MINUTES

JOINT ACADEMIC AFFAIRS AND ENROLLMENT MANAGEMENT COMMITTEE & FINANCE/AUDIT COMMITTEE

UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES

November 2, 2023

The Academic Affairs and Enrollment Management Committee and the Finance/Audit Committee of the University of Southern Indiana Board of Trustees met in a joint session on Thursday, November 2, 2023, in the Griffin Center on campus. Present were Trustees W. Harold Calloway; John M. Dunn; Daniel M. Fuquay; Fouad L. Hamami ’25; Christine H. Keck; Ronald D. Romain ’73; and Kenneth L. Sendelweck ’76. Trustees Jeffrey L. Knight and Christina M. Ryan were absent. Trustee Kenneth L. Sendelweck ’76 served as chair for this joint session. Also in attendance were President Ronald S. Rochon; Interim Provost Shelly B. Blunt; Vice President for Finance and Administration Steven J. Bridges ’89 M’95; Vice President for Marketing and Communication Kindra L. Strupp M’22; Vice President for Development David A. Bower; Vice President for Student Affairs Khalilah T. Doss; Vice President for Strategic Enrollment Management Troy A. Miller; Chief Government and Legal Affairs Officer Aaron C. Trump; and Faculty Senate Chair T. Kyle Mara.

Trustee Sendelweck called the meeting to order at 9:35 a.m.

1. ACADEMIC AFFAIRS UPDATE

Trustee Sendelweck called on Interim Provost Dr. Shelly Blunt to provide an update on Academic Affairs. Dr. Blunt announced two new minors approved by the Academic Planning Council: Business Humanities and Medical Humanities. Both minors emphasize analytical, critical thinking, and research skills to empower students across the curriculum, but also engage cross-cultural, empathetic, and imaginative skills. Additionally, Academic Affairs has worked to develop policies on micro-credentials at the undergraduate and graduate levels. Creating relevant and academically rigorous micro-credentials presents an opportunity to respond to the evolving environmental conditions in higher education and to address the shifts in student needs, especially adult learners seeking academic credentials that can be completed within a shorter timeframe than traditional academic credentials. These micro-credentials will be based on application and will be awarded digitally.

Dr. Blunt concluded her report by announcing USI’s shift to a third party for printing of diplomas called Parchment. Parchment is the company that already processes and sends out USI transcripts. Now they will be processing and mailing diplomas beginning in Spring 2024. One advantage to this is students will also receive a digital copy of the diploma that can be displayed on their social media platforms like LinkedIn. This digital diploma will link back to USI and provide more brand exposure for the University. It will allow USI to award micro-credentials as electronic badges that can also be displayed on digital platforms.

2. APPROVAL OF NEW DEGREE PROGRAM: BACHELOR OF FINE ARTS (B.F.A.) IN ART

Trustee Sendelweck called on Interim Provost Blunt to discuss a new degree program. The College of Liberal Arts proposes to offer a Bachelor of Fine Arts in Art. A complete abstract describing the program is in Attachment A. The proposed implementation date is fall 2024. Interim Provost Dr. Shelly Blunt introduced Dean Del Doughty and Dr. Sara A. Christensen Blair, chair of Art and Design, to provide details surrounding the program and the need for the degree. The Art and Design Department at USI is requesting authorization to offer the Bachelor of Fine Arts (BFA) in Art with concentrations in Graphic Design, Illustration, Interactive Media Design, Photography, and Studio Art. The BFA in Art at USI will allow students to explore a depth of artistic endeavors as well as a breadth of historical and theoretical approaches to the discipline. As a professional degree, students can investigate visual and aesthetic discourse in both their artistic practice as well as in the context of history and contemporary culture. Because a BFA requires a larger percentage of art studio and art history courses, students engage with their disciplines on a professional level, preparing them for careers in the art and design fields as well as graduate studies.

On a motion by Mr. Calloway, seconded by Mr. Dunn, the committee approved the recommendation to the Board of Trustees to approve the degree program in Attachment A.

3. REVIEW OF THE ACADEMIC PROGRAM DEVELOPMENT PLAN

Trustee Sendelweck called on Interim Provost Blunt to review the Academic Program Development Plan. Dr. Blunt directed the Trustees to Attachment B, an overview of academic program additions that USI is considering including Baccalaureate, Master, Doctorate, and Certificate programs for the 2023-2025 and 2025-2027 bienniums.

4. PRESENTATION ON THE BRONSTEIN CENTER FOR HEALTHY AGING AND WELLNESS

Trustee Sendelweck called on Interim Provost Blunt to introduce the report on the Bronstein Center for Healthy Aging and Wellness. Dr. Blunt introduced Dr. Katie Ehlman, Professor of Gerontology and Director of the Bronstein Center for Healthy Aging and Wellness. Dr. Ehlman began by noting the *Bronstein Center for Healthy Aging and Wellness* opened in 2008 under the vision of the founding Dean of the College of Nursing and Health Professions, Dr. Nadine Coudret. It is dedicated to advancing the understanding of aging and promoting the well-being of older adults through interdisciplinary education, research and engaged partnerships and is nationally recognized. The center has three main sources of funding including grants and private gifts. Since the inception of the Bronstein Center, well over 40 undergraduate and graduate students have worked to accomplish the objectives of its projects from a diverse variety of majors.

The *Bronstein Center for Healthy Aging and Wellness* works to foster impactful engagement for students by working with partners from multiple community sectors. The Center has worked with over 75 community organizations since inception – most of these relationships are guided by sub-award agreements and memos of understanding. As the cornerstone of a current five-year federally funded project, the Center has embedded a case manager/social worker from an area agency on aging in three primary care clinics. When a patient visits their primary care provider for a Medicare wellness visit and the provider finds the patient could benefit from services from the Area Agency on Aging Case Manager, such as Meals on Wheels or transportation services, then the provider can make a referral directly to that case manager embedded in the clinic. Since inception, over 1,400 referrals have been made by providers in these three clinics to these AAA care managers.

In 2018, the USI team unveiled the 640-square-foot Minka Learning Lab to promote living in place for older adults. This house was built on campus with accessibility in mind and to demonstrate an affordable housing platform adaptable to meet the needs of people of different ages and abilities. The Minka Learning Lab is an innovative educational lab for students and faculty at USI. Students and faculty come from multiple disciplines across campus to use the Minka as an extension of their classroom. In a recent example, Senior CIS students explored how to integrate the three levels of Artificial Intelligence we have in the Minka as their senior project. Additionally, a new engineering faculty and a handful of his students visited the Minka to explore smart technology and living in place. In the last 4 years, 1,034 students and community members have interacted with the Minka through tours and/or class activities.

Bronstein Center initiatives have resulted in a deepening of knowledge among faculty as we build areas of excellence at our University. These areas then allow us to share with our students and the community. Faculty from multiple programs engage in the Bronstein Center at different levels. At our core, we are working to improve the lives of older adults and healthcare professionals working with older adults. With its HRSA funding and Foundation gifts, we have elevated its standing as a nationally recognized Center of Aging.

5. REVIEW OF AUDITED FINANCIAL STATEMENTS

Trustee Sendelweck called on Vice President Bridges, who reported the annual review of the financial statements provides an opportunity for the Finance/Audit Committee members of the Board of Trustees to hear the results of last year's business operations on the financial position of the University. In addition, it is an opportunity to provide an update regarding the external audit of financial operations. Both are key elements in the fiduciary role that this committee serves. He introduced Mr. Jeff Sickman, University Controller, and Assistant Treasurer to present the 2023 Financial Report and an update on the status of the external audit. Mr. Sickman, who has been employed with the University for almost 30 years, and Jina Platts, Assistant Controller who has been employed with USI for 25 years, are key staff who led this critical process.

Mr. Sickman began by referring the Trustees to Attachment C, the financial statements that have been submitted as a part of the auditing process by the Indiana State Board of Accounts. He reviewed the Condensed Statement of Net Position for fiscal year 2022-2023, which showed a slight improvement in total net position by $236,000 or .1%. This increase was primarily due to the decline in total liabilities as USI is paying off debt, and its total liabilities are declining at a faster rate than the overall assets are declining or depreciating. Capital assets depreciation amortization is outpacing the acquisition of new assets, which is typical for an organization of USI's age.

There were significant accounting changes that USI implemented in the fiscal year 2022-2023, not all making financial impacts, but rather changes to the face of the financial statements. Mr. Sickman discussed changes in Governmental Accounting Standards Board (GASB) Statement 93, replacement of interbank offered rates; GASB Statement 94, Public-Private and Public-Public partnerships and availability payment arrangements; GASB Statement 96, subscription-based information technology arrangements; and NACUBO scholarship discounts and allowances methodology. He showed the impact of each of these changes on USI's financial statements.

Mr. Sickman discussed the unrestricted cash and investment changes from $141.9 million in 2022 to $136.4 million in 2023. There was a shift in cash and equivalents to short and long-term investments over the past fiscal year. This does not represent unspent bond proceeds as those dollars are restricted, this is unrestricted assets the University has available for operations.

Another driver of the balance sheet is USI's decline in debt. USI's liabilities decreased as a direct result of decreased bonds payables. In 2023, bond payables went down by $11 million. Mr. Sickman reviewed the schedule of bonds payable noting the refund of Series K-1 bonds and issuance of Series O bonds this past year, the payoff of Series K-3 bonds in October, and the scheduled payoff of Series 2003 bonds for student housing facilities in 2024. With the payment of the Series 2003 bonds, USI will have no auxiliary debt.

Operating revenues in 2023 show a decline at a consistent rate, while USI's expenses are relatively stable. USI is becoming more reliant on state appropriations for operating as auxiliary enterprise revenues related to housing and dining are declining, due to lower enrollments in 2023.

Mr. Sickman concluded by summarizing the 2022-2023 fiscal year, noting:

- Total assets decreased by $6.9 million (1.7%)
- Deferred outflows of resources decreased by $2.5 million (26.6%)
- Total liabilities decreased $6.8 million (4.4%)
- Deferred inflows of resources decreased by $2.8 million (39%)
- Total revenues decreased by $9.2 million (5.4%)
- Total expenses increased $5,000 (0%)
- Net position increased $236,000 (.1%)

There being no further business, the committee meeting adjourned at 10:22 a.m.

ABSTRACT
Bachelor of Fine Arts, BFA, in ART
To be offered in an in-person format with some online delivery
By the University of Southern Indiana, Evansville, Indiana

Characteristics of the Program: The Art & Design Department at the University of Southern Indiana (USI) is requesting authorization to offer the Bachelor of Fine Arts (BFA) in Art with concentrations in Graphic Design, Illustration, Interactive Media Design, Photography, and Studio Art. The BFA in Art at USI would allow students to explore a depth of artistic endeavors as well as a breadth of historical and theoretical approaches to the discipline. As a professional degree, students can investigate visual and aesthetic discourse in both their own artistic practice as well as in the context of history and contemporary culture. Because a BFA requires a larger percentage of art studio and art history courses, students engage with their disciplines on a professional level, preparing them for careers in the art and design fields as well as graduate studies.

Rationale for the Program: The BFA at USI would provide students a professional-level art degree allowing fuller development in their area(s) of concentration and the creation of stronger portfolios in preparation for either the workforce or graduate school. This proposed degree program is a natural outgrowth of the strong undergraduate B.A./B.S. in Art paired with an active and dynamic faculty and supportive administration.

- Current Trends: Data from the U.S. Bureau of Labor Statistics notes that most areas associated with this BFA in Art will see employment growth rates from 4% to 8% (as fast or faster than average) over the next decade.[1] Some of these positions include: Art Directors, Special Effects Artists, Interior Designers, Graphic Designers, and Craft & Fine Artists.

- Enrollment reports: Over 2/3 of the art majors at USI are currently following concentrations that are mostly digital. Not having a BFA program has hindered our Studio Art concentration as students gravitate towards BFA programs at nearby institutions such as IU, ISU, or Western Kentucky. The added rigor will not only benefit the students but the department as the quality of student work and post-graduation success in graduate school or in the industry will aid in the department's reputation resulting in more students. While adding the BFA, the BA and BS options will remain in their 54-credit form for students wanting to double major in another subject and/or for those who transfer from another discipline and want to finish on a traditional four-year timeline. Projected headcounts average a cohort of 15 students per year.

Cost of and Support for the Program: The Department currently has 12 full-time faculty, 2 full-time support staff, and 5 part-time faculty. No additional faculty or staff are required to offer the BFA in Art. There are no immediate renovations or capital requests needed to add the BFA in Art. Each art studio and design class has a $50 Art Fee. The fee covers supplies that can be

[1] https://www.bls.gov/ooh/arts-and-design/home.htm Updated September 6, 2023.

bought in bulk, making the course less expensive for the students overall. This fee will remain in place, but no additional fees are required.

Similar and Related Programs: Within Indiana the University of Evansville and Purdue University offer an unaccredited BFA degree in Studio Art. IUPUI Indianapolis and Indiana State University offer accredited BFA degrees in Art. Indiana University offers an accredited BFA in Studio Art. Western Kentucky University and Southern Illinois have accredited BFA programs as does the University of Cincinnati. While this may have the appearance of competition, note that all of the programs (with the exception of UE) are 100 miles distant or more and none offer the full range of concentrations proposed in USI's program. Moreover, the prevalence of BFA programs speaks to it being the standard for the field.

Quality and Other Aspects of the Program:
State of the art facilities paired with qualified instruction form the basis of a high-quality art program at USI. This excellence will be continued into the development of a BFA. Numerous scholarships and fellowships complement the abundant spaces and opportunities for display and review of student work. Artist-in-residence programs and a tradition of successful alumni all attest to the current and future quality of USI's art program. The final marker of excellence for this program is the National Association of Schools of Art and Design (NASAD), which as noted above is not true of all other programs.

Attachment B
Joint Committee
11-02-23

UNIVERSITY OF SOUTHERN INDIANA
New Program Development Plan

Revised by Academic Planning Council
16-Oct-23

Baccalaureate Degree	Master Degree	Doctorate Degree	Certificates
2023-2025 Biennium			
Bachelor of Fine Arts			Financial Planning (UG) Leadership Certificate (Grad)
2025-2027 Biennium			
Bachelor of Music in Performance Bachelor of Music in Music Education Business/Engineering Business Economics Geography Industrial Engineering	Food and Nutrition (Dietetics) Athletic Training Computer Science Elementary Math Specialist Environmental Science Manufacturing Engineering	*Occupational Therapy	Spanish for Health Care Professionals (UG)
2027-2029 Biennium			

*Programs have been approved by the USI BOT at a previous meeting
UG-Undergraduate Level
Grad-Graduate Level

University Of Southern Indiana
Statement of Net Position
As of June 30, 2023 and 2022

		2023		2022
ASSETS				*Restated**
Current Assets				
Cash and cash equivalents	$	25,290,195	$	39,954,294
Short-term investments		22,985,303		15,279,224
Accounts receivable, net		5,882,484		6,405,027
Leases receivable		-		382,329
Inventories		531,644		528,480
Other current assets		3,271,760		3,353,532
Total current assets	$	57,961,386	$	65,902,886
Noncurrent Assets				
Cash equivalent - Deposit with bond trustee	$	41,462,776	$	17,754,482
Investments - Deposit with bond trustee		-		24,897,108
Long-term investments		88,118,856		86,697,345
Leases receivable		-		64,129
Net OPEB asset		6,936,905		4,690,720
Subscription assets, net		6,104,877		3,937,682
Leased assets, net		283,575		311,896
Capital assets, net		209,120,330		212,663,490
Total noncurrent assets	$	352,027,319	$	351,016,852
Total Assets	**$**	**409,988,705**	**$**	**416,919,738**
DEFERRED OUTFLOW OF RESOURCES				
Hedging derivative instruments	$	48,191	$	164,276
Deferred amount on bond refundings		1,345,701		1,598,498
Deferred outflow of resources related to pensions		1,769,979		1,624,260
Deferred outflow of resources related to OPEB		3,673,572		5,927,878
Total deferred outflow of resources	$	6,837,443	$	9,314,912
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	3,775,799	$	4,238,762
Accrued payroll, benefits, and deductions		6,364,244		6,537,536
Bonds payable		11,403,393		11,046,438
Leases and subscriptions payable		1,931,120		1,558,916
Debt interest payable		960,816		1,056,993
Unearned revenue		8,673,311		7,402,283
Other current liabilities		362,572		56,998
Total current liabilities	$	33,471,255	$	31,897,926
Noncurrent Liabilities				
Bonds payable	$	103,841,109	$	115,480,230
Leases and subscriptions payable		3,337,655		2,401,891
Derivative instruments--interest rate swap		48,191		164,276
Compensated absences and termination benefits		2,843,642		2,907,333
Net pension liability		4,381,619		1,883,504
Other noncurrent liabilities		7,010		8,465
Total noncurrent liabilities	$	114,459,226	$	122,845,699
Total Liabilities	**$**	**147,930,481**	**$**	**154,743,625**
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources related to leases	$	-	$	441,621
Deferred inflow of resources related to pensions		903,860		3,568,423
Deferred inflow of resources related to OPEB		3,531,583		3,256,878
Total deferred inflow of resources	$	4,435,443	$	7,266,922
NET POSITION				
Net investment in capital assets	$	135,354,978	$	129,680,177
Restricted				
Expendable				
Capital Project		-		251,829
Debt Service		50,214		8
Scholarship, research, and other		9,660		3,971
Unrestricted		129,045,372		134,288,118
Total Net Position	**$**	**264,460,224**	**$**	**264,224,103**

**See Note 20 in the Notes to Financial Statements.*

University of Southern Indiana
Statement of Revenues, Expenses, and Changes in Net Position
Fiscal years ended June 30, 2023 and 2022

	2023	2022 Restated*
REVENUES		
Operating Revenues		
Student fees	$ 72,576,893	$ 75,688,044
Scholarship discounts and allowances	(28,641,403)	(26,321,386)
Grants and contracts	1,720,891	2,712,107
Auxiliary enterprises	20,047,565	17,305,761
Room and board discounts and allowances	(2,915,596)	(1,810,558)
Other operating revenues	3,241,211	2,380,180
Total operating revenues	$ 66,029,561	$ 69,954,148
EXPENSES		
Operating Expenses		
Salaries and wages	$ 61,189,002	$ 59,832,816
Benefits	24,020,246	18,554,655
Student financial aid	3,186,467	15,509,952
Utilities	6,080,312	5,686,215
Supplies and other services	45,350,764	40,108,609
Depreciation and amortization	17,041,262	16,894,295
Total operating expenses	$ 156,868,053	$ 156,586,542
Operating loss	$ (90,838,492)	$ (86,632,394)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 64,387,351	$ 63,629,666
Gifts	4,441,286	4,059,015
Federal grants and contracts	12,521,100	28,171,775
State/Local grants and contracts	7,996,275	8,437,200
Nongovernmental grants and contracts	1,079,977	1,129,081
Investment income (net of investment expense of $227,249 and $180,905 for 2023 and 2022)	2,841,751	(6,778,420)
Interest on capital asset related debt	(3,650,384)	(4,015,545)
Bond issuance costs	(88,629)	-
Other non-operating revenues/(expenses)	940	358,935
Net non-operating revenues (expenses)	$ 89,529,667	$ 94,991,707
Income before other revenues, expenses, gains or losses	$ (1,308,825)	$ 8,359,313
Capital appropriations	$ 1,112,962	$ 1,112,962
Capital gifts	431,984	-
Total other revenues	$ 1,544,946	$ 1,112,962
Increase in net position	$ 236,121	$ 9,472,275
NET POSITION		
Net position - beginning of year	$ 264,224,103	$ 254,751,828
Net position - end of year	**$ 264,460,224**	**$ 264,224,103**

See Note 20 in the Notes to Financial Statements.

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

University Of Southern Indiana
Statement of Cash Flows
Fiscal Years Ended June 30, 2023 and 2022

		2023		2022 *Restated**
Cash Flows from Operating Activities				
Tuition and fees	$	43,413,677	$	50,859,550
Grants and contracts		3,297,769		2,700,057
Payments to suppliers		(45,509,017)		(38,403,359)
Payments for utilities		(6,080,312)		(5,686,215)
Payments to employees		(61,457,322)		(59,802,644)
Payments for benefits		(24,018,250)		(23,324,890)
Payments for scholarships		(3,186,467)		(15,509,952)
Auxiliary enterprises receipts		17,295,755		15,306,793
Sales and services of educational depts.		603,422		349,498
Proceeds from Fiduciary Activities		438,024		433,526
Payments for Fiduciary Activities		(438,797)		(436,238)
Other receipts (payments)		3,094,653		1,130,122
Net cash used by operating activities	**$**	**(72,546,865)**	**$**	**(72,383,752)**
Cash Flows from Noncapital Financing Activities				
State appropriations	$	64,387,351	$	63,629,666
Gifts and grants for other than capital purposes		26,404,659		41,276,251
Other non-operating receipts (payments)		34,954		(692)
Net cash provided by noncapital financing activities	**$**	**90,826,964**	**$**	**104,905,225**
Cash Flows from Capital Financing Activities				
Proceeds from capital debt	$	6,840,000	$	-
Capital appropriations		1,112,962		1,112,962
Capital gifts		431,984		-
Proceeds from leased assets		-		384,023
Bond financing costs		(119,333)		(25,450)
Purchase of capital assets		(10,785,453)		(5,796,424)
Principal paid on capital debt and right-to-use assets		(20,777,078)		(17,102,389)
Interest paid on capital debt and right-to-use assets		(4,382,407)		(4,461,183)
Net cash used by capital financing activities	**$**	**(27,679,325)**	**$**	**(25,888,461)**
Cash Flows from Investing Activities				
Proceeds from sales and maturities of investments	$	71,718,751	$	15,143,734
Interest on investments		1,920,008		1,066,404
Purchase of investments		(55,195,339)		(104,420,155)
Net cash provided by investing activities	**$**	**18,443,420**	**$**	**(88,210,017)**
Net increase (decrease) in cash	$	9,044,194	$	(81,577,005)
Cash – beginning of year		57,708,777		139,285,782
Cash – end of year	**$**	**66,752,971**	**$**	**57,708,777**

		2023		2022
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:				
Operating loss	$	(90,838,492)	$	(86,632,395)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Depreciation and amortization expense		17,041,262		16,894,295
Provision for uncollectible accounts		(751,134)		(293,042)
Changes in assets, liabilities, and deferred resources:				
Operating receivables		907,656		917,658
Inventories		(3,164)		(21,201)
Other assets		249,621		(705,965)
Accounts payable		(328,382)		1,436,767
Unearned revenue		1,271,028		470,319
Deposits held for others		(1,455)		2,902
Employee and retiree benefits		(93,032)		(4,450,378)
Fiduciary funds		(773)		(2,712)
Net cash used by operating activities:	**$**	**(72,546,865)**	**$**	**(72,383,752)**

Noncash Transactions				
Unrealized gain/(loss) on short-term investments	$	71,379	$	(331,002)
Unrealized gain/(loss) on long-term investments		682,516		(8,117,207)
Subscription assets		(4,684,035)		(1,482,255)
Leased assets		(167,488)		(72,760)
Bonds payable - LT and ST Series K-1		988,951		-
Bonds payable - LT and ST Series O		(988,951)		-
Net noncash transactions	**$**	**(4,097,628)**	**$**	**(10,003,224)**

**See Note 20 in the Notes to Financial Statements.*

NOTE 1 – Summary of Significant Accounting Policies
The University of Southern Indiana was established in 1985 as described in the Indiana Code (IC 21-24 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 alum, 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 except for the student trustee, who serves a term of two years.

Basis of Accounting
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, fiduciary, and plant funds – that comprise the whole. The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

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 and deliver quality programs to students. 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 Annual Comprehensive Financial Report issued annually by the State of Indiana.

New Accounting Pronouncements
The University adopted GASB Statement 93, Replacement of Interbank Offered Rates, effective for fiscal year ended June 30, 2023. The objective of this statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR) due to amendments of GASB Statement 53, Accounting and Financial Reporting for Derivative Instruments and GASB Statement 87, Leases.

The University adopted GASB Statement 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for the fiscal year ended June 30, 2023. This statement establishes standards of accounting and financial reporting for public-private and public-public partnerships and availability payment arrangements for governments.

The University adopted GASB Statement 96, Subscription-Based Information Technology Arrangements, effective for the fiscal year ended June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The University has fully adopted GASB Statement 99, Omnibus 2022. GASB Statement 99 ¶4-25 was adopted for the fiscal year ended effective June 30, 2023. The requirements in paragraphs 4-10 relate to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement 53. The requirements in paragraphs 11-25 relate to accounting and financial reporting requirements for specific issues related to leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), clarification of certain provisions in Statement 87, Statement 94, and Statement 96 and terminology updates. GASB Statement 99 ¶26-32 was adopted previously for the fiscal year ended June 30, 2022.

Change in Accounting Estimate
Effective for the fiscal year ended June 30, 2023, the University changed its methodology for estimating tuition discounts. The Alternate Method of calculating the estimated discount is no longer endorsed by National Association of College and University Business Officers (NACUBO). In its place, NACUBO provided four options for estimation, and the University opted to use Method B—detail by student, by fiscal year. This change affects the following lines on the Statement of Revenues, Expenses and Changes in Net Position: scholarship discounts and allowances, room and board discounts, and student financial aid. Changes in accounting estimates are reported prospectively by recognizing the change in the current period. The change in methodology has no impact on the change in net position for prior years.

Cash and Cash Equivalents
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, including certificates of deposit and repurchase agreements, which have an original maturity date of 90 days or less.

Investments
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 Position.

Accounts Receivable
Accounts receivable consist primarily of amounts due from students, grants and contracts, and auxiliary enterprises and are recorded net of estimated uncollectible amounts.

Leases Receivable
Leases receivable consist of amounts due from a lessee for contracts that convey control of the right to use the University's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles and equipment. The University recognizes a lease receivable at the present value of lease payments expected to be received during the lease term.

Inventories
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 sold. The value of the inventory on hand at the end of the fiscal year is based on a physical count and cost is determined using the retail or weighted average method of accounting.

Cash Equivalent - Deposits with Bond Trustee
Deposits with bond trustee consist of unexpended bond proceeds and associated interest earnings which will be used for capital expenditures related to construction or renovation projects, bond issuance costs and future debt payments. The purpose of these funds is to maintain liquidity necessary to meet projected cash flow needs. They are not invested for the purpose of generating additional income.

Investments – Deposits with Bond Trustee
Deposits with bond trustee consist of unexpended bond proceeds invested according to the University investment policy approved by the Board of Trustees and associated interest earnings which will be used for capital expenditures related to construction or renovation projects, bond issuance costs and future debt payments. Funds are invested under the University investment policy.

Leased assets, net
Leased assets are buildings, vehicles and equipment that are leased from third parties rather than purchased and presented net of accumulated amortization. The University recognizes a leased asset at its inception as the sum of 1) the amount of the initial measurement of the lease liability which is equal to the present value of payments expected to be made during the lease term; and 2) lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term; and 3) initial direct costs that are ancillary charges necessary to place the asset in to service. Leased assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Lease liabilities may be required to be remeasured at subsequent financial reporting dates which may require an adjustment of a leased asset by the same amount.

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 except for 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 – 3-10 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 on capital assets, net of accumulated depreciation for current-year activity and accumulated depreciation on the various classes of assets.

The Historic New Harmony buildings are not depreciated due to the age of the buildings. However, the buildings are maintained because they have a historic value. The process for maintaining these buildings is the same as it would be for any other building that the University owns**.**

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of approximately 3,000 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment, and textiles. The collection consists of both donated and purchased items. Historic New Harmony does not place a monetary value on the collection because the museum is organized as a public trust which acts as a steward 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, 2023.

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. Some donated pieces were received without appraised values. Collection pieces, which have been appraised or otherwise valued, total $3,201,865. The currently known value is not included in the capitalized asset value at June 30, 2023.

Other Postemployment Benefits (OPEB)
For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the USI Voluntary Employees' Benefit Association (VEBA) Trust and additions to/deductions from the VEBA's fiduciary net position have been determined on the same basis as they are reported by the VEBA. Investments are reported at market value, except for money market investments, which are reported at cost.

Accrued Payroll, Benefits and Deductions
Accrued payroll, benefits and deductions include amounts owed but not paid for salaries and wages, medical and life insurance, taxes, and retirement plans. The liability for medical claims incurred but not reported is estimated 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 the University for payment.

Unearned Revenue
Unearned revenue is recorded for current cash receipts of student tuition and fees and certain auxiliary goods and services that are received in advance of providing services. Tuition and fees for the second summer session are assessed in June annually, and the portion allocated to unearned revenue is based on the number of instructional days in each fiscal year. Amounts received from contracts and grant sponsors that have not met the criteria for revenue recognition are included as well.

Compensated Absences and Termination Benefits
Liabilities for compensated absences are accrued for vacation and sick leave based on past service and measured at the salary rate in effect on the Statement of Net Position date. Additional amounts are

accrued for required salary-related payments due to terminating or retiring employees. The salary-related payments included are the University's share of Social Security and Medicare taxes and the University's contributions to a defined benefit retirement plan and a defined contribution retirement plan.

Liabilities for voluntary termination benefits are recorded for eligible employees with an accepted retirement offer. Eligible employees are those full-time prior to January 1, 1999, age 60 or older, and with 15 or more consecutive years of service. The benefits include continued retirement contributions through the end of the fiscal year in which the retiree reaches age 66 and a lump-sum retirement service pay based on final salary rate and length of service.

Net Pension Liability
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Indiana Public Retirement System (INPRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were recategorized as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. For more information refer to the Retirement Plans Note.

Deferred Outflows and Deferred Inflows
Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources record an acquisition of net assets that is applicable to a future reporting period.

Net Position
Net position represents the difference between all other elements in the Statement of Net Position, and it includes three components.

> **Net investment in capital assets** consists of capital assets, net of accumulated depreciation and outstanding debt. Deferred outflows of resources and deferred inflows of resources attributable to the acquisition, construction or improvement of the assets are included in this component.
>
> **Restricted net position--expendable** consists of resources which the University is legally or contractually obligated to use in accordance with restrictions imposed by parties external to the institution.
>
> **Unrestricted net position** is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, which do not qualify for classification as net investment in capital assets or restricted net position-expendable.

Restricted and Unrestricted Resources
If both restricted and unrestricted resources are available to be expended for the same purpose or project, the determination of the funding source is made based on relevant facts and circumstances. The fund order is decided on a case-by-case basis.

Classification of Revenues and Expenses

- 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 unearned 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 Revenues, Expenses and Changes in Net Position to prevent the double counting of expenses and the recognition of self-generated revenue.

Operating Revenues and Expenses
Operating revenues of the University consist of student fees (net of scholarship discounts and allowances), exchange grants and contracts, sales and services of educational activities, and auxiliary enterprise revenues (net of scholarship discounts and allowances). Operating expenses include payments to suppliers for goods and services, employee wages and benefits, payments for scholarships, utilities and depreciation of capital assets.

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

Other Revenues
Other revenues of the University consist of appropriations, grants and gifts received for capital expenditures.

Component Unit
The University includes the University of Southern Indiana Foundation, Inc. (Foundation) 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.

The Foundation is a legally separate, tax-exempt entity formed in 1969 to provide support for the University and its faculty and students to promote educational, scientific, charitable, and related activities and programs exclusively for the benefit of the University and its students. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs.

The majority of 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 Foundation is considered a component unit of the University, and its audited financial statements and notes are discretely presented in the University financial report.

Direct support from the Foundation for both restricted and unrestricted purposes is included in the amounts reported for gifts and capital gifts on the Statement of Revenues, Expenses and Changes in Net Position. Complete financial statements, including explanatory notes, for the Foundation can be obtained from the Office of the Vice President for Finance and Administration at 8600 University Boulevard, Evansville, IN 47712.

NOTE 2 – Deposits and Investments

Under authority granted by IC 21-24-3, the Board of Trustees authorizes management to invest in obligations of the U.S. Treasury and U.S. government agencies; money market funds; certificates of deposit, demand/transaction deposits and time deposits; commercial paper; bankers' acceptances; investment grade corporate notes and bonds; mortgage-backed securities; asset-backed securities; municipal bonds; and derivatives. Deposits with bond trustee are authorized to be invested under the same Board-approved investment policy as the unrestricted investments. 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, 2023, the bank balances of the University's operating demand deposit accounts were $26,556,400, of which $1,000,000 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were $33,637,589, at June 30, 2022, of which $801,712 was covered by federal depository insurance. The remaining balances were insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party. The balance of the cash equivalents - unrestricted investment accounts were $1,328,612, at June 30, 2023, and $6,150,370, at June 30, 2022. The balance of the cash equivalents - deposits with bond trustee were $41,462,776, at June 30, 2023, and $17,754,482, at June 30, 2022.

Investments

The University's investments at June 30, 2023, are identified in the table below.

			Maturities (in Years)				
Investment Type	**Market Value**	**Type %**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**6 – 10 years**	**More than 10 years**
Unrestricted investments							
Certificates of deposit	20,050,844	18%	14,258,757	5,266,806	525,281	-	-
Agency securities	13,775,669	12%	3,207,632	4,882,967	2,906,954	2,778,116	-
Asset-backed securities	9,270,622	8%	11,425	1,102,011	2,972,095	2,366,503	2,818,588
Corporate bonds	29,351,010	27%	2,376,139	7,103,142	7,252,758	11,922,839	696,132
Foreign bonds	1,671,662	2%	-	973,623	294,957	403,082	-
Municipal bonds	2,458,621	2%	-	596,860	457,751	1,211,605	192,405
U.S. treasury securities	34,525,731	31%	3,131,350	7,230,183	6,677,422	15,382,680	2,104,096
Total unrestricted investments	**$111,104,159**		**$22,985,303**	**$27,155,592**	**$21,087,218**	**$34,064,825**	**$5,811,221**
Maturity %	**100%**		**21%**	**24%**	**19%**	**31%**	**5%**

The University's investments at June 30, 2022, are identified in the table below.

			Maturities (in Years)				
Investment Type	**Market Value**	**Type %**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**6 – 10 years**	**More than 10 years**
Unrestricted investments							
Certificates of deposit	16,163,125	13%	6,871,223	9,064,812	227,090	-	-
Agency securities	20,515,366	16%	6,637,262	5,482,372	2,421,252	5,094,428	880,052
Asset-backed securities	6,122,619	5%	-	1,511,174	1,402,326	1,612,607	1,596,512
Corporate bonds	28,735,091	23%	133,278	5,702,007	7,308,131	15,392,059	199,616
Foreign bonds	1,364,247	1%	-	184,763	943,828	235,656	-
Municipal bonds	2,009,878	1%	-	112,273	622,387	1,071,386	203,832
U.S. treasury securities	27,066,243	21%	1,637,461	10,675,102	6,454,967	6,381,899	1,916,814
Total unrestricted investments	**$101,976,569**		**$15,279,224**	**$32,732,503**	**$19,379,981**	**$29,788,035**	**$4,796,826**
Maturity %	**100%**		**15%**	**32%**	**19%**	**29%**	**5%**
Investments - deposits with bond trustee							
Agency securities	648,973	1%	648,973	-	-	-	-
U.S. treasury securities	24,248,135	19%	24,248,135	-	-	-	-
Total investments - deposits with bond trustee	**$ 24,897,108**		**$24,897,108**	**-**	**-**	**-**	**-**
Total investments	**$126,873,677**	**100%**	**$40,176,332**	**$32,732,503**	**$19,379,981**	**$29,788,035**	**$4,796,826**

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. The University investment policy requires certificates of deposit, demand/transaction deposits, time deposits, and bankers' acceptances to be purchased from domestic banks and savings and loan associations that are designated by the Indiana State Board of Finance as a depository for public funds in accordance with Indiana Code 5-13-9-5-3; other investment types are not bound by this requirement. All certificates of deposit are insured by FDIC/SAIF, the Public Deposit Insurance Fund, or collateral as required by federal regulations.

Of the $111.1 million invested at June 30, 2023, $48.3 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. Of the $126.9 million invested at June 30, 2022, $24.9 million investments - deposits with bond trustee and $47.6 million unrestricted investments are U.S. securities held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government.

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 21% of investments in 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. The University has established the following requirements as part of its Investment Policy Statement.

Investment Type	Exposure Restrictions
Money Market Funds	Invests only in US Treasury or Federal Agency Securities whose assets exceed $250 million or funds managed by Indiana banks insured under the Public Deposit Insurance Fund and registered with the SEC
Commercial Paper	S&P or Fitch Rated A-1 or above/Moody's Rated P-1 or above
Investment-grade Corporate Notes and Bonds	S&P, Fitch, or Moody's Rated BBB-/Baa- or above
Mortgage-backed Securities	S&P, Fitch, or Moody's Rated AA-/Aa- or above
Asset-backed Securities	S&P, Fitch, or Moody's Rated AA-/Aa- or above
Municipal Bonds	S&P, Fitch, or Moody's Rated A- or above

	June 30, 2023							
Rating	**A**	**Aa**	**Aaa**	**B**	**Ba**	**Baa**	**Unrated**	**Total**
Unrestricted investments								
Agency securities	-	4,102,643	9,673,026	-	-	-	-	13,775,669
Asset-backed securities	41,384	223,100	4,416,717	-	124,554	132,788	4,332,079	9,270,622
Certificates of deposit	-	-	-	-	-	-	20,050,844	20,050,844
Corporate bonds	14,421,590	707,364	585,429	73,793	100,908	11,318,335	2,143,591	29,351,010
Foreign bonds	192,342	470,857	-	-	-	892,100	116,363	1,671,662
Municipal bonds	519,043	1,285,631	65,825	-	-	-	588,122	2,458,621
U.S. treasury securities	-	-	31,717,573	-	-	-	2,808,158	34,525,731
Total unrestricted investments	**$15,174,359**	**$6,789,595**	**$46,458,570**	**$73,793**	**$225,462**	**$12,343,223**	**$30,039,157**	**$111,104,159**

June 30, 2022						
Rating	**A**	**Aa**	**Aaa**	**Baa**	**Unrated**	**Total**
Unrestricted investments						
Agency securities	-	203,762	17,890,486	-	2,421,118	20,515,366
Asset-backed securities	-	638,288	4,096,955	156,284	1,231,092	6,122,619
Certificates of deposit	-	-	127,201	-	16,035,924	16,163,125
Corporate bonds	13,653,769	678,198	590,146	13,812,978	-	28,735,091
Foreign bonds	298,374	40,217	-	1,025,656	-	1,364,247
Municipal bonds	839,425	892,472	194,030	-	83,951	2,009,878
U.S. treasury securities	-	-	25,001,978	-	2,064,265	27,066,243
Total unrestricted investments	**$14,791,568**	**$2,452,937**	**$47,900,796**	**$14,994,918**	**$21,836,350**	**$101,976,569**
Investments - deposits with bond trustee						
Agency securities	-	-	648,973	-	-	648,973
U.S. treasury securities	-	-	24,248,135	-	-	24,248,135
Total investments - deposits with bond trustee	**$ -**	**$ -**	**$24,897,108**	**$ -**	**$ -**	**$24,897,108**
Total investments	**$14,791,568**	**$2,452,937**	**$72,797,904**	**$14,994,918**	**$21,836,350**	**$126,873,677**

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 has established the following requirements as part of its Investment Policy Statement. At June 30, 2023, and June 30, 2022, the University is in compliance with that policy.

Investment Type	**Exposure Restrictions**
Commercial Paper	$500,000 maximum per corporation $1 million maximum per industry
Investment-grade Corporate Notes and Bonds	60% maximum per investment manager's portfolio
Mortgage-backed Securities	20% maximum per investment manager's portfolio
Non-agency Residential Mortgage-backed Securities	5% maximum per investment manager's portfolio
Asset-backed Securities	20% maximum per investment manager's portfolio
Municipal Bonds	15% maximum per investment manager's portfolio 5% maximum per state in investment manager's portfolio

Investments not explicitly guaranteed by the U.S. government are subject to disclosure if any one issuer represents 5% or more of total investments. The $34.5 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2023, and the $24.2 million investments - deposits with bond trustee and $27.1 million unrestricted investments that were invested in U.S. Treasury Securities at

June 30, 2022, were the only investments explicitly guaranteed. The following investments are neither guaranteed nor insured by the full faith and credit of the U.S. Treasury.

June 30, 2023							
Bank	**Certificates of Deposit**	**Percentage of CDs**	**Bonds**	**US Agency Securities**	**Asset-Backed Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,248,513	21%	-	-	-	4,248,513	6%
Fifth Third	-	0%	4,706,607	1,941,580	2,779,571	9,427,758	12%
First Federal Savings Bank	4,104,444	20%	-	-	-	4,104,444	5%
First Financial Bank NA	1,010,973	5%	-	-	-	1,010,973	1%
German American Bank	5,306,526	27%	1,692,814	4,102,643	-	11,101,983	14%
Johnson	218,755	1%	12,301,930	1,297,700	389,772	14,208,157	19%
Longfellow	-	0%	8,796,959	-	5,085,733	13,882,692	18%
ONB	-	0%	5,982,983	5,267,923	1,015,546	12,266,452	16%
Regions	-	0%	-	1,165,823	-	1,165,823	2%
United Fidelity Bank	5,161,633	26%	-	-	-	5,161,633	7%
Total	**$20,050,844**	**100%**	**$33,481,293**	**$13,775,669**	**$9,270,622**	**$76,578,428**	**100%**

June 30, 2022							
Bank	**Certificates of Deposit**	**Percentage of CDs**	**Bonds**	**US Agency Securities**	**Asset-Backed Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,158,704	26%	-	-	-	4,158,704	6%
Fifth Third	-	0%	4,220,991	8,286,215	1,478,875	13,986,081	19%
First Federal Savings Bank	4,018,557	25%	-	-	-	4,018,557	5%
First Financial Bank NA	1,001,219	6%	-	-	-	1,001,219	1%
German American Bank	302,202	2%	-	1,411,673	-	1,713,875	2%
Indiana Members Credit Union	1,189,682	7%	-	-	-	1,189,682	2%
Johnson	227,090	1%	15,097,291	501,184	-	15,825,565	21%
Longfellow	-	0%	9,643,738	935,362	4,643,744	15,222,844	20%
Lynnville National Bank	111,647	1%	-	-	-	111,647	0%
ONB	-	0%	3,147,196	7,723,971	-	10,871,167	15%
PNC Capital Markets	127,201	1%	-	-	-	127,201	0%
Regions	-	0%	-	1,656,961	-	1,656,961	2%
United Fidelity Bank	5,026,823	31%	-	-	-	5,026,823	7%
Total	**$16,163,125**	**100%**	**$32,109,216**	**$20,515,366**	**$6,122,619**	**$74,910,326**	**100%**

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 investment policy does not authorize global investments. The foreign bonds in the portfolio are bonds of foreign companies traded in U.S. markets denominated in U.S. dollars. Therefore, it is not exposed to foreign currency risk.

NOTE 3 – Fair Value of Assets and Liabilities
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs. GASB Statement 72, *Fair Value Measurement and Application,* established a hierarchy of inputs to measure fair value. The hierarchy includes the following three levels.

- **Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date
- **Level 2** Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly
- **Level 3** Unobservable inputs for an asset or liability

The following table presents value of University deposits and investments as reported in the accompanying Statement of Net Position at fair valuation on a recurring basis and their level within the fair-value hierarchy at June 30, 2023.

FAIR VALUE MEASUREMENTS **FAIR VALUE AT JUNE 30, 2023**

		FAIR VALUE MEASUREMENT USING		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Unrestricted investments				
Agency securities	13,775,669	-	13,775,669	-
Asset-backed securities	9,270,622	-	9,270,622	-
Certificates of deposit	20,050,844	20,050,844	-	-
Corporate bonds	29,351,010	-	29,351,010	-
Foreign bonds	1,671,662	-	1,671,662	-
Municipal bonds	2,458,621	-	2,458,621	-
U.S. treasury securities	34,525,731	34,525,731	-	-
Total unrestricted investments	**$ 111,104,159**	**$ 54,576,575**	**$ 56,527,584**	**-**
Derivative instruments				
Interest rate swap	(48,191)	-	(48,191)	-
Total derivative instruments	**$ (48,191)**	-	**$ (48,191)**	**-**
Investments - deposits with bond trustee				
Agency securities	-	-	-	-
U.S. treasury securities	-	-	-	-
Total investments - deposits with bond trustee	**-**	**-**	**-**	**-**

The University had the following fair value measurements at June 30, 2022.

FAIR VALUE MEASUREMENTS **FAIR VALUE AT JUNE 30, 2022**

		FAIR VALUE MEASUREMENT USING		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Unrestricted investments				
Agency securities	20,515,366	-	20,515,366	-
Asset-backed securities	6,122,619	-	6,122,619	-
Certificates of deposit	16,163,125	16,163,125	-	-
Corporate bonds	28,735,091	-	28,735,091	-
Foreign bonds	1,364,247	-	1,364,247	-
Municipal bonds	2,009,878	-	2,009,878	-
U.S. treasury securities	27,066,243	27,066,243	-	-
Total unrestricted investments	**$101,976,569**	**$43,229,368**	**$58,747,201**	**-**
Derivative instruments				
Interest rate swap	(164,276)	-	(164,276)	-
Total derivative instruments	**$ (164,276)**	-	**$ (164,276)**	**-**
Investments - deposits with bond trustee				
Agency securities	648,973	-	648,973	-
U.S. treasury securities	24,248,135	24,248,135	-	-
Total investments - deposits with bond trustee	**$ 24,897,108**	**$ 24,248,135**	**$ 648,973**	**-**

Where quoted market prices are available in an active market, investments are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of investments with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such investments are classified in Level 2 of the valuation hierarchy. The University utilizes the market-based valuation approach in accordance with GASB Statement 72. Valuation techniques did not change significantly during the fiscal year ended June 30, 2023 and June 30, 2022.

NOTE 4 – Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2023, classified by type and the fair value changes of those derivative instruments are as follows.

		Change in Fair Value		Fair Value at June 30, 2023	
Derivative Instrument	Type	Amount	Classification	Amount	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$116,084	Derivative Instrument Interest Rate Swap	$(48,191)	$2,360,059

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2022, classified by type and the fair value changes of those derivative instruments are as follows.

		Change in Fair Value		Fair Value at June 30, 2022	
Derivative Instrument	Type	Amount	Classification	Amount	Current Notional
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$226,355	Derivative Instrument Interest Rate Swap	$(164,276)	$2,795,316

The University determined that Series 2006 pay-fixed interest rate swap met the criteria for effectiveness as of June 30 of both years. The pay-fixed, receive-variable interest rate swap is designed to synthetically fix the cash flows on the variable rate bond. The fair value of the interest rate swap was estimated based on the present value of its estimated future cash flows.

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2023, along with the credit rating of the associated counterparty. On June 28, 2023, the University replaced the reference rate of the hedging derivative's variable payment due to the cessation of the USD LIBOR panel. Per the federal Adjustable Interest Rate (LIBOR) Act, the primary replacement benchmark will be the 1-Month Secured Overnight Financing Rate (SOFR) plus a slight margin adjustment to account for the difference between historic LIBOR and SOFR rates. The two rates are essentially equivalent, and all other conditions to continue hedge accounting under GASB Statement 93 have been met.

Type	Objective	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	7/1/2023	1/1/2028	65% of 3 mo. USD-SOFR-CME	A3

The following table displays the objectives and terms of the University's hedging derivative instruments outstanding at June 30, 2022, along with the credit rating of the associated counterparty.

Type	Objective	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows on the Series 2006 Bonds	1/1/2008	1/1/2028	65% of 3 mo. USD-LIBOR-BBA	A3

The following schedule outlines fiscal year maturities of hedging derivative net cash flows and related interest expense.

Fiscal Year Ending	Series 2006		Total Debt Service
	Principal	Interest	
2024	455,626	102,328	**557,954**
2025	476,951	80,681	**557,632**
2026	499,270	58,021	**557,291**
2027	522,636	34,301	**556,937**
2028	405,576	9,470	**415,046**
Total	**$2,360,059**	**$284,801**	**$2,644,860**

Credit Risk - The fair value of the Series 2006 hedging derivative instruments is in a liability position as of June 30, 2023, and June 30, 2022, with a balance of $48,191 and $164,276 respectively. Because the Series 2006 derivative instrument and the debt being hedged are with the same counterparty, there is no credit risk exposure. The fair value of the derivative instrument would simply be netted against the payoff of the debt.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect 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%.

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 SOFR 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 5 – Accounts Receivable

The following schedule summarizes accounts receivable at June 30, 2023, compared to the previous fiscal year.

	2023	2022
Student fees receivable	$ 4,107,634	$ 4,765,883
Auxiliary enterprises	1,038,788	1,328,471
Gifts and nonoperating grants	2,100,353	2,550,928
Contracts and operating grants	119,295	185,174
Other	454,491	263,782
Current accounts receivable, gross	7,820,561	9,094,238
Allowance for uncollectible accounts	(1,938,077)	(2,689,211)
Current accounts receivable, net	$ 5,882,484	$ 6,405,027

Other receivables are comprised primarily of revenues from external customers for education and public services.

NOTE 6 – Leases Receivable

The University leased building space to Sodexo Services of Indiana Limited Partnership, a third-party provider of food service (Sodexo) prior to and including the year ended June 30, 2022. Payments were generally fixed monthly per contract but changed annually due to square footage modifications and inflation adjustments based on the U.S. Department of Labor Consumer Price Index for Finished Consumer Foods. These modifications and inflation adjustments were not known until the beginning of each fiscal year, so therefore were not included in the measurement of the leases receivable and deferred inflow.

The leases receivable and deferred inflow is included on the Statement of Net Position. The revenue resulting from amortization of the lease deferred inflow is included on the Statement of Revenues, Expenses and Changes in Net Position.

The University recognized the following related to its lessor agreement with Sodexo:

Fiscal year ending June 30	2022
Lease revenue	$377,256
Interest income	7,129
Total Lease revenue	$384,385

The University and Sodexo entered into a new agreement effective July 1, 2022, that is considered a public-private partnership under GASB Statement 94. This new agreement effectively ended the lessor/lessee arrangement. As a result, no lease receivables or deferred inflows related to leases are included in the Statement of Net Position for the year ended June 30, 2023. See Note 19 for additional information about public-private partnerships.

USI also provides space to Barnes & Noble College Booksellers, LLC, a third-party providing campus store management services. In exchange, the University receives consideration based on a percentage of sales. Under paragraph 45 of GASB 87, variable payments should be recognized as revenue in the period to which those payments relate. As a result, the variable payments based on future performance of Barnes & Noble do not qualify for treatment as leases receivable. The University recognized $405,083 and $413,064 from Barnes & Noble related to this agreement for the years ended June 30, 2023 and 2022, respectively.

NOTE 7 - Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description. USI provides postemployment benefits other than pensions for eligible retirees under a single employer defined benefit healthcare plan. The plan was administered by the University until January 1, 2021, when AmWins Group Benefits assumed administration of the plan on behalf of the University. The USI Board of Trustees has the authority to establish or amend the benefit provisions of the plan.

A Voluntary Employees' Benefit Association (VEBA) Trust was established in 1995 by the University to partially fund OPEB expenses in future years. The trustee, Old National Wealth Management, 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 Wealth Management, 123 Main Street, Evansville, IN 47708, or by calling 800-830-0362. 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. However, the fiscal year activity for the Trust is presented in the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

Benefits Provided. USI provides medical, dental and life insurance benefits for eligible retirees and their dependents. The OPEB plan is closed to new entrants.

Full time employees hired before July 1, 2014 whose age plus years of creditable service equal 57 as of July 1, 2014, or who have 10 years of creditable service as of July 1, 2014, are eligible for lifetime medical and dental coverage at retirement once they reach age 60 with 10 years of service, or for certain eligible employees, age 55 with 85 points (age plus years of service is at least 85). Retirees hired prior to 1993 contribute 25% of the medical and dental premium rates regardless of years of service at retirement. Eligible retirees hired after 1993 contribute a percentage of the medical and dental premium rates based on their years of service at retirement. The percentages range from 25% to 75%. Employees hired before July 1, 2014 are eligible for University-subsidized life insurance.

Effective January 1, 2021, the University changed its medical insurance for Medicare eligible retirees from a cost-plus arrangement with Anthem to a fully insured option with United Healthcare. Retirees and dependents who are not eligible for Medicare continue to participate in the Anthem cost-plus plans along with active employees. Dental insurance is provided to all eligible retirees from Paramount Dental (formerly HRI). Effective January 1, 2023, the University changed providers for retiree life insurance, moving from Standard Insurance Company to Sun Life Assurance Company of Canada.

Employees covered by benefit terms. At June 30, 2023, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving medical/dental benefit payments	289
Inactive employees entitled to but not yet receiving medical/dental benefit payments	0
Active employees eligible for medical/dental	238
Total	527

Inactive employees or beneficiaries currently receiving life insurance benefit payments	408
Inactive employees entitled to but not yet receiving life insurance benefit payments	0
Active employees eligible for life insurance	454
Total	862

Contributions. Historically, the trust has been funded from three sources: University contributions and reserves designated by the University Board of Trustees for this purpose, employee payroll deductions for post-retirement benefits, and retiree contributions for medical and dental insurance premiums. In 2013, management elected to discontinue contributions to the trust from employees and retirees in anticipation of changes to retiree insurance coverage. The University did not contribute institutional funds to the VEBA during the most recent fiscal year.

The University uses a pay-as-you-go financing method where employee payroll deductions for post-retirement benefits and retiree contributions for medical and dental premiums are made at about the same time and in the same amount as benefit payments and expenses coming due. The University remits medical claims incurred and medical, dental and life insurance premiums directly to the third-party insurers. The University payroll deduction rates for medical, dental and life insurance ranged from $42.05 to $602.95 per month for single coverage and $511.81 to $1,666.96 for family coverage. Retiree contributions for medical and dental ranged from $41.35 to $600.17 per month for single coverage and $511.11 to $1,664.17 for family coverage. The University also offers retiree and spouse coverage, as well as retiree and dependent coverage, with rates falling within the ranges provided.

Net OPEB Liability (Asset).

For fiscal year ending June 30, 2023, a June 30, 2023 measurement date was used. The total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of July 1, 2022 with results projected to the June 30, 2023 measurement date, reflecting actual premiums and contributions. Liabilities as of June 30, 2022 are based on an actuarial valuation date of July 1, 2022 with no adjustments.

Actuarial assumptions. The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.00% for wages 2.50% for real rates of return
Salary increases	2.00-8.50%, including inflation
Healthcare cost trend rates	7.00% for 2024, decreasing 0.50% per year to an ultimate rate of 4.50% for 2029 and later years for pre 65 medical 6.25% for 2024, decreasing 0.25% per year to an ultimate rate of 4.50% for 2031 and later years for post 65 medical 4.00% for 2024 and later years for dental

Mortality rates were based on the SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021 for healthy retirees, SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021 for surviving spouses and SOA Pub-2010 Disabled Retiree Headcount Weighted Mortality Table fully generational using Scale MP-2021 for disabled retirees.

Retiree contributions are assumed to increase according to health care trend rates.

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study in 2013.

The long-term expected real rate of return on the OPEB plan investment is assumed to be 7%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation. The best estimates of arithmetic real rates of return for each major asset class are summarized in the following table. Returns shown below are real rates of return net of a 2.50% inflation assumption.

Asset Class	**Target Allocation**	**Long-term Expected Real Rate of Return**
Domestic Large Cap	45%	7.5%
Domestic Mid/Small Cap	15	8.5
International Equity	10	7.5
Domestic Bonds	30	2.5
Total	100%	

Discount Rate. The final equivalent single discount rate used for this year's accounting valuation is 7% as of the beginning and end of the fiscal year with the expectation that the University will continue contributing a percentage of pay-go cost to ensure that the trust has sufficient balance to pay for future benefit payments. The University is expected to withdraw at least 5% of the VEBA Trust in the future to pay for the pay-go costs.

The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	June 30, 2023
Bond Buyer Go 20-Bond Municipal Bond Index	3.65%
S&P Municipal Bond 20-Year High Grade Rate Index	4.13
Fidelity 20-Year Go Municipal Bond Index	3.86
Bond Index Range	3.65-4.13%

Changes in the Net OPEB Liability (Asset) June 30, 2023

		Increase (Decrease)	
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (Asset) (a)-(b)**
Balances at 6/30/2022	$20,465,654	$25,156,374	$(4,690,720)
Changes for the year:			
Service Cost	141,154		141,154
Interest	1,402,207		1,402,207
Change in assumptions			
Differences between expected and actual experience	(878,200)		(878,200)
Contributions-employer		70,363	(70,363)
Net Investment Income		2,876,843	(2,876,843)
Benefit Payments	(1,170,363)	(1,170,363)	-
Administrative Expense		(35,860)	35,860
Net Changes	(505,202)	1,740,983	(2,246,185)
Balances at 6/30/2023	$19,960,452	$26,897,357	$(6,936,905)

Changes in the Net OPEB Liability (Asset) June 30, 2022

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 6/30/2021	$18,109,816	$30,412,788	$(12,302,972)
Changes for the year:			
Service Cost	236,657		236,657
Interest	1,245,005		1,245,005
Change in assumptions	833,491		833,491
Differences between expected and actual experience	1,181,345		1,181,345
Contributions-employer		(93,340)	93,340
Net Investment Income		(3,981,673)	3,981,673
Benefit Payments	(1,140,660)	(1,140,660)	-
Administrative Expense		(40,741)	40,741
Net Changes	2,355,838	(5,256,414)	7,612,252
Balances at 6/30/2022	$20,465,654	$25,156,374	$(4,690,720)

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current discount rate.

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Net OPEB liability (asset)	(4,862,637)	(6,936,905)	(8,696,770)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates. The following presents the net OPEB liability (asset) of the University, as well as what the University's net OPEB liability (asset) would be if it were calculated using healthcare trend rates that are 1-percentage-point lower (6.00% decreasing to 3.50%) or 1-percentage-point higher (8.00% decreasing to 5.50%) than the current healthcare cost trend rates.

	1% Decrease (6.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (7.00% decreasing to 4.50%)	1% Increase (8.00% decreasing to 5.50%)
Net OPEB liability (asset)	(8,750,283)	(6,936,905)	(4,807,446)

OPEB plan fiduciary net position. Information about the VEBA plan's fiduciary net position is available in the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2023, the University recognized OPEB expense of $353,189. At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	439,100
Changes in assumptions	-	-
Net differences between projected and actual earnings in OPEB plan investments	581,089	-
Total	$581,089	439,100

For the year ended June 30, 2022, the University recognized OPEB expense of $(3,214,001). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	590,672	-
Changes in assumptions	416,745	-
Net differences between projected and actual earnings in OPEB plan investments	1,663,583	-
Total	$2,671,000	-

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Year ended June 30:	
2024	(507,457)
2025	(101,905)
2026	982,347
2027	(230,996)
2028	-
Thereafter	-

NOTE 8 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization

The table below displays the increase in total capital assets from $470.2 million at June 30, 2022, to $480.7 million on June 30, 2023. Gross capital assets, less accumulated depreciation of $271.6 million, equal net capital assets of $209.1 million at June 30, 2023.

	Balance June 30,2022	Additions	Transfers	Deletions	Balance June 30,2023
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ -	$ -	$ -	$ 5,085,598
Construction in Progress	4,059,763	9,439,109	(2,446,260)	-	11,052,612
Total Capital Assets Not Being Depreciated	**$ 9,145,361**	**$ 9,439,109**	**$ (2,446,260)**	**$ -**	**$ 16,138,210**
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ -	$ -	$ -	$ 15,236,711
Infrastructure	10,817,987	-	1,625,147	-	12,443,134
Educational Buildings	282,087,214	-	-	-	282,087,214
Auxiliary Buildings	122,230,850	-	821,113	(463,119)	122,588,844
Equipment	28,106,422	1,954,589	-	(477,747)	29,583,264
Library Materials	2,606,881	2,655	-	(13,737)	2,595,799
Total Capital Assets Being Depreciated	**$ 461,086,065**	**$ 1,957,244**	**$ 2,446,260**	**$ (954,603)**	**$ 464,534,966**
Total Capital Assets	**$ 470,231,426**	**$ 11,396,353**	**$ -**	**$ (954,603)**	**$ 480,673,176**

Less Accumulated Depreciation					
Land Improvements	$ (12,815,632)	$ (584,539)	$ -	$ -	$ (13,400,171)
Infrastructure	(4,055,449)	(303,344)	-	-	(4,358,793)
Educational Buildings	(128,991,311)	(9,470,206)	-	-	(138,461,517)
Auxiliary Buildings	(84,832,729)	(3,160,370)	-	430,587	(87,562,512)
Equipment	(24,410,471)	(1,353,989)	-	477,747	(25,286,713)
Library Materials	(2,462,344)	(34,533)	-	13,737	(2,483,140)
Total Accumulated Depreciation	**$ (257,567,936)**	**$(14,906,981)**	$ -	**$ 922,071**	**$ (271,552,846)**
Net Capital Assets Being Depreciated	**$ 203,518,129**	**$(12,949,737)**	**$ 2,446,260**	**$ (32,532)**	**$ 192,982,120**
Total Net Capital Assets	**$ 212,663,490**	**$ (3,510,628)**	$ -	**$ (32,532)**	**$ 209,120,330**

The table below displays the increase in total right-to-use assets from $5.9 million at June 30, 2022, to $9.6 million on June 30, 2023. Gross right-to-use assets, less accumulated amortization of $3.2 million, equal net right-to-use assets of $6.4 million at June 30, 2023. The June 30, 2022, balances have been restated due to the implementation of GASB 96 for Subscription-Based IT Arrangements.

Right-to-Use Asset Class	Balance June 30,2022	Additions	Transfers	Deletions	Balance June 30,2023
Equipment	$ 545,734	$ 167,481	$ -	$ (125,012)	$ 588,203
Buildings	35,563	-	-	-	35,563
Vehicles	47,227	-	-	-	47,227
Subscription-Based IT Arrangements	5,264,049	4,684,035	-	(1,067,838)	8,880,246
Total Right-to-Use Assets Being Amortized	**$ 5,892,573**	**$ 4,851,516**	**$ -**	**$ (1,192,850)**	**$ 9,551,239**
Less Accumulated Amortization					
Equipment	$ (290,197)	$ (144,275)	$ -	$ 103,628	$ (330,844)
Buildings	(15,578)	(14,401)	-	-	(29,979)
Vehicles	(10,853)	(15,742)	-	-	(26,595)
Subscription-Based IT Arrangements	(1,326,367)	(1,959,863)	-	510,861	(2,775,369)
Total Accumulated Amortization	**$ (1,642,995)**	**$(2,134,281)**	**$ -**	**$ 614,489**	**$ (3,162,787)**
Total Net Right-to-Use Assets	**$ 4,249,578**	**$ 2,717,235**	**$ -**	**$ (578,361)**	**$ 6,388,452**

The table below displays the increase in total capital assets from $464.9 million at July 1, 2021, to $470.2 million on June 30, 2022. Gross capital assets, less accumulated depreciation of $257.6 million, equal net capital assets of $212.6 million at June 30, 2022.

	Balance June 30,2021	Additions	Transfers	Deletions	Balance June 30,2022
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ -	$ -	$ -	$ 5,085,598
Construction in Progress	4,622,347	4,522,096	(5,084,648)	(32)	4,059,763
Total Capital Assets Not Being Depreciated	**$ 9,707,945**	**$ 4,522,096**	**$ (5,084,648)**	**$ (32)**	**$ 9,145,361**
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ -	$ -	$ -	$ 15,236,711
Infrastructure	10,817,987	-	-	-	10,817,987
Educational Buildings	277,140,855	-	5,084,648	(138,289)	282,087,214
Auxiliary Buildings	122,230,850	-	-	-	122,230,850
Equipment	27,099,344	1,277,369	-	(270.291)	28,106,422
Library Materials	2,662,373	2,834	-	(58,326)	2,606,881
Total Capital Assets Being Depreciated	**$ 455,188,120**	**$ 1,280,203**	**$ 5,084,648**	**$ (466,906)**	**$ 461,086,065**
Total Capital Assets	**$ 464,896,065**	**$ 5,802,299**	$ -	**$ (466,938)**	**$ 470,231,426**
Less Accumulated Depreciation					
Land Improvements	$ (12,175,212)	$ (640,420)	$ -	$ -	$ (12,815,632)
Infrastructure	(3,762,939)	(292,510)	-	-	(4,055,449)
Educational Buildings	(119,419,111)	(9,709,409)	-	137,209	(128,991,311)
Auxiliary Buildings	(81,431,334)	(3,401,395)	-	-	(84,832,729)
Equipment	(23,370,514)	(1,305,484)	-	265,527	(24,410,471)
Library Materials	(2,480,043)	(40,627)	-	58,326	(2,462,344)
Total Accumulated Depreciation	**$ (242,639,153)**	**$(15,389,845)**	$ -	**$ 461,062**	**$ (257,567,936)**
Net Capital Assets Being Depreciated	**$ 212,548,967**	**$(14,109,642)**	**$ 5,084,648**	**$ (5,844)**	**$ 203,518,129**
Total Net Capital Assets	**$ 222,256,912**	**$ (9,587,546)**	$ -	**$ (5,876)**	**$ 212,663,490**

Gross right-to-use assets of $5.8 million, less accumulated amortization of $1.6 million, equal net right-to-use assets of $4.2 million at June 30, 2022. The balances for June 30, 2021, have been restated due to the implementation of GASB 96 for Subscription-Based IT Arrangements.

Right-to-Use Asset Class	Balance June 30,2021	Additions	Transfers	Deletions	Balance June 30,2022
Equipment	$ 519,642	$ 26,092	$ -	-	$ 545,734
Buildings	32,055	15,279	-	(11,771)	35,563
Vehicles	36,377	31,390	-	(20,540)	47,227
Subscription-Based IT Arrangements	3,781,794	1,482,255	-	-	5,264,049
Total Right-to-Use Assets Being Amortized	**$ 4,369,868**	**$ 1,555,016**	**$ -**	**$ (32,311)**	**$ 5,892,573**
Less Accumulated Amortization					
Equipment	$ (142,489)	$ (147,708)	$ -	$ -	$ (290,197)
Buildings	(13,068)	(14,281)	-	11,771	(15,578)
Vehicles	(15,299)	(16,094)	-	20,540	(10,853)
Subscription-Based IT Arrangements	-	(1,326,367)	-	-	(1,326,367)
Total Accumulated Amortization	**$ (170,856)**	**$(1,504,450)**	**$ -**	**$ 32,311**	**$ (1,642,995)**
Total Net Right-to-Use Assets	**$ 4,199,012**	**$ 50,566**	**$ -**	**$ -**	**$ 4,249,578**

A breakdown of significant projects included in construction in progress is shown below:

Construction Work in Progress		
	Balance as of	
Facility	**June 30, 2022**	**June 30, 2023**
HVAC Building Controls Replacement	$ 1,744,872	$ 2,683,225
Wellness Center	591,200	5,411,915
Housing Fiber Optic Upgrade	1,317,714	-
	34,775	
HP Renovation (first and second floors)		1,074,663
Student Housing Fire System	-	885,621
UC West Electrical Transformers	200,099	608,618
Other projects (not exceeding $250,000)	171,103	388,570
Total	**$ 4,059,763**	**$ 11,052,612**

NOTE 9 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2023 and 2022, are shown below.

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Current Portion	Noncurrent Portion
Bonds payable	$126,526,668	$6,840,000	$18,122,166	$115,244,502	$11,403,393	$103,841,109
Leases & subscriptions payable	3,960,807	4,909,790	3,601,822	5,268,775	1,931,120	3,337,655
Derivative instruments - interest rate swap	164,276	-	116,085	48,191	-	48,191
Compensated absences	3,167,766	2,830,122	2,794,744	3,203,144	473,694	2,729,450
Termination benefits	440,530	241,526	272,713	409,343	295,151	114,192
Net pension liability	1,883,504	3,139,041	640,926	4,381,619	-	4,381,619
Other noncurrent liabilities	8,465	15,955	17,410	7,010	-	7,010
Total	$136,152,016	17,976,434	25,565,866	128,562,584	14,103,358	114,459,226

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Current Portion	Noncurrent Portion
Bonds payable	$142,418,646	-	$15,891,978	$126,526,668	$11,046,438	$115,480,230
Leases & subscriptions payable	4,201,402	1,570,998	1,811,593	3,960,807	1,558,916	2,401,891
Derivative instruments - interest rate swap	433,374	-	269,098	164,276	-	164,276
Compensated absences	3,482,812	2,615,501	2,930,547	3,167,766	430,237	2,737,529
Termination benefits	673,628	213,019	446,117	440,530	270,726	169,804
Net pension liability	4,450,249	1,459,307	4,026,052	1,883,504	-	1,883,504
Other noncurrent liabilities	5,563	10,154	7,252	8,465	-	8,465
Total	$155,665,674	$5,868,979	$25,382,637	$136,152,016	$13,306,317	$122,845,699

Leases & subscriptions payable for June 30, 2021, and June 30, 2022, has been restated due to the implementation of GASB Statement 96 on Subscription-Based Technology Arrangements.

NOTE 10 – Debt Related to Capital Assets

Bonds Payable – The following schedule details bonds payable at June 30, 2023, compared to the previous fiscal year.

SCHEDULE OF BONDS PAYABLE	*Issue Date*	*Interest Rate*	*Maturity Date*	*Original Issue Amount*	*Principal Outstanding June 30, 2023*	*Principal Outstanding June 30, 2022*	*Current Portion June 30, 2023*
Student Fee Bonds							
Direct Placements of Debt							
Series 2006, Recreation and Fitness Center	2006	4.67%	2028	7,250,000	2,360,059	2,795,316	455,626
Series K-3, Refund Series H and I	2012	1.90%	2023	42,840,000	2,575,000	5,100,000	2,575,000
Series L-1, Health Professions Center 3rd Floor	2017	2.90%	2036	8,050,000	6,130,000	6,480,000	360,000
Series L-2, Refund Series J	2017	2.15%	2026	21,440,000	11,965,000	15,195,000	3,305,000
Series L-3, Refund Series J	2017	2.65%	2028	9,955,000	9,655,000	9,755,000	100,000
Series O, Refund Series K-1	2022	2.76%	2025	6,840,000	6,840,000	-	635,000
Student Fee Bonds – Direct Placements				96,375,000	39,525,059	39,325,316	7,430,626
Other Debt							
Series K-1, Teaching Theatre	2012	2.00% to 4.00%	2032	12,300,000	-	7,265,000	-
Series M, Physical Activities Center	2019	4.00% to 5.00%	2037	37,245,000	29,570,000	30,895,000	1,380,000
Series N, Health Professions Center Renovation	2020	3.00% to 5.00%	2039	41,170,000	35,865,000	37,285,000	1,480,000
Student Fee Bonds – Other Debt				90,715,000	65,435,000	75,445,000	2,860,000
Student Fee Bonds				187,090,000	104,960,059	114,770,316	10,290,626
Auxiliary System Bonds							
Other Debt							
Series 2003, Student Housing Facilities	2003	3.00% to 4.50%	2024	8,005,000	1,125,000	1,650,000	550,000
Auxiliary System Bonds				8,005,000	1,125,000	1,650,000	550,000
Subtotal Bonds Payable				$195,095,000	$106,085,059	$116,420,316	$10,840,626
Net Unamortized Premiums				-	$9,159,443	$10,106,352	$562,767
Total Bonds Payable					**$115,244,502**	**$126,526,668**	**$11,403,393**

The following schedule details bonds payable at June 30, 2022, compared to the previous fiscal year.

SCHEDULE OF BONDS PAYABLE	*Issue Date*	*Interest Rate*	*Maturity Date*	*Original Issue Amount*	*Principal Outstanding June 30, 2022*	*Principal Outstanding June 30, 2021*	*Current Portion June 30, 2022*
Student Fee Bonds							
Direct Placements of Debt							
Series 2006, Recreation and Fitness Center	2006	4.67%	2028	7,250,000	2,795,316	3,211,113	435,257
Series K-3, Refund Series H and I	2012	1.90%	2023	42,840,000	5,100,000	9,620,000	2,525,000
Series L-1, Health Professions Center 3rd Floor	2017	2.90%	2036	8,050,000	6,480,000	6,820,000	350,000
Series L-2, Refund Series J	2017	2.15%	2026	21,440,000	15,195,000	18,355,000	3,230,000
Series L-3, Refund Series J	2017	2.65%	2028	9,955,000	9,755,000	9,855,000	100,000
Student Fee Bonds – Direct Placements				89,535,000	39,325,316	47,861,113	6,640,257
Other Debt							
Series K-1, Teaching Theatre	2012	2.00% to 4.00%	2032	12,300,000	7,265,000	7,780,000	535,000
Series M, Physical Activities Center	2019	4.00% to 5.00%	2037	37,245,000	30,895,000	32,170,000	1,325,000
Series N, Health Professions Center Renovation	2020	3.00% to 5.00%	2039	41,170,000	37,285,000	38,650,000	1,420,000
Student Fee Bonds – Other Debt				90,715,000	75,445,000	78,600,000	3,280,000
Student Fee Bonds				180,250,000	114,770,316	126,461,113	9,920,257
Auxiliary System Bonds							
Direct Placements of Debt							
Series 2008A, Student Housing Facilities	2008	3.97%	2021	9,800,000	-	3,100,000	-
Other Debt							
Series 2003, Student Housing Facilities	2003	3.00% to 4.50%	2024	8,005,000	1,650,000	2,150,000	525,000
Auxiliary System Bonds				17,805,000	1,650,000	5,250,000	525,000
Subtotal Bonds Payable				$198,055,000	$116,420,316	$131,711,113	$10,445,257
Net Unamortized Premiums				-	$10,106,352	$10,707,533	$601,181
Total Bonds Payable					**$126,526,668**	**$142,418,646**	**$11,046,438**

The University of Southern Indiana Student Fee Bonds Series K-3 of 2012, Series L-1, L-2, and L-3 of 2017, Series M of 2019, Series N of 2020, and Series O of 2022 are secured by a pledge and first lien on student fees. Student Fee Bonds Series 2006 are secured by a pledge and junior lien on student fees. These student fee bonds contain a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The University of Southern Indiana Auxiliary System Revenue Bond, Series 2003 is 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. The auxiliary system bond contains a provision that the bond trustee may, at its discretion and upon the written request of the holders of 25% of the bonds then outstanding, seek legal or equitable remedy in the event of default.

The deferred amount on bond refunds were $1,598,498 at June 30, 2022, and $1,345,701 at June 30, 2023.

Annual debt service requirements through maturity for bonds payable are presented in the following chart.

Annual Debt Service Requirements as of June 30, 2023

Fiscal Year Ended	Direct Placements		Other Debt	
June 30	Principal	Interest	Principal	Interest
2024	$7,430,626	$955,613	$3,410,000	$2,734,350
2025	7,616,951	770,224	3,560,000	2,584,909
2026	7,344,270	574,988	3,115,000	2,435,175
2027	4,547,636	417,883	3,260,000	2,292,125
2028	4,540,576	288,508	3,410,000	2,142,375
2029-2033	6,035,000	506,271	19,635,000	8,116,150
2034-2038	2,010,000	118,755	24,620,000	3,145,450
2039-2043	-	-	5,550,000	167,700
Total	$39,525,059	$3,632,242	$66,560,000	$23,618,234

Annual Debt Service Requirements as of June 30, 2022

Fiscal Year Ended	Direct Placements		Other Debt	
June 30	Principal	Interest	Principal	Interest
2023	$6,640,257	$927,917	$3,805,000	$3,150,538
2024	6,795,626	775,592	3,970,000	2,992,350
2025	4,321,951	644,437	4,140,000	2,820,108
2026	4,434,270	534,830	3,720,000	2,646,675
2027	4,547,636	417,883	3,890,000	2,478,925
2028-2032	10,105,576	729,674	21,280,000	9,556,725
2033-2037	2,480,000	183,860	24,450,000	4,131,300
2038-2042	-	-	10,840,000	426,749
Total	$39,325,316	$4,214,193	$77,095,000	$28,203,370

NOTE 11 – 2023 Refunding Bond Issue

On August 4, 2022, the University of Southern Indiana issued $6,840,000 in Series O student fee bonds with a fixed interest rate of 2.76% to refund $6,730,000 of outstanding fixed-rate Series K-1 student fee bonds with an interest rate of 4%. The trustee redeemed the Series K-1 bonds on October 1, 2022, and the University paid the remaining $535,000 of principal. As a result, the liability for the Series K-1 bonds has been satisfied and removed from the Statement of Net Position. The University of Southern Indiana in effect reduced its aggregate debt service payment by $988,951 over the next 11 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $245,524.

NOTE 12 – Leases and Subscriptions Payable

The University leases certain assets from various third parties. The assets leased include equipment, buildings, and vehicles. Payments are generally fixed monthly with the exception of one equipment lease with fixed monthly payments that increase by 2% each year. Lease terms range from three years for vehicles, five years for equipment, and two to three years for buildings.

Future principal and interest payment requirements related to the lease liability on June 30, 2023, are illustrated in the following schedule.

Future Minimum Lease Payments			
Fiscal year ending June 30	Principal	Interest	Total
2024	$150,925	$5,260	$156,185
2025	56,073	3,208	59,281
2026	39,878	1,971	41,849
2027	35,248	833	36,081
2028	7,808	37	7,845
Total future minimum payments	$289,932	$11,309	$301,241

USI has also entered into various Subscription-Based IT Agreements (SBITAs). These subscriptions provide the University the right to use a vendors' IT software for a period of time. Payments are generally annual and either fixed over the term or include fixed annual increases of 2% to 5%. Three SBITAs were billed and paid in entirety upon commencement of the term instead of annual installments. SBITA terms range from one to seven years including potential renewal periods that are likely to be exercised.

Future principal and interest payment requirements related to the subscription liability on June 30, 2023, are illustrated in the following schedule.

Future Minimum SBITA Payments			
Fiscal year ending June 30	Principal	Interest	Total
2024	$1,705,945	$87,229	$1,793,174
2025	1,383,880	59,239	1,443,119
2026	1,028,804	33,833	1,062,637
2027	658,654	12,071	670,725
2028	95,078	2,740	97,818
2029-2033	32,232	528	32,760
Total future minimum payments	$4,904,593	$195,640	$5,100,233

The asset activity related to leased assets and SBITAs is disclosed in Note 8 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization.
The expense resulting from amortization of leased assets and SBITAs is included on the Statement of Revenues, Expenses and Changes in Net Position.

NOTE 13 – Retirement Plans

Substantially all regular employees of the University are covered by either the Teachers Insurance and Annuity Association (TIAA) Plan or by the Public Employees' Hybrid (PERF Hybrid) plan. The TIAA plan is an IRC 403(b) defined contribution plan; PERF Hybrid is a defined benefit and defined contribution plan under IRC 401(a) and a state plan described in IC 5-10.2, in IC 5-10.3, in 35 IAC 1.2 and other Indiana pension law. The University contributed $5,383,818 to these programs in fiscal year 2022-23, which represents approximately 8.80% of the total University payroll and 10.42% of the benefit-eligible employees' payroll for the same period.

Defined Contribution Retirement Plan

<u>Faculty and Administrators</u> Eligible employees may participate in the TIAA Retirement Plan upon the completion of one year of employment. Participation may begin sooner if the employee was a participant in TIAA, or another university-sponsored retirement plan, for at least one year prior to eligible employment at the University. The University contributed $4,615,871 to this plan for 619 participating employees for fiscal year ending June 30, 2023, and $4,604,396 for 633 participating employees for fiscal year ending June 30, 2022. The annual payroll for this group totaled $44,606,939 and $43,459,761 for fiscal years ending June 30, 2023 and 2022, respectively.

<u>Support Staff</u> For newly hired staff, the USI Board of Trustees approved a new defined contribution plan on March 6, 2014. The new plan applies only to newly hired support staff in regular assignments with a 50% or greater schedule with an employment date on or after July 1, 2014, and no prior PERF-eligible employment with the University. The new plan was established with TIAA, with the same immediate vesting and other features of the defined contribution plan for faculty and administrators, but with a fixed employer contribution of 7% of compensation and using the PERF definition of eligible

compensation. The University contributed $226,659 to this plan for 142 participating employees for fiscal year ending June 30, 2023, and $220,132 to this plan for 144 participating employees for the fiscal year ending June 30, 2022. The annual payroll for this group totaled $3,237,986 and $3,144,748 for fiscal years ending June 30, 2023 and 2022, respectively.

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

Hybrid Defined Benefit and Defined Contribution Retirement Plan

Plan description. Support staff in eligible positions and who worked at least half-time and who were hired on or before July 1, 2014, participated in the PERF Hybrid Plan, a retirement program administered by the Indiana Public Retirement System (INPRS), an agency of the State of Indiana. PERF Hybrid is a cost-sharing, multiple-employer defined benefit and defined contribution plan which is administered in accordance with IC 5-10.2, IC 5-10.3, 5-10.5, 35 IAC 1.2 and other Indiana pension law. Effective January 1, 2018, funds previously known as annuity savings accounts (which had been reported within defined benefit (DB) funds) were recategorized as defined contribution (DC) funds based on Internal Revenue Service Private Letter Rulings PLR-193-2016 and PLR-110249-18. DC member balances previously reported within PERF DB fund totals were transferred to the appropriate DC fund as of January 1, 2018. Benefit provisions are established and/or amended by the State of Indiana. 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 at in.gov/inprs/annualreports.htm.

Benefits provided. PERF Hybrid consists of the Public Employees' Defined Benefit Account (PERF DB) and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC).

PERF DB provides retirement, disability and death benefits. Employees were eligible to participate in this plan immediately upon employment and are fully vested after ten years of employment. The following table is a summary of the key information for the PERF DB fund administered by INPRS.

Full Retirement Benefit		Early Retirement Benefit
Eligibility	**Annual Pension Benefit**	
Age 65 and 10 years (eight years for certain elected officials) of creditable service, Age 60 and 15 years of creditable service, Age 55 if age and creditable service total at least 85 ("Rule of 85"), Age 55 and 20 years of credible service and active as an elected official in the PERF-covered position, and Age 70 with 20 years of creditable service and still active in the PERF-covered position.	Lifetime Annual Benefit = Years of Creditable Service x Average Highest Five-Year Annual Salary x 1.1% (minimum of $180 per month). Average annual compensation is outlined in IC 5-10.2-4-3 and includes compensation of not more than $2,000 received from the employer in severance.	Age 50 and minimum of 15 years of creditable service (44% of full benefit at age 50, increasing 5% per year up to 89% at age 59).

Disability Benefit	Survivor Benefit		COLA – Cost of Living Adjustment
	While in Active Service	**While Receiving a Benefit**	
An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of their disability (minimum of $180 per month).	If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death.	A spouse or dependent receives the benefit associated with the member's selected form of payment: Five Year Certain and Life, Joint with 100% Survivor Benefits, Joint with Two-Thirds Survivor Benefits, or Joint with One-Half Survivor Benefits.	Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12-4 and administered by the Board. For the year ended June 30, 2022, postretirement benefits of $4.1 million were issued to members as a COLA.

PERF DC provides supplemental retirement benefits to PERF DB members. Members are fully vested in their account balance, which includes all contributions and earnings. Members may withdraw their account balance upon retirement, termination, disability or death.

Retirement and Termination Benefit	Disability Benefit	Survivor Benefit
Members are entitled to the sum total of vested contributions plus earnings 30 days after separation from employment. As of January 1, 2021, members at least 59 1/2 years of age and service eligible for normal retirement may take in-service distribution of their DC account. Additionally, members who are age and service eligible for normal retirement may take a withdrawal after separation without the 30 day wait period. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan or a monthly annuity.	Upon providing proof of the member's qualification for social security disability benefits, the member is entitled to the sum total of contributions plus earnings. The amount can be paid in a full or partial withdrawal as a lump sum, direct rollover to another eligible retirement plan or a monthly annuity.	Beneficiary is entitled to the sum total of contributions plus earnings. The amount can be paid in a lump sum, direct rollover to another eligible retirement plan or a monthly annuity. The amount a beneficiary is entitled to if a member dies after having selected an annuity or having withdrawn from the account depends upon the annuity option selected by the member and the amount of benefits the member received.

Contributions. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. There are two parts to this plan: the PERF DC fund to which members contribute 3% of their salary and PERF DB fund to which the University contributed 11.2% of the employee's salary this fiscal year. The University contributed $541,289 for 115 employees participating in the PERF Hybrid plan during the 2022-23 fiscal year and $612,424 for 139 employees participating during 2021-22. These contribution amounts include the 3% member portion, which the University has elected to pay on behalf of its employees.

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

The University reported a liability of $4,381,619 at June 30, 2023, and $1,883,504 at June 30, 2022, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2022 for assets and June 30, 2021 rolled forward to June 30, 2022 for liabilities. The University's proportion of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2022, the University's proportion was 0.14%, which is unchanged from 2021.

For the year ended June 30, 2023, the University recognized pension expense of $(312,167). At June 30, 2023, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	94,484	16,664
Changes in assumptions	593,468	187,460
Net difference between projected and actual earnings on pension plan investments	540,738	-
Changes in proportion and differences between the University's contributions and proportionate share of contributions	-	699,736
The University's contributions subsequent to the measurement date	541,289	-
Total	$ 1,769,979	$ 903,860

For the year ended June 30, 2022, the University recognized pension expense of $(1,035,007). At June 30, 2022, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	64,421	37,608
Changes in assumptions	947,415	423,071
Net difference between projected and actual earnings on pension plan investments	-	2,445,558
Changes in proportion and differences between the University's contributions and proportionate share of contributions	-	662,186
The University's contributions subsequent to the measurement date	612,424	-
Total	$ 1,624,260	$ 3,568,423

$541,289 reported as deferred outflows of resources related to pensions resulting from the University’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

As of June 30, 2023

Year ended June 30:	
2023	(172,863)
2024	109,404
2025	(183,708)
2026	571,997
2027	-
Thereafter	-
Total	$324,830

As of June 30, 2022

Year ended June 30:	
2022	(841,621)
2023	(651,517)
2024	(364,392)
2025	(699,057)
2026	-
Thereafter	-
Total	$(2,556,587)

Actuarial assumptions. The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.00%
Salary Increases	2.65-8.65%, including inflation
Investment rate of return	6.25%, net of investment expense
Cost of Living Increases	0.40% beginning on January 1, 2024 0.50% beginning on January 1, 2034 0.60% beginning on January 1, 2039

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables (Amount-Weighted) with a fully generational projection of mortality improvements using SOA Scale MP-2019. Specific mortality table variants and adjustments are used for different subpopulations.

Mortality (Healthy)	Mortality (Retirees)	Mortality (Beneficiaries)	Mortality (Disabled)
General Employee table with a 3-year set forward for males and a 1-year set forward for females.	General Retiree table with a 3-year set forward for males and a 1-year set forward for females.	Contingent Survivor table with no set forward for males and a 2-year set forward for females.	General Disabled table with a 140% load.

The actuarial assumptions used in the June 30, 2022 valuation were adopted by the INPRS Board in April 2022. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2014 through June 30, 2019, and were first used in the June 30, 2020 valuation.

The long-term return expectation for the INPRS defined benefit retirement plans has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range, along with a reasonable alpha assumption from manager selection, ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	20%	3.6%
Private Markets	15	7.7
Fixed Income- Ex Inflation-Linked	20	1.4
Fixed Income- Inflation-Linked	15	(0.3)
Commodities	10	0.9
Real Assets	10	3.7
Absolute Return	5	2.1
Risk Parity	20	3.8
Cash and Cash Overlay	(15)	(1.7)
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 6.25%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and, where applicable, from members, would at the minimum be made at the actuarially determined required rates, computed in accordance with the current funding policy adopted by the Board, and contributions required by the State of Indiana (the non-employer contributing entity) would be made as stipulated by Indiana statute. Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members, therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 6.25%, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate.

	1% Decrease (5.25%)	**Discount Rate (6.25%)**	**1% Increase (7.25%)**
University's proportionate share of the net pension liability	$7,402,158	$4,381,619	$1,862,269

Basis of Accounting. The financial statements of INPRS have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles (GAAP) as applied to government units. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when liabilities are incurred, regardless of the timing of related cash flows. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for established governmental accounting and financial reporting principles. INPRS applies all applicable GASB pronouncements in accounting and reporting for its operations. Investments are reported at fair value.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by INPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

In 2015, the Indiana General Assembly passed legislation that required employers who chose to freeze participation in PERF to pay their share of the pension plan's unfunded liability. The University's share of this liability was $347,008, which was paid in full on June 27, 2016.

NOTE 14 – Risk Management

The University is exposed to various risks of loss: torts; errors or omissions; theft, damage to property or destruction of assets; vehicle losses; job-related illness or injuries to employees; and natural disasters. The University manages these risks through a combination of risk retention and risk transfer, or the purchase of commercial insurance. Property insurance for buildings and contents and other special form coverage is subject to a deductible of $200,000 per occurrence. Specifically, for earthquake, there is an additional 2% of loss deductible (per unit) for building, contents, and business income. For the University's main campus there is a minimum deductible of $200,000 for flood for each loss. There is also a 1% per unit and a $200,000 minimum deductible for "Windstorm" meaning wind, wind driven rain or hail.

Educators' Legal Liability has a $125,000 deductible for each wrongful acts claim. Primary General Liability has a $75,000 deductible. Cyber Liability carries a $100,000 retention while Crime coverage carries a $50,000 retention. Site Pollution (which includes mold) has a $50,000 deductible. Internship and Professional Liability deductible is $25,000.

Other coverages in existence include Commercial Auto, Fine Arts, and Workers Compensation which are insured by commercial insurance policies subject to various deductibles. Life and disability insurance are handled through fully insured commercial policies. No liability exists at the balance sheet date for unpaid claims. The University did not have any settlements exceeding insurance coverage for any of the prior three years.

The University has two health care plans available for new enrollment of full-time benefit-eligible employees. The University has two additional health care plans that are only available to non-Medicare eligible retirees and two health care plans available only to Medicare eligible retirees. The active and non-Medicare eligible plans are funded under a self-funded arrangement whereby the University is billed for actual claims paid by the insurer on behalf of the covered participants plus administrative fees. The plans for Medicare eligible retirees are fully insured.

For the self-funded plans, 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 active employees' individual claims over $225,000. The University also has established a reserve to cover a significant portion of the aggregate liability beyond 125% of expected claims. The liability for medical claims incurred but not reported 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 the University for payment. For the fully insured plans, the University pays a premium and the insurance company assumes the risk for claims incurred by the plan members. Changes in the balance of claims liabilities during the 2021-22 and 2022-23 fiscal years are as follows. The amounts reported reflect claims incurred and payments during the fiscal year and attributable to both the year listed and prior fiscal years.

Fiscal Year	Beginning Liability	Claims Incurred	Claims Paid	Ending Liability
2021-2022	$1,152,970	$14,047,328	$(14,044,395)	$1,155,903
2022-2023	$1,155,903	$14,562,864	$(14,543,580)	$1,175,187

NOTE 15 - 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 retirement plan and a defined contribution retirement plan.

The total cumulative compensated absence liability is $3,203,144 and $3,167,766 for June 30, 2023 and 2022, respectively. The current year change represents a $64,553 increase in accrued vacation; a $24,599 decrease in sick leave liability; a $3,057 increase in Social Security and Medicare taxes; a $8,426 decrease in Public Employees' Retirement Fund (PERF) contributions; and a $793 increase in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, $410,365 was paid out to terminating employees. Payout for terminating employees in fiscal year 2023-24 is expected to increase approximately 15.43% because of the number who will have reached the requisite retirement age and years of service. For that reason, $473,694 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining $2,729,450 is classified as a noncurrent liability.

NOTE 16 – 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 the University'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%, 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 3% for purposes of calculating this liability.

The University has 21 retirees currently receiving early-retirement benefits, 10 of whose benefits stop after this fiscal year and 9 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals $409,343 at June 30, 2023. Of that amount, $295,151 is expected to be paid out during the following fiscal year and is classified as a current liability under accrued payroll, benefits and deductions and the remaining $114,192 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 17 – Functional Expenses

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 tables below.

Fiscal Year Ended June 30, 2023							
FUNCTION	SALARIES & WAGES	BENEFITS	STUDENT FINANCIAL AID	UTILITIES	SUPPLIES & OTHER SVCS	DEPRECIA-TION & AMORTIZA-TION	TOTAL
Instruction	$31,839,239	$11,048,978			$3,312,599		$46,200,816
Academic Support	5,657,900	2,274,505			3,860,461		11,792,866
Student Services	6,926,810	2,794,748			5,704,965		15,426,523
Institutional Support	9,516,580	3,891,600			8,240,516		21,648,696
Operation & Maintenance of Plant	2,726,426	1,253,080		5,068,356	9,163,308		18,211,170
Depreciation & Amortization						17,041,262	17,041,262
Student Aid			3,186,467				3,186,467
Public Service	1,303,807	492,300			1,566,415		3,362,522
Research	34,535	3,905			54,706		93,146
Auxiliary Enterprises	3,183,705	2,261,130		1,011,956	13,447,794		19,904,585
TOTAL	**$61,189,002**	**$24,020,246**	**$3,186,467**	**$6,080,312**	**$45,350,764**	**$17,041,262**	**$156,868,053**

Fiscal Year Ended June 30, 2022 (Restated)							
FUNCTION	SALARIES & WAGES	BENEFITS	STUDENT FINANCIAL AID	UTILITIES	SUPPLIES & OTHER SVCS	DEPRECIA-TION & AMORTIZA-TION	TOTAL
Instruction	$31,733,475	$8,669,374			$2,587,629		$42,990,478
Academic Support	5,543,534	1,573,559			3,260,070		10,377,163
Student Services	6,180,482	1,949,380			6,438,406		14,568,268
Institutional Support	8,825,359	3,449,165			9,050,276		21,324,800
Operation & Maintenance of Plant	2,879,317	649,048		4,807,263	6,774,937		15,110,565
Depreciation & Amortization						16,894,295	16,894,295
Student Aid			15,509,952				15,509,952
Public Service	1,256,106	349,973			2,127,581		3,733,660
Research	38,422	2,739			70,821		111,982
Auxiliary Enterprises	3,376,121	1,911,417		878,952	9,798,889		15,965,379
TOTAL	**$59,832,816**	**$18,554,655**	**$15,509,952**	**$5,686,215**	**$40,108,609**	**$16,894,295**	**$156,586,542**

NOTE 18 – Contingent Liabilities and Commitments

The University is a party in various legal actions and administrative proceedings arising in the normal course of its operations. Management does not believe the outcome of these actions will have a material adverse effect on the University's financial position. The University has not established an estimated loss contingency because the conditions necessary to accrue a liability have not been met as of the financial reporting date.

Outstanding commitments for capital construction projects totaled $25,811,292 and $3,188,084 at June 30, 2023 and 2022, respectively.

NOTE 19 – Public-Private Partnerships

USI entered into a new agreement with Sodexo Services of Indiana Limited Partnership to provide food services effective July 1, 2022. The University as transferor will receive consideration based on a percentage of sales. For the year ended June 30, 2023, the University recognized $448,260 related to its public-private partnership agreement with Sodexo.

As part of the agreement, mandatory improvements are required to be made by Sodexo. As of June 30, 2023, no improvements have been placed into service that would require recognition.

NOTE 20 – Restatement of Prior Year Balances

The University implemented GASB Statement 96, *Subscription-Based Information Technology Arrangements*, which was effective for the fiscal year ended June 30, 2023. The adoption of this standard required the restatement of the Statement of Net Position; Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows for the period ended June 30, 2022, the earliest period presented in the University's comparative financial statements.

Implementation of this standard required the University to recognize an intangible right-to-use subscription asset and a subscription liability on the Statement of Net Position. In addition, the portion of one subscription that was previously reported as a prepaid expense at June 30, 2022, is reflected in the restated subscription asset value.

These restatements on the Statement of Net Position have a corresponding impact on the Statement of Revenues, Expenses and Changes in Net Position. Specifically, expenses changed slightly, decreasing the amount reported as supplies and other services and increasing amounts reported as amortization and interest expenses.

This pronouncement had no impact on beginning or ending cash balances, but it did have an impact on how this activity was presented on the Statement of Cash Flows. Decreased payments to suppliers and other payments were offset by increased payments of principal and interest on capital debt and right-to-use assets.

The restated balances as the result of implementing GASB Statement 96 are detailed in the following table.

	June 30, 2022 as reported	Restatement	June 30, 2022 as restated
Statement of Net Position			
Current Assets			
Other current assets	3,434,416	(80,884)	3,353,532
Noncurrent Assets			
Subscription assets, net	-	3,937,682	3,937,682
Current Liabilities			
Leases and subscriptions payable	165,525	1,393,391	1,558,916
Noncurrent Liabilities			
Leases and subscriptions payable	149,392	2,252,499	2,401,891
Net Position			
Net investment in capital assets	129,469,268	210,908	129,680,176
Statement of Revenues, Expenses and Changes in Net Position			
Operating Expenses			
Supplies and other services	41,667,894	(1,559,285)	40,108,609
Depreciation and amortization	15,567,928	1,326,367	16,894,295
Non-operating Revenues (Expenses)			
Interest on capital asset related debt	(3,993,536)	(22,009)	(4,015,545)
Statement of Cash Flows			
Cash Flows from Operating Activities			
Payments to suppliers	(39,962,644)	1,559,285	(38,403,359)
Other receipts (payments)	1,049,238	80,884	1,130,122
Cash Flows from Capital Financing Activities			
Principal paid on capital debt and right-to-use assets	(15,468,246)	(1,634,143)	(17,102,389)
Interest paid on capital debt and right-to-use assets	(4,455,157)	(6,026)	(4,461,183)