuity Association/College Retirement Equities Fund, 730 3rd Avenue, New York, NY 10017-3206.

Net Pension Obligation	PERF
Annual Required Contribution	$859,431
Interest on Net Pension Obligation	(71,554)
Adjustment to Annual Required Contribution	81,542
Annual Pension Cost	$869,419
Contributions Made	$869,334
Increase (Decrease) in Net Pension Obligation	$85
Net Pension Obligation, Beginning of Year	($986,958)
Net Pension Obligation, End of Year	($986,873)

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

PERF Contribution Rates:	PERF
University	6.5%
Contributed For Plan Members	3%
Actuarial Valuation Date	7/1/09
Actuarial Cost Method	Entry Age Normal Cost
Amortization Method	Level Dollar Open over 30 years
Remaining Amortization Period	Over 30 Years
Asset Valuation Method	75% of Expected Actuarial Value Plus 25% of Market Value

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/07	$814,893	91%	($910,284)
6/30/08	$788,820	110%	($986,958)
6/30/09	$869,419	100%	($986,873)

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)
7/1/07	$24,060,523	$23,662,210	$398,313	102.00%	$13,163,209	3%
7/1/08	$25,152,566	$25,604,394	($451,828)	98.20%	$13,222,014	(3.4)%
7/1/09	$21,227,164	$24,443,823	($3,216,659)	86.80%	$13,587,375	(23.7)%

* Determined to be equal to the same percent of accrued liability as all non retired State members.

Note 10 - Other Postemployment Benefits

Plan Description

Vincennes University Healthcare Plan is a single-employer defined benefit healthcare plan administered by Anthem. The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Vincennes University's Board of Trustees has the authority to establish and amend benefit provisions.

Funding Policy

The contribution requirements of plan members for the Vincennes University Healthcare Plan are established by the University. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the actuarial study . For the fiscal year ended June 30, 2010, the University contributed $4,813,510 to the plan, including $2,053,510 for current premiums (approximately 74% of total premiums)(and an additional $2,760,000 to prefund benefits.) Plan members receiving benefits contributed approximately $724,000 or approximately 26% of the total premiums, through their required contribution of $161 per month for retiree-only coverage, and $316 per month for retiree and spouse coverage.

Annual OPEB Cost and Net OPEB Obligation

The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the University's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the University's net OPEB obligation to the plan:

Annual required contribution	$3,770,668
Interest on net OPEB obligation	(20,702)
Adjustment to annual required contribution	23,372
Annual OPEB cost (expense)	**$3,773,338**
Contributions made	(4,813,510)
Increase (Decrease) in net OPEB obligation	**$(1,040,172)**
Net OPEB obligation - beginning of year	(276,023)
Net OPEB obligation (asset) - end of year	**$(1,316,195)**

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/10	$3,773,338	127.6%	$(1,316,195)
6/30/09	$3,923,414	77.5%	$ (276,023)
6/30/08	$3,847,492	130.1%	$(1,156,985)

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 32.9% funded. The actuarial accrued liability for benefits was $46,531,007, and the actuarial value of assets was $15,295,250, resulting in an unfunded actuarial accrued liability (UAAL) of $31,235,757. The current year covered payroll (annual payroll of active employees covered by the plan) was $32,980,032, and the ratio of the UAAL to covered payroll was 94.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumption

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2010, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% for health and 4% for dental initially, reduced by decrements to an ultimate rate of 4.5% after 10 years for health and 3% after 5 years for dental. Both rates included a 3% inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010, was 30 years (open amortization).

REQUIRED SUPPLEMENTARY INFORMATION **Schedule of Funding Progress for Retiree Medical, Dental and Life Insurance Plan**	
Actuarial value of plan assets	$ 15,295,250
Actuarial accrued liability (AAL)	46,531,007
Unfunded AAL	(31,235,757)
Funded ratio (actuarial value of plan assets/AAL)	32.9%
Covered payroll (active plan members)	32,980,032
Unfunded AAL as a percentage of covered payroll	(94.7)%

Note 11 - 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 $325,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be $792,711 for the fiscal year 2009-2010 and $822,081 for the fiscal year 2008-2009.

Changes in the total reported self-insured health, dental & drug benefit liability during the year ending June 30, 2010 were as follows:

Balance, beginning of year	$ 822,081
Claims incurred	8,629,414
Claim payments	(8,658,784)
Balance, end of year	**$ 792,711**

Note 12 - Deposits Held in Custody for Others

As of June 30, 2010, the University held $3,845,098 in deposits for Complete College America, Inc. The assets were placed in the University's investment portfolio and received a pro-rata share of investment earnings. Complete College America, Inc. is a 501 (c)(3), nonprofit charitable organization working to significantly increase the number of Americans with a college degree or credential of value and to close attainment gaps for traditionally underrepresented populations.

Note 13 - Functional Statement

Operating expenses by functional classification are summarized as follows:

	Salaries and Benefits	Scholarships Fellowships/	Supplies and Other Services	Equipment	Depreciation	Total
Instruction	$34,967,396	-	$ 5,893,183	$244,067	-	$ 41,104,646
Sponsored Programs	8,248,131	-	8,741,917	176,270	-	17,166,318
Libraries	1,312,828	-	384,350	177,507	-	1,874,685
Community Service	410,273	-	47,243	8,789	-	466,305
Student Service	3,141,684	-	2,689,282	28,763	-	5,859,729
Operation and Maintenance of Plant	4,004,776	-	3,897,746	49,787	-	7,952,310
Institutional Support	6,472,316	-	1,455,755	285,034	-	8,213,104
Depreciation	-	-	-	-	7,918,753	7,918,753
Auxiliary Enterprises	4,232,054	-	10,407,726	883	-	14,640,663
Student Aid Expense	-	11,250,957	-	-	-	11,250,957
Total Operating expenses	**$62,789,458**	**$11,250,957**	**$33,517,202**	**$971,100**	**$7,918,753**	**$116,447,470**

Note 14 - Subsequent Events

The University is dedicated to its long-range plans for upgrading and adding new facilities for instruction. Construction has begun on a Center for Advanced Manufacturing and Logistics in Gibson County, with an estimated cost of $12 million. This facility will provide the State of Indiana with a premier technological training center located in the heart of an expanding industry and population base.

Vincennes University constructed a new facility that houses both the John Deere Agricultural Program and the Diesel Heavy Equipment Program, located on Southwest-Purdue Agricultural Center, a 200-acre research farm in Knox County that is owned and operated by Purdue. Opening Fall 2010, this facility will allow for cohabitation and greater cooperation between the institutions for research, education, and training directly related to agriculture, agribusiness, and John Deere technology.

Construction has begun on the $8 million renovation of the Physical Education complex. The complex will undergo a complete pool renovation, replacement of the HVAC system, conversion to steam heat, ADA compliance enhancements, installation of new flooring, classroom and office reconfiguration, and renovations of the entrances and exits. Davis Hall, home of VU's public service and broadcasting division, will be renovated at a cost of $850,000 which will include the replacement of four-story glass curtain walls located at the building's two entrances. Bonds will be issued during FY2011 in the amount of $5 million for the PE Complex and in the amount of $850,000 for Davis Hall.

The Indiana General Assembly has also given the University approval for the construction and renovation of several capital projects. One of these projects includes a $5 million multicultural center to be constructed on the Vincennes campus. 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. A second facility that has been approved is the construction of a Center for Applied Technology and Advanced Manufacturing on the Jasper campus. This facility will cost approximately $12 million dollars and will allow Indiana to strengthen its economic development by supplying skilled workers to meet industry needs.

Health care and prescription drug costs are a primary concern as the costs of the University's health benefits continue to escalate. Increasing costs for insurance, volatile utility costs, repair and maintenance of campus facilities and replacing equipment with state-of-the-art technology are also significant cost pressures facing the University.

Management's prudent use of resources and cost-containment efforts in today's uncertain economic environment will ensure that the University continues to remain financially sound.

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