VINCENNES UNIVERSITY

B49145

FINANCIAL REPORT 2016–2017

FILED
12/13/2017

VINCENNES UNIVERSITY

MISSION & VISION

Mission

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

Vision

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

Vincennes University
Financial Report 2016-2017

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AN EQUAL OPPORTUNITY EMPLOYER

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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 financial statements of the business-type activities and the 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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the Table of Contents.

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 audit. We did not audit the financial statements of Vincennes University Foundation (Foundation), a component unit of the University as discussed in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discreetly presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were audited in accordance with auditing standards generally accepted in the United States of America, but were not audited in accordance with *Government Auditing Standards.*

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Opinions

In our opinion, based on our audit and the report 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 discretely presented component unit of the University, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and 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, Schedule of Employer's Share of Net Pension Liability Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996), Schedule of Employer Contributions Teachers' Retirement Fund Pre-1996 Accounts, Schedule of Employer's Share of Net Pension Liability Teachers' Retirement Fund 1996 Account (TRF 1996), and Schedule of Employer Contributions Teachers' Retirement Fund 1996 Account (TRF 1996) 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 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 any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was 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 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2017, 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 12, 2017

Vincennes University Treasurer's Report

The success that Vincennes University has accomplished in the past year is a true testament to what can happen when people come together with a common vision. Vincennes University is leading the way in manufacturing and innovation. The partnerships and programs that VU has established and continues to grow are a testimony to our vision of quality. Some of Indiana's most respected companies – companies such as Cummins, Toyota and Subaru - companies that have a multi-billion economic impact on our state are partnering with Vincennes University to ensure they have a well-trained workforce. The Cummins Technician Apprenticeship Program, Toyota Advanced Manufacturing Technician Program, Subaru Advanced Internship in Manufacturing and John Deere Ag Technician Program all strongly exhibit the success of public-private partnerships. We are honored they have chosen us and we are committed to their future.

Over the past two years, VU has embarked on its largest capital project ever – Updike Hall. Housing the Center for Science, Engineering and Mathematics, VU is now well positioned to train the next generation of scientists and engineers. With more than 85,000 square feet, including 20 laboratories, Updike Hall will grow programs such as biomedical sciences, agriculture, chemistry and engineering. This facility is a vital resource in developing VU's new direct admission to Purdue University's world-renown College of Engineering. Engineering students at Vincennes University who are pursuing their associate degree now have a direct admission to obtain their bachelor's degree at Purdue University. This partnership represents the commitment of both institutions to continue to reduce costs for students and grow opportunities for more Hoosiers to enter engineering professions in our state. Vincennes University and its students are forever grateful to the Updike Family for their generous gift that made this incredible building a reality.

In addition to Updike Hall, Vincennes University completed construction on the new Confined Space Training Facility at the Gibson County Center for Advanced Manufacturing and Logistics in late May and held the first training with over 400 miners shortly after opening. Located in the heart of Indiana's coal industry, this is the only underground mine training facility in the nation. This facility shows the forethought of Vincennes University and our dedication to the coal industry, the miners and their families. VU looks forward to not only supporting our miners but using the training space for fire and rescue, emergency responders, utility workers and law enforcement personnel in active shooter exercises.

Investing in quality of life projects is not only important to our communities but also to the thousands of students that call our communities home. Vincennes University recently revealed the new extension to the Vincennes campus – Kimmell Park. We announced in November 2015 that we would lead the complete restoration of the 1930's Works Progress Administration park - bringing the once vibrant, natural resource back to life. In addition to a new entrance that showcases panoramic views of the Wabash River, an overlook, with scenic stair-step seating leading to the water's edge, and hundreds of newly planted trees now line the riverfront. Park benches, picnic tables and walking trails all welcome students and the community to take in views of the river and Indiana's history. The work Vincennes University has completed along the riverfront provides the foundation and building blocks for future generations and VU students to continue to work together to create something even more special for Indiana's first college and Indiana's first city.

This is an exciting time for Vincennes University as we are well positioned for future growth. Our footprint has expanded from a single-residential campus in Southern Indiana to a statewide institution of higher education with sites all across Indiana. Partnerships with the State of Indiana, with employers, with high schools, with career and technical centers and with other institutions of higher education make Vincennes University the great institution that it is today. While we continue to have a commitment to quality, Vincennes University proudly remains Indiana's most affordable residential college. We continue to promote strong financial stewardship and pledge to always use our financial resources in the most efficient way possible. I am grateful for the hard work and dedication of our Board of Trustees, Faculty and Staff, and our students.

I am pleased to present the 2016-2017 Vincennes University Financial Report for the fiscal year ended June 30, 2017. 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 and Analysis

Vincennes University (the "University") is pleased to present its financial statements for fiscal year 2017. The following discussion and analysis provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2017, along with comparative information for the fiscal years ended June 30, 2016 and June 30, 2015. 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. Located in Vincennes, the University is a comprehensive public institution of higher learning with a fall 2016 enrollment of approximately 10,216 full-time equivalents. The University offers a broad range of degrees including baccalaureate programs. These degrees include Bachelor of Science degrees in Homeland Security and Public Safety, Education (Science, Special Education and Math Concentrations), Nursing, and a growing number of Technology Concentrations. Vincennes University has a statewide mission and is a state-supported university. Major extension sites are located in Fort Branch, Jasper and Indianapolis, Indiana. The University also offers over 800 courses through its Distance Education program and at eleven military sites across the United States. The University is accredited by the Higher Learning Commission.

The University remains committed to an open admission policy and recognizes that promoting individual growth and development must be its primary consideration. The report presented conveys the financial performance of the University. The financial analysis should be combined with non-financial data for a complete assessment of the University's performance. The University recognizes its role as a key contributor for 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 by reporting all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at the end of the fiscal years presented. The difference between total assets/deferred outflows of resources and total liabilities/deferred inflows 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 comparison of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2017, 2016 and 2015 is summarized as follows:

Statement of Net Position	2017 (in thousands)	2016 (in thousands)	2015 (in thousands)
Current Assets	$ 56,053	$ 66,116	$ 52,132
Non-current Assets			
Investments	131,192	126,356	107,692
Capital Assets, net	225,109	214,159	212,994
Other	26,404	20,457	15,899
Total Assets	**$ 438,758**	**$ 427,088**	**$ 388,717**
Deferred Outflows	**$ 474**	**$ 722**	**$ 299**
Current Liabilities	$ 24,255	$ 25,729	$ 26,644
Non-current Liabilities	64,496	71,121	57,348
Total Liabilities	**$ 88,751**	**$ 96,850**	**$ 83,992**
Deferred Inflows	$ 102	$ 123	$ 127
Net Position	**$ 350,379**	**$ 330,837**	**$ 304,897**

Fiscal Year 2017

As of June 30, 2017 and 2016, total assets were approximately \$438.8 and \$427.1 million, an increase of \$11.7 million, or 2.7 percent. The net growth in assets is attributed to increases in non-current investments, capital assets and the asset recorded for the University's excess contributions toward its obligation for Other Postemployment Benefits (OPEB).

Current assets consist mainly of cash, short-term investments, inventory and accounts receivable. Accounts receivable includes sponsored programs, student loans, and student receivables for tuition and room and board. There was a net decrease of \$10 million in current assets. The \$9.8 million decrease in cash represents bond proceeds on hand at the beginning of the fiscal year that were disbursed for construction of Updike Hall. The decrease in accounts receivable is consistent with enrollment changes.

Primary components of non-current assets are investments and capital assets, net of accumulated depreciation. Non-current assets increased \$21.7 million in 2017. The fair value of the University's non-current investments increased \$4.8 million, or 3.8 percent. Capital asset additions consist of new construction and renovations, as well as major investments in equipment. Construction completed in fiscal 2017, including the Student Center and the Confined Space Training Facility, represent two major additions included in the capital asset increase of \$11 million. The University ended the fiscal year with \$24.6 million in construction in progress. \$18.4 million of the \$24.6 million total applies to Updike Hall - Center for Science, Engineering and Mathematics, which will be completed and open for classes in fall 2017.

The University's Other Postemployment Benefit (OPEB) obligation is reported as a non-current asset when contributions exceed annual funding requirements. The OPEB asset increased \$6 million in fiscal 2017, as a result of the University's continued funding of this obligation.

Deferred outflows of resources represent consumption of net assets that are applicable to a future reporting period. The \$474 thousand reported amount was determined with respect to pension related items and the University's hedging derivative instrument.

Total current liabilities include all liabilities that are payable within the next fiscal year and consist primarily of accounts payable, bonds payable, accrued compensation, accrued vacation liability, deposits held in custody, and unearned revenue. Current liabilities decreased \$1.5 million in fiscal year 2017. Funds held in trust by the University for Complete College of America (CCA) decreased \$1.65 million, or 97 percent of the total \$1.7 million decrease in deposits held in custody.

Non-current liabilities are primarily bonds payable. The largest liability for the University is outstanding bonds payable. Current bond payables of \$6.2 million represent the majority of the \$6.6 million decrease in non-current liabilities. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

Deferred inflow of resources represent an acquisition of net assets applicable to a future reporting period and will not be recognized as revenue until that reporting period. The deferred inflows reported refer to net pension liability for the Indiana State Teachers' Retirement Fund.

Fiscal Year 2016

The University ended the fiscal year at June 30, 2016, with assets of \$427 million and liabilities of \$97 million.

Current assets consist primarily of cash, short-term investments, inventory and accounts receivable. Accounts receivable includes sponsored programs, student loans, and student receivables for tuition and room and board. The total increase of \$14 million was primarily related to positive operations.

Non-current assets increased \$24.4 million in fiscal 2016. The majority of this increase resulted from unexpended bond proceeds held in non-current investments. The \$6.0 million Aviation Technology Center renovation and various other renewal and replacement projects were also completed during the fiscal year. The University's fiscal 2016 contribution toward the Other Postemployment Benefit (OPEB) obligation was in excess of the annual required contribution resulting in a net asset of \$19.7 million, representing a \$4.7 million increase to non-current assets from fiscal year 2015. The University also raised the equipment capitalization threshold from \$500 to \$5,000 on July 1, 2015, resulting in a one-time \$6.2 million net decrease to capital assets.

Current liabilities consist primarily of accounts payable, bonds payable, accrued compensation, accrued vacation liability, deposits held in custody, and unearned revenue. Accounts payable decreased $4.3 million to $2.9 million in fiscal 2016. The significant decrease in accounts payable resulted from the one-time $4.7 million payable recorded in fiscal 2015 for the University's obligation related to its withdrawal from the Public Employees Retirement Fund (PERF). Bonds payable increased $1.2 million in fiscal 2016, primarily as a result of a new bond issue for the construction of Updike Hall - Center for Science, Engineering and Mathematics.

Total non-current liabilities increased $13.8 million. The increase was attributable to the bond series issued in fiscal 2016 to finance Updike Hall. Bonds payable net of unamortized bond premium (discount) represented the majority of non-current liabilities. The 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.

Net Position

Net position represents the residual interest in the University's assets after liabilities are deducted. A summarized comparison of the University's net position is presented below:

Summary of Net Position	2017 (in thousands)	2016 (in thousands)	2015 (in thousands)
Net Investment in Capital Assets	$ 156,541	$ 153,008	$ 152,099
Restricted:			
Non-expendable	2,379	2,379	2,380
Expendable	9,188	8,448	6,445
Unrestricted:			
Designated - Capital & Other	18,683	16,113	17,614
Designated for Quasi-Endowment	27,727	30,222	29,605
General Operations	85,174	68,044	47,994
Auxiliary	50,687	52,623	48,760
Total Net Position	**$ 350,379**	**$ 330,837**	**$ 304,897**

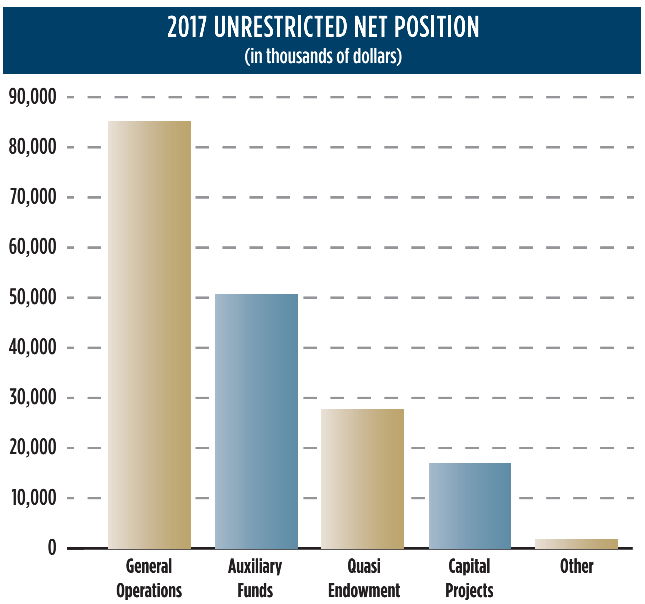
Net Investment in Capital Assets represents the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets, or related debt, are included in this component of net position. The $3.5 million dollar increase in Net Investment in Capital Assets consists of a $13.6 million decrease in unspent bond funds combined with an $11 million increase in capital assets. Additionally, a $6 million decrease in bonds payable contributed to the overall increase in Net Investment in Capital Assets.

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 includes the University's permanent endowment funds. The corpus of these resources is only available for investment purposes.

Restricted net position - expendable is subject to externally imposed restrictions governing its 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 inflows 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 for 2017 and 2016 included board designated quasi endowment funds of $27.7 million and $30.2 million, respectively. 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 $17.1 million from fiscal year 2016 to 2017 and $20 million from fiscal year 2015 to 2016. The increases in both years resulted from positive operations as well as the University's efforts to prioritize spending and contain costs. The following graph shows the 2017 unrestricted net assets of $182 million by designation:



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position details the $19.5 million increase in net position for fiscal year 2017. The increase in net position for fiscal year 2016 was $25.9 million. The University's operating results are presented, 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 summarized comparison of the University's Statement of Revenues, Expenses, and Changes in Net Position is presented below:

Statement of Revenues, Expenses, & Changes in Net Position	2017 (in thousands)	2016 (in thousands)	2015 (in thousands)
Operating Revenue:			
Tuition and Fees, Net	$ 28,108	$ 29,512	$ 28,359
Auxiliary, Net	15,366	16,490	19,208
Grants and Contracts	15,462	15,979	16,265
Other	1,887	1,534	1,241
Total Operating Revenue	**$ 60,823**	**$ 63,515**	**$ 65,073**
Operating Expenses	**$114,944**	**$122,822**	**$121,694**
Net Operating Loss	**$ (54,121)**	**$ (59,307)**	**$ (56,621)**
Non-Operating Revenues (Expenses):			
Governmental Appropriations	$ 53,336	$ 52,161	$ 46,395
Federal and State Student Aid	20,434	22,713	25,813
State Grant Revenue	4,596	8,697	3,756
Gifts (Including Endowment and Capital)	2,000	2,928	739
Investment Income	94	4,115	2,688
Gain (Loss) on Disposition of Capital Assets	(3,662)	(192)	(210)
Other Income and Expense	(3,135)	(2,504)	(3,294)
Total Non-Operating Revenue	**$ 73,663**	**$ 87,918**	**$ 75,887**
Income before Other Revenues, Expenses, Gains or Losses	**$ 19,542**	**$ 28,611**	**$ 19,266**
Other Revenues, Expenses, Gains or Losses			
Capital Appropriation	$ -	$ 3,500	$ 5,705
Special - Withdrawal from PERF Pension Plan Obligation	-	-	(4,710)
Increase in Net Position	**$ 19,542**	**$ 32,111**	**$ 20,261**
Net position - Beginning of year	**$330,837**	**$304,897**	**$284,720**
Prior Period Adjustment for Change in Accounting Principle	-	(6,171)	(84)
Net position - End of year	**$350,379**	**$330,837**	**$304,897**

Revenues

Fiscal Year 2017

Total University revenues of $141.3 million consist of operating revenue and non-operating revenue. In general, operating revenues are earned from providing goods and services, including tuition and fees, housing and other auxiliary activity, grants and contracts, and other operating activities. Non-operating revenues include state appropriations, revenue from certain grants and contracts, gifts, and investment income. Total revenues decreased $16.3 million, or 10.3 percent, from fiscal year 2016 to 2017.

Operating revenue for fiscal year 2017, is $60.8 million. Operating revenues decreased $2.7 million, or 4.2 percent, in 2017. The changes in revenue are related to the following activities:

• Student tuition and fees, net of scholarship allowances and bad debt, decreased 4.8 percent, to $28.1 million. The decrease in tuition reflects the changing composition of the student enrollment model and related changes in fee structure.

• Auxiliary revenues are generated primarily from student housing, bookstores, student activities, and workshops. Net auxiliary revenues decreased $1.1 million, or 6.8 percent in fiscal 2017. Student housing decreased $1.1 million, or 6.8 percent, from a decline in residence hall occupancy. A portion of the decreased revenue for auxiliary enterprises was offset by a $610 thousand reduction in auxiliary bad debt allowance.

• The University received an estimated 50 percent of grant and contract revenue from federal agencies, 23 percent from state agencies, and 27 percent from nongovernmental agencies in fiscal year 2017.

Non-operating revenue decreased $10.2 million in fiscal year 2017. The majority of the activity related to the net decrease included:

• Government Appropriations increased 2.3 percent or $1.1 million in fiscal year 2017, to $53.3 million.

• The 10 percent decrease which totaled $2.3 million in Federal and State Student Aid is in line with corresponding enrollment changes.

• State and grant revenue reported for 2017 decreased $4.1 million from the prior year. This total represents the University's required revenue reporting for the Teachers' Retirement Fund Pre-1996 State Contributions. An equal amount is reported as a benefit cost, resulting in a $0 net effect on the Statement of Revenues, Expenses, and Changes in Net Position.

• Investment income decreased approximately $4.0 million from the prior year which was reflective of the market conditions.

Fiscal Year 2016

Operating revenues decreased 2.4 percent in 2016, to $63.5 million. The changes in revenue are summarized below:

• Student tuition and fees, net of scholarship allowances and bad debt, increased $1.2 million, the result of a Board approved tuition increase of 3.8 percent and the continued growth of the Early College Initiative.

• Auxiliary revenues primarily consist of student housing, bookstores, student activities, and workshops. Net auxiliary revenues decreased 14.2 percent, primarily due to a decline in residence hall occupancy and bookstore sales.

• For grants and contracts, the University received an estimated 59 percent from federal agencies, 26 percent from state agencies, and 15 percent from nongovernmental agencies.

Non-operating revenue increased from 2015 to 2016. The activity included the following:

• Government Appropriations increased $5.8 million in fiscal 2016. Three million dollars was received from the State of Indiana's Career and Technical Education Innovation and Advancement fund and an additional $1.7 million in appropriations was received for the Dual Credit program.

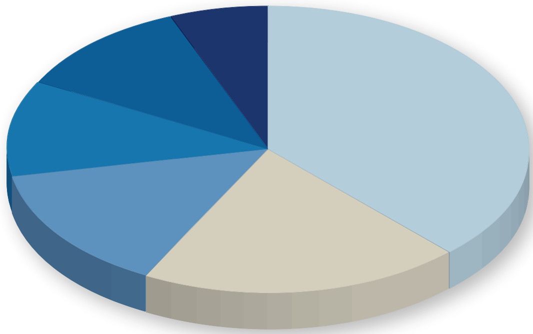
• Federal and State Student Aid decreased 12 percent to $22.7 million. The decrease was largely attributable to enrollment decline.

• Investment income increased approximately $1.4 million which was reflective of market conditions.

Other Revenues, Expenses, Gains or Losses included a $2 million grant from the State for the construction of an underground mining simulation center at VU's Gibson County Center for Advanced Manufacturing and Logistics. An additional $1.5 million was received from the State for the purpose of upgrading or replacing the existing HVAC control systems in 13 buildings on the

Vincennes Campus and the Jasper 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, 2017.



Expenses

A comparative of the University's expenses for the years ending June 30, 2017, 2016 and 2015 is as follows:

Expense By Natural Object	2017 (in thousands)	2016 (in thousands)	2015 (in thousands)
Operating:			
Compensation and Benefits	$ 63,860	$ 71,149	$ 66,307
Supplies, Services and Equipment	33,323	33,786	33,857
Depreciation	9,580	9,347	11,062
Scholarships and Fellowships	8,181	8,539	10,468
Total Operating Expenses	$114,944	$122,821	$121,694
Non-Operating:			
Interest and Other	6,797	8,873	8,214
Total Expenses	$121,741	$131,694	$129,908

Fiscal Year 2017

For fiscal year 2017, total expenses of $121.7 million included operating expenses of $114.9 million and interest expense and other non-operating expenses of $6.7 million.

Operating expenses decreased $7.9 million, or 6.4 percent, in fiscal year 2017. Significant changes include:

• Compensation and benefits together make up 55.6 percent of total operating expenses. Of the $7.9 million decrease in operating expenses, compensation and benefits account for $7.3 million of the change. Compensation decreased $2 million from employee retirements and attrition. Additionally, the Indiana State Teachers' Retirement Fund Pre-1996 State Contributions decreased $4.1 million in fiscal 2017, reducing benefit costs. The University is required to report the State's contribution as a benefit cost and also as non-operating revenue, resulting in a $0 net effect on the Statement of Revenues, Expenses, and Changes in Net Position.

• Overall, there was a 1.4 percent decrease in supplies, services and equipment. Most auxiliary enterprises reported decreases in supply and equipment purchases in 2017. Major equipment purchases for the statewide Career and Tech Centers accounted for a $1.4 million increase in general fund equipment costs.

• Scholarships and fellowships decreased 4.2 percent for fiscal year 2017, in line with the decrease in aid eligible students.

Non-operating expenses include University donations to the City of Vincennes and a loss on disposition associated with the new construction of Updike Hall - Center for Science, Engineering and Mathematics.

Fiscal Year 2016

Total operating and non-operating expenses were $132 million for the fiscal year ending June 30, 2016. Changes in major expenses categories are as follows:

• Total compensation and benefits comprised approximately 54 percent of total expenses. A significant portion of the compensation and benefits increase was a result of the Teachers' Retirement Fund Pre-1996 State Contributions. Per GASB Statement No. 68, the University is required to report the State's contribution as a benefit cost and as non-operating revenue. This creates a $0 net effect on the Statement of Revenues, Expenses, and Changes in Net Position.

• Overall supplies, services and equipment decreased slightly from the previous year. The University continues to make cost containment an ongoing effort for all related supply and expense expenditures.

• Aid eligible students decreased from fiscal year 2015 which led to the decrease in scholarships and fellowships.

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, 2017, 2016 and 2015 is as follows:

Statement of Cash Flows	2017 (in thousands)	2016 (in thousands)	2015 (in thousands)
Cash Received from Operations	$ 60,908	$ 64,369	$ 65,030
Cash Expended for Operations	(110,715)	(120,842)	(116,114)
Net Cash Used in Operating Activities	$ (49,807)	$ (56,473)	$ (51,084)
Net Cash Provided by Non-Capital Financing Activities	76,576	86,240	76,252
Net Cash Used in Investing Activities	(5,272)	(21,626)	(6,905)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(31,342)	804	(11,098)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (9,845)	$ 8,945	$ 7,165
Cash and Cash Equivalents - Beginning of Year	44,278	35,333	28,168
Cash and Cash Equivalents - End of Year	$ 34,433	$ 44,278	$ 35,333

The University's cash and cash equivalents decreased $9.8 million from fiscal year 2016 to 2017. The decrease was primarily related to expenditures for capital assets and debt reduction. Cash and cash equivalents increased $8.9 million from 2015 to 2016, largely due to positive operations.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Appropriations from the State of Indiana provide the largest source of funding for the University. State and Federal government remain consistent in their support for tax provisions and spending programs that assist students and families with the cost of higher education. The State faces a shortage of sufficiently trained workers to meet employer needs. Indiana's ability to attract and retain employers in Indiana is crucial for future sustained economic growth. The University is well positioned for a prominent role in addressing this challenge with competitive tuition rates, continued expansion of online and early college course offerings and innovative technology training.

Updike Hall, a new 85,000 square foot learning facility, will be a tremendous addition to the University's campus in the 2017-18 academic year. The new $26 million center for science, engineering and mathematics features state-of-the-art labs that will greatly enhance instruction in engineering, chemistry, physics and biology as well as earth, environmental and agricultural services. Faculty, alumni, and industry leaders agree on the need for the specially designed learning space, citing access to leading technology as a valuable tool for educators to assist with recruitment and attracting more students to STEM majors.

Construction of Indiana's only underground mining simulation center was completed at the Gibson Center for Applied Technology. The $2 million, 40,000 square foot, Confined Space Training Facility is modeled after a simulated underground mine training facility at West Virginia University. The new facility will be used for training and retraining of miners in all segments of the mining industry, as well as for fire and rescue training and VU's Homeland Security and Law Enforcement programs.

The Indiana General Assembly has approved the 2017-19 biennium budget which includes appropriations for University capital projects totaling $24 million. Appropriations will be used for renovations of the Learning Resource Center, Davis Hall, Wathen Business Building, Welsh Administration Building and the expansion of the Diesel Technology facility.

The Vincennes University Primary Care Center completed its second full year of operation. The Primary Care Center provides on-site access to medical care for students and employees. Health screenings and expanded wellness initiatives provide important information to employees for use in managing and improving personal health. The University continues to place emphasis on preventive health by recognizing the long-term benefits of employee wellness.

The University remains focused on targeted enrollment goals in a highly competitive environment. The ability to face and effectively address institutional challenges has been a consistent trait in the successful history of the University. Strategic leadership and planning remain key to actively engaging the institution's talent and resources in these efforts.

The University is committed to strong fiscal stewardship of its resources and maintaining its sound financial position. Creatively building upon historical strengths for future growth will enable Vincennes University to further its mission of ensuring educational access and delivering proven associate and baccalaureate programs in a diverse, student-centered, collegiate environment.

VINCENNES UNIVERSITY STATEMENT OF NET POSITION

As of June 30, 2017 and June 30, 2016

ASSETS	2017	2016
Current Assets		
Cash and Cash Equivalents	$ 34,433,507	$ 44,278,395
Short-term Investments	11,325,146	10,821,709
Funds held with Bond Trustee	15,746	14,019
Accounts Receivable (Less Allowance of $4,059,087 - 2017 and $5,431,548 - 2016)	7,404,291	8,034,195
Current Portion of Notes Receivable	691,154	701,644
Inventories	1,466,304	1,641,945
Accrued Interest Income	363,074	337,499
Prepaid Expenses	353,402	287,109
Total Current Assets	**$ 56,052,624**	**$ 66,116,515**
Non-current Assets		
Funds held with Bond Trustee for Debt Service	$ 216,342	$ 217,888
Investments	131,192,559	126,356,102
Notes Receivable	453,502	496,390
OPEB Asset	25,734,061	19,742,368
Capital Assets, Net of Accumulated Depreciation	225,109,002	214,158,964
Total Non-current Assets	**$ 382,705,466**	**$ 360,971,712**
Total Assets	**$ 438,758,090**	**$ 427,088,227**
DEFERRED OUTFLOWS		
Accumulated decrease in fair value of hedging derivatives	$ 184,715	$ 453,417
Deferral of Resources Indiana State Teachers Pension Plan	289,258	269,116
Total Deferred Outflows	**$ 473,973**	**$ 722,533**
LIABILITIES		
Current Liabilities		
Accounts Payable	$ 3,777,199	$ 2,878,001
Accrued Payroll and Deductions Payable	4,880,543	5,529,991
Accrued Vacation Liability	1,158,520	1,177,098
Unearned Revenue	2,654,836	3,258,492
Accrued Interest on Debt	305,412	354,549
Bonds Payable	6,243,368	6,011,520
Deposits	207,006	192,344
Deposits Held in Custody for Others	3,691,648	5,353,766
Other Liabilities	1,336,846	973,683
Total Current Liabilities	**$ 24,255,378**	**$ 25,729,444**
Non-current Liabilities		
Bonds Payable (Net of Unamortized Bond Premium (Discount) of $757,320 - 2017 and $936,843 - 2016)	$ 62,911,832	$ 69,334,723
Net Pension Liability	283,095	216,002
Derivative Instrument - Interest Rate Swap	184,715	453,417
Advances from Federal Government	1,116,332	1,116,332
Total Non-current Liabilities	**$ 64,495,974**	**$ 71,120,474**
Total Liabilities	**$ 88,751,352**	**$ 96,849,918**
DEFERRED INFLOWS		
Net Difference in the projected and actual investments along with Indiana State Teachers 2016 Pension Contributions	$ 102,043	$ 123,352
NET POSITION		
Net Investment in Capital Assets	$ 156,541,201	$ 153,007,504
Restricted for Non-expendable:		
Scholarships & Instruction	2,379,586	2,379,586
Restricted for Expendable:		
Capital Projects	5,553,631	5,534,117
Loan Funds	408,235	397,559
Scholarships & Instruction	2,568,575	2,516,459
Unrestricted	182,927,440	167,002,265
Total Net Position	**$ 350,378,668**	**$ 330,837,490**

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, 2017 with comparative figures for 2016

Assets	2017	2016
Unrestricted Funds		
Cash	$ 53,060	$ 101,599
Amount Due from Agency Funds	94,710	94,215
Other Accounts Receivable	4,722	798
Accrued Interest Receivable	1,749	1,487
Investments	2,462,215	2,536,528
Equipment	8,107	8,107
Accum. Deprec. - Equipment	(8,107)	(8,107)
Prepaid Expense	5,659	8,423
Property	998,139	998,139
Total Unrestricted Funds	**$ 3,620,254**	**$ 3,741,189**
Current Restricted Funds		
Cash	$ -	$ 29,289
Accrued Interest Receivable	25,108	27,931
Investments	62,132,507	54,795,385
Other Accounts Receivable	7,842	9,607
Pledge Receivable	-	12,500
Prepaid Expense	44,266	61,894
Total Current Restricted Funds	**$ 62,209,723**	**$ 54,936,606**
Endowment Funds		
Cash	$ 100	$ -
Accrued Interest Receivable	19,586	15,186
Investments	27,576,375	25,908,835
Prepaid Expense	5,360	3,980
Total Endowment Funds	**$ 27,601,421**	**$ 25,928,001**
Total Assets	**$ 93,431,398**	**$ 84,605,796**

Liabilities & Fund Balances	2017	2016
Unrestricted Funds		
Accounts Payable	$ 846	$ 4,577
Vacation Accrual	12,712	12,218
Deferred Income Other	3,060	2,805
Due VU General Fund	16,581	27,144
Net Assets	3,587,055	3,694,445
Total Unrestricted Funds	**$ 3,620,254**	**$ 3,741,189**
Current Restricted Funds		
Accounts Payable	$ 5,020	$ 42,879
Due to Unrestricted	52,465	60,384
Funds Held in Trust	57,890,954	49,847,475
Deferred Income Other	88,490	84,185
Net Assets	4,172,794	4,901,683
Total Current Restricted Funds	**$ 62,209,723**	**$ 54,936,606**
Endowment Funds		
Accounts Payable	$ 9,880	$ 2,987
Due to Unrestricted	42,245	33,831
Net Assets	27,549,296	25,891,183
Total Endowment Funds	**$ 27,601,421**	**$ 25,928,001**
Total Liabilities and Fund Balance	**$ 93,431,398**	**$ 84,605,796**

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, 2017 and June 30, 2016

		2017		2016
Operating Revenues				
Student Tuition & Fees	$	41,890,781	$	43,348,494
Scholarship Allowance - Tuition & Fees		(13,782,942)		(13,836,433)
Grants and Contracts		15,462,457		15,979,088
Auxiliary Enterprises		20,021,218		21,387,352
Scholarship Allowance - Auxiliary Enterprises		(4,655,384)		(4,897,640)
Other Revenues		1,886,942		1,533,985
Total Operating Revenues	**$**	**60,823,072**	**$**	**63,514,846**
Operating Expenses				
Salaries and Wages	$	46,877,517	$	48,850,376
Benefits		16,982,220		22,298,474
Scholarships and Fellowships		8,181,144		8,539,498
Supplies and Other Services		29,219,011		31,174,715
Equipment		4,104,042		2,611,084
Depreciation		9,580,298		9,347,281
Total Operating Expenses	**$**	**114,944,232**	**$**	**122,821,428**
Operating Loss	**$**	**(54,121,160)**	**$**	**(59,306,582)**
Non-Operating Revenues (Expenses)				
Governmental Appropriations	$	53,336,062	$	52,161,582
Federal and State Student Aid		20,434,171		22,712,865
State Grant Revenue		4,596,013		8,697,315
Gifts and Bequests		2,000,059		2,928,155
Investment Income		51,915		3,123,615
Endowment Income		41,665		991,486
Loss on Disposition of Capital Assets		(3,662,385)		(192,489)
Interest & Other Costs on Capital Asset - Related Debt		(2,515,516)		(2,508,998)
Other Non-Operating Revenues (Expenses)		(619,646)		5,268
Total Non-Operating Revenues (Expenses)	**$**	**73,662,338**	**$**	**87,918,799**
Income before other revenues, expenses, gains or losses	$	19,541,178	$	28,612,217
Other Revenues, Expenses, Gains or Losses				
Capital Appropriations	$	-	$	3,500,000
Increase in Net Position	**$**	**19,541,178**	**$**	**32,112,217**
Net Position - Beginning of Year	**$**	**330,837,490**	**$**	**304,896,673**
Cumulative Effect of Change in Accounting Principle - Note 18	**$**	**-**	**$**	**(6,171,400)**
Net Position - End of Year	**$**	**350,378,668**	**$**	**330,837,490**

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, 2017 with comparative figures for 2016

Support and Revenue	Unrestricted	Current Restricted	Endowment	2017 Total	2016 Total
Contributions	$ 143,310	$ 343,402	$ 138,528	$ 625,240	$ 1,332,307
Grants and Contracts	-	37,000	-	37,000	26,050
Other Income	79,120	118,785	19	197,924	1,045,965
Investment Income (Loss)	56,514	85,565	524,795	666,874	680,231
Unrealized Gain (Loss) on Investments	216,046	(70,874)	2,356,450	2,501,622	(642,065)
Administrative Income	282,308	-	-	282,308	376,209
Alumni Income & Community Series	26,802	120,145	-	146,947	187,917
Total Support and Revenue	**$ 804,100**	**$ 634,023**	**$ 3,019,792**	**$ 4,457,915**	**$ 3,006,614**

Expenses					
Program Expenditures	$ 457,673	$ 1,292,496	$ 1,084,953	$ 2,835,122	$ 3,197,036
Management and General	307,278	15,920	307,943	631,141	733,577
Fundraising	120,589	49,229	-	169,818	186,483
Total Expenses	**$ 885,540**	**$ 1,357,645**	**$ 1,392,896**	**$ 3,636,081**	**$ 4,117,096**
Increase (Decrease) in Net Assets	**$ (81,440)**	**$ (723,622)**	**$ 1,626,896**	**$ 821,834**	**$ (1,110,482)**
Net Assets Adjustments:					
Additions	6,650	15,504	32,927	55,081	81,059
Deductions	(32,600)	(20,771)	(1,710)	(55,081)	(81,059)
Total Change in Net Assets	**$ (107,390)**	**$ (728,889)**	**$ 1,658,113**	**$ 821,834**	**$ (1,110,482)**
Net Assets - Beginning of Year	**$ 3,694,445**	**$ 4,901,683**	**$ 25,891,183**	**$ 34,487,311**	**$ 35,597,793**
Net Assets - End of Year	**$ 3,587,055**	**$ 4,172,794**	**$ 27,549,296**	**$ 35,309,145**	**$ 34,487,311**

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, 2017 and June 30, 2016

	2017	2016
Cash Flows From (For) Operating Activities		
Tuition and Fees	$ 27,777,525	$ 30,143,688
Grants and Contracts	15,146,003	16,541,437
Payments to Suppliers	(31,907,542)	(33,015,580)
Payments to Employees	(47,043,838)	(48,499,545)
Payments for Benefits	(23,449,976)	(30,765,170)
Payments for Scholarships and Fellowships	(8,181,144)	(8,539,498)
Loans Issued to Students	(132,628)	(23,021)
Collection of Loans to Students	186,006	106,133
Auxiliary Enterprise	15,430,974	16,245,513
Other Receipts	2,367,895	1,332,516
Net Cash Used in Operating Activities	**$ (49,806,725)**	**$ (56,473,527)**
Cash Flows From (For) Non-Capital Financing Activities		
Governmental Appropriations	$ 53,336,062	$ 52,971,599
Gifts and Grants for Other than Capital Purposes	24,894,171	32,255,037
Funds Held in Trust for Others	(1,653,908)	1,013,762
Net Cash Provided by Non-Capital Financing Activities	**$ 76,576,325**	**$ 86,240,398**
Cash Flows From (For) Capital & Related Financing Activities		
Proceeds from Capital Debt	$ -	$ 20,000,000
Capital Appropriations	-	3,695,384
Capital Grants and Gifts Received	1,356,451	1,794,265
Proceeds (Loss) from Sale of Capital Assets	32,442	(3,735)
Insurance Recovery	-	28,093
Purchases of Capital Assets and Construction	(23,975,615)	(16,711,486)
Bond Reserve Cash Returned (Deposited)	(181)	1,731
Principal Paid on Capital Debt	(6,011,520)	(5,324,000)
Interest Paid on Capital Debt & Lease	(2,744,176)	(2,676,001)
Net Cash Provided by (Used in) Capital and Related Financing Activities	**$ (31,342,599)**	**$ 804,251**
Cash Flows From (For) Investing Activities		
Proceeds from Sales and Maturities of Investments	$ 50,523,430	$ 29,415,166
Investment Income	2,757,417	5,173,756
Purchase of Investments	(58,552,736)	(56,214,766)
Net Cash Used in Investing Activities	**$ (5,271,889)**	**$ (21,625,844)**
Net Increase (Decrease) in Cash	**$ (9,844,888)**	**$ 8,945,278**
Cash and Cash Equivalents - Beginning of Year	**44,278,395**	**35,333,117**
Cash and Cash Equivalents - End of Year	**$ 34,433,507**	**$ 44,278,395**

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, 2017 and June 30, 2016

	2017	2016
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:		
Net Operating Revenues and Expenses	$ (54,121,160)	$ (59,306,582)
Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities		
Depreciation Expense	9,580,298	9,347,281
Changes in Assets and Liabilities:		
Receivables, Net	476,630	620,183
Other Receipts	52,011	38,379
Inventories	175,641	508,914
Other Assets	(66,293)	16,546
Student Loans	53,378	83,112
OPEB Asset	(5,991,693)	(4,661,046)
TRF Benefit	25,642	1,828
Accounts Payable and Accrued Liabilities	600,788	(3,243,166)
Unearned Income	(603,656)	148,989
Cash Flows Reported in Other Categories:		
Other Non-Operating Revenues (Expenses)	11,689	(27,965)
Net Cash Used in Operating Activities	**$ (49,806,725)**	**$ (56,473,527)**

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, GASB* Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. GASB Statement No. 61 and GASB Statement No. 80 modify 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 are available to the University in support of its programs. The majority of resources 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 the University and is discretely presented in the University's financial statements. During the year ended June 30, 2017, the VU Foundation distributed $2,053,934 to the University for restricted and unrestricted purposes. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

The Vincennes University Foundation, Inc. is a private, not-for-profit organization that reports its financial results according to Financial Accounting Standards Board (FASB) Statements. Most significant to the Foundation's operations and reporting model are Financial Accounting Standards Board Accounting Standards Codification 958 (formerly FSP 116 and 117). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences; however, significant note disclosures to the Foundation's financial statements have been incorporated into the University's notes to the financial statements.

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

Financial Statement Presentation:

The financial statements have been prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities – an amendment of GASB Statement No. 34*, and with other accounting principles generally accepted in the United States of America, as prescribed by the GASB. During fiscal year 2017, the University adopted GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension*

Plans, GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.*

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.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana State Teachers' Retirement Fund (TRF) and additions to/deductions from TFR's fiduciary net position have been determined on the same basis as they are reported by the Indiana Public Retirement System (INPRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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* and GASB Statement No. 72, *Fair Value Measurement and Application*. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 recorded using various methods, including 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 $5,000 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:

As prescribed by GASB Statement No. 63, the Statement of Financial Position reports a separate section for deferred outflows of resources. The separate financial statement element represents a consumption of net position that applies to a future period. Deferred outflow of resources consists for accumulated changes in the fair value of hedging derivative instruments and the deferral of resources for the Indiana State Teacher's Pension Plan.

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 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 revenue bonds payable with a contractual maturity of greater than one year, and advances from the federal government.

Deferred Inflow of Resources:

As prescribed by GASB Statement No. 63, the Statement of Financial Position reports a separate section for deferred inflow of resources. Deferred inflow of resources is an acquisition of net assets by government that is applicable to a future reporting period.

Net Position:

The University's net position is 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 consists 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 includes 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 inflows 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.

When an expense is incurred for which both restricted and unrestricted resources are available, the University applies the most appropriate fund source based on the relevant facts and circumstances.

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 and Expenses:

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

Operating revenues and expenses: Operating revenues and expenses generally have the characteristics of exchange transactions. These transactions can be defined as an exchange in which two or more entities both receive and sacrifice value, such as purchases and sales of goods and services. Examples of operating revenues include student tuition and fees, net of scholarship discounts and allowances, sales and services of auxiliary enterprises, net of scholarship discounts and allowances, grants and contracts, and other operating revenues. 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. Examples of operating expenses include employee compensation, benefits and related expense, scholarships and fellowships, utilities, supplies and other services, professional fees, and depreciation expenses of capital assets.

Non-operating revenues and expenses: Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions. Examples of non-operating revenues include state appropriations, most federal and state student aid, nonexchange grants, gifts and contributions, and investment income. Non-operating revenues and expenses are defined in 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, *Basic Financial Statements – and Management's Discussion Analysis – for State and Local Governments*. Examples of non-operating expenses include interest on capital asset related debt and bond expenses.

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, 2017, are stated at market value. The University's trustees have the responsibility as a fiduciary body for the University's investments. Indiana Code 30-4-3-3 requires the trustees to "exercise judgement and care required by Indiana Code 30-4-3.5," the *Indiana Uniform Prudent Investor Act*. The University invests 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 by checking and money market accounts at various banks at June 30, 2017 equaled $34,433,507.

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, 2017, the University had the following investments:

Investment Type	Market Value	Maturity Less than 1 Year	1-5 Years	6-10 Years
Certificates of Deposit	$ 17,191,366	$ 9,099,426	$ 8,091,940	$ -
U. S. Treasury Bonds	7,277,989	645,842	3,393,931	3,238,216
U. S. Government Agencies	117,641,667	1,579,878	111,525,173	4,536,616
Mutual Funds	406,683	-	406,683	-
Total	**$ 142,517,705**	**$ 11,325,146**	**$ 123,417,727**	**$ 7,774,832**

Credit Risk: As a means of managing credit risk, the University's 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, 2017, the University was in compliance with its credit risk policy for all investments.

The Moody's credit rating for the investments at June 30, 2017 is as follows:

Rating	Certificates of Deposit	U.S. Treasury Bonds	U.S. Government Agencies	Mutual Funds	Total
AAA	$ -	$ 7,277,989	$ 117,410,258	$ -	$ 124,688,247
AA	-	-	-	-	-
A	-	-	-	-	-
BBB	-	-	-	-	-
BB	-	-	-	-	-
Below B	-	-	-	-	-
Not Rated	17,191,366	-	231,409	406,683	17,829,458
Total	**$ 17,191,366**	**$ 7,277,989**	**$117,641,667**	**$ 406,683**	**$ 142,517,705**

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 Net Assets 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. The University's investment policy does not limit the value of investments that may be held by an outside party. Of the University's investments, $7,277,989 of the U.S. Treasury Notes, $11,285,875 of the U.S. Government Agencies, and $406,683 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 Disclosures About Fair Value of Assets and Liabilities

GASB 72 - *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under GASB 72 are described as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements: The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at the fair value on a recurring basis and the level within the fair value hierarchy in which fair value measurements fall at June 30, 2017:

	Fair Value Measurements Using			
June 30, 2017 **Investments by fair value level**	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bonds	$ 7,277,989	$ 7,277,989	$ -	$ -
Agency Bonds	13,781,050	-	13,781,050	-
Agency Mortgage Securities	103,860,617	-	103,860,617	-
Mutual Funds	406,683	406,683	-	-
Total Investments	**$ 125,326,339**	**$ 7,684,672**	**$ 117,641,667**	**$ -**
Interest Rate Swaps	(184,715)	-	(184,715)	-
Total Derivative Instruments	**$ (184,715)**	**$ -**	**$ (184,715)**	**$ -**

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified as Level 3 of the hierarchy.

The University utilizes the market based valuation approach in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, and there have been no significant changes in the valuation techniques during the year ended June 30, 2017.

Note 4 Accounts Receivable

Accounts Receivable are primarily comprised of the following:		
Student Tuition	$	6,084,596
Auxiliaries		2,695,171
Sponsored Programs		2,180,222
Other Receivable		503,389
Total Accounts Receivable	**$**	**11,463,378**
Allowance for Doubtful Accounts		**(4,059,087)**
Net Accounts Receivable	**$**	**7,404,291**

Note 5 Inventories

Inventories are stated at the lower of cost or market value. Total inventories were valued at $1,466,304. Of this total, the bookstore's inventory was $1,138,077.

Note 6 Derivative Instruments

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2017, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the 2017 financial statements are as follows:

	Changes in Fair Value		Fair Value at June 30, 2017		
	Classification	Amount	Classification	Amount	Current Notional
Cash flow Hedge: Pay-Fixed Interest Rate Swap	Pay-Fixed Interest Rate Swap	($268,702)	Deferred Outflow of Resources	($184,715)	$6,090,000

As of June 30, 2017, 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 swap was 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, 2017, 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	$6,090,000	12/23/2008	12/1/2028	65% of 6 mo. USD-LIBOR-BBA w/ 1 Day Lookback + 208.00 bps	Aa3

Credit Risk: As a means of managing credit risk, the University's 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, 2017, 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, 2017, is $184,715. 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 London InterBank Offered Rate (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 transaction 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 7 Capital Assets

	Beginning Balances	*Increases*	*Decreases*	*Transfers*	*Ending Balances*
Capital Assets Not Being Depreciated:					
Land	$ 19,894,923	$ 481,191	$ 138,656	$ (25,900)	$ 20,211,558
Construction in Progress	15,685,067	20,874,711	-	(11,983,272)	24,576,506
Total Capital Assets Not Being Depreciated	**35,579,990**	**21,355,902**	**138,656**	**(12,009,172)**	**44,788,064**
Capital Assets Being Depreciated:					
Building and Improvements	260,945,254	402,632	7,787,142	12,009,172	265,569,916
Equipment	35,715,731	2,700,014	2,051,491	-	36,364,254
Total Capital Assets Being Depreciated	**296,660,985**	**3,102,646**	**9,838,633**	**12,009,172**	**301,934,170**
Less Accumulated Depreciation For:					
Building and Improvements	92,233,381	7,300,787	4,233,270	-	95,300,898
Equipment	25,848,630	2,279,511	1,815,807	-	26,312,334
Total Accumulated Depreciation	**118,082,011**	**9,580,298**	**6,049,077**	**-**	**121,613,232**
Total Capital Assets Being Depreciated, Net	**178,578,974**	**(6,477,652)**	**3,789,556**	**12,009,172**	**180,320,938**
Capital Assets, Net	**$ 214,158,964**	**$ 14,878,250**	**$ 3,928,212**	**$ -**	**$ 225,109,002**

Note 8 Non-Current Liabilities

The non-current liability activity for the fiscal year ended June 30, 2017 is summarized as follows:

	Balance 30-Jun-16	*Additions*	*Reductions*	*Balance 30-Jun-17*
Bonds Payable, Net of Unamortized Premium and Discount	$ 69,334,723	$ 2,457	$ 6,425,348	$ 62,911,832
Net Pension Liability	216,002	171,128	104,035	283,095
Derivative Instrument - Interest Rate Swap	453,417	-	268,702	184,715
Advances from Federal Government	1,116,332	-	-	1,116,332
Total Non-current Liabilities	**$ 71,120,474**	**$ 173,585**	**$ 6,798,085**	**$ 64,495,974**

Note 9 Long-Term Debt

Long-term debt activity for the year ended June 30, 2017 is summarized as follows:

	Interest Rate	Amount Issued	Amount Retired 2016-2017	Amount Outstanding June 30, 2017	Amount Due Within One Year
Dormitory and Dining Facilities Revenue Bonds of 1983, Series A	3.000%	$ 5,000,000	$ 180,000	$ 1,200,000	$ 190,000
Auxiliary Facilities System Revenue Bonds, Series 2006	4.126%	13,440,000	980,000	4,490,000	1,025,000
Auxiliary Facilities System Revenue Bonds, Series 2009	4.728%	10,160,000	420,000	7,510,000	435,000
Auxiliary Facilities System Revenue Bonds, Series 2013	3.630%	4,526,800	170,000	4,034,000	180,000
Student Fee Bonds, Series H	4.373%	4,545,000	210,000	2,790,000	220,000
Student Fee Bonds, Series I	4.090%	9,095,000	420,000	6,090,000	440,000
Student Fee Bonds, Series J	3.858%	26,795,000	1,820,000	13,925,000	1,895,000
Student Fee Bonds, Series K	3.160%	5,895,000	366,000	3,857,000	377,000
Student Fee Bonds, Series L	2.350%	8,045,000	491,400	5,921,000	502,800
Student Fee Bonds, Series M-1	2.730%	10,000,000	387,955	9,387,045	398,618
Student Fee Bonds, Series M-2	2.420%	10,000,000	566,165	9,193,835	579,950
Total Bonds Payable			**$6,011,520**	**$ 68,397,880**	**$ 6,243,368**
Unamortized Bond Premium (Discount)				**757,320**	
Due Within One Year				**(6,243,368)**	
Total Long-Term Liabilities				**$ 62,911,832**	

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 2037. Using rates as of June 30, 2017, scheduled fiscal year maturities of bonds payable and related interest expense are shown below. These amounts assume that the current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates change, interest rates on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. See Footnote 6 for information on derivative instruments.

Fiscal Year Ending June 30,	Fixed Rate Bonds Principal	Fixed Rate Bonds Interest	Variable Rate Bonds Principal	Variable Rate Bonds Interest	Hedging Derivatives, Net	Total
2018	$ 5,803,368	$ 2,250,311	$ 440,000	$ 174,479	$ 70,103	$ 8,738,261
2019	6,002,444	2,031,883	460,000	161,495	64,887	8,720,709
2020	6,257,765	1,791,322	480,000	147,928	59,435	8,736,450
2021	5,949,748	1,554,570	500,000	133,777	53,750	8,191,845
2022	6,197,409	1,309,092	510,000	119,116	47,858	8,183,475
2023-2027	20,085,370	3,624,871	2,800,000	361,796	145,365	27,017,402
2028-2032	9,334,479	1,035,837	900,000	26,259	10,551	11,307,126
2033-2037	2,677,297	134,169	-	-	-	2,811,466
Total	**$62,307,880**	**$ 13,732,055**	**$6,090,000**	**$ 1,124,850**	**$ 451,949**	**$83,706,734**

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 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.

The Vincennes University Student Fee Bonds, Series M, in the aggregate original principal amount of $20,000,000 were issued to fund construction of Updike Hall- Center for Science, Engineering and Mathematics. Series M-1 ($10,000,000) have a net interest cost of 2.73%, and were issued on December 18, 2015. Series M-2 ($10,000,000) have a net interest cost of 2.42%, and were issued on February 4, 2016.

Funds held with Bond Trustee

Current Funds Expected to be Depleted Within a Year	
Revenue Bonds, Series 2009	$ 5,595
Revenue Bonds, Series 2006	7,103
Revenue Bonds, Series 2013	26
Other Bond & Interest Accounts	3,022
Total Current	**$ 15,746**
Dorm & Dining Bonds of 1983 A & B Vigo Hall	216,342
Total Funds held with Bond Trustee	**$ 232,088**

Note 10 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 $4,948,161 as of June 30, 2017 with $3,694,010 of this amount being held in the Opal C. Ramsey fund.

Note 11 TIAA/CREF Pension Plans

The University provides full time employees with a tax deferred 403(b) Retirement Annuity Plan (RA) through Teachers Insurance and Annuity Association of America (TIAA). This plan is a defined contribution plan under IRC 403(b). Income during retirement is based on the participant's total account balance. Participants are immediately 100% vested in both the funds contributed on their behalf and the earnings associated with those contributions. Participants may direct investments from many options available to allocate the contributions made on their behalf. An agreement between the University and TIAA is approved by the University Board of Trustees. The University contributes 10% of earned wages.

Faculty and professional staff hired prior to June 30, 2003, and having five or more years of continued employment, participate in a supplemental defined contribution retirement income plan with TIAA. The University contributes 5% of covered wages for this plan.

On June 30, 2017, 754 employees were covered by TIAA and total wages were $39,753,121. During 2016-17, Vincennes University contributed $3,584,573 to TIAA on the employees' behalf.

TIAA 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 of America, 730 Third Avenue, New York, NY 10017-3206.

Note 12 – TRF Pension Plans

General Information about the Teachers' Retirement Pension Plans

General Plan description The Indiana Retirement System (INPRS) is an independent instrumentality of the State of Indiana, administering nine pension trust funds which includes the Indiana State Teachers' Retirement Fund (TRF). INPRS has the authority to establish and amend benefit terms of its pension trust funds. TRF was established by the Indiana General Assembly in 1921. In 1955, TRF was designed as a pay-as-you-go defined benefit retirement plan. In 1995, legislation was passed that closed the pay-as-you-go plan (renamed the TRF Pre-1996 Account) to newly hired members and created a new account (named TRF 1996 Account) for all members hired after June 30, 1995. TRF is two (2) cost sharing, multiple-employer defined benefit plans, TRF Pre-1996 Account and TRF 1996 Account. TRF is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.4, and IC 5-10.5.

INPRS follows the accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Indiana State Teachers' Retirement Fund (TRF) and additions to/deductions from TFR's fiduciary net position have been determined on the same basis as they are reported by the Indiana Public Retirement System (INPRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR). This report may be obtained by writing the Indiana Public Retirement System, One North Capital, Suite 001, Indianapolis, IN 46204, or www.in.gov/inprs/annualreports.htm.

The following brief descriptions of TRF Pre-1996 Account and the TRF 1996 Account are provided for general information purposes only. Participants should refer to INPRS for more complete information. The actuarial assumptions for both plans follow the descriptions.

Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996)

Benefits TRF Pre-1996 is a pay-as-you-go cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees hired before July 1, 1995. There are two aspects to the TRF Pre-1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the State of Indiana. The second portion of the TRF Pre-1996 benefit structure is the annuity savings account that supplements the defined benefit at retirement. The benefit formula is the years of creditable service times the average highest five-year annual salary times .011 plus the annuity savings account. Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

Membership Membership in TRF Pre-1996 is closed to new entrants. Legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees hired before July 1, 2011, are required to participate in TRF as a condition of employment. Generally, members hired prior to 1996 participate in the TRF Pre-1996 Account and members hired after 1996 participate in the TRF 1996 Account.

Contributions State appropriations are made in accordance with IC 5-10.4-2-4 for each fiscal year. Currently, a three percent year-over-year increase is being provided through State appropriations. If the actual pension benefit payout for the fiscal year exceeds the amount appropriated, the difference is paid from the Pension Stabilization Fund as part of the assets of the TRF Pre-1996, which was established according to IC 5-10.4-2-5.

This pension plan is a special funding situation in that the State of Indiana, a non-employer contributing entity, is legally responsible for the net pension liability and contributions to the pension plan. These contributions are paid directly to the pension plan and are used to provide pension benefits for members of the pension plan. As a non-employer contributing entity, the State of Indiana contributed $887.5 million in fiscal year 2016 to TRF Pre-1996.

TRF Pre-1996 Account Members contributed three percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member in which Vincennes University elects to make the contribution. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, Vincennes University reported a liability of zero dollars. The State's proportionate share of the net pension liability is 100%. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The basis used by the actuary to determine the employer's proportionate share is a weighted calculation using a combination of wages reported by employers relative to the collective wages of the plan, and benefits paid to the retirees of employers relative to the total benefits paid by the plan. The weighted calculation is 35.0 percent for wages and 65.0 percent for the benefits paid, which are determined by the non-retirees and retirees respective net pension liabilities. This method is used as it provided a fairer distribution so that employers with no active employees still show a proportionate share.

For the year ended June 30, 2017, the University recognized pension expense totaling $4,596,013 along with non-operating revenue in the same amount for the State's contribution.

Teachers' Retirement Fund 1996 Account (TRF 1996)

Benefits TRF 1996 is a cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to public school teachers and administrators, regularly employed licensed teachers at certain State universities and other educational institutions, and certain INPRS employees (hired before July 1, 2011) hired after June 30, 1995. Members who were hired before July 1, 1995 were members of TRF Pre-1996. However, pursuant to the law in place prior to July 1, 2005, if a member of TRF Pre-1996 left employment and re-employed after June 30, 1995, the member and the liability were transferred to TRF 1996. There are two aspects to the TRF 1996 defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the TRF 1996 benefit structure is the annuity savings accounts that supplements the defined benefit at retirement. The benefit formula is the years of creditable service times the average highest five-year annual salary times .011 plus the annuity savings account. Cost of living adjustments are granted by the Indiana General Assembly on an ad-hoc basis.

Membership Membership in TRF 1996 is required for all legally qualified and regularly employed licensed teachers who serve in the public schools of Indiana, teachers employed by the State at State institutions, and certain INPRS employees. Additionally, faculty members and professional employees at Ball State University and Vincennes University have the option of selecting membership in the Fund or the alternate University Plan not administered by INPRS.

Contributions The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provided for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As the TRF 1996 Account is a cost sharing system, all risks and costs, including benefit costs, are shared proportionally by the participating employers. During fiscal year 2016, all participating employers in the TRF 1996 Account were required to contribute 7.50 percent of the covered payroll in which the University contributed $78,351 based on payroll totaling $1,044,676.

TRF 1996 Account members contributed 3 percent of covered payroll to their annuity savings account, which is not used to fund the defined benefit pension. The employer may elect to make the contributions on behalf of the member in which Vincennes University elects to make the contribution. In addition, members may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their annuity savings accounts.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, Vincennes University reported a liability of $283,095 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Wages reported by employers relative to the collective wages of the plan serve as the basis to determine the employer's proportionate share. This basis of allocations measures the proportionate relationship of an employer to all employers and is consistent with the manner in which contributions to the pension plan are determined. At June 30, 2016, the University's proportion was .036, which remained relatively unchanged from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, VU recognized pension expense of $97,278. At June 30, 2017, VU reported deferred outflows of resources and deferred inflows of resources related to pensions from the following:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 10,203	$ 12,702
Changes of assumptions	82,071	-
Net difference between projected and actual earnings on pension plan investments	125,899	37,076
Changes in proportion and differences between employer contributions and proportionate share of contributions	172	52,265
Employer contributions subsequent to the measurement date	70,913	-
Totals	**$ 289,258**	**$ 102,043**

Employer contributions totaling $70,913 reported as deferred outflows of resources related to pensions resulting from VU's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 19,984
2018	19,984
2019	38,522
2020	18,460
2021	2,032
Thereafter	17,320

Sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	Net Pension Liability Discount Rate Sensitivity		
	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
Employer's proportionate share of the net pension liability	$ 630,229	$ 283,095	$ 5,619

Actuarial Assumptions for TRF Pre-1996 and TRF 1996

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Assets	June 30, 2016
Liabilities	June 30, 2015 - Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the total pension liability computed as June 30, 2015 to June 30, 2016
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	2.25%
Salary increases	2.50% to 12.50%, including wage inflation
Investment rate of return	6.75%
Cost-of-living adjustments	1% Compounded Annually on Pension Portion
Experience Study Data	Period of 3 years ended June 30, 2014

Mortality rates were based on the RP-2014 White Collar Mortality Table, with Social Security Administration generational improvement scale from 2006.

For the actuarial valuation as of June 30, 2016, there were no changes to the actuarial assumptions from the actuarial valuation as of June 30, 2015.

The long-term expectation for the INPRS defined benefit retirement plans has been determined by using a building block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

Global Asset Classes	Target Allocation	Geometric Bases Long-Term Expected Real Rate of Return
Public Equity	22.00%	5.7%
Private Equity	10.00%	6.2%
Fixed Income - Ex Inflation-Linked	24.00%	2.7%
Fixed Income - Inflation-Linked	7.00%	0.7%
Commodities	8.00%	2.0%
Real Estate	7.00%	2.7%
Absolute Return	10.00%	4.0%
Risk Party	12.00%	5.0%

Discount Rate The total pension liability for each defined benefit pension plan was calculated using a discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would be at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Note 13 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, 2017, the University contributed $6,579,862 to the plan, including $2,269,862 for current premiums (approximately 70% of total premiums) and an additional $4,310,000 to prefund benefits. Plan members receiving benefits contributed approximately $1,303,479 or approximately 30% of the total premiums, through their required contribution of $234 per month for retiree-only coverage, and $448 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	$	359,603
Interest on net OPEB obligation		(1,283,254)
Adjustment to annual required contribution		1,511,820
Annual OPEB cost (expense)	**$**	**588,169**
Contributions made		(6,579,862)
Increase (Decrease) in net OPEB obligation	**$**	**(5,991,693)**
Net OPEB obligation - beginning of year		(19,742,368)
Net OPEB obligation (asset) - end of year	**$**	**(25,734,061)**

The University's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2017	$ 588,169	1118.7%	$ (25,734,061)
6/30/2016	$ 1,234,984	477.4%	$ (19,742,368)
6/30/2015	$ 2,022,184	317.9%	$ (15,081,322)

Funded Status and Funding Progress

As of June 30, 2017, the most recent actuarial valuation date, the plan was 97.8% funded. The actuarial accrued liability for benefits was $50,663,513 and the actuarial value of assets was $49,546,371 resulting in an unfunded actuarial accrued liability (UAAL) of $1,117,142. The current year covered payroll (annual payroll of active employees covered by the plan) was $34,778,458 and the ratio of the UAAL to covered payroll was 3.2%.

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, 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, 2017 actuarial valuation, the entry age normal level percentage of salary cost method was used. The results are projected backwards to July 1, 2016 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 of 3.0%. 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, 2016, was 30 years (open amortization).

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)
7/1/2016	$ 49,546,371	$ 50,663,513	$ 1,117,142	97.8%	$ 34,778,458	3.2 %
7/1/2015	$ 45,771,451	$ 50,018,792	$ 4,247,341	91.5%	$ 34,557,145	12.3 %
7/1/2014	$ 41,908,125	$ 53,809,446	$ 11,901,321	77.9%	$ 33,687,669	35.3 %
7/1/2013	$ 36,558,776	$ 56,072,810	$ 19,514,034	65.2 %	$ 32,706,475	59.7 %

**** Measurement date is June 30, 2017 with the results projected backwards to July 1, 2016 on a "no gain/loss" basis.*

Note 14 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; and 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, cyber crime, aviation, worker's compensation, commercial automobile, and medical malpractice are all handled through fully insured commercial policies. During the past three fiscal years, no settled claims have exceeded insurance coverage levels, and there has been no significant reduction in coverage.

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 $680,003 for the fiscal year 2016-17 and $674,625 for the fiscal year 2015-16.

The liability, for medical claims incurred but not reported at June 30, 2017, is based on an average monthly claim multiplied by the plan's provider's average turnaround time from when claims are incurred to when the claims are submitted for payment. Changes in the total reported self-insured health, dental and drug benefit liability during the years ending June 30, 2017 and 2016 were as follows:

	2017	2016
Balance, beginning of year	$ 674,625	$ 955,375
Claims incurred	8,714,573	8,280,088
Claim payments	(8,709,195)	(8,560,838)
Balance, end of year	$ 680,003	$ 674,625

Note 15 Deposits Held in Custody of Others

As of June 30, 2017, the University held $3,413,461 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 16 Functional Statement

Operating expenses by functional classification are summarized as follows:

	Salaries and Benefits	Scholarships/ Fellowships	Supplies and Other Services	Equipment	Depreciation	Total
Instruction	$38,422,327	$ -	$ 9,227,931	$1,409,053	$ -	$ 49,059,311
Academic Support	4,098,610	-	824,580	308,959	-	5,232,149
Public Service	5,262,841	-	3,414,788	65,577	-	8,743,206
Student Service	3,687,032	-	2,062,675	17,039	-	5,766,746
Operation and Maintenance of Plant	3,898,758	-	3,891,792	2,102,109	-	9,892,659
Institutional Support	4,403,247	-	1,843,103	180,546	-	6,426,896
Depreciation	-	-	-	-	9,580,298	9,580,298
Auxiliary Enterprises	4,086,922	-	7,954,142	20,759	-	12,061,823
Student Aid Expense	-	8,181,144	-	-	-	8,181,144
Total Operating Expenses	**$63,859,737**	**$8,181,144**	**$29,219,011**	**$4,104,042**	**$9,580,298**	**$114,944,232**

Note 17 Operating Leases

For the fiscal year ended June 30, 2017, the University spent $494,850 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, $463,407 was spent on leasing off-campus classroom and office space, and the remaining amount of $31,443 was spent on equipment leases.

The following schedule displays the noncancelable lease agreements for the rental of facilities by fiscal year.

Future Minimum Lease Payments

Fiscal Year Ending June 30	Total Operating Leases
2018	$ 182,665
2019	187,144
2020	7,974
2021	-
2022	-
Total Future Minimum Lease Payments	**$ 377,783**

Note 18 - Changes in Accounting Principle

Capitalization Threshold Change.

The capitalization threshold for equipment purchases was raised from $500 to $5,000 effective July 1, 2015. A line item titled "Cumulative Effect of Change in Accounting Principle" has been included on the Statement of Revenues, Expenses, and Changes in Net Position to reflect the $6,171,400 change.

Note 19 Subsequent Events

Updike Hall - Center for Science, Engineering and Mathematics, is currently under construction on the Vincennes campus. The $26 million, 85,000 square foot facility is projected to open in Fall 2017, featuring state-of-the-art labs that will greatly enhance instruction in engineering, chemistry, physics and biology as well as earth, environmental and agricultural services.

The Indiana General Assembly has approved the 2017-19 biennium budget which includes appropriations for University capital projects totaling $24 million. Appropriations will be used for the renovations of the Learning Resource Center, Davis Hall, Wathen Business Building, Welsh Administration Building, and the Diesel Technology facility.

The University is examining GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 will require the University to report the unfunded postemployment liability on the Statement of Net Assets effective for the year ending June 30, 2018. This same requirement was implemented for defined pension plans under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* in fiscal year 2015. Currently, the University is not anticipating a significant impact since the University has been funding this obligation.

Note 20 Vincennes University Foundation Investments

Investments are presented in the financial statements in the aggregate at market value. Realized and unrealized gains (losses) are recorded as current income in the Statement of Activities and Changes in Net Assets. A comparison with book (cost) value is as follows:

	June 30, 2017		June 30, 2016	
	Cost	Market	Cost	Market
Unrestricted	$ 2,301,670	$ 2,462,215	$ 2,592,027	$ 2,536,528
Current Restricted	58,276,731	62,132,507	53,929,225	54,795,385
Endowment	24,971,091	27,576,375	25,660,000	25,908,835
Totals	**$ 85,549,492**	**$ 92,171,097**	**$ 82,181,252**	**$ 83,240,748**
Investments composed of:				
U.S. Government Bonds	$3,666,462	$ 3,651,704	$ 3,493,850	$ 3,519,316
Common Stock	73,536,097	80,171,928	70,923,399	71,946,674
Certificates of Deposit	820,000	820,532	1,070,000	1,080,754
Miscellaneous Cash Equivalents	7,526,933	7,526,933	6,694,003	6,694,004
Totals	**$ 85,549,492**	**$ 92,171,097**	**$ 82,181,252**	**$ 83,240,748**

The market value of the Foundation's investments in U.S. Government Bonds are measured by Level 2 inputs, while all other investments are measured by Level 1 inputs in accordance with ASC 820.

Schedules of Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability

Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996)

Last 10 Fiscal Years*

	2016	2015	2014
1. Employer's proportion of the net pension liability (asset)	0.00%	0.00%	0.00%
2. Employer's proportionate share of the net pension liability (asset)	$ -	$ -	$ -
3. The portion of the non-employer contributing entities total proportionate share (amount) of the collective NPL associated with the employer.	100.00%	100.00%	100.00%
4. Employer's covered-employee payroll	$ 4,958,979	$ 5,211,158	$ 7,186,887
5. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A	N/A	N/A
6. Plan fiduciary net position as a percentage of the total pension liability	28.40%	30.00%	33.60%

* Complete data for this schedule is not available prior to 2015. Measurement Dates are 6/30/2016, 6/30/2015 and 6/30/2014.

Schedule of Employer Contributions

Teachers' Retirement Fund Pre-1996 Accounts

Last 10 Fiscal Years*

	2016	2015	2014
Statutorily required contribution	$ 371,923	$ 293,388	$ 269,508
Contributions in relation to the statutorily required contribution	$ 371,923	$ 293,388	$ 269,508
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	$ 4,958,979	$ 5,211,157	$ 7,186,887
Contributions as percentage of covered-employee payroll	7.50%	5.63%	3.75%

* Complete data for this schedule is not available prior to 2015.

Schedules of Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability

Teachers' Retirement Fund 1996 Accounts (TRF 1996)

Last 10 Fiscal Years*

	2016	2015	2014
1. Employer's proportion of the net pension liability (asset)	0.0003627%	0.0004102%	0.0005271%
2. Employer's proportionate share of the net pension liability (asset)	$ 283,095	$ 216,002	$ 25,064
3. Employer's covered-employee payroll	$ 1,044,676	$ 1,124,175	$ 1,364,195
4. Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	27.10%	19.21%	1.84%
5. Plan fiduciary net position as a percentage of the total pension liability	87.80%	91.10%	99.10%

* Complete data for this schedule is not available prior to 2015. Measurement Dates are 6/30/2016, 6/30/2015 and 6/30/2014.

Schedule of Employer Contributions

Teachers' Retirement Fund 1996 Accounts

Last 10 Fiscal Years*

	2016	2015	2014
Statutorily required contribution	$ 78,351	$ 84,313	$ 102,315
Contributions in relation to the statutorily required contribution	$ 78,351	$ 84,313	$ 102,315
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	$ 1,044,676	$ 1,124,175	$ 1,364,195
Contributions as percentage of covered-employee payroll	7.50%	7.50%	7.50%

* Complete data for this schedule is not available prior to 2015.

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