REVISED AGENDA
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

November 7, 2013

SECTION I – GENERAL AND ACADEMIC MATTERS

A. APPROVAL OF MINUTES OF SEPTEMBER 5, 2013, MEETING

B. ESTABLISHMENT OF NEXT MEETING DATE, TIME, LOCATION

C. APPROVAL OF NEW DEGREE PROGRAM: MASTER OF ARTS IN ENGLISH

The College of Liberal Arts proposes to offer a master degree program in English. A complete abstract describing the program is in Exhibit I-A. The implementation date is fall 2014.

The primary objectives of the proposed program are to offer advanced studies in English for secondary education instructors to develop the credentials required to teach dual credit courses in regional high schools; to provide the opportunity for individuals to develop the credentials required to teach in two- and four-year post-secondary institutions; and to enhance the credentials of professional writers in the area workforce (especially those in business, industry, and the non-profit sector) by providing advanced studies in writing and rhetoric.

The proposed program is comprised of 33 semester hours: 30 hours of coursework and three hours of a capstone experience. It is recommended by the dean of the College of Liberal Arts and has been approved by the University Curriculum Committee, the Academic Planning Council, the Faculty Senate, and the president.

Approval of the Master of Arts in English, described in Exhibit I-A, is recommended.

D. REVIEW OF THE ACADEMIC PROGRAM DEVELOPMENT PLAN

The Academic Program Development Plan will be reviewed. (Exhibit I-B)

E. APPROVAL OF CANDIDATES FOR DEGREES

Candidates for doctoral, master, baccalaureate, and associate degrees to be conferred December 14, 2013, are listed in Exhibit I-C.

Approval to award the degrees presented in Exhibit I-C, subject to the completion of all requirements, is recommended.

F. PRESIDENT’S REPORT
SECTION II – FINANCIAL MATTERS

A. REVIEW OF AUDITED FINANCIAL STATEMENTS

A report will be presented on the audited financial statements for the fiscal year ending June 30, 2013. (Exhibit II-A)

B. ANNUAL REPORT OF STUDENT FINANCIAL ASSISTANCE

A report will be presented on student financial assistance administered by the University during 2012-2013. (Exhibit II-B)

C. REPORT ON HEALTH INSURANCE RENEWAL

A report will be presented on employee health insurance changes and renewals effective January 1, 2014.

D. APPROVAL OF AUTHORIZING RESOLUTION FOR RENOVATION OF THE LOWER LEVEL OF THE SCIENCE CENTER AND SELECTED AREAS OF THE TECHNOLOGY CENTER

The 2013 Indiana General Assembly appropriated $18 million in cash to the University of Southern Indiana to undertake three projects: renovation of the Biology Department in the Science Center; renovation of selected areas for the Art Department in the Technology Center; and renovation of selected areas and possible expansion of the Physical Activities Center.

Renovation of the Biology Department on the lower level of the Science Center, the University's oldest academic facility, will complete a multi-year renovation program of the building that first saw the Mathematics Department and the Chemistry Department renovated. Upon completion of the Biology Department work, the Science Center will be positioned as a first-class academic building for at least another generation. The project will involve the renovation of approximately 18,900 square feet at an approximate cost of $1.25 million.

The proposed Technology Center renovation completes a multi-phase upgrading of the second oldest academic building on campus. About 13,700 square feet will be renovated at an estimated cost of $750,000.

Plans for the renovation and expansion of the Physical Activities Center will be shared at a future meeting of the Board of Trustees.

Approval of the following resolution is recommended.

WHEREAS, the 2013 Indiana General Assembly appropriated $18 million in cash to the University of Southern Indiana to undertake three projects: renovation of the Biology Department in the lower level of the Science Center; renovation of selected areas for the Art Department in the Technology Center; and renovation of selected areas and possible expansion of the Physical Activities Center; and

WHEREAS, the University of Southern Indiana Board of Trustees wishes to proceed with the renovation of the Biology Department in the lower level of the Science Center and the renovation of selected areas for the Art Department in the Technology Center; and

WHEREAS, the University proposes project budgets of $1.25 million for the Science Center renovation and $750,000 for the Technology Center renovation; 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 president of the University 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 renovation projects.

E. REVIEW OF CONSTRUCTION CHANGE ORDERS APPROVED BY THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

The construction change orders approved by the vice president for Finance and Administration (Exhibit II-C) will be reviewed.

F. UPDATE ON CURRENT CONSTRUCTION PROJECTS

A report on the status of current construction projects will be presented. Exhibit II-D includes a summary of the costs and funding sources for each project.
SECTION III – PERSONNEL MATTERS

A. REPORT ON FACULTY AND ADMINISTRATIVE RETIREMENTS

The following administrative retirement will be reviewed.

Director of Facilities Operations and Planning Stephen P. Helfrich, in accordance with the early retirement policy, will retire effective February 1, 2015, including leave with pay for the period August 1, 2014, through January 31, 2015. Retirement service pay based on 36.5 years of service to the University will be paid as of January 31, 2015.

B. APPROVAL OF EMERITUS STATUS

Approval of the following emeritus title is recommended.

Director of Facilities Operations and Planning Emeritus Stephen P. Helfrich
ABSTRACT
Master of Arts in English
To be offered by the University of Southern Indiana, Evansville, Indiana

Objectives:
The primary objectives of the proposed program are: to offer advanced studies in English for secondary education instructors to develop the credentials required to teach dual credit courses in high schools; to provide the opportunity for individuals in the region to develop the credentials required to teach in two- and four-year post-secondary institutions; and to enhance the credentials of professional writers in the area workforce (especially those in business, industry, and the non-profit sector) by providing advanced studies in writing and rhetoric.

Relation to Institution’s Strategic and/or Academic Plan:
The proposed Master of Arts in English supports the University’s strategic plan by filling a regional need and increasing the graduation rate by providing more flexible ways to earn a degree. The program will enable area professionals, especially teachers and writers, to benefit from the University’s resources and earn advanced degrees.

The University recognizes the need among area professionals for easily accessible postgraduate options. The proposed program will serve inhabitants of the Evansville region, and will emphasize hybrid courses, combining classroom and online instruction, to enhance accessibility for all students.

Curriculum:
The proposed program in English is comprised of 33 semester hours: 30 hours of coursework and three hours of a capstone experience.

Employment Possibilities:
Information obtained from the U.S. Bureau of Labor Statistics and the Integrated Postsecondary Education Data System indicates that the workforce in jobs traditionally held by English graduates is underdeveloped in the state of Indiana. The categories designated by the Bureau of Labor Statistics as common options for English graduates are expected to see strong growth. These positions are editors, technical writers, writers and authors, public relations specialists, and postsecondary educators. Therefore, the proposed Master of Arts in English will benefit the Evansville Metro-Statistical Area, the region, and the state by providing opportunities for current and future members of the workforce to gain greater levels of expertise in fields that are projected to grow.
UNIVERSITY OF SOUTHERN INDIANA  
New Program Development Plan  
Revised by Academic Planning Council  
October 28, 2013

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<th>Baccalaureate Degree</th>
<th>Master Degree</th>
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</table>
CANDIDATES FOR DEGREES
UNIVERSITY OF SOUTHERN INDIANA
December 7, 2013

DOCTOR OF NURSING PRACTICE
Erin E. White
Julie E. Williams
Lori Ann Wilson
Kaylen D. Winter

Beau A. Blemker
Dalia Boulangger Del Portal
Arrick M. Bries
Travis M. Brooks
Deidra A. Brown
Ryan D. Brown
Kevin M. Buechler
Ryan D. Butcher
Michael J. Byers
John V. Cardinal
Chia Y. Chang
Dustin T. Coleman
Zachary A. Conner
Chelsea L. Crook

MASTER OF ARTS
IN COMMUNICATION
Bryce W. Law

IN NURSING
Kinzy D. Amos
Robin Curnel
John T. Green
Cathy L. Payne
Karen L. Werskey

IN LIBERAL STUDIES
Corrie J. Sarol
Casey F. Trela

IN SCIENCE
Ryan D. Brown

MASTER OF ARTS
IN BUSINESS ADMINISTRATION
Claire E. Bosma
Jessica Hanger
Ryan S. Hicks
Dylan M. Mooney
Asra Abbas Peeran
Joshua B. Pugh
Katherine M. Waterman

MASTER OF PUBLIC ADMINISTRATION
Amanda A. Kloeppel
Emily S. Lynn
Marsha G. Salee
Patrick R. Seib

MASTER OF SCIENCE
IN EDUCATION
Andrew E. Magazine
Anna D. McManaway
Joshua A. Petrig
Donald A. Rexing
Carolyn M. Smith
Ellena Stumpf

IN BUSINESS ADMINISTRATION
Michael G. Breining
Jenny C. Brown-Meier
Joshua C. Embry
Rodrigo Flores Turcott
Justin L. Forshey
Alexandra L. Hershman
Kelli M. Housman
Heather E. Long

IN BACHELOR OF ARTS
Romain College of Business
Just J. Grace
Brittany M. Krohn
Lauren E. Perigo
Andrew C. Smith

Romain College of Business
POST-BACCALAUREATE CERTIFICATE
Justod M. Daming
Karli A. Davis
Abram M. Dwyer
Zach R. Easterling
Travis R. Ferguson
Benjamin L. Fischer
Aaron Foust
Nicholas R. Fox
Emily J. Freeman
Leah M. Fugate
Ethan M. Godwin
Christina D. Grass
Christopher M. Gregory
Daniel F. Hall
Jordan T. Hamblin
Tara R. Hammers
Whitney K. Harris
Seth A. Harrison
Kristin M. Higgins
Mary B. Hill
Dustin S. Holsey
Nicholas A. Jennings
Yu Wen Jiao
Amber D. Johnson
Emily K. Kennedy
Seul Ki Kim
Amanda L. King
Morgan R. Kippenbrock
Jacob D. Knight
Misty T. LaFollette
Joshua M. Lefler
Debra M. Lindenschmidt
Joshua L. Luedeke
Haleigh G. Madden

Romain College of Business
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Rachel E. Adams
Sulaiman S. Alsayyari
Adam J. Atwood
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Dillan G. Black
Laura E. Blankenship

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Zachary J. Bittner
Dillan G. Black
Laura E. Blankenship
Katharine F. Magee
Kyle D. Mangold
Jade A. Marinin
Jenna M. Masterson
Randall R. McGrew
Jeffrey A. McNeely
Victor P. Medvedev
Cody A. Meyer
Jordan M. Minkey
Nicholas J. Moll
Crystal M. Moore
James A. Mott
Weston H. Nelson
Emily L. Neumann
Robert B. Nieters
Alexander J. Nixon
Thomas R. Nugent
Nikkole E. Papenmeier
Melissa T. Pathman
Heidi L. Petrig
Charles W. Pride
Joseph D. Priest
Cody L. Randall
Komail Raza
Jordan M. Rector
Jason R. Reidford
Jerod M. Rexing
Garrett W. Rickenberg
Abigail L. Roberts
Cortlin D. Sawyer
Dylan T. Schaefer
Chad R. Schmitt
Jeremy D. Seitz
Jonathan C. Shoaptaw
Nicholas M. Singler
Caleb M. Spears
Brande S. Springer
Christopher K. Spurgeon
Brittany A. Townsend
Kaylee I. Troyer
Craig B. Upstill
Jeffrey B. Van Vorst
Bradley T. Wannemuehler
Kyle J. Weaver
Joshua C. Weber
Jacob T. Western
Adam M. White
Elizabeth M. White
Zeth C. Whitsitt
Kasey M. Wiles
Craig J. Wilhelm
Ashley N. Wilkey
Charles Williams
Travis J. Williams
Matthew D. Windhaus
Blake C. Zeller
Eric R. Zink

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Jonathan D. Ambriz
Gina M. Azzarello
Crystina M. Bonales
Christopher E. Brace
Whitney R. Brown
Jacob B. Couturiaux
Hayden C. Dayson
Stephanie M. Deig
Brent D. Duncan
Mark A. Galey
Zachary D. Gent
Taylor J. Gogel
Kara M. Gostley
Leah A. Graham
Andrea L. Greive
Gwen E. Gude
Ashley J. Harris
Kayla C. McCarty
Rebecca L. Morris
Curtis L. Nelson
Andrew M. Northrup
Lindsay C. Patterson
Matthew P. Riley
Amanda Risher
Stephanie D. Rockman
Leda D. Ruppel
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Kristi R. Worley

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Kurtis J. Kelley
Elizabeth L. Kennedy
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Amber M. Koudelka

Daniel R. Beabout
Hannah E. Birkia
Paul A. Boren
Todd A. Born
John D. Bowles
Mark W. Brandt
Chelsea M. Brown
Trenton P. Bruner
William J. Burke
Isaac N. Cage
Kellie N. Caniff
Chelsi N. Carter
Rachel L. Cartwright
Erin L. Clark
McKinsey L. Clifford
Zane A. Clodfelter
Aubrie A. Coakley
Darrell A. Cummings
Christopher J. Dasher
Bradley E. Davis
Kyle E. Devine
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Andrew E. Dile
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Shane P. Flannagan
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Rachel C. Goerges
Joshua B. Greener
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Kathie L. Hedrick
Samuel R. Helmerich
Mara D. Henry
Maria P. Hermann
Benjamin K. Hirschauer
Jamie L. Hoffmann
Christopher R. Howard
Haleigh A. Huck
Miranda D. Ingram
Nicole L. Jefferson
Alex P. Jordan
Alyssa L. Kane
Kurtis J. Kelley
Elizabeth L. Kennedy
Amber N. Kessler
Amber M. Koudelka
Samuel A. Kuban  
Adam M. Kunkel  
Joshua G. Lechlitner  
Austin M. Loehrein  
Megan C. Lollar  
Dakota L. Lykins  
Gabreel L. Mast  
Jeffrey T. McClure  
Tyler F. McClure  
Lisa R. McIntosh  
Barbra Medcoff  
Audrey L. Mueller  
Erin N. Miller  
Shayna L. Miller  
Amber E. Mueller  
Brooke A. Nehrig  
John T. Norris  
Sabrina O’Bryan  
Scott H. Patterson  
Ryan W. Pflug  
Laura E. Pierson  
John C. Poe  
Adam Puckett  
Alyssa B. Rainey  
Danielle L. Reisinger  
Amber J. Rich  
Gina A. Ricke  
Nicholas A. Riecken  
Mama K. Rister  
Heather L. Rockman  
Andrea D. Rose  
Chelsea R. Samples  
Kristen R. Scheller  
Elisha N. Sepulveda  
Matthew C. Shaw  
Linzee S. Smiley  
Jacklyn L. Smith  
Kayla M. Smoot  
Dan R. Sorrell  
Kate E. Spiller  
Hillery A. Springer  
Patrick D. Sweeney  
Derrick T. Taylor  
Adam C. Tesh  
Jordan R. Thacker  
Blake M. Thieman  
Kelli R. Tincher  
Colin A. Turner  
Katherine E. Vandiver  
Jeffrey R. Vaughan  
Andrew J. Walden  
Colin P. Wasson  
Amy V. Wilkerson  
Marian C. Yoder  
John M. Zetina

Kelsey A. Ziliak  
Ryan C. Zuelly

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Adam W. Commens  
James Harrison

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Mena M. Atkinson  
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Alyssa L. Benton  
Kaitlyn M. Bounds  
Megann E. Broshears  
Shanelle M. Burch  
Crystal S. Bush  
Marianne R. Bush  
Kelsey R. Campbell  
Kristin K. Caudill  
Ashley L. Cook  
Roxanne M. Covarrubias  
Robin D. Deem  
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Carlee A. Fehribach  
Jordan A. Flynn  
Haley G. Fritts  
Elissa S. Garrett  
Melanie R. Gipson  
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Erika Harrison  
Tamara C. Harrison  
Michael G. Hunter  
Cherricka D. Johnson  
Lindsay N. Johnson  
Ashlee P. Kender  
Raschel S. Lendy  
Lauren R. Lincoln  
Montana R. Lucas  
Miad A. Mansour  
Chelsea N. Milam  
Nicoie R. Miller  
Hannah C. Morris  
Jordan L. Nagy  
Hannah C. Nash  
Ashley L. Poling  
Amanda J. Robertson  
Christopher M. Rupple  
Vanessa A. Rust  
Jacyln L. Schmitt  
Stefanie L. Seal  
Kara A. Shadrick  
Jennifer L. Smoot

Lisa A. Sturgill  
Hillary A. Tarr  
Kelsey E. Terry  
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Shelby R. Winiger  
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Hannah M. Young

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Meagan E. Cobb  
Samuel S. Cosgrove  
Kristina A. Cox  
Sierra D. Davis  
Stephene M. Druin  
Jourdan T. Elpers  
Pamela Gaffens  
Micki Gress  
Audrey D. Hudson  
Tracy L. Johnson  
Stephanie R. Joles  
Kathleen D. Laczenski  
Thomas S. Lutz  
Ashley C. Marshall  
Farrah D. Rice  
Mark T. Ritter  
Ashley N. Ross  
Kimberly E. Ross  
Rebekah M. Shoptlaw  
Brandon W. Springer  
Ashley E. Tapp-Roberts  
Whitney N. Thacker  
Rhonda Thomas  
Kayci J. Winiger  
JoLynn M. Young  
Leslie A. Zelli
Exhibit I-C
Board of Trustees
11-07-13
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DIVISION OF OUTREACH
AND ENGAGEMENT

BACHELOR OF GENERAL STUDIES
Douglas M. Hazel
Amanda F. Hergenrother
Matthew P. Kern
Victoria A. Kost
Jennifer L. Martin
Ben G. Moore

ROSS E. GENTRY
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BRACE R. GIBSON
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COURTNEY B. GOVERT
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KEVIN J. LOMBARD
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AMELIA A. MARTIN
JOSHUA K. MCDANIEL
CHASE M. MEYER
KENDRA A. MEYER
LAUREN N. MINOR
JEFFREY J. MITSCH
CODY D. MOLL
GRAHAM G. MYERS
KAYLA A. NEIDIG
JEFFREY M. NEIDLINGER
JESSICA M. NORDHOFF
ASHLEY L. NUNNING
KATI A. O'REILLY
BRYAN R. OSBORNE
PAUL W. OSBURN
ERIKA M. PARKER
JESSICA J. PEARCE
ELIZABETH A. PERVERNECKI
ALEISHA A. POINDEXTER
JORDAN G. PORTER
HEATHER D. REINE
CYNTHIA E. RESENER
AUSTIN C. SCHMIDT
MATTHEW R. SCHNABEL
DANIELLE K. SHAIN
EMILY K. SHIPTON
TERESA J. SHOEMAKER
SYDNEY L. SIMON
MELISSA A. SMITH
LAUREN E. SPAETTI
DYLAN J. SWARTZELL
DANIEL W. TAYLOR
HOLLI S. TAYLOR
ADAM T. THIMLING
 TIFFANY N. VANSICKLE

POTT COLLEGE OF SCIENCE,
ENGINEERING, AND EDUCATION

BACHELOR OF ARTS
Jolyn N. Alexander
Chase E. Obeger
Brittany J. Eckert
Katherine E. Rogier
Jencie M. Tirey
Will J. Verkamp

POTT COLLEGE OF SCIENCE,
ENGINEERING, AND EDUCATION

BACHELOR OF SCIENCE
Danielle N. Heck
IN ENGINEERING

POTT COLLEGE OF SCIENCE,
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Alyssa K. Assenza
Emily P. Bammer
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Nathan M. Bartholomew
Anek D. Beabout
Michael J. Beam
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Hannah L. Blount
Stephanie L. Bodamer
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Maggie K. Cosker
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Morgan M. Devine
Miles P. Durham
Jasmine A. Feldhaus
Rachel M. Freyberger
Michael J. Fuchs
Ashley E. Fuhs
Skyler R. Gadau

POTT COLLEGE OF SCIENCE,
ENGINEERING, AND EDUCATION

BACHELOR OF SCIENCE
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SARAH HOPF
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VANESSA M. LOCKETT
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AMELIA A. MARTIN
JOSHUA K. MCDANIEL
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LAUREN N. MINOR
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JEFFREY M. NEIDLINGER
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KATI A. O'REILLY
BRYAN R. OSBORNE
PAUL W. OSBURN
ERIKA M. PARKER
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ASHTON L. WEIL
COURTNEY A. WOLF
CHARLES L. YORK

POTT COLLEGE OF SCIENCE,
ENGINEERING, AND EDUCATION

BACHELOR OF SCIENCE
IN ENGINEERING

POTT COLLEGE OF SCIENCE,
ENGINEERING, AND EDUCATION

BACHELOR OF SCIENCE

ROMAIN COLLEGE OF BUSINESS

ASSOCIATE OF SCIENCE
Michelle L. Ballard
Joshua R. Boze
Joshua D. Jackson
Kathleen M. Mathew

COLLEGE OF NURSING

ASSOCIATE OF SCIENCE
Lindsay E. Barth
Sarah E. Bernardin
Shanelle M. Burch
Holly E. Conley
Sue A. Culbertson
Allison N. Cunningham
Whitney L. Eggemeyer
Ann M. Fisher
Terany S. Gaddis
Elissa S. Garrett
Chelsie L. Hall
Rachel W. Hipsher
Leanna N. Hughes
Korie L. Kelver
KARLA N. KNUST
Emily J. Lenig
Jordan P. Lindauer
Samantha J. McCollom
Melenie A. Persinger
Blair M. Price
Abigail J. Scott
Ashley M. Sexton
Julienne R. Siegel
Alicia M. Taylor
Nidia D. Thies
Jessica J. Thompson
Paige E. Townsend
Kathryn C. Turbett
Carolyn L. Utesch
Kaley Wethington
Hannah M. Young
Management’s Discussion and Analysis

Management’s discussion and analysis reviews the financial performance of the University during the fiscal year ended June 30, 2013, 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. During the 2013 fiscal year, the University implemented GASB 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This adoption has changed the reporting format of two derivative financial instruments held by the University and also required two statement name changes. The statement formally known as the statement of net assets has been replaced with the statement of net position. The statement of revenues, expenses, and changes in net assets is now known as the statement of revenues, expenses, and changes in net position.

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 Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Discussion and analysis of each of these statements are presented in the following pages.

Statement of Net Position

The Statement of Net Position presents the value of the assets, liabilities, and net position at the end of the fiscal year as well as deferred inflows of resources and deferred outflows of resources which affect the net position of the University. 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); invested in capital assets net of debt, restricted for specific purposes, or unrestricted.
Net position is one indicator of current financial health. The increases or decreases in net position that occurs over time indicate improvements or deterioration of the University’s financial condition.

### STATEMENT OF NET POSITION

<table>
<thead>
<tr>
<th></th>
<th>June 30 (in thousands)</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets</td>
<td></td>
<td>$58,438</td>
<td>$58,770</td>
<td>$61,564</td>
</tr>
<tr>
<td>Non-current Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital assets, net of depreciation</td>
<td></td>
<td>174,595</td>
<td>176,744</td>
<td>184,097</td>
</tr>
<tr>
<td>Other non-current</td>
<td></td>
<td>56,184</td>
<td>47,623</td>
<td>40,922</td>
</tr>
<tr>
<td>Total Assets</td>
<td></td>
<td>$289,217</td>
<td>$283,137</td>
<td>$286,583</td>
</tr>
</tbody>
</table>

| Deferred Outflow of Resources | | $2,084  | $2,900  | $1,857  |
| Total Deferred Outflow of Resources | | $2,084  | $2,900  | $1,857  |

| Current Liabilities | | $23,247 | $23,786 | $25,899 |
| Non-current Liabilities | | 135,837 | 131,860 | 136,744 |
| Total Liabilities     |                        | $159,084 | $155,646 | $162,643 |

| Net Position: | |                |        |        |
| Invested in capital assets, net of debt | | $45,158 | $42,996 | $40,675 |
| Restricted - expendable | | 3,141 | 334 | 25 |
| Unrestricted | | 83,918 | 87,061 | 85,097 |
| Total Net Position | | $132,217 | $130,391 | $125,797 |

### Assets

Current assets at June 30, 2013, consist predominantly of cash and cash equivalents, short-term investments, receivables net of allowances for bad debt, and deposits with bond trustee. Also included are prepaid expenses, inventory, and accrued interest. Non-current assets include capital assets net of depreciation, long-term investments, and deposits with bond trustee. Both current and non-current assets include lesser-valued resources that are grouped together and listed under the term “Other”.

Total assets increased $6.1 million (2.2 percent) in 2013 compared to a $2.4 million (.8 percent) decrease in 2012 and an $881,000 (.3 percent) decrease in 2011. The current year increase is explained by the following fiscal year events:

- Cash and cash equivalents valued at $7.8 million were replaced with longer term investments valued at $7.7 million reducing total assets by $100,000.
- Accounts receivable, although significant in amount at $9.3 million, remained flat compared to the prior year indicating stability with this asset category. Student receivables increased $857,000 in 2013 but were offset by a $923,000 reduction in external receivables.
- Deposit with bond trustee increased $9.1 million in 2013. This increase is a result of $12.3 million in Series K-1 Teaching Theatre construction project bond proceeds received in 2013 but not fully liquidated with project completion scheduled for the fall of 2014.
Capital assets decreased by $2.1 million in fiscal year 2013. Net capital assets increased $9.5 million as described in Note 18 of the Notes to Financial Statements. The $9.5 million increase was offset by depreciation expense of $12.3 million and $681,000 in depreciation expense adjustments generating this decrease in net capital assets.

Other current assets decreased $449,000 and other non-current assets decreased $263,000.

Deferred Outflow of Resources
Deferred outflow of resources related to Series 2006 and Series 2008A hedgeable financial derivatives are presented separately this year because of required reporting changes. These deferred outflows provide an accumulated fair market value valuation of the swaps as of June 30, 2013. The fair market value of the financial instruments decreased by $816,000 in 2013 compared to an increase of slightly more than $1 million in 2012. The change in value for 2013 indicates an improved swap position. Detailed information regarding these financial derivatives can be found in Note 5 of the Notes to Financial Statements.

Liabilities
Current liabilities at June 30, 2013, are primarily composed of accrued payroll related benefits and deductions along with the current portion of bonds payable. Also included are accounts payable, debt interest payable, deferred revenue, and other miscellaneous liabilities. Non-current liabilities are predominately bonds payable. Also included are derivative instruments-interest rate swaps for Series 2006 and Series 2008A hedgeable financial derivatives, compensated absences, termination and postemployment benefits, an unamortized bond premium, and miscellaneous other long-term liabilities. Total liabilities increased $3.4 million (2.2 percent) in 2013 compared to a decrease of $7 million (4.3 percent) in 2012 and a decrease of $6.4 million (3.8 percent) in 2011. Activities that influenced this change include the following:

- Accrued payroll, related benefits, and deductions decreased $475,000 in 2013 compared to a $67,827 increase in 2012 and an increase of $897,460 in 2011.
  - Benefit withholdings decreased $319,558 for the 2013 fiscal year.
  - Compensated absences decreased $136,769.
- The liability for post retirement benefits increased by $2.5 million in 2013.
- The 2013 net change to notes and bonds payable equals a $3.1 million increase.
  - Paying down the existing debt decreased bonds payable by $9.2 million.
  - Issuance of Series K-1 for $12.3 million used for the Teaching Theatre increased bonds payable.
  - See Note 6 in Notes to Financial Statements for more information on notes and bonds payable.

Net Position
Net Position at June 30, 2013, is $1.8 million greater than on June 30, 2012. Capital assets, net of related debt, increased $2.1 million; restricted expendable assets increased $2.8 million; and unrestricted assets decreased $3.1 million. Unrestricted assets equal $83.9 million and comprise 63 percent of total net position. Of the total unrestricted amount, $67.4 million has been internally designated as follows:
- $22 million reserve for equipment and facilities maintenance and replacement
- $15.8 million reserve for University benefits
- $12.3 million reserve for auxiliary systems
- $4.2 million reserve for working capital and outstanding encumbrances
- $6.9 million reserve for academic operations and initiatives
- $2.8 million reserve for insurance and equipment
- $3.4 million reserve for medical premiums

ANALYSIS OF NET ASSETS (in millions)

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position 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 position 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 Position

<table>
<thead>
<tr>
<th>Year ended June 30 (in thousands)</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenues</td>
<td>$75,853</td>
<td>$73,235</td>
<td>$69,622</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>(144,298)</td>
<td>(140,344)</td>
<td>(135,537)</td>
</tr>
<tr>
<td>Operating losses</td>
<td>(68,445)</td>
<td>(67,109)</td>
<td>(65,915)</td>
</tr>
<tr>
<td>Net non-operating revenues/(expenses)</td>
<td>69,687</td>
<td>71,322</td>
<td>69,049</td>
</tr>
<tr>
<td>Income/(expenses) before other revenues, expenses, gains, or losses</td>
<td>1,242</td>
<td>4,213</td>
<td>3,133</td>
</tr>
<tr>
<td>Capital gifts, grants, and appropriations</td>
<td>584</td>
<td>381</td>
<td>2,366</td>
</tr>
<tr>
<td>Increase (decrease) in net position</td>
<td>$1,826</td>
<td>$4,594</td>
<td>$5,499</td>
</tr>
</tbody>
</table>

### Revenues

Operating revenues increased $2.6 million (3.6 percent) in 2013 compared to $3.6 million (5.2 percent) in 2012 and $2.9 million (4.4 percent) in 2011. The increases are explained by the following significant fiscal year activities:

- Net student fee revenue increased from $43.3 million in 2012 to $46.4 million in 2013. This change was due principally to a fall and spring student fee increase of 5 percent netted against a summer 2013 tuition discount of approximately 20 percent and an enrollment decrease of 3 percent.
- Auxiliary income increased from $25 million in 2012 to $25.2 million in 2013. The increase stemmed from a 1.4 percent increase in housing and a 14.4 percent increase in parking income offset by a 3.5 percent decrease in dining revenues and a 7 percent decrease in bookstore revenues.
- Operating grants declined by $490,000 with federal operating grants accounting for $300,000 of the decline.
- Other operating revenue declined by $160,000.

Non-operating revenues experienced a decrease of 2.2 percent for the fiscal year ended June 30, 2013, compared to a 2.6 percent increase in 2012.

- State appropriations increased .75 percent from $51.6 million in 2012 to $51.9 million in 2013. The increase in operating funding resulted from the University’s performance related to the State of Indiana funding model that now uses performance metrics to determine funding levels.
- Federal grants and contracts decreased $1.1 million (7 percent) compared to a decrease of $1 million (6.5 percent) in 2012. Federal student financial assistance accounted for the decrease.
- Investment income increased by $100,000 in 2013 but unrealized losses based upon current market values increased $1.3 million. Although this loss will occur only if the
investments are sold before maturity, accounting standards require this valuation and result in an investment income loss of $487,000.

Total revenues (operating, non-operating, and other) increased $1.2 million in fiscal year 2013. The graph below shows the composition of the University’s revenue for fiscal years 2011-2013:

![Revenue Sources Graph]

**Expenses**

Operating expenses increased $4 million (2.8 percent) this fiscal year compared to a $4.8 million (3.6 percent) increase in 2012. The growth in operating expenses was driven by increases in salaries and benefits and supplies and other services. Changes in expense categories were as follows:

- Compensation (salaries, wages, and benefits) comprised 56.5 percent of total operating expenses and increased 1.5 percent over 2012. Salaries and wages increased $378,000 and benefit expenses increased $1.2 million.
- Student financial aid decreased by $1.1 million for a 10.2 percent decrease. Federal aid decreased by $1 million, non-employee remitted fees increased by $311,000, and state financial aid increased $300,000.
- Supplies and other services expense increased by $3.8 million (11.8 percent) in 2013 compared to $2.3 million (6.6 percent) decrease in 2012. Increases were predominantly in the area of capital outlay including an increase in capital and non-capital equipment expense of $2.2 million with other expense classifications remaining flat or slightly below 2012 levels.
• Depreciation increased $397,000 or 3.3 percent, in fiscal year 2013 compared to an increase of $1.9 million, or 18.7 percent, in fiscal year 2012.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. These expenditures decreased $2,000 this year compared to a decrease of $257,000 in 2012. The change in fiscal year 2013 resulted from less interest on capital debt expense and increased bond issuance costs associated with the Series K bond issues.

Total expenses (operating and non-operating) increased $3.4 million in fiscal year 2013 compared to a $4.5 million increase in 2012 and an $8.1 million increase in 2011. The composition of total expenses for all three years is depicted by major categories in the graph below:

Change in Net Position
The difference between annual revenues and expenses causes an increase or decrease to net position. For fiscal year ending June 30, 2013, net position increased $1.8 million compared to a $4.6 million increase for fiscal year ending June 30, 2012. Total revenues increased more than total expenses during fiscal year 2013.

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 2011-2013:

### STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th>Net cash (used) provided by</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating activities</td>
<td>($53,418)</td>
<td>($53,906)</td>
<td>($53,865)</td>
</tr>
<tr>
<td>Noncapital financing activities</td>
<td>76,693</td>
<td>77,260</td>
<td>75,583</td>
</tr>
<tr>
<td>Capital financing activities</td>
<td>(23,010)</td>
<td>(20,723)</td>
<td>(27,163)</td>
</tr>
<tr>
<td>Investing activities</td>
<td>(6,693)</td>
<td>(9,132)</td>
<td>33,345</td>
</tr>
<tr>
<td>Net increase (decrease) in cash</td>
<td>$(6,428)</td>
<td>$(6,501)</td>
<td>$27,900</td>
</tr>
</tbody>
</table>

**Operating activities**
- Cash used by operating activities decreased $488,000 in 2013 compared to a $41,406 increase from 2011 to 2012.
- 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 decreased $567,000 in 2013 compared to a $1.7 million increase from 2011 to 2012.
- State appropriations provided the largest cash inflow in all fiscal years.

**Capital financing activities**
- Cash used by capital financing activities increased $2.3 million in 2013 compared to a $6.1 million decrease in 2012.
- Proceeds from refunding Series H and Series I along with the issuance of Series K-1 generated the largest cash inflow in 2013; proceeds from refunding Series 2001A generated the largest cash inflow in 2012; capital gifts and grants generated the largest cash inflow in 2011.
- Principal and interest paid on capital debt generated the largest cash outflow in 2013 and 2012 while purchases of capital assets generated the largest cash outflow in 2011.

**Investing activities**
- Cash used by investing activities decreased $2.4 million during 2013 compared to a $42.2 million increase in 2012. The 2012 increase resulted partially from a change in the amount on deposit with the bond trustee for the Series J Bonds.
• Proceeds from sales and maturities of investments decreased $2.9 million in 2013 compared to a $4.5 million decrease in 2012.
• Cash used for purchases of investments decreased $5.1 million in 2013 following a $10.3 million increase from 2011 to 2012.

Summary of Statement of Cash Flows
For the year ended June 30, 2013, less cash was used for operating activities, less cash was provided by noncapital financing activities, more cash was used by capital financing activities, and less 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 $6.4 million, ending the fiscal year with a cash balance of $24.8 million.

Factors Impacting Future Periods
The outlook for the University of Southern Indiana remains very positive. As an institution generating revenues exceeding expenditures, with no deferred maintenance, a pricing strategy allowing flexibility, and located in a state that ended the year with another budget surplus, a favorable outlook is easily formed. The State of Indiana currently has received the highest credit rating possible, AAA, from all three credit rating agencies. Indiana is one of only nine states to receive this distinction and provides the University with over 30 percent of its funding annually. USI currently carries an A1 rating on student fee debt an A2 rate on auxiliary system debt from Moody's Investors Service with a favorable outlook.

The 2013 Indiana General Assembly continued to invest in the University reaffirming that the mission and results are well received within the State. For the 2013 -15 Biennial Budget, the University received a 5.1 percent increase in operating appropriation over fiscal year 2013. The University is one of only two eligible institutions in the State to receive funding in each of the performance funding metrics used to calculate appropriations. In addition, two new line items in the University’s budget included $274,000 for dual credit priority courses and a $2 million recognition of the need for increased full-time faculty. The State also provided $1,367,926 in general repair and rehabilitation of plant and $18 million in cash appropriated over the biennium for a series of classroom renovation and expansion projects.

The 2014 fiscal year begins with a $50 million capital campaign by the University of Southern Indiana Foundation entering its public phase. The campaign has already raised nearly $34 million of that goal. This once-ambitious goal appears to be very obtainable by the December 2015 target date. Plans are in the early design phase for a donor-funded conference center and a donor-funded visitor center on campus, both a result of the campaign. The campaign also focuses on student scholarships and scholarly funds for faculty that will benefit prospective students and academic endeavors for years to come.

Two upcoming physical changes to campus will strengthen the academic mission and add to an already state of the art campus. The fall of 2013 semester began with the opening of a 16,000 square foot Applied Engineering Center that will prepare students with specific work knowledge before they enter the workforce. This application-based learning will provide USI engineering graduates with unique, specialized knowledge when competing with other graduates for similar
jobs. The opening of a 300-seat Teaching Theatre will add a unique structure to an already stunning campus, benefiting students with a desire to learn theatre in a one-of-a-kind venue. The Teaching Theatre is another initiative that benefits the University and the community in a manner consistent with our Carnegie Engaged University distinction.

The University continues to monitor healthcare costs, and expects that this year’s expense will be manageable within the current budget. In addition, the University has begun a process, expected to conclude in early 2014 that will reduce employer contributions to the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) for new employees, and end the existing post-retirement health care benefit for new employees. Additionally, new support staff will likely no longer be placed in the Public Employees’ Retirement Fund (PERF) of the State of Indiana. A yet to be identified private sector vendor will be engaged to provide a platform for that benefit.

USI maintains its reputation as a great value in higher education. The University’s market position, value, quality, and pricing has helped to broaden the catchment area for prospective students while increasing student quality during a period of challenging economic times. The fall 2013 entering class, although smaller in number than its preceding class, is by far the strongest academic class in the history of the University in terms of entering grade point average and test scores. The University has engaged the services of a nationally renowned recruitment firm to modernize recruitment and retention efforts and to assist the University in identifying new student markets. The position of the University as it nears 50 years in business makes this the ideal time to review and evaluate recruitment and retention.

The 2013-2014 student fee rates were the first step in a strategic fee realignment process that will take place over the next six years. Its purpose is to increase University of Southern Indiana tuition to the average tuition of a group of 10 state universities composed of Indiana State University and the regional campuses of Indiana University and Purdue University. Fee increases will be subject to the fee environment among the group of universities and the level of State support for USI. The plan will contribute to the development of a resource base that allows the University to move forward while maintaining the affordability that is an important part of its mission. Program fees recognizing the University’s cost of delivering specialized programs will be effective in July 2014. The program fees will supplement base tuition in areas such as engineering, undergraduate and graduate nursing, and graduate occupational therapy, and will be used to meet program costs and support hiring faculty in these high demand high cost programs. New faculty hires enabled by the fee income will allow increased student admissions within stringent program accreditation student faculty ratios.

The University of Southern Indiana is maturing. Its rate of growth is leveling, as it continues to develop as a residential campus and gains prominence not only locally and regionally but also nationally and internationally. Total enrollment for academic years ending 2009 through 2013 reflects an increase of 3.4 percent; full-time equivalents for the same period increased 3.6 percent. Full-time students represent 84 percent of the total student population. Housing occupancy has been consistently well in excess of 90 percent the past five-year period, and was 91 percent on the first day of classes in the current year. The following graph illustrates enrollment and housing occupancy for the five-year period 2009 to 2013.
Enrollment and Housing for Years Ending June 30,

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Students</th>
<th>Full-Time Equivalent</th>
<th>Housing Occupancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>10,126</td>
<td>8,437</td>
<td>2,674</td>
</tr>
<tr>
<td>2010</td>
<td>10,516</td>
<td>8,789</td>
<td>2,740</td>
</tr>
<tr>
<td>2011</td>
<td>10,702</td>
<td>8,971</td>
<td>2,684</td>
</tr>
<tr>
<td>2012</td>
<td>10,820</td>
<td>9,031</td>
<td>2,693</td>
</tr>
<tr>
<td>2013</td>
<td>10,467</td>
<td>8,741</td>
<td>2,588</td>
</tr>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
<td></td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-----------------------</td>
<td>-----------------------</td>
<td></td>
</tr>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$24,762,134</td>
<td>$31,190,213</td>
<td></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>14,327,480</td>
<td>15,656,177</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,250,324</td>
<td>9,317,060</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>1,223,497</td>
<td>1,195,013</td>
<td></td>
</tr>
<tr>
<td>Deposit with bond trustee</td>
<td>7,969,594</td>
<td>54,642</td>
<td></td>
</tr>
<tr>
<td>Other current assets</td>
<td>904,665</td>
<td>1,357,146</td>
<td></td>
</tr>
<tr>
<td>Total current assets</td>
<td>$58,437,694</td>
<td>$58,770,251</td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term investments</td>
<td>$54,644,883</td>
<td>$46,972,627</td>
<td></td>
</tr>
<tr>
<td>Deposit with bond trustee</td>
<td>1,451,649</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>Capital assets, net</td>
<td>174,595,186</td>
<td>176,744,006</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>88,029</td>
<td>350,639</td>
<td></td>
</tr>
<tr>
<td>Total noncurrent assets</td>
<td>$230,779,747</td>
<td>$224,367,272</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$289,217,441</td>
<td>$283,137,523</td>
<td></td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOW OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedging derivative instruments</td>
<td>$2,084,296</td>
<td>$2,899,717</td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$1,742,335</td>
<td>$1,615,771</td>
<td></td>
</tr>
<tr>
<td>Accrued payroll, benefits, and deductions</td>
<td>6,239,741</td>
<td>6,715,057</td>
<td></td>
</tr>
<tr>
<td>Notes and bonds payable</td>
<td>11,403,825</td>
<td>10,709,160</td>
<td></td>
</tr>
<tr>
<td>Debt interest payable</td>
<td>1,600,785</td>
<td>1,991,121</td>
<td></td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>1,569,188</td>
<td>1,936,808</td>
<td></td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>691,513</td>
<td>818,339</td>
<td></td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>$23,247,387</td>
<td>$23,786,256</td>
<td></td>
</tr>
<tr>
<td><strong>Noncurrent Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and bonds payable</td>
<td>$122,702,673</td>
<td>$120,301,498</td>
<td></td>
</tr>
<tr>
<td>Unamortized bond premium</td>
<td>756,447</td>
<td>1,082,867</td>
<td></td>
</tr>
<tr>
<td>Derivative instruments-interest rate swap</td>
<td>2,084,296</td>
<td>2,899,717</td>
<td></td>
</tr>
<tr>
<td>Other postemployment benefits</td>
<td>7,767,094</td>
<td>5,285,749</td>
<td></td>
</tr>
<tr>
<td>Compensated absences and termination benefits</td>
<td>2,485,485</td>
<td>2,253,827</td>
<td></td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>40,978</td>
<td>36,357</td>
<td></td>
</tr>
<tr>
<td>Total noncurrent liabilities</td>
<td>$135,836,973</td>
<td>$131,860,015</td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>$159,084,360</td>
<td>$155,646,271</td>
<td></td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in capital assets, net of related debt</td>
<td>$45,158,020</td>
<td>$42,995,532</td>
<td></td>
</tr>
<tr>
<td><strong>Restricted</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expendable</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Project</td>
<td>2,930,199</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Debt Service</td>
<td>123,383</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>Scholarship, research, and other</td>
<td>87,468</td>
<td>34,233</td>
<td></td>
</tr>
<tr>
<td><strong>Unrestricted</strong></td>
<td>83,918,307</td>
<td>87,061,204</td>
<td></td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>$132,217,377</td>
<td>$130,390,969</td>
<td></td>
</tr>
</tbody>
</table>

*See Note 19 in the Notes to Financial Statements
UNIVERSITY OF SOUTHERN INDIANA  
Statement of Revenue, Expenses, and Change in Net Position  
Years ended June 30, 2013 and 2012  

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Revenues</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student fees</td>
<td>$65,572,346</td>
<td>$62,043,693</td>
</tr>
<tr>
<td>Scholarship discounts and allowances</td>
<td>(19,204,530)</td>
<td>(18,704,782)</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>1,691,211</td>
<td>2,180,821</td>
</tr>
<tr>
<td>Auxiliary enterprises</td>
<td>25,232,231</td>
<td>25,412,932</td>
</tr>
<tr>
<td>Room &amp; board discounts and allowances</td>
<td>(35,042)</td>
<td>(453,303)</td>
</tr>
<tr>
<td>Other operating revenues</td>
<td>2,596,422</td>
<td>2,755,407</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>$75,852,638</td>
<td>$73,234,768</td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>$55,764,457</td>
<td>$55,386,900</td>
</tr>
<tr>
<td>Benefits</td>
<td>21,490,288</td>
<td>20,642,206</td>
</tr>
<tr>
<td>Other postemployment benefits</td>
<td>4,331,266</td>
<td>4,345,355</td>
</tr>
<tr>
<td>Student financial aid</td>
<td>9,287,177</td>
<td>10,343,969</td>
</tr>
<tr>
<td>Utilities</td>
<td>5,394,878</td>
<td>5,754,420</td>
</tr>
<tr>
<td>Supplies and other services</td>
<td>35,659,396</td>
<td>31,897,994</td>
</tr>
<tr>
<td>Depreciation</td>
<td>12,369,911</td>
<td>11,973,251</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$144,297,373</td>
<td>$140,344,095</td>
</tr>
<tr>
<td>Operating loss</td>
<td>($68,444,735)</td>
<td>($67,109,327)</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES (EXPENSES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State appropriations</td>
<td>$51,964,674</td>
<td>$51,578,673</td>
</tr>
<tr>
<td>Gifts</td>
<td>2,280,567</td>
<td>2,278,671</td>
</tr>
<tr>
<td>Federal grants and contracts</td>
<td>14,014,945</td>
<td>15,072,366</td>
</tr>
<tr>
<td>State and local grants and contracts</td>
<td>8,346,915</td>
<td>8,060,351</td>
</tr>
<tr>
<td>Nongovernmental grants and contracts</td>
<td>283,283</td>
<td>287,313</td>
</tr>
<tr>
<td>Investment income (net of investment expense of $64,399 and $58,208 for 2013 and 2012)</td>
<td>(486,512)</td>
<td>763,322</td>
</tr>
<tr>
<td>Interest on capital asset-related debt</td>
<td>(6,353,071)</td>
<td>(6,652,700)</td>
</tr>
<tr>
<td>Other non-operating expenses</td>
<td>(363,736)</td>
<td>(66,139)</td>
</tr>
<tr>
<td><strong>Net non-operating revenues</strong></td>
<td>$69,687,065</td>
<td>$71,321,857</td>
</tr>
<tr>
<td>Income before other revenues, expenses, gains, or losses</td>
<td>$1,242,330</td>
<td>$4,212,530</td>
</tr>
<tr>
<td>Capital grants and gifts</td>
<td>$584,078</td>
<td>$381,172</td>
</tr>
<tr>
<td>Increase in net position</td>
<td>$1,826,408</td>
<td>$4,593,702</td>
</tr>
<tr>
<td><strong>NET POSITION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net position – beginning of year</td>
<td>$130,390,969</td>
<td>$125,797,267</td>
</tr>
<tr>
<td>Net position – end of year</td>
<td>$132,217,377</td>
<td>$130,390,969</td>
</tr>
</tbody>
</table>
UNIVERSITY OF SOUTHERN INDIANA  
Statement of Cash Flows  
Years Ended June 30, 2013 and 2012

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Operating Activities</strong></td>
<td><strong>Cash Flows from Operating Activities</strong></td>
</tr>
<tr>
<td>Tuition and fees</td>
<td>$45,939,078</td>
</tr>
<tr>
<td>Grants and contracts</td>
<td>2,356,718</td>
</tr>
<tr>
<td>Payments to suppliers</td>
<td>(35,490,878)</td>
</tr>
<tr>
<td>Payments for utilities</td>
<td>(5,394,878)</td>
</tr>
<tr>
<td>Payments to employees</td>
<td>(55,787,273)</td>
</tr>
<tr>
<td>Payments for benefits</td>
<td>(23,561,050)</td>
</tr>
<tr>
<td>Payments for scholarships</td>
<td>(9,287,177)</td>
</tr>
<tr>
<td>Loans issued to students</td>
<td>(232,502)</td>
</tr>
<tr>
<td>Collection of loans to students</td>
<td>235,739</td>
</tr>
<tr>
<td>Auxiliary enterprises receipts</td>
<td>24,993,160</td>
</tr>
<tr>
<td>Sales and services of educational depts.</td>
<td>818,660</td>
</tr>
<tr>
<td>Other receipts (payments)</td>
<td>1,992,542</td>
</tr>
<tr>
<td><strong>Net cash used by operating activities</strong></td>
<td><strong>$ (53,417,861)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Noncapital Financing Activities</strong></td>
<td><strong>Cash Flows from Noncapital Financing Activities</strong></td>
</tr>
<tr>
<td>State appropriations</td>
<td>$ 51,964,674</td>
</tr>
<tr>
<td>Gifts and grants for other than capital purposes</td>
<td>24,925,711</td>
</tr>
<tr>
<td>Other non-operating receipts (payments)</td>
<td>(197,265)</td>
</tr>
<tr>
<td><strong>Net cash provided by noncapital financing activities</strong></td>
<td><strong>$ 76,693,120</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Capital Financing Activities</strong></td>
<td><strong>Cash Flows from Capital Financing Activities</strong></td>
</tr>
<tr>
<td>Proceeds from capital debt</td>
<td>$ 58,685,000</td>
</tr>
<tr>
<td>Capital grants and gifts</td>
<td>615,610</td>
</tr>
<tr>
<td>Bond financing costs</td>
<td>(363,738)</td>
</tr>
<tr>
<td>Purchase of capital assets</td>
<td>(10,221,091)</td>
</tr>
<tr>
<td>Principal paid on capital debt</td>
<td>(55,589,160)</td>
</tr>
<tr>
<td>Interest paid on capital debt and leases</td>
<td>(7,069,826)</td>
</tr>
<tr>
<td>Deposit with trustee</td>
<td>(9,066,602)</td>
</tr>
<tr>
<td><strong>Net cash provided by capital financing activities</strong></td>
<td><strong>$ (23,009,807)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flows from Investing Activities</strong></td>
<td><strong>Cash Flows from Investing Activities</strong></td>
</tr>
<tr>
<td>Proceeds from sales and maturities of investments</td>
<td>$ 31,380,303</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>1,131,262</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(39,205,096)</td>
</tr>
<tr>
<td>Change in deposit with trustee</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td><strong>$ (6,693,531)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash</td>
<td>$ (6,428,079)</td>
</tr>
<tr>
<td>Cash – beginning of year</td>
<td>31,190,213</td>
</tr>
<tr>
<td><strong>Cash – end of year</strong></td>
<td><strong>$ 24,762,134</strong></td>
</tr>
</tbody>
</table>
UNIVERSITY OF SOUTHERN INDIANA  
Statement of Cash Flows  
Years Ended June 30, 2013 and 2012

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>$(68,444,735)</td>
<td>$(67,109,327)</td>
</tr>
<tr>
<td><strong>Adjustments to reconcile net loss to net cash provided (used) by operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation expense</td>
<td>12,369,911</td>
<td>11,973,251</td>
</tr>
<tr>
<td>Provision for uncollectible accounts</td>
<td>37,571</td>
<td>31,023</td>
</tr>
<tr>
<td><strong>Changes in assets and liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivables</td>
<td>29,166</td>
<td>(1,146,266)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(28,484)</td>
<td>264,167</td>
</tr>
<tr>
<td>Other assets</td>
<td>543,782</td>
<td>422,760</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(278,313)</td>
<td>(26,438)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(367,020)</td>
<td>(108,623)</td>
</tr>
<tr>
<td>Deposits held for others</td>
<td>4,620</td>
<td>(7,266)</td>
</tr>
<tr>
<td>Employee and retiree benefits</td>
<td>2,713,004</td>
<td>1,802,640</td>
</tr>
<tr>
<td>Loans to students</td>
<td>3,237</td>
<td>(2,173)</td>
</tr>
<tr>
<td><strong>Net cash used by operating activities:</strong></td>
<td><strong>$ (53,417,861)</strong></td>
<td><strong>$ (53,906,252)</strong></td>
</tr>
</tbody>
</table>

**Noncash Transactions**

<table>
<thead>
<tr>
<th>Noncash Transactions</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrealized gain/(loss) on short-term investments</td>
<td>$12,977</td>
<td>$(51,501)</td>
</tr>
<tr>
<td>Unrealized gain/(loss) on long-term investments</td>
<td>(1,455,175)</td>
<td>90,537</td>
</tr>
<tr>
<td>Bonds payable – LT and ST Series 2001A</td>
<td>-</td>
<td>1,406,674</td>
</tr>
<tr>
<td>Bonds payable – LT and ST Series 2011A</td>
<td>-</td>
<td>(1,406,674)</td>
</tr>
<tr>
<td>Bonds payable – LT and ST Series H and I</td>
<td>10,956,355</td>
<td>-</td>
</tr>
<tr>
<td>Bonds payable – LT and ST Series K</td>
<td>(10,956,335)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net noncash transactions</strong></td>
<td><strong>($1,422,198)</strong></td>
<td><strong>$39,036</strong></td>
</tr>
</tbody>
</table>
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 39, Determining Whether Certain Organizations are Component Units and GASB Statement 61, The Financial Reporting Entity: Omnibus. 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 capitalizes equipment with a cost of $5,000 or more. Building components, land improvements, infrastructure, and computer software are capitalized if costs exceed $50,000. All capitalized assets have a useful life greater than two years. Library materials are capitalized using the group method. Periodicals and subscriptions are expensed as incurred. Renovations to buildings and other improvements are capitalized if costs are greater than $50,000 and the renovation meets one of the
following criteria:

- Increases the capacity (applies to buildings only)
- Increases the useful life
- Increases the operating efficiency

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
- Computer Software -- 3 years
- Equipment -- 3-10 years
- Infrastructure -- 25 years
- Land improvements -- 15 years
- Library materials -- 10 years

Capital assets are removed from the records at the time of disposal. See Note 18 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, 2013.

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 enhance 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 $2,139,423. 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, 2013.

**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.

**Non-operating Revenues and Expenses**
Non-operating revenues of the University consist of state appropriations, gifts, non-exchange grants, and investment income. Non-operating 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).

NOTE 2 – 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 and its faculty and students, 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, 2013, the USI Foundation distributed $2,481,972 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 Finance and Administration at 8600 University Blvd., Evansville, IN 47712.

NOTE 3 – 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 IC 30-4-3-3. 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, 2013, the bank balances of the University’s operating demand deposit accounts were $22,902,852, of which $388,033 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 depositaries. 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, 2013, are identified in the table below:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Market Value</th>
<th>Type %</th>
<th>Less than 1 year</th>
<th>1 – 5 years</th>
<th>6 – 10 years</th>
<th>More than 10 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market accounts</td>
<td>$2,776,680</td>
<td>3%</td>
<td>$2,776,680</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>$21,985,454</td>
<td>24%</td>
<td>21,985,454</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>$22,658,876</td>
<td>24%</td>
<td>10,294,130</td>
<td>12,012,955</td>
<td>351,790</td>
<td></td>
</tr>
<tr>
<td>U.S. Treasury &amp; agency securities</td>
<td>$46,313,487</td>
<td>49%</td>
<td>4,033,349</td>
<td>8,697,896</td>
<td>30,262,472</td>
<td>3,319,771</td>
</tr>
<tr>
<td>Totals</td>
<td>$93,734,496</td>
<td>100%</td>
<td>$39,089,613</td>
<td>$20,710,851</td>
<td>$30,614,261</td>
<td>$3,319,771</td>
</tr>
</tbody>
</table>

**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 $93.7 million invested, $46.3 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 $21.9 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 42 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, $44.2 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, 2013, the University was in compliance with that policy.

**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 4 - Accounts Receivable**
Accounts receivable are recorded net of allowance for uncollectible student fees of $640,277 and auxiliary services fees of $313,306. Prior-year allowances were $589,765 for student fee receivables and $295,224 for auxiliary services receivables. The accounts receivable balance for the 2012-13 fiscal year includes $5,850,577 in net student receivables and $3,399,747 in external receivables.

**NOTE 5 – Derivative Instruments**
The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2013, classified by type and the fair value changes of those derivative instruments are as follows:

<table>
<thead>
<tr>
<th>Derivative Instrument</th>
<th>Type</th>
<th>Change in Fair Value</th>
<th>Fair Value at June 30, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Amount</td>
<td>Classification</td>
</tr>
<tr>
<td>Series 2006</td>
<td>Cash flow hedge: Pay-fixed interest rate swap</td>
<td>$391,053</td>
<td>Derivative Instrument Interest Rate Swap</td>
</tr>
<tr>
<td>Series 2008A</td>
<td>Cash flow hedge: Pay-fixed interest rate swap</td>
<td>$424,368</td>
<td>Derivative Instrument Interest Rate Swap</td>
</tr>
</tbody>
</table>

As of June 30, 2013, the University determined that both pay-fixed interest rate swaps met the criteria for effectiveness. The pay-fixed, receive-variable interest rate swaps are designed to synthetically fix the cash flows on the variable rate bonds. The fair value of the interest rate swaps was estimated based on the present value of their estimated future cash flows.
The following table displays the objectives and terms of the University’s hedging derivative instruments outstanding at June 30, 2013, along with the credit rating of the associated counterparty:

<table>
<thead>
<tr>
<th>Type</th>
<th>Objective</th>
<th>Current Notional</th>
<th>Effective Date</th>
<th>Maturity Date</th>
<th>Terms</th>
<th>Counterparty Credit Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the Series 2006 Bonds</td>
<td>$5,933,621</td>
<td>1/01/2008</td>
<td>1/01/2028</td>
<td>65% of 3 mo. USD-LIBOR-BBA</td>
<td>A2</td>
</tr>
<tr>
<td>Pay-fixed interest rate swap</td>
<td>Hedge of changes in cash flows on the Series 2008 Bonds</td>
<td>$8,850,000</td>
<td>7/01/2008</td>
<td>10/01/2021</td>
<td>65% of 3 mo. USD-LIBOR-BBA w/- 1 day look back, 79.0 bps</td>
<td>A2</td>
</tr>
</tbody>
</table>

Credit Risk — The fair value of the hedging derivative instruments is in a liability position as of June 30, 2013, with Series 2006 having a balance of $1,018,587 and Series 2008A having a balance of $1,065,709. Since both of the derivative instruments and the debts being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instruments would simply be netted against the payoff of the debts.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely impact the fair market value of the derivative instruments. On a pay-fixed, receive-variable interest rate swap, the University will be negatively impacted by the lower rate environment, which will decrease the fair market values of its derivative instrument. The derivative instrument for Series 2006 fixes the hedged debt at 4.67 percent and Series 2008A is fixed at 3.97 percent.

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

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

Rollover Risk — Rollover risk is the risk that the maturity of the derivative instrument is shorter than the maturity of the associated debt. Since both the derivative instruments and the debt being hedged have identical maturity dates, there is no rollover risk to the University.
NOTE 6 – Debt Related to Capital Assets

Bonds Payable – Outstanding bonds payable at June 30, 2013, total $134,106,498 and are identified in the following schedule.

<table>
<thead>
<tr>
<th>SCHEDULE OF BONDS AND NOTES PAYABLE</th>
<th>Issue Date</th>
<th>Interest Rate</th>
<th>Current Year Rate</th>
<th>Maturity Date</th>
<th>Original Issue Amount</th>
<th>Principal Outstanding</th>
<th>Interest Outstanding</th>
<th>Total Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student Fee Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series D, Health Professions Center</td>
<td>1993</td>
<td>2.25% to 5.80%</td>
<td>5.80%</td>
<td>2015</td>
<td>$24,678,101</td>
<td>$752,878</td>
<td>$1,752,122</td>
<td>$2,505,000</td>
</tr>
<tr>
<td>Series F, Liberal Arts Center</td>
<td>1998</td>
<td>3.55% to 5.50%</td>
<td>5.50%</td>
<td>2013</td>
<td>15,280,000</td>
<td>335,000</td>
<td>9,213</td>
<td>344,213</td>
</tr>
<tr>
<td>Series G, Recreation &amp; Fitness</td>
<td>1999</td>
<td>0.00% to 10.00%*</td>
<td>0.25%</td>
<td>2019</td>
<td>4,700,000</td>
<td>2,300,000</td>
<td>16,490</td>
<td>2,316,490</td>
</tr>
<tr>
<td>Center</td>
<td>2006</td>
<td>4.67%</td>
<td>4.67%</td>
<td>2028</td>
<td>7,250,000</td>
<td>5,933,620</td>
<td>2,305,710</td>
<td>8,239,330</td>
</tr>
<tr>
<td>Series 2006, Recreation &amp; Fitness</td>
<td>2009</td>
<td>2.50% to 5.00%</td>
<td>5.00%</td>
<td>2028</td>
<td>50,185,000</td>
<td>43,455,000</td>
<td>20,678,392</td>
<td>64,133,392</td>
</tr>
<tr>
<td>Center</td>
<td>2012</td>
<td>2.00% to 4.00%</td>
<td>4.00%</td>
<td>2032</td>
<td>12,300,000</td>
<td>11,360,000</td>
<td>4,959,725</td>
<td>16,319,725</td>
</tr>
<tr>
<td>Series J, Business and Engineering</td>
<td>2012</td>
<td>1.25%</td>
<td>1.25%</td>
<td>2015</td>
<td>3,545,000</td>
<td>3,545,000</td>
<td>66,719</td>
<td>3,611,719</td>
</tr>
<tr>
<td>Center</td>
<td>2012</td>
<td>1.90%</td>
<td>1.90%</td>
<td>2023</td>
<td>42,840,000</td>
<td>42,840,000</td>
<td>4,287,730</td>
<td>47,127,730</td>
</tr>
<tr>
<td>Auxiliary System Bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2003, Student Housing</td>
<td>2003</td>
<td>3.00% to 4.50%</td>
<td>3.65%</td>
<td>2024</td>
<td>8,005,000</td>
<td>5,495,000</td>
<td>1,541,728</td>
<td>7,036,728</td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2008A, Student Housing</td>
<td>2008</td>
<td>3.97%</td>
<td>3.97%</td>
<td>2021</td>
<td>9,800,000</td>
<td>8,850,000</td>
<td>2,452,468</td>
<td>11,302,468</td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Series 2011A, Student Housing</td>
<td>2011</td>
<td>1.63%</td>
<td>1.63%</td>
<td>2016</td>
<td>11,550,000</td>
<td>9,240,000</td>
<td>301,224</td>
<td>9,541,224</td>
</tr>
<tr>
<td>Facilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$190,133,101</td>
<td>$134,106,498</td>
<td>$38,371,521</td>
<td>$172,478,019</td>
</tr>
</tbody>
</table>

*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 Auxiliary System Revenue Bonds, Series 2003; Auxiliary System Revenue Bonds, Series 2008A; and Auxiliary System Revenue Bonds, Series 2011A 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 .17 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

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Bonds</th>
<th>Notes</th>
<th>Total Principal</th>
<th>Total Interest</th>
<th>Total Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>11,403,824</td>
<td></td>
<td>11,403,824</td>
<td>4,909,303</td>
<td>16,313,127</td>
</tr>
<tr>
<td>2015-16</td>
<td>11,552,766</td>
<td></td>
<td>11,552,766</td>
<td>4,389,590</td>
<td>15,942,356</td>
</tr>
<tr>
<td>2016-17</td>
<td>10,360,798</td>
<td></td>
<td>10,360,798</td>
<td>3,521,175</td>
<td>13,881,973</td>
</tr>
<tr>
<td>2017-18</td>
<td>8,261,281</td>
<td></td>
<td>8,261,281</td>
<td>3,275,551</td>
<td>11,536,832</td>
</tr>
<tr>
<td>2018-23</td>
<td>48,115,203</td>
<td></td>
<td>48,115,203</td>
<td>12,141,467</td>
<td>60,256,670</td>
</tr>
<tr>
<td>2023-28</td>
<td>25,550,059</td>
<td></td>
<td>25,550,059</td>
<td>4,995,220</td>
<td>30,545,279</td>
</tr>
<tr>
<td>2028-33</td>
<td>7,595,000</td>
<td></td>
<td>7,595,000</td>
<td>493,981</td>
<td>8,088,981</td>
</tr>
</tbody>
</table>

**Total** $134,106,498 $0 $134,106,498 $38,371,521 $172,478,019

#### NOTE 7 – Series K-1 Bond Issue

On October 25, 2012, the University of Southern Indiana issued $12,300,000 in student fee revenue Series K-1 bonds with an all-inclusive cost interest rate of 3.19 percent. Net proceeds from the bond issue, after payment of issuance cost and utilization of the reoffering premium, are to be used to in part fund the construction of a $16.5 million Teaching Theatre. In addition to the bond proceeds, $1.5 million in University resources and $2 million in private gifts will fund the remaining balance of the project. Level debt service payments of $800,000 are scheduled through October 2032.

#### NOTE 8 – 2013 Refunding Bond Issue

On October 25, 2012, the University of Southern Indiana issued $46,385,000 in Series K-2 and Series K-3 student fee bonds with an average interest rate of 1.76 percent to advance refund $46,385,000 of outstanding fixed rate Series H and Series I student fee bonds with an average interest rate of 5.19 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series H and Series I bonds. As a result, the bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The refunding resulted in an accounting gain of $1,082,862. The University of Southern Indiana in effect reduced its aggregate debt service payment by $10,956,335 over the next 12 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $10,349,886.

#### NOTE 9 – Operating Leases

For the fiscal year ended June 30, 2013, the University spent $429,373 on operating leases. These leases are included in supplies and other services on the Statement of Revenue, Expenses, and Changes in Net Position. The University expended $115,645 to lease off-campus facilities, $258,256 for equipment, $52,247 for vehicle leases, and $3,225 for an art exhibit.
NOTE 10 - 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 $2,313,740 and $2,199,096 for June 30, 2013 and 2012, respectively. The current year change represents a $73,549 increase in accrued vacation; a $19,852 increase in sick leave liability; a $7,125 increase in Social Security and Medicare taxes; and a $14,098 increase in Public Employees’ Retirement Fund (PERF) contributions. During the fiscal year, $177,403 was paid out to terminating employees. Payout for terminating employees in fiscal year 2012-13 is expected to increase approximately 64 percent because of the number who will have reached the requisite retirement age and years of service. For that reason, $290,032 of the total compensated absence liability is classified as a current liability and the remaining $2,023,708 is classified as a noncurrent liability.

NOTE 11 – Termination Benefits Liability
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 1.3 percent annually for purposes of calculating this liability.

USI has 28 retirees currently receiving early-retirement benefits, nine of whose benefits stop after this fiscal year, and nine more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals $774,228 at June 30, 2013. Of that amount, $312,450 is expected to be paid out during the following fiscal year, and the remaining $461,777 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 12 - 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 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 $6,201,296 to these programs in fiscal year 2012-13, which represents approximately 11 percent of the total University payroll and 13.5 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 $4,982,448 to this plan for 605 participating employees for fiscal year ending June 30, 2013 and $4,932,330 for 601 participating employees for fiscal year ending June 30, 2012. The annual payroll for this group totaled $36,395,954 and $35,954,661 for fiscal years ending June 30, 2013 and 2012 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 the Indiana Public Retirement System, 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 9.7 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 $1,213,808 for 421 employees participating in PERF during the 2012-13 fiscal year and $1,094,090 for 416 employees participating during 2011-12.

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**

<table>
<thead>
<tr>
<th>Fiscal Year Ending June 30</th>
<th>Actuarial Value of Plan Assets (A)</th>
<th>Actuarial Accrued Liability-Entry Age (B)</th>
<th>Underfunded/(Overfunded) Accrued Liability (C)</th>
<th>Funded Ratio (A/B)</th>
<th>Actual Covered Payroll (D)</th>
<th>Underfunded/(Overfunded) Liability as % of Payroll (C/D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>6,179</td>
<td>9,174</td>
<td>2,995</td>
<td>67.4%</td>
<td>8,912</td>
<td>33.6%</td>
</tr>
<tr>
<td>2011</td>
<td>5,307</td>
<td>9,399</td>
<td>4,092</td>
<td>56.5%</td>
<td>8,980</td>
<td>45.6%</td>
</tr>
<tr>
<td>2012</td>
<td>5,222</td>
<td>11,030</td>
<td>5,807</td>
<td>47.3%</td>
<td>9,432</td>
<td>61.6%</td>
</tr>
</tbody>
</table>
PERF – Development of Net Pension Obligation

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Required Contribution (ARC) *</td>
<td>$590,297</td>
<td>$877,375</td>
<td>$912,708</td>
</tr>
<tr>
<td>Interest on Net Pension Obligation @ 7%</td>
<td>(41,645)</td>
<td>(38,109)</td>
<td>(18,868)</td>
</tr>
<tr>
<td>Adjustments to ARC **</td>
<td>47,457</td>
<td>43,873</td>
<td>21,721</td>
</tr>
<tr>
<td>Annual Pension Cost (APC)</td>
<td>596,110</td>
<td>883,139</td>
<td>915,561</td>
</tr>
<tr>
<td>Contributions made by USI ***</td>
<td>566,123</td>
<td>608,260</td>
<td>762,856</td>
</tr>
<tr>
<td>Change in Net Pension Obligation</td>
<td>29,987</td>
<td>274,879</td>
<td>152,705</td>
</tr>
<tr>
<td>Net Pension Obligation, Beginning of Year</td>
<td>(574,408)</td>
<td>(544,421)</td>
<td>(269,542)</td>
</tr>
<tr>
<td>Net Pension Obligation, End of Year</td>
<td>($544,421)</td>
<td>($269,542)</td>
<td>($116,837)</td>
</tr>
</tbody>
</table>

* Pro rata portion of total ARC for State.
** Net Pension Obligation at beginning of year divided by amortization factor of 12.1037 for 2010 and 12.409 for 2011 and 2012.
*** Percentage of APC contributed: 2010 at 95%; 2011 at 69%; 2012 at 83%.

The required contribution was determined as part of the actuarial valuation as of June 30, 2011, using the Entry Age Normal Cost Method. The actuarial assumptions included: (a) 6.75 percent investment rate of return (b) projected salary increases of 3.25 percent to 4.5 percent; and (c) annual cost-of-living adjustments of 1 percent.

The Indiana Public Retirement System (INPRS) issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for PERF participants. That report may be obtained by writing the INPRS, 1 North Capitol Avenue, Suite 001, Indianapolis, IN 46204 or by calling 317/232-3882.

NOTE 13 – Risk Management

The University is exposed to various risks of loss: torts; errors or omissions; theft, damage, or destruction of assets; job-related illness or injuries to employees; and natural disasters. The University manages these risks of loss through combinations of risk retention and commercial insurance. Property insurance for buildings and contents and other special form coverage is subject to a self-insured retention of $25,000 per occurrence or $2,500 per occurrence if the property is owned by the USI Foundation or SIHE Holdings, LLC. There is a minimum deductible of $100,000 for earthquake and $50,000 for flood for each loss. Educators’ legal liability has a $50,000 deductible for each wrongful acts claim. General liability, commercial crime, workers’ compensation, commercial auto, and medical malpractice, as well as life and disability insurance, are insured by commercial insurance subject to various deductibles. No liability exists at the balance sheet date for unpaid claims.

The University has three health care plans for full-time benefit-eligible employees, two of which are available to retirees. All of the plans 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 administrative fees. Retirees and the majority of employees, 80 percent, participate in the fully-funded cost-plus plan. For fiscal year ended on June 30, 2013, the University’s contribution to these health care plans totaled $9,696,064 for 1,073 employees and $1,307,830 for 314 retirees. For the same period, employees and retirees made contributions totaling $2,535,050 and $433,481 respectively.

The University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific stop loss coverage for individual claims over $225,000. The University also has established a reserve to cover any unpaid aggregate liability beyond
125 percent of expected claims. The liability for medical claims incurred but not reported at June 30, 2013, 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 2013 fiscal year are as follows:

<table>
<thead>
<tr>
<th>Beginning liability, June 30, 2012</th>
<th>$2,715,565</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims incurred</td>
<td>9,808,407</td>
</tr>
<tr>
<td>Claims paid</td>
<td>(9,798,519)</td>
</tr>
<tr>
<td>Ending liability, June 30, 2013</td>
<td>$2,725,453</td>
</tr>
</tbody>
</table>

NOTE 14 - 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, 2013, is as follows:

<table>
<thead>
<tr>
<th>VEBA TRUST</th>
<th>MARKET</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance at July 1, 2012</td>
<td>$14,119,403</td>
</tr>
<tr>
<td>Transfer from University reserves</td>
<td>150,000</td>
</tr>
<tr>
<td>Employee/employer contributions</td>
<td>114,142</td>
</tr>
<tr>
<td>Retiree/employer contributions</td>
<td>18,646</td>
</tr>
<tr>
<td>Reinvested net earnings</td>
<td>321,152</td>
</tr>
<tr>
<td>Net gain/(loss) on sales of trust investments</td>
<td>62,051</td>
</tr>
<tr>
<td>Less: Management fees and taxes</td>
<td>(42,996)</td>
</tr>
<tr>
<td>Net change in market value</td>
<td>1,462,171</td>
</tr>
<tr>
<td><strong>Fund balance at June 30, 2013</strong></td>
<td><strong>$16,204,569</strong></td>
</tr>
</tbody>
</table>

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 15 - 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, Evansville, IN 47708, 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, 2013, USI contributed $1,849,922 to the plan, including $1,699,922 for current premiums (approximately 80 percent of total premiums), and $150,000 to prefund benefits. Plan members receiving benefits contributed $434,835, 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 thirty years. The following table shows the components of the USI VEBA Trust’s annual OPEB cost for the last three fiscal years, the amount actually contributed to the plan, and changes in the net OPEB obligation to the plan:

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual required contribution</td>
<td>$3,243,885</td>
<td>$4,379,913</td>
<td>$4,379,913</td>
</tr>
<tr>
<td>Interest on net OPEB obligation</td>
<td>123,977</td>
<td>178,983</td>
<td>306,573</td>
</tr>
<tr>
<td>Adjustment to annual required contribution</td>
<td>(170,619)</td>
<td>(213,541)</td>
<td>(355,220)</td>
</tr>
<tr>
<td>Annual OPEB cost</td>
<td>3,197,243</td>
<td>4,345,355</td>
<td>4,331,266</td>
</tr>
<tr>
<td>Contributions made</td>
<td>(1,882,421)</td>
<td>(2,145,520)</td>
<td>(1,849,922)</td>
</tr>
<tr>
<td>Increase (decrease) in net OPEB obligation</td>
<td>1,314,822</td>
<td>2,199,835</td>
<td>2,481,344</td>
</tr>
<tr>
<td>Net OPEB obligation, beginning of year</td>
<td>1,771,093</td>
<td>3,085,915</td>
<td>5,285,750</td>
</tr>
<tr>
<td>Net OPEB obligation, end of year</td>
<td>$3,085,915</td>
<td>$5,285,750</td>
<td>$7,767,094</td>
</tr>
</tbody>
</table>

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 last three fiscal years are as follows:

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Annual OPEB Cost</th>
<th>Percentage of Annual OPEB Cost Contributed</th>
<th>Net OPEB Obligation</th>
</tr>
</thead>
<tbody>
<tr>
<td>6-30-2011</td>
<td>$3,197,242</td>
<td>58.9%</td>
<td>$3,085,915</td>
</tr>
<tr>
<td>6-30-2012</td>
<td>$4,345,355</td>
<td>49.4%</td>
<td>$5,285,750</td>
</tr>
<tr>
<td>6-30-2013</td>
<td>$4,331,266</td>
<td>42.7%</td>
<td>$7,767,094</td>
</tr>
</tbody>
</table>

Funded Status and Funding Progress. As of June 30, 2013, the plan was 35 percent funded. The actuarial accrued liability (AAL) for benefits was $46,266,049, and the actuarial value of assets was $16,204,569, resulting in an unfunded actuarial accrued liability (UAAL) of $30,061,480. The covered payroll (annual payroll of active employees covered by the plan) was $47,623,860, and the ratio of the UAAL to covered payroll was 63.1 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Schedule of Funding Progress for the USI VEBA Trust Retiree Healthcare Benefit Plan

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) – Projected Unit Credit Method (b)</th>
<th>Unfunded AAL (UAAL) (b – a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2011</td>
<td>$13,164,949</td>
<td>$31,590,331</td>
<td>$18,425,382</td>
<td>41.67%</td>
<td>$46,432,950</td>
<td>39.68%</td>
</tr>
<tr>
<td>6/30/2012</td>
<td>$14,119,403</td>
<td>$46,266,049</td>
<td>$32,146,646</td>
<td>30.52%</td>
<td>$47,528,932</td>
<td>67.64%</td>
</tr>
<tr>
<td>6/30/2013</td>
<td>$16,204,569</td>
<td>$46,266,049</td>
<td>$30,061,480</td>
<td>35.02%</td>
<td>$47,623,860</td>
<td>63.12%</td>
</tr>
</tbody>
</table>

**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 July 1, 2011, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.8 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 8 percent initially, reducing each year until reaching an ultimate rate of 5.7 percent in 2020. 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 16 – Functional Expenditures**

Operating expenses are reported by natural classification on the face of the Statement of Revenues, Expenses, and Changes in Net Position. 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.
### NOTE 17 – Construction in Progress

Construction in progress at year-end totals $11.6 million (see capital assets table below). Projects under construction include the Applied Engineering Center and the associated improvements to Bluff Lane; the Teaching Theatre; phase three of the Loop Road/Bennett Lane project; improvements to the baseball/soccer parking lot; computer lab installation in the Recreation, Fitness and Wellness Center; phase two renovations in the University Center bookstore, Eagles Nest, and food court area; renovation of a simulation laboratory and classrooms in the Health Professions Center; renovation of the Morton, Baker, Mount and Wallace apartment buildings in student housing; and renovations in the Orr Center, including graduate studies and ESLI offices and a roof replacement system. The total expended to date on the projects is $11.5 million, and the estimated additional cost to complete them is $14.9 million.

Projects in design include replacement of the air handling units in the Technology Center; painting the exterior of the Atheneum in New Harmony; constructing an advising center for the College of Liberal Arts, a math computer lab in the Education Center, a theatre support building, the welcome/visitor center, a new conference center, and a new children’s center; and renovation of the lower level of the Science Center. Amounts expended to date on the projects total $121,907, and the projects have a total estimated remaining cost of approximately $10.5 million.

### NOTE 18 – Capital Assets, Net of Accumulated Depreciation

The table below displays the increase in total capital assets from $306.8 million at July 1, 2012, to $316.3 million on June 30, 2013. Gross capital assets, less accumulated depreciation of $141.7 million, equal net capital assets of $174.6 million at June 30, 2013.

<table>
<thead>
<tr>
<th>FUNCTION</th>
<th>SALARIES &amp; WAGES</th>
<th>BENEFITS</th>
<th>SCHOLARSHIPS</th>
<th>UTILITIES</th>
<th>SUPPLIES &amp; OTHER SVCS</th>
<th>DEPRECIATION</th>
<th>2013 TOTAL</th>
<th>2012 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$28,512,141</td>
<td>$9,953,142</td>
<td></td>
<td></td>
<td>$3,223,580</td>
<td>$41,688,863</td>
<td>$42,642,700</td>
<td></td>
</tr>
<tr>
<td>Academic Support</td>
<td>5,181,492</td>
<td>2,123,112</td>
<td></td>
<td></td>
<td>4,601,633</td>
<td>11,906,237</td>
<td>11,081,332</td>
<td></td>
</tr>
<tr>
<td>Student Services</td>
<td>4,177,039</td>
<td>1,807,552</td>
<td></td>
<td></td>
<td>2,247,031</td>
<td>8,231,622</td>
<td>8,184,695</td>
<td></td>
</tr>
<tr>
<td>Institutional Support</td>
<td>8,176,873</td>
<td>6,300,572</td>
<td></td>
<td></td>
<td>3,188,653</td>
<td>17,666,098</td>
<td>15,416,982</td>
<td></td>
</tr>
<tr>
<td>Operation &amp; Maintenance of Plant</td>
<td>3,639,295</td>
<td>2,069,529</td>
<td>4,379,590</td>
<td></td>
<td>2,576,688</td>
<td>12,665,102</td>
<td>14,192,813</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>12,369,911</td>
<td>12,369,911</td>
<td></td>
</tr>
<tr>
<td>Student Aid</td>
<td>189,853</td>
<td>801,576</td>
<td>9,287,177</td>
<td></td>
<td>9,859</td>
<td>10,288,465</td>
<td>11,394,713</td>
<td></td>
</tr>
<tr>
<td>Public Service</td>
<td>1,488,184</td>
<td>457,154</td>
<td></td>
<td></td>
<td>935,614</td>
<td>2,880,952</td>
<td>3,308,028</td>
<td></td>
</tr>
<tr>
<td>Research</td>
<td>149,086</td>
<td>36,213</td>
<td></td>
<td></td>
<td>191,883</td>
<td>377,182</td>
<td>480,018</td>
<td></td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>4,250,494</td>
<td>2,272,704</td>
<td>1,015,288</td>
<td>18,684,455</td>
<td></td>
<td>26,222,941</td>
<td>21,669,563</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$55,764,457</td>
<td>$25,821,554</td>
<td>$9,287,177</td>
<td>$5,394,878</td>
<td>$35,659,396</td>
<td>$144,297,373</td>
<td>$140,344,095</td>
<td></td>
</tr>
</tbody>
</table>

The table below displays the increase in total capital assets from $306.8 million at July 1, 2012, to $316.3 million on June 30, 2013. Gross capital assets, less accumulated depreciation of $141.7 million, equal net capital assets of $174.6 million at June 30, 2013.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$4,622,923</td>
<td></td>
<td></td>
<td>$4,622,923</td>
<td></td>
<td>$4,622,923</td>
</tr>
<tr>
<td>Land Improvements</td>
<td>13,191,498</td>
<td>30,006</td>
<td></td>
<td>13,221,504</td>
<td>6,575,996</td>
<td>6,645,508</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>6,839,221</td>
<td>30,558</td>
<td></td>
<td>6,869,779</td>
<td>2,008,896</td>
<td>4,860,883</td>
</tr>
<tr>
<td>Educational Buildings</td>
<td>155,544,892</td>
<td></td>
<td></td>
<td>155,544,892</td>
<td>65,581,298</td>
<td>89,963,594</td>
</tr>
<tr>
<td>Auxiliary Buildings</td>
<td>100,701,543</td>
<td>72,987</td>
<td></td>
<td>100,628,556</td>
<td>50,003,052</td>
<td>50,625,504</td>
</tr>
<tr>
<td>Equipment</td>
<td>18,461,863</td>
<td>3,270,322</td>
<td>1,675,377</td>
<td>20,056,808</td>
<td>14,665,461</td>
<td>5,391,347</td>
</tr>
<tr>
<td>Library Materials</td>
<td>3,688,202</td>
<td>77,240</td>
<td>6,074</td>
<td>3,759,368</td>
<td>2,905,146</td>
<td>854,222</td>
</tr>
<tr>
<td>Construction in Progress</td>
<td>3,745,120</td>
<td>11,874,561</td>
<td>3,988,476</td>
<td>11,631,205</td>
<td></td>
<td>11,631,205</td>
</tr>
<tr>
<td>Totals</td>
<td>$306,795,262</td>
<td>$15,282,687</td>
<td>$5,742,914</td>
<td>$316,335,035</td>
<td>$141,739,849</td>
<td>$174,595,186</td>
</tr>
</tbody>
</table>

**NOTE 19-- Reclassify 2012 Financial Information**

Hedging derivative instruments are now discretely presented as a deferred outflow of resources in accord with GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which the University adopted as required for the fiscal year ended June 30, 2013. The Statement of Net Position, formerly known as the Statement of Net Assets, has been amended so that the 2012 financial information is comparable and consistent with the 2013 financial statement presentation.

This reclassification did not result in a change to the Statement of Revenues, Expenses, and Changes in Net Position or to the Statement of Cash Flows.
The final report of student financial aid activity in 2012-2013 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 Internships. Key indicators contained in the 2012-2013 report are:

### Service Profiles
Student Financial Assistance served 13,537 students (including 13,630 who submitted Free Applications for Federal Student Aid [FAFSA]) for need-based assistance and the staff assisted these students by packaging federal, state, USI Foundation, USI institutional, and private/outside awards. Student Financial Assistance provided aid to 8,578 enrolled students resulting in 21,547 awards which total $78.5 million. The total awards, administered by various offices of the University, were down approximately 2.5 percent from 2011-2012.

### Trends in Funding by Source (compared to 2011-2012)

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue</th>
<th>Percent of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal student aid: decreased</td>
<td>$ (3,316,216)</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Indiana student aid: increased</td>
<td>224,257</td>
<td>2.7%</td>
</tr>
<tr>
<td>University student aid: increased</td>
<td>517,698</td>
<td>5.5%</td>
</tr>
<tr>
<td>USI Foundation student aid: increased</td>
<td>57,926</td>
<td>4.1%</td>
</tr>
<tr>
<td>USI Varsity Club funding: decreased</td>
<td>(1,000)</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Corporate/private funding increased</td>
<td>480,580</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

### Trends in Funding by Type (compared to 2011-2012)

<table>
<thead>
<tr>
<th>Type</th>
<th>Revenue</th>
<th>Percent of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift aid: grants/scholarships decreased</td>
<td>$ (513,874)</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Self-help: loans decreased</td>
<td>(1,635,037)</td>
<td>-3.6%</td>
</tr>
<tr>
<td>Self-help: on-campus employment increased</td>
<td>112,156</td>
<td>5.6%</td>
</tr>
</tbody>
</table>

### Distribution of Aid by Source

<table>
<thead>
<tr>
<th>Source</th>
<th>Revenue</th>
<th>Percent of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal aid</td>
<td>$ 53,461,948</td>
<td>68.1%</td>
</tr>
<tr>
<td>State of Indiana</td>
<td>8,387,113</td>
<td>10.7%</td>
</tr>
<tr>
<td>USI aid</td>
<td>10,006,070</td>
<td>12.7%</td>
</tr>
<tr>
<td>USI Foundation</td>
<td>1,456,679</td>
<td>1.9%</td>
</tr>
<tr>
<td>USI Varsity Club</td>
<td>174,000</td>
<td>0.2%</td>
</tr>
<tr>
<td>Private sources</td>
<td>5,025,584</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

### Distribution of Aid by Type

<table>
<thead>
<tr>
<th>Type</th>
<th>Revenue</th>
<th>Percent of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift aid: grants/scholarships</td>
<td>$ 32,289,713</td>
<td>41.1%</td>
</tr>
<tr>
<td>Self-help: loans</td>
<td>44,123,552</td>
<td>56.2%</td>
</tr>
<tr>
<td>Self-help: on-campus employment</td>
<td>2,098,129</td>
<td>2.7%</td>
</tr>
</tbody>
</table>
Introduction
This report contains both summary and program-specific information for all student financial assistance programs administered by the University. Data used in compiling the report was obtained from the University’s administrative system on October 11, 2013. Data was provided by Human Resources, the Business Office, and the Registrar’s Office/Veterans’ Affairs Office. The Student Financial Assistance Office, the Veterans’ Affairs Office, and the Career Services and Internships Office provide assistance to students in obtaining the types of financial aid included in this report.

Narrative
Students and prospective students submitted 13,630 Free Applications for Federal Student Aid (FAFSA) for need-based assistance. Of this number, 8,368 enrolled in 2012-2013 and 8,093 students received Title IV aid. Total FAFSA applications increased 2.2 percent over 2011-2012.

The University administered 21,547 awards for a total of $78.5 million in student financial assistance. The distribution of awards by funding source is presented below.

<table>
<thead>
<tr>
<th>Source</th>
<th>Awards</th>
<th>Subtotals</th>
<th>% of Total Dollars</th>
<th>Prior Year Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government</td>
<td>9,978</td>
<td>$53,461,948</td>
<td>68.1</td>
<td>70.5</td>
</tr>
<tr>
<td>State of Indiana</td>
<td>3,137</td>
<td>8,387,113</td>
<td>10.7</td>
<td>10.1</td>
</tr>
<tr>
<td>USI</td>
<td>4,925</td>
<td>10,006,070</td>
<td>12.7</td>
<td>11.8</td>
</tr>
<tr>
<td>USI Foundation</td>
<td>1,121</td>
<td>1,456,679</td>
<td>1.9</td>
<td>1.7</td>
</tr>
<tr>
<td>USI Varsity Club</td>
<td>100</td>
<td>174,000</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Private Sources</td>
<td>2,286</td>
<td>5,025,584</td>
<td>6.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Totals</td>
<td>21,547</td>
<td>$78,511,394</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Student financial assistance may be categorized by aid type: grants/scholarships; loans; and employment. In 2011-2012, spending was distributed as follows:

<table>
<thead>
<tr>
<th>Categories</th>
<th># of Awards</th>
<th>Award Totals</th>
<th>% of Total Dollars</th>
<th>Prior Year Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants / Scholarships</td>
<td>13,124</td>
<td>$32,289,713</td>
<td>41.1</td>
<td>40.7</td>
</tr>
<tr>
<td>Loans</td>
<td>7,197</td>
<td>44,123,552</td>
<td>56.2</td>
<td>56.8</td>
</tr>
<tr>
<td>Employment</td>
<td>1,226</td>
<td>2,098,129</td>
<td>2.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Totals</td>
<td>21,547</td>
<td>$78,511,394</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Federal Pell Grant Program
The Federal Pell Grant Program is the cornerstone of aid packages for exceptionally needy students. The number of Pell Grant recipients decreased 7.7 percent following a 1.3 percent decrease in 2011-2012. Total Pell dollars decreased 6.8 percent following a 4.7 percent decrease in the prior year.

State Funds
Total Indiana funding was up 2.7 percent in 2012-2013 following a 7.6 percent increase in 2011-2012. Indiana Higher Education Award funding was down 1.8 percent compared to a 0.3 percent increase in the prior year.

Changes in funding levels are summarized by source below

<table>
<thead>
<tr>
<th>Source</th>
<th>2009-2010</th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government</td>
<td>+22.2</td>
<td>+6.2</td>
<td>-3.2</td>
<td>-5.8</td>
</tr>
<tr>
<td>State of Indiana</td>
<td>+10.9</td>
<td>+7.6</td>
<td>+7.6</td>
<td>+2.7</td>
</tr>
<tr>
<td>USI</td>
<td>+13.7</td>
<td>+16.5</td>
<td>+3.5</td>
<td>+5.5</td>
</tr>
<tr>
<td>USI Foundation</td>
<td>+4.9</td>
<td>+5.4</td>
<td>+1.7</td>
<td>+4.1</td>
</tr>
<tr>
<td>USI Varsity Club</td>
<td>-7.3</td>
<td>-1.0</td>
<td>-10.3</td>
<td>-0.6</td>
</tr>
<tr>
<td>Private Sources</td>
<td>-22.9</td>
<td>-7.0</td>
<td>+10.6</td>
<td>+10.6</td>
</tr>
<tr>
<td><strong>Aggregate Change</strong></td>
<td>+15.9%</td>
<td>+6.6%</td>
<td>-0.7%</td>
<td>-2.5</td>
</tr>
</tbody>
</table>

Federal Stafford Loan Program
Aggregate borrowing for Direct Stafford Student Loan recipients among the Class of 2013 baccalaureate graduates averaged $20,647. Among 2013 masters’ degree recipients, aggregate borrowing averaged $29,842, including both graduate and undergraduate borrowing. These figures are based on borrowing while enrolled at USI.

For 2010-2011, the national student loan cohort default rate increased to 6.8 percent, up from 2009-2010 rate of 6 percent primarily due to the economic downturn. The state of Indiana rate is 11.3 percent, up 2.7 percent over the prior year.

A three-year summary of USI’s Stafford Loan default rates appears below.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Stafford Loan Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6.0%</td>
</tr>
<tr>
<td>2010</td>
<td>6.2%</td>
</tr>
<tr>
<td>2011</td>
<td>7.6%</td>
</tr>
</tbody>
</table>

Student Financial Assistance Mission
As part of the Division of Business Affairs, team members in the Student Financial Assistance Office are committed to supporting the University’s goals of enrolling and graduating a highly talented and diverse student body.
Our student-focused team works to help students and their families seek, obtain, and make the best use of all resources available to help finance the costs of attending the University of Southern Indiana. We aim to provide efficient and effective access to programs and services through personalized attention and the use of state-of-the-art technology.

In partnership with internal, federal, state, and other organizations, team members coordinate the administration of all student financial assistance awarded to ensure equity and consistency in the delivery of funds to students. We are dedicated to providing for the proper stewardship of all University, government, and private funds utilized by our students to finance their education.

We aspire to minimize the procedural barriers that sometimes frustrate financial aid applicants and work to ensure that our students learn to handle their financial affairs in a responsible manner. The Student Financial Assistance team provides student advocacy on issues relevant to student success.
Summary of Construction Change Orders  
Authorized by the Vice President for Finance and Administration

### TEACHING THEATRE PROJECT

**Empire Contractors, Inc. - General Contractor**

<table>
<thead>
<tr>
<th>Change Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO-G9</td>
<td>Provide colored cast-in-place concrete at fixed seating areas in lieu of natural color. Provide and install Cheeseboro clamps and hand winches for back stage rigging. Make revisions to control room walls and glazing system.</td>
<td>$11,169</td>
</tr>
<tr>
<td>CO-G10</td>
<td>Revise wall type to Shaft Wall at three chase locations and add gypsum board to concrete wall in lower level dressing room.</td>
<td>$2,872</td>
</tr>
<tr>
<td>CO-G11</td>
<td>Lower exterior ceiling height in loading dock area to accommodate electrical conduits and mechanical piping. Revise structural steel to facilitate lowering of ceiling and add necessary brick to façade.</td>
<td>$21,742</td>
</tr>
<tr>
<td>CO-G12</td>
<td>Revise lobby canopy roof drainage system to provide stainless steel drain assembly, provide rain diverters on metal roof and trough, and increase the size of clay column covers to accommodate piping.</td>
<td>$2,999</td>
</tr>
</tbody>
</table>

**Deig Brothers Construction Co. Inc. - Mechanical Contractor**

<table>
<thead>
<tr>
<th>Change Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO-M9</td>
<td>Revise ductwork for lower level restrooms, make changes to canopy roof drainage system, and delete fire sprinkler under catwalk.</td>
<td>($3,321)</td>
</tr>
</tbody>
</table>

**Alva Electric Co., Inc. - Electrical Contractor**

<table>
<thead>
<tr>
<th>Change Order</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO-E3</td>
<td>Delete the requirement to provide power and controls to loading dock door, revise the requirement to provide license and computer for video surveillance system, make revisions to restroom layout and ceiling height, and provide electrical work needed for relocation of lower level restroom.</td>
<td>$5,057</td>
</tr>
</tbody>
</table>
Exhibit II-D
Board of Trustees
11-07-13
Page 1

Summary
Construction Projects
November 7, 2013

Projects Under Construction

Teaching Theatre Construction
Project Cost $17,250,000
Funding Sources:
  - Bond Issue (Repaid with Student Fees) $13,000,000
  - Special Projects Reserves $2,250,000
  - USI Foundation $2,000,000

Atheneum (New Harmony) - Exterior Metal Painting
Project Cost $250,000
Funding Source: Special Projects Reserves

Projects in Design

Conference Center
Project Cost $5,750,000
Funding Source:
  - Private Gifts $5,000,000
  - Auxiliary Systems Reserves $750,000

Visitor's Center
Project Cost $2,000,000
Funding Source: Private Gifts

Theatre Support Building
Project Cost $1,900,000
Funding Sources:
  - Teaching Theatre Project $400,000
  - Special Projects Reserves $1,500,000

Technology Center Air Handling Unit Replacement
Project Cost $250,000
Funding Source: Special Projects Reserves
Science Center - Lower Level Renovation
Project Cost $ 1,250,000
Funding Source: Legislative Appropriation - 2013

Energy Management System Upgrade
Project Cost $ 400,000
Funding Source: General Repair and Rehabilitation Appropriation

Robert D. Orr Center Classroom Renovation - Phase I
Project Cost $ 284,000
Funding Source: General Repair and Rehabilitation Appropriation

Student Housing Apartment Building Renovation - 2014
Project Cost $ 650,000
Funding Source: Housing Reserves

Parking Lots A, B, and C Landscape Improvements
Project Cost $ 500,000
Funding Source: Landscape Reserves

Science Center Suite 2206 Renovation for Disability Services
Project Cost $ 150,000
Funding Source: Special Projects Reserves