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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, 2010 to June 30, 2011

FILED

03/13/2012

TABLE OF CONTENTS

SCHEDULE OF UNIVERSITY OFFICIALS

Office	Official	Term
President	Richard E. Helton	07-01-10 to 06-30-12
Vice President for Financial Services and Government Relations	Phillip S. Rath	07-01-10 to 06-30-12
Chairman of the Board of Trustees	John R. Gaylor	07-01-10 to 06-30-12

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2011, and have issued our report thereon dated October 21, 2011. 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.

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 21, 2011

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S 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, 2011. 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, 2011. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2.

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 with 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.

INDEPENDENT AUDITOR'S 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 financial statements of Vincennes University as of and for the year ended June 30, 2011, and have issued our report thereon dated October 21, 2011. Our audit was performed for the purpose of forming an opinion on the 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 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

February 13, 2012

VINCENNES UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended June 30, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007		$ 145,481
Federal Family Education Loans - Stafford	84.032		3,213
Federal Work-Study Program	84.033		203,212
Federal Perkins Loans (FPL) - Federal Capital Contributions	84.038		1,286,093
Federal Pell Grant Program	84.063		19,140,601
Federal Direct Student Loans - Plus	84.268		5,060,877
Federal Direct Student Loans - Stafford	84.268		33,666,702
Academic Competitiveness Grants (ACG)	84.375		421,368
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		10,000
Total for federal agency			59,937,547
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Grant			
Student Financial Aid Cluster			
Nursing Student Loans	93.364		272,146
Total for federal grantor agency			272,146
Total for cluster			60,209,693
U.S. DEPARTMENT OF AGRICULTURE			
Direct Grant			
Public Television Station Digital Transition Grant Program	10.861		59,876
Total for federal grantor agency			59,876
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		604,548
ARRA - WIA Adult Program	17.258		389,475
WIA Youth Activities	17.259		747,505
ARRA - WIA Youth Activities	17.259		30,867
WIA Dislocated Workers	17.260		414,685
ARRA - WIA Dislocated Workers	17.260		546,571
Total for program			2,733,651
Pass-Through Grow Southwest Indiana Workforce Board, Inc.			
Workforce Investment Act (WIA) Cluster			
Region 11			
WIA Adult Program	17.258		1,522,503
ARRA - WIA Adult Program	17.258		745,522
WIA Youth Activities	17.259		37,141
ARRA - WIA Youth Activities	17.259		33,462
WIA Dislocated Workers	17.260		358,384
ARRA - WIA Dislocated Workers	17.260		301,955
Total for program			2,998,967
Total for cluster			5,732,618
Direct Grants			
Community Based Job Training Grants	17.269		159,343
Mine Health and Safety Grants	17.600		155,743
Pass-Through South Central Indiana Workforce Board, Inc			
Region 8			
Employment Service/Wagner-Peyser Funded Activities	17.207		13,667
Work Incentive Grant	17.266		12,544
Work Opportunity Tax Credit Program (WOTC)	17.271		9,418
Veterans' Employment Program	17.802		40,771

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, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF LABOR (continued)			
Pass-Through Grow Southwest Indiana Workforce Board, Inc			
Region 11			
Employment Service/Wagner-Peyser Funded Activities	17.207		44,918
WIA Pilots, Demonstrations and Research Projects	17.261		54,802
Incentives Grant - WIA Section 503	17.267		28,081
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275		78,803
Total for federal grantor agency			6,330,708
U.S. DEPARTMENT OF TREASURY			
Pass-Through Indiana Department of Family and Social Services Administration			
Tax Counseling for the Elderly	21.006		19,186
Total for federal grantor agency			19,186
NATIONAL SCIENCE FOUNDATION			
Pass-Through Stark State College Of Technology			
Education and Human Resources	47.076		12,309
Total for federal grantor agency			12,309
U.S. DEPARTMENT OF ENERGY			
Direct Grant			
ARRA - State Energy Program	81.041		71,078
Total for federal grantor agency			71,078
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Trio Cluster			
Trio - Student Support Services	84.042		331,624
Trio - Talent Search	84.044		380,367
Trio - Project Aspiree	84.044A		223,487
Trio - Upward Bound	84.047		664,382
Total for cluster			1,599,860
Pass-Through Indiana Department of Education			
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394		2,693,247
Direct Grant			
Fund for the Improvement of Postsecondary Education	84.116		42,104
Pass-Through Indiana Department of Education			
Adult Education - Basic Grants to States	84.002		30,669
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		162,704
Pass-Through Indiana Department of Workforce Development			
Adult Education - Basic Grants to States	84.002		614,012
Career and Technical Education - Basic Grants to States	84.048		832,546
Total for federal grantor agency			5,975,142

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, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF 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		428,416
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		540,076
Nutrition Services Incentive Program	93.053		159,698
ARRA - Aging Congregate Nutrition Services for States	93.707		9,328
Total for cluster			1,137,518
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042		6,500
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		146,201
Social Services Block Grant	93.667		236,045
Total for federal grantor agency			1,545,562
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		61,674
Total for federal grantor agency			61,674
Total federal awards expended			$ 74,285,228

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 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, 2011:

Cluster/Program Title	Federal CFDA Number	Outstanding Loan Amount
Federal Perkins Loan Program	84.038	$ 1,286,093
Nursing Student Loan Program	93.364	272,146

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?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	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 OMB Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster
Various	Workforce Investment Act (WIA) Cluster
Various	ARRA – State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $1,019,886

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 2011-1 - COUNSELING BORROWERS

Federal Agency: Department of Education
Federal Program: Student Financial Aid Cluster
CFDA Number: Various
Pass-Through Entity: N/A
Federal Award Number: N/A

Our review of a sample of 18 students with Stafford Loans resulted in our discovery of 6 student files lacking exit counseling documentation.

34 CFR 682.604(g) states in part:

"A school must ensure that exit counseling is conducted with each Stafford loan borrower and graduate or professional student PLUS Loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions."

The University should develop a means of counseling students who meet the graduation requirements or who have dropped to less than least half-time status at the school. If exit counseling has not been conducted prior to the student leaving as a result of graduation or withdrawal, the University should attempt to provide exit counseling with the student by some other means and retain that documentation.

FINDING 2011-2 - IMPROPER CALCULATION OF TITLE IV REFUNDS

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

Our review of a sample of 14 students who withdrew during the 2010-11 school year revealed that the total number of calendar days in the period was not calculated properly for all students tested. The total number of calendar days in the period is calculated, entered into the computer system, and is used to calculate the proper amount of title IV funds to be refunded. The University incorrectly included five days of Thanksgiving break in the fall semester and three days of spring break in the spring semester to determine the total number of calendar days in the period. This resulted in the amount of title IV funds refunded to be incorrect.

34 CFR 668.22(f)(2)(i) states:

"The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period."

Failure to determine the amount of title IV grants or loan assistance that a student earns could lead to students receiving improper amounts of aid.

University officials need to accurately calculate the number of calendar days in the period in order to properly determine the amount of student aid.

Summary Schedule of Prior Audit Findings

Finding Number 2010-01

Fiscal Year:	2010
Auditee Contact Person:	David Tucker
Title of Contact Person:	Vice President of Workforce Dev/Community Services
Phone Number:	(812) 888-4266
Status of Finding:	Completed

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.

Finding Number 2010-02

Fiscal Year:	2010
Auditee Contact Person:	David Tucker
Title of Contact Person:	Vice President of Workforce Dev/Community Services
Phone Number:	(812) 888-4266
Status of Finding:	Completed

Controls exist to review the validity of contracts before payment.

Finding Number 2010-03

Fiscal Year: 2010

Auditee Contact Person: Stanley J. Werne

Title of Contact Person: Director of Financial Aid

Phone Number: (812) 888-5999

Status of Finding: Completed

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 timely identifies those students unofficially withdrawing from the University.

CORRECTIVE ACTION PLAN

FINDING 2011-1 COUNSELING BORROWERS

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

Our review of a sample of 18 students with Stafford Loans resulted in our discovery of 6 student files lacking exit counseling documentation.

34 CFR 682.604(g) states in part, "A school must ensure that exit counseling is conducted with each Stafford loan borrower and graduate or professional student PLUS Loan borrower either in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that this counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions."

The University should develop a means of counseling students who meet the graduation requirements or who have dropped to less than least half-time status at the school. If exit counseling has not been conducted prior to the student leaving as a result of graduation or withdrawal, the University should attempt to provide exit counseling with the student by some other means and retain that documentation.

Response/Action Plan:

The University has procedures to ensure that students who drop below half-time status or graduate will receive notifications to complete loan exit counseling on the National Student Loan Data System (NSLDS) and realizes the importance of exit counseling. At the time of the audit, the Financial Aid had not completed exit counseling procedures. Procedures have been reviewed and revised to establish oversight control to ensure timely exit counseling for students.

FINDING 2011-2 IMPROPER CALCULATION OF TITLE IV REFUNDS

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

Our review of a sample of 14 students who withdrew during the 2010-11 school year revealed that the total number of calendar days in the period was not calculated properly for all students tested. The total number of calendar days in the period is calculated, entered into the computer system, and is used to calculate the proper amount of title IV funds to be refunded. The University incorrectly included five days of Thanksgiving break in the fall semester and three days of spring break in the spring semester to determine the total number of calendar days in the period. This resulted in the amount of title IV funds refunded to be incorrect.

34 CFR 668.22(f)(2)(i) states, "The total number of calendar days in a payment period or period of enrollment includes all days within the period that the student was scheduled to complete, except that scheduled breaks of at least five consecutive days are excluded from the total number of calendar days in a payment period or period of enrollment and the number of calendar days completed in that period."

Failure to determine the amount of title IV grants or loan assistance that a student earns could lead to students receiving improper amounts of aid.

Response/Action Plan:

The University has received clarification from Clare Barger at the U. S. Department of Education about the number of days of break for purposes of calculation Title IV Refunds for students who withdraw during the semester. "If your break days are Wed-Fri and you do not hold classes on Sat and Sun, then you have 5 days. Those 5 days are to be excluded from the calculation of the total number of days in the payment period." This describes the Thanksgiving break in the fall at the University. During the spring semester, the spring break for students begins on Saturday and ends on the Sunday of the following week, resulting in 9 days.

The University has established a control where a second individual verifies the number of days entered on the data system as defined by the federal guidelines for Title IV refund calculations.

VINCENNES UNIVERSITY
EXIT CONFERENCE

The contents of this report were discussed on February 13, 2012, 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; John A. Stachura, First Vice Chairman, Board of Trustees; and Stan Werne, Financial Aid Director. The officials concurred with our findings.

Vincennes University
Financial Report
2010-2011

Vincennes University

Mission & Vision

Mission

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

Vision

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

Vincennes University
Financial Report
2010-2011


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VINCENNES UNIVERSITY

Vincennes University
Financial Report 2010-2011

Table of Contents

STATE OF INDIANA
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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, 2011 and 2010. 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. Those statements were audited by other auditors 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 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, 2011 and 2010, 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 21, 2011, 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.

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The Treasurer's Report and the Board of Trustees and University Officers are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Treasurer's Report and the Board of Trustees and University Officers have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS
State Board of Accounts

October 21, 2011

Vincennes University Treasurer's Report

Vincennes University's (VU) strong story of providing quality education at one of the most affordable tuition rates in the state showcased in the 2010-2011 fiscal year. The institution reached a record high enrollment, serving over 17,000 students system-wide. With the highest enrollment in 20 years, VU continues to implement cost-saving measures and emphasize its commitment to operating in the most efficient manner possible. Through prudent administration of the University's funds, VU has been able to sustain itself through tough economic times. The following statements demonstrate the financial strength of Vincennes University.

The institution's academic forethought and workforce initiatives provide a path forward for Indiana and its economy. Looking to the future, VU will continue to embrace its priority of student achievement and college completion. Serving both a traditional and nontraditional student population, VU plays a vital role in workforce development for Indiana. Education continues to be one of the best investments the state can make to ensure a better economic and social future for its residents.

In October, VU opened two world-class training labs at the Indiana Center for Applied Technology. The ABB Robotics lab houses the largest robotics training facility in North America while the Haas Technical Education Center is the first teacher training and certification center in the U.S. Furthering VU's impact on advanced manufacturing initiatives, the Indiana State Budget Committee granted approval in April to construct a $12 million Center for Advanced Manufacturing and Technology on the Vincennes University Jasper Campus. Together with the newly completed Gibson County Center for Advanced Manufacturing and Logistics, these premier facilities and labs are a testament to VU's vision of providing the most technologically advanced education to its students and the industries it serves.

I am pleased to present the 2010-2011 Vincennes University Financial Report for the fiscal year ended June 30, 2011. 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

Management's Discussion & Analysis

Vincennes University is proud to present its financial statements for fiscal year 2011. 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, 2011 with comparative information for the year ended June 30, 2010. 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 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 440 courses through its Distance Education program and at thirteen military sites across the United States. The University is accredited by the North Central Association of Colleges and Schools.

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

USING THE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the University at the end of the fiscal year and includes all assets and liabilities of the University. The difference between total assets and total liabilities-net assets-is one indicator of the current financial condition of the University, while the change in net assets is an indicator of whether the overall financial condition has improved or worsened during the year. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historical cost less an allowance for depreciation. A summarization of the University's assets, liabilities, and net assets at June 30, 2011, with comparative data for 2010, is as follows:

Statement of Net Assets	2011 (in thousands)	2010 (in thousands)
Current Assets	$ 38,587	$ 35,500
Non-current Assets		
Investments	113,403	110,682
Capital Assets, net	171,364	157,146
Other	3,584	2,353
Total Assets	**$ 326,938**	**$ 305,681**
Current Liabilities	22,303	23,725
Non-current Liabilities	58,125	62,009
Total Liabilities	**$ 80,428**	**$ 85,734**
Net Assets	**$ 246,510**	**$ 219,947**

The University's financial position remained strong at June 30, 2011, with assets of $327 million and liabilities of $80.4 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.

Noncurrent assets increased $18.2 million from the previous year. This increase was related to the construction in progress at year end which included: the Gibson County Center for Advanced Manufacturing and Logistics, the PE Renovation and Aquatic Center, and various renewal and replacement projects. 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 $2.57 million.

Current liabilities consist primarily of accounts payable, loans payable, accrued compensation, and accrued vacation liability. Total current liabilities decreased $1.4 million to $22.3 million. This decrease is related to the pay down of the Student Fee Revenue Bonds of 1997 Series E.

The majority of noncurrent liabilities represent bonds payable net of unamortized bond premium (discount) totaling $57 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, 2011, with comparative data for 2010, is summarized as follows:

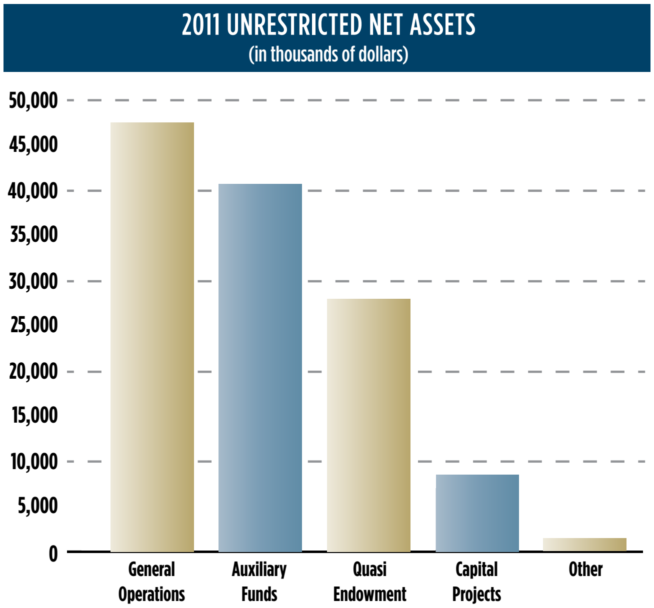
Summary of Net Assets	2011 (in thousands)	2010 (in thousands)
Invested in Capital Assets, Net of Related Debt	$ 110,633	$ 91,379
Restricted:		
Nonexpendable	2,380	2,380
Expendable	7,193	9,906
Unrestricted:		
Designated - Capital & Other	10,071	6,920
Designated for Quasi-Endowment	28,082	27,367
General Operations	47,483	44,357
Auxiliary	40,668	37,638
Total Net Assets	**$ 246,510**	**$ 219,947**

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 $28.1 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 $3.1 million which is attributable to the positive operations during the fiscal year. Auxiliary net assets increased approximately $3 million from the previous year which a portion is attributable to the 4 percent increase in housing rates.

The following graph shows the breakdown of unrestricted net assets of $126.3 million by designation:



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 non-operating revenues and expenses. Governmental appropriations, while budgeted for operations, are considered non-operating 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, 2011 and 2010 is as follows:

Statement of Revenues, Expenses & Changes in Net Assets	2011 (in thousands)	2010 (in thousands)
Operating Revenue:		
Tuition and Fees, Net	$ 30,741	$ 29,054
Auxiliary, Net	19,008	18,655
Grant and Contracts	18,279	19,089
Other	584	676
Total Operating Revenue	$ 68,612	$ 67,474
Operating Expenses	$120,145	$116,447
Net Operating Income (loss)	$ (51,533)	$(48,973)
Non-operating Revenues (Expenses):		
Governmental Appropriations	$ 42,351	$ 41,782
Federal and State Student Aid	27,258	23,522
Gifts (Including Endowment and Capital)	235	2,979
Investment Income	3,508	4,140
Gain (Loss) on Disposition of Capital Assets	(463)	(278)
Other Income and Expense	(2,486)	(2,605)
Total Non-operating Revenue	$ 70,403	$ 69,540
Income Before Other Revenues, Expenses, Gains or Losses	$ 18,870	$ 20,567
Other Revenues, Expenses, Gains or Losses		
Capital Appropriation	$ 5,000	$ -
Grants and Contracts Non-operating	2,693	-
Increase in Net Assets	$ 26,563	$ 20,567
Net assets - Beginning of year	$219,947	$199,380
Net assets - End of year	$246,510	$219,947

REVENUES

Operating revenues had a slight increase from the prior year. The changes in revenue are as follows:

- Tuition and fees, net of scholarship allowances and bad debt, increased 5.8 percent from the prior year which was largely attributable to the increase in enrollment and the student fee rates increasing 4 percent.
- Auxiliary revenues primarily consist of student housing, bookstores, student activities, and workshops. Net auxiliary revenues increased 1.9 percent with housing rates increasing 4 percent from the prior year.
- The University received an estimated 70 percent of grants and contracts from federal agencies, 19 percent from state agencies, and 11 percent from nongovernmental agencies.

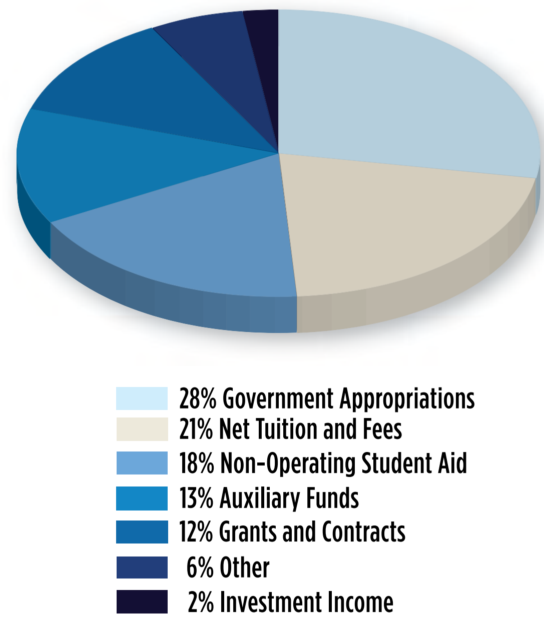
Non-operating revenue increased slightly from the previous fiscal year. The activity includes the following:

- Federal and State Student Aid increased $3.7 million to $27.3 million. This increase is largely attributable to the amount of Pell aid awarded with the increase in enrollment.
- Gifts and bequests decreased $2.6 million which is attributable to large donations received in the prior year.

Income before other revenues, expenses, gains or losses consisted of the following:

- The University received $5 million as a state capital appropriation restricted for the Center for Advanced Manufacturing and Logistics in Gibson County.
- The University also received $2.7 million in American Recovery and Reinvestment Act funds distributed through the State of Indiana for capital projects.

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University for the year ended June 30, 2011



EXPENSES

A comparative of the University's expenses for the years ending June 30, 2011 and 2010 is as follows:

Expense By Natural Object	2011 (in thousands)	2010 (in thousands)
Operating:		
Compensation and Benefits	$62,887	$62,789
Supplies and Other Services	35,460	34,488
Depreciation	8,298	7,919
Scholarships and Fellowships	13,500	11,251
Total Operating Expenses	$120,145	$116,447
Non-operating:		
Interest and Other	2,949	2,883
Total Expenses	$123,094	$119,330

Operating expenses were $120 million for the fiscal year ending June 30, 2011. Changes in the major expenses categories are as follows:

- Total salaries and benefits comprised approximately 51 percent of total expenses. Overall salaries remained constant from the prior year.

- Total scholarships and fellowships increased $2.25 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 other services increased $1 million to $35 million from the previous year. This increase is attributable to the equipment purchases for the Gibson County Center for Advanced Manufacturing and Logistics and the additional equipment release for instructional technology.

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, 2011 and 2010 is as follows:

Statement of Cash Flows	2011 (in thousands)	2010 (in thousands)
Cash Received from Operations	$ 68,855	$ 65,728
Cash Expended for Operation	(114,325)	(109,725)
Net Cash Used in Operating Activities	$ (45,470)	$ (43,997)
Net Cash Provided by Non-capital Financing Activities	67,108	68,486
Net Cash Provided by (used in) Investing Activities	(471)	(6,665)
Net Cash used in Capital and Related Financing Activities	(22,622)	(20,803)
Net Decrease in Cash and Cash Equivalents	$ (1,455)	$ (2,979)
Cash and Cash Equivalents - Beginning of Year	14,339	17,318
Cash and Cash Equivalents - End of Year	$ 12,884	$ 14,339

The University's Cash and Cash Equivalents decreased $1.46 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 recently dedicated the Center for Advanced Manufacturing and Logistics in Gibson County. 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.

The $8 million renovation of the Physical Education complex is nearing completion which includes 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, is currently being 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 FY2012 in the amount of $5 million for the PE Complex and in the amount of $850,000 for Davis Hall.

The VU Logistics Training and Education Center is under renovation in Plainfield, Indiana. This facility is located directly amongst the largest logistics industry in the state. By combining state-of-the-art logistics technology, extensive lab space, and employer-driven credentials, this 30,000 square foot advanced warehousing facility will fill an education and training gap that currently exists within the state.

The Indiana General Assembly has also given the University approval for the construction of a Center for Advanced Manufacturing and Technology and Advanced Manufacturing on the Jasper campus. This facility will cost approximately $12 million and will allow Indiana to strengthen its economic development by supplying skilled workers to meet industry needs.

Healthcare and prescription drug costs are a primary concern as the costs of the University's health benefits continue to increase. 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, 2011 and June 30, 2010

ASSETS	2011	2010
Current Assets		
Cash and Cash Equivalents	$ 12,883,881	$ 14,338,512
Short-term Investments	9,675,870	8,409,352
Funds held with Bond Trustee	13,894	15,299
Accounts Receivable (Less Allowance of $3,962,159 2011 and $ 4,183,338 2010)	12,744,823	9,710,562
Current Portion of Notes Receivable	463,790	458,105
Inventories	2,089,809	1,918,866
Accrued Interest Income	484,727	445,265
Prepaid Expenses	230,252	204,298
Total Current Assets	**$ 38,587,046**	**$ 35,500,259**
Non-current Assets		
Funds held with Bond Trustee for Debt Service	225,175	253,344
Investments	113,274,146	110,600,597
Derivative Instrument - Interest Rate Swap	129,614	81,375
Notes Receivable	789,086	783,173
OPEB Asset	2,569,079	1,316,195
Capital Assets, Net of Accumulated Depreciation	171,363,786	157,145,997
Total Non-current Assets	**$ 288,350,886**	**$ 270,180,681**
Total Assets	**$ 326,937,932**	**$ 305,680,940**
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 3,826,740	$ 4,034,422
Capital Lease Payable	3,239	-
Accrued Payroll and Deductions Payable	4,731,490	5,429,910
Accrued Vacation Liability	1,133,307	1,157,073
Deferred Revenue	2,417,539	2,420,219
Accrued Interest on Debt	351,159	373,599
Bonds Payable	3,800,000	4,915,000
Deposits	261,464	270,523
Deposits Held in Custody for Others	4,692,142	4,074,694
Other Liabilities	1,085,969	1,049,895
Total Current Liabilities	**$ 22,303,049**	**$ 23,725,335**
Non-current Liabilities		
Capital Lease Payable	10,993	-
Bonds Payable (Net of Unamortized Bond Premium (Discount) of $1,748,142 2011 and $1,891,187 2010)	56,868,142	60,811,187
Deferred Inflow of Resources (Interest Rate Swap)	129,614	81,375
Advances from Federal Government	1,116,332	1,116,332
Total Non-current Liabilities	**$ 58,125,081**	**$ 62,008,894**
Total Liabilities	**$ 80,428,130**	**$ 85,734,229**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 110,633,127	$ 91,378,659
Restricted for Non-expendable:		
Scholarships & Instruction	2,379,586	2,379,586
Expendable:		
Capital Projects	4,297,854	7,089,591
Loan Funds	525,800	516,227
Scholarships & Instruction	2,369,483	2,299,913
Unrestricted	126,303,952	116,282,735
Total Net Assets	**$ 246,509,802**	**$ 219,946,711**
Total Liabilities and Net Assets	**$ 326,937,932**	**$ 305,680,940**

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, 2011 with comparative figures for 2010

Assets	2011	2010	Liabilities & Fund Balances	2011	2010
Unrestricted Funds					
Cash	$ 102,629	$ 33,182	Accounts Payable	$ 15,417	$ 3,575
Amount Due from Agency Funds	12,816	181,874	Vacation Accrual	9,253	8,109
Other Accounts Receivable	-	38	Deferred Income Other	15,185	12,095
Accrued Interest Receivable	1,852	2,300	Due VU General Fund	24,433	150,087
Investments	1,982,339	1,702,815	Refundable Advance	770,200	770,200
Equipment	17,697	21,668			
Accum. Deprec. - Equipment	(13,305)	(14,248)			
Prepaid Expense	5,775	3,866	Net Assets	2,313,824	2,025,938
Property	1,038,509	1,038,509			
Total Unrestricted Funds	**$ 3,148,312**	**$ 2,970,004**	**Total Unrestricted Funds**	**$ 3,148,312**	**$ 2,970,004**
Current Restricted Funds					
Accrued Interest Receivable	$ 8,829	$ 9,932	Accounts Payable	$ 25,451	$ 24,659
Investments	26,843,847	21,875,403	Due to Unrestricted	10,411	55,511
Other Accounts Receivable	7,508	7,260	Funds Held in Trust	24,751,017	19,552,810
Prepaid Expense	12,530	24,000	Deferred Income Other	68,025	56,395
			Net Assets	2,017,810	2,227,220
Total Current Restricted Funds	**$ 26,872,714**	**$ 21,916,595**	**Total Current Restricted Funds**	**$ 26,872,714**	**$ 21,916,595**
Endowment Funds					
Amount Due from Agency Funds	$ -	$ 16,107	Accounts Payable	$ 7,927	$ 33,522
Accrued Interest Receivable	19,718	22,155	Due VU General Fund	-	7,580
Investments	22,114,699	18,444,769	Due to Unrestricted	2,405	126,363
			Annuity Payable	629,713	685,216
			Net Assets	21,494,372	17,630,350
Total Endowment Funds	**$ 22,134,417**	**$ 18,483,031**	**Total Endowment Funds**	**$ 22,134,417**	**$ 18,483,031**
Total Assets	**$ 52,155,443**	**$ 43,369,630**	**Total Liabilities and Fund Balance**	**$ 52,155,443**	**$ 43,369,630**

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, 2011 and June 30, 2010

	2011	2010
Operating Revenues		
Student Tuition & Fees	$ 43,536,766	$ 40,128,854
Scholarship Allowance - Tuition & Fees	(12,796,348)	(11,074,505)
Grants and Contracts	18,278,586	19,088,998
Auxiliary Enterprises	23,505,493	22,637,670
Scholarship Allowance - Auxiliary Enterprises	(4,496,552)	(3,983,065)
Other Revenues	583,613	675,939
Total Operating Revenues	**$ 68,611,558**	**$ 67,473,891**
Operating Expenses		
Salaries and Wages	46,625,771	46,491,592
Benefits	16,261,508	16,297,866
Scholarships and Fellowships	13,499,748	11,250,957
Supplies and Other Services	33,795,935	33,517,202
Equipment	1,664,333	971,100
Depreciation	8,298,071	7,918,753
Total Operating Expenses	**$ 120,145,366**	**$ 116,447,470**
Operating Income (Loss)	**$ (51,533,808)**	**$ (48,973,579)**
Non-Operating Revenues (Expenses)		
Governmental Appropriations	$ 42,350,588	$ 41,782,380
Federal and State Student Aid	27,257,983	23,521,598
Gifts and Bequests	235,296	2,978,984
Investment Income	2,658,306	2,608,465
Endowment Income	849,875	1,531,443
Gain (Loss) on Disposition of Capital Assets	(462,839)	(278,175)
Interest & Other Costs on Capital Asset - Related Debt	(2,528,072)	(2,520,163)
Other Non-operating Revenues (Expenses)	42,515	(84,575)
Total Non-operating Revenues (Expenses)	**$ 70,403,652**	**$ 69,539,957**
Income Before Other Revenues, Expenses, Gains or Losses	**$ 18,869,844**	**$ 20,566,378**
Other Revenues, Expenses, Gains or Losses		
Capital Appropriations	5,000,000	-
Capital Grants and Contracts	2,693,247	-
Increase in Net Assets	**$ 26,563,091**	**$ 20,566,378**
Net Assets - Beginning of Year	**$ 219,946,711**	**$ 199,380,333**
Net Assets - End of Year	**$ 246,509,802**	**$ 219,946,711**

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

VINCENNES UNIVERSITY FOUNDATION, INC.
COMPONENT UNIT — STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the year ending June 30, 2011 with comparative figures for 2010

Support and Revenue	Unrestricted	Current Restricted	Endowment	2011 Total	2010 Total
Contributions	$ 141,254	$ 194,662	$ 1,045,259	$ 1,381,175	$ 642,712
Other Income	79,897	146,708	240	226,845	218,150
Investment Income	170,732	98,408	1,532,318	1,801,458	1,148,282
Unrealized Gain (Loss) on Investments	183,105	(21,689)	2,156,763	2,318,179	694,720
Administrative Income	245,411	-	-	245,411	248,982
Alumni Income & Community Series	39,008	110,650	-	149,658	156,338
Total Support and Revenue	**$ 859,407**	**$ 528,739**	**$ 4,734,580**	**$ 6,122,726**	**$ 3,109,184**

Expenses					
Program Expenditures	$ 134,515	$ 416,368	$ 701,866	$ 1,252,749	$ 1,545,668
Management and General	393,795	69,188	296,587	759,570	747,188
Fundraising	120,645	47,264	-	167,909	158,567
Total Expenses	$ 648,955	$ 532,820	$ 998,453	$ 2,180,228	$ 2,451,423
Increase (Decrease) in Net Assets	$ 210,452	$ (4,081)	$ 3,736,127	$ 3,942,498	$ 657,761
Net Assets Adjustments:					
Additions	$ 198,822	$ 41,492	$ 140,812	$ 381,126	$ 18,192
Deductions	(121,388)	(246,821)	(12,917)	(381,126)	(18,192)
Total Change in Net Assets	**$ 287,886**	**$ (209,410)**	**$ 3,864,022**	**$ 3,942,498**	**$ 657,761**
Net Assets - Beginning of Year	**$ 2,025,938**	**$ 2,227,220**	**$ 17,630,350**	**$ 21,883,508**	**$ 21,225,747**
Net Assets - End of Year	**$ 2,313,824**	**$ 2,017,810**	**$ 21,494,372**	**$ 25,826,006**	**$ 21,883,508**

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, 2011 and June 30, 2010

	2011	2010
Cash Flows From (For) Operating Activities		
Tuition and Fees	$ 30,781,919	$ 28,344,351
Grants and Contracts	17,649,516	18,100,089
Payments to Suppliers	(35,820,539)	(34,160,395)
Payments to Employees	(46,583,635)	(46,565,356)
Payments for Benefits	(18,278,714)	(17,442,169)
Payments for Scholarships and Fellowships	(13,499,748)	(11,250,957)
Loans Issued to Students	(141,873)	(306,933)
Collection of Loans to Students	130,275	140,975
Auxiliary Enterprise	19,079,308	18,591,832
Other Receipts	1,213,849	551,079
Net Cash Used in Operating Activities	**(45,469,642)**	**(43,997,484)**
Cash Flows From (For) Non-Capital Financing Activities		
Governmental Appropriations	39,195,050	41,782,380
Gifts and Grants for Other than Capital Purposes	27,297,627	22,858,363
Funds Held in Trust for Others	615,742	3,845,098
Net Cash Provided by Non-capital Financing Activities	**67,108,419**	**68,485,841**
Cash Flows From (For) Capital & Related Financing Activites		
Proceeds from Capital Debt	-	38,586,832
Capital Appropriations	5,000,000	-
Capital Grants and Gifts Received	2,803,325	2,934,414
Proceeds (loss) from Sale of Capital Assets	215,579	8,429
Purchases of Capital Assets and Construction	(23,058,847)	(17,593,946)
Bond Reserve Cash Returned (Deposited)	29,574	(3,331)
Principal Paid on Capital Lease	(3,135)	(19,283)
Principal Paid on Capital Debt	(4,915,000)	(42,270,000)
Interest Paid on Capital Debt & Lease	(2,693,557)	(2,446,323)
Net Cash Used in Capital and Related Financing Activities	**(22,622,061)**	**(20,803,208)**
Cash Flows From (For) Investing Activites		
Proceeds from Sales and Maturities of Investments	74,070,080	95,821,640
Investment Income	5,047,496	4,584,766
Purchase of Investments	(79,588,923)	(107,071,242)
Net Cash Used in Investing Activities	**(471,347)**	**(6,664,836)**
Net Increase (Decrease) in Cash	**(1,454,631)**	**(2,979,687)**
Cash and Cash Equivalents - Beginning of Year	**14,338,512**	**17,318,199**
Cash and Cash Equivalents - End of Year	**$ 12,883,881**	**$ 14,338,512**

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, 2011 and June 30, 2010

	2011	2010
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:		
Net Operating Revenues and Expenses	$ (51,533,808)	$ (48,973,579)
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expenses	8,298,071	7,918,753
Changes in Assets and Liabilities:		
Receivables, Net	178,083	(2,154,353)
Inventories	(170,943)	(611,833)
Other Assets	(25,954)	(64,301)
Student Loans	(11,598)	(165,958)
OPEB Asset	(1,252,884)	(1,040,172)
Accounts Payable and Accrued Liabilities	(901,148)	760,848
Deferred Revenue	(2,680)	208,419
Gifts in Kind	7,851	18,165
Cash Flows Reported in Other Categories:		
Grants Used for Capital Improvements	(71,078)	-
Proceeds from Sale of Capital Assets	-	(1,970)
Capital Lease Payments	-	49,501
Other Non-Operating Revenues (Expenses)	16,446	58,996
Net Cash Provided by (Used in) Operating Activities	**$ (45,469,642)**	**$ (43,997,484)**

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

Vincennes University Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Reporting Entity:

Vincennes University is an institution of higher education and is considered to be a component unit of the State of Indiana. The University is governed by a Board of Trustees as established by Indiana Code 21-25-3. 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, 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 are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, 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, 2011, the VU Foundation distributed $1,319,275 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) Statements. Most significant to the Foundation's operations and reporting model are Financial Accounting Standards Board Accounting Standards Codification 958 (formerly FSP 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's 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 2011, the University adopted GASB Statement No. 59, *"Financial Instruments Omnibus."*

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/Deposits Held in Custody for Others:

Deposits represent dormitory room deposits and other miscellaneous deposits. Current balances in Deposits Held in Custody for Others result from the University acting as an agent or fiduciary for another entity. These include amounts held for student clubs and for 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 as 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 a post-secondary educational institution, most grants and contracts are considered operating.

Non-Operating Revenues: Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations, 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 Assets: Net assets not subject to donor-imposed restrictions.

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

Expenses are recognized when incurred.

Investments in marketable securities are stated at fair market value.

Note 2 Cash and Investments

Cash and investments as of June 30, 2011, 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, 2011, equaled $12,913,613.

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, 2011, the University had the following investments:

Investment Type	Market Value	Maturity Less than 1 Year	1-5 Years	6-10 Years
Certificate of Deposits	$ 6,181,305	$ 6,181,305	$ -	$ -
U. S. Treasury Notes	3,798,249	102,941	2,806,047	889,261
U. S. Government Agencies	112,581,205	3,391,624	30,853,688	78,335,893
Mutual Funds	389,257	-	389,257	-
Total	**$ 122,950,016**	**$ 9,675,870**	**$ 34,048,992**	**$ 79,225,154**

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, 2011, the University was 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 are currently no investments that represent 5 percent or more of the University's total investments being held at a single banking institution. 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, $3,798,249 of the U.S. Treasury Notes, $12,593,630 of the U.S. Government Agencies, and $389,257 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	$	7,357,509
Auxiliaries		2,019,784
Sponsored Programs		2,788,921
Refundable Advance		63,805
Government Appropriation		3,155,538
Other Receivable		1,321,425
Total Accounts Receivable		**16,706,982**
Allowance for Doubtful Accounts		(3,962,159)
Net Accounts Receivable	**$**	**12,744,823**

Note 4 Inventories

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

Inventories are primarily comprised of the following:		
Bookstores	$	1,732,885
Commercial Repair - Aviation	$	107,733
Aviation Tech Center	$	149,547

Note 5 Derivative Instrument

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2011, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the 2011 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2011		
	Classification	Amount	Classification	Amount	Current Notional
Cash flow Hedge: Pay-fixed interest rate swap	Deferred Inflow of Resources	$48,239	Derivative Instrument Interest Rate Swap	$129,614	$8,320,000

As of June 30, 2011, 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, 2011, 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	$8,320,000	12/23/2008	12/1/2028	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, the 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, 2011, 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, 2011 is $129,614. 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 exceed 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	$ 15,365,101	$ 1,052,357	$ 2,086	$ (40,118)	$ 16,375,254
Construction in Progress	9,281,038	16,318,223	77,470	(6,520,074)	19,001,717
Total Capital Assets Not Being Depreciated	**24,646,139**	**17,370,580**	**79,556**	**(6,560,192)**	**35,376,971**
Capital Assets Being Depreciated:					
Building And Improvements	180,595,267	1,057,981	1,799,033	6,560,192	186,414,407
Equipment	47,415,442	4,720,649	5,893,036	-	46,243,055
Total Capital Assets Being Depreciated	**228,010,709**	**5,778,630**	**7,692,069**	**6,560,192**	**232,657,462**
Less Accumulated Depreciation For:					
Building & Improvements	62,275,341	4,725,487	1,551,382	-	65,449,446
Equipment	33,235,510	3,572,584	5,586,893	-	31,221,201
Total Accumulated Depreciation	**95,510,851**	**8,298,071**	**7,138,275**	**-**	**96,670,647**
Total Capital Assets Being Depreciated, Net	**132,499,858**	**(2,519,441)**	**553,794**	**6,560,192**	**135,986,815**
Capital Assets, Net	**$ 157,145,997**	**$ 14,851,139**	**$ 633,350**	**$ -**	**$ 171,363,786**

NOTE 7 CAPITAL LEASE OBLIGATION

Capital Lease Payable consists of a lease-purchase agreement between Vincennes University and Ikon Office Solutions, Incorporated for a copier. The present value of the minimum lease payments of $17,367 was recorded as equipment.

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

Year ending June 30	Principal	Interest	Minimum Payments
2011	$ 14,232	$ 1,849	$ 16,081

NOTE 8 LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2011, is summarized as follows:

	Interest Rate	Amount Issued	Amount Retired 2010-2011	Amount Outstanding June 30, 2011	Amount Due Within One Year
Housing & Dining Bonds of 1983 Series A	3.000%	$ 5,000,000	$ 150,000	$ 2,220,000	$ 160,000
Student Fee Revenue Bonds of 1997 Series E	4.854%	25,535,000	1,680,000	910,000	445,000
Auxiliary Facilities System Revenue Bonds of 2006	4.126%	13,440,000	750,000	9,730,000	785,000
Auxiliary Facilities System Revenue Bonds of 2009	4.728%	10,160,000	345,000	9,815,000	355,000
Student Fee Bonds Series H	4.373%	4,545,000	165,000	3,925,000	170,000
Student Fee Bonds Series I	4.090%	9,095,000	320,000	8,320,000	330,000
Student Fee Bonds Series J	3.858%	26,795,000	1,505,000	24,000,000	1,555,000
Total Bonds Payable			**$ 4,915,000**	**$ 58,920,000**	**$ 3,800,000**
Unamortized Bond Premium (Discount)				**1,748,142**	
Due Within One Year				**(3,800,000)**	
Total Long-Term Liabilities				**$ 56,868,142**	

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
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		3,860,000		1,959,973
2017-2021		21,440,000		7,132,176
2022-2026		13,930,000		2,526,563
2027-2030		4,665,000		391,400
Total	**$**	**58,920,000**	**$**	**21,187,724**

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 Identure 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.

The Vincennes University Student Fee Bonds, Series J, were issued on March 10, 2010, to refinance 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.

Funds held with Bond Trustee		
Current Funds Expected to be Depleted Within a Year		
Revenue Bonds of 2009	$	5,544
Revenue Bonds of 2006		5,739
Other B & I Accounts		2,611
Total Current	**$**	**13,894**
H & D Bonds of 1983 A & B Vigo Hall		225,175
Total Funds held with Bond Trustee	**$**	**239,069**

Note 9 Scholarships and Instruction

The endowment funds are classified under net assets as Restricted for Scholarship & Instruction. They include both expendable and non-expendable funds. Itemized below are the total endowment funds having a fund balance greater than $25,000. All other endowments have been pooled.

Shircliff Memorial Scholarship	$ 41,869
Printing Industry	70,422
Zella Young Memorial Scholarship	180,822
Shircliff Endowment Fund	204,311
Risley Endowment Fund	87,081
Shircliff Life Income	119,699
Lyons Life Income	28,991
Opal C Ramsey Fund	3,376,626
Mabel Kuebler Trust	283,878
Estelle Emison Scholarship	32,308
The Adler and Susan Lyons Endowment	26,965
All Others	149,033
Total	**$ 4,602,005**

NOTE 10 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. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (317) 233-3882.

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, 2011, 431 employees were covered by PERF and total wages were $13,931,169. The University's contribution to the plan for the year end June 30, 2011 was $1,416,490. 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 Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (317) 232-3882.

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, 7.5 percent and 3 percent of covered wages. On June 30, 2011, 152 employees were covered by TRF and total wages were $11,569,896. The University's contribution to the plan for the fiscal years ending June 30, 2011, 2010 and 2009 were $601,094, $604,598 and $506,772 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, 2011, 464 employees were covered by TIAA/CREF and total wages were $25,735,666. During 2010/2011, Vincennes University contributed $2,078,426 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	$ 899,656
Interest on Net Pension Obligation	$ (71,548)
Adjustment to Annual Required Contribution	$ 81,535
Annual Pension Cost	$ 909,643
Contributions Made	$ 929,518
Increase (Decrease) in Net Pension Obligation	$ (19,875)
Net Pension Obligation, Beginning of Year	$ (986,873)
Net Pension Obligation, End of Year	$(1,006,748)

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

Contribution Rates:	PERF
University	7.0%
Contributed for Plan Members	3%
Actuarial Valuation Date	7/1/2010
Actuarial Cost Method	Entry Age Normal
Amortization Method	Entry Level Percent of Payroll
Remaining Amortization Period	30 Years, Closed
Asset Valuation Method	4-Year Smoothed Market Value With 20% Corridor

Three Year Trend Information

Year Ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
6/30/2008	$ 788,820	110%	$ (986,958)
6/30/2009	$ 869,419	100%	$ (986,873)
6/30/2010	$ 909,643	101%	$ (1,006,748)

Required Supplementary Information
Schedules of Funding Progress Public Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Actual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2008	$ 25,152,566	$ 25,604,394	$ (451,828)	98.20 %	$ 13,222,014	(3.4) %
7/1/2009	$ 21,227,164	$ 24,443,823	$ (3,216,659)	86.80 %	$ 13,587,375	(23.7) %
7/1/2010	$ 17,693,615	$ 26,270,991	$ (8,577,376)	67.40 %	$ 14,463,328	(59.3) %

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

Note 11 Other Postemployment Benefits

Plan Description

The Vincennes University Healthcare Plan is a single-employer defined benefit healthcare plan administered by Anthem. The University 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, 2011, the University contributed $4,839,405 to the plan, including $2,129,405 for current premiums (approximately 74% of total premiums) (and an additional $2,710,000 to prefund benefits.) Plan members receiving benefits contributed approximately $765,000 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	$ 3,573,792
Interest on net OPEB obligation	(98,715)
Adjustment to annual required contribution	111,444
Annual OPEB cost (expense)	$ 3,586,521
Contributions made	(4,839,405)
Increase (Decrease) in net OPEB obligation	$ (1,252,884)
Net OPEB obligation - beginning of year	(1,316,195)
Net OPEB obligation (asset) - end of year	$ (2,569,079)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	$ 3,586,521	134.9%	$ (2,569,079)
6/30/2010	$ 3,773,338	127.6%	$ (1,316,195)
6/30/2009	$ 3,923,414	77.5%	$ (276,023)

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the plan was 40.7% funded. The actuarial accrued liability for benefits was $48,048,283, and the actuarial value of assets was $19,568,800, resulting in an unfunded actuarial accrued liability (UAAL) of $28,480,483. The current year covered payroll (annual payroll of active employees covered by the plan) was $33,969,433, and the ratio of the UAAL to covered payroll was 83.8%.

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, 2011, 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, 2011, 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	$ 19,568,800
Actuarial accrued liability (AAL)	48,048,283
Unfunded AAL	(28,479,483)
Funded ratio (actuarial value of plan assets/AAL)	40.7%
Covered payroll (active plan members)	33,969,433
Unfunded AAL as a percentage of covered payroll	(83.8)%

Note 12 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 $100,000 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 $840,909 for the fiscal year 2010-2011 and $792,911 for the fiscal year 2009-2010.

Changes in the total reported self-insured health, dental & drug benefit liability during the year ending June 30, 2011 were as follows:

Balance, beginning of year	$	792,711
Claims incurred		9,968,846
Claim payments		(9,920,648)
Balance, end of year	$	840,909

Note 13 Deposits Held in Custody of Others

As of June 30, 2011, the University held $4,460,841 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 14 Functional Statement

Operating expenses by functional classification are summarized as follows:

	Salaries and Benefits	Scholarships/ Fellowships	Supplies and Other Services	Equipment	Depreciation	Total
Instruction	$ 34,586,031	$ -	$ 5,826,560	$ 207,678	$ -	$ 40,620,269
Sponsored Programs	8,609,344	-	8,399,324	272,066	-	17,280,734
Libraries	1,299,437	-	394,415	204,776	-	1,898,628
Community Service	229,360	-	25,213	-	-	254,573
Student Service	3,129,464	-	2,134,881	38,847	-	5,303,192
Operation and Maintenance of Plant	4,016,764	-	4,329,408	484,342	-	8,830,514
Institutional Support	6,936,287	-	1,650,854	373,983	-	8,961,124
Depreciation	-	-	-	-	8,298,071	8,298,071
Auxiliary Enterprises	4,080,592	-	11,035,280	82,641	-	15,198,513
Student Aid Expense	-	13,499,748	-	-	-	13,499,748
Total Operating Expenses	$ 62,887,279	$ 13,499,748	$ 33,795,935	$ 1,664,333	$ 8,298,071	$120,145,366

Note 15 SUBSEQUENT EVENTS

The Indiana General Assembly has given the University approval for the construction of a Center for Advanced Manufacturing and Technology on the Jasper campus. Construction for this $12 million facility will begin during fiscal year 2012.

Board Of Trustees

Officers of the University

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