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

FEDERAL SINGLE AUDIT REPORT

VINCENNES UNIVERSITY

VINCENNES, INDIANA

July 1, 2013 to June 30, 2014

FILED
03/30/2015

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SCHEDULE OF UNIVERSITY OFFICIALS

Office	Official	Term
President	Richard E. Helton	07-01-13 to 06-30-15
Vice President for Financial Services and Governmental Relations	Phillip S. Rath	07-01-13 to 06-30-15
President of the Board of Trustees	John R. Gaylor	07-01-13 to 06-30-15

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S 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, 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, the financial statements of the business-type activities and the aggregate discretely presented component unit of Vincennes University (University), a component unit of the State of Indiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 23, 2014. Our report includes a reference to other auditors who audited the financial statements of Vincennes University Foundation, as described in our report on the University's financial statements. The financial statements of Vincennes University Foundation were not audited in accordance with *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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 University's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, INDIANA

Report on Compliance for Each Major Federal Program

We have audited Vincennes University's (University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of University's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Basis for Qualified Opinion on Adult Education - Basic Grants to States

As described in item 2014-006 in the accompanying Schedule of Findings and Questioned Costs, the University did not comply with the requirement regarding Allowable Costs that is applicable to its Adult Education - Basic Grants to States. Compliance with such requirement is necessary, in our opinion, for the University to comply with the requirements applicable to that program.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

Qualified Opinion on Adult Education - Basic Grants to States

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Adult Education - Basic Grants to States* paragraph, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Adult Education - Basic Grants to States for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, 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 2014-001, 2014-003, and 2014-004. Our opinion on each major federal program is not modified with respect to these matters.

The University's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plans. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; ON INTERNAL CONTROL OVER COMPLIANCE; AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133
(Continued)

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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-002 and 2014-005 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be significant deficiencies.

The University's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plans. The University's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the discretely presented component unit of the University, a component unit of the State of Indiana, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise University's basic financial statements. We issued our report thereon dated October 23, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

March 23, 2015

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were prepared by management of the University. The schedule and notes are presented as intended by the University.

VINCENNES UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

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		$ 178,260
Federal Work-Study Program	84.033		243,191
Federal Perkins Loans (FPL) - Federal Capital Contributions	84.038		1,297,646
Federal Pell Grant Program	84.063		16,927,796
Federal Direct Student Loans - Plus	84.268		3,960,290
Federal Direct Student Loans - Stafford	84.268		31,138,265
Total for federal agency			53,745,448
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Grant			
Student Financial Aid Cluster			
Nursing Student Loans	93.364		235,849
Total for federal grantor agency			235,849
Total for cluster			53,981,297
U.S. DEPARTMENT OF AGRICULTURE			
Direct Grant			
Public Television Station Digital Transition Grant Program	10.861	IN16-01-B33	310,019
Pass-Through Indiana Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	C2-9-74201	7,861
Total for federal grantor agency			317,880
U.S. DEPARTMENT OF LABOR			
Pass-Through Western Indiana Workforce Investment Board			
Workforce Investment Act (WIA) Cluster			
Region 7			
WIA Adult Program	17.258	C1-4-WIB-3-07	770,039
WIA Youth Activities	17.259	C1-4-WIB-3-07	561,876
WIA Dislocated Worker Formula Grants	17.278	C1-4-WIB-3-07/ C1-4-RR-3-07	361,163
Total for program			1,693,078
Pass-Through South Central Indiana Workforce Board, Inc.			
Workforce Investment Act (WIA) Cluster			
Region 8			
WIA Adult Program	17.258	WIA-13-ADW-VU	461,295
WIA Youth Activities	17.259	WIA-13-Y-VU	695,905
WIA Dislocated Worker Formula Grants	17.278	WIA-13-ADW-VU/ BC-13-VU	494,555
Total for program			1,651,755
Pass-Through Grow Southwest Indiana Workforce Board, Inc.			
Workforce Investment Act (WIA) Cluster			
Region 11			
WIA Adult Program	17.258	R11-12-01	6,365
Total for cluster			3,351,198
Direct Grants			
Community Based Job Training Grants	17.269		209,475
Mine Health and Safety Grants	17.600		191,632
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	TC-23790-12-60-A-18	785,406
Pass-Through Western Indiana Workforce Investment Board			
Region 7			
Workforce Investment Act (WIA) National Emergency Grants	17.277	C1-4-NEGDWT-3-07	25,142
Total for federal grantor agency			4,562,853

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, 2014
(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 TREASURY			
Pass-Through Indiana Department of Family and Social Services Administration			
Tax Counseling for the Elderly	21.006	14TCEP0009	20,930
Total for federal grantor agency			20,930
U.S. DEPARTMENT OF EDUCATION			
Direct Grant			
Trio Cluster			
Trio - Student Support Services	84.042		321,550
Trio - Talent Search	84.044		368,998
Trio - Project Aspiree	84.044A		233,819
Trio - Upward Bound	84.047		364,985
Trio - Veteran's Upward Bound	84.047V		253,085
Total for cluster			1,542,437
Pass-Through Indiana Department of Workforce Development			
Adult Education - Basic Grants to States	84.002A	C1-4-AE-3-68-A/ C1-4-AE-3-68-B	313,459
Career and Technical Education - Basic Grants to States	84.048	C1-4-PPS-3-68	507,692
Total for federal grantor agency			2,363,588
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	42-14-0V-1456-02	224,126
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	42-14-0V-1456-04	467,796
Nutrition Services Incentive Program	93.053	42-14-02-1456-01	91,383
Total for cluster			783,305
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	42-14-2V-1456-02	8,057
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	42-14-0V-1456-05	17,662
Special Programs for the Aging -Title IV and Title II - Discretionary Projects	93.048	42-14-ST-1456	2,187
National Family Caregiver Support, Title III, Part E	93.052	42-14-0V-1456-06	101,949
Medical Enrollment Assistance Program	93.071	A43-14-IDOI-VINGEN	1,470
Social Services Block Grant	93.667	42-14-0G-1456-01	284,545
Total for federal grantor agency			1,199,175
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	11SRNIN004	53,286
Total for federal grantor agency			53,286
Total federal awards expended			$ 62,499,009

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

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Vincennes University (University) and is presented in conformity 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.

The purpose of the Schedule is to present a summary of those activities of the University for the year ended June 30, 2014, which have been financed by the U.S. Government (federal awards). For purposes of the Schedule, federal awards include all federal assistance and procurement relationships entered into directly between the University and the federal government and sub-awards from non-federal organizations made under federally sponsored agreements. The Schedule presents only a selective portion of the activities of the University; therefore, it is not intended to and does not present the financial position, change in financial position, or cash flow of the University.

Student Financial Assistance

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

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

Note 2. Federal Direct Student Loans

The Schedule includes Federal Direct Student loans which were not made by the University but were received by its students. The University is responsible only for the performance of certain administrative duties with respect to these loans.

The number of guaranteed loans and the total amount processed for each Direct Loan Program for the year ended June 30, 2014, were as follows:

Progam Title	Number of Students	Loan Amount
Direct Loan Program (Subsidized and Unsubsidized)	4,970	$ 31,138,265
Direct PLUS Loans (Parent (PLUS) and Graduate PLUS)	530	3,960,290
Totals		$ 35,098,555

Note 3. Federal Student Loan Program

The University participates in various loan programs. The University maintains revolving loan funds 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, 2014:

Progam Title	Federal CFDA Number	Loans Outstanding
Federal Perkins Loan Program	84.038	$ 1,297,646
Nursing Student Loan Program	93.364	235,849

VINCENNES UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unmodified
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?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	Unmodified for all programs except Adult Education - Basic Grants to States, which was Qualified
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
	Student Financial Aid Cluster
	Workforce Investment Act (WIA) Cluster
10.861	Public Television Station Digital Transition Grant Program
84.002A	Adult Education - Basic Grants to States
84.048	Career and Technical Education - Basic Grants to States
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
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 2014-001 - ENROLLMENT REPORTING

Federal Agency: Department of Education
Federal Program: Federal Direct Student Loans
CFDA Number: 84.268
Federal Award Number and Year (or Other Identifying Number): FY14

The University is required per OMB Circular A-133 Compliance Supplement under Special Tests and Provisions - Enrollment Reporting to report within 30 days enrollment status changes for students, unless the Enrollment Reporting roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence. The University uses the services of the National Student Clearinghouse (NSC) to report enrollment status changes to the National Student Loan Data System (NSLDS). Under this arrangement, the University reports all students enrolled and their status to the NSC. The NSC then identifies any changes in status and reports those changes when required to the respective lender and guarantors. Additionally, the NSC completes the roster file on the University's behalf and communicates status changes to the NSLDS as applicable. Although the University uses the services of the NSC, it is the University's responsibility to submit timely, accurate, and complete responses to roster files and to maintain proper documentation.

We selected a sample of 25 students who either withdrew (officially or unofficially) or graduated from the University to determine whether enrollment changes were being properly reported to the NSLDS. The following errors were noted:

1. Five of the ten students with an unofficial withdrawal, did not have their enrollment status change reported within 60 days to the NSLDS.

2. One of the four students who graduated was reported to the NSLDS as withdrawn rather than graduated.

The University had established controls over enrollment reporting, but they were not effective to ensure that enrollment data was submitted timely and accurately for all students. Students who stop attending classes are considered unofficial withdrawals by the Financial Aid Office and this determination is made at the end of each semester. If however, a student receives a non-passing grade for the spring semester, rather than being coded as withdrawn, the automated reporting system does not recognize them as an unofficial withdrawal until the beginning of the fall semester, when they are not enrolled. The automated reporting process then recognizes the unofficial withdraw and submits the change to the NSLDS via the NSC, which results in an excess of the 60 days reporting requirement.

34 CFR 685.309(b) states in part:

> "Enrollment reporting process (1) Upon receipt of an enrollment report from the Secretary, a school must update all information included in the report . . . (2) Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that (i) a loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; . . ."

OMB Circular A-133, Subpart C, section .300 states in part:

> "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Inaccurate and delayed submission of information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

We recommended that the University should strengthen its controls to help ensure that the enrollment files it submits to the NSC are complete and accurate. Procedures should be implemented to ensure that the University accurately reports student status change dates and types to the NSLDS in a timely manner.

FINDING 2014-002 - INTERNAL CONTROL - OVER WORKFORCE INVESTMENT ACT (WIA) CLUSTER

Federal Agency: U.S. Department of Labor
Federal Programs: WIA Adult Program, WIA Youth Activities, and WIA Dislocated Worker Formula Grants
CFDA Numbers: 17.258, 17.259, and 17.278
Federal Award Numbers and Year (or Other Identifying Number): C1-4-WIB-3-07 (FY14) and
C1-4-RR-3-07 (FY14)
Pass-Through Entity: Western Indiana Workforce Investment Board

The Workforce Investment Act (WIA) grant programs that the University administers are operated under two separate regions, Region 7 and Region 8. These regions are operating under separate Workforce Investment Boards, and separate contracts with the University as service providers. This finding pertains only to Region 7.

Management of the University has not established an effective internal control system, which would include segregation of duties, related to the grant contract and the following compliance requirements that have a direct and material effect to the programs: Allowable Costs, Cash Management, and Earmarking.

Allowable Costs (Payroll Only): Vincennes University Region 7 Workforce Development Services (VU Region 7 WDS) payroll was prepared and approved by a region secretary in the Kronos payroll system.

Cash Management: The VU Region 7 WDS Director was solely responsible for preparing the reimbursement requests, posting invoices in the subsidiary ledger (Fundware), preparing the monthly reports, and making corrections to the subsidiary ledger when federal reimbursements were received.

Earmarking: The VU Region 7 WDS Director was solely responsible for preparing the reimbursement requests, maintaining the subsidiary ledger, and preparing the monthly reports for the Fiscal Agent. The earmarking compliance requirement was based upon the subsidiary ledger reports that were fully prepared by the VU Region 7 WDS Director.

The failure to establish an effective internal control system places the University at risk of noncompliance with the grant contract and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the programs. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

> "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the programs could result in the loss of federal funds to the University.

We recommended that the University's management establish controls, including segregation of duties, related to the grant contract and compliance requirements listed above.

FINDING 2014-003 - CASH MANAGEMENT OVER WORKFORCE INVESTMENT ACT (WIA) CLUSTER

Federal Agency: U.S. Department of Labor
Federal Programs: WIA Adult Program, WIA Youth Activities, and WIA Dislocated Worker Formula Grants
CFDA Numbers: 17.258, 17.259, and 17.278
Federal Award Numbers and Year (or Other Identifying Number): C1-4-WIB-3-07 (FY14) and
C1-4-RR-3-07 (FY14)
Pass-Through Entity: Western Indiana Workforce Investment Board

The Workforce Investment Act (WIA) grant programs that the University administers are operated under two separate regions, Region 7 and Region 8. These regions are operating under separate Workforce Investment Boards, and separate contracts with the University as service providers. This finding pertains only to Region 7.

The Vincennes University Region 7 Workforce Development Services (VU Region 7 WDS) Director prepared monthly Accrued Expenses Reports (AER) based upon the expenditures reported from the Fundware software. This software is required to track transactions per the grant contract. The AERs are submitted to the fiscal agent, who is contracted by the Western Indiana Workforce Investment Board (WIWIB). The fiscal agent made adjustments to the AERs submitted by the VU Region 7 WDS Director prior to completing the reimbursement requests that were submitted to Indiana Department of Workforce Development in order for payment to be made to the University. Adequate supporting documentation was not available to support the adjustments made to the AERs by the fiscal agent.

The VU Region 7 WDS submitted 13 AERs for FY 2013-14; three of these were tested. The supporting documentation attached to the AERs did not agree to the expenses posted in the Fundware ledger.

29 CFR 95.21(b) states in part:

"'Recipients' financial management systems shall provide for the following:

(1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in 95.52.

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. . . .

(7) Accounting records including cost accounting records that are supported by source documentation."

Contractual Agreements (C1-4-WIB-3-07 and C1-4-RR-3-07) between Western Indiana Workforce Investment Board, Inc., and Vincennes University states in part:

"Sec. 1.9, Establishment and Maintenance of Records, . . . The financial management system and the participant data system shall provide required records and reports that are uniform in definition, reasonably accessible and comprehensible to all authorized parties, verifiable for monitoring, reporting, audit and evaluation purposes, and in accordance with the specifications of the Statewide Management Information System as set forth by the State. The service provider shall file required reports accurately to WIWIB …

Section 3.1, Payment Schedule, . . . WIWIB will make payments to the service provider within thirty (30) days of receipt of an invoice. All payments will be made on a cost reimbursement basis . . ."

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

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

FINDING 2014-004 - ALLOWABLE COSTS - OVER WORKFORCE INVESTMENT ACT (WIA) CLUSTER

Federal Agency: U.S. Department of Labor
Federal Programs: WIA Adult Program, WIA Youth Activities, and WIA Dislocated Worker Formula Grants
CFDA Numbers: 17.258, 17.259, and 17.278
Federal Award Numbers and Year (or Other Identifying Number): C1-4-WIB-3-07 (FY14) and C1-4-RR-3-07 (FY14)
Pass-Through Entity: Western Indiana Workforce Investment Board

The Workforce Investment Act (WIA) grant programs that the University administers are operated under two separate regions, Region 7 and Region 8. These regions are operating under separate Workforce Investment Boards, and separate contracts with the University as service providers. This finding pertains only to Region 7.

The Vincennes University Region 7 Workforce Development Service (VU Region 7 WDS) had expenditures for salaries and wages in the amount of $62,042.85 that did not have adequate supporting documentation and therefore are considered to be questioned costs of the programs.

The VU Region 7 WDS provided Time and Attendance reports for audit. The reports were signed by both the employee and the Director of the programs. For the pay periods tested, the hours reported on the employees' time and attendance reports did not agree to the payroll distribution reports for the same period.

The total hours charged to the programs were based on percentages that were approved for FY 2013-14 on a "Change of Status" form which was submitted by the VU Region 7 WDS Director, approved by the VU Region 7 WDS Vice President, and implemented by the University Payroll Supervisor. The University was unable to provide any supporting documentation for the percentages used for the payroll expenditures charged to these programs.

The University has a policy for Time and Effort tracking for all Federal Grants that states in part: "All employees that charge their efforts to grants will be required to complete at least semi-annual time and effort certification reports . . . Any distribution report that reports time by pay period." The Time Distribution Report Instructions state: "An employee working in a multiple source/multiple cost objective situation needs to report his/her total work time, which includes both Grant and Non-Grant Activities on Time Distribution reports."

29 CFR 95.21(b) states in part:

"'Recipients' financial management systems shall provide for the following:

(1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in 95.52.

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. . . .

(6) Written procedures for determining the reasonableness, allocability, and allowability, of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

(7) Accounting records including cost accounting records that are supported by source documentation."

OMB Circular A-21, Section C (4)(d) states in part:

"Allocation and documentation standard:

(1) *Cost principles.* The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.

(2) *Internal controls.* The institution's financial management system shall ensure that no one person has complete control over all aspects of a financial transaction."

OMB Circular A-21, Section J(10)(a) states in part:

". . . These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements. . . . are determined and supported as provided below. . . ."

OMB Circular A-21, Section J (10)(b) states in part:

"Payroll distribution

(1) General Principles.

(a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. . . .

(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will-

(1) be in accordance with Sections A.2 and C;

(2) produce an equitable distribution of charges for employee's activities; and

(3) distinguish the employees' direct activities from their F&A activities.

(c) In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

(d) There is no single best method for documenting the distribution of charges for personal services. . . ."

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

We recommended that time and effort reporting documentation should be maintained to fully support the percentages paid for salary and benefits charged to the grant program. The University should adhere to the provisions of federal guidelines and University policies and procedures.

FINDING 2014-005 - INTERNAL CONTROL OVER ADULT EDUCATION - BASIC GRANTS TO STATES

Federal Agency: Department of Education
Federal Program: Adult Education - Basic Grants to States
CFDA Number: 84.002A
Federal Award Number and Year: C1-4-AE-3-68-A (FY14) and C1-4-AE-3-68-B (FY14)
Pass-Through Entity: Indiana Department of Workforce Development

Management of the University has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements that have a direct and material effect to the program: Activities Allowed; Allowable Costs; Cash Management; Matching, Level of Effort, Earmarking; Period of Availability and Reporting.

Activities Allowed; Allowable Costs; and Period of Availability - Individual time sheets were entered into the payroll system by one employee, who subsequently also approved the payroll prior to payment.

Cash Management; Matching, Level of Effort, and Earmarking; and Reporting - The Director was the only person involved in the preparation and approval process relating to these compliance requirements.

The failure to establish an effective internal control system places the University at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

> "The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the University.

We recommended that the University's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

FINDING 2014-006 - ALLOWABLE COSTS OVER ADULT EDUCATION - BASIC GRANTS TO STATES

Federal Agency: Department of Education
Federal Program: Adult Education - Basic Grants to States
CFDA Number: 84.002A
Federal Award Number and Year: C1-4-AE-3-68-A (FY14) and C1-4-AE-3-68-B (FY14)
Pass-Through Entity: Indiana Department of Workforce Development

The following problems were identified with costs charged to the grant program:

1. Payments were made to local high schools for salaries/benefits and supplies for the Adult Education program. Total payments of $162,883.20 were made without adequate supporting documentation. This amount is considered to be a questioned cost.

2. Employees paid from multiple funds were based on a percentage without time and effort reporting to substantiate the percentages. Total payments of $31,442.76 were made without the proper documentation. This amount is considered to be a questioned cost.

34 CFR 74.21(b) states in part:

"'Recipients' financial management systems shall provide for the following:

(1) Accurate, current, and complete disclosure of the financial results of each federally-sponsored project in accordance with the reporting requirements established in 74.52. . . .

(2) Records that identify adequately the source and application of funds for federally-sponsored activities. These records shall contain information pertaining to awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. . . .

(6) Written procedures for determining the reasonableness, allocability, and allowability, of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award.

(7) Accounting records including cost accounting records that are supported by source documentation."

OMB Circular A-21, Section C(4)(d) states in part:

"Allocation and documentation standard:

(1) *Cost principles.* The recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable under these cost principles.

(2) *Internal controls.* The institution's financial management system shall ensure that no one person has complete control over all aspects of a financial transaction."

OMB Circular A-21, Section J(10)(a) states in part:

". . . These costs are allowable to the extent that the total compensation to individual employees conforms to the established policies of the institution, consistently applied, and provided that the charges for work performed directly on sponsored agreements . . . are determined and supported as provided below. . . ."

OMB Circular A-21, Section J(10)(b) states in part:

"Payroll distribution

(1) General Principles.

(a) The distribution of salaries and wages, whether treated as direct or F&A costs, will be based on payrolls documented in accordance with the generally accepted practices of colleges and universities. . . .

(b) The apportionment of employees' salaries and wages which are chargeable to more than one sponsored agreement or other cost objective will be accomplished by methods which will

(1) be in accordance with Sections A.2 and C;

(2) produce an equitable distribution of charges for employee's activities; and

(3) distinguish the employees' direct activities from their F&A activities.

(c) In the use of any methods for apportioning salaries, it is recognized that, in an academic setting, teaching, research, service, and administration are often inextricably intermingled. A precise assessment of factors that contribute to costs is not always feasible, nor is it expected. Reliance, therefore, is placed on estimates in which a degree of tolerance is appropriate.

(d) There is no single best method for documenting the distribution of charges for personal services. . . ."

The University has a policy for Time Distribution Reports that states in part: "All employees that charge their efforts to grants will be required to complete at least semi-annual time and effort certification reports . . . Any employee that is charging their efforts to more than one grant funding source MUST complete a bi-weekly time distribution report that reports time by pay period." The Time Distribution Report Instructions state: "An employee working in a multiple source/multiple cost objective situation needs to report his/her total work time, which includes both Grant and Non-Grant activities on Time Distribution reports."

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

We recommended that adequate detailed supporting documentation be obtained prior to payment for all invoices. Time and effort reporting documentation should be maintained to fully support the percentages paid for salary and benefits charged to the grant program. The University should adhere to the provisions of Federal guidelines and University policies and procedures.

AUDITEE PREPARED SCHEDULES

The subsequent schedules were provided by management of the University. The schedules are presented as intended by the University.

Finding Number 2014-001

Federal Program: Federal Direct Student Loans
Contact Person for Corrective Action: Rebecca Little
Title of Contact Person: Registrar
Contact Phone Number: 812-888-4220
Expected Completion Date: Corrective Action has been taken

Description of Corrective Action Plan:

The University has modified its automated controls to ensure the enrollment reporting to the National Student Clearinghouse is complete and accurate. The University understands the importance of accurate reporting.

Finding Number 2014-002

Federal Program: Workforce Investment Act (WIA) Cluster
Contact Person Responsible for Corrective Action: David Tucker
Title of Contact Person: VP of Workforce Development
Contact Phone Number: 812-888-4266
Expected Completion Date: Corrective Action has been taken

Corrective Action:

The University has written controls. The University's policies and procedures and a Regional Workforce manual were not being followed by the former director. The University along with Region 7's new interim director has addressed these controls and has made the following changes:

(a) The new interim director is now approving all timecards on the Kronos system.

(b) Effective September, 2014, an interim director and fiscal analyst were appointed which brought forth segregation of duties. The written procedures are now being followed when preparing the reimbursement requests. A fiscal analyst prepares the reimbursement requests along with a formal reconciliation from the subsidiary ledger to the University's accounting system which is approved by the new interim director.

Finding Number 2014-003

Federal Program: Workforce Investment Act (WIA) Cluster
Contact Person Responsible for Corrective Action: David Tucker
Title of Contact Person: VP of Workforce Development
Contact Phone Number: 812-888-4266
Expected Completion Date: Corrective Action has been taken

Corrective Action:

The University acknowledges that its processes and software for monitoring claim reimbursement for Region 7 could be enhanced to provide additional safeguards to ensure compliance.

The University's current process involves Region 7 maintaining a subsidiary ledger on a separate accounting system required by the WIWIB. This software allows the providers to properly maintain their cost allocations by the federal program and generate the reimbursement request. It was discovered that this system allowed the users to make adjustments after a reimbursement claim was generated and after the month was closed. Region 7 has implemented procedures to properly close a month on the system. There is a formal reconciliation from the subsidiary ledger to the University's accounting system which is reviewed by the interim director on a monthly basis.

Finding Number 2014-004

Federal Program: Workforce Investment Act (WIA) Cluster
Contact Person Responsible for Corrective Action: David Tucker
Title of Contact Person: VP of Workforce Development
Contact Phone Number: 812-888-4266
Expected Completion Date: Corrective Action has been taken

Corrective Action:

The University acknowledges the need for additional support to document the salary and wage allocations. The payroll department requires a change of status form be completed for those individuals who are split between departments and/or programs. This paperwork was completed for the individuals in question and submitted to the payroll department with the proper signatures. The monthly payroll records do reflect the allocation percentages provided to the payroll department.

The University will require that these individuals also complete the time and effort report documenting their basis for the allocations.

Finding Number 2014-005

Federal Program: Adult Education – Basic Grants to States
Contact Person Responsible for Corrective Action: David Tucker
Title of Contact Person: VP of Workforce Development
Contact Phone Number: 812-888-4266
Expected Completion Date: Corrective Action has been taken

Corrective Action:

The University has written policies and procedures. The University along with Adult Education's new interim director has addressed the segregation of duties' controls and has made the following changes:

(a) The new interim director is now approving all timecards on the Kronos system.

(b) Written procedures are now being followed when preparing the reimbursement requests. The director prepares the reimbursement requests along with a formal reconciliation from the subsidiary ledger to the University's accounting system which is approved by the VP of Workforce Development.

Finding Number 2014-006

Federal Program: Adult Education – Basic Grants to States
Contact Person Responsible for Corrective Action: David Tucker
Title of Contact Person: VP of Workforce Development
Contact Phone Number: 812-888-4266
Expected Completion Date: Corrective Action has been taken

Corrective Action:

The University acknowledges the need for additional support to document the salary and wage allocations. The payroll department requires a change of status form be completed for those individuals who are split between departments and/or programs. This paperwork was completed for the individuals in question and submitted to the payroll department with the proper signatures.

The University will require that these individuals also complete the time and effort report documenting their basis for the allocations.

Also, the University had reimbursed local high schools for expenditures related to adult education based on an invoice submitted by the high school. The University now requires detailed support for the invoice before payment is made to the high school.

B44961

FILED
03/30/2015

VINCENNES UNIVERSITY

Indiana's First College

Financial Report
2013-2014

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

Indiana's First College

Financial Report
2013-2014


ABB


VINCENNES

Vincennes University Financial Report 2013-2014

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STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of Vincennes University (University), a component unit of the State of Indiana, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of Vincennes University Foundation, a component unit of the University as discussed in Note 1, which represents 100 percent of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Vincennes University Foundation, is based solely on the reports of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the University as of June 30, 2014 and 2013, and the respective changes in financial position, where applicable, and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide an assurance on the information because of the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. 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 Board of Trustees and University Officers have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2014, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

October 23, 2014

Vincennes University Treasurer's Report

Partnerships that bring together leaders in education with employers committed to improving their workforce are a winning combination for our students and the State of Indiana's workforce. It is evident through the outpouring of industries and communities that have approached this institution that Vincennes University has reached a new era in higher education. It is through our innovative partnerships that VU has earned a reputation for providing the most advanced technical workforce. We look forward to working with other strategic Indiana partners – employers, secondary education, and state and local government – to continue to help move Indiana forward.

Vincennes University understands and appreciates the State's on-time completion priority and has implemented programs to help many of Indiana's first-generation students achieve their educational goals. VU's Student Success Center, launched in 2013, is dedicated to improving persistence and degree completion by actively providing support and intense advising to assist students in choosing a career path and completing college on-time. Our commitment to the student experience is evident in the new Student Center being constructed on the Vincennes campus. To be completed in 2016, this facility will enhance student life by encouraging students to become engaged and learn from one another.

VU now enrolls over 18,000 students from every county in Indiana, 28 other states and 30 countries. The institution experienced a nearly five percent increase in system-wide headcount in the 2013-2014 academic year. The strongest drivers of the enrollment expansion were Project Excel and Early College. These programs continue to grow at a robust pace saving Hoosier families millions of dollars. Career and Technical Early Colleges were established in Hammond and Indianapolis. Plans are now in place to expand to other Career and Technical Educations Centers throughout Indiana to help fill the skills gap cited by employers across the state.

As Vincennes University prepares to face an exciting future, it is important to reaffirm our commitment to the principles and values that have become the hallmark of this institution. Affordability and transferability remain at the core of VU's mission. Vincennes University continues to be the most affordable residential college in the state and serves as Indiana's premier transfer institution with over 250 articulation agreements with other institutions.

Indiana is making great strides to close the educational attainment gap in the state and Vincennes University is proud to serve its unique role within Indiana's higher education system. I am grateful for the hard work and dedication of our Board of Trustees, Faculty and Staff, and most importantly, our students. I am pleased to present the 2013-2014 Vincennes University Financial Report for the fiscal year ended June 30, 2014. 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 2014. 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, 2014 with comparative information for the year ended June 30, 2013. 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 a fall 2013 enrollment of approximately 10,049 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 Concentration, 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 774 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 Position, the Statement of Revenues, Expenses and Changes in Net Position, 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 POSITION

The Statement of Net Position 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/deferred outflow of resources and total liabilities/deferred inflow of resources --net position--is one indicator of the current financial condition of the University, while the change in net position 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, deferred outflow of resources, liabilities, and net position at June 30, 2014, with comparative data for 2013, is as follows:

Statement of Net Position	2014 (in thousands)	2013 (in thousands)
Current Assets	$ 44,973	$ 34,128
Non-current Assets		
Investments	100,623	102,429
Capital Assets, net	210,725	201,634
Other	11,506	9,706
Total Assets	**$ 367,827**	**$ 347,897**
Deferred Outflows	**$ 174**	**$ 127**
Current Liabilities	20,970	21,260
Non-current Liabilities	62,311	62,584
Total Liabilities	**$ 83,281**	**$ 83,844**
Net Position	**$ 284,720**	**$ 264,180**

The University's financial position remained strong at June 30, 2014, with assets of $368 million and liabilities of $83 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, inventory and accounts receivable. Accounts receivable includes sponsored programs, student loans, and student receivable for tuition, and room and board. This line item also included a $4 million receivable for capital appropriations from State of Indiana. These funds were expended during FY2014.

Non-current assets increased $9.1 million from the previous year. This increase was largely related to the completion of the Center for Art Design, the dorm renovations of Vanderburgh Hall and Morris Hall, 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 $10.7 million.

Current liabilities consist primarily of accounts payable, bonds payable, accrued compensation, and accrued vacation liability. Accounts payable decreased $2.6 million to $2.7 million. This decrease was primarily related to the timing of construction payments.

Total non-current liabilities remained unchanged. The majority of non-current liabilities represent bonds payable net of unamortized bond premium (discount) totaling $61 million. These bonds were issued to finance the construction and renovation of student residence halls and academic buildings. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

Deferred outflows of resources is the fair value of the pay-fixed interest rate swap issued December 28, 2008.

Net Position

Net position represent the residual interest in the University's assets after liabilities are deducted. The University's net position at June 30, 2014, with comparative data for 2013, is summarized as follows:

Summary of Net Position	2014 (in thousands)	2013 (in thousands)
Net Investment in Capital Assets	$ 144,955	$ 135,878
Restricted:		
Non-expendable	2,380	2,380
Expendable	4,763	4,946
Unrestricted:		
Designated - Capital & Other	14,580	13,683
Designated for Quasi-Endowment	29,209	28,673
General Operations	42,599	36,176
Auxiliary	46,234	42,444
Total Net Position	**$ 284,720**	**$ 264,180**

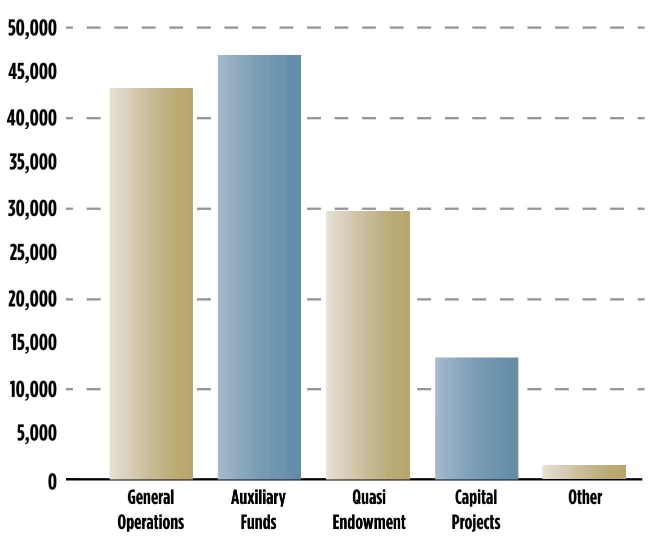
Net Investment in Capital Assets represent the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisiton, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position is the restricted component of net position which consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. *Restricted net position non-expendable* primarily include the University's permanent endowment funds. The corpus of these resources is only available for investment purposes. *Restricted net position - expendable* are subject to externally imposed restrictions governing their use. This category of net position includes funds restricted for capital projects, external loan funds, and scholarship funds.

Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflow of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. Unrestricted net position is 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 $29.2 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 $6.4 million which is largely attributable to the increase in the market value of investments and the University's ongoing cost containment. Investments in capital assets increased $9.1 million with the completion of the Center for Art and Design, the dorm renovations of Vanderburgh Hall and Morris Hall, and various renewal and replacement projects. The following graph shows the percentage breakdown of unrestricted net assets of $133 million by designation:

2014 UNRESTRICTED NET POSITION
(in thousands of dollars)



STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses and Changes in Net Position 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, Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34. A summary of the Statement of Revenues, Expenses and Changes in Net Position for the years ending June 30, 2014 and 2013 is as follows:

Statement of Revenues, Expenses & Changes in Net Position	2014 (in thousands)	2013 (in thousands)
Operating Revenue:		
Tuition and Fees, Net	$ 27,731	$ 27,286
Auxiliary, Net	18,021	17,377
Grant and Contracts	15,333	16,376
Other	1,139	721
Total Operating Revenue	$ 62,224	$ 61,760
Operating Expenses	$117,938	$118,338
Net Operating Income (Loss)	$ (55,714)	$ (56,578)
Non-Operating Revenues (Expenses):		
Governmental Appropriations	$ 45,586	$ 41,960
Federal and State Student Aid	24,966	24,074
Gifts (Including Endowment and Capital)	496	581
Investment Income	1,189	(455)
Gain (Loss) on Disposition of Capital Assets	240	(78)
Other Income and Expense	(2,518)	(2,626)
Total Non-Operating Revenue	$ 69,959	$ 63,456
Increase in Net Position	$ 14,245	$ 6,878
Other Revenues, Expenses, Gains or Losses		
Capital Appropriation	6,295	0
Net position - Beginning of year	$264,180	$257,302
Net position - End of year	$284,720	$264,180

Revenues

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

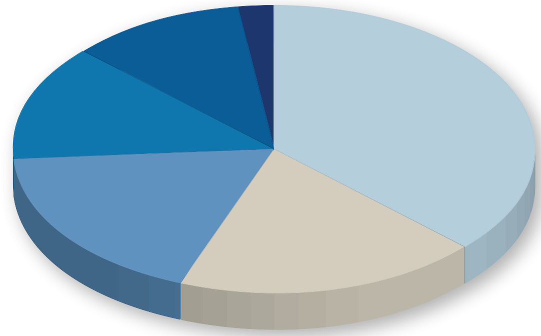
- With student enrollment remaining at a consistent level, tuition and fees, net of scholarship allowances and bad debt, remained unchanged from the prior year.
- Auxiliary revenues primarily consist of student housing, bookstores, student activities, and workshops. Net auxiliary revenues for housing and bookstores increased slightly.
- For grants and contracts, the University received an estimated 63 percent from federal agencies, 25 percent from state agencies, and 12 percent from nongovernmental agencies.

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

- Federal and State Student Aid increased 3.7 percent to $25 million. This increase is largely attributable to the amount of state aid awarded.
- Investment income increased approximately $1.6 million which was reflective of the market conditions.

Other Revenues, Expenses, Gains or Losses increased from the previous fiscal year. This increase is the capital appropriation from the State of Indiana to upgrade the infrastructure at the Aviation Technology Center in Indianapolis, and to replace the steamline and electric infrastructure on the Vincennes campus.

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, 2014.



Expenses

A comparative of the University's expenses for the years ending June 30, 2014 and 2013 is as follows:

Expense By Natural Object	2014 (in thousands)	2013 (in thousands)
Operating:		
Compensation and Benefits	$ 62,627	$ 64,036
Supplies, Services & Equipment	34,114	33,827
Depreciation	11,018	9,843
Scholarships and Fellowships	10,179	10,632
Total Operating Expenses	$117,938	$118,338
Non-Operating:		
Interest and Other	2,519	2,626
Total Expenses	$120,457	$120,964

Operating expenses were $118 million for the fiscal year ending June 30, 2014. Changes in major expense categories are as follows:

- Total salaries and benefits comprised approximately 52 percent of total expenses. Faculty and staff received an average merit of 2 percent at the beginning of fiscal year 2014. There was an approximate 2 percent decrease in salaries which was directly related to loss of the Workforce Development Region 11 contract. Benefits remained relatively unchanged from the prior year.
- Overall supplies, services and equipment remained level from the previous year. 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, 2014 and 2013 is as follows:

Statement of Cash Flows	2014 (in thousands)	2013 (in thousands)
Cash Received from Operations	$ 62,149	$ 61,501
Cash Expended for Operations	(111,406)	(107,583)
Net Cash Used in Operating Activities	$ (49,257)	$ (46,082)
Net Cash Provided by Non-Capital Financing Activities	72,197	63,174
Net Cash Provided by Investing Activities	9,918	7,588
Net Cash used in Capital and Related Financing Activities	(19,641)	(26,096)
Net Increase (Decrease) in Cash and Cash Equivalents	$ 13,217	$ (1,416)
Cash and Cash Equivalents - Beginning of Year	14,951	16,367
Cash and Cash Equivalents - End of Year	$ 28,168	$ 14,951

The University's Cash and Cash Equivalents increased $13 million from the previous year. The increase in the cash and cash equivalents was primarily related to shift in the investment portfolio, and the decrease in the purchase of capital assets and construction projects.

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 Vincennes University Logistics Training and Education Center is now operational in Plainfield, Indiana. The University was awarded a $2.9 million grant from the Department of Labor to facilitate the logistics program at this facility. 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 University will also receive the remaining state appropriations of $5 million to upgrade the infrastructure at the Aviation Technology Center in Indianapolis and to replace the steamline and electric infrastructure on the Vincennes campus.

Health care and prescription drug costs are a primary concern as the costs of the University's health benefits continue to increase. Increasing costs for medical 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.

The University is examining the impact of the new Governmental Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which will require the University to report the pension expense on an accrual basis and recognize the unfunded liability for the agent multiple-employer and cost sharing plans. The impact on the financial statements will take place in FY2015.

Management's prudent use of resources and the ability to recognize workforce changes and adapt programming to meet employers' needs will ensure that the University continues to remain financially sound.

VINCENNES UNIVERSITY STATEMENT OF NET POSITION

As of June 30, 2014 and June 30, 2013

ASSETS	2014	2013
Current Assets		
Cash and Cash Equivalents	$ 28,167,710	$ 14,951,417
Short-term Investments	1,279,371	8,161,771
Funds held with Bond Trustee	13,919	16,805
Accounts Receivable (Less Allowance of $ 4,035,545 2014 and $4,041,546 2013)	12,359,432	7,682,311
Current Portion of Notes Receivable	597,120	585,834
Inventories	2,044,506	2,234,362
Accrued Interest Income	278,933	319,875
Prepaid Expenses	231,810	175,343
Total Current Assets	**$ 44,972,801**	**$ 34,127,718**
Non-current Assets		
Funds held with Bond Trustee for Debt Service	221,543	223,371
Investments	100,623,292	102,428,542
Notes Receivable	609,416	582,503
OPEB Asset	10,675,126	8,900,939
Capital Assets, Net of Accumulated Depreciation	210,725,161	201,633,599
Total Non-current Assets	**$ 322,854,538**	**$ 313,768,954**
Total Assets	**$ 367,827,339**	**$ 347,896,672**
DEFERRED OUTFLOWS		
Accumulated decrease in fair value of hedging derivatives	$ 174,189	$ 126,744
LIABILITIES		
Current Liabilities		
Accounts Payable	2,749,683	$ 5,351,492
Accrued Payroll and Deductions Payable	3,939,048	4,054,367
Accrued Vacation Liability	1,135,046	1,175,987
Unearned Revenue	3,120,027	2,667,236
Accrued Interest on Debt	362,347	342,536
Bonds Payable	4,685,400	4,375,800
Deposits	224,614	251,684
Deposits Held in Custody for Others	3,637,561	2,072,201
Other Liabilities	1,115,882	968,409
Total Current Liabilities	**$ 20,969,608**	**$ 21,259,712**
Non-current Liabilities		
Bonds Payable (Net of Unamortized Bond Premium (Discount) of $1,287,775 2014 and $1,448,762 2013)	61,021,175	61,340,762
Derivative Instrument - Interest Rate Swap	174,189	126,744
Advances from Federal Government	1,116,332	1,116,332
Total Non-current Liabilities	**$ 62,311,696**	**$ 62,583,838**
Total Liabilities	**$ 83,281,304**	**$ 83,843,550**
NET POSITION		
Net Investment in Capital Assets	144,955,506	$ 135,878,482
Restricted for Non-expendable:		
Scholarships & Instruction	2,379,586	2,379,585
Expendable:		
Capital Projects	1,804,636	1,879,157
Loan Funds	496,964	554,184
Scholarships & Instruction	2,461,229	2,513,254
Unrestricted	132,622,303	120,975,204
Total Net Position	**$ 284,720,224**	**$ 264,179,866**

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, 2014 with comparative figures for 2013

Assets	2014	2013
Unrestricted Funds		
Cash	$ 88,925	$ 85,402
Amount Due from Agency Funds	12,855	1,309
Other Accounts Receivable	1,500	1,250
Accrued Interest Receivable	1,654	1,226
Investments	2,616,368	2,121,380
Equipment	20,114	18,267
Accum. Deprec. - Equipment	(15,653)	(17,205)
Prepaid Expense	7,055	3,029
Property	994,659	994,659
Total Unrestricted Funds	**$ 3,727,477**	**$ 3,209,317**
Current Restricted Funds		
Cash	$ 25,442	$ 2,553
Accrued Interest Receivable	11,420	7,350
Investments	46,655,873	38,540,432
Other Accounts Receivable	4,379	223
Prepaid Expense	60,032	47,250
Total Current Restricted Funds	**$ 46,757,146**	**$ 38,597,808**
Endowment Funds		
Accrued Interest Receivable	$ 17,275	13,856
Investments	27,325,143	23,981,924
Prepaid Expense	2,135	3,000
Total Endowment Funds	**$ 27,344,553**	**$ 23,998,780**
Total Assets	**$ 77,829,176**	**$ 65,805,905**

Liabilities & Fund Balances	2014	2013
Accounts Payable	$ 6,272	$ 4,816
Vacation Accrual	9,859	11,113
Deferred Income Other	9,896	5,525
Due VU General Fund	14,211	13,224
Refundable Advance	770,200	770,200
Net Assets	2,917,039	2,404,439
Total Unrestricted Funds	**$ 3,727,477**	**$ 3,209,317**
Accounts Payable	$ 13,677	$ 39,981
Due to Unrestricted	129	-
Funds Held in Trust	41,908,126	36,558,776
Deferred Income Other	90,945	98,650
Net Assets	4,744,269	1,900,401
Total Current Restricted Funds	**$ 46,757,146**	**$ 38,597,808**
Accounts Payable	$ 6,357	$ 5,977
Due to Unrestricted	12,855	1,309
Net Assets	27,325,341	23,991,494
Total Endowment Funds	**$ 27,344,553**	**$ 23,998,780**
Total Liabilities and Fund Balance	**$ 77,829,176**	**$ 65,805,905**

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

VINCENNES UNIVERSITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the year ended June 30, 2014 and June 30, 2013

		2014		2013
Operating Revenues				
Student Tuition & Fees	$	40,865,931	$	39,814,376
Scholarship Allowance - Tuition & Fees		(13,134,790)		(12,528,195)
Grants and Contracts		15,332,988		16,375,832
Auxiliary Enterprises		23,128,039		21,880,807
Scholarship Allowance - Auxiliary Enterprises		(5,107,462)		(4,504,137)
Other Revenues		1,139,691		721,520
Total Operating Revenues	**$**	**62,224,397**	**$**	**61,760,203**
Operating Expenses				
Salaries and Wages		46,257,064		47,604,336
Benefits		16,369,914		16,431,944
Scholarships and Fellowships		10,179,284		10,632,125
Supplies and Other Services		32,819,260		32,471,789
Equipment		1,294,164		1,355,312
Depreciation		11,018,395		9,842,549
Total Operating Expenses	**$**	**117,938,081**	**$**	**118,338,055**
Operating Income (Loss)	**$**	**(55,713,684)**	**$**	**(56,577,852)**
Non-Operating Revenues (Expenses)				
Governmental Appropriations		45,586,206	$	41,960,174
Federal and State Student Aid		24,965,609		24,074,128
Gifts and Bequests		496,303		580,625
Investment Income		529,034		(529,702)
Endowment Income		659,820		74,587
Gain (Loss) on Disposition of Capital Assets		240,454		(78,679)
Interest & Other Costs on Capital Asset - Related Debt		(2,494,416)		(2,487,523)
Other Non-Operating Revenues (Expenses)		(24,100)		(138,062)
Total Non-Operating Revenues (Expenses)	**$**	**69,958,910**	**$**	**63,455,548**
Income before other revenues, expenses, gains or losses	$	14,245,226		$6,877,696
Other Revenues, Expenses, Gains or losses				
Capital Appropriations	$	6,295,132		-
Increase in Net Position	**$**	**20,540,358**	**$**	**6,877,696**
Net Position - Beginning of Year	**$**	**264,179,866**	**$**	**257,302,170**
Net Position - End of Year	**$**	**284,720,224**	**$**	**264,179,866**

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, 2014 with comparative figures for 2013

Support and Revenue	Unrestricted	Current Restricted	Endowment	2014 Total	2013 Total
Contributions	$ 360,737	$ 506,589	$ 251,823	$ 1,119,149	$ 1,079,600
Grants and Contracts	-	3,000,000	30,000	3,030,000	
Other Income	74,095	159,940	23,245	257,280	261,956
Investment Income	503,224	69,561	5,357,257	5,930,042	1,414,973
Unrealized Gain (Loss) on Investments	(110,969)	(13,601)	(1,364,180)	(1,488,750)	1,708,295
Administrative Income	283,547	-	-	283,547	241,245
Alumni Income & Community Series	26,436	139,300	-	165,736	164,668
Total Support and Revenue	**$ 1,137,070**	**$ 3,861,789**	**$ 4,298,145**	**$ 9,297,004**	**$ 4,870,737**
Expenses					
Program Expenditures	$ 199,216	$ 892,073	$ 689,545	$ 1,780,834	$ 1,543,186
Management and General	294,311	36,239	313,103	643,653	608,417
Fundraising	127,741	54,461	0	182,202	183,300
Total Expenses	**$ 621,268**	**$ 982,773**	**$ 1,002,648**	**$ 2,606,689**	**$ 2,334,903**
Increase (Decrease) in Net Assets	**$ 515,802**	**$ 2,879,016**	**$ 3,295,497**	**$ 6,690,315**	**$ 2,535,834**
Net Assets Adjustments:					
Additions	6,903	15,330	40,200	62,433	32,093
Deductions	(10,105)	(50,478)	(1,850)	(62,433)	(32,093)
Total Change in Net Assets	**$ 512,600**	**$ 2,843,868**	**$ 3,333,847**	**$ 6,690,315**	**$ 2,535,834**
Net Assets - Beginning of Year	**$ 2,404,439**	**$ 1,900,401**	**$23,991,494**	**$28,296,334**	**$ 25,760,500**
Net Assets - End of Year	**$ 2,917,039**	**$ 4,744,269**	**$27,325,341**	**$34,986,649**	**$ 28,296,334**

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, 2014 and June 30, 2013

		2014		2013
Cash Flows From (For) Operating Activities				
Tuition and Fees	$	27,871,668	$	26,649,367
Grants and Contracts		15,215,808		16,409,668
Payments to Suppliers		(36,494,202)		(30,586,000)
Payments to Employees		(46,334,520)		(47,789,945)
Payments for Benefits		(18,222,905)		(18,429,950)
Payments for Scholarships and Fellowships		(10,179,284)		(10,632,125)
Loans Issued to Students		(175,582)		(144,850)
Collection of Loans to Students		137,382		165,188
Auxiliary Enterprise		17,979,685		17,605,481
Other Receipts		944,679		670,821
Net Cash Used in Operating Activities	**$**	**(49,257,271)**	**$**	**(46,082,345)**
Cash Flows From (For) Non-Capital Financing Activities				
Governmental Appropriations		45,586,206		41,960,174
Gifts and Grants for Other than Capital Purposes		25,050,350		24,245,736
Funds Held in Trust for Others		1,560,561		(3,031,813)
Net Cash Provided by Non-Capital Financing Activities	**$**	**72,197,117**	**$**	**63,174,097**
Cash Flows From (For) Capital & Related Financing Activities				
Proceeds from Capital Debt		4,526,800		8,045,000
Capital Appropriations		2,287,085		-
Capital Grants and Gifts Received		263,715		222,290
Proceeds (Loss) from Sale of Capital Assets		67,739		200,742
Insurance Recovery		93,622		88,697
Purchases of Capital Assets and Construction		(19,846,481)		(27,523,570)
Bond Reserve Cash Returned (Deposited)		4,714		921
Principal Paid on Capital Lease		-		(11,270)
Principal Paid on Capital Debt		(4,375,800)		(4,474,200)
Interest Paid on Capital Debt & Lease		(2,662,392)		(2,644,293)
Net Cash Used in Capital and Related Financing Activities	**$**	**(19,640,998)**	**$**	**(26,095,683)**
Cash Flows From (For) Investing Activities				
Proceeds from Sales and Maturities of Investments		23,087,263		57,181,763
Investment Income		4,521,219		3,988,544
Purchase of Investments		(17,691,036)		(53,582,307)
Net Cash Provided By Investing Activities		**9,917,446**	**$**	**7,588,000**
Net Increase (Decrease) in Cash		**13,216,294**	**$**	**(1,415,931)**
Cash and Cash Equivalents - Beginning of Year		**14,951,416**	**$**	**16,367,348**
Cash and Cash Equivalents - End of Year	**$**	**28,167,710**	**$**	**14,951,417**

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, 2014 and June 30, 2013

	2014	2013
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:		
Net Operating Revenues and Expenses	$ (55,713,684)	$ (56,577,852)
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expenses	11,018,395	9,842,549
Changes in Assets and Liabilities:		
Receivables, Net	(638,277)	(436,900)
Other Receipts	-	2,500
Inventories	189,856	47,484
Other Assets	(56,467)	255,063
Student Loans	(38,200)	20,338
OPEB Asset	(1,774,187)	(1,707,234)
Accounts Payable and Accrued Liabilities	(2,632,863)	2,613,373
Deferred Revenue	452,791	11,622
Gifts in Kind	-	-
Cash Flows Reported in Other Categories:		
Other Non-Operating Revenues (Expenses)	(64,635)	(153,288)
Net Cash Used in Operating Activities	**$ (49,257,271)**	**$ (46,082,345)**

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 and capital improvements and grants from various state agencies.

The University adheres to Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units – an amendment of GASB Statement No. 14* and Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*. GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity.

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

The Vincennes University Foundation, Inc. is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that is available to the University in support of its programs. The University does not control the timing or amount of receipts from the Foundation, the majority of resources, or income therein that the Foundation holds and invests are restricted to the activities of the University by the donors. Since 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 University and is discretely presented in the University's financial statements. During the year ended June 30, 2014, the VU Foundation distributed $1,606,866 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 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 – an amendment of GASB Statement No. 34*, and with other accounting principles generally accepted in the United State of America, as prescribed by the GASB. During fiscal year 2014, the University adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* GASB Statement No. 66, *Technical Corrections - 2012 an amendment of GASB Statements No. 10 and No. 62,* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The University did not have nonexchange financial guarantees under GASB Statement No. 70 to report for fiscal year 2014.

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.

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 Position.

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 Position.

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 Outflow of Resources:

Deferred outflow of resources is a consumption of net assets by government that is applicable to a future reporting period.

Unearned Revenues:

Unearned 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. Unearned 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 the Complete College America, Inc.

Compensated Absences:

Liabilities for compensated absences are recorded for vacation leave for eligible employees based on actual earned amount. This accrual includes the employer share of social security and Medicare taxes, and contributions to pension plans. The maximum number of days an employee may be paid upon termination of employment remains limited to the number of days which can be earned in 12 months. The liability and expense incurred are recorded at year-end as accrued vacation liability in the Statement of Net Position and as a component of salary and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Non-current Liabilities:

Non-current liabilities consist primarily of principal amounts of a revenue bonds payable with a contractual maturity of greater than one year, and advances from the federal government.

Net Position:

The University's net position are classified as follows:

Net Investment in capital assets: This represents the University's total investment in capital assets net of outstanding debt obligations related to those capital assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted net position: The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resources flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported

Restricted net position-non-expendable: Non-expendable restricted net position 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 position-expendable: Restricted expendable net position 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 position: The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflow of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Unrestricted net position 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 Position. 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:

Unrestricted Net Assets: Unrestricted net assets include all contributions received, without donor restrictions, and all revenue and expenses. Unrestricted net assets include both undesignated and board designated funds. Undesignated net assets may be used at the discretion of management to support the mission of the Foundation and consist of net assets accumulated from the results of operations. Designated funds are unrestricted net assets designated by the Foundation's Board of Directors as a quasi endowment to be used for the purpose of providing endowment draws to fund operations. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Current Restricted & Endowment Net Assets: The Foundation accounts for gifts and donations received, which are restricted as to use in its current restricted and endowment funds. Restricted fund accounting maintains a record of all receipts and disbursements in order to control the use of funds according to the restrictions designated by the contributors.

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, 2014, 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 reported for checking and money market accounts at various banks at June 30, 2014, equaled $28,167,710.

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, 2014, the University had the following investments:

Investment Type	Market Value	Maturity Less than 1 Year	1-5 Years	6-10 Years
U. S. Treasury Notes	$ 3,864,859	$ 534,014	$ 3,154,805	$ 176,040
U. S. Government Agencies	97,645,646	745,357	25,741,773	71,158,516
Mutual Funds	392,158	-	392,158	-
Total	**$ 101,902,663**	**$ 1,279,371**	**$ 29,288,736**	**$ 71,334,556**

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, 2014, 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, $3,864,859 of the U.S. Treasury Notes, $13,044,453 of the U.S. Government Agencies, and $392,158 of the Mutual Funds are held by the counter party, a trust department, or an agent not in the University's name.

Foreign currency risk: This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not hold any foreign currency-denominated investments.

Note 3 Accounts Receivable

Accounts Receivable are primarily comprised of the following:		
Student Receivables - Tuition	$	6,919,887
Auxiliaries		1,778,073
Sponsored Programs		2,755,048
Refundable Advance		63,805
Other Receivable		870,117
Capital Appropriation Receivable		4,008,047
Total Accounts Receivable	**$**	**16,394,977**
Allowance for Doubtful Accounts		(4,035,545)
Net Accounts Receivable	**$**	**12,359,432**

Note 4 Inventories

Inventories are stated at the lower of cost or market value. Total inventories were valued at $2,044,506. Of this total, the bookstore's inventory was $1,807,092.

Note 5 Derivative Instruments

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2014, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the 2014 financial statements is as follows:

	Changes in Fair Value		Fair Value at June 30, 2014		
	Classification	Amount	Classification	Amount	Current Notional
Cash flow Hedge: Pay-fixed interest rate swap	Pay-Fixed Interest Rate Swap	($47,445)	Derivative Outflow of Resources	($174,189)	$7,290,000

As of June 30, 2014, 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, 2014, 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	$7,290,000	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, 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, 2014, the University is in compliance with its credit risk policy for all investments. The fair value of the hedging derivative instrument, in a liability position as of June 30, 2014, is $174,189. Since both the derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure since the fair value of the derivative instrument would be netted against the payoff of the debt.

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

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

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

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

Note 6 Capital Assets

	Beginning Balances	Increases	Decreases	Transfers	Ending Balances
Capital Assets Not Being Depreciated:					
Land	$ 17,709,149	$ 1,665,374	$ 11,520	$ (215,218)	$ 19,147,785
Construction in Progress	10,877,252	13,346,805	-	(16,803,279)	7,420,778
Total Capital Assets Not Being Depreciated	**28,586,401**	**15,012,179**	**11,520**	**(17,018,497)**	**26,568,563**
Capital Assets Being Depreciated:					
Building & Improvements	233,234,613	575,363	1,293,520	17,018,497	249,534,953
Equipment	51,671,054	4,812,909	1,972,787	-	54,511,176
Total Capital Assets Being Depreciated	**284,905,667**	**5,388,272**	**3,266,307**	**17,018,497**	**304,046,129**
Less Accumulated Depreciation For:					
Building & Improvements	76,291,687	6,731,499	1,177,584	290	81,845,892
Equipment	35,566,782	4,286,896	1,809,749	(290)	38,043,639
Total Accumulated Depreciation	**111,858,469**	**11,018,395**	**2,987,333**	**-**	**119,889,531**
Total Capital Assets Being Depreciated, Net	**173,047,198**	**(5,630,123)**	**278,974**	**17,018,497**	**184,156,598**
Capital Assets, Net	**$ 201,633,599**	**$ 9,382,056**	**$ 290,494**	**$ -**	**$ 210,725,161**

Note 7 Change in Accounting Principle

Effective for the fiscal year ended June 30, 2013, the University adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position.* The standard incorporates deferred outflow of resources and deferred inflow of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. In accordance with the standard, the University has modified the presentation of the statement of net position and has reported deferred outflow of resources for the pay-fixed interest rate swap issued December 28, 2008.

Note 8 Long-Term Debt

Long-term debt activity for the year ended June 30, 2014 is summarized as follows:

	Interest Rate	Amount Issued	Amount Retired 2013-2014	Amount Outstanding June 30, 2014	Amount Due Within One Year
Dormitory and Dining Facilities Revenue Bonds of 1983, Series A	3.000%	$ 5,000,000	$ 170,000	$ 1,730,000	$ 170,000
Auxiliary Facilities System Revenue Bonds, Series 2006	4.126%	13,440,000	845,000	7,285,000	885,000
Auxiliary Facilities System Revenue Bonds, Series 2009	4.728%	10,160,000	375,000	8,720,000	390,000
Auxiliary Facilities System Revenue Bonds, Series 2013	3.630%	4,526,800	-	4,256,800	157,800
Student Fee Bonds, Series H	4.373%	4,545,000	185,000	3,390,000	190,000
Student Fee Bonds, Series I	4.090%	9,095,000	360,000	7,290,000	380,000
Student Fee Bonds, Series J	3.858%	26,795,000	1,650,000	19,195,000	1,700,000
Student Fee Bonds, Series K	3.160%	5,895,000	333,000	4,921,000	344,000
Student Fee Bonds, Series L	2.350%	8,045,000	457,800	7,361,000	468,600
Total Bonds Payable			**$ 4,375,800**	**$ 64,418,800**	**$ 4,685,400**
Unamortized Bond Premium (Discount)				**$ 1,287,775**	
Due Within One Year				**(4,685,400)**	
Total Long-Term Liabilities				**$ 61,021,175**	

Debt obligations are generally callable by the University, bear interest at fixed and variable rates ranging from 2.35% to 4.728%, and mature at various dates through 2034. Maturities and interest on bonds payable for the next five years, and in the next five year periods are as follows:

	Principal	Interest
2015	$ 4,685,400	$ 2,581,646
2016	4,859,000	2,419,394
2017	5,057,400	2,225,412
2018	5,264,800	2,022,325
2019	5,458,800	1,810,775
2020-2024	25,232,800	5,534,671
2025-2029	11,676,600	1,528,121
2030-2034	2,184,000	148,155
Total	**$ 64,418,800**	**$ 18,270,499**

Bonds Secured by Dormitory Revenues

The Dormitory and Dining Facilities 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 an income 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 of the 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.

The Auxiliary Facilities System Revenue Bonds, Series 2013, were issued in December 2013 by the Board of Trustees to finance a portion of the cost of acquiring or improving any property for the Morris and Vanderburgh Residence Hall Renovations. These bonds are secured by a pledge and parity lien on the net income from Auxiliary Facilities.

Bonds Secured by Student Fees

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

The 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 Bond, Series J have a net interest cost of 3.858% and were issued to refund $6,990,000 of outstanding Student Fee Bonds, Series F and $21,065,000 of outstanding Student Fee Bonds, Series G.

The Vincennes University Student Fee Bonds, Series K, were issued on December 22, 2011. The $5,895,000 Student Fee Bonds, Series K have a net interest cost of 3.16%. The proceeds were used to fund the Aquatic Center renovation of the Physical Education Complex and renovation expenditures for Davis Hall.

The Vincennes University Student Fee Bonds, Series L, were issued on December 11, 2012. The $8,045,000 Student Fee Bonds, Series L have a net interest cost of 2.35%. The proceeds were used to fund the Jasper Center for Advanced Manufacturing and Technology.

Funds held with Bond Trustee	
Current Funds Expected to be Depleted Within a Year	
Revenue Bonds, Series 2009	$ 5,549
Revenue Bonds, Series 2006	5,747
Other Bond & Interest Accounts	2,623
Total Current	**$ 13,919**
Dorm & Dining Bonds of 1983 A & B Vigo Hall	221,543
Total Funds held with Bond Trustee	**$ 235,462**

Note 9 Scholarships and Instruction

The endowment funds are classified under net position as Restricted for Scholarship & Instruction. They include both expendable and non-expendable funds. Net position for the endowment funds totaled $4,761,118 as of June 30, 2014 with $3,531,851 of this amount being held in the Opal C. Ramsey fund.

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. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (888) 526-1687.

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, 2014, 311 employees were covered by PERF and total wages were $12,154,927. The University's contribution to the plan for the year end June 30, 2014 was $1,735,024. 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. That report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, or by calling (888) 526-1687.

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, 2014, 94 employees were covered by TRF and total wages were $8,721,063. The University's contribution to the plan for the fiscal years ending June 30, 2014, 2013 and 2012 were $633,321, $633,138, and $626,344, 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. For those employee hired before July 1, 2013, the University contributes 12% of covered wages for this plan and for those employees hired on or after July 1, 2013, the University contributes 10% of covered wages. 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, 2014, 485 employees were covered by TIAA/CREF and total wages were $ 24,813,683. During 2013/14, Vincennes University contributed $2,387,947 to TIAA/CREF on the employees behalf.

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

Net Pension Obligation	PERF
Annual Required Contribution	$ 1,302,882
Interest on Net Pension Obligation	$ (8,334)
Adjustment to Annual Required Contribution	$ 9,701
Annual Pension Cost	$ 1,304,249
Contributions Made	$ 1,312,009
Increase (Decrease) in Net Pension Obligation	$ (7,760)
Net Pension Obligation, Beginning of Year	$ (123,465)
Net Pension Obligation, End of Year	$ (131,225)

Actuarial Assumptions:	PERF
Investment Rate of Return	6.75%
Projected Future Salary Increase Total	3.25%-4.5% includes 3% wage inflation
Cost-of-Living Adjustments	1%

Contribution Rates:	PERF
University	9.7%
Contributed for Plan Members	3%
Actuarial Valuation Date	7/1/2013
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
6/30/2011	$ 1,484,087	101%	$ (482,599)
6/30/2012	$ 1,537,875	100%	$ (123,465)
6/30/2013	$ 1,304,249	100%	$ (131,225)

Schedules of Funding Progress Public Employees Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Actual Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
7/1/2011	$ 15,436,657	$ 27,339,441	$ (11,902,784)	56.50 %	$ 14,035,400	(84.8) %
7/1/2012	$ 13,634,545	$ 28,796,300	$ (15,161,755)	47.30 %	$ 14,922,466	(101.6) %
7/1/2013	$ 11,310,933	$ 21,908,485	$ (10,597,552)	51.60 %	$ 13,038,415	(81.3) %

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

Note 11 Other Postemployment Benefits

Plan Description

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

Funding Policy

The contribution requirements of plan members for the Vincennes University Healthcare Plan are established by the University. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined by the actuarial study . For the fiscal year ended June 30, 2014, the University contributed $4,384,798 to the plan, including $2,539,798 for current premiums (approximately 70% of total premiums)(and an additional $1,845,000 to prefund benefits.) Plan members receiving benefits contributed approximately $1,106,100 or approximately 30% of the total premiums, through their required contribution of $224 per month for retiree-only coverage, and $426 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	$	2,507,561
Interest on net OPEB obligation		(578,561)
Adjustment to annual required contribution		681,611
Annual OPEB cost (expense)	$	2,610,611
Contributions made		(4,384,798)
Increase (Decrease) in net OPEB obligation	$	(1,774,187)
Net OPEB obligation - beginning of year		(8,900,939)
Net OPEB obligation (asset) - end of year	$	(10,675,126)

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2014	$ 2,610,611	168.0%	$ (10,675,126)
6/30/2013	$ 3,527,556	148.4%	$ (8,900,939)
6/30/2012	$ 3,898,256	218.6%	$ (7,193,705)

Funded Status and Funding Progress

As of June 30, 2014, the most recent actuarial valuation date, the plan was 65.2% funded. The actuarial accrued liability for benefits was $56,072,810, and the actuarial value of assets was $36,558,776, resulting in an unfunded actuarial accrued liability (UAAL) of $19,514,034. The current year covered payroll (annual payroll of active employees covered by the plan) was $32,706,475, and the ratio of the UAAL to covered payroll was 59.7%.

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

Actuarial Methods and Assumption

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

In the June 30, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The results are projected backwards to July 1, 2013 on a "no gain/loss" basis. The actuarial assumptions included a 6.5% 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 9% for health and 4% for dental initially, reduced by decrements of 0.50% annually to an ultimate rate of 5% for health and dental decreasing by 0.25% annually to an ultimate rate 3%. Both rates included a 3% inflation assumption. The actuarial value of assets for purposes of determining the annual recommended contribution is the market value of the assets. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2014, was 30 years (open amortization).

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 $828,305 for the fiscal year 2013-2014 and $721,475 for the fiscal year 2012-2013.

Changes in the total reported self-insured health, dental & drug benefit liability during the year ending June 30, 2014 were as follows:

Balance, beginning of year	$	721,475
Claims incurred		10,737,524
Claim payments		(10,630,694)
Balance, end of year	$	828,305

Schedule of Funding Progress for Retiree Medical, Dental and Life Insurance Plan

Actuarial Valuation Date***	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio OPEB Obligation (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2013	$ 36,558,776	$ 56,072,810	$ 19,514,034	65.2 %	$ 32,706,475	59.7 %
7/1/2012	$ 31,731,775	$ 59,703,410	$ 27,971,635	53.1 %	$ 34,054,596	82.1 %
7/1/2011	$ 24,767,643	$ 58,662,085	$ 33,894,442	42.2 %	$ 32,774,506	103.4 %

**** Measurement date is June 30, 2014 with the results projected backwards to July 1, 2013 on a "no gain/loss" basis.*

Note 13 Deposits Held in Custody of Others

As of June 30, 2014, the University held $3,374,862 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	$ 34,484,329	$ -	$ 8,938,493	$ 484,441	$ -	$ 43,907,263
Academic Support	4,032,655	-	731,401	207,217	-	4,971,273
Public Service	4,812,030	-	3,681,775	82,972	-	8,576,777
Student Service	3,666,415	-	2,450,591	55,176	-	6,172,182
Operation and Maintenance of Plant	4,260,626	-	4,837,331	319,135	-	9,417,092
Institutional Support	7,078,411		1,619,041	90,705	-	8,788,157
Depreciation	-	-	-	-	11,018,395	11,018,395
Auxiliary Enterprises	4,292,512	-	10,560,628	54,518	-	14,907,658
Student Aid Expense	-	10,179,284	-	-	-	10,179,284
Total Operating Expenses	$ 62,626,978	$ 10,179,284	$ 32,819,260	$ 1,294,164	$ 11,018,395	$ 117,938,081

Note 15 Operating Leases

For the fiscal year ended June 30, 2014, the University spent $598,932 on operating leases which are included in supplies and other services in the Statement of Revenue, Expenses, and Changes in Net Position. Of this amount, $481,389 was spent on leasing off-campus classroom and office space, and the remaining amount of $117,543 was spent on equipment leases.

Note 16 Subsequent Events

The University will receive the remaining balance of the state appropriations totaling $5 million to upgrade the infrastructure at the Aviation Technology Center in Indianapolis and to replace the steamline and electric infrastructure on the Vincennes campus.

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Indiana's First College