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# VINCENNES UNIVERSITY FINANCIAL REPORT

— 2018-2019 —

FILED  
12/27/2019

VINCENNES UNIVERSITY

# MISSION & VISION

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## *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.

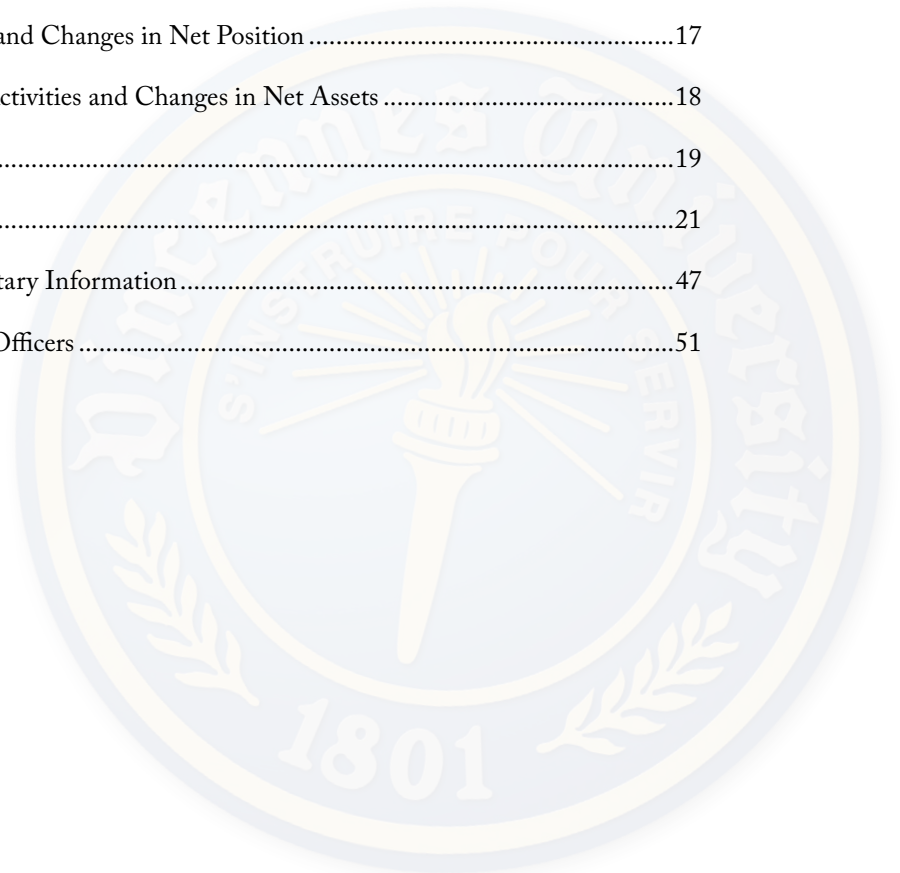
# Vincennes University

## Financial Report 2018-2019

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## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF VINCENNES UNIVERSITY, VINCENNES, INDIANA

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the 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, 2019 and 2018, 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 the Vincennes University Foundation, Inc. (Foundation), a component unit of the University as described in Note 1, which represents 100 percent, 100 percent, and 100 percent, respectively, of the total assets, net position, and revenues of the discretely presented component unit. 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.

***Unmodified 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, 2019 and 2018, 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.

***Emphasis of Matter***

As discussed in Note 1 to the financial statements, in fiscal year 2019, the University adopted new accounting guidance GASB Statement 83 *Certain Asset Retirement Obligations*, GASB Statement 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement 89 *Accounting and Interest Cost Incurred before the End of a Construction Period*. Our opinion is not modified with respect to these matters.

***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 the Net Pension Liability Teachers' Retirement Fund Pre-1996 Accounts (TRF Pre-1996), Schedule of Employer's Contributions Teachers' Retirement Fund Pre-1996 Accounts, Schedule of Employer's Share of Net Pension Liability Teachers' Retirement Fund 1996 Account (TRF 1996), Schedule of Employer Contributions Teachers' Retirement Fund 1996 Account (TRF 1996), Vincennes University Healthcare Plan Schedule of Changes in Net OPEB Liability and Related Ratios, and Vincennes University Healthcare Plan Schedule of the University's Contributions 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 accompanying 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 them.

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 24, 2019, 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, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the University's 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, CPA  
State Examiner

October 24, 2019

# Vincennes University

## Treasurer's Report

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Vincennes University's story of growth has not only expanded our footprint throughout Indiana but, more importantly, has provided more opportunities for Hoosier families to enjoy successful careers. Our strategic emphasis on growing our partnerships with companies, career centers, the K-12 system and other institutions of higher education has expanded the university from a single-residential campus to a statewide institution of higher education serving over 20,000 students each year.

Our commitment to helping companies succeed in Indiana is evidenced through VU's growing partnerships including the Toyota Advanced Manufacturing Technician Program, Subaru Advanced Internship in Manufacturing, Cummins Technician Apprenticeship Program, John Deere Agriculture Technician Program as well as partnerships with Amazon, Republic Airlines, AAR and many other Indiana employers. These programs represent more than traditional partnerships; they embody a trust that has been established between companies and Vincennes University. By extending learning opportunities into collaboration with employers through apprenticeships and work-based learning, VU is building virtual extensions of the Vincennes University campus – inside Indiana companies.

We are consistently looking for ways to meet the needs of the industries that support Indiana's economy. Vincennes University recently celebrated the grand opening of its new 45,000 square foot Agricultural Center. Agriculture represents a \$31 billion industry in Indiana and Vincennes University is proud to partner with Purdue University on this important training facility. The classrooms, training labs and partnerships that this facility represents make it one of the best in the country. The facility will house VU's Horticulture, Agribusiness, John Deere Agriculture Technician and Precision Agriculture programs. Additionally, the Vincennes University/Purdue University Agriculture Program and Purdue University Food Safety Training Lab will also be located in the new Agricultural Center.

Repair and renovation projects are ongoing as we continue to invest in mechanical and electrical upgrades that promote energy efficiency and provide our students with a safe and effective learning environment. The Shake Learning Resource Center will re-open in Spring 2020 after an eighteen month, \$10 million renovation. This much-anticipated, transformational project will create a hub of student study, research, tutoring and collaboration.

Vincennes University's strong financial standing was once again affirmed through a positive Moody's Aa3 rating. Moody's credited the University for its modest amount of outstanding debt as well as its strong operating performance, cash flow margins and limited pension obligations. Their confidence in Vincennes University reflects our importance as a provider of education and training to students in the State of Indiana. Moody's cited that "evidencing this importance is the significant operating support provided by the State of Indiana." We take great pride in our reputation as Indiana's most affordable residential college and are thankful for the State of Indiana's partnership and funding that has allowed us to provide a cost-effective education for Hoosier students.

I am grateful for the hard work and dedication put forth every day by our faculty and our staff. They make Vincennes University the great institution that it is today. I am pleased to present the 2018-2019 Vincennes University Financial Report for the fiscal year ended June 30, 2019. This report is a complete and permanent record of the financial status of Vincennes University for the period stated.

Respectfully submitted,



Linda Waldroup

Vice President for Financial Services

# Management's Discussion and Analysis

Vincennes University is pleased to present its financial statements for fiscal year 2019. The following discussion and analysis provides an overview of the financial position and activities of Vincennes University (the "University") for the fiscal year ended June 30, 2019, along with comparative information for the fiscal years ended June 30, 2018 and June 30, 2017. 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 2019 enrollment of approximately 9,261 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 in Indiana are located in Fort Branch, Jasper, and Indianapolis. The University also offers over 1,000 courses through its Distance Education program and at ten 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, 2019, 2018, and 2017 is summarized as follows:

Statement of Net Position	2019 (in thousands)	2018 (in thousands)	2017 (in thousands)
Current Assets	\$ 85,530	\$ 77,984	\$ 56,053
Non-current Assets			
Investments	131,593	122,214	131,192
Capital Assets, net	246,440	233,428	225,109
Other	502	652	26,404
<b>Total Assets</b>	<b>\$ 464,065</b>	<b>\$ 434,278</b>	<b>\$ 438,758</b>
<b>Deferred Outflows</b>	<b>\$ 15,824</b>	<b>\$ 12,404</b>	<b>\$ 474</b>
Current Liabilities	\$ 21,253	\$ 24,563	\$ 24,255
Non-current Liabilities	51,597	57,755	64,496
<b>Total Liabilities</b>	<b>\$ 72,850</b>	<b>\$ 82,318</b>	<b>\$ 88,751</b>
<b>Deferred Inflows</b>	<b>\$ 8,957</b>	<b>\$ 6,223</b>	<b>\$ 102</b>
<b>Net Position</b>	<b>\$ 398,082</b>	<b>\$ 358,141</b>	<b>\$ 350,379</b>

## Fiscal Year 2019

As of June 30, 2019 and 2018, total assets were approximately \$464.1 and \$434.3 million, an increase of \$29.8 million, or 6.9 percent. The University's net capital assets grew \$13.0 million. Additions to the capital assets comprised mostly of construction in progress at the end of the year. These projects include a new academic building and renovations of several academic buildings and dorms. Cash and the investment portfolio had an increase of \$17.6 million, mainly due to the increase in the fair value of the investments from the prior year.

Current assets consist mainly of cash and cash equivalents, short-term investments, inventory and net accounts receivable. Accounts receivable includes sponsored programs, student loan receivables, and student receivables for tuition and room and board. The University's current assets increased \$7.5 million from 2018 to 2019. The majority of this increase is from cash and cash equivalents and short-term operating investments which grew as a result of positive operations.

Major components of non-current assets are endowment and operating investments and capital assets, net of accumulated depreciation. Non-current assets increased \$22.2 million or 6.2 percent from the previous year. Part of this fluctuation is related to the increase in the fair value of University's long-term investments. Long-term investments increased \$9.4 million or 7.7 percent from the prior year. Capital assets, net of depreciation, increased \$13.0 million from the previous year. This increase, offset by disposal activity and depreciation, was the result of \$19.4 million remaining in construction in progress at the end of the year. These projects include the new diesel agricultural tech building and the renovations of the business building, the public service building, the learning resource center and several dorms.

Deferred outflows of resources represent consumption of net assets that are applicable to a future reporting period. The deferred outflows of resources increased \$3.4 million as a result of change in the assumptions and the net difference between the projected and actual earnings in the OPEB plan investments. The change of assumptions will be amortized over the expected future service life and the difference between the projected and actual earnings will be amortized over 5 years.

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. Total current liabilities decreased \$3.3 million from 2018 to 2019. At year end, accounts payable increased slightly with unearned revenue decreasing \$1.3 million. This decrease is primarily related to the change in the recognition of the funds from the Corporation for Public Broadcasting and the decrease in summer tuition for credit and noncredit classes. Accrued payroll and deductions payable decreased \$1.2 million. This change was related to the decrease in salaries and benefits and the timing in the payment of the benefit liabilities from 2018 to 2019.

Non-current liabilities include principal amount due on University bonds payable, pension and other post-employment benefit obligations. The largest liability for the University is outstanding bonds payable. Current bonds payable of \$6.7 million consist primarily of the \$6.2 million decrease in non-current liabilities. The University has maintained its Aa3 bond credit rating. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

Deferred inflows 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 include a \$2.7 million increase, representing the difference between the expected and actual experience of the OPEB plan, which will be amortized over a period of 5 years.

## Fiscal Year 2018

As of June 30, 2018 and 2017, total assets were approximately \$434.3 and \$438.8 million, a decrease of \$4.5 million, or 1.0 percent. The decrease is directly related to the adoption of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. At the end of fiscal year 2017, the University had reported a \$25.7 million OPEB asset under GASB 45 which required the University to recognize an annual required contribution. GASB 75 requires the University to recognize the unfunded liability and the fiduciary net position. The new GASB required changes to the actuarial valuation methods and the discount rate calculations. This accounting standard has had a significant impact on the 2018 financial statements; however, the University has been funding this obligation over the past twenty years in order to minimize this liability.

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 increase of \$21.9 million in current assets. This increase is related to the movement of \$9.0 million in long-term to short-term investments to obtain optimal market rates. Also, \$12.4 million was received from the State capital appropriation funds for repair and rehabilitation projects.

Non-current assets decreased \$26.4 million from 2017. As mentioned beforehand, the majority of this fluctuation is related to the adoption of GASB 75. Capital asset additions consist of new construction and renovations, as well as major investments in equipment. Projects finalized during 2018 included Updike Hall, Vigo Hall renovation, Fitness Studio renovation, and various other replacement projects. The University ended the fiscal year with \$2.1 million in construction in progress which is primarily for renovations on the Vincennes campus.

Deferred outflows of resources represent consumption of net assets that are applicable to a future reporting period. The increase is related to adoption of GASB 75. The deferred outflow of \$12.4 million is a result of change in the assumptions (predominately the discount rate lowering from 6.5% to 4.6%) and the net difference between the projected and actual earnings in the OPEB plan investments. The change of assumptions will be amortized over the expected future service life which was calculated as 4.67 years while the difference between the projected and actual earnings will be amortized over 5 years as required by the new GASB.

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. Total current liabilities remained relatively unchanged from fiscal year 2017. Within the current liability total, accounts payable decreased \$1.3 million from the settlement of outstanding payables for the construction of Updike Hall at the end of 2017 and other liabilities increased \$1.8 million since the University did not contribute additional funds to the OPEB plan in 2018.

Non-current liabilities are primarily bonds and notes payable. The largest liability for the University is outstanding bonds payable. Current bonds payable of \$6.5 million consist primarily of the \$6.7 million decrease in non-current liabilities. At this time, the University does

not anticipate a change in its Aa3 credit rating nor debt limitations that may affect potential financing of capital projects. More detailed information concerning the University's long-term debt is presented in the Notes to the Financial Statements.

Deferred inflows 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 include \$6.0 million, representing the difference between the expected and actual experience of the OPEB plan, which will be amortized over a period of 5 years.

## 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	2019 (in thousands)	2018 (in thousands)	2017 (in thousands)
Net Investment in Capital Assets	\$ 190,328	\$ 170,637	\$ 156,541
<b>Restricted:</b>			
Non-expendable	2,380	2,379	2,379
Expendable	23,345	18,718	9,188
<b>Unrestricted:</b>			
Designated - Capital & Other	19,497	17,034	18,683
Designated for Quasi-Endowment	20,945	26,981	27,727
General Operations	92,191	69,838	85,174
Auxiliary	49,396	52,554	50,687
<b>Total Net Position</b>	<b>\$ 398,082</b>	<b>\$ 358,141</b>	<b>\$ 350,379</b>

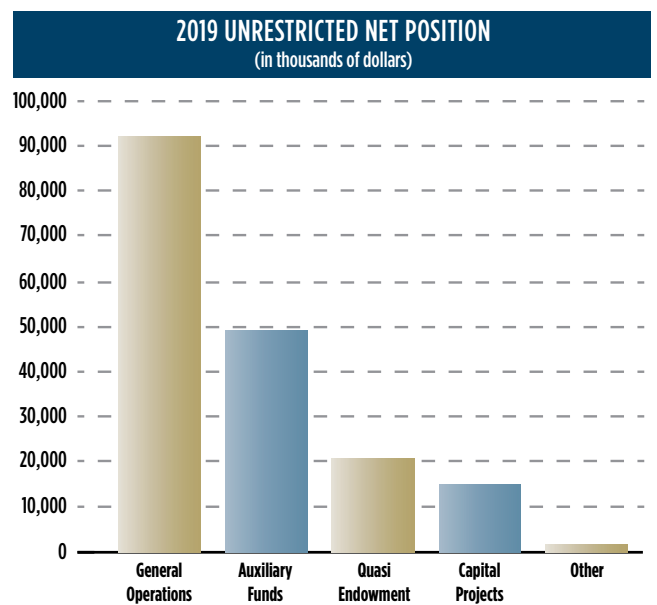
*Net Investment in Capital Assets* represents the institution's equity in property, plant and equipment net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred 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 \$14.1 million increase in Net Investment in Capital Assets, from 2017 to 2018, primarily consists of renovations to several dorms, the completion of Kimmell Park and the purchase of ten airplanes for the University's aviation program in Indianapolis. Net investment in capital assets increased 11.5 percent from 2018 to 2019. This increase is primarily related to the construction in progress at year

end. These projects include a new academic building and renovations of several academic buildings and dorms.

*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. This amount remains unchanged from the previous year. *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. Restricted- expendable net position increased 24.7 percent from the 2018 to 2019. The majority of this increase is related to the recognition of the unspent funds from capital appropriations.

*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. General Operations' net assets

decreased \$15.3 million from 2017 to 2018 as a result of the prior period adjustment for the change in accounting principle as a result of adopting GASB 75. Unrestricted net assets for 2019 and 2018 included board designated quasi endowment funds of \$21.0 million and \$27.0 million. This \$6.0 million decrease is related to the construction of a new academic building and the purchase of property for the French Village housing. 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 \$22.4 million from fiscal year 2018 to 2019. The majority of this change is related to the recognition of the fair value of investments and positive operations. The following graph shows the 2019 unrestricted net assets of \$182.0 million by designation:



## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position are the result of activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the operating and non-operating revenues, operating and non-operating expenses, other revenues, expenses, gains, losses, and changes in net position. 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 condensed statement for the years ended June 30, 2019, 2018 and 2017 is provided below:

Statement of Revenues, Expenses, & Changes in Net Position	2019 (in thousands)	2018 (in thousands)	2017 (in thousands)
<b>Operating Revenue:</b>			
Tuition and Fees, Net	\$ 23,274	\$ 24,922	\$ 28,108
Auxiliary, Net	11,958	14,075	15,366
Grants and Contracts	18,315	16,652	15,462
Other	2,806	2,012	1,887
<b>Total Operating Revenue</b>	<b>\$ 56,353</b>	<b>\$ 57,661</b>	<b>\$ 60,823</b>
<b>Operating Expenses</b>	<b>\$ 117,059</b>	<b>\$ 120,064</b>	<b>\$ 114,944</b>
<b>Net Operating Loss</b>	<b>\$ (60,706)</b>	<b>\$ (62,403)</b>	<b>\$ (54,121)</b>
<b>Non-Operating Revenues (Expenses):</b>			
Governmental Appropriations	\$ 54,661	\$ 54,081	\$ 53,336
Federal and State Student Aid	18,615	20,545	20,434
State Grant Revenue	4,783	4,454	4,596
Gifts (Including Endowment and Capital)	1,333	1,598	2,000
Investment and Endowment Income	9,257	54	94
Gain (Loss) on Disposition of Capital Assets	573	4	(3,662)
Other Income and Expense	(1,982)	(2,976)	(3,135)
<b>Total Non-Operating Revenue</b>	<b>\$ 87,240</b>	<b>\$ 77,760</b>	<b>\$ 73,663</b>
<b>Income before Other Revenues, Expenses, Gains or Losses</b>	<b>\$ 26,534</b>	<b>\$ 15,357</b>	<b>\$ 19,542</b>
<b>Other Revenues, Expenses, Gains or Losses</b>			
Capital Appropriations	\$ 13,407	\$ 12,407	\$ -
<b>Increase in Net Position</b>	<b>\$ 39,941</b>	<b>\$ 27,764</b>	<b>\$ 19,542</b>
<b>Net position - Beginning of year</b>	<b>\$ 358,141</b>	<b>\$ 350,379</b>	<b>\$ 330,837</b>
Prior Period Adjustment for Change in Accounting Principle	-	(20,002)	-
<b>Net position - End of year</b>	<b>\$ 398,082</b>	<b>\$ 358,141</b>	<b>\$ 350,379</b>

# Revenues

## Fiscal Year 2019

Total University revenues of \$159.0 million consist of operating revenue, non-operating revenue and capital appropriations. 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.

Operating revenue for fiscal year 2019 is \$56.4 million. Operating revenues decreased \$1.3 million, or 2.3 percent from the prior year. The changes in revenue are related to the following activities:

- Student tuition and fees, net of scholarship allowances and bad debt, decreased \$1.6 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 \$2.1 million. This decrease was primarily related to the decline in residence hall occupancy and bookstore sales.
- Grants and Contracts revenue increased \$1.7 million. The University received several small grants totaling \$800,000 during fiscal year 2019. The remaining amount of the increase is related to recognizing the funds from the Corporation for Public Broadcasting as revenue in the year the funds are received. The University received an estimated 51 percent of grant and contract revenue from federal agencies, 24 percent from state agencies, and 25 percent from nongovernmental agencies in fiscal year 2019.

Non-operating revenue increased \$8.5 million from 2018 to 2019. Activity related to the net increase included:

- Government appropriations increased slightly from the prior year to \$54.7 million.
- Federal and state student aid decreased \$1.9 million as a result of enrollment decline.
- State and grant revenue reported for 2019 is \$4.8 million. 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 and endowment income increased \$9.20 million due to a rise in the market value of investments at June 30, 2019.

The University received \$13.4 million during 2018-2019 in capital appropriations for academic building renovations.

## Fiscal Year 2018

Total University revenues of \$150.8 million consist of operating revenue, non-operating revenue and capital appropriations. 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.

Operating revenue for fiscal year 2018, is \$57.7 million. Operating revenues decreased \$3.2 million, or 5.3 percent, in 2018. The changes in revenue are related to the following activities:

- Student tuition and fees, net of scholarship allowances and bad debt, decreased \$3.2 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 \$1.3 million, or 8.4 percent in fiscal 2018. This decrease was primarily related to the decline in residence hall occupancy and bookstore sales.
- Grants and Contracts revenue increased \$1.2 million. The University received several small grants during fiscal year 2018. The increase was predominately related to receiving an increase from existing grants and contracts. The University received an estimated 48 percent of grant and contract revenue from federal agencies, 24 percent from state agencies, and 28 percent from nongovernmental agencies in fiscal year 2018.

Non-operating revenue increased \$276 thousand in fiscal year 2018. Activity related to the net increase included:

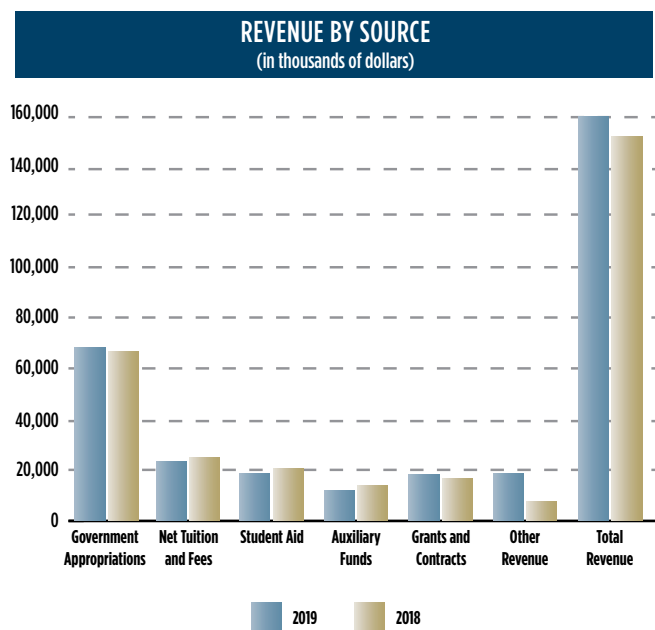
- Government Appropriations increased slightly from the prior year to \$54.1 million.
- Federal and State Student Aid remained relatively unchanged.
- State and grant revenue reported for 2018 is \$4.5 million. This total represents the University's required revenue reporting for the Teachers' Retirement 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.

- The University disposed of the remaining value of the McCormick Science Center during fiscal year 2017. The University had no major dispositions during fiscal year 2018.

The following is a graphic illustration of revenues by source (both operating and non-operating) used to fund the University for the years ended June 30, 2019 and 2018.

## Expenses



A comparative of the University's expenses for the years ending June 30, 2019, 2018, and 2017 is as follows:

Expense By Natural Object	2019 (in thousands)	2018 (in thousands)	2017 (in thousands)
<b>Operating:</b>			
Compensation and Benefits	\$ 66,084	\$ 68,746	\$ 63,860
Supplies, Services and Equipment	32,324	32,772	33,323
Depreciation	11,170	10,369	9,580
Scholarships and Fellowships	7,481	8,177	8,181
<b>Total Operating Expenses</b>	<b>\$117,059</b>	<b>\$120,064</b>	<b>\$114,944</b>
<b>Non-Operating:</b>			
Interest and Other	2,067	2,976	6,797
<b>Total Expenses</b>	<b>\$119,126</b>	<b>\$123,040</b>	<b>\$121,741</b>

### Fiscal Year 2019

For fiscal year 2019, total expenses of \$119.1 million

included operating expenses of \$117.1 million and interest expense and other non-operating expenses of \$2.0 million.

Operating expenses decreased \$3.0 million, or 2.5 percent, during fiscal year 2019. Significant changes include:

- Compensation, which includes salaries, wages and benefits comprised \$66.1 million (56.4 percent of operating expenses) decreased 4.0 percent from the prior year. The compensation and benefits decreased \$2.7 million as a result of employee retirements and attrition.
- 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.
- Scholarships and fellowships decreased \$700,000 from the prior year. With the enrollment decrease, the University continued to commit institutional dollars to fund scholarships.

### Fiscal Year 2018

For fiscal year 2018, total expenses of \$123.0 million included operating expenses of \$120.1 million and interest expense and other non-operating expenses of \$3.0 million.

Operating expenses increased \$5.1 million, or 4.4 percent, during fiscal year 2018. Significant changes include:

- Compensation and benefits together make up 57.3 percent of total operating expenses. Of the total operating expense increase, compensation and benefits accounted for a majority of this change. Benefits increased \$5.36 million. The majority of this increase is the result of not funding the OPEB trust account this year. Contributions to the trust account are netted against benefit expense which caused a decrease in this line item. Since the University is close to fully funding the OPEB liability, the impact of GASB 75 and the funding requirements will be evaluated to determine future contributions in the upcoming year.
- Overall, there was a 1.7 percent decrease in supplies, services and equipment. Most auxiliary enterprises reported decreases in supply and equipment purchases in 2018.
- Scholarships and fellowships remained relatively unchanged from the prior year. With the enrollment decrease, the University committed institutional dollars to fund scholarships causing this expense to remain constant.

A prior period adjustment for change in accounting principle totaling \$20.0 million was recognized in 2018 as a result of GASB 75. The change in the actuarial valuations methods required the University to recognize the \$20.0 million decrease to net position.

## 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, 2019, 2018 and 2017 is as follows:

Statement of Cash Flows	2019 (in thousands)	2018 (in thousands)	2017 (in thousands)
Cash Received from Operations	\$ 55,957	\$ 58,377	\$ 60,908
Cash Expended for Operations	(107,457)	(109,378)	(110,715)
Net Cash Used in Operating Activities	\$ (51,500)	\$ (51,001)	\$ (49,807)
Net Cash Provided by Non-Capital Financing Activities	78,394	78,250	76,576
Net Cash Used in Investing Activities	(17,839)	(12,419)	(5,272)
Net Cash Provided by (Used in) Capital and Related Financing Activities	(18,332)	(14,800)	(31,342)
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (9,277)	\$ 30	\$ (9,845)
Cash and Cash Equivalents - Beginning of Year	34,463	34,433	44,278
Cash and Cash Equivalents - End of Year	\$ 25,186	\$ 34,463	\$ 34,433

The University's cash and cash equivalents was relatively unchanged from fiscal year 2017 to 2018. In 2019, the \$9.3 million decrease was primarily related to the movement of funds to the investment portfolio as a result of positive operations.

## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

While the University is impacted by economic challenges, management believes the University will continue its high level of excellence in service to its students, faculty and staff. The University's financial position continues to

reflect the strong fiscal stewardship of its resources.

Appropriations from the State of Indiana provide the largest source of funding for the University. Recent trends demonstrate the changing landscape for U.S. colleges and universities. The University recognizes the importance of strategic direction and the effective alignment of resources to fulfill the mission of the institution. Indiana faces a shortage of sufficiently trained workers to meet employer needs. The ability to attract and retain employers in the state remains vital to Indiana's future sustained economic growth. The University is well positioned for a prominent role in addressing the challenges facing higher education with competitive tuition rates, continued expansion of online and early college course offerings, and innovative technology training.

The University, with the capital appropriations from the State, continues to address aging facilities with significant renovations to the Learning Resource Center, Davis Hall, the Wathen Business Building, the Welsh Administration Building, and the construction of the Ag/ Diesel Technology facility.

The University will be accepting bids to develop a new dynamic type of student housing called the French Village. It is currently in a design phase and it will be located at the edge of campus. This housing will be available for nontraditional students.

The Board of Trustees approved up to a \$2 million dollar donation to the City of Vincennes to supplant aged wells along the levee segment which borders the Vincennes campus. This project is in its infancy and it is expected to begin in 2020.

The Vincennes University Primary Care Center continues to hedge rising healthcare costs. 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 continues to take steps to enhance student recruitment, both in marketing efforts and in providing additional scholarship funding. 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.

# VINCENNES UNIVERSITY STATEMENT OF NET POSITION

As of June 30, 2019 and June 30, 2018

ASSETS	2019	2018
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 25,185,704	\$ 34,463,342
Short-term Investments	50,258,277	32,730,086
Funds held with Bond Trustee	19,157	17,329
Accounts Receivable (Less Allowance of \$2,757,907 2019 and \$3,231,215 2018)	7,248,177	8,097,859
Current Portion of Notes Receivable	520,577	546,152
Inventories	1,311,041	1,460,862
Accrued Interest Income	599,047	410,173
Prepaid Expenses	388,245	257,881
<b>Total Current Assets</b>	<b>\$ 85,530,225</b>	<b>\$ 77,983,684</b>
<b>Non-current Assets</b>		
Funds held with Bond Trustee for Debt Service	\$ 218,858	\$ 216,549
Investments	131,593,097	122,213,834
Notes Receivable	283,218	436,036
Capital Assets, Net of Accumulated Depreciation	246,439,644	233,428,292
<b>Total Non-current Assets</b>	<b>\$ 378,534,817</b>	<b>\$ 356,294,711</b>
<b>Total Assets</b>	<b>\$ 464,065,042</b>	<b>\$ 434,278,395</b>
<b>DEFERRED OUTFLOWS</b>		
Accumulated decrease in fair value of hedging derivatives	\$ 180,253	\$ 7,195
Deferral of Resources Indiana State Teachers Pension Plan	125,379	231,516
Deferral of Resources OPEB	15,518,552	12,165,404
<b>Total Deferred Outflows</b>	<b>\$ 15,824,184</b>	<b>\$ 12,404,115</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 2,695,077	\$ 2,429,031
Accrued Payroll and Deductions Payable	3,543,239	4,769,583
Accrued Vacation Liability	1,203,066	1,219,014
Unearned Revenue	2,159,957	3,452,659
Accrued Interest on Debt	258,149	292,593
Bonds Payable	6,737,765	6,462,444
Deposits	167,825	188,099
Deposits Held in Custody for Others	2,007,818	2,615,234
Other Liabilities	2,480,372	3,134,157
<b>Total Current Liabilities</b>	<b>\$ 21,253,268</b>	<b>\$ 24,562,814</b>
<b>Non-current Liabilities</b>		
Bonds Payable (Net of Unamortized Bond Premium (Discount) of \$399,512 2019 and \$578,106 2018)	\$ 49,353,815	\$ 56,270,174
Net Pension Liability	31,654	207,930
OPEB Liability	1,071,232	309,531
Derivative Instrument - Interest Rate Swap	180,253	7,195
Advances from Federal Government	959,902	959,902
<b>Total Non-current Liabilities</b>	<b>\$ 51,596,856</b>	<b>\$ 57,754,732</b>
<b>Total Liabilities</b>	<b>\$ 72,850,124</b>	<b>\$ 82,317,546</b>
<b>DEFERRED INFLOWS</b>		
Net Difference in the projected and actual investments along with Indiana State Teachers 2016 Pension Contributions	\$ 214,296	\$ 135,636
Net Differences in OPEB	8,743,090	6,087,844
<b>Total Deferred Inflows</b>	<b>\$ 8,957,386</b>	<b>\$ 6,223,480</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	\$ 190,327,929	\$ 170,636,959
Restricted for Non-expendable:		
Scholarships and Instruction	2,379,586	2,379,586
Restricted for Expendable:		
Capital Projects	18,350,540	14,802,405
Loan Funds	303,356	280,510
Scholarships, Grants, and Instruction	4,691,267	3,635,012
Unrestricted	182,029,038	166,407,012
<b>Total Net Position</b>	<b>\$ 398,081,716</b>	<b>\$ 358,141,484</b>

# VINCENNES UNIVERSITY FOUNDATION, INC. COMPONENT UNIT — STATEMENT OF FINANCIAL POSITION

As of June 30, 2019 with comparative figures for 2018

ASSETS	2019	2018 Restated *
<b>CURRENT ASSETS</b>		
Cash	\$ 229,947	\$ 148,337
Investments	2,192,055	2,246,586
Other Accounts Receivable	10,556	13,940
Accrued Interest Receivable	54,194	49,198
Prepaid Expense	50,644	47,412
<b>Total Current Assets</b>	<b>\$ 2,537,396</b>	<b>\$ 2,505,473</b>
Endowment Investments	\$ 33,085,288	\$ 28,055,737
Trust Investments	65,532,241	63,313,443
Equipment	8,107	8,107
Accum. Deprec. - Equipment	(8,107)	(8,107)
Property	998,139	998,139
<b>Total Assets</b>	<b>\$ 102,153,064</b>	<b>\$ 94,872,792</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts Payable	\$ 7,908	\$ 48,025
Vacation Accrual	15,173	19,962
Deferred Income Other	87,150	90,380
Due VU General Fund	22,325	71,467
<b>Total Current Liabilities</b>	<b>\$ 132,556</b>	<b>\$ 229,834</b>
Funds Held In Trust	\$ 62,675,734	\$ 59,865,496
<b>Total Liabilities</b>	<b>\$ 62,808,290</b>	<b>\$ 60,095,330</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	\$ 3,483,424	\$ 3,360,391
With Donor Restrictions	35,861,350	31,417,071
<b>Total Net Assets</b>	<b>\$ 39,344,774</b>	<b>\$ 34,777,462</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 102,153,064</b>	<b>\$ 94,872,792</b>

\* Implementation of FASB ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities

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, 2019 and June 30, 2018

	2019	2018
<b>Operating Revenues</b>		
Student Tuition & Fees	\$ 36,244,897	\$ 39,092,911
Scholarship Allowance - Tuition & Fees	(12,970,316)	(14,171,038)
Grants and Contracts	18,314,722	16,651,852
Auxiliary Enterprises	15,842,607	18,723,140
Scholarship Allowance - Auxiliary Enterprises	(3,884,782)	(4,647,424)
Other Revenues	2,806,400	2,011,823
<b>Total Operating Revenues</b>	<b>\$ 56,353,528</b>	<b>\$ 57,661,264</b>
<b>Operating Expenses</b>		
Salaries and Wages	\$ 45,015,031	\$ 46,406,400
Benefits	21,069,099	22,339,523
Scholarships and Fellowships	7,481,028	8,176,657
Supplies and Other Services	29,491,013	30,105,832
Equipment	2,832,890	2,666,088
Depreciation	11,169,851	10,369,506
<b>Total Operating Expenses</b>	<b>\$ 117,058,912</b>	<b>\$ 120,064,006</b>
<b>Operating Loss</b>	<b>\$ (60,705,384)</b>	<b>\$ (62,402,742)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Governmental Appropriations	\$ 54,660,886	\$ 54,080,551
Federal and State Student Aid	18,615,433	20,545,340
State Grant Revenue	4,782,810	4,453,429
Gifts and Bequests	1,332,927	1,598,440
Investment Income	7,744,322	(68,220)
Endowment Income	1,513,090	122,175
Gain (Loss) on Disposition of Capital Assets	573,120	4,407
Interest & Other Costs on Capital Asset - Related Debt	(2,067,478)	(2,324,608)
Other Non-Operating Revenues (Expenses)	83,904	(651,160)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>\$ 87,239,014</b>	<b>\$ 77,760,354</b>
Income before other revenues, expenses, gains or losses	\$ 26,533,630	\$ 15,357,612
<b>Other Revenues, Expenses, Gains or Losses</b>		
Capital Appropriations	\$ 13,406,602	\$ 12,406,602
<b>Increase in Net Position</b>	<b>\$ 39,940,232</b>	<b>\$ 27,764,214</b>
<b>Net Position - Beginning of Year</b>	<b>\$ 358,141,484</b>	<b>\$ 350,378,668</b>
<b>Prior Period Adjustment for Change in Accounting Principle - Note 18</b>	<b>\$ -</b>	<b>\$ (20,001,398)</b>
<b>Net Position - End of Year</b>	<b>\$ 398,081,716</b>	<b>\$ 358,141,484</b>

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, 2019 with comparative figures for 2018

Support and Revenue	Unrestricted	Current Restricted	2019 Total	2018 Restated Total *
Contributions	\$ 121,983	\$ 5,024,036	\$ 5,146,019	\$ 635,000
Grants and Contracts	-	45,603	45,603	107,000
Other Income	70,452	100,309	170,761	203,184
Investment Income	262,996	3,770,438	4,033,434	1,112,479
Unrealized Gain (Loss) on Investments	(174,223)	(2,080,049)	(2,254,272)	589,533
Administrative Income	370,216	-	370,216	307,281
Alumni Income & Community Series	9,611	111,645	121,256	147,289
<b>Total Support and Revenue Before Releases</b>	<b>\$ 661,035</b>	<b>\$ 6,971,982</b>	<b>\$ 7,633,017</b>	<b>\$ 3,101,766</b>
<b>Net Assets Released From Restrictions</b>	<b>\$ 2,527,703</b>	<b>\$ (2,527,703)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Support and Revenue</b>	<b>\$ 3,188,738</b>	<b>\$ 4,444,279</b>	<b>\$ 7,633,017</b>	<b>\$ 3,101,766</b>

Expenses				
Program Expenditures	\$ 2,390,997	\$ -	\$ 2,390,997	\$ 2,897,020
Management and General	611,538	-	611,538	589,480
Fundraising	63,170	-	63,170	146,949
<b>Total Expenses</b>	<b>\$ 3,065,705</b>	<b>\$ -</b>	<b>\$ 3,065,705</b>	<b>\$ 3,633,449</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 123,033</b>	<b>\$ 4,444,279</b>	<b>\$ 4,567,312</b>	<b>\$ (531,683)</b>

Net Assets Adjustments:

Additions	-	400	400	25,802
Deductions	-	(400)	(400)	(25,802)
<b>Total Change in Net Assets</b>	<b>\$ 123,033</b>	<b>\$ 4,444,279</b>	<b>\$ 4,567,312</b>	<b>\$ (531,683)</b>
<b>Net Assets - Beginning of Year</b>	<b>\$ 3,360,391</b>	<b>\$ 31,417,071</b>	<b>\$ 34,777,462</b>	<b>\$ 35,309,145</b>
<b>Net Assets - End of Year</b>	<b>\$ 3,483,424</b>	<b>\$ 35,861,350</b>	<b>\$ 39,344,774</b>	<b>\$ 34,777,462</b>

\* Implementation of FASB ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities

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, 2019 and June 30, 2018

	2019	2018
<b>Cash Flows From (For) Operating Activities</b>		
Tuition and Fees	\$ 23,160,712	\$ 25,611,016
Grants and Contracts	17,509,020	16,765,066
Payments to Suppliers	(32,722,320)	(32,107,723)
Payments to Employees	(45,047,468)	(46,437,754)
Payments for Benefits	(22,206,635)	(22,377,830)
Payments for Scholarships and Fellowships	(7,481,028)	(8,176,657)
Loans Issued to Students	-	(121,917)
Collection of Loans to Students	178,394	284,384
Repayments of Advances from Federal Government	-	(156,430)
Auxiliary Enterprise	11,774,215	14,148,428
Other Receipts	3,334,873	1,568,242
<b>Net Cash Used in Operating Activities</b>	<b>\$ (51,500,237)</b>	<b>\$ (51,001,175)</b>
<b>Cash Flows From (For) Non-Capital Financing Activities</b>		
Governmental Appropriations	\$ 54,660,886	\$ 54,080,551
Gifts and Grants for Other than Capital Purposes	24,309,941	25,326,083
Funds Held in Trust for Others	(577,280)	(1,156,148)
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b>\$ 78,393,547</b>	<b>\$ 78,250,486</b>
<b>Cash Flows From (For) Capital &amp; Related Financing Activities</b>		
Capital Appropriations	\$ 13,406,602	\$ 12,406,602
Capital Grants and Gifts Received	148,496	99,982
Proceeds (Loss) from Sale of Capital Assets	1,051,929	127,716
Insurance Recovery	-	10,774
Purchases of Capital Assets and Construction	(24,191,961)	(18,683,390)
Bond Reserve Cash Returned (Deposited)	(4,137)	(1,790)
Principal Paid on Capital Debt	(6,462,444)	(6,243,368)
Interest Paid on Capital Debt & Lease	(2,280,516)	(2,516,641)
<b>Net Cash Provided by (Used in) Capital &amp; Related Financing Activities</b>	<b>\$ (18,332,031)</b>	<b>\$ (14,800,115)</b>
<b>Cash Flows From (For) Investing Activities</b>		
Proceeds from Sales and Maturities of Investments	\$ 50,497,384	\$ 33,707,189
Investment Income	5,044,625	6,851,454
Purchase of Investments	(73,380,926)	(52,978,004)
<b>Net Cash Used in Investing Activities</b>	<b>\$ (17,838,917)</b>	<b>\$ (12,419,361)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ (9,277,638)</b>	<b>\$ 29,835</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>34,463,342</b>	<b>34,433,507</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 25,185,704</b>	<b>\$ 34,463,342</b>

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, 2019 and June 30, 2018

	2019	2018
<b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities:</b>		
Net Operating Revenues and Expenses	\$ (60,705,384)	\$ (62,402,742)
Restatement of Net Position - Net OPEB Liability	-	(20,001,398)
<b>Adjustments to Reconcile Net Operating Revenues (Expenses) to Net Cash Provided by (Used in) Operating Activities</b>		
Depreciation Expense	11,169,851	10,369,506
<b>Changes in Assets and Liabilities:</b>		
Receivables, Net	640,416	(476,132)
Other Receipts	-	34,357
Inventories	149,821	5,442
Other Assets	(130,364)	95,521
Student Loans	178,394	162,467
Advances from Federal Government	-	(156,430)
OPEB Asset	-	25,734,061
TRF Benefit	8,520	16,171
Net OPEB Liability	63,799	(5,768,029)
Accounts Payable and Accrued Liabilities	(1,680,441)	459,504
Unearned Income	(1,292,702)	797,823
<b>Cash Flows Reported in Other Categories:</b>		
Other Non-Operating Revenues (Expenses)	97,853	128,704
<b>Net Cash Used in Operating Activities</b>	<b>\$ (51,500,237)</b>	<b>\$ (51,001,175)</b>

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

# Vincennes University

## Notes to Financial Statements

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### Note 1 Summary of Significant Accounting Policies

#### Reporting Entity:

Vincennes University (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 the 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. (Foundation) 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, 2019, the Foundation distributed \$1,987,276 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 Foundation 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), and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). (ASC) 958-205 was effective January 1, 2018. 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 State of America, as prescribed by the GASB. During fiscal year 2019, the University adopted GASB Statement No. 83, *Certain Asset Retirement Obligations*, GASB Statement No. 88, *Certain*

*Disclosures Related to Debt, including Direct Borrowings and Direct Placements and GASB Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period.*

### **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 consist 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 Outflows 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 outflows of resources consist of accumulated changes in the fair value of hedging derivative instruments and the deferral of resources for the Indiana State Teacher's Pension Plan and for the Post Employment Benefit 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 the Complete College America, Inc.

## Compensated Absences:

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

## Non-current Liabilities:

Non-current liabilities consist primarily of principal amounts of revenue bonds payable with a contractual maturity of greater than one year and advances from the federal government. Included in these liabilities are the Net Pension Liability for the Indiana State Teacher's Pension Plan and the OPEB Liability.

## Deferred Inflows of Resources:

As prescribed by GASB Statement No. 63, the Statement of Financial Position reports a separate section for deferred inflows of resources. Deferred inflows of resources is an acquisition of net assets that is applicable to a future reporting period. These inflows include the Net Differences for the projected and actual investments for the Indiana State Teacher's Pension Plan and the OPEB Plan.

## 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 are also 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 represents 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 expenses, 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:

Net assets and changes therein are classified as follows:

**Net Assets without donor restrictions:** Net assets without donor restrictions include all contributions received, and all revenue and expenses. It includes 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 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.

**Net Assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Revenues are recorded when earned. Contributions, including promises to give, are recognized as revenue in the period received at their fair value. 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, 2019 and June 30, 2018, 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 on June 30, 2019 and on June 30, 2018 equaled \$25,185,704 and \$34,463,342 respectively.

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, 2019, the University had the following investments:

Investment Type	Maturity			
	Market Value	Less than 1 Year	1-5 Years	6-10 Years
Certificates of Deposit	\$ 48,134,781	\$ 48,134,781	\$ -	\$ -
U. S. Treasury Bonds	9,626,554	373,951	6,123,568	3,129,035
U. S. Government Agencies	123,669,825	1,749,545	6,275,781	115,644,499
Mutual Funds	420,214	-	420,214	-
<b>Total</b>	<b>\$ 181,851,374</b>	<b>\$ 50,258,277</b>	<b>\$ 12,819,563</b>	<b>\$118,773,534</b>

As of June 30, 2018, the University had the following investments:

Investment Type	Maturity			
	Market Value	Less than 1 Year	1-5 Years	6-10 Years
Certificates of Deposit	\$ 30,746,668	\$ 30,746,668	\$ -	\$ -
U. S. Treasury Bonds	7,000,160	375,304	3,782,412	2,842,444
U. S. Government Agencies	116,793,132	1,608,114	104,731,523	10,453,495
Mutual Funds	403,960	-	403,960	-
<b>Total</b>	<b>\$ 154,943,920</b>	<b>\$ 32,730,086</b>	<b>\$ 108,917,895</b>	<b>\$ 13,295,939</b>

**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. On June 30, 2019 and June 30, 2018, the University was in compliance with its credit risk policy for all investments.

The Moody's credit rating for the investments at June 30, 2019 is as follows:

Rating	Certificates of Deposit	U.S. Treasury Bonds	U.S. Government Agencies	Mutual Funds	Total
AAA	\$ -	\$ 9,626,554	\$ 123,669,825	\$ -	\$ 133,296,379
AA	-	-	-	-	-
A	-	-	-	-	-
BBB	-	-	-	-	-
BB	-	-	-	-	-
Below BB	-	-	-	-	-
Not Rated	48,134,781	-	-	420,214	48,554,995
<b>Total</b>	<b>\$ 48,134,781</b>	<b>\$ 9,626,554</b>	<b>\$ 123,669,825</b>	<b>\$ 420,214</b>	<b>\$ 181,851,374</b>

The Moody's credit rating for the investments at June 30, 2018 is as follows:

Rating	Certificates of Deposit	U.S. Treasury Bonds	U.S. Government Agencies	Mutual Funds	Total
AAA	\$ -	\$ 7,000,160	\$ 116,793,132	\$ -	\$ 123,793,292
AA	-	-	-	-	-
A	-	-	-	-	-
BBB	-	-	-	-	-
BB	-	-	-	-	-
Below BB	-	-	-	-	-
Not Rated	30,746,668	-	-	403,960	31,150,628
<b>Total</b>	<b>\$ 30,746,668</b>	<b>\$ 7,000,160</b>	<b>\$ 116,793,132</b>	<b>\$ 403,960</b>	<b>\$ 154,943,920</b>

**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. More than 5 percent of the University's net assets are held at Old National Bank in Certificate of Deposits totaling \$28 million. U.S. Government issues and U.S. Governmental agencies 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, \$9,626,554 of the U.S. Treasury Notes, \$9,801,488 of the U.S. Government Agencies, and \$420,214 of the Mutual Funds are held by the counterparty, 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 tables present 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 on June 30, 2019 and June 30, 2018:

June 30, 2019	Fair Value Measurements Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury Bonds	\$ 9,626,554	\$ 9,626,554	\$ -	\$ -
Agency Bonds	9,801,489	-	9,801,489	-
Agency Mortgage Securities	113,868,335	-	113,868,335	-
Mutual Funds	420,214	420,214	-	-
<b>Total Investments</b>	<b>\$ 133,716,592</b>	<b>\$ 10,046,768</b>	<b>\$ 123,669,824</b>	<b>\$ -</b>
Interest Rate Swaps	(180,253)	-	(180,253)	-
<b>Total Derivative Instruments</b>	<b>\$ (180,253)</b>	<b>\$ -</b>	<b>\$ (180,253)</b>	<b>\$ -</b>

June 30, 2018	Fair Value Measurements Using:			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by fair value level</b>				
U.S. Treasury Bonds	\$ 7,000,160	\$ 7,000,160	\$ -	\$ -
Agency Bonds	10,241,256	-	10,241,256	-
Agency Mortgage Securities	106,551,876	-	106,551,876	-
Mutual Funds	403,960	403,960	-	-
<b>Total Investments</b>	<b>\$ 124,197,252</b>	<b>\$ 7,404,120</b>	<b>\$ 116,793,132</b>	<b>\$ -</b>
Interest Rate Swaps	(7,195)	-	(7,195)	-
<b>Total Derivative Instruments</b>	<b>\$ (7,195)</b>	<b>\$ -</b>	<b>\$ (7,195)</b>	<b>\$ -</b>

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 years ended June 30, 2019 and June 30, 2018.

## Note 6 Derivative Instruments

The fair value balance and notional amount of the derivative instrument outstanding on June 30, 2019 and June 30, 2018, classified by type and the changes in fair value of such derivative instrument for the year ended as reported in the comparative financial statements are as follows:

## Note 4 Accounts Receivable

Accounts Receivable are primarily comprised of the following:					
	2019		2018		
Student Tuition	\$	4,966,856	\$	5,099,182	
Auxiliaries		1,700,241		2,307,696	
Sponsored Programs		2,261,113		2,568,129	
Other Receivable		1,077,874		1,354,067	
<b>Total Accounts Receivable</b>	<b>\$</b>	<b>10,006,084</b>	<b>\$</b>	<b>11,329,074</b>	
Allowance for Doubtful Accounts		(2,757,907)		(3,231,215)	
<b>Net Accounts Receivable</b>	<b>\$</b>	<b>7,248,177</b>	<b>\$</b>	<b>8,097,859</b>	

## Note 5 Inventories

Inventories are stated at the lower of cost or market value. As of June 30, 2019 and 2018, total inventories were valued at \$1,311,041 and \$1,460,862. Of these totals, the bookstore's inventory was \$938,710 and \$1,089,749, respectively.

Changes in Fair Value			Fair Value at June 30, 2019		
	Classification	Amount	Classification	Amount	Current Notional
<i>Cash flow Hedge:</i>					
Pay-Fixed Interest Rate Swap	Pay-Fixed Interest Rate Swap	(\$173,058)	Deferred Outflow of Resources	(\$180,253)	\$5,190,000

Changes in Fair Value			Fair Value at June 30, 2018		
	Classification	Amount	Classification	Amount	Current Notional
<i>Cash flow Hedge:</i>					
Pay-Fixed Interest Rate Swap	Pay-Fixed Interest Rate Swap	\$177,520	Deferred Outflow of Resources	(\$7,195)	\$5,650,000

As of June 30, 2019 and as of June 30, 2018, 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 tables display the objective and terms of the University's hedging derivative instrument outstanding as of June 30, 2019 and as of June 30, 2018, along with the credit rating of the associated counterparty:

As of June 30, 2019						
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	\$5,190,000	12/23/2008	12/1/2028	65% of 6 mo. USD-LIBOR-BBA w/ 1 Day Lookback + 208.00 bps	Aa3

As of June 30, 2018						
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	\$5,650,000	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. On June 30, 2019 and June 30, 2018, 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, 2019 and June 30, 2018, was \$180,253 and \$7,195. Since both the derivative instrument and the debt being hedged 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

The following are summaries of the University capital asset activity for the fiscal years ended June 30:

<b>2019</b>					
	<i>Beginning Balances</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Ending Balances</i>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 21,397,834	\$ 1,903,503	\$ 47,666	\$ (120,157)	\$ 23,133,514
Construction in Progress	2,087,718	18,016,120	-	(751,536)	19,352,302
<b>Total Capital Assets Not Being Depreciated</b>	<b>23,485,552</b>	<b>19,919,623</b>	<b>47,666</b>	<b>(871,693)</b>	<b>42,485,816</b>
<b>Capital Assets Being Depreciated:</b>					
Building and Improvements	294,690,483	830,737	292,495	871,693	296,100,418
Equipment	45,884,094	3,978,836	2,705,129	-	47,157,801
<b>Total Capital Assets Being Depreciated</b>	<b>340,574,577</b>	<b>4,809,573</b>	<b>2,997,624</b>	<b>871,693</b>	<b>343,258,219</b>
<b>Less Accumulated Depreciation For:</b>					
Building and Improvements	102,119,414	7,795,713	258,784	-	109,656,343
Equipment	28,512,423	3,374,138	2,238,513	-	29,648,048
<b>Total Accumulated Depreciation</b>	<b>130,631,837</b>	<b>11,169,851</b>	<b>2,497,297</b>	<b>-</b>	<b>139,304,391</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>209,942,740</b>	<b>(6,360,278)</b>	<b>500,327</b>	<b>871,693</b>	<b>203,953,828</b>
<b>Capital Assets, Net</b>	<b>\$ 233,428,292</b>	<b>\$ 13,559,345</b>	<b>\$ 547,993</b>	<b>\$ -</b>	<b>\$ 246,439,644</b>

<b>2018</b>					
	<i>Beginning Balances</i>	<i>Increases</i>	<i>Decreases</i>	<i>Transfers</i>	<i>Ending Balances</i>
<b>Capital Assets Not Being Depreciated:</b>					
Land	\$ 20,211,558	\$ 1,214,610	\$ 28,334	\$ -	\$ 21,397,834
Construction in Progress	24,576,506	7,199,525	-	(29,688,313)	2,087,718
<b>Total Capital Assets Not Being Depreciated</b>	<b>44,788,064</b>	<b>8,414,135</b>	<b>28,334</b>	<b>(29,688,313)</b>	<b>23,485,552</b>
<b>Capital Assets Being Depreciated:</b>					
Building and Improvements	265,569,916	364,553	932,299	29,688,313	294,690,483
Equipment	36,364,254	10,097,067	577,227	-	45,884,094
<b>Total Capital Assets Being Depreciated</b>	<b>301,934,170</b>	<b>10,461,620</b>	<b>1,509,526</b>	<b>29,688,313</b>	<b>340,574,577</b>
<b>Less Accumulated Depreciation For:</b>					
Building and Improvements	95,300,898	7,742,987	924,471	-	102,119,414
Equipment	26,312,334	2,626,519	426,430	-	28,512,423
<b>Total Accumulated Depreciation</b>	<b>121,613,232</b>	<b>10,369,506</b>	<b>1,350,901</b>	<b>-</b>	<b>130,631,837</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>180,320,938</b>	<b>92,114</b>	<b>158,625</b>	<b>29,688,313</b>	<b>209,942,740</b>
<b>Capital Assets, Net</b>	<b>\$ 225,109,002</b>	<b>\$ 8,506,249</b>	<b>\$ 186,959</b>	<b>\$ -</b>	<b>\$ 233,428,292</b>

## Note 8 Non-Current Liabilities

The non-current liability activity for the fiscal year ended June 30, 2019 and 2018 are summarized as follows:

	<i>Balance 30-Jun-18</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance 30-Jun-19</i>
Bonds Payable, Net of Unamortized Premium and Discount	\$ 56,270,174	\$ -	\$ 6,916,359	\$ 49,353,815
Net Pension Liability	207,930	-	176,276	31,654
Derivative Instrument - Interest Rate Swap	7,195	173,058	-	180,253
Advances from Federal Government	959,902	-	-	959,902
OPEB Liability	309,531	761,701	-	1,071,232
<b>Total Non-current Liabilities</b>	<b>\$ 57,754,732</b>	<b>\$ 934,759</b>	<b>\$ 7,092,635</b>	<b>\$ 51,596,856</b>

	<i>Balance 30-Jun-17</i>	<i>Additions</i>	<i>Reductions</i>	<i>Balance 30-Jun-18</i>
Bonds Payable, Net of Unamortized Premium and Discount	\$ 62,911,832	\$ -	\$ 6,641,658	\$ 56,270,174
Net Pension Liability	283,095	-	75,165	207,930
Derivative Instrument - Interest Rate Swap	184,715	-	177,520	7,195
Advances from Federal Government	1,116,332	-	156,430	959,902
OPEB Liability	-	309,531	-	309,531
<b>Total Non-current Liabilities</b>	<b>\$ 64,495,974</b>	<b>\$ 309,531</b>	<b>\$ 7,050,773</b>	<b>\$ 57,754,732</b>

## Note 9 Long-Term Debt

Long-term debt activity for the year ended June 30, 2019, and June 30, 2018 is summarized as follows:

	Interest Rate	Amount Issued	Direct Placement				Other Debit			
			Amount Outstanding June 30, 2018	Amount Retired 2018-19	Amount Outstanding June 30, 2019	Amount Due Within One Year	Amount Outstanding June 30, 2018	Amount Retired 2018-19	Amount Outstanding June 30, 2019	Amount Due Within One Year
Dormitory and Dining Facilities Revenue Bonds of 1983, Series A	3.000%	\$5,000,000					\$1,010,000	\$190,000	\$820,000	\$200,000
Auxiliary Facilities System Revenue Bonds, Series 2006	4.126%	13,440,000					3,465,000	1,070,000	2,395,000	1,125,000
Auxiliary Facilities System Revenue Bonds, Series 2009	4.728%	10,160,000					7,075,000	455,000	6,620,000	470,000
Auxiliary Facilities System Revenue Bonds, Series 2013	3.630%	4,526,800	3,854,000	185,000	3,669,000	190,000				
Student Fee Bonds, Series H	4.373%	4,545,000					2,570,000	230,000	2,340,000	245,000
Student Fee Bonds, Series I	4.090%	9,095,000	5,650,000	460,000	5,190,000	480,000				
Student Fee Bonds, Series J	3.858%	26,795,000					12,030,000	1,965,000	10,065,000	2,070,000
Student Fee Bonds, Series K	3.160%	5,895,000	3,480,000	389,000	3,091,000	401,000				
Student Fee Bonds, Series L	2.350%	8,045,000	5,418,200	514,800	4,903,400	527,400				
Student Fee Bonds, Series M-1	2.730%	10,000,000	8,988,427	409,575	8,578,852	420,832				
Student Fee Bonds, Series M-2	2.420%	10,000,000	8,613,885	594,069	8,019,816	608,533				
<b>Total Bonds Payable</b>			<b>\$36,004,512</b>	<b>\$2,552,444</b>	<b>\$33,452,068</b>	<b>\$2,627,765</b>	<b>\$26,150,000</b>	<b>\$3,910,000</b>	<b>\$22,240,000</b>	<b>\$4,110,000</b>
<b>Unamortized Bond Premium (Discount)</b>							<b>578,106</b>		<b>399,512</b>	
<b>Due Within One Year</b>			<b>(2,552,444)</b>		<b>\$(2,627,765)</b>		<b>(3,910,000)</b>		<b>(4,110,000)</b>	
<b>Total Long-Term Liabilities</b>			<b>\$33,452,068</b>		<b>\$30,824,303</b>		<b>\$22,818,106</b>		<b>\$18,529,512</b>	

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 fiscal year 2036. Using rates as of June 30, 2019, 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 Total		Fixed Rate Bonds				Variable Rate Bonds		Hedging Derivatives, Net	
	Principal	Interest	Direct Placement Principal	Interest	Other Debt Principal	Interest	Principal	Interest	Total	
2020	6,257,765	1,791,322	2,147,765	761,352	4,110,000	1,029,970	480,000	200,848	6,514	8,736,449
2021	5,949,748	1,554,570	2,204,748	702,838	3,745,000	851,732	500,000	181,636	5,891	8,191,845
2022	6,197,409	1,309,092	2,267,409	642,674	3,930,000	666,418	510,000	161,729	5,246	8,183,475
2023	5,087,366	1,066,284	2,327,366	580,827	2,760,000	485,457	520,000	141,426	4,587	6,819,663
2024	5,063,038	863,626	2,393,038	517,242	2,670,000	346,384	540,000	120,628	3,913	6,591,205
2025-2029	14,730,179	2,317,307	10,465,179	1,627,548	4,265,000	689,759	2,640,000	264,828	8,589	19,960,903
2030-2034	6,322,089	523,941	5,562,089	504,941	760,000	19,000	-	-	-	6,846,030
2035-2036	894,474	23,717	894,474	23,717	-	-	-	-	-	918,191
<b>Total</b>	<b>\$50,502,068</b>	<b>\$9,449,859</b>	<b>\$28,262,068</b>	<b>\$5,361,139</b>	<b>\$22,240,000</b>	<b>\$4,088,720</b>	<b>\$5,190,000</b>	<b>\$1,071,095</b>	<b>\$34,740</b>	<b>\$66,247,762</b>

## Bonds Secured by Dormitory Revenues

Bonds secured by dormitory revenues, are limited obligations of the University and are secured exclusively by a pledge of and lien on the net income as provided in the Indenture. Upon the occurrence of an event of default, the trustee will take appropriate action by judicial proceedings, or otherwise in respect of any existing default on the part of the University as the trustee may deem expedient in the interest of the holders of the bonds outstanding.

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. These bonds are secured by a pledge and parity lien on the net income from Auxiliary Facilities.

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

Bonds secured by student fees, are limited obligations of the University and are secured exclusively by a pledge of and lien on the student fees as provided in the Indenture. Upon the occurrence of an event of default, the trustee will have the right, upon demand to the University, to have all student fees deposited, as they are collected, in a fund to be maintained by the trustee, to invest as permitted and to apply amounts to the payment of principal or of interest on the bonds.

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

	2019	2018
Revenue Bonds, Series 2009	\$ 6,386	\$ 5,952
Revenue Bonds, Series 2006	8,123	7,569
Revenue Bonds, Series 2013	287	151
Other Bond & Interest Accounts	4,361	3,657
<b>Total Current</b>	<b>\$ 19,157</b>	<b>\$ 17,329</b>
Dorm & Dining Bonds of 1983 A & B Vigo Hall	218,858	216,549
<b>Total Funds held with Bond Trustee</b>	<b>\$ 238,015</b>	<b>\$ 233,878</b>

## Note 10 Scholarships and Instruction

The endowment funds are classified under net position as Restricted for Scholarship and Instruction. They include both expendable and non-expendable funds. Net position

for the endowment funds totaled \$6,130,691 as of June 30, 2019 and \$6,014,598 as of June 30, 2018. The Opal C. Ramsey fund held \$3,850,111 of the total endowment funds at June 30, 2019 and \$3,757,957 at June 30, 2018.

## 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, 2019, 709 employees were covered by TIAA and total wages were \$38,687,874. During 2018-19, Vincennes University contributed \$3,642,135 to TIAA on the employees' behalf.

On June 30, 2018, 717 employees were covered by TIAA and total wages were \$39,880,310. During 2017-18, Vincennes University contributed \$3,723,627 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 eleven 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 (DB) 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. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit funds) were recategorized as defined contribution (DC) funds. DC member balances previously reported within TRF Pre-'96 DB and TRF '96 DB were transferred to the appropriate DC fund as of January 1, 2018. TRF is governed by the INPRS Board of Trustees in accordance with Indiana Code (IC) 5-10.5.

The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for established governmental accounting and financial reporting principles. INPRS adopts all applicable GASB pronouncements in accounting and reporting for its operations. 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](http://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 Defined Benefit (DB) Account is a pay-as-you-go cost sharing, multiple-employer defined plan established to provide retirement, disability, and survivor benefits to teachers, administrators and certain INPRS employees. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.4, and 35 IAC 14. TRF Pre-'96 Defined Benefit is the employer-funded defined

benefit component of the Teachers' Hybrid Plan, and the Teachers' Hybrid Members Defined Contribution Account is the other component.

**Membership** Membership in TRF Pre-'96 DB is closed to new entrants. Membership 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. Generally, members hired before 1996 participate in TRF Pre-'96 DB, and members hired after 1995 participate in TRF '96 DB.

**Contributions** Contributions are based on state statute and employers may pay all or part of the member contribution. 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. The Pre-1996 Account is funded primarily by State General Fund appropriations and state lottery proceeds. 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 \$922.1 million in fiscal year 2018 and \$871 million in fiscal year 2017 to TRF Pre-1996.

Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit funds) were recategorized as defined contribution (DC) funds. DC member balances previously reported within TRF Pre-'96 DB and TRF '96 DB fund totals were transferred to the appropriate DC fund as of January 1, 2018.

Members are required to contribute three percent of gross wages to their Defined Contribution Account. Employers have the option of making all or part of this contribution on behalf of the member in which Vincennes University elects to make the contribution. Members may also make voluntary contributions to the Defined Contribution Account up to an additional 10 percent of their wages, under certain limitations.

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

On June 30, 2019 and June 30, 2018, Vincennes University reported a liability of zero dollars. The State's proportionate share of the net pension liability is 100%. In the 2018 actuarial study, reported in the University's 2019 financial statements, standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement 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 the 31.5 percent for wages and 68.5 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.

In the 2017, actuarial study, reported in the University's 2018 financial statements, standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2016 to the June 30, 2017 measurement date. The basis used by 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 the 32.2 percent for wages and 67.8 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 years ended June 30, 2019 and June 30, 2018, the University recognized pension expense totaling \$4,782,810 and \$4,453,429, along with non-operating revenue in the same amount for the State's contribution.

### **Teachers' Retirement Fund 1996 Account (TRF 1996)**

**Benefits** TRF '96 DB is a cost-sharing, multiple-employer defined benefit fund providing retirement, disability, and survivor benefits. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.4, and 35 IAC 14. TRF '96 DB is the employer-funded defined benefit component of the Teachers' Hybrid Plan, and the Teachers' Hybrid Members Defined Contribution Account (see Defined Contribution Funds section) is the other component.

**Membership** Membership in TRF '96 DB 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 an alternate

University plan not administered by INPRS. Membership in TRF '96 DB is optional for teachers employed by charter schools, employees and officials of the Indiana State Board of Education who were Indiana licensed teachers before their employment with the Board, and teachers employed by special management teams as defined under IC 20-31.

**Contributions** Employer contribution rates for the 1996 Account are determined annually by the INPRS Board based on recommendations by the INPRS actuary. 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 2018, all participating employers in the TRF 1996 Account were required to contribute 7.50 percent of the covered payroll in which the University contributed \$67,271 based on payroll totaling \$896,943. During fiscal year 2017, all participating employers in the TRF 1996 Account were required to contribute 7.50 percent of the covered payroll in which the University contributed \$71,099 based on payroll totaling \$947,989.

Members are required to contribute three percent of gross wages to their Defined Contribution Account. Employers have the option of making all or part of this contribution on behalf of the member in which Vincennes University elects to make the contribution. Members may also make voluntary contributions to the Defined Contribution Account up to an additional 10 percent of their wages, under certain limitations.

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

At June 30, 2019, Vincennes University reported a liability of \$31,654 for its proportionate share of the net pension liability. Standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement 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 it consistent with the manner in which contributions to the pension plan are determined. At June 30, 2018, the University's proportion was .02854 percent.

At June 30, 2018, Vincennes University reported a liability of \$207,930 for its proportionate share of the net pension liability. Standard actuarial roll forward techniques were used to project the total pension liability computed as of June 30, 2016 to the June 30, 2017 measurement 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, 2017, the University's proportion was .0314 percent, which remained relatively unchanged from its proportion reported in the prior year.

For the years ended June 30, 2019 and June 30, 2018, VU recognized pension expense of \$57,997 and \$83,482 respectively. On June 30, 2019 and June 30, 2018, VU reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

<b>2019</b>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,153	\$ 45,394
Changes of assumptions	53,816	102,619
Net difference between projected and actual earnings on pension plan investments	3,898	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	181	66,283
Employer contributions subsequent to the measurement date	49,331	-
<b>Totals</b>	<b>\$ 125,379</b>	<b>\$ 214,296</b>

Employer contributions totaling \$49,331 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, 2020.

<b>2018</b>		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,697	\$ 10,080
Changes of assumptions	65,130	33,678
Net difference between projected and actual earnings on pension plan investments	77,404	29,668
Changes in proportion and differences between employer contributions and proportionate share of contributions	159	62,210
Employer contributions subsequent to the measurement date	67,126	-
<b>Totals</b>	<b>\$ 231,516</b>	<b>\$ 135,636</b>

Employer contributions totaling \$67,126 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, 2019.

In the 2018 actuarial study, reported in the University's 2019 financial statements, 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:	
2019	\$ 5,044
2020	(10,743)
2021	(23,670)
2022	(20,575)
2023	(13,460)
Thereafter	(74,844)

**The 2019 sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate (as reported in the 2018 Actuarial Report)**

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	\$ 305,991	\$ 31,654	\$ (190,229)

In the 2017 actuary study, reported in the University's 2018 financial statements, 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:	
2018	\$ 10,623
2019	26,672
2020	9,304
2021	(4,918)
2022	(1,514)
Thereafter	(11,413)

**The 2018 sensitivity of the University's proportionate share of the net pension liability to changes in the discount rate (as reported in the 2017 Actuarial Report)**

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	\$ 519,652	\$ 207,930	\$ (43,408)

**Actuarial Assumptions for TRF Pre-1996 and TRF 1996 for 2019**

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Asset	
Valuation Date	June 30, 2018
Liabilities	June 30, 2017 - Member census data as of June 30, 2017 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2017 to the June 30, 2018 measurement date.
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Inflation	2.25%
Salary increases	2.50% to 12.50%, including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	2019-2020 - 13th check, 2021-2032 - 0.40%, 2033-2037 - 0.50%, 2038 and on - 0.60%
Experience Study Data	Period of 3 years ended June 30, 2014

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

The long-term return 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 Basis Long-Term Expected Real Rate of Return
Public Equity	22.00%	4.4%
Private Equity	14.00%	5.4%
Fixed Income - Ex Inflation-Linked	20.00%	2.2%
Fixed Income - Inflation-Linked	7.00%	0.8%
Commodities	8.00%	2.3%
Real Estate	7.00%	6.5%
Absolute Return	10.00%	2.7%
Risk Party	12.00%	5.2%

**Discount Rate** Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would 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 6.75% long-term assumed investment rate of return. Based on those assumptions, each defined benefit pension plan's fiduciary net position were 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.

## Actuarial Assumptions for TRF Pre-1996 and TRF 1996 for 2018

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Asset	Valuation Date	June 30, 2017
Liabilities	June 30, 2016 - Member census data as of June 30, 2016 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2016 and June 30, 2017. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2016 to the June 30, 2017 measurement date.	
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	
Inflation	2.25%	
Salary increases	2.50% to 12.50%, including inflation	
Investment rate of return	6.75%	
Cost-of-living adjustments	1% Provided on an "ad hoc" basis	
Experience Study Data	Period of 3 years ended June 30, 2014	

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

For the 2017 valuation, the actuarial assumptions and methods were changed to update the mortality tables to include both a healthy and disabled table for each plan, implemented changes due to the actuarial audits for consistency across all plans, and added a load on final average salary of \$400 to reflect unused sick leave accumulated at the termination of employment for active and inactive members.

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 Basis
		Long-Term Expected Real Rate of Return
Public Equity	22.00%	4.9%
Private Equity	14.00%	5.7%
Fixed Income - Ex Inflation-Linked	20.00%	2.3%
Fixed Income - Inflation-Linked	7.00%	0.6%
Commodities	8.00%	2.2%
Real Estate	7.00%	3.7%
Absolute Return	10.00%	3.9%
Risk Party	12.00%	5.1%

**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 nonemployer 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 were projected to be available to make all projected future benefit payment 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

This note reports the other postemployment benefits for fiscal years 2019 and 2018. In 2018, the University adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This new GASB required changes to the actuarial valuation methods and the discount rate calculations.

**Plan description** - Vincennes University Healthcare Plan is a single-employer defined benefit healthcare plan administered by Anthem. Vincennes University's Board of Trustees has the authority to establish and amend benefit provisions.

**Benefits provided** - The plan provides medical, dental and life insurance benefits to eligible retirees and their spouses. Employees are eligible for health care benefits if they meet one of the following:

- Earlier of (a) age 55 with 20 years of service or (b) age 65 with 10 years of service for employees hired prior to July 1, 1997
- Age 55 and rule of 85 (when age plus number of years worked is 85 or greater) for employees hired on/after July 1, 1997

**Employees covered by benefit terms** - At June 30, 2019 and 2018, the number of employees covered by the benefit terms:

	2019	2018
Active Employees	704	719
Inactive or beneficiaries currently receiving benefit payments	313	329
<b>Total</b>	<b>1,017</b>	<b>1,048</b>

**Contributions** - 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 years ended June 30, 2019 and 2018, the University contributed \$2,415,203 and \$2,534,150 for current premiums (approximately 65% to 67% of total premiums).

In 2019, plan members receiving benefits contributed approximately \$1,325,259 or approximately 35% of the total premiums, through their required contribution of \$246 per month for retiree-only coverage, and \$471 per month

for retiree and spouse coverage. In 2018, plan members receiving benefits contributed approximately \$1,275,268 or approximately 33% of the total premiums, through their required contribution of \$245 per month for retiree-only coverage, and \$470 per month for retiree and spouse coverage.

**Net OPEB Liabilities** – The University’s net OPEB liabilities were measured as of June 30, 2019 and 2018, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by actuarial valuations as of those dates.

**Actuarial Assumptions** – The total OPEB liabilities (asset) as of June 30, 2019 and 2018, were determined based on actuarial valuations prepared as of June 30, 2018 and 2017, using the following actuarial assumptions:

- Actuarial Cost Method - Entry Age Normal Level Percentage of Salary
- Inflation - 2.25%
- Payroll Growth – Based on Public Employees Retirement Fund actuarial valuation as of June 30, 2017, as follows:

Age	Rate
<31	2.00%
31-45	1.50%
46-55	1.00%
56-60	0.50%
61+	0.25%

- Investment Rate of Return was 5.2% as of June 30, 2019 and 4.6% as of July 1, 2019.
- Retirement Age - Retirement rates are as shown below and they are based on the University’s actual retirement experience in 2011 through 2016.

Age	Rate
55-56	3.50%
57-58	4.00%
59	8.00%
60	17.50%
61	30.00%
62	20.00%
63	25.00%
64	30.00%
65-66	40.00%
67+	100.00%

- Turnover Rates - Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Withdrawal rates are based on standard withdrawal table Saranson T-9 adjusted to reflect the University’s actual withdrawal experience in 2011 through 2016.

- Healthcare cost trend rates: 8.5 percent for 2020 and 9.0 percent for 2019, decreasing .5 percent per year to an ultimate rate of 5 percent for 2027 and later years.

- Mortality Rates - RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 (RPH-2017 table is created based on RPH-2014 Total Dataset Mortality Table with 8 years of MP-2014 mortality improvement backed out, projected to 2017 using MP-2017 improvement).

- Spousal Coverage - 65% of male employees and 45% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. Actual spouse coverage and age is used for retirees.

The University’s last experience study was conducted in 2016.

**Discount Rate** – The discount rate used to value benefits was the long-term expected rate of return on plan investments, 5.20% for 2019 and 4.60% for 2018. The plan’s net fiduciary position is projected to be sufficient to make projected benefit payments. When the OPEB plan investments are insufficient to meet the cash flow needs of the plan, a yield for 20-year tax exempt general obligation municipal bonds with average rating of AA/Aa or higher (or equivalent quality on another rating scale) must be used.



The long-term expected rate of return on OPEB plan investment was assumed to be 5.20% for 2019 and 4.60% for 2018. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. This method was prescribed by GASB 75 which eliminated using general rates of return and best estimates. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.30%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB.

Plan's target asset allocation remained unchanged for 2019 and 2018; however, the long-term expected rate of return increased slightly from 2018 to 2019 as summarized below:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>2019 L/T Expected ROR</b>	<b>2018 L/T Expected ROR</b>
U.S. Broad Equity	26.00%	7.10%	6.90%
Global ex-U.S. Equity	8.00%	7.20%	7.00%
Domestic Fixed Income	41.00%	3.70%	3.00%
Short Duration Fixed Income	20.00%	3.40%	2.60%
Cash Equivalents	5.00%	2.50%	2.30%
<b>Total</b>	<b>100.00%</b>	<b>5.20%</b>	<b>4.60%</b>

**Changes in Net OPEB Liability** – The following table reports the components of 2019 changes in net OPEB liability:

	<b>Schedule of Changes in Net OPEB Liability</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Net Position (b)</b>	<b>Net OPEB Liability (Asset) (a) - (b)</b>
<b>Beginning Balance</b>	\$59,902,789	\$59,593,258	\$ 309,531
<b>Changes for the Year</b>			
Service cost	382,426		382,426
Interest	2,718,431		2,718,431
Difference between expected and actual experience	7,993,123		7,993,123
Changes in assumptions	(5,123,923)		(5,123,923)
Benefit Payments	(2,404,802)	(2,404,802)	-
Contributions - Employer	-	2,415,203	(2,415,203)
Net Investment income	-	2,838,090	(2,838,090)
Administrative expense	-	(44,937)	44,937
<b>Net Change</b>	<b>\$ 3,565,255</b>	<b>\$ 2,803,554</b>	<b>\$ 761,701</b>
<b>Ending Balance</b>	<b>\$63,468,044</b>	<b>\$63,396,812</b>	<b>\$ 1,071,232</b>

**Changes in Net OPEB Liability** – The following table reports the components of 2018 changes in net OPEB liability:

	<b>Schedule of Changes in Net OPEB Liability</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Net Position (b)</b>	<b>Net OPEB Liability (Asset) (a) - (b)</b>
<b>Beginning Balance</b>	\$51,888,224	\$57,620,887	\$ (5,732,663)
<b>Changes for the Year</b>			
Service cost	270,195		270,195
Interest	3,310,012		3,310,012
Difference between expected and actual experience	(7,609,805)		(7,609,805)
Changes in assumptions	14,553,977		14,553,977
Benefit Payments	(2,509,814)	(2,509,814)	-
Contributions - Employer	-	2,534,150	(2,534,150)
Net Investment income	-	1,997,219	(1,997,219)
Administrative expenses		(49,184)	49,184
<b>Net Change</b>	<b>\$ 8,014,565</b>	<b>\$ 1,972,371</b>	<b>\$ 6,042,194</b>
<b>Ending Balance</b>	<b>\$59,902,789</b>	<b>\$59,593,258</b>	<b>\$ 309,531</b>

### Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2019 and 2018, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

<b>As of June 30, 2019</b>	<b>Net OPEB Liability</b>	<b>As of June 30, 2018</b>	<b>Net OPEB Liability</b>
1% Decrease 4.20%	\$ 9,983,358	1% Decrease 3.60%	\$ 9,471,873
Current Discount Rate 5.20%	\$ 1,071,232	Current Discount Rate 4.60%	\$ 309,531
1% Increase 6.20%	\$ (6,211,273)	1% Increase 5.60%	\$ (7,094,525)

The following presents the Net OPEB Liability as of June 30, 2019, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.50%, decreasing to an ultimate rate of 5.00%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.50%, decreasing to an ultimate rate of 4.00%.
- The 1% increase in health care trend rates would assume an initial rate of 9.5%, decreasing to an ultimate rate of 6.00%.

<b>As of June 30, 2019</b>	<b>Net OPEB Liability</b>
1% Decrease	\$ (6,086,907)
Current Trend Rates	\$ 1,071,232
1% Increase	\$ 9,732,393

The following presents the Net OPEB Liability as of June 30, 2018, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 9.00%, decreasing to an ultimate rate of 5.00%.
- The 1% decrease in health care trend rates would assume an initial rate of 8.00%, decreasing to an ultimate rate of 4.00%.
- The 1% increase in health care trend rates would assume an initial rate of 10.00%, decreasing to an ultimate rate of 6.00%.

As of June 30, 2018	Net OPEB Liability
1% Decrease	\$ (6,468,610)
Current Trend Rates	\$ 309,531
1% Increase	\$ 8,566,141

### Deferred Outflows / (Inflows) of Resources

For the years ending June 30, 2019 and 2018, the University recognized OPEB expenses of \$2,479,002 and \$2,498,784. The University reported deferred outflows of resources and deferred inflows of resources related OPEB from the following sources:

	2019		2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 6,394,498	\$ (4,565,883)	\$ -	\$ (6,087,844)
Changes in Assumptions	8,732,387	(4,099,138)	11,643,182	-
Net difference between projects and actual earnings on OPEB plan investments	391,667	(78,069)	522,222	-
<b>Total</b>	<b>\$15,518,552</b>	<b>\$ (8,743,090)</b>	<b>\$12,165,404</b>	<b>\$ (6,087,844)</b>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB expenses are as follows:

Year ended June 30, 2019:	Amount
2020	\$2,073,712
2021	\$2,073,712
2022	\$2,073,716
2023	\$ 554,322
2024	-
Thereafter	-

Year ended June 30, 2018:	Amount
2019	\$1,519,389
2020	\$1,519,389
2021	\$1,519,389
2022	\$1,519,393
2023	-
Thereafter	-

## 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 maximum stop loss provision of \$325,000 per member. There is a liability for incurred but unpaid claims. This liability is estimated to be \$976,802 for the fiscal year 2018-19. The estimated liability for the fiscal year 2017-18 was \$870,234.

The liability, for medical claims incurred but not reported at June 30, 2019, 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.

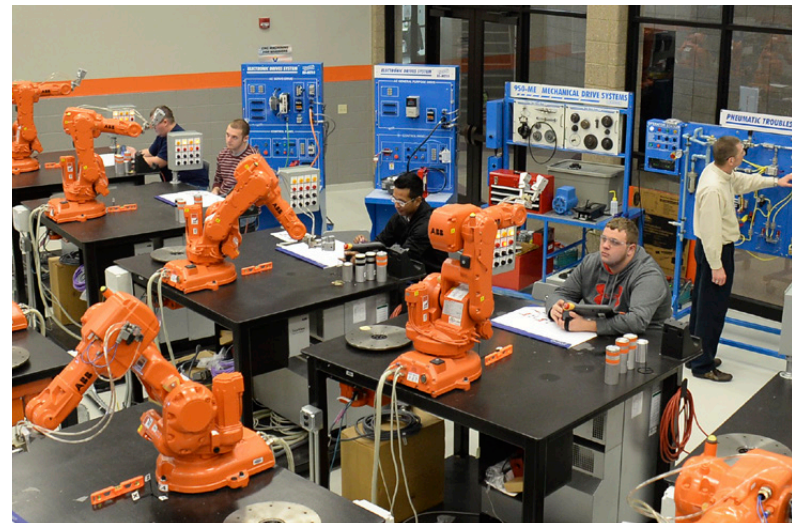
Changes in the total reported self-insured health, dental & drug benefit liability during the years ending June 30, 2019 and 2018 were as follows:

	2019		2018	
Balance, beginning of year	\$	870,234	\$	680,003
Claims incurred		12,737,647		10,736,631
Claim payments		(12,631,079)		(10,546,400)
Balance, end of year	\$	976,802	\$	870,234

## Note 15 Deposits Held in Custody of Others

As of June 30, 2019 and 2018, the University held \$1,680,033 and \$2,257,313 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 of June 30:

2019	Salaries and Benefits	Scholarships/ Fellowships	Supplies and Other Services	Equipment	Depreciation	Total
Instruction	\$ 36,279,664	\$ -	\$ 9,788,064	\$ 1,545,921	\$ -	\$ 47,613,649
Academic Support	3,710,551	-	1,189,269	240,357	-	5,140,177
Public Service	5,640,294	-	3,855,177	311,355	-	9,806,826
Student Service	4,421,753	-	2,327,753	49,200	-	6,798,706
Operation and Maintenance of Plant	3,660,290	-	3,912,837	532,056	-	8,105,183
Institutional Support	8,862,886	-	1,960,535	97,881	-	10,921,302
Depreciation	-	-	-	-	11,169,851	11,169,851
Auxiliary Enterprises	3,508,692	-	6,457,378	56,120	-	10,022,190
Student Aid Expense	-	7,481,028	-	-	-	7,481,028
<b>Total Operating Expenses</b>	<b>\$ 66,084,130</b>	<b>\$ 7,481,028</b>	<b>\$ 29,491,013</b>	<b>\$ 2,832,890</b>	<b>\$ 11,169,851</b>	<b>\$ 117,058,912</b>

Operating expenses by functional classification are summarized as of June 30:

2018	Salaries and Benefits	Scholarships/ Fellowships	Supplies and Other Services	Equipment	Depreciation	Total
Instruction	\$ 37,154,098	\$ -	\$ 9,987,635	\$ 1,701,403	\$ -	\$ 48,843,136
Academic Support	4,068,108	-	1,111,747	216,574	-	5,396,429
Public Service	5,538,778	-	3,717,844	91,764	-	9,348,386
Student Service	4,130,641	-	2,743,158	33,799	-	6,907,598
Operation and Maintenance of Plant	3,811,171	-	4,065,944	495,869	-	8,372,984
Institutional Support	10,111,098	-	1,857,408	52,314	-	12,020,820
Depreciation	-	-	-	-	10,369,506	10,369,506
Auxiliary Enterprises	3,932,029	-	6,622,096	74,365	-	10,628,490
Student Aid Expense	-	8,176,657	-	-	-	8,176,657
<b>Total Operating Expenses</b>	<b>\$ 68,745,923</b>	<b>\$ 8,176,657</b>	<b>\$ 30,105,832</b>	<b>\$ 2,666,088</b>	<b>\$ 10,369,506</b>	<b>\$ 120,064,006</b>



## Note 17 Operating Leases

For the fiscal years ended June 30, 2019 and 2018, the University spent \$541,818 and \$629,055 on operating leases which are included in supplies and other services in the Statement of Revenue, Expenses, and Changes in Net Position. Of the lease totals, \$531,040 was spent on leasing off-campus classroom and office space in fiscal year 2019, and \$597,996 in fiscal year 2018. The remaining amounts of \$10,778 for 2019, and \$31,059 for 2018, were spent on equipment leases.

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

Future Minimum Lease Payments		
Fiscal Year Ending June 30	2019	2018
2019	\$ -	\$ 187,144
2020	142,066	7,974
2021	188,599	-
2022	-	-
2023	-	-
2024	-	-
<b>Total Future Minimum Lease Payments</b>	<b>\$ 330,665</b>	<b>\$ 195,118</b>

## 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. Investment return is presented net of investment fees. A comparison with book (cost) value is as follows:

	June 30, 2019		June 30, 2018	
	Cost	Market	Cost	Market
Without Donor Restrictions	\$ 2,428,141	\$ 2,192,055	\$ 2,253,918	\$ 2,246,586
With Donor Restrictions	96,736,695	98,617,529	83,654,214	91,369,180
<b>Totals</b>	<b>\$ 99,164,836</b>	<b>\$ 100,809,584</b>	<b>\$ 85,908,132</b>	<b>\$ 93,615,766</b>
<b>Investments composed of:</b>				
U.S. Government Bonds	\$ 3,968,818	\$4,008,909	\$ 4,466,432	\$ 3,278,469
Common Stock	90,906,723	92,508,366	76,995,240	85,902,605
Miscellaneous Cash Equivalents	4,289,295	4,292,309	4,446,460	4,434,692
<b>Totals</b>	<b>\$ 99,164,836</b>	<b>\$ 100,809,584</b>	<b>\$ 85,908,132</b>	<b>\$ 93,615,766</b>

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.

## Note 18 - Changes in Accounting Principle

### *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement No. 75 requires reporting the unfunded postemployment liability on the Statement of Net Assets effective for the year ended June 30, 2018. A prior period adjustment for change in accounting principle totaling \$20 million was recognized in 2018 as a result of GASB 75 implementation. The prescribed change in actuarial valuation methods required the University to recognize the \$20 million decrease to net position.

## Note 19 Subsequent Events

The Indiana General Assembly's 2019-21 biennium budget included appropriations for University capital projects totaling \$26.3 million. The appropriated funds are being used for new electrical substations and related campus infrastructure, HVAC upgrades for both the Shircliff Humanities Building and Summer's Social Science Building, and renovation to the advanced manufacturing and product design industrial laboratories.

Renovations will begin in 2020 and continue in the 2020-2021 fiscal year.

## 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\*

	2018	2017	2016	2015	2014
1. Employer's proportion of the net pension liability (asset)	0.00%	0.00%	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%	100.00%	100.00%
4. Employer's covered-employee payroll	\$ 4,680,280	\$ 4,171,811	\$ 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	N/A	N/A
6. Plan fiduciary net position as a percentage of the total pension liability**	25.40%	23.10%	22.60%	23.60%	25.90%

\* Complete data for this schedule is not available prior to 2014.

\*\* Adjusted to reflect DB activity only due to the DB/DC split effective January 1, 2018.

Measurement Dates were 6/30/2018, 6/30/2017, 6/30/2016, 6/30/2015 and 6/30/2014.

### Schedule of Employer Contributions

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

Last 10 Fiscal Years\*

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 351,021	\$ 312,886	\$ 371,923	\$ 293,388	\$ 269,508
Contributions in relation to the statutorily required contribution	\$ 351,021	\$ 312,886	\$ 371,923	\$ 293,388	\$ 269,508
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 4,680,280	\$ 4,171,811	\$ 4,958,979	\$ 5,211,158	\$ 7,186,887
Contributions as percentage of covered-employee payroll	7.50%	7.50%	7.50%	5.63%	3.75%

\* Complete data for this schedule is not available prior to 2014.

## Schedule of Employer's Share of Net Pension Liability

### Teachers' Retirement Fund 1996 Accounts (TRF 1996)

Last 10 Fiscal Years\*

	2018	2017	2016	2015	2014
1. Employer's proportion of the net pension liability (asset)	0.0285400%	0.0314000%	0.0362700%	0.0410200%	0.0527100%
2. Employer's proportionate share of the net pension liability (asset)	\$ 31,654	\$ 207,930	\$ 283,095	\$ 216,002	\$ 25,064
3. Employer's covered-employee payroll	\$ 896,943	\$ 947,989	\$ 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	3.50%	21.90%	27.10%	19.20%	1.80%
5. Plan fiduciary net position as a percentage of the total pension liability **	98.00%	88.00%	84.90%	88.90%	98.80%

\* Complete data for this schedule is not available prior to 2014.

\*\* Adjusted to reflect DB activity only due to the DB/DC split effective January 1, 2018.

Measurement Dates were 6/30/2018, 6/30/2017, 6/30/2016, 6/30/2015 and 6/30/2014.

## Schedule of Employer Contributions

### Teachers' Retirement Fund 1996 Accounts (TRF 1996)

Last 10 Fiscal Years\*

	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 67,271	\$ 71,099	\$ 78,351	\$ 84,313	\$ 102,315
Contributions in relation to the statutorily required contribution	\$ 67,271	\$ 71,099	\$ 78,351	\$ 84,313	\$ 102,315
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 896,943	\$ 947,989	\$ 1,044,676	\$ 1,124,175	\$ 1,364,195
Contributions as percentage of covered-employee payroll	7.50%	7.50%	7.50%	7.50%	7.50%

\* Complete data for this schedule is not available prior to 2014.

**Vincennes University Health Care Plan**  
**Schedule of Changes in Net OPEB Liability & Related Ratios \*\*\***

	<b>2019</b>	<b>2018</b>
<b>Total OPEB Liability</b>		
Service cost	\$ 382,426	\$ 270,195
Interest	2,718,431	3,310,012
Change in assumptions	(5,123,923)	14,553,977
Differences between expected and actual experience	7,993,123	(7,609,805)
Benefit payments, including refunds of member contributions	(2,404,802)	(2,509,814)
<b>Net Change in Total OPEB Liability</b>	<b>\$ 3,565,255</b>	<b>\$ 8,014,565</b>
<b>Total OPEB Liability - Beginning (a)</b>	<b>59,902,789</b>	<b>51,888,224</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 63,468,044</b>	<b>\$ 59,902,789</b>
<b>Plan Fiduciary Net Position</b>		
Contributions - employer	\$ 2,415,203	\$ 2,534,150
Contributions - member	-	-
Net Investment income	2,838,090	1,997,219
Benefit payments, including refunds of member contributions	(2,404,802)	(2,509,814)
Administrative expense	(44,937)	(49,184)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 2,803,554</b>	<b>\$ 1,972,371</b>
<b>Plan Fiduciary Net Position - Beginning (b)</b>	<b>59,593,258</b>	<b>\$ 57,620,887</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 62,396,812</b>	<b>\$ 59,593,258</b>
<b>Net OPEB Liability (Asset) Beginning (a) - (b)</b>	<b>\$ 309,531</b>	<b>\$ 5,732,663</b>
<b>Net OPEB Liability (Asset) Ending (a) - (b)</b>	<b>\$ 1,071,232</b>	<b>\$ 309,531</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	<b>98.3%</b>	<b>99.5%</b>
<b>Covered Employee Payroll</b>	<b>\$ 33,501,334</b>	<b>\$ 34,637,847</b>
<b>Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll</b>	<b>3.2%</b>	<b>0.9%</b>

\*\*\* Complete data for this schedule is not available prior to 2018.

**Vincennes University Health Care Plan  
Schedule of the University's Contributions**

	2019	2018	2017	2016	2015
Actuarially Determined Contribution (ADC)	\$ 419,559	\$ -	\$ 359,603	\$ 1,060,381	\$ 1,898,593
Contributions in relation to the ADC	2,534,150	2,534,150	6,579,862	5,896,030	6,428,380
<b>Contribution deficiency (excess)</b>	<b>\$ (2,114,591)</b>	<b>\$ (2,534,150)</b>	<b>\$ (6,220,259)</b>	<b>\$ (4,835,649)</b>	<b>\$ (4,529,787)</b>
<b>Covered employee payroll</b>	<b>\$ 33,501,334</b>	<b>\$ 34,637,847</b>	<b>\$ 34,778,458</b>	<b>\$ 34,557,145</b>	<b>\$ 33,687,669</b>
<b>Contributions as a percentage of covered employee payroll</b>	<b>7.6%</b>	<b>7.3%</b>	<b>18.9%</b>	<b>17.1%</b>	<b>19.1%</b>

	2014	2013	2012	2011	2010
Actuarially Determined Contribution (ADC)	\$ 2,507,561	\$ 3,444,271	\$ 3,868,513	\$ 3,573,792	\$ 3,770,668
Contributions in relation to the ADC	4,384,798	5,234,790	8,522,882	4,839,405	4,813,510
<b>Contribution deficiency (excess)</b>	<b>\$ (1,877,237)</b>	<b>\$ (1,790,519)</b>	<b>\$ (4,654,369)</b>	<b>\$ (1,265,613)</b>	<b>\$ (1,042,842)</b>
<b>Covered employee payroll</b>	<b>\$ 32,706,475</b>	<b>\$ 34,054,596</b>	<b>\$ 32,774,506</b>	<b>\$ 33,969,433</b>	<b>\$ 32,980,032</b>
<b>Contributions as a percentage of covered employee payroll</b>	<b>13.4%</b>	<b>15.4%</b>	<b>26.0%</b>	<b>14.2%</b>	<b>14.6%</b>

The Actuarially Determined Contributions (ADC) shown for 2010-2017 are based on the Annual Required Contribution (ARC) calculated under GASB 45, prior to the adoption of GASB 75.

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