MINUTES

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

November 5, 2009

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The University of Southern Indiana Board of Trustees met in regular session on Thursday, November 5, 2009, in Carter Hall in the University Center. Present were Chair John M. Dunn and Trustees Ira G. Boots, W. Harold Calloway, Jeffrey L. Knight, Lauren K. Raikes '11, and Ted C. Ziemer, Jr. Trustees Amy MacDonell, Ronald D. Romain '73, and Steven J. Schenck '72 were absent. Also in attendance were President Linda L. M. Bennett; Interim Provost and Vice President for Academic Affairs Nadine A. Coudret; Vice President for Government and University Relations Cynthia S. Brinker; Vice President for Student Affairs Robert W. Parrent; Vice President for Business Affairs and Treasurer Mark Rozewski; Faculty Senate Chair Lesa Cagle; and Student Government Association President Robert Wolfley.

SECTION I - GENERAL AND ACADEMIC MATTERS

A. APPROVAL OF MINUTES OF SEPTEMBER 3, 2009, MEETING

On a motion by Mr. Boots, seconded by Mr. Calloway, the minutes of the September 3, 2009, meeting of the Board of Trustees were approved.

B. ESTABLISHMENT OF NEXT MEETING DATE, TIME, LOCATION

Mr. Dunn called on Vice President Brinker, who reported the Board will meet in Indianapolis on January 14, 2010. Dinner with University friends is scheduled on Wednesday, January 13. All events will be held at the Columbia Club in Indianapolis.

C. REVIEW OF THE ACADEMIC DEVELOPMENT PLAN

Mr. Dunn called on Provost Coudret who reported the Academic Planning Council met on October 26, 2009, to review and revise the Academic Development Plan in Exhibit I-A. The Academic Development Plan is routinely shared with the Long-Range Planning Committee. Because the Committee will not meet in November, the revised plan was brought to the Board of Trustees for review.

D. APPROVAL OF NEW DEGREE PROGRAM: BACHELOR OF SCIENCE IN SPORT MANAGEMENT

Mr. Dunn asked Provost Coudret to review the Bachelor of Science in Sport Management. Dr. Coudret reported the new degree was proposed by the Bower-Suhrheinrich College of Education and Human Services and the implementation date is expected to be fall 2010.

The purposes of the proposed Bachelor of Science in Sport Management are to meet regional and state needs by providing students the knowledge and skills to succeed in a variety of positions within sport management and to prepare students to succeed in a graduate program within the areas of sport management.

The proposed program is comprised of 124 semester hours in three content areas: 43 hours of sport management courses; 50 hours of University Core Curriculum courses; and 31 hours of general University electives. The accreditation principles set forth by the Commission on Sport Management Accreditation (COSMA) will be met through the curriculum.

It is recommended by the dean of the Bower-Suhrheinrich College of Education and Human Services and has been approved by the University Curriculum Committee, the Academic Planning Council, the Faculty Senate, and the president.

Provost Coudret recommended approval of the Bachelor of Science in Sport Management (Exhibit I-B).

On a motion by Mr. Calloway, seconded by Mr. Knight, the Bachelor of Science in Sport Management was approved.

E. PRESIDENT'S REPORT

President Bennett began her report by thanking the many individuals who planned and participated in recent activities surrounding her inauguration as USI's third president. She expressed appreciation for opportunities during Inauguration Week to reach out to USI friends and the larger community. She thanked Vice President Cindy Brinker (chair) and members of the Inauguration Committee for a job well done, and thanked the members of the Board of Trustees who participated in many of the events. She noted it was the generosity of University donors, including members of the Board, who made these events possible.

Dr. Bennett reported she was pleased to welcome Governor Mitch Daniels to USI in October. Governor Daniels spoke to Professor Tim Mahoney's economics class, addressing the current state of Indiana's economy and answering students' questions. During his presentation, Governor Daniels expressed concern that state revenues are showing slow recovery and cautioned that the months ahead will continue to present the state with challenges. He congratulated the students on choosing USI and noted with appreciation the University's responsiveness to regional and state needs.

Dr. Bennett referred the Trustees to a one-page snapshot of USI faculty in their meeting materials and noted this snapshot is the result of a request by the Trustees who attended last July's board retreat and asked for concise information about significant University data. The Office of Planning, Research, and Assessment will provide similar snapshots on relevant topics at each future Board of Trustees' meeting to provide easily accessible information as Trustees share the USI story with others in our community and our state.

Also in the meeting packet was a copy of *Top Public Policy Issues for Higher Education* published annually by the Association of Governing Boards of Universities and Colleges (AGB). Dr. Bennett noted the issues defined by AGB are the very issues facing higher education in the state of Indiana.

President Bennett reported the Provost Search Committee has been at work since last spring, and this week, the committee invited the first of four finalists to campus for interviews. She acknowledged the commitment of time and effort required of the Search Committee and thanked chair Mark Rozewski and the members of the committee. She called on Mr. Rozewski to share a report on the progress of the search. Mr. Rozewski reported the committee received 106 applications. On October 22-23, 2009, semi-finalists were interviewed and four finalists selected. Following the campus visits, Mr. Rozewski expects the process to be concluded in early December. He noted the committee was pleased with the process and the broad, deep, and high quality candidate pool and looks forward to a good conclusion.

President Bennett asked Vice President Brinker to review Fall Commencement. Ms. Brinker reviewed the schedule for two Commencement ceremonies on Saturday, December 12. The Colleges of Business, Nursing and Health Professions, and Science and Engineering will participate in a 10 a.m. ceremony. A second ceremony at 1 p.m. will include Extended Services and the Colleges of Liberal Arts and Education and Human Services. The speaker for both ceremonies will be Dr. Kevin Valadares, who was presented the Distinguished Professor Award in May 2009. Vice President Brinker noted the Fall Commencement, held on campus, is a new tradition appreciated by students and parents, and she thanked the Board of Trustees for its involvement.

Dr. Bennett reported that Tuesday, November 10, will be USI's annual Assessment Day, and she asked Provost Coudret for a report about the process and goals of Assessment Day. Dr. Coudret reported that USI's emphasis on assessment is recognized outside the University and appreciated within the institution. The tests measure general education knowledge and serve as a base line measure of academic progress and proficiency. Administered to all first-time freshmen, the tests include measurement of critical thinking, reasoning, and basic cognitive skills. Both freshmen and juniors have been tested in the past, but a revision of the process eliminated the testing of juniors this year so freshmen and seniors can be tested in the future. Assessment Day also includes the administration of major field exams to measure progress in major fields of study. The results of the major field exams are compared with those of peer institutions to give USI faculty an external comparison of learning outcomes of students in their majors. Other standardized surveys throughout the year provide additional assessment, and every semester, each student has an opportunity to assess the instruction within a given course. Provost Coudret reported that assessment continues to be a priority at USI and assessment results are used to improve educational offerings and services.

Dr. Bennett introduced Robert Wolfley, president of the Student Government Association, for a report about SGA activities. Mr. Wolfley reported that since the last Board of Trustees meeting, SGA members participated in a retreat that included team-building activities and discussions of goals and issues for the year. In October, SGA members attended President Bennett's inauguration ceremony. Two fall events sponsored by SGA were the National Collegiate Alcohol Awareness Week and a tailgate party during the Division II NCAA Cross Country Championships. SGA involvement on campus also included speakers, appointments to University committees, discussion of revised library hours during finals week, the strategic planning process, and the Provost Search Committee. President Bennett thanked Mr. Wolfley for his dedication and service to the University as a member of the search committee.

The president called on Lesa Cagle, chair of the Faculty Senate, for a report. Professor Cagle reported the Senate began the year by issuing charges to its committees. It established two ad hoc committees, one to review Banner (the University's administrative software system) and the other to assess the role of senators. During Inauguration Week, Faculty Senate hosted the Inauguration Symposium and invited as its speaker Constantine Curris, retired president of the American Association of State Colleges and Universities (AASCU). Professor Cagle reported she received many positive comments from faculty about the success of the symposium.

Dr. Bennett reported a new University committee – the Environmental Stewardship Committee – is being formed in response to a recommendation of Faculty Senate and will begin its work next semester. The committee will recommend opportunities to minimize resource consumption, maximize energy reduction practices, and promote recycling efforts. Associate Professor of Geology Paul Doss will chair the committee, which also includes representatives of various campus constituencies.

President Bennett was pleased to report the Vanderburgh Community Foundation recently named USI Trustee Ted Ziemer the Outstanding Volunteer Fundraiser of 2009. The award was given in recognition of Mr. Ziemer's dedicated leadership as a USI Trustee, as the former chair of the USI Foundation during the very successful *Campaign USI*, and as an advocate for other organizations in the Evansville area. His fundraising skill has resulted in buildings, services, and resources at USI and throughout our community. The Trustees joined Dr. Bennett in congratulating Trustee Ziemer.

F. APPROVAL OF CANDIDATES FOR DEGREES

Mr. Dunn called on Provost Coudret, who presented the candidates for master, baccalaureate, and associate degrees to be conferred December 12, 2009, listed in Exhibit I-C.

On a motion by Mr. Boots, seconded by Mr. Knight, a recommendation to award the degrees presented in Exhibit I-C, subject to the completion of all requirements, was approved.

G. REPORT ON USI FACULTY RECRUITMENT AND RETENTION

Mr. Dunn asked Provost Coudret to share a report on USI faculty recruitment and retention. Dr. Coudret began her report by stating USI is committed to its responsibility to recruit and retain talented faculty. She reported 45 new faculty were hired during 2008-2009. Due to the search process and the participation of a search committee, a faculty hire takes more time than a new hire might in a corporate setting. She shared a profile of USI faculty including data about full-time/part-time appointments and diversity among faculty. She discussed types of faculty appointments (tenured, tenure track, and contract) and outlined the tenure decision process. Provost Coudret introduced Dr. Mohammed Khayum, dean of the College of Business, and Dr. Ann White, acting dean of the College of Nursing and Health Professions, who discussed the challenges of faculty recruitment. The deans shared experiences related to recruiting and retention in their colleges and insight on issues of job markets, candidate pools, salaries, and employment opportunities in the region for spouses of candidates. Dr. Vanessa Hunn, assistant professor of Social Work; Dr. Zane Mitchell, associate professor and chair of engineering; and Dr. Stephen Spencer, professor and chair of English, shared their experiences as recent candidates and their reasons for selecting USI, which include the institution's mission, dedicated students and faculty, the administrative team, physical resources, support for faculty development, employee benefits, the institution's emphasis on teaching, the Evansville community and region, and USI's growth and potential for growth in academic programs, enrollment, and facilities.

SECTION II – FINANCIAL MATTERS

A. REVIEW OF AUDITED FINANCIAL STATEMENTS

Mr. Dunn called on Vice President Rozewski who provided background about the annual financial statement, which customarily is presented to the Finance/Audit Committee. He reported the University's outside auditor is, by law, the Indiana State Board of Accounts, and a State Board of Accounts team resides on the campus for several months of each year while the financial statements are prepared. For the fiscal year ending June 30, 2009, the State Board of Accounts issued a letter certifying USI's audit and as expected, there were no negative findings. Mr. Rozewski told the Trustees the standard exit conference was not held prior to the Board of Trustees meeting but will be scheduled within a few weeks. Trustee Jeff Knight, chair of the Finance/Audit Committee, will attend the exit conference.

He reported that Standard and Poor's recently reaffirmed the University's "A" rating, which is a direct reflection on the quality of our financials.

Mr. Rozewski introduced Steve Bridges, controller and director of the Business Office, for a review of the audited financial statements. Mr. Bridges acknowledged the assistance of Jeff Sickman, assistant controller; Diana Biggs, director of Internal Audit; and the State Board of Accounts in the successful completion of the financial report for 2008-2009. He referred the Trustees to the State Board of Accounts' opinion letter on the first page of Exhibit II-A.

Mr. Bridges explained the University is governed by the Governmental Accounting Standards Boards (GASB). The USI Foundation, a component unit of the University, is governed by the Financial Accounting Standards Board (FASB). He noted his presentation will not include a report of the USI Foundation statements, but these statements will be included in the printed Financial Report the Trustees receive at the January 2010 meeting of the Board.

He explained several new GASB statements effective for 2009-2010, two of which are under evaluation to determine if they will impact the University's financial statements. These statements address accounting and reporting for intangible assets and derivative instruments. If it is determined these statements apply, GASB will require the University to restate the information on next year’s financial statements.

Mr. Bridges presented an overview of the Management's Discussion and Analysis section. He reviewed the Statement of Net Assets on page 12 of Exhibit II-A, specifically the total assets, total liabilities, and net assets, and noted significant items in each category. He reviewed the Statement of Revenue, Expenses, and Change in Net Assets and noted the total operating revenue, total operating expenses, operating loss, and non-operating revenues. He referred the Trustees to the information in the Statement of Cash Flows, the Notes to the Financial Statements, and the Management's Discussion and Analysis. Mr. Bridges concluded by reporting he hopes to begin a process of providing an interim report each year.

B. ANNUAL REPORT OF STUDENT FINANCIAL ASSISTANCE

Mr. Dunn called on Vice President Parrent, who introduced Mary Harper, director of Student Financial Assistance, for a report on student financial assistance administered by the University during 2008-2009 (Exhibit II-B). Ms. Harper referred the Trustees to Exhibit II-B, an Executive Summary of the 2008-2009 Student Financial Aid Programs Final Report.

She reviewed service profiles and trends in funding and reported that 19,798 awards totaling $65,633,478 were administered by the University in 2008-2009. University student aid funding increased $1,325,689 (23.7 percent) compared to 2007-2008. The University's fiscal year Stafford Loan default rate of 5.7 percent continues to be below the national average default rate of 6.7 percent.

C. APPROVAL OF ANTHEM BLUE CROSS/BLUE SHIELD GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES

Mr. Dunn called on Vice President Brinker, who introduced Director of Human Resources Donna Evinger to present a recommendation of health insurance changes and rates for 2009-2010. Ms. Evinger reported on Items C, D, E, F, and G.

Ms. Evinger reported the University of Southern Indiana currently offers two health insurance programs through Anthem Blue Cross/Blue Shield:

- Blue Access 300 Plan (Preferred Provider Organization - PPO); and
- Blue Access 500 Plan (Preferred Provider Organization - PPO).

A comprehensive review of claims from both Anthem health plans indicates medical and drug claims totaled 78.16 percent of paid premiums under the Cost Plus funding arrangement from August 2008 through July 2009. No claims exceeded the specific stop loss during the experience period. Anthem projects an increase of approximately 13.5 percent in claims in 2010 based on trend factors of 13 percent for medical and 15.5 percent for prescription drugs as well as changes in various demographic factors.

In 2009, the University continued the use of the Cost Plus financial arrangement implemented in 2005. Under this arrangement, Anthem pays claims for the University. The University is billed for actual claims paid for covered persons and administrative services which include utilization management and PPO access fees, and Stop Loss coverage. Under this arrangement, the University determines the level of reserves to be held and holds the reserves. The University recommends continuation of the Cost Plus financial arrangement in 2010.

The University used the consulting services of Mercer Health & Benefits for the 2010 renewal. Based on a review of the University's current Stop Loss coverage, two changes are recommended in 2010 to the Stop Loss coverage:

- Specific Stop Loss Coverage – Continue to provide coverage at $200,000 level; add aggregating specific coverage with $75,000 corridor. This coverage will enable the University to take advantage of lower stop loss premiums while assuming no greater exposure than with the previous arrangement.
- Aggregate Stop Loss Coverage – Eliminate premium payment for aggregate stop loss coverage due to historical claims experience and current University reserves for medical premiums.

The University will continue to provide prescription drug coverage to retirees according to the guidelines set forth by the Medicare Prescription Drug Improvement and Modernization Act of 2003 (Medicare Part D). The Blue Access 300 Plan provides creditable prescription drug coverage based on an actuarial attestation of the plan. The University receives a federal subsidy for providing the prescription drug coverage for retirees.

The following items include 2010 plan renewal information for the Anthem Blue Cross/Blue Shield Group Health Insurance and Health Resources, Inc. Dental Plans.

<u>BLUE ACCESS 300 PLAN – (PREFERRED PROVIDER ORGANIZATION: PPO)</u>

The Blue Access 300 Plan is designed with elements of a managed care plan as an incentive to reduce medical costs. No plan design changes are recommended for 2010. The monthly premium rates for the Blue Access 300 Plan are recommended for a 12-month period beginning January 1, 2010.

The proposed medical premium rates for the Blue Access 300 Plan for 2010 reflect a 3.1 percent increase for each membership tier for active employees. The proposed medical premium rates for the Blue Access 300 Plan for 2010 reflect a 3.6 percent increase for retiree (over 65) memberships.

Anthem Blue Cross/Blue Shield – Blue Access 300 Plan and Health Resources, Inc. provide the primary health/dental insurance for 346 active employees and 180 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for active employees is 75 percent of the total premium.

BLUE ACCESS 500 PLAN – (PREFERRED PROVIDER ORGANIZATION: PPO)

The Blue Access 500 Plan provides employees with a second PPO option in their selection of medical insurance plans. The Blue Access 500 Plan is designed with elements of a managed care plan as an incentive to reduce medical costs. No plan design changes are recommended to this plan for 2010. The monthly premium rates for the Blue Access 500 Plan are recommended for a 12-month period beginning January 1, 2010.

The proposed medical premium rates for the Blue Access 500 Plan for 2010 reflect a 2.5 percent increase for each membership tier for active employees. The proposed medical premium rates for the Blue Access 500 Plan for 2010 reflect a 2.8 percent increase for retiree (over 65) memberships.

Anthem Blue Cross/Blue Shield – Blue Access 500 Plan and Health Resources, Inc. provide the primary health/dental insurance for 326 active employees and three retirees. The University contribution to the Blue Access 500 Plan for medical coverage for active employees is equal to the amount contributed to the Blue Access 300 Plan. The University contributes 75 percent of the premium for dental coverage and for funding the liability for post-retirement benefits for active employees.

BLUE ACCESS 1000 PLAN – (PREFERRED PROVIDER ORGANIZATION: PPO)

Ms. Evinger recommended adding the Blue Access 1000 Plan effective January 1, 1010. This plan is designed with additional elements of a managed care plan as an incentive to reduce medical costs and is a move toward a consumer-driven approach to health care coverage. The Blue Access 1000 Plan includes the following design features:

- 100% preventative care
- Deductible – $1,000 per individual and $2,000 per family in-network; $2,000 per individual and $4,000 per family out-of-network
- Out-of-Pocket Maximum – $5,000 per individual and $10,000 per family; $10,000 per individual and $20,000 per family out-of-network
- Co-insurance – 80%/20% co-insurance in-network; 60%/40% co-insurance non-network
- Prescription Drug Co-payments – $15/$40/$60

The University contribution to the Blue Access 1000 Plan for medical coverage for active employees is equal to the amount contributed to the Blue Access 300 Plan. The University contributes 75 percent of the premium for dental coverage and for funding the liability for post-retirement benefits for active employees.

Ms. Evinger recommended the monthly premium rates for the Blue Access 1000 Plan and Health Resources, Inc. for a 12-month period beginning January 1, 2010.

HEALTH RESOURCES, INC. (HRI)

The 12-month renewal rates effective January 1, 2010, for Health Resources, Inc. dental insurance reflect a 3 percent rate increase for each membership tier. A comprehensive review of claims paid by Health Resources, Inc. indicates dental claims totaled 90 percent of paid premiums for the time period of July 2008 through June 2009. The renewal rates effective January 1, 2010, are determined by claims experience by membership group for USI employees and dependents.

Ms. Evinger recommended approval to renew the master policies effective January 1, 2010, with Anthem Blue Cross/Blue Shield – Blue Access 300 and 500 Plans and Health Resources, Inc., with the addition of the Blue Access 1000 Plan and changes to the Stop Loss Coverage with the following rate schedules using the Cost Plus financial arrangement.

2010 MONTHLY PREMIUM RATES
ANTHEM BLUE CROSS/BLUE SHIELD – BLUE ACCESS 300 PLAN

	BC/BS MEDICAL PREMIUM	HRI DENTAL PREMIUM	POST-RETIREMENT CONTRIBUTION	**2010 TOTAL MONTHLY PREMIUM**	2009 TOTAL MONTHLY PREMIUM
Single	$511.84	$24.24	$8.50	**$544.58**	$528.71
Employee + Child(ren)	$846.42	$59.14	$22.00	**$927.56**	$900.80
Employee + Spouse	$1,122.24	$50.14	$22.00	**$1,194.38**	$1,159.65
Family	$1,396.72	$86.50	$22.00	**$1,505.22**	$1,461.33
Over 65/Retired	$378.74*	$24.24	$8.50	**$411.48**	$397.66*

**Rate to be adjusted for Medicare Part D Subsidy*

ANTHEM BLUE CROSS/BLUE SHIELD – BLUE ACCESS 500 PLAN

	BC/BS MEDICAL PREMIUM	HRI DENTAL PREMIUM	POST-RETIREMENT CONTRIBUTION	**2010 TOTAL MONTHLY PREMIUM**	2009 TOTAL MONTHLY PREMIUM
Single	$451.02	$24.24	$8.50	**$483.76**	$476.40
Employee + Child(ren)	$745.72	$59.14	$22.00	**$826.86**	$814.30
Employee + Spouse	$988.88	$50.14	$22.00	**$1,061.02**	$1,044.95
Family	$1,230.86	$86.50	$22.00	**$1,339.36**	$1,318.58
Over 65 (Retired)	$333.74	$24.24	$8.50	**$366.48**	$360.04

ANTHEM BLUE CROSS/BLUE SHIELD – BLUE ACCESS 1000 PLAN

	BC/BS MEDICAL PREMIUM	HRI DENTAL PREMIUM	POST-RETIREMENT CONTRIBUTION	**2010 TOTAL MONTHLY PREMIUM**	2009 TOTAL MONTHLY PREMIUM
Single	$425.88	$24.24	$8.50	**$458.62**	n/a
Employee + Child(ren)	$704.22	$59.14	$22.00	**$785.36**	n/a
Employee + Spouse	$933.70	$50.14	$22.00	**$1,005.84**	n/a
Family	$1,162.10	$86.50	$22.00	**$1,270.60**	n/a

On a motion by Mr. Knight, seconded by Mr. Ziemer, renewal of the master policies effective January 1, 2010, with Anthem Blue Cross/Blue Shield – Blue Access 300 and 500 Plans and Health Resources, Inc., with the addition of the Blue Access 1000 Plan and changes to the Stop Loss Coverage with the rate schedules using the Cost Plus financial arrangement as outlined in Item C.; renewal of the contract with Anthem to provide the wellness initiatives -- Future Moms, ConditionCare, 24/7 NurseLine, and MyHealthAdvantage -- at the quoted per-participant rates for a 12-month period beginning January 1, 2010, as outlined in Item D; renewal of the master policies with Welborn HMO and Health Resources, Inc. with the rate schedule outlined in Item E; renewal of the contract with UnitedHealthcare Vision beginning January 1, 2010, for continuation of the voluntary vision benefit outlined in Item F; and renewal of the contract with The Nyhart Company beginning January 1, 2010, to administer the Section 125 Flexible Benefit Plan with the quoted per-participant rate outlined in Item G was approved.

D. APPROVAL OF ANTHEM WELLNESS INITIATIVE PREMIUM RATES

Ms. Evinger reported in 2009, the University added several wellness initiatives to the Anthem Blue Access Plans as an additional step toward controlling claims expense. The wellness initiatives include:

- Future Moms: support from trained obstetrical nurses to provide maternity management to help expectant parents have a healthy pregnancy and delivery;
- ConditionCare: assistance from registered nurses for members to better manage and improve chronic health conditions;
- 24/7 NurseLine: access to a 24/7 NurseLine in which experienced registered nurses provide information concerning general health questions and guidance with critical health issues; and
- MyHealthAdvantage: utilization of integrated systems and data analytics to enhance early detection of potential health issues for participants.

These programs are specifically designed to help improve the health of participants and to better control health care costs. Effective January 1, 2010, the per-participant cost for Future Moms, ConditionCare, and 24/7 NurseLine will increase from $2.64 to $3.14 per month. The per-participant cost for MyHealthAdvantage remains unchanged at $1.63 per month. It is recommended that the wellness initiatives include coverage for active members and retirees under age 65 and that the University pay the total monthly cost. These programs are recommended based on return-on-investment experienced over a three-year period by users of the programs.

Ms. Evinger recommended approval to renew the contract with Anthem to provide the wellness initiatives -- Future Moms, ConditionCare, 24/7 NurseLine, and MyHealthAdvantage -- at the quoted per-participant rates for a 12-month period beginning January 1, 2010.

On a motion by Mr. Knight, seconded by Mr. Ziemer, renewal of the master policies effective January 1, 2010, with Anthem Blue Cross/Blue Shield – Blue Access 300 and 500 Plans and Health Resources, Inc., with the addition of the Blue Access 1000 Plan and changes to the Stop Loss Coverage with the rate schedules using the Cost Plus financial arrangement as outlined in Item C.; renewal of the contract with Anthem to provide the wellness initiatives -- Future Moms, ConditionCare, 24/7 NurseLine, and MyHealthAdvantage -- at the quoted per-participant rates for a 12-month period beginning January 1, 2010, as outlined in Item D; renewal of the master policies with Welborn HMO and Health Resources, Inc. with the rate schedule outlined in Item E; renewal of the contract with UnitedHealthcare Vision beginning January 1, 2010, for continuation of the voluntary vision benefit outlined in Item F; and renewal of the contract with The Nyhart Company beginning January 1, 2010, to administer the Section 125 Flexible Benefit Plan with the quoted per-participant rate outlined in Item G was approved.

E. APPROVAL OF WELBORN HMO GROUP HEALTH INSURANCE AND HEALTH RESOURCES, INC. DENTAL INSURANCE PREMIUM RATES

Ms. Evinger reported the University of Southern Indiana has offered Welborn HMO/Health Resources, Inc. as an alternative health/dental benefit program since October 1988. In 2007, Welborn added a national network, Multiplan/PHCS, to provide in-network benefits to employees who live outside the local area. The enhanced network is an added benefit for active employees, dependents, and retirees who live outside the local service area.

A comprehensive review of USI claims for the Welborn HMO indicates medical and prescription drug claims totaled 82.6 percent of paid premiums for the time period of July 2008 through June 2009.

No plan design changes are recommended for 2010. The proposed medical premium rates for the Welborn HMO for 2010 reflect a 7 percent rate increase for active employee memberships.

The 12-month renewal rates effective January 1, 2010, for Health Resources, Inc. dental insurance reflect a 3 percent rate increase for each membership tier. A comprehensive review of claims paid by Health Resources, Inc. indicates dental claims totaled 90 percent of paid premiums for the time period of July 2008 through June 2009. The renewal rates effective January 1, 2010, are determined by claims experience by membership group for USI employees and dependents.

Welborn HMO and Health Resources, Inc. provide the primary health/dental insurance coverage for 115 active employees and 15 retirees. The University contribution for medical and dental coverage and for funding the liability for post-retirement benefits for active employees is 75 percent of the total premium.

Ms. Evinger recommended approval to renew the master policies with Welborn HMO and Health Resources, Inc. with the following rate schedule.

2010 MONTHLY PREMIUM RATES
WELBORN HMO

	WELBORN MEDICAL PREMIUM	HRI DENTAL PREMIUM	POST-RETIREMENT CONTRIBUTION	**2010 TOTAL MONTHLY PREMIUM**	2009 TOTAL MONTHLY PREMIUM
Single	$401.28	$24.24	$8.50	**$434.02**	$407.05
Employee + Child(ren)	$774.80	$59.14	$22.00	**$855.94**	$803.60
Employee + Spouse	$860.48	$50.14	$22.00	**$932.62**	$874.87
Family	$1,207.04	$86.50	$22.00	**$1,315.60**	$1,234.12
Over 65 * (Retired)	$409.31	$24.24	$8.50	**$442.05**	$414.56

∗*Estimated 2010 retiree rates for grandfathered participants only*

On a motion by Mr. Knight, seconded by Mr. Ziemer, renewal of the master policies effective January 1, 2010, with Anthem Blue Cross/Blue Shield – Blue Access 300 and 500 Plans and Health Resources, Inc., with the addition of the Blue Access 1000 Plan and changes to the Stop Loss Coverage with the rate schedules using the Cost Plus financial arrangement as outlined in Item C.; renewal of the contract with Anthem to provide the wellness initiatives -- Future Moms, ConditionCare, 24/7 NurseLine, and MyHealthAdvantage -- at the quoted per-participant rates for a 12-month period beginning January 1, 2010, as outlined in Item D; renewal of the master policies with Welborn HMO and Health Resources, Inc. with the rate schedule outlined in Item E; renewal of the contract with UnitedHealthcare Vision beginning January 1, 2010, for continuation of the voluntary vision benefit outlined in Item F; and renewal of the contract with The Nyhart Company beginning January 1, 2010, to administer the Section 125 Flexible Benefit Plan with the quoted per-participant rate outlined in Item G was approved.

F. APPROVAL TO RENEW VOLUNTARY VISION PLAN

The University offers voluntary vision coverage through UnitedHealthcare Vision to eligible employees. Premiums for this voluntary benefit are paid in full by employees. Currently, 330 eligible employees participate in the vision plan. Renewal rates from UnitedHealthcare Vision effective January 1, 2010, will increase approximately 8 percent for a 24-month guarantee period.

Ms. Evinger recommended approval to renew the contract with UnitedHealthcare Vision beginning January 1, 2010, for continuation of the voluntary vision benefit.

On a motion by Mr. Knight, seconded by Mr. Ziemer, renewal of the master policies effective January 1, 2010, with Anthem Blue Cross/Blue Shield – Blue Access 300 and 500 Plans and Health Resources, Inc., with the addition of the Blue Access 1000 Plan and changes to the Stop Loss Coverage with the rate schedules using the Cost Plus financial arrangement as outlined in Item C.; renewal of the contract with Anthem to provide the wellness initiatives -- Future Moms, ConditionCare, 24/7 NurseLine, and MyHealthAdvantage -- at the quoted per-participant rates for a 12-month period beginning January 1, 2010, as outlined in Item D; renewal of the master policies with Welborn HMO and Health Resources, Inc. with the rate schedule outlined in Item E; renewal of the contract with UnitedHealthcare Vision beginning January 1, 2010, for continuation of the voluntary vision benefit outlined in Item F; and renewal of the contract with The Nyhart Company beginning January 1, 2010, to administer the Section 125 Flexible Benefit Plan with the quoted per-participant rate outlined in Item G <u>was approved</u>.

G. APPROVAL OF SECTION 125 FLEXIBLE BENEFIT PLAN ADMINISTRATIVE FEE

The Section 125 Flexible Benefit Plan, which was implemented in 1990 and expanded in 1992, allows enrolled employees to pay medical insurance premiums, dependent care expenses, and uninsured medical expenses with pre-tax dollars. Participation in the program has been steady since its introduction. Approximately 36 percent of eligible employees participate in the uninsured medical expense and dependent care reimbursement plans, and 99.4 percent of employees with medical insurance are enrolled in the premium-only portion of the plan. In calendar year 2005, the University contracted with The Nyhart Company to administer the Section 125 Flexible Benefit Plan.

During the 2008 plan year, University savings were $176,569 due to reduced FICA tax (Social Security and Health Insurance).

The current administrative fee for the Section 125 Flexible Benefit Plan is $5.25 per-participant per month. Renewal rates from The Nyhart Company reflect no rate increase for a 12-month guarantee period effective January 1, 2010.

Ms. Evinger recommended renewal of the contract with The Nyhart Company beginning January 1, 2010, to administer the Section 125 Flexible Benefit Plan with the quoted per-participant rate.

On a motion by Mr. Knight, seconded by Mr. Ziemer, renewal of the master policies effective January 1, 2010, with Anthem Blue Cross/Blue Shield – Blue Access 300 and 500 Plans and Health Resources, Inc., with the addition of the Blue Access 1000 Plan and changes to the Stop Loss Coverage with the rate schedules using the Cost Plus financial arrangement as outlined in Item C.; renewal of the contract with Anthem to provide the wellness initiatives -- Future Moms, ConditionCare, 24/7 NurseLine, and MyHealthAdvantage -- at the quoted per-participant rates for a 12-month period beginning January 1, 2010, as outlined in Item D; renewal of the master policies with Welborn HMO and Health Resources, Inc. with the rate schedule outlined in Item E; renewal of the contract with UnitedHealthcare Vision beginning January 1, 2010, for continuation of the voluntary vision benefit outlined in Item F; and renewal of the contract with The Nyhart Company beginning January 1, 2010, to administer the Section 125 Flexible Benefit Plan with the quoted per-participant rate outlined in Item G <u>was approved</u>.

H. APPROVAL OF AUTHORIZING RESOLUTION FOR THE TEACHING THEATRE PROJECT

Mr. Dunn asked Vice President Rozewski to review the authorizing resolution for the teaching theatre project. In 2009, the Indiana General Assembly authorized a teaching theatre to replace the current off-campus facility on Igleheart Avenue. Mr. Rozewski reported the project is estimated to cost $16,500,000. The legislature authorized $15 million in fee replacement borrowing for the project. However, the State Budget Committee has advised it plans to release only $13 million of this authorization and expects the University to fund the balance. USI has committed $1.5 million of University resources and has pledged to raise $2 million in donations to complete the funding of the project. The theatre plan was part of the master plan exercise for the University Center prepared by Holzman Moss Architecture as part of the University Center Expansion design process. It will be located on University Boulevard and will adjoin the University Center. Theatre design is a particular area of expertise of Holzman Moss, which will continue with the project. Mr. Rozewski said if the State Budget Committee releases the project in the next few months, construction may begin in 2010-2011. He recommended approval of the following resolution.

WHEREAS, the University of Southern Indiana Board of Trustees wishes to proceed with the planning and construction of the Teaching Theatre Project as submitted in the 2009-2011 Capital Improvement Budget Request, with construction funding authorized by the 2009 Indiana General Assembly; and

WHEREAS, the project, which is eligible for fee replacement, received bonding authorization in the amount of $15 million from the General Assembly; and

WHEREAS, the total project budget for the Teaching Theatre has been set at $16.5 million; and

WHEREAS, the University requests fee replacement bonding authorization of $13 million, with the balance of the project to be funded by $1.5 million from University resources and $2 million from private donations; and

WHEREAS, approvals may be required between the regular meetings of the Board of Trustees;

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees authorizes the Finance/Audit Committee to approve design plans, cost estimates, and construction schedules; to review construction bids; to award contracts or reject any or all construction bids for the project; and to report the progress of the project to the Board of Trustees;

FURTHER RESOLVED that the Treasurer is authorized to issue a Request for Proposal to solicit investment banking firms interested in providing service to the University in financing the Teaching Theatre Project;

FURTHER RESOLVED that the Finance/Audit Committee is authorized to evaluate the results of investment banking proposals; accept a proposal or reject all proposals; approve all financing plans on behalf of the Board of Trustees; and report its actions to the Board;

FURTHER RESOLVED that the President is authorized to request the Indiana Commission for Higher Education, the Indiana State Budget Committee, and the Governor of the State of Indiana to approve the Teaching Theatre Project.

On a motion by Mr. Calloway, seconded by Mr. Boots, the authorizing resolution for the teaching theatre project was approved.

I. REPORT OF CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR BUSINESS AFFAIRS

Mr. Dunn asked Vice President Rozewski to review the change orders listed in Exhibit II-C. Mr. Rozewski noted the Board of Trustees' procedure authorizes the Vice President for Business Affairs to approve change orders under $25,000 and to report them at the next meeting of the Finance/Audit Committee. He explained that change orders occur because unpredictable changes are required even with the best design professionals and contractors, and some changes, especially on renovation projects, are not known until the project is underway. He also noted some changes are required because of errors, omissions, or poor project administration, which is why the Committee and the Board need to be aware of them. USI includes a contingency of two to three percent in its project budgets, which is common practice. Mr. Rozewski referred the Trustees to the change orders in Exhibit II-C, all of which are under $25,000.

J. UPDATE ON CURRENT CONSTRUCTION PROJECTS

Mr. Dunn called on Vice President Rozewski, who introduced Director of Facilities Operations and Planning Steve Helfrich to report on current construction projects. Exhibit II-D includes a summary of the cost and funding sources for each project.

Mr. Helfrich reported on completed construction projects including the Recreation, Fitness, and Wellness Center Expansion, University Center Kitchen Expansion, O' Daniel Lane Resurfacing, and University Home improvements. He announced the Science Center Renovation Project completed another phase with the renovation of the second level offices and a few laboratories in the original building.

The Business and Engineering Center Project continues on schedule, with the exterior brick and stone façade nearing completion and the roof system complete, which will allow for additional work to be performed during the winter. Approximately 70 percent of the drywall is complete. Work on plumbing, electrical items, sheet metal duct installation, retaining walls, underground utilities, dirt fill, and the sprinkler system is in progress.

The structural construction of the new conference center and tower area of the University Center Expansion Project has been erected. Mr. Helfrich reported the infrastructure and rough-in work for the electrical, mechanical, and plumbing work is in progress. Work will soon begin on replacing the membrane roofing system. He reported the masonry contractors have been working on the installation of the circular lounge and lobby space block and the brick exterior walls. This project continues to be on schedule for completion in winter 2010.

Mr. Helfrich reported the construction of the Central Heating and Cooling Plant expansion continues. The mechanical and electrical work is in progress with the installation of the piping systems, exterior metal panels on the façade, interior painting, wiring, and equipment.

The last section of Bent Twig Lane is complete and construction of the campus entrance and loop road project is near completion. The roads are open for traffic.

Construction of the new valley parking lot and the expansion of Parking Lots E and M were completed in time for the beginning of the fall semester. The expansion of Lots E and M and new valley lot added 350 parking spaces. Landscaping work for these lots will be completed within two weeks.

Mr. Helfrich reported these projects also are under construction:

- improvements to the campus entrance;
- loop road landscape trees and plants; and
- new campus sign and fountain in roundabout.

In conclusion he reported on of these projects in the design phase:

- teaching theatre addition to the University Center Expansion;
- bicycle and walk path on campus and from Burdette Park to campus; and
- a new building for the Advanced Manufacturing Laboratory for the College of Science and Engineering.

SECTION III – PERSONNEL MATTERS

A. APPROVAL OF PERSONNEL ACTIONS

On a motion by Mr. Ziemer, seconded by Mr. Boots, the following personnel actions were approved.

1. Retirement
Director of Computer Center and Telecommunications Wayne C. Bohm, in accordance with the revised retirement policy, has requested retirement effective January 1, 2011, including leave with pay for the period of July 1, 2010, through December 31, 2010. Retirement service pay based on 23.5 years of service to the University will be paid as of December 31, 2010.

Education Coordinator Janet S. Kahle, in accordance with the regular retirement policy, has requested retirement effective January 1, 2011.

Assistant Treasurer Michael W. Whipple, in accordance with the early retirement policy, has requested retirement effective June 1, 2011, including leave with pay for the period of December 1, 2010, through May 31, 2011. Retirement service pay based on 35 years of service to the University will be paid as of May 31, 2011.

2. Emeritus Status
It is recommended that the following administrators be retired officially with the effective dates shown and that the appropriate emeritus titles, as indicated, be conferred:

Director Emeritus of Computer Center and Telecommunications Wayne C. Bohm,
23.5 years at USI, effective January 1, 2011

Education Coordinator Emerita Janet S. Kahle,
10 years at USI, effective January 1, 2011

Assistant Treasurer Emeritus Michael W. Whipple,
35 years at USI, effective June 1, 2011

It is recommended that the appropriate emeritus title for the following faculty member be posthumously conferred:

Professor Emeritus of Mathematics Charles J. Bertram

3. Revision to Effective Date of Revised Retirement
The USI Board of Trustees, at its meeting on January 8, 2009, approved revised retirement for Vice Provost for Outreach and Dean of Extended Services M. Edward Jones effective July 1, 2010. Dr. Jones has requested that the effective date be changed to July 1, 2011, including leave with pay for the period January 1, 2011, through June 30, 2011. Retirement service pay based on 36 years and 4 months of service to the University will be paid as of June 30, 2011.

4. Revision to Emeritus Status
It is recommended that Dr. Jones retire officially with the effective date shown and that the appropriate emeritus title, as indicated be conferred:

Vice Provost Emeritus for Outreach and Dean Emeritus of Extended Services M. Edward Jones,
36 years and 4 months at USI, effective July 1, 2011.

There being no further business, the meeting adjourned at 2:35 p.m.

Respectfully submitted,

Cynthia S. Brinker
Assistant Secretary

UNIVERSITY OF SOUTHERN INDIANA
New Program Development Plan

Revised by Academic Planning Council
October 26, 2009

Baccalaureate Degree	**Graduate Degree**
2009-2011 Biennium	
Anthropology	Communication
Arts and Heritage Management	MSW in Administration
Biochemistry	Special Education/Exceptional Needs
Business Economics	
Business/Engineering	
Environmental Science	
Health Informatics	
International Business	
Respiratory Therapy	
Sport Management	
2011-2013 Biennium	
Electrical and Computer Engineering	Environmental Science
Entrepreneurship	Food and Nutrition (Dietetics)
Geography	History (MA)
Mechanical Engineering	Human Performance
	Imaging Sciences
	Medical Records and Health Informatics
	Physical Therapy
	Occupational Therapy
2013-2015 Biennium	
Forensic Science	Pharmacy

ABSTRACT

Bachelor of Science in Sport Management,
To be Offered on-campus by the University of Southern Indiana, Evansville, Indiana

Objectives:
The purposes of the proposed Bachelor of Science in Sport Management are to meet regional and state needs by providing students the knowledge and skills to succeed in a variety of positions within sport management and to prepare students to succeed in a graduate program within the areas of sport management.

Clientele to be Served:
The proposed sport management program will accommodate at least four distinct student constituents: students entering USI directly following high school seeking to enter the sport management field; practitioners such as coaches and health/fitness managers seeking to advance their skills, knowledge, and careers through professional development initiatives offered by the University; current USI kinesiology majors seeking to expand their specialization with additional coursework in sport management; and students earning a minor in sport management and/or coaching wanting to expand their expertise and knowledge by taking additional courses in the sport management major.

Curriculum:
The proposed Bachelor of Science in Sport Management will be comprised of 124 semester hours in three content areas: 43 hours of sport management courses; 50 hours of University Core Curriculum courses; and 31 hours of general University elective courses. The program will adhere to the Excellence in Sport Management Education content area guidelines for undergraduate level programs which include: 1) social/psychological; 2) management; 3) ethics in sport management; 4) sport marketing/communication; 5) finance/accounting/economics; 6) legal aspects of sport; and 7) integrative experiences (internship) (COSMA, 2008). The accreditation principles set forth by the Commission on Sport Management Accreditation (COSMA) will be met through the curriculum.

Employment Possibilities:
Participation in sport and physical activity at all levels -- intercollegiate, interscholastic, recreational sports, and professional sports -- continues to increase. With this increase in participation, career opportunities have never been greater. The sport industry is the fourth largest growth industry in the United States. The sport industry has increased from a $152 billion to a $213 billion industry from 1995 to present. This rapid increase in growth has resulted in a need for additional sport management professionals. According to the Bureau of Labor Statistics (United States Department of Labor, 2009), career opportunities related to sports are expected to increase 15 percent faster than the average for all occupations through the year 2016. It is projected that there will be 562,000 sport management related positions available by 2016. The rapid increase continues for many reasons including: growth in the number of sport management programs (20 in 1980 to over 200 today); the growth of the general public participating in organized sport; increased participation in organized sports by girls and women; increased number of baby boomers approaching retirement; and the large number of children of baby boomers participating in high school and college athletics (Hatfield & Hatfield, 2005).

Typical entry-level positions include those in theme parks and recreation centers, fitness clubs, collegiate and professional sport organizations and leagues, sport marketing agencies, sport manufacturers, teams, sports media, corporate sponsors, and consulting firms. Examples of potential sport management positions include but are not limited to the corporate and commercial fitness management positions such as coordinators of personal trainers and/or group exercise instructors; university recreational sports positions such as facility management coordinator and intramural recreational sports coordinator; the United States Olympic Organization such as coordinator of financial operations; sports media such as assistant sports information director; sports entertainment such as sports and entertainment – entry level sales; and coaching positions within the NCAA, MLB, NFL, ESPN; and sport retailing positions such as store managers within Dicks, Nike, Adidas, etc. Graduates with a Bachelor of Science in Sport Management also will be well prepared for graduate study in sport management and related fields.

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December 12, 2009

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INDEPENDENT AUDITORS' REPORT

TO: THE OFFICIALS OF UNIVERSITY OF SOUTHERN INDIANA, EVANSVILLE, INDIANA

We have audited the accompanying basic financial statements of University of Southern Indiana, a component unit of the State of Indiana, as of and for the years ended June 30, 2009 and 2008. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the component unit of the University as discussed in Note 17, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of University of Southern Indiana, as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 29, 2009, on our consideration of University of Southern Indiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

STATE BOARD OF ACCOUNTS
State Board of Accounts

October 29, 2009

University of Southern Indiana
Fiscal Year Ended June 30, 2009

Management's Discussion and Analysis

Management's discussion and analysis reviews the financial performance of the University during the fiscal year ended June 30, 2009, and compares that performance with data from prior fiscal periods. It is designed to focus on current activities, resulting changes, and currently known facts. It is intended to answer questions that may result from the review of the information presented in the financial statements and to better explain the financial position of the University. The information presented in the financial statements, the notes to the financial statements, and the discussion and analysis are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements prepared from an entity-wide focus in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements--and Management's Discussion and Analysis--for Public Colleges and Universities.* These statements focus on the financial condition, the results of operations, and the cash flows of the University as a whole.

A key question to ask about the University's finances is whether the institution as a whole improved or declined as a result of the financial activities from the fiscal year. The answer is found in the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Discussion and analysis of each of these statements are presented in the following pages.

Statement of Net Assets

The Statement of Net Assets presents the value of the assets, liabilities, and net assets at the end of the fiscal year. It is prepared under the accrual basis of accounting: revenues and expenses, and their impact on assets and liabilities, are recognized when service is provided or received by the University, regardless of when cash is exchanged. Assets and liabilities are classified as current (accessible or payable in one year or less) or non-current (accessible or payable beyond one year); net assets are invested in capital assets, restricted for specific purposes, or unrestricted.

Net assets are one indicator of current financial health. The increases or decreases in net assets that occur over time indicate improvements or deterioration of the University's financial condition.

STATEMENT OF NET ASSETS **June 30** (in thousands)	**2009**	**2008**	**2007**
Current Assets	$102,541	$69,350	$67,249
Non-current Assets:			
Capital assets, net of depreciation	153,764	133,349	131,645
Other non-current	29,599	36,338	25,135
Total Assets	$285,904	$239,037	$224,029
Current Liabilities	$21,262	$17,602	$17,722
Non-current Liabilities	153,864	119,821	117,297
Total Liabilities	$175,126	$137,423	$135,019
Net Assets:			
Invested in capital assets, net of debt	$33,492	$15,791	$11,407
Restricted - expendable	28	850	1,768
Unrestricted	77,258	84,973	75,835
Total Net Assets	$110,778	$101,614	$89,010

Assets

Current assets at June 30, 2009, consist predominantly of cash and cash equivalents, short-term investments, receivables net of allowances for bad debt, and deposit with bond trustee. Also included are prepaid expenses and accrued interest. Non-current assets include capital assets net of depreciation and long-term investments. Both current and non-current assets include notes receivables and lesser-valued resources that are grouped together and listed under the term "Other".

Total assets increased $46.9 million (19.6 percent) in 2009 compared to a $15.0 million (6.7 percent) increase in 2008 and a $4.8 million (2.2 percent) increase in 2007. The current year increase is explained by the following fiscal year events:

- Cash and investments decreased $16.4 million in 2009 compared to a $17.1 million increase in 2008, and a $10.1 million increase in 2007 reflecting the University's commitment to improve campus facilities using institutional resources.
- Student receivables comprise 62.9 percent of the total accounts receivable amount and increased $145,480 in 2009 compared to a $2.4 million decrease in 2008 and a $3.1 million increase in 2007.
    - Fiscal year 2007 marked the implementation of a change in summer billing. In contrast to previous years, when each summer session was billed separately over three months, all 2007 summer sessions were billed before the fiscal year end. This caused the large increase in that fiscal year.
    - In fiscal year 2008, the third summer billings were identified and removed from receivables and income, bringing the total student receivables more in line and more comparable to previous years.
    - Fiscal year 2009 student receivables are 4.0 percent higher than those of fiscal year 2008, reflecting a combination of enrollment increases and student fee increases.

- Deposits with Bond Trustee increased by $43.8 million in 2009. The increase primarily results from the issuance of $51.2 million in Series J bonds issued in February 2009. Note 6 of the *Notes to Financial Statements* contains more information regarding this debt issue.
- Gross capital assets increased by $29.5 million in fiscal year 2009. Completion of the McDonald West Recreation Building, the Support Services Building, the McCutchan Art Center, and purchases of rental property, capital equipment, and library materials accounted for $10.7 million of the increase; work in progress on projects described in Note 14 of the *Notes to Financial Statements* created the remaining increase of $18.8 million. These increases were offset by an increase in accumulated depreciation of $9.1 million for a net capital asset increase of $2.0 million in fiscal year 2009.

Liabilities

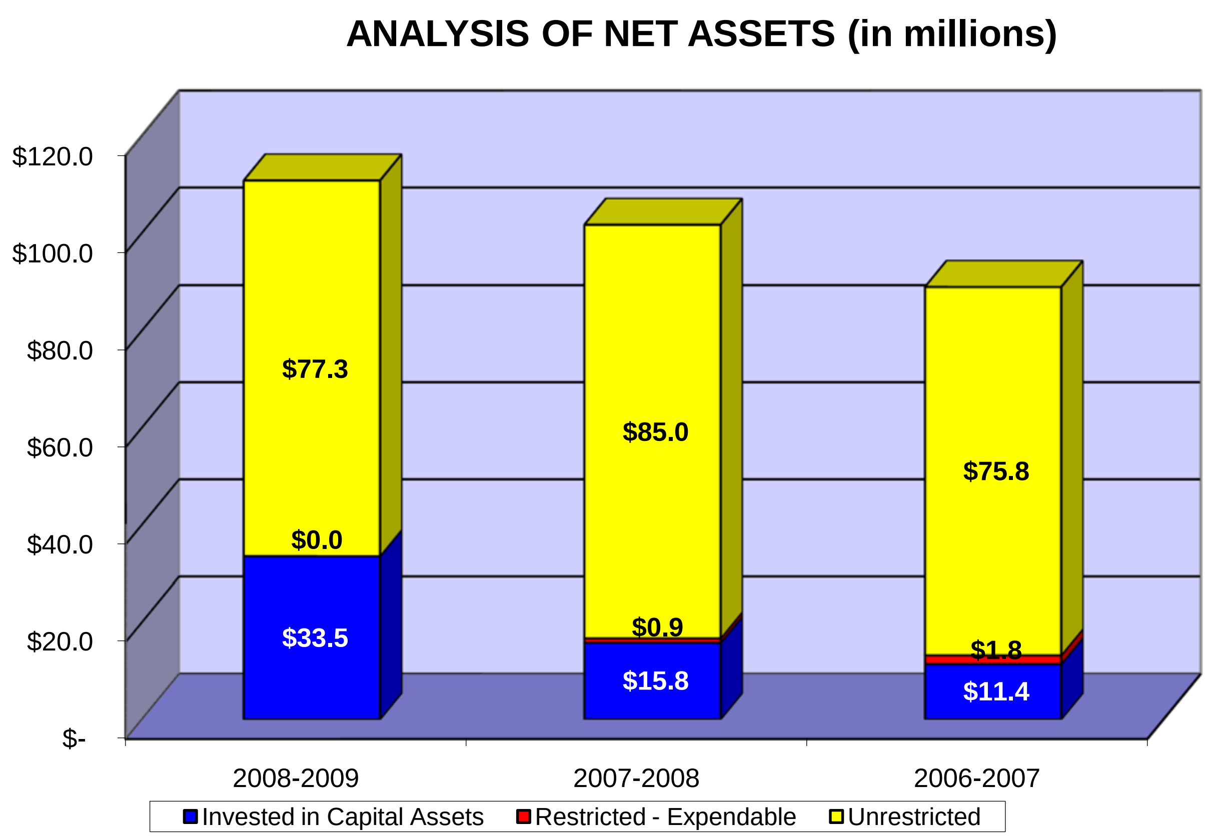
Current liabilities at June 30, 2009, are primarily composed of accrued payroll and related benefits and deductions and the current portion of bonds payable. Also included are accounts payable, debt interest payable, and other miscellaneous liabilities. Non-current liabilities are predominately bonds payable. Also included are compensated absences, termination and postemployment benefits, an unamortized bond premium, and miscellaneous other long-term liabilities. Total liabilities increased $37.7 million (27.4 percent) in 2008 compared to an increase of $2.4 million (1.8 percent) in 2008 and a decrease of $1.3 million (.9 percent) in 2007. Activities that influenced this change include the following:

- Accrued payroll, related benefits and deductions increased $524,024 in 2009 compared to a $281,000 decrease in 2008 and a $402,000 decrease in 2007.
  - Recognition of voluntary termination benefits decreased $56,628 for 2009.
  - Benefit withholdings increased $290,344 for the 2009 fiscal year.
  - Fiscal year-end withholding liabilities increased $64,320 and wages payable increased $336,924.
  - In 2008, excess collections, which had accumulated over a three-year period, were removed from the benefits liability account to establish a holding fund of $1.0 million to cover claims exceeding medical premiums collected during the year. This one-time change created a $115,501 change for that fiscal period.
  - Minor changes in compensated absences and in miscellaneous deductions explain the remaining 2009 changes.
- The 2009 net change to notes and bonds payable equals a $36.2 million increase.
  - Notes payable decreased $6.5 million as interim financing for multiple projects -- architectural and engineering fees for a future Business and Engineering Center; completion of the lower level of the Education Center; and expansion of the physical plant facility -- were paid with funds from the February 2009 Series J bond issue of $50.2 million.
  - Bonds payable increased $42.7 million with the addition of the Series J issue. See Note 5 in *Notes to Financial Statements* for more information on notes and bonds payable.
  - Paying down the existing debt decreased bonds payable by $7.5 million.

Net Assets

Net assets at June 30, 2009, are $9.2 million greater than on June 30, 2008. Capital assets, net of related debt, increased $17.7 million; restricted expendable assets decreased $821,610; and unrestricted assets decreased $7.7 million. Unrestricted assets equal $77.3 million and comprise 70.0 percent of total net assets. Of the total unrestricted amount, $72.4 million have been internally designated as follows:

- $25.8 million reserve for equipment and facilities maintenance and replacement
- $14.4 million reserve for University benefits
- $14.6 million reserve for auxiliary systems
- $4.7 million reserve for working capital and outstanding encumbrances
- $6.8 million reserve for academic operations and initiatives
- $2.8 million reserve for insurance and equipment
- $3.3 million reserve for medical premiums



Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the fiscal year. This statement tells the reader to what extent the results of operations, non-operating revenues, and capital funding have had on the net assets of the University.

Activities are reported as either operating or non-operating. Student fees and revenues from auxiliary enterprises are the major sources of operating income. Operating income is reduced by discounts and allowances for scholarships, room, and board. Discounts and allowances are institutional resources provided to students as financial aid up to and equal the amounts owed by the students to the institution.

An important point to recognize on this financial statement is that state appropriations and non-exchange governmental and corporate grants are required to be classified as non-operating revenues. This creates large operating deficits for public universities which rely heavily on state funding and governmental grants to meet their missions and goals. A truer measure of fiscal year net income is the amount shown on the statement as “Income/(expenses) before other revenues, expenses, gains, or losses”.

Statement of Revenue, Expenses, and Changes in Net Assets			
Year ended June 30 (in thousands)	**2009**	**2008**	**2007**
Total operating revenues	$64,811	$58,498	$57,140
Total operating expenses	(120,779)	(109,392)	(106,858)
Operating losses	(55,968)	(50,894)	(49,719)
Net non-operating revenues/(expenses)	65,102	62,697	55,021
Income/(expenses) before other revenues, expenses, gains, or losses	9,134	11,803	5,302
Capital gifts, grants, and appropriations	30	801	805
Increase (decrease) in net assets	$9,164	$12,604	$6,107

Revenues

Operating revenues increased $6.3 million (10.8 percent) in 2009 compared to 2.4 percent increases over the last two fiscal years - $1.4 million in 2008 and $1.3 million in 2007. The increases are explained by the following significant fiscal year activities:

- Net student fee revenue increased from $35.3 million in 2008 to $39.3 million in 2009. This change is due primarily to a fee increase of 6.0 percent in 2009 and an enrollment increase of 1.9 percent.
- Auxiliary income increased from $20.8 million in 2008 to $23.2 million in 2009. The bookstore experienced a $1.5 million operating increase; housing rental realized a $397,000 increase; and other auxiliary operations increased $503,000.

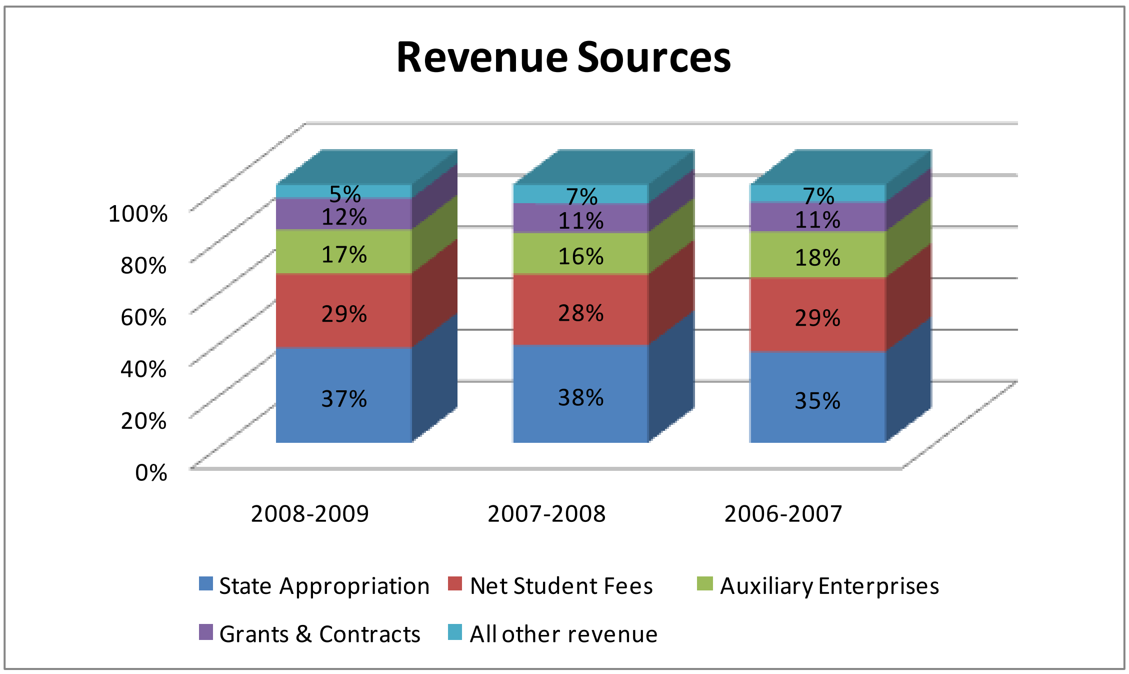
Non-operating revenues experienced a net increase of 3.4 percent for the fiscal year ended June 30, 2009, compared to a 12.9 percent increase in 2008.

- State appropriations increased 3.3 percent, from $48.3 million in 2008 to $49.9 million in 2009. General operating support from the State of Indiana generated this change as it was increased $1.6 million.
- Gift revenues increased 9.6 percent and 19.2 percent for 2009 and 2008 respectively. Of the $2.7 million gifts received in 2009, 96.0 percent came from the USI Foundation for scholarships, educational grants, academic enhancements, athletics, and other University support.

- Federal grants and contracts increased more than $1.2 million (16.1 percent) compared to an increase of $786,000 (11.7 percent) in 2008. Federal student financial assistance accounted for over $915,000 of the current year increase.

Other revenues include capital gifts from the USI Foundation. Capital gifts of more than $800,000 in 2008 and $30,000 in 2009 were received for purchase of classroom equipment, major renovation, and new construction projects. More than $24,000 of the $30,000 in 2009 gifts is restricted to the renovation and landscaping of the Schnee-Ribeyre-Elliott house in New Harmony, Indiana.

Total revenues (operating, non-operating, and other) increased $7.9 million in fiscal year 2009 compared to $9.2 million increase 2008. The graph below shows the composition of the University's revenue for fiscal years 2007 - 2009:



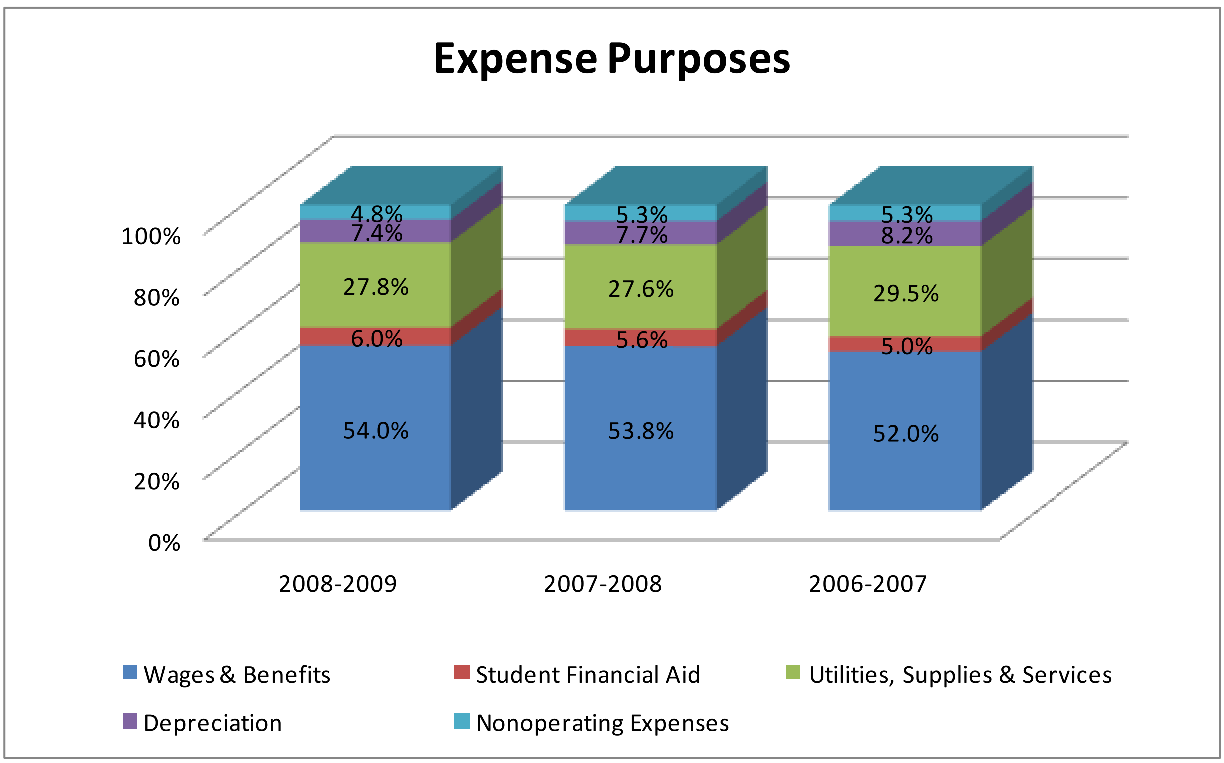
Expenses
Operating expenses increased $11.4 million (10.4 percent) this fiscal year compared to a $2.5 million (2.4 percent) increase in 2008. Except as noted otherwise, the increase in operating expenses is generally a result of rising costs and an increase in campus plant facilities. Changes in expense categories were as follows:

- Compensation (salaries, wages, and benefits) comprises 56.7 percent of total operating expenses and increased 10.3 percent over 2008. Salaries and wages increased $3.9 million and benefit expense increased $2.4 million. Instructional salary expenses increased by more than $1.3 million and administrative salaries increased by $1.2 million. Medical insurance costs accounted for $1.2 million of the benefit increase, retirement plan costs increased by $400,000 and other post-retirement benefit costs increased by more than $400,000.

- Student financial aid increased by $1.1 million for a 17.5 percent increase. Federal Pell grants were responsible for $918,000 of the increase.
- Utilities increased $780,000 (17.6 percent) compared to the prior year's increase of $500,000 (14.0 percent). Electricity costs rose by $447,000 and gas costs increased by $326,000.
- Supplies and other services expense increased in 2009 by $2.6 million, or 9.4 percent. Bookstore purchases accounted for nearly $1.3 million of the increase and capital outlay accounted for approximately $900,000 of the increase.
- Depreciation increased $527,000, or 5.9 percent, in fiscal year 2009 compared to a decrease of $400,000, or 4.5 percent, in fiscal year 2008.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. These expenditures decreased $48,000 this year compared to a $206,000 decrease in 2008. The change in fiscal year 2009 results from less interest on capital debt expense having been incurred and yields a total decrease when netted against bond issuance costs related to the issuance of Series J bonds . See Note 6 of the *Notes to Financial Statements* for more information.

Total expenses (operating and non-operating) increased $11.3 million in fiscal year 2009 compared to a $2.7 million increase in 2008 and a $2.8 million increase in 2007. The composition of total expenses for all three years is depicted by major categories in the graph below:



Change in Net Assets
The difference between annual revenues and expenses causes an increase or decrease to net assets. For fiscal year ending June 30, 2009, net assets increased $9.2 million compared to a $12.6 million increase for fiscal year ending June 30, 2008. Total revenues increased at a greater rate than total expenses during fiscal year 2009.

Statement of Cash Flows

The Statement of Cash Flows provides additional information about the financial health of the University by helping the user assess the ability to generate future cash flows, the ability to meet obligations as they come due, and the need for external financing.

This statement identifies the sources and uses of cash and equivalents throughout the fiscal year and informs the user how much cash was used by or provided by the following activities: operating, noncapital financing, capital financing, and investing. The chart below shows the University's sources, uses, and changes in cash and cash equivalents for fiscal years 2007-2009:

STATEMENT OF CASH FLOWS **Year ended June 30** (in thousands)	**2009**	**2008**	**2007**
Net cash (used) provided by			
Operating activities	($45,646)	($39,759)	($43,775)
Noncapital financing activities	69,172	65,466	58,126
Capital financing activities	890	(13,130)	(8,671)
Investing activities	(26,634)	(6,061)	(7,624)
Net increase (decrease) in cash	($ 2,218)	$ 6,516	($ 1,943)

Operating activities
- Cash used by operating activities increased $5.9 million over the prior fiscal year compared to a $4.0 million decrease from 2007 to 2008.
- Student fees and auxiliary enterprises provided the largest inflow in cash for all fiscal years.
- Payments to employees (wages and benefits) and suppliers caused the largest outflow of cash for all fiscal years.

Noncapital financing activities
- Cash provided by noncapital financing activities increased $3.7 million over the prior fiscal year compared to a $7.3 million increase from 2007 to 2008.
- State appropriations provided the largest cash inflow in all fiscal years.

Capital financing activities
- Cash provided by capital financing activities increased $14.0 million in 2009 compared to a $4.5 million decrease in 2008. The 2009 increase stemmed largely from the issuance of Series J Bonds for the Business and Engineering Center.
- Proceeds from capital debt generated the largest cash inflow in all fiscal years.

- Purchases of capital assets generated the largest cash outflow in 2009 while principal and interest paid on capital debt generated the largest cash outflow in 2008 and in 2007.

Investing activities

- Cash used by investing activities increased $20.6 million during 2009 compared to a $1.6 million decrease in 2008. The 2009 increase stemmed largely from the transfer of cash to the bond trustee for the Series J Bonds.
- Proceeds from sales and maturities of investments increased $11.8 million in 2009 compared to a $16.8 million increase in 2008.
- Cash used for purchases of investments decreased $12.7 million compared to a $15.2 million increase in 2008.

Summary of Statement of Cash Flows

For the year ended June 30, 2009, more cash was used for operating activities, more cash was provided by noncapital financing activities, more cash was provided by capital financing activities, and more cash was used by investing activities than in the previous fiscal year. As a result of these activities, the University decreased its cash position by $2.2 million, ending the fiscal year with a cash balance of $19.7 million.

Factors Impacting Future Periods

The 2009 Indiana General Assembly approved $15.0 million in bonding authority for the construction of a 350-seat Teaching Theatre on the USI campus to replace the current theatre, costume shop, and scene shop located four miles from campus. The University expects to issue bonds on the project within the next 18 months but some planning and design work is already underway. The project must be reviewed by the Commission for Higher Education and the State Budget Agency before funds are released for construction.

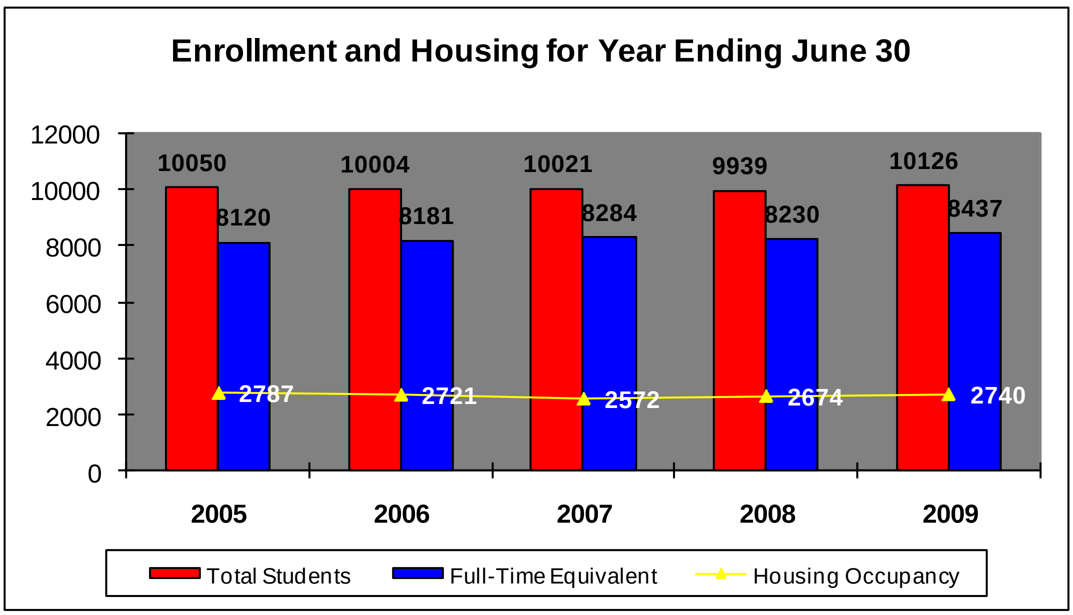
Current year revenue projections for the State of Indiana are not trending in a positive direction. Although there are no budget cost reduction measures that have been enacted for the following fiscal year, concerns do exist for that potential. During the 2008-2009 fiscal year budget reductions of 1.0 percent or $403,875 of the operating budget were implemented by the State of Indiana and no repair and rehabilitation dollars were released.

The University may receive $4.4 million in the 2009-2010 fiscal year through the State Fiscal Stabilization Act as a result of the American Recovery and Reinvestment Act (ARRA) of 2009. Of the $4.4 million, $1.4 million is to be used solely for repair and rehabilitation projects. The remaining $3.0 million is to be used at the discretion of the University, but currently is planned to be used predominantly for one-time capital improvement or quality of life type projects on campus. The University also may receive ARRA funding for the Federal College Work Study program of approximately $48,000.

As a result of recent economic conditions, the corpus of the USI Foundation has declined significantly. The University has chosen to use various fund balances and reserves to replace drawing down scholarships and faculty development support from the USI Foundation for approximately two years. The decision will allow the USI Foundation principal to recover more quickly and is believed to be in the best interest of the University for the long term. The amount could be approximately $1.0 million annually.

The University is embarking on the completion of its first formal strategic planning process during the next fiscal year under the leadership of the newly appointed and third President of the University, Dr. Linda L.M. Bennett.

The University of Southern Indiana is maturing: its rate of growth has stabilized and it is continuing to develop into a residential campus. Total enrollment for academic years ending 2005 through 2009 reflects a modest increase of 0.8 percent; full-time equivalents for the same period increased 1.4 percent. Full-time students represent 83.3 percent of the total student population. Housing occupancy has stabilized with an occupancy rate averaging in excess of 90 percent over the past five-year period. The following graph illustrates enrollment and housing occupancy for the five-year period, 2005 to 2009.



UNIVERSITY OF SOUTHERN INDIANA
Statement of Net Assets
June 30, 2009 and 2008

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 19,721,120	$ 21,938,868
Short-term investments (Note 2)	29,269,725	36,785,069
Accounts receivable (Note 3)	5,978,412	6,758,191
Due from the State of Indiana		806,015
Inventories	2,143,690	1,574,263
Deposit with bond trustee	43,810,686	50,233
Other current assets	1,617,859	1,437,832
Total current assets	$ 102,541,492	$ 69,350,471
Noncurrent Assets		
Long-term investments (Note 2)	$ 28,988,552	$ 35,634,699
Capital assets, net (Notes 14 & 15)	153,764,210	133,349,021
Other noncurrent assets	610,103	703,247
Total noncurrent assets	$ 183,362,865	$ 169,686,967
Total Assets	**$ 285,904,357**	**$ 239,037,438**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,612,000	$ 1,722,736
Accrued payroll, benefits, and deductions	5,518,223	4,994,199
Notes and bonds payable (Notes 4 & 6)	9,476,710	7,453,201
Debt interest payable	2,344,439	1,745,725
Other current liabilities	2,311,030	1,685,750
Total current liabilities	$ 21,262,402	$ 17,601,611
Noncurrent Liabilities		
Notes and bonds payable (Notes 4 & 6)	$ 149,425,826	$ 115,192,536
Unamortized bond premium	1,378,194	1,476,636
Compensated absences and termination benefits (Notes 7 & 8)	2,634,881	2,507,060
Other noncurrent liabilities	424,943	645,539
Total noncurrent liabilities	$ 153,863,844	$ 119,821,771
Total Liabilities	**$ 175,126,246**	**$ 137,423,382**
NET ASSETS		
Invested in capital assets, net of related debt	$ 33,491,993	$ 15,791,451
Restricted		
Expendable		
Scholarship, research, and other	28,548	44,143
Repairs and rehabilitation		806,015
Unrestricted	77,257,570	84,972,447
Total Net Assets	**$ 110,778,111**	**$ 101,614,056**

UNIVERSITY OF SOUTHERN INDIANA
Statement of Revenue, Expenses, and Change in Net Assets
Years ended June 30, 2009 and 2008

	2009	2008
REVENUES		
Operating Revenues		
Student fees	$ 51,105,130	$ 45,955,969
Scholarship discounts & allowances	(11,784,023)	(10,660,471)
Grants and contracts	771,145	460,780
Auxiliary enterprises	23,778,135	21,404,732
Room & board discounts & allowances	(611,519)	(582,834)
Other operating revenues	1,552,428	1,920,022
Total operating revenues	$ 64,811,296	$ 58,498,198
EXPENSES		
Operating Expenses		
Compensation:		
Salaries & Wages	$ 50,664,908	$ 46,721,890
Benefits (Notes 9, 10, & 11)	15,710,876	13,271,690
Other postemployment benefits (Note 12)	2,145,542	2,146,904
Student financial aid	7,584,910	6,456,944
Utilities	5,237,354	4,453,618
Supplies and other services	30,028,292	27,460,313
Depreciation	9,408,046	8,880,681
Total operating expenses	$ 120,779,928	$ 109,392,040
Operating loss	$ (55,968,632)	$ (50,893,842)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 49,855,918	$ 48,286,186
Gifts	2,702,529	2,466,707
Federal grants and contracts	8,745,313	7,532,168
State and local grants and contracts	6,832,764	6,241,454
Nongovernmental grants and contracts	162,742	158,343
Investment income (net of investment expense of $51,399 and $26,031 for 2009 and 2008)	2,880,893	4,137,647
Interest on capital asset-related debt	(5,277,305)	(5,979,143)
Bond issuance costs	(755,264)	(59,513)
Other non-operating expenses	(45,278)	(86,882)
Net non-operating revenues	$ 65,102,312	$ 62,696,967
Income before other revenues, expenses, gains, or losses	$ 9,133,680	$ 11,803,125
Capital grants and gifts	30,375	801,054
Total other revenues	30,375	801,054
Increases in net assets	$ 9,164,055	$ 12,604,179
NET ASSETS		
Net assets – beginning of year	$ 101,614,056	$ 89,009,877
Net assets – end of year	**$ 110,778,111**	**$ 101,614,056**

UNIVERSITY OF SOUTHERN INDIANA
Statement of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Tuition and fees	$ 39,495,406	$ 35,088,535
Grants and contracts	987,242	710,800
Payments to suppliers	(30,239,797)	(26,885,477)
Payments for utilities	(5,237,354)	(4,453,618)
Payments to employees	(50,327,985)	(46,536,324)
Payments for benefits	(17,797,813)	(15,660,306)
Payments for scholarships	(7,584,910)	(6,456,944)
Loans issued to students	(344,530)	(227,678)
Collection of loans to students	370,506	254,343
Auxiliary enterprises receipts	23,554,445	20,332,377
Sales and services of educational depts.	142,141	134,460
Other receipts (payments)	1,337,071	3,940,457
Net cash used by operating activities	**$ (45,645,578)**	**$ (39,759,375)**
Cash Flows from Noncapital Financing Activities		
State appropriations	$ 50,661,933	$ 49,092,201
Gifts and grants for other than capital purposes	18,443,348	16,398,672
Other non-operating receipts (payments)	66,739	(24,529)
Net cash provided by noncapital financing activities	**$ 69,172,020**	**$ 65,466,344**
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	$ 50,185,000	$ 9,975,000
Capital grants and gifts	34,026	854,138
Bond financing costs	(800,542)	(146,396)
Purchase of capital assets	(29,823,235)	(10,584,901)
Principal paid on capital debt	(13,928,201)	(7,198,751)
Interest paid on capital debt and leases	(4,777,032)	(6,036,376)
Proceeds from deposit with trustee		7,447
Net cash provided by capital financing activities	**$ 890,016**	**$ (13,129,839)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	$ 62,461,233	$ 50,636,593
Interest on investments	2,740,086	3,829,641
Purchase of investments	(48,075,072)	(60,745,426)
Change in deposit with trustee	(43,760,453)	218,249
Net cash used by investing activities	**$ (26,634,206)**	**$ (6,060,943)**
Net increase (decrease) in cash	$ (2,217,748)	$ 6,516,187
Cash – beginning of year	21,938,868	15,422,681
Cash – end of year	**$ 19,721,120**	**$ 21,938,868**

UNIVERSITY OF SOUTHERN INDIANA
Statement of Cash Flows
Years Ended June 30, 2009 and 2008

	2009	2008
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating loss	$ (55,968,632)	$ (50,893,842)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	9,408,046	8,880,681
Provision for uncollectible accounts	66,382	306,194
Changes in assets and liabilities:		
Receivables	713,397	1,545,463
Inventories	(569,427)	444,500
Other assets	(200,376)	221,124
Accounts payable	881,946	(150,549)
Deferred revenue	89,883	(309,718)
Deposits held for others	35,720	(54,631)
Employee and retiree benefits	(128,494)	224,738
Loans to students	25,977	26,665
Net cash used by operating activities:	**$ (45,645,578)**	**$ (39,759,375)**

Noncash Transactions		
Unrealized gain/(loss) on short-term investments	$ (1,188)	$ (62,619)
Unrealized gain/(loss) on long-term investments	225,859	(416,809)
Bonds payable – LT and ST Series 2001B		9,800,000
Bonds payable – LT and ST Series 2008A		(9,800,000)
Net noncash transactions	**$ 224,671**	**$ (479,428)**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies
The University of Southern Indiana was established in 1985 as described in the Indiana Code (IC 21-24-1 through IC 21-24-4-1). The University is managed by a nine-member board of trustees whose members are appointed by the governor. The board must include at least one alumnus, one resident of Vanderburgh County, and one full-time student in good standing. Each member must be a citizen of the United States and a resident of the State of Indiana. Trustees serve four-year terms with varying expiration dates with the exception of the student trustee, who serves a term of two years.

The University is a special-purpose governmental entity which has elected to report as a business-type activity using proprietary fund accounting, following standards set forth by the Governmental Accounting Standards Board (GASB). The financial reporting emphasizes the entity as a whole rather than the individual fund groups – unrestricted, designated, auxiliary, restricted, loans, agency, and plant funds – that comprise the whole.

The University also is considered a component unit of the State of Indiana. As such, the University is financially integrated with the State and depends on annual appropriations from the State to maintain quality service to students and to deliver quality programs. The University must receive authorization from the State before undertaking major capital projects. As a component unit, public higher education institutions, as a group, will be discretely presented on the Comprehensive Annual Financial Report issued annually by the State of Indiana.

The University includes the University of Southern Indiana Foundation, Inc. as a component unit as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation is a private nonprofit organization that reports under the standards of the Financial Accounting Standards Board (FASB). 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 report for these differences.

Accounting Methods and Policies
The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

- Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.
- Restricted revenues and receivables resulting from non-exchange transactions are recognized when all applicable eligibility requirements are met. Resources received before eligibility requirements are met are recorded as deferred revenues.
- Revenue from major sources is susceptible to accrual if the amount is measurable.
- Internal service activity, referred to as chargeback income/expense, has been eliminated from the statement of activities to prevent the double-counting of expenses and the recognition of self-generated revenue.

Capital Assets Accounting Policies
The University established a capitalization threshold of $5,000 and a useful life greater than two years. The University records depreciation for all capital assets with the exception of land and historical sites. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful life of each capital asset group is as follows:

- Building components (shell, roof, utilities, and internal) -- 8-50 years
- Equipment -- 5-15 years
- Land improvements -- 15 years
- Infrastructure -- 25 years
- Library materials -- 10 years

Plant assets are removed from the records at the time of disposal. See Note 15 in the *Notes to Financial Statements* for current-year activity and accumulated depreciation on the various classes of assets.

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of 2,800 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment, and textiles. The collection consists of both donated and purchased items. Per the code of ethics for museums, Historic New Harmony does not place a monetary value on the collection. Museums are organized as public trusts that act as stewards for the public in collecting, protecting, preserving, and interpreting objects. A well-documented inventory is maintained, but the value is unknown and therefore not included in the capitalized asset value at June 30, 2009.

The University owns a permanent art collection whose primary function and aim is education in accordance with one element of the University's mission: to support the cultural awareness of its students, faculty, staff, and the citizens of southwestern Indiana. The collection consists of both donated and purchased items. Many of the donated pieces were received without appraised values. Collection pieces which have been appraised or purchased are valued at $1,385,121. Appraised values for the remaining collection will be obtained over future periods. The currently-known value is not included in the capitalized asset value at June 30, 2009.

Operating Revenues and Expenses
Operating revenues of the University consist of student fee income, operating grants and contracts, collections of loans to students, sales and services of educational activities, and auxiliary enterprise revenues. Operating expenses include payments to suppliers for goods and services, employee wages and benefits, and payments for scholarships.

Nonoperating Revenues and Expenses
Nonoperating revenues of the University consist of state appropriations, gifts, non-exchange grants, and investment income. Nonoperating expenses include interest on capital asset related debt, bond issuance costs and annual bond management fees.

Other Disclosures
The Statement of Cash Flows is presented using the direct method, and it identifies the sources and uses of both cash and cash equivalents during the fiscal year. Cash equivalents are investment instruments, typically certificates of deposits and repurchase agreements, which have an original maturity date of 90 days or less.

Investments are recognized in the accounting records at cost on the date of purchase. For financial statement presentation, they are reported at the market value in effect on June 30 of the current fiscal year. Unrealized gain or loss is included with interest income on the Statement of Revenues, Expenses, and Changes in Net Assets.

Prepaid expenses and inventories of materials and supplies are considered expenditures when used. The inventory on hand at the end of the fiscal year is valued using a perpetual system, and cost is determined using the first-in, first-out method of inventory accounting.

Inventories of retail merchandise are considered expenditures when purchased. The value of the inventory on hand at the end of the fiscal year is based on a physical count. Cost is determined using the retail or weighted average method of accounting.

The University prepares its financial statements according to the standards set by the Governmental Accounting Standards Board (GASB). To the best of the University's knowledge, it has not adopted any Financial Accounting Standard Board (FASB) statements issued after November 30, 1989.

NOTE 2 – Deposit and Investment Risk Disclosures
It is the policy of the University of Southern Indiana to manage the investment portfolio of the University in a manner described in Section 30-4-3-3 of the Indiana Code. Authorized investments include obligations of the U.S. Treasury and U.S. government agencies, certificates of deposit, repurchase agreements, money market mutual funds, savings, and negotiable order-of-withdrawal accounts. Investments with Indiana institutions are limited to those banks, savings banks, and savings and loan institutions that provide deposit insurance for university funds under Indiana statutes by the Public Deposit Insurance Fund, in addition to the amounts insured by agencies of the United States government – Federal Deposit Insurance Corporation/Savings Association Insurance Fund (FDIC/SAIF). Investments with non-Indiana institutions must be insured by agencies of the U.S. government to the maximum statutory amount of $250,000.

Deposits – At June 30, 2009, the bank balances of the University's operating demand deposit accounts were $8,069,251, of which $491,920 was covered by federal depository insurance. The remaining balance was insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party.

Investments – The University's investments at June 30, 2009, are identified in the table below:

			Investment Maturities (in Years)			
Investment Type	**Market Value**	**Type %**	**Less than 1 year**	**1 – 5 years**	**6 – 10 years**	**More than 10 years**
Money market accounts	$10,947,960	14%	$10,947,960			
Repurchase agreements	7,016,975	9%	7,016,975			
Certificates of deposit	33,729,601	43%	27,828,860	5,900,741		
U S Treasury & agency securities *	26,284,861	34%	3,197,050	14,290,869	8,054,996	741,946
Totals	**$77,979,397**	100%	**$48,990,845**	**$20,191,610**	**$8,054,996**	**$741,946**
Maturity %	100%		63%	26%	10%	1%
* U S Treasury and agency securities carry an AAA rating from both Moody's and Standard and Poor's						

Investment custodial credit risk – This 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. Of the $78 million invested, $26.3 million in U.S. government securities are held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. There are $7 million in repurchase agreements registered in the University's name and backed by the implicit guarantee of the U.S. government. All cash in the money market accounts and the certificates of deposit are insured by FDIC/SAIF, the Public Deposit Insurance Fund, or collateral as required by federal regulations.

Interest rate risk – This 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 maintained a larger percentage (63 percent) of investments in cash equivalents and short-term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Of the total U.S. government securities listed in the table above, $25.3 million are invested in government-sponsored enterprises that are neither guaranteed or insured by the full faith and credit of the U.S. Treasury, and, therefore have more credit risk than any direct obligation of the U.S. Treasury.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's policy limits the investments in any one Indiana institution to 25 percent of the total portfolio of cash, certificate of deposits, and repurchase agreements as valued at the end of the preceding month. Operating funds which are invested in overnight repurchase agreements as part of the cash management program are excluded from the 25 percent limit. At June 30, 2009, the University was in compliance with that policy. The University has more than 5 percent of investments with one institution but mitigates this risk with FDIC and Indiana Public Depository insurance protection.

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 have any global investments and, therefore, is not exposed to foreign currency risk.

NOTE 3 – **Accounts Receivable**

Accounts receivable are recorded net of allowance for uncollectible student fees of $516,265 and auxiliary services fees of $262,037. Prior-year allowances were $462,460 for student fee receivables and $249,461 for auxiliary services receivables. The accounts receivable balance for the 2008-2009 fiscal year includes $3,759,767 in net student receivables and $2,218,646 in external receivables.

NOTE 4 – Debt Related to Capital Assets
Bonds Payable – Outstanding bonds payable at June 30, 2009, total $158,902,536 and are identified in the following schedule and in Note 5.

						June 30, 2009		
SCHEDULE OF BONDS AND NOTES PAYABLE	*Issue Date*	*Interest Rate*	*Current Year Rate*	*Maturity Date*	*Original Issue Amount*	*Principal Outstanding*	*Interest Outstanding*	***Total Outstanding***
Student Fee Bonds								
Series D, Health Professions Center	1993	2.25% to 5.8%	5.60%	2015	$24,678,101	$1,998,664	$3,846,336	**$5,845,000**
Series F, Liberal Arts Center	1998	3.55% to 4.7%	4.70%	2013	15,280,000	5,000,000	613,802	**5,613,802**
Series G, Recreation & Fitness Center	1999	0% to 10%*	1.99%	2019	4,700,000	3,500,000	186,150	**3,686,150**
Series H, Science & Education Center	2001	3.5% to 5.0%	4.25%	2021	25,260,000	19,600,000	7,192,289	**26,792,289**
Series I, Library Construction	2004	2.0% to 5.375%	3.75%	2023	49,590,000	39,770,000	15,260,663	**55,030,663**
Series 2006, Recreation & Fitness Center	2006	4.67%	4.67%	2028	7,250,000	6,963,872	3,519,308	**10,483,180**
Series J, Business and Engineering Center	2009	2.5.to 5.0%	2.50%	2028	50,185,000	50,185,000	29,968,143	**80,153,143**
Auxiliary System Bonds								
Series 2001A, Student Housing Facilities	2001	4.0% to 5.0%	5.00%	2018	23,775,000	15,410,000	4,161,500	**19,571,500**
Series 2003, Student Housing Facilities	2003	3.0% to 4.5%	3.00%	2024	8,005,000	6,825,000	2,550,540	**9,375,540**
Series 2008A, Student Housing Facilities	2008	3.97%	3.97%	2021	9,800,000	9,650,000	3,925,338	**13,575,338**
Total					**$218,523,101**	**$158,902,536**	**$71,224,069**	**$230,126,605**

*This bond is a variable interest bond with weekly rates. The rate listed above is the average rate paid during the fiscal year.

The University of Southern Indiana Student Fee Bonds Series D of 1993, Series F of 1998, Series G of 1999, Series H of 2001, Series I of 2004, and Series J of 2009 are secured by a pledge of and first lien on student fees. Student Fee Bonds Series 2006 are secured by a pledge of and junior lien on student fees.

The University of Southern Indiana Auxiliary System Revenue Bonds, Series 2001A; Auxiliary System Revenue Bonds, Series 2003; and Auxiliary System Revenue Bonds, Series 2008A, are secured by a pledge of and parity first lien on the net income from the Auxiliary System (student housing, parking facilities, and dining services), any insurance proceeds, amounts held in the debt service funds or project funds, and investment income thereon.

Student fee bond Series G is a variable rate bond currently bearing interest at weekly rates ranging between zero and 10 percent. The rate in effect at June 30, and the rate used to calculate the future debt service requirements, was .85 percent. All the other bonds are term or serial with fixed annual rates as identified in the preceding table. Annual debt service requirements through maturity for bonds and notes payable are presented in the following chart:

Annual Debt Service Requirements

Fiscal Year	Bonds	Notes	Total Principal	Total Interest	Total Debt Service
2009-10	9,476,710		9,476,710	7,824,593	17,301,304
2010-11	9,021,775		9,021,775	7,459,906	16,481,681
2011-12	9,393,392		9,393,392	7,073,283	16,466,674
2012-13	9,819,160		9,819,160	6,638,464	16,457,624
2013-14	9,273,825		9,273,825	6,197,949	15,471,774
2014-19	47,119,900		47,119,900	22,679,214	69,799,114
2019-24	44,898,341		44,898,341	10,536,123	55,434,464
2024-29	19,899,433		19,899,433	2,814,537	22,713,968
Total	**$ 158,902,536**	**$0**	**$ 158,902,536**	**$ 71,224,069**	**$ 230,126,605**

NOTE 5 – Operating Leases
For the fiscal year ended June 30, 2009, the University spent $364,916 on operating leases which are included in supplies and other services in the Statement of Revenue, Expenses, and Changes in Net Assets of which $81,449 was spent on leasing off campus classroom and office space, $274,912 was spent on equipment and $8,555 was spent on vehicle leases.

NOTE 6 – Series J Bond Issue
On February 11, 2009, the University of Southern Indiana issued $50,185,000 in student fee revenue Series J bonds with an all inclusive cost interest rate of 5.13 percent. Net proceeds from the bond issues, after payment of issuance cost and utilization of the reoffering premium, are to be used to fund the construction of the Business and Engineering Center ($29.9 million), repay interim financing previously incurred for the Business and Engineering Center ($6.4 million), and to fund the costs associated with the conversion of the original library to additional University Center space ($13.8 million). Level debt service payments of $4 million are scheduled through October 2028.

NOTE 7 – **Compensated Absence Liability**
Vacation leave and similar compensated absences (such as sick leave) based on past service are accrued as a liability as earned. The liability is measured at the salary rate in effect at the balance sheet date, and additional amounts are accrued for all required salary-related payments due a terminating or retiring employee. The salary-related payments subject to this accrual include the University's share of Social Security and Medicare taxes, as well as the University's contributions to a defined benefit pension plan.

The total cumulative compensated absence liability reflected in the Statement of Net Assets is $2,312,609 and $2,110,756 for June 30, 2009 and 2008 respectively. The current year change represents $184,176 increase in accrued vacation; $496 increase in sick leave liability; $14,127 increase in Social Security and Medicare taxes; and $3,054 increase in Public Employees' Retirement Fund (PERF) contributions. During the fiscal year, $101,823 was paid out to terminating employees. Payout for terminating employees in fiscal year 2009–2010 is expected to increase approximately 40 percent because of the number who will have reached the requisite retirement age and years of service. For that reason, $142,715 of the total compensated absence liability is classified as a current liability and the remaining $2,169,894 is classified as a non-current liability.

NOTE 8 – Termination Benefits Liability
The Governmental Accounting Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits,* requires the University to recognize a liability and an expense for voluntary termination benefits, such as early-retirement incentives, when the offer is accepted and the amount can be estimated. Members of USI's regular full-time faculty and administrative staff who have been employed in an eligible position prior to January 1, 1999, who have 15 or more consecutive years of service, and who are age 60 or older may receive early-retirement benefits upon request. These benefits include a lump-sum retirement service pay calculated as a percent of final-year salary based on length of service, not to exceed 25 percent, and continued contribution to retirement annuity contracts through the end of the fiscal year in which the retiree reaches age 66. Salaries are assumed to increase at a rate of 3.3 percent annually for purposes of calculating this liability.

USI has 21 retirees currently receiving early-retirement benefits, six of whose benefits stop after this fiscal year, and seven more who have arranged to begin receiving benefits within the next three years. The liability for these benefits total $689,234 at June 30, 2009. Of that amount, $224,247 is expected to be paid out during the following fiscal year, and the remaining $464,988 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 9 – **Retirement Plans**
Substantially all regular employees of the University are covered by either the *Teachers Insurance and Annuity Association-College Retirement Equities Fund Retirement Plan* (TIAA-CREF) or the *State of Indiana Public Employees' Retirement Fund* (PERF). The TIAA-CREF plan is an IRC 403(b) defined contribution plan; PERF is a defined benefit plan under IRC 401(a) and a state plan described in IC 5-10.2 and 5-10.3. The University contributed $5,306,240 to these programs in fiscal year 2008–2009, which represents approximately 10 percent of the total University payroll and 12 percent of the benefit-eligible employees' payroll for the same period.

Faculty and Administrative Staff Eligible employees may participate in the TIAA-CREF Retirement Plan upon the completion of one year of employment. Participation may begin sooner if the employee was a participant in TIAA-CREF, or another university-sponsored retirement plan, for at least one year prior to eligible employment at USI. The University contributes 11 percent of each participating employee's base appointment salary up to $10,800 and 15 percent of the base appointment salary above $10,800. The University contributed $4,476,885 to this plan for 557 participating employees for fiscal year ending June 30, 2009, and $4,135,622 for 531 participating employees for fiscal year ending June 30, 2008. The annual payroll for this group totaled $33,693,343 and $31,257,284 for fiscal years ending June 30, 2009 and 2008 respectively.

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

Support Staff Employees in eligible positions and who work at least half-time participate in PERF, a retirement program administered by an agency of the State of Indiana. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana. There are two parts to this plan: an annuity savings plan to which the University contributes 3 percent of the employee's salary, and a defined benefit agent multi-employer plan to which the University contributed 6.3 percent of the employee's salary this fiscal year. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit part of the plan after ten years of employment. The University contributed $818,387 for 397 employees participating in PERF during the 2008–2009 fiscal year and $771,669 for 401 employees participating during 2007–2008.

The contribution requirements for plan members of PERF are set by the PERF Board of Trustees. Actuarial information related to the University's participation in the plan is disclosed in the tables below for three past fiscal years.

PERF – Schedule of Funding Progress (dollars in thousands)

Fiscal Year Ending June 30	Actuarial Value of Plan Assets (A)	Actuarial Accrued Liability-Entry Age (B)	Underfunded/ (Overfunded) Accrued Liability (C)	Funded Ratio (A/B)	Actual Covered Payroll (D)	Underfunded/ (Overfunded) Liability as % of Payroll (C/D)
2006	6,669	6,794	125	98.2%	7,843	1.6%
2007	7,306	7,185	(121)	101.7%	7,919	0.0%
2008	7,678	7,816	138	98.2%	8,298	1.8%

PERF – Development of Net Pension Obligation

	2006	*2007*	*2008*
Annual Required contribution (ARC) *	$346,217	$434,300	$435,911
Interest on Net Pension Obligation @ 7.25%	(36,418)	(36,140)	(34,401)
Adjustments to ARC **	(41,501)	(41,184)	(39,203)
Annual Pension Cost (APC)	268,298	356,976	362,307
Contributions made by USI ***	347,463	415,360	496,772
Decrease in Net Pension Obligation	(79,165)	(58,384)	(134,465)
Net Pension Obligation, Beginning of Year	(584,233)	(663,398)	(721,782)
Net Pension Obligation, End of Year	**($663,398)**	**($721,782)**	**($856,247)**

* Determined to be equal to the same percent of salary as the entire State of Indiana
** Net Pension Obligation at beginning of year divided by amortization factor of 12.1037
*** Percentage of APC contributed: 2006 at 129.50%; 2007 at 116.4%; and 2008 at 137.1%

The required contribution was determined as part of the actuarial valuation as of July 1, 2008, using the Entry Age Normal Cost Method. The actuarial assumptions included: (a) 7.25 percent investment rate of return (net of administrative services), (b) projected salary increases of 4 percent per year, and (c) 1.5 percent per year cost-of-living adjustments. Current-year information concerning funding and obligation was not available at the time of this report.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by writing the Public Employees' Retirement Fund, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, IN 46204, or by calling 317/232-4162.

NOTE 10 – Risk Management

The University has three health care plans for full-time benefit-eligible employees and three plans for retirees. One plan for employees and retirees is fully insured. Two plans for employees and two for retirees are funded under a cost-plus arrangement whereby the University is billed for actual claims paid by the insurer on behalf of the covered participants plus an administrative fee. The majority of employees and retirees, 85 percent and 90 percent respectively, participate in the fully-funded cost-plus plan. For fiscal year ended on June 30, 2009, the University's contribution to these health care plans totaled $5,882,858 for 874 employees and $809,654 for 140 retirees. For the same period, employees and retirees made contributions totaling $1,787,264 and $250,860 respectively.

The University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific and aggregate stop loss coverage at 125 percent of the expected claims liability. The University also has established a reserve to cover any unpaid liability beyond 125 percent. The liability for medical claims incurred but not reported at June 30, 2009, is based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to USI for payment. Changes in the balance of claims liabilities during the 2009 fiscal year are as follows:

Beginning liability, June 30, 2008	$1,500, 153
Claims incurred	5,589,112
Claims paid	(5,653,754)
Ending liability, June 30, 2009	$1,435,511

NOTE 11 – VEBA Trust

The University established a Voluntary Employees' Benefit Association (VEBA) trust for the purpose of providing medical, dental, and life insurance benefits to employees who retire after attaining age 60 with at least ten years of service and to those retiring under the Rule of 85. The trust is funded from three sources: University contributions and reserves designated by the Board of Trustees for this purpose, employee payroll deductions for post-retirement benefits, and retiree contributions for medical insurance premiums. Funds will accumulate in the trust for several years before any disbursements are made. The University does not anticipate that the trust will pay for all post-retirement benefits, but rather be used to reduce the increasing burden of such expenses on the current operating funds. A summary of the activity in the trust for the year ending June 30, 2009, is as follows:

VEBA TRUST	MARKET
Fund balance at July 1, 2008	$8,103,990
Transfer from University reserves	937,500
Employee/employer contributions	158,722
Retiree/employer contributions	23,104
Reinvested net earnings	233,174
Net gain/(loss) on sales of trust investments	(714,708)
Less: Management fees and taxes	(25,938)
Net change in market value	(693,647)
Fund balance at June 30, 2009	**$8,022,197**

Funds that are placed into the trust cannot revert to the University under any circumstances; therefore, the financial statements of the University do not include the value of these assets.

NOTE 12 – Other Postemployment Benefits (OPEB)

Plan Description. The USI Voluntary Employees' Benefit Association (VEBA) Trust is a single-employer defined benefit healthcare plan administered by the Old National Trust Company. The VEBA Trust was established for the purpose of providing medical and dental benefits to eligible retirees and their spouses. The USI Board of Trustees has the authority to establish or amend the benefit provisions of the plan. Old National Trust Co. does not provide a stand-alone financial report of the USI VEBA Trust, but the plan assets and financial activity are included as part of its publicly-available audited financial report. That report may be obtained by writing to Old National Bancorp, One Main Street, PO Box 718, Evansville, IN 47705, or by calling (800) 731-2265.

Funding Policy. The contribution requirements are established and may be amended by the USI Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For the fiscal year ended June 30, 2009, USI contributed $1,943,575 to the plan, including $1,043,575 for current premiums (approximately 80 percent of total premiums), and $900,000 to prefund benefits. Plan members receiving benefits contributed $261,576, or approximately 20 percent of the total premiums, through their required contributions for medical insurance coverage.

Annual OPEB Cost and Net OPEB Obligation. The University's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the USI VEBA Trust's annual OPEB cost for the 2008 and 2009 fiscal years, the amount actually contributed to the plan, and changes in the net OPEB obligation to the plan:

	2008	2009
Annual required contribution	$2,146,904	$2,146,904
Interest on net OPEB obligation	0	17,942
Adjustment to annual required contribution	0	(19,304)
Annual OPEB cost	2,146,904	2,145,542
Contributions made	(1,890,588)	(1,943,575)
Increase (decrease) in net OPEB obligation	256,316	201,967
Net OPEB obligation, beginning of year	0	256,316
Net OPEB obligation, end of year	$256,316	$458,283

Because the requirements of GASB 45 were implemented in the 2008 fiscal year, the beginning of year net OPEB obligation for that fiscal year was set to zero, and the measurements and recognition requirements are being applied prospectively.

The USI VEBA's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2008 and 2009 fiscal years are as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-2008	$ 2,146,904	88.3%	$256,316
6-30-2009	$2,145,542	90.6%	$458,283

Funded Status and Funding Progress. As of June 30, 2009, the plan was 36.7 percent funded. The actuarial accrued liability (AAL) for benefits was $21,861,558, and the actuarial value of assets was $8,022,197, resulting in an unfunded actuarial accrued liability (UAAL) of $13,839,361. The covered payroll (annual payroll of active employees covered by the plan) was $44,510,381, and the ratio of the UAAL to covered payroll was 31.1 percent.

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

Schedule of Funding Progress for the USI VEBA Trust Retiree Healthcare Benefit Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2007	$7,257,792	$21,861,558	$14,603,766	33.20%	$38,500,309	37.93%
6/30/2008	$8,103,990	$21,861,558	$13,757,568	37.07%	$41,286,734	33.32%
6/30/2009	$8,022,197	$21,861,558	$13,839,361	36.70%	$44,510,381	31.09%

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

In the most recent actuarial study evaluation, which was June 30, 2007, the projected unit credit actuarial cost method was used. The actuarial assumptions included a seven percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the asset classes held in the VEBA Trust, and an annual healthcare cost trend rate for each medical plan. In general, the trend rates start at eight percent initially, reducing 50 basis points each year until reaching an ultimate rate of five percent in 2013. The actuarial value of assets for the purposes of determining the annual recommended contribution is the market value of the assets. The UAAL is being amortized as a level dollar amount on an open basis over a 30 year period.

NOTE 13 – Functional Expenditures
Operating expenses are reported by natural classification on the face of the Statement of Revenue, Expenses, and Changes in Net Assets. Some users of the financial statements have a need to know expenses by functional classification, either for trend analysis or for comparison to other higher education institutions. This information is presented in the table below.

FUNCTION	SALARIES & WAGES	BENEFITS	SCHOLAR-SHIPS	UTILITIES	SUPPLIES & OTHER SVCS	DEPREC-IATION	2009 TOTAL	2008 TOTAL
Instruction	$25,793,706	$8,721,442			$1,987,477		$36,502,625	$32,140,598
Academic Support	5,362,331	1,857,665			4,455,972		11,675,968	10,948,287
Student Services	4,057,080	1,642,746			1,611,942		7,311,768	7,151,659
Institutional Support	7,151,280	1,935,892			2,628,030		11,715,202	13,570,065
Operation & Maintenance of Plant	3,076,685	1,480,414		4,264,520	3,660,272	7,044,037	19,525,928	17,043,966
Student Aid	146,730	543,961	7,210,718		13,213		7,914,622	6,719,787
Public Service	1,020,557	320,511			745,595		2,086,663	1,969,984
Research	37,031	9,867			116,039		162,937	246,001
Auxiliary Enterprises	4,019,508	1,343,920	374,192	972,834	14,809,752	2,364,009	23,884,215	19,601,693
TOTAL	**$50,664,908**	**$17,856,418**	**$7,584,910**	**$5,237,354**	**$30,028,292**	**$9,408,046**	**$120,779,928**	**$109,392,040**

NOTE 14 – Construction in Progress
Construction in progress at year-end totals $26.6 million (see capital assets table below). Projects soon to be completed include the Recreation and Fitness Center expansion, campus loop road phase 1b, the Valley Parking Lot expansion, and the expansion of parking lots E and M. Also under construction are a Children's Center storage building and a plant equipment storage building. The total expended to date for these projects is $10.0 million, and the estimated additional cost to complete is $4.1 million.

Work has begun on the Business and Engineering Center with $12,443,469 expended by fiscal year end. The project, scheduled for completion in the summer of 2010, will cost $31.9 million. Work has also begun on the University Center expansion and $2,381,653 was expended by fiscal year end. Construction will continue for another year with the completed project expected to cost an additional $16.0 million. Also under construction is an addition for the Physical Plant. The total expended to date for this project is $1,439, 190 with an estimated cost to complete of $3.4 million. A project to improve baseball and soccer fields in currently in progress with $83,333 expended as of June 30 with a cost to complete of approximately $1.1 million.

Another project which completes the balance of construction in progress involves architectural planning for a professional theatre on campus. To date, $200,000 has been spent for project planning. The design phase will begin in fall 2009 with an estimated cost of completion expected to be $17.0 million.

NOTE 15 – Capital Assets, Net of Accumulated Depreciation

The table below displays the increase in total capital assets from $232.5 million at July 1, 2008, to $262 million on June 30, 2009. Gross capital assets, less accumulated depreciation of $108.3 million, equal net capital assets of $153.8 million at June 30, 2009.

Capital Assets	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Accumulated Depreciation	Net Capital Assets
Land	$4,047,934	275,434		$4,323,368		$4,323,368
Land Improvements	7,726,665			7,726,665	4,118,750	3,607,915
Infrastructure	3,648,793			3,648,793	1,318,087	2,330,706
Educational Buildings	126,923,809	6,442,496	104,546	133,261,759	54,107,628	79,154,131
Auxiliary Buildings	59,339,347	8,608,849	6,597,521	61,350,675	30,660,721	30,689,954
Equipment	12,542,403	1,991,269	630,826	13,902,846	10,046,757	3,856,089
Library Materials	10,453,667	721,039	2,320	11,172,386	7,999,125	3,173,261
Construction in Progress	7,810,351	28,925,911	10,107,476	26,628,786		26,628,786
Totals	**$232,492,969**	**$46,964,998**	**$17,442,689**	**$262,015,278**	**$108,251,068**	**$153,764,210**

NOTE 16 – Interrelated Organization

The University of Southern Indiana/New Harmony Foundation, Inc. was formed in 1986 to assist in supporting and developing Historic New Harmony, an auxiliary enterprise of USI which operates in New Harmony, an historic town in southwestern Indiana thirty miles from campus. During fiscal year 2008-09, this foundation contributed $127,144 to Historic New Harmony operations and capital projects. At June 30, 2009, the stated value of the USI/NH Foundation's net assets was $448,980. These assets are not included in the financial statements of the University.

NOTE 17 – Component Units

The University of Southern Indiana Foundation is a legally separate, tax-exempt entity formed in 1969 to provide support for the University of Southern Indiana, its faculty and students, and to promote educational, scientific, charitable, and related activities and programs exclusively for the benefit 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. During the year ended June 30, 2009, the USI Foundation distributed $2,754,877 in direct and indirect support to the University for both restricted and unrestricted purposes.

The majority of the resources that the Foundation holds and invests, and the income generated by those resources, are restricted to the activities of the University by the donors. Because these resources can only be used by or for the benefit of the University, the USI Foundation is considered a component unit of the University, and its audited financial statements are discretely presented in the University's financial statements.

The USI Foundation maintains its accounts in accordance with the principles and practices of fund accounting. Resources are classified in accordance with activities or objectives specified by donors. The Statement of Activities displays revenues, expenses, and changes in net assets as permanently restricted, temporarily restricted, and unrestricted. Complete financial statements, including explanatory notes, for the USI Foundation can be obtained from the Office of the Vice President for Business Affairs at 8600 University Blvd., Evansville, IN 47712.

NOTE 18 – Subsequent Events

The University received bonding authority from the Indiana General Assembly in 2009 for $15 million for the addition of a theater on campus as part of the expanded University Center. In preparation for this project, the University has expended $200,000 for preliminary project planning and will fully enter the design phase in the fall of 2009. Bonds will be issued in February 2010 at the earliest but if not that timeframe it is anticipated that bonds will be issued in the next 18 months.

2008-2009 Student Financial Aid Programs Final Report

University of Southern Indiana

November 5, 2009

Executive Summary

This is the final report of prior year student financial aid activity. It contains summary and program-specific data of all student aid programs administered by the offices of Student Financial Assistance, Veterans' Affairs, and Career Services and Placement.

Key indicators contained in the 2008-2009 report are:

Service Profiles

- 10,754 FAFSA applications (for need-based assistance) were submitted, an increase of 324 applications (3.1 percent) compared to 2007-2008.
- Student Financial Assistance provided aid to 7,514 enrolled students, an increase of 276 students (3.8 percent) from 2007-2008.
- 19,798 awards totaling $65,633,478 were administered by various offices of the University; up $8,818,321 (15.5 percent).

Trends in Funding by Source

- Federal student aid funding increased $7,836,391 (21 percent).
- Indiana student aid funding increased $603,596 (10.5 percent).
- University student aid funding increased $1,325,689 (23.7 percent).
- USI Foundation student aid funding increased $154,174 (14.2 percent).
- USI Varsity Club funding of scholarships increased $20,750 (10.8 percent).
- Corporate and private student funding decreased $1,122,279 (-16.4 percent).

Distribution of Aid by Source

• Federal	$45,167,631	(68.8 percent)
• State of Indiana	$ 6,352,843	(9.8 percent)
• USI	$ 6,920,941	(10.5 percent)
• USI Foundation	$ 1,243,504	(1.9 percent)
• USI Varsity Club	$ 212,600	(.3 percent)
• Private Sources	$ 5,735,959	(8.7 percent)

Trends in Funding by Type

- Gift aid in the form of grants/scholarships increased $2,402,093 (11.6 percent).
- Self-help in the form of loans increased $6,139,240 (17.7 percent).
- Self-help in the form of on-campus employment increased $276,988 (20.3 percent).

Distribution of Aid by Type

• Gift aid - grants and scholarships	$23,082,253	(35.2 percent)
• Self-help in the form of loans	$40,910,101	(62.3 percent)
• Self-help in the form of on-campus employment	$ 1,641,124	(2.5 percent)

Summary of Construction Change Orders
Authorized by the Vice President for Business Affairs

1. RECREATION AND FITNESS CENTER EXPANSION PROJECT

Arc Construction Company - General Construction Contractor

CO G-9	Furnish and install shelf components below three television monitor spaces in Game Room 203	$2,930.00
CO G-11	Remove existing door to Game Room 203 and use owner's materials to replace flooring on ramp	($1,690.00)
CO G-12	Purchase of vinyl flooring for vending area	$2,298.00

Peyronnin Construction Company - Mechanical Contractor

CO M-3	Replace three existing water coolers with new water coolers	$3,844.00
CO M-4	Additional work to modify plumbing rough-in for three new water coolers added with Change Order M-3	$1,029.00

2. BUSINESS AND ENGINEERING CENTER PROJECT

Alva Electrical, Inc. - Electrical Contractor

EC-001	Use existing 15 kv electrical cable instead of new cable and add emergency power wiring to toilet room fixtures	($10,222.00)

3. UNIVERSITY CENTER EXPANSION PROJECT

Weddle Bros. Building Group, LLC - General Contractor

GC-010	Void Change Order GC-003 and reinstate professional engineer review and stamp for metal stud shop drawings	$6,000.00
GC-011	Revisions to curtain wall details in tower	($3,570.00)

Deig Brothers Lumber and Construction Co. - Mechanical Contractor

MC-006	Remove 8 inch water line in way of caisson, remove buried concrete encountered with installation of sanitary sewer, install tee and valve on 2 inch diameter gas line, and lower Area Drain No. 2	$8,719.23
MC-007	Relocate existing 8 inch diameter water line to avoid footings	$6,271.87

Capital Electric Co. - Electrical Contractor

EC-007	Add occupancy sensors in three rooms and provide a dedicated relay for Fireside Lounge lighting control panel	$8,528.00
EC-008	Add fire alarm system notification devices in upper level food service corridor serving meeting rooms	$2,496.00
EC-009	Make changes to 15kv electrical loop cable including using existing cable feed from Orr Center to University Center	($10,700.00)

University of Southern Indiana Board of Trustees

Summary
Current Construction Projects
November 5, 2009

Projects Recently Completed

Recreation and Fitness Center Renovation

Project Cost		**$ 9,120,000**
Funding Sources:		
Reserve	$ 1,260,000	
Student Services Fee	125,000	
Student Activity Fee	360,000	
Student Services Operations	125,000	
Bond Issue (Repaid with Student Fees)	7,250,000	

Science Center Renovation - Phase 4

Construction Cost **$ 989,032**
Funding Source: General Repair and Rehabilitation Appropriation

University Center Kitchen Expansion

Construction Cost **$ 330,557**
Funding Source: University Center Reserve

O'Daniel Lane Resurfacing

Construction Cost **$ 414,559**
Funding Source: Transportation System Reserve

University Home Improvements

Project Cost **$ 225,000**
Funding Source: Special Projects Reserve and USI Foundation

Projects Under Construction

Business and Engineering Center

Project Cost **$ 31,946,069**
Funding Source: Bond Issue (Repaid with Fee Replacement Appropriation)

University Center Expansion

Project Cost		**$ 18,400,000**
Funding Sources:		
Bond Issue (Repaid with Student Fees)	$ 13,750,000	
Academic Funding Series I	800,000	
Academic Funding Reserves	650,000	
Bookstore Reserve	1,000,000	
University Center Reserve	2,200,000	

Central Heating and Cooling Plant Expansion

Construction Cost		**$ 4,854,905**
Funding Sources:		
Business and Engineering Center Bond Issue	$ 3,150,000	
General Repair and Rehabilitation Appropriation	340,000	
Transporation System Reserve	278,600	
Energy Management Reserve	1,000,000	
Special Projects Reserve	86,305	

Campus Entrance and Loop Road Construction

Project Cost - Phase I		**$ 3,825,892**
Funding Sources:		
David L. Rice Library Bond Issue	$ 2,000,000	
Federal Direct Appropriation Funding FY2005	1,475,892	
Federal Direct Appropriation Funding FY2008	350,000	

Parking Lot Expansion

Construction Cost **$ 1,135,875**
Funding Source: Transportation System Reserve

Campus Entrance and Loop Road Landscape Improvements

Construction Cost **$ 484,900**
Funding Source: Special Projects Reserve

Science Center and Physical Activities Center Roof Replacement

Project Cost **$ 404,000**
Funding Source: General Repair and Rehabilitation Appropriation

Varsity Soccer and Baseball Field Improvements

Project Cost **$ 1,250,000**
Funding Source: Special Projects Reserve

Children's Learning Center Storage Building Construction

Project Cost **$ 131,765**
Funding Source: Special Projects Reserve

O'Daniel South Housing Office Renovation

Project Cost **$ 320,230**
Funding Source: Student Housing Reserve

Waste and Recycling Enclosures - Student Housing

Construction Cost **$ 294,280**
Funding Source: Student Housing Reserve

Projects in Design

Teaching Theatre Construction

Project Cost		**$ 16,500,000**
Funding Source: Bond Issue (Repaid with Student Fees)	$ 13,000,000	
Special Projects Reserve	$ 1,500,000	
USI Foundation	$ 2,000,000	

Bicycle/ Walk Path Construction

Project Cost	**$ 350,000**
Funding Source: Transportation System Reserve	

Practice Soccer Field Construction

Project Cost	**$ 750,000**
Funding Source: Special Projects Reserve	

Campus Road Repairs and Resurfacing

Project Cost	**$ 475,000**
Funding Source: Transportation System Reserve	

Advanced Manufacturing Teaching Facility

Project Cost	**$ 1,000,000**
Funding Source: Special Projects Reserve	