UNIVERSITY OF SOUTHERN INDIANA

Board of Trustees Finance/Audit Committee Meeting
Carter Hall ABC
Thursday, 11/6/2008
1:15 pm to 2:15 pm CT

1. REVIEW OF AUDITED FINANCIAL STATEMENTS — Present — Rozewski

A report will be presented on the audited financial statements for the fiscal year ending June 30, 2008.

1108 F-A Independent Auditors' Report - Page 2
1108 F-A Management's Discussion and Analysis - Page 3
1108 F-A Statement of Net Assets - Page 14
1108 F-A Statement of Revenue, Expenses, and Change in Net Assets - Page 15
1108 F-A Statement of Cash Flows - Page 16
1108 F-A Notes to Financial Statements - Page 18

2. APPROVAL OF RECOMMENDATION OF RESOLUTION OF DELEGATION AND OFFICIAL INTENT REGARDING FINANCING THE BUSINESS AND ENGINEERING CENTER PROJECT AND THE UNIVERSITY CENTER EXPANSION PROJECT — Approve — Rozewski

Approval of a recommendation to the Board of Trustees to approve a Resolution of Delegation and Official Intent Regarding Financing the Business and Engineering Center and the University Center Expansion Project is recommended.

1108 F-A Attachment A Resolution of Delegation and Official Intent regarding the Business and Engineering Center and the UC Expansion Projects. - Page 32

3. APPROVAL OF RECOMMENDATION REGARDING BANK DEPOSITORIES AND WIRE TRANSFER AUTHORIZATIONS — Approve — Rozewski

Approval of a recommendation to the Board of Trustees to approve a resolution regarding depositories and wire transfer authorizations is recommended.

1108 F-A Attachment B Resolution Regarding Bank Depositories and Wire Transfer Authorization - Page 34

4. REPORT OF CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR BUSINESS AFFAIRS — Present — Rozewski

1108 F-A Attachment C Change Orders - Page 35

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of University of Southern Indiana, a component unit of the State of Indiana, as of and for the years ended June 30, 2008 and 2007. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the component unit of the University as discussed in Note 17, which represents 100% of the assets and revenues of the discretely presented component unit. The financial statements of this component unit were audited by another auditor whose report thereon has been furnished to us and our opinion, insofar as it relates to this unit, is based upon the report of the other auditor.

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

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of University of Southern Indiana, as of June 30, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2008, on our consideration of University of Southern Indiana's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The report is an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit. This report will be issued in the University's Single Audit report prepared in accordance with OMB Circular A-133.

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

STATE BOARD OF ACCOUNTS

State Board of Accounts

October 16, 2008

University of Southern Indiana
Fiscal Year Ended June 30, 2008

Management's Discussion and Analysis

Management's discussion and analysis reviews the financial performance of the University during the fiscal year ended June 30, 2008, and compares that performance with data from prior fiscal periods. It is designed to focus on current activities, resulting changes, and currently known facts. It is intended to answer questions that may result from the review of the information presented in the financial statements and to better explain the financial position of the University. The information presented in the financial statements, the notes to the financial statements, and the discussion and analysis are the responsibility of management.

Using the Annual Report

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

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

Statement of Net Assets

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

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

STATEMENT OF NET ASSETS June 30 (in thousands)	**2008**	**2007**	**2006**
Current Assets	$69,350	$67,249	$55,907
Non-current Assets:			
Capital assets, net of depreciation	133,349	131,645	137,447
Other non-current	36,338	25,135	25,852
Total Assets	$239,037	$224,029	$219,206
Current Liabilities	$17,602	$17,722	$15,849
Non-current Liabilities	119,821	117,297	120,453
Total Liabilities	$137,423	$135,019	$136,302
Net Assets:			
Invested in capital assets, net of debt	$15,791	$11,407	$24,386
Restricted - expendable	850	1,768	1,486
Unrestricted	84,973	75,835	57,031
Total Net Assets	$101,614	$89,010	$82,903

Assets

Current assets at June 30, 2008, consist predominantly of cash and cash equivalents, short-term investments, and receivables net of allowances for bad debt. Also included are prepaid expenses, deposits with trustees, and inventories. Non-current assets include capital assets net of depreciation and long-term investments. Both current and non-current assets include receivables from the state and lesser-valued resources that are grouped together and listed under the term "Other".

Total assets increased $15.0 million (6.7 percent) in 2008 compared to a $4.8 million (2.2 percent) increase in 2007 and a $400,000 (0.2 percent) decrease in 2006. The current year increase is explained by the following fiscal year events:

- Cash and investments have maintained increases over the past three years -- $17.1 million in 2008, $10.1 million in 2007, and $10.3 million in 2006 -- reflecting the increase of operating cash that is available for investment. For 2008, most of the current year increase is in short-term certificates of deposit, repurchase agreements, and money market accounts. These investment vehicles help the University generate investment income while maintaining liquidity for institutional needs.
- Long-term investments increased $12.2 million in 2008. Investment types with six- to ten-year maturity were increased by $11.0 million because market opportunities within this timeframe offered the best rates of return at the time of purchase.
- Student receivables comprise 53.5 percent of the total accounts receivable amount and decreased $2.4 million in 2008 compared to a $3.1 million increase in 2007.
    - Fiscal year 2007 marked the implementation of a change in summer billing. In contrast to previous years, when each summer session was billed separately over three months, all 2007 summer sessions were billed before the fiscal year end. This caused the large increase last fiscal year.
    - In fiscal year 2008, the third summer billings were identified and removed from receivables and income, bringing the total student receivables more in line and more comparable to previous years.

    - Fiscal year 2008 student receivables are 21.4 percent higher than those of fiscal year 2006, reflecting a combination of enrollment increases and student fee increases over the three-year period.

- The receivable from the State of Indiana for the 2005 twelfth-month appropriation decreased $806,000 leaving the remaining $806,000 to be collected in fiscal year 2009.
- Gross capital assets increased by $9.0 million in fiscal year 2008. Completion of the outdoor University quadrangle space and the lower level of the Education Center accounted for $4.4 million of the increase; work in progress on projects described in Note 15 of the *Notes to Financial Statements* created the remaining increase of $4.6 million. These increases were offset by an increase in accumulated depreciation of $7.3 million for a net capital asset increase of $1.7 million in fiscal year 2008.

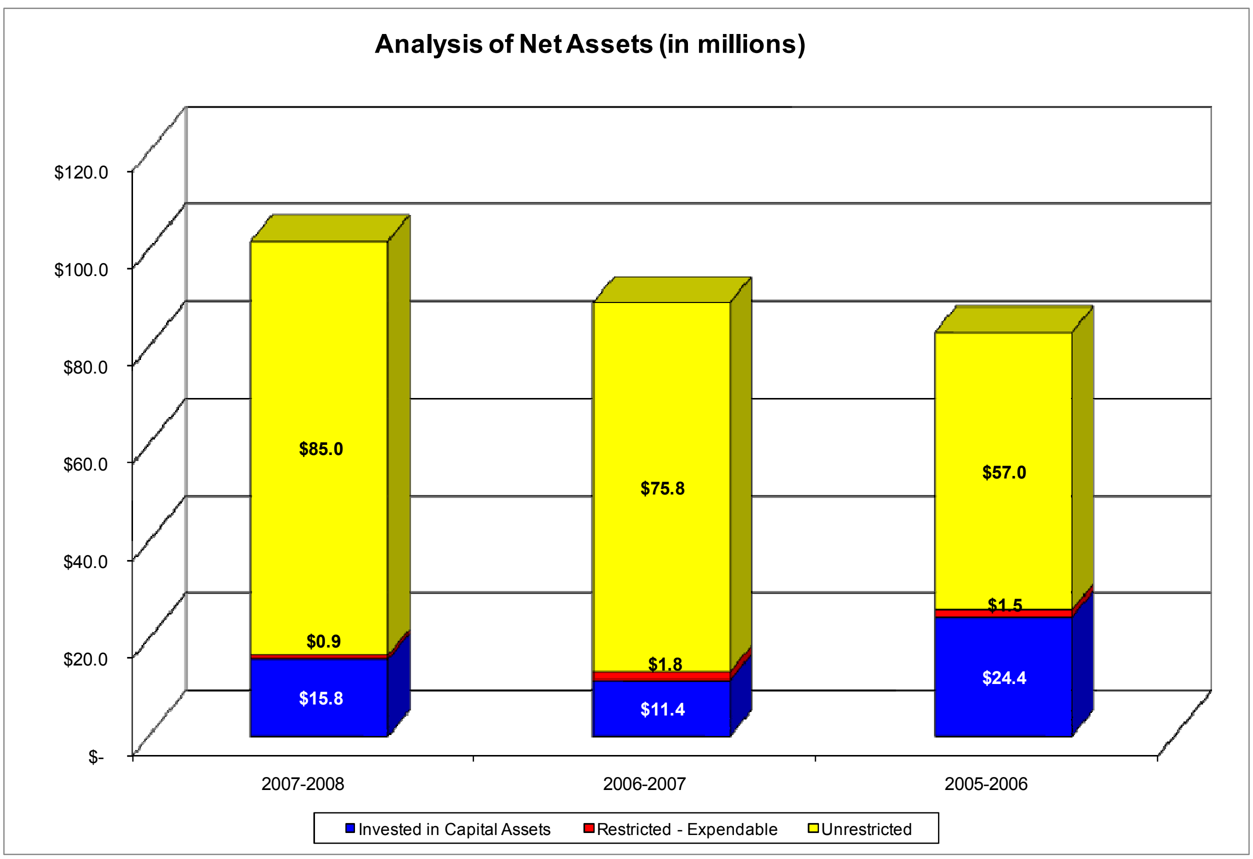
Liabilities
Current liabilities at June 30, 2008, are primarily composed of accrued payroll and related benefits and deductions and the current portion of bonds payable. Also included are accounts payable, debt interest payable, and other miscellaneous liabilities. Non-current liabilities are predominately bonds payable. Also included are compensated absences, termination and postemployment benefits, an unamortized bond premium, and miscellaneous other long-term liabilities. Total liabilities increased $2.4 million (1.8 percent) in 2008 compared to a decrease of $1.3 million (0.9 percent) in 2007 and a decrease of $4.6 million (3.3 percent) in 2006. Activities that influenced this change include the following:

- Accrued payroll, related benefits and deductions decreased $281,000 in 2008 compared to a $402,000 decrease in 2007 and a $925,000 increase in 2006.
    - Recognition of voluntary termination benefits accounted for nearly $900,000 of the 2006 increase.
    - The 2007 decrease was attributed to $431,000 in excess collections for self-insured healthcare coverage moved from the benefits liability account to complete a reserve fund to cover unpaid liability for claims exceeding 125% of maximum expected cost as specified by the insurance contract.
    - In 2008, excess collections, which had accumulated over a three-year period, were removed from the benefits liability account to establish a holding fund of $1.0 million to cover claims exceeding medical premiums collected during the year.
    - Offsetting the 2008 decrease, fiscal year-end tax withholding liability increased $567,000 and wages payable increased $185,000.
- The 2008 net change to notes and bonds payable equals a $2.8 million increase.
    - Notes payable increased $4.9 million in interim financing for multiple projects: architectural and engineering fees for a future Business and Engineering Center; completion of the lower level of the Education Center; and expansion of the physical plant facility.
    - Bonds payable increased $4.9 million with the full amount drawn down against Series 2006. See Note 5 in *Notes to Financial Statements* for more information on both notes and bonds payable.
    - Paying down the existing debt decreased bonds payable by $7.0 million.

- A new governmental accounting standard, which requires recognition of postemployment benefits other than pensions, increased non-current liabilities $256,000. The new accounting standard, GASB 45, is explained in Note 12 of the *Notes to Financial Statements*.

Net Assets
Net assets at June 30, 2008, are $12.6 million greater than on June 30, 2007. Capital assets, net of related debt, increased $4.4 million; restricted expendable assets decreased $918,000; and unrestricted assets increased $9.4 million. Unrestricted assets equal $85.0 million and comprise 83.6 percent of total net assets. Of the total unrestricted amount, $73.0 million have been internally designated as follows:

- $27.0 million reserve for equipment and facilities maintenance and replacement
- $14.4 million reserve for University benefits
- $15.3 million reserve for auxiliary systems
- $6.2 million reserve for working capital and outstanding encumbrances
- $4.5 million reserve for academic operations and initiatives
- $2.8 million reserve for insurance and equipment
- $2.8 million reserve for medical premiums



Statement of Revenues, Expenses, and Changes in Net Assets

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

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

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

Statement of Revenue, Expenses, and Changes in Net Assets **Year ended June 30** (in thousands)	**2008**	**2007**	**2006**
Total operating revenues	$58,498	$57,140	$55,815
Total operating expenses	(109,136)	(106,858)	(103,265)
Operating losses	(50,638)	(49,719)	(35,503)
Net non-operating revenues/(expenses)	62,697	55,021	51,536
Income/(expenses) before other revenues, expenses, gains, or losses	12,059	5,302	4,086
Capital gifts, grants, and appropriations	801	805	67
Increase (decrease) in net assets	$12,860	$6,107	$4,153

For all fiscal years shown above, operating revenue includes student fees net of bad debts expense, and non-exchange grants are reclassified from operating to non-operating revenue. See Note 18 in the *Notes to Financial Statements* for more information.

Revenues

Operating revenues have increased 2.4 percent over the last two fiscal years - $1.4 million in 2008 and $1.3 million in 2007. The increases are explained by the following significant fiscal year activities:

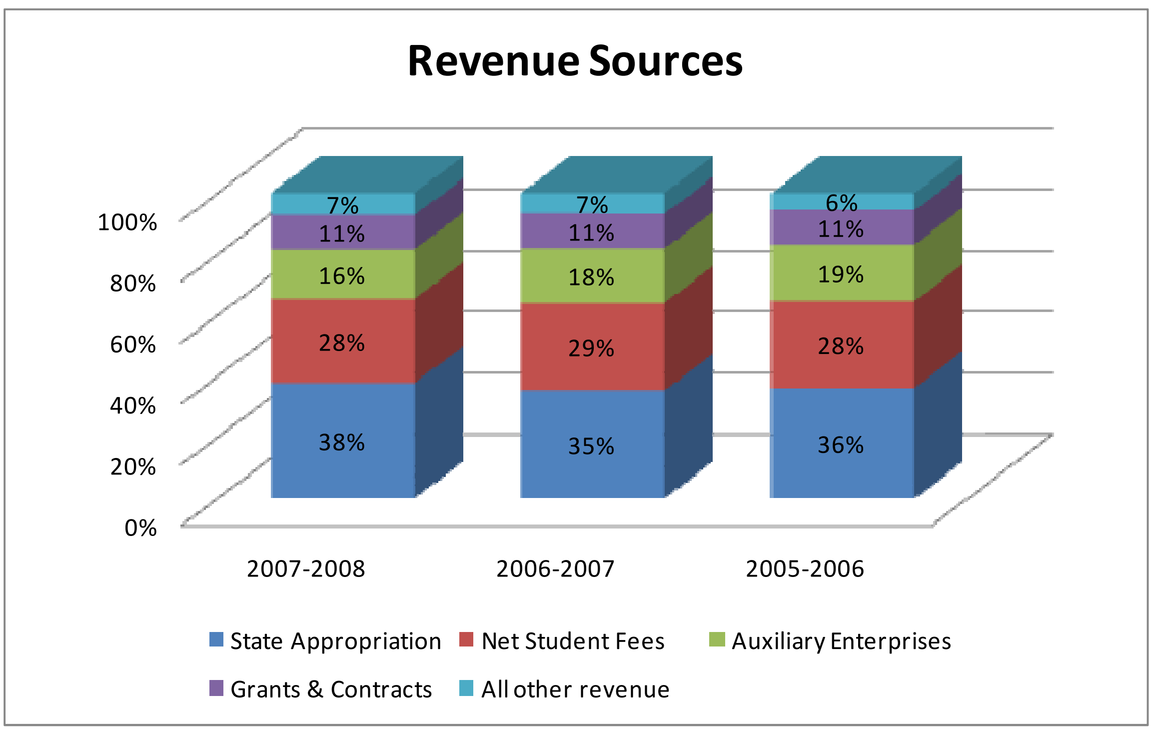
- Net student fee revenue increased from $34.1 million in 2007 to $35.3 million in 2008. This change is due primarily to a fee increase of 6.1 percent in 2008.
- Auxiliary income decreased from $21.1 million in 2007 to $20.8 million in 2008. The bookstore experienced a $780,000 operating decrease; housing rental realized an $180,000 increase; and other auxiliary operations increased $325,000.

Non-operating revenues experienced a net increase of 12.9 percent for the fiscal year ended June 30, 2008, compared to a 6.4 percent increase in 2007.

- State appropriations increased 15.4 percent, from $41.9 million in 2007 to $48.3 million in 2008. Reimbursement for fee replacement comprised $3.6 million of this increase and the remaining $2.4 million was for general operating support.
- Gift revenues increased 19.2 percent and 6.2 percent for 2008 and 2007 respectively. Of the $2.5 million gifts received in 2008, more than 96.0 percent came from the USI Foundation for scholarships, educational grants, academic enhancements, athletics, and other University support.
- Federal grants and contracts increased more than $786,000 (11.7 percent) compared to an increase of $440,000 (7.0 percent) in 2007. Federal student financial assistance accounted for over $600,000 of the current year increase.

Other revenues include capital gifts from the USI Foundation. Capital gifts of more than $800,000 in both 2007 and 2008 were received for purchase of classroom equipment, major renovation, and new construction projects. More than $769,000 of the 2008 gifts is restricted to the completion of the Kenneth P. McCutchan Art Center.

Total revenues (operating, non-operating, and other) increased $9.2 million in fiscal year 2008 compared to a $5.7 million increase 2007. The graph below shows the composition of the University's revenue for fiscal years 2006 - 2008:

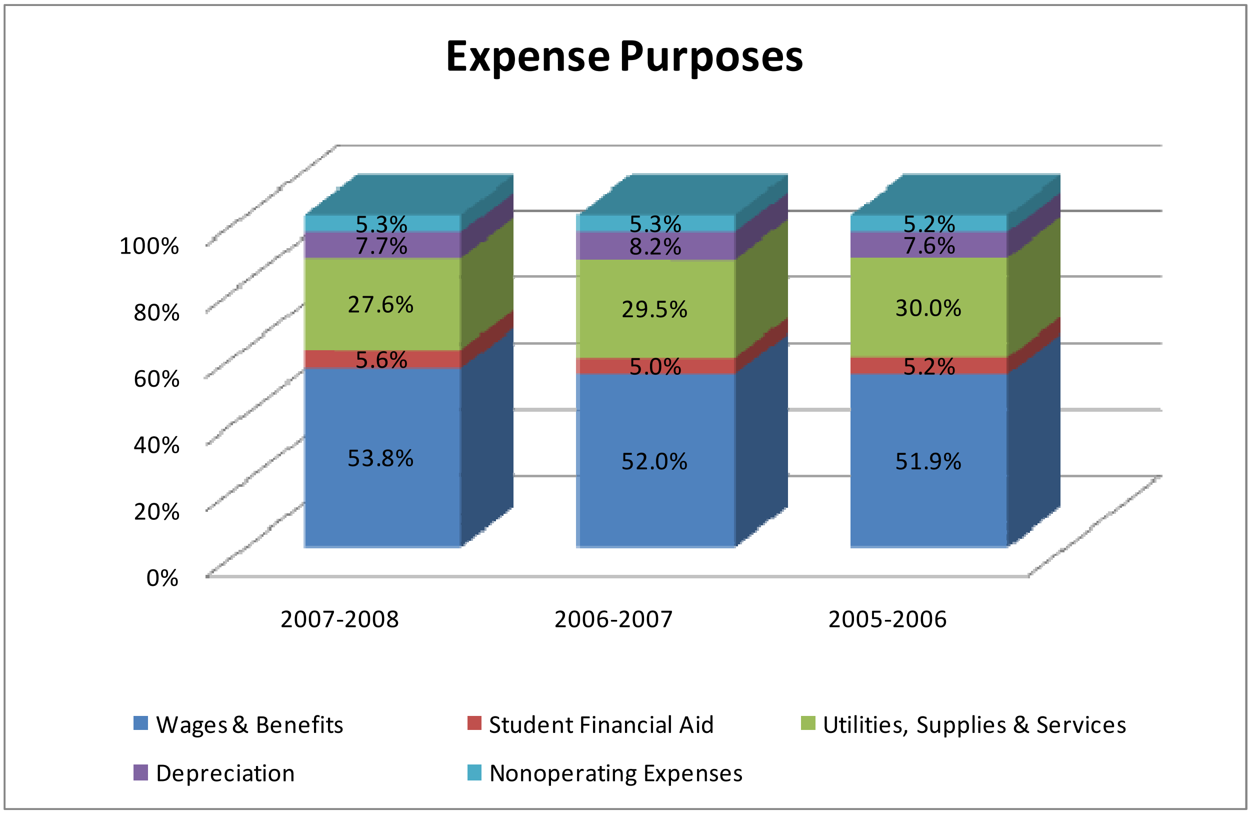


Expenses
Operating expenses increased $2.5 million (2.4 percent) this fiscal year compared to a $3.6 million (3.5 percent) increase in 2007. Except as noted otherwise, the increase in operating expenses is generally a result of rising costs and an increase in campus plant facilities. Changes in expense categories were as follows:

- Compensation (salaries, wages, and benefits) comprises 56.8 percent of total operating expenses and increased 6.0 percent over 2007. A new governmental accounting standard, which requires recognition of postemployment benefits other than pensions, increased benefits by $256,316. The new accounting standard, GASB 45, is explained in Note 12 of the *Notes to Financial Statements*.
- Student financial aid increased by $861,000 for a 15.4 percent increase. Federal Pell grants were responsible for $500,000 of the increase and state grants provided an additional $200,000.
- Utilities increased $500,000 (14.0 percent) compared to the prior year's decrease of $100,000 (3.0 percent). Electricity generated the $500,000 increase. Gas costs remained stable due to a two-year bulk contract purchase agreement which remained in effect through the 2008 fiscal year.
- Supplies and other services expense decreased in 2008 by $2.0 million, or 6.7 percent. Bookstore purchases accounted for nearly $729,000 of the reduction.
- Depreciation decreased $400,000, or 4.5 percent, in fiscal year 2008 compared to an increase of $1.0 million, or 11.7 percent, in fiscal year 2007.

Non-operating expenses consist of interest on capital asset-related debt and other costs associated with issuing bonds and refinancing debt. These expenditures increased $206,000 this year compared to a $172,000 increase in 2007. The overall increase in fiscal year 2008 is reflected in more interest on capital debt expense having been incurred and an increase in bond issuance costs related to the refunding of Series 2001B and issuance of Series 2008A. See Note 6 of the *Notes to Financial Statements* for more information.

Total expenses (operating and non-operating) increased $2.7 million in fiscal year 2008 compared to a $3.8 million increase in 2007 and a $7.4 million increase in 2006. The composition of total expenses for all three years is depicted by major categories in the graph below:



Change in Net Assets
The difference between annual revenues and expenses causes an increase or decrease to net assets. For fiscal year ending June 30, 2008, net assets increased $12.6 million compared to a $6.1 million increase for fiscal year ending June 30, 2007. Total revenues increased at a greater rate than total expenses during fiscal year 2008.

Statement of Cash Flows

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

This statement identifies the sources and uses of cash and equivalents throughout the fiscal year and informs the user how much cash was used by or provided by the following activities: operating, noncapital financing, capital financing, and investing. The chart below shows the University's sources, uses, and changes in cash and cash equivalents for fiscal years 2006-2008:

STATEMENT OF CASH FLOWS **Year ended June 30** (in thousands)	**2008**	**2007**	**2006**
Net cash (used) provided by			
Operating activities	($39,759)	($43,775)	($39,408)
Noncapital financing activities	65,466	58,126	54,983
Capital financing activities	(13,130)	(8,671)	(6,914)
Investing activities	(6,061)	(7,624)	(13,193)
Net increase (decrease) in cash	$ 6,516	($ 1,943)	($4,532)

For all fiscal years shown above, non-exchange grants are reclassified from operating activities to noncapital financing activities. See Note 18 in the *Notes to Financial Statements* for more information.

Operating activities

- Cash used by operating activities decreased $4.0 million over the prior fiscal year compared to a $4.3 million increase from 2006 to 2007.
- Student fees and auxiliary enterprises provided the largest inflow in cash for all fiscal years.
- Payments to employees (wages and benefits) and suppliers caused the largest outflow of cash for all fiscal years.

Noncapital financing activities

- Cash provided by noncapital financing activities increased $7.3 million over the prior fiscal year compared to a $3.1 million increase from 2006 to 2007.
- State appropriations provided the largest cash inflow in all fiscal years.

Capital financing activities

- Cash used for capital financing activities increased $4.5 million in 2008 compared to a $1.8 million increase in 2007.
- Proceeds from capital debt generated the largest cash inflow in 2008 and in 2007.
- Principal and interest paid on capital debt generated the largest cash outflow in 2008 and in 2007.

Investing activities

- Cash used by investing activities decreased $1.6 million during 2008 compared to a $5.6 million decrease in 2007.
- Proceeds from sales and maturities of investments increased $16.8 million in 2008 compared to a $10.0 million increase in 2007.
- Cash used for purchases of investments increased $15.2 million in 2008 compared to a $6.2 million increase in 2007.

Summary of Statement of Cash Flows

For the year ended June 30, 2008, less cash was used for operating activities, more cash was provided by noncapital financing activities, more cash was used by capital financing activities, and less cash was used by investing activities than in the previous fiscal year. As a result of these activities, the University increased its cash position by $6.5 million, ending the fiscal year with a cash balance of $21.9 million.

Factors Impacting Future Periods

The 2007 Indiana General Assembly approved $29.9 million in bonding authority for the construction of a Business and Engineering Center. Prior to this, the 2005 General Assembly approved $6.6 million in bonding authorization for interim financing to plan and design the Business and Engineering Center, to expand the physical plant to accommodate increased capacity, and to finish the lower level of the Education Center.

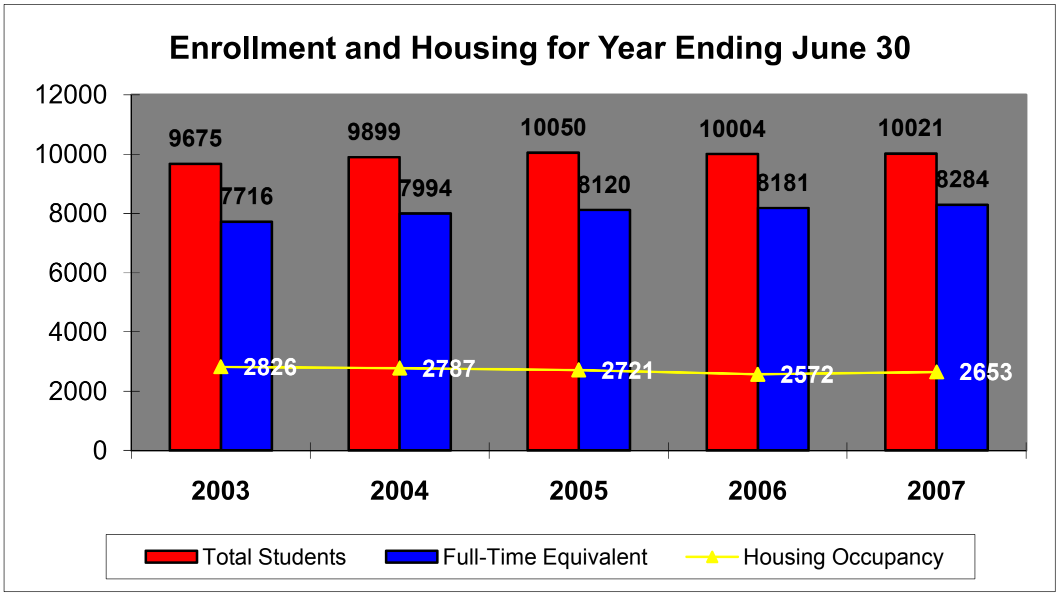
The University received bonding authority from the Indiana General Assembly in 2003 for $9.75 million and an additional $4 million in 2006 for the expansion of the University Center into the original library building that is now vacant due to the completion of the David L. Rice Library. Portions of the existing University Center and Conference Center also will be renovated with these funds.

The University plans to issue bonds in February 2009 to fund the construction of the Business and Engineering Center, to expand the physical plant, to expand and renovate the University Center and Conference Center, and to repay interim financing. The new bond issue is expected to total $50 million plus the cost of issuance.

The State of Indiana released $1.2 million of the deferred 2005 twelfth-monthly appropriation payment in fiscal year 2007. In response to the State's directive, the funds were reclassified from general operating support and will be used for general repair and rehabilitation. The final payment of $806,015 will be released in fiscal year 2009.

Moody's Investors Service reconfirmed an A2 rating of the University's general student debt obligations and an A3 rating for the auxiliary system bonds in June 2007.

The University of Southern Indiana is maturing. Its rate of growth has stabilized and it is continuing to develop into a residential campus. Total enrollment for academic years ending 2004 through 2008 reflects a modest increase of 0.4 percent; full-time equivalents for the same period increased 3.6 percent. Full-time students represent 82.8 percent of the total student population. Housing occupancy has stabilized with an occupancy rate averaging 92.8 percent over the past five-year period. The following graph illustrates enrollment and housing occupancy for the five-year period, 2004 to 2008.


Enrollment and Housing for Year Ending June 30
12000
10000
8000
6000
4000
2000
0
9675
7716
2826
9899
7994
2787
10050
8120
2721
10004
8181
2572
10021
8284
2653
2003
2004
2005
2006
2007
Total Students
Full-Time Equivalent
Housing Occupancy

UNIVERSITY OF SOUTHERN INDIANA
Statement of Net Assets
June 30, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	$ 21,938,868	$ 15,422,681
Short-term investments (Note 2)	36,785,069	38,387,293
Accounts receivable (Note 3)	6,758,191	8,609,849
Due from the State of Indiana (Note 4)	806,015	806,015
Inventories	1,574,263	2,018,763
Deposit with bond trustee	50,233	268,482
Other current assets	1,437,832	1,736,416
Total current assets	$ 69,350,471	$ 67,249,499
Noncurrent Assets		
Long-term investments (Note 2)	$ 35,634,699	$ 23,444,214
Deposit with bond trustee		7,447
Capital assets, net (Notes 14 & 15)	133,349,021	131,644,801
Due from the State of Indiana (Note 4)		806,015
Other noncurrent assets	703,247	876,957
Total noncurrent assets	$ 169,686,967	$ 156,779,434
Total Assets	**$ 239,037,438**	**$ 224,028,933**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,722,736	$ 1,728,003
Accrued payroll, benefits, and deductions	4,994,199	5,275,084
Notes and bonds payable (Notes 5 & 6)	7,453,201	7,130,446
Debt interest payable	1,745,725	1,704,516
Other current liabilities	1,685,750	1,884,395
Total current liabilities	$ 17,601,611	$ 17,722,444
Noncurrent Liabilities		
Notes and bonds payable (Notes 5 & 6)	$ 115,192,536	$ 112,739,041
Unamortized bond premium	1,476,636	1,575,079
Compensated absences and termination benefits (Notes 7 & 8)	2,507,060	2,538,638
Other noncurrent liabilities	645,539	443,854
Total noncurrent liabilities	$ 119,821,771	$ 117,296,612
Total Liabilities	**$ 137,423,382**	**$ 135,019,056**
NET ASSETS		
Invested in capital assets, net of related debt	$ 15,791,451	$ 11,406,840
Restricted		
Expendable		
Scholarship, research, and other	44,143	99,120
Capital projects		57,237
Repairs and rehabilitation	806,015	1,612,030
Unrestricted	84,972,447	75,834,650
Total Net Assets	**$ 101,614,056**	**$ 89,009,877**

UNIVERSITY OF SOUTHERN INDIANA
Statement of Revenue, Expenses, and Change in Net Assets
Years ended June 30, 2008 and 2007

	2008	2007 Reclass*
REVENUES		
Operating Revenues		
Student fees	$ 45,955,969	$ 44,290,972
Scholarship discounts & allowances	(10,660,471)	(10,128,591)
Grants and contracts	460,780	635,206
Auxiliary enterprises	21,404,732	21,658,523
Room & board discounts & allowances	(582,834)	(597,826)
Other operating revenues	1,920,022	1,281,409
Total operating revenues	$ 58,498,198	$ 57,139,693
EXPENSES		
Operating Expenses		
Compensation:		
Salaries & Wages	$ 46,721,890	$ 43,904,323
Benefits (Notes 9, 10, & 11)	13,271,690	14,722,063
Other postemployment benefits (Note 12)	2,146,904	
Student financial aid	6,456,944	5,595,685
Utilities	4,453,618	3,905,803
Supplies and other services	27,460,313	29,427,534
Depreciation	8,880,681	9,302,831
Total operating expenses	$ 109,392,040	$ 106,858,239
Operating loss	$ (50,893,842)	$ (49,718,546)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 48,286,186	$ 41,854,128
Gifts	2,466,707	2,069,262
Federal grants and contracts	7,532,168	6,745,929
State and local grants and contracts	6,241,454	6,123,727
Nongovernmental grants and contracts	158,343	174,708
Investment income (net of investment expense of $26,031 and $24,755 for 2008 and 2007)	4,137,647	3,972,838
Interest on capital asset-related debt	(5,979,143)	(5,813,367)
Bond issuance costs	(59,513)	(13,126)
Other non-operating expenses	(86,882)	(93,503)
Net non-operating revenues	$ 62,696,967	$ 55,020,596
Income before other revenues, expenses, gains, or losses	$ 11,803,125	$ 5,302,050
Capital grants and gifts	801,054	804,631
Total other revenues	801,054	804,631
Increases in net assets	$ 12,604,179	$ 6,106,681
NET ASSETS		
Net assets – beginning of year	$ 89,009,877	$ 82,903,196
Net assets – end of year	**$ 101,614,056**	**$ 89,009,877**

*See Note 18 in the Notes to Financial Statements

UNIVERSITY OF SOUTHERN INDIANA
Statement of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007 Reclass*
Cash Flows from Operating Activities		
Tuition and fees	$ 35,088,535	$ 33,452,709
Grants and contracts	710,800	(29,199)
Payments to suppliers	(26,885,477)	(28,968,980)
Payments for utilities	(4,453,618)	(3,905,803)
Payments to employees	(46,536,324)	(43,850,353)
Payments for benefits	(15,660,306)	(15,177,906)
Payments for scholarships	(6,456,944)	(5,595,685)
Loans issued to students	(227,678)	(315,935)
Collection of loans to students	254,343	357,166
Auxiliary enterprises receipts	20,332,377	21,791,256
Sales and services of educational depts.	134,460	133,130
Other receipts (payments)	3,940,457	(1,664,904)
Net cash used by operating activities	**$ (39,759,375)**	**$ (43,774,504)**
Cash Flows from Noncapital Financing Activities		
State appropriations	$ 49,092,201	$ 43,079,798
Gifts and grants for other than capital purposes	16,398,672	15,113,626
Other non-operating receipts (payments)	(24,529)	(66,991)
Net cash provided by noncapital financing activities	**$ 65,466,344**	**$ 58,126,433**
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	$ 9,975,000	$ 3,825,000
Capital grants and gifts	854,138	963,392
Bond financing costs	(146,396)	(106,630)
Purchase of capital assets	(10,584,901)	(3,501,136)
Principal paid on capital debt	(7,198,751)	(5,656,434)
Interest paid on capital debt and leases	(6,036,376)	(5,938,982)
Proceeds from deposit with trustee	7,447	1,743,885
Net cash used by capital financing activities	**$ (13,129,839)**	**$ (8,670,905)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	$ 50,636,593	$ 33,830,503
Interest on investments	3,829,641	3,967,159
Purchase on investments	(60,745,426)	(45,549,848)
Change in deposit with trustee	218,249	128,017
Net cash used by investing activities	**$ (6,060,943)**	**$ (7,624,169)**
Net increase (decrease) in cash	$ 6,516,187	$ (1,943,145)
Cash – beginning of year	15,422,681	17,365,826
Cash – end of year	**$ 21,938,868**	**$ 15,422,681**

*See note 18 in the Notes to Financial Statements

UNIVERSITY OF SOUTHERN INDIANA
Statement of Cash Flows
Years Ended June 30, 2008 and 2007

	2008	2007 Reclass*
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating loss	$ (50,893,842)	$ (49,718,546)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation expense	8,880,681	9,302,831
Provision for uncollectible accounts	306,194	15,415
Changes in assets and liabilities:		
Receivables	1,545,463	(3,002,255)
Inventories	444,500	(190,048)
Other assets	221,124	(963,911)
Accounts payable	(150,549)	24,994
Deferred revenue	(309,718)	476,228
Deposits held for others	(54,631)	17,821
Employee and retiree benefits	224,738	221,736
Loans to students	26,665	41,231
Net cash used by operating activities:	**$ (39,759,375)**	**$ (43,774,504)**

Noncash Transactions		
Unrealized loss on short-term investments	$ (62,619)	$ (5,692)
Unrealized loss on long-term investments	(416,809)	(286,440)
Bonds payable – LT and ST Series 2001B	9,800,000	
Bonds payable – LT and ST Series 2008A	(9,800,000)	
Net noncash transactions	**$ (479,428)**	**$ (292,132)**

*See Note 18 in the Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1 -- Summary of Significant Accounting Policies

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

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

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

The University includes the University of Southern Indiana Foundation, Inc. as a component unit as defined by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The Foundation is a private nonprofit organization that reports under the standards of the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial report for these differences.

Accounting Methods and Policies

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

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

Capital Assets Accounting Policies

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

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

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

The University owns a collection of museum exhibit items located in Historic New Harmony. The collection consists of 2,800 objects that are primarily 19th century decorative arts, furniture, prints, medical equipment, and textiles. The collection consists of both donated and purchased items. Per the code of ethics for museums, Historic New Harmony does not place a monetary value on the collection. Museums are organized as public trusts that act as stewards for the public in collecting, protecting, preserving, and interpreting objects. A well-documented inventory is maintained, but the value is unknown and therefore not included in the capitalized asset value at June 30, 2008.

The University owns a permanent art collection whose primary function and aim is education in accordance with one element of the University’s mission: to support the cultural awareness of its students, faculty, staff, and the citizens of southwestern Indiana. The collection consists of both donated and purchased items. Many of the donated pieces were received without appraised values. Collection pieces which have been appraised or purchased are valued at $903,721. Appraised values for the remaining collection will be obtained over future periods. The currently-known value is not included in the capitalized asset value at June 30, 2008.

Operating Revenues and Expenses

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

Nonoperating Revenues and Expenses

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

Other Disclosures

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

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

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

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

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

NOTE 2 – Deposit and Investment Risk Disclosures
It is the policy of the University of Southern Indiana to manage the investment portfolio of the University in a manner described in Section 30-4-3-3 of the Indiana Code. Authorized investments include obligations of the U.S. Treasury and U.S. government agencies, certificates of deposit, repurchase agreements, money market mutual funds, savings, and negotiable order-of-withdrawal accounts. Investments with Indiana institutions are limited to those banks, savings banks, and savings and loan institutions that provide deposit insurance for university funds under Indiana statutes by the Public Deposit Insurance Fund, in addition to the amounts insured by agencies of the United States government - Federal Deposit Insurance Corporation/Savings Association Insurance Fund (FDIC/SAIF). Investments with non-Indiana institutions must be insured by agencies of the U.S. government to the maximum statutory amount of $100,000.

Deposits – At June 30, 2008, the bank balances of the University's operating demand deposit accounts were $24,877,535, of which $377,731 was covered by federal depository insurance. The remaining balance was insured by the Public Deposit Insurance Fund, which covers all public funds held in approved Indiana depositories. None of these funds were exposed to custodial credit risk, which is the risk that, in the event of the failure of a depository financial institution, the University will not be able to recover deposits or collateral securities that are in the possession of an outside party.

Investments – The University's investments at June 30, 2008, are identified in the table below:

			Investment Maturities (in Years)			
Investment Type	**Market Value**	**Type %**	**Less than 1 year**	**1 – 5 years**	**6 – 10 years**	**More than 10 years**
Money market accounts	$6,916,492	7%	$6,916,492			
Repurchase agreements	14,587,657	15%	14,587,657			
Certificates of deposit	40,273,591	43%	32,624,642	7,648,949		
U S Treasury & agency securities *	32,580,897	35%	4,595,147	14,266,194	12,777,732	941,824
Totals	**$94,358,637**	100%	**$58,723,938**	**$21,915,143**	**$12,777,732**	**$941,824**
Maturity %	100%		62%	23%	14%	1%
* U S Treasury and agency securities carry an AAA rating from both Moody's and Standard and Poor's						

Investment custodial credit risk – This is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the $94.4 million invested, $32.6 million in U.S. government securities are held in the name of the nominee bank and insured by policies of the financial institution or guarantees of the U.S. government. The remaining $14.6 million in repurchase agreements are registered in the University's name and backed by the implicit guarantee of the U.S. government. All cash in the money market accounts and the certificates of deposit are insured by FDIC/SAIF, the Public Deposit Insurance Fund, or collateral as required by federal regulations.

Interest rate risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy does not address exposure to fair value losses arising from changes in interest rates, but the investment objective is to obtain the highest revenue while maintaining safety and insuring adequate liquidity for institutional needs. To that end, management maintained a larger percentage (62 percent) of investments in cash equivalents and short-term investments to be in a position to take advantage of the best rates in a timely fashion as well as sustaining adequate cash flow for operating needs.

Credit risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Of the total U.S. government securities listed in the table above, $31.3 million are invested in government-sponsored enterprises that are neither guaranteed or insured by the full faith and credit of the U.S. Treasury, and, therefore have more credit risk than any direct obligation of the U.S. Treasury.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of the University's investment in a single issuer. The University's policy limits the investments in any one Indiana institution to 25 percent of the total portfolio of cash, certificate of deposits, and repurchase agreements as valued at the end of the preceding month. Operating funds which are invested in overnight repurchase agreements as part of the cash management program are excluded from the 25 percent limit. At June 30, 2008, the University was in compliance with that policy.

Foreign currency risk – This is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The University does not have any global investments and, therefore, is not exposed to foreign currency risk.

NOTE 3 - Accounts Receivable

Accounts receivable are recorded net of allowance for uncollectible student fees of $462,460 and auxiliary services fees of $249,461. Prior-year allowances were $266,808 for student fee receivables and $137,864 for auxiliary services receivables. The accounts receivable balance for the 2007-08 fiscal year includes $3,614,286 in net student receivables and $3,143,905 in external receivables.

NOTE 4 – Due from State of Indiana

The twelfth payment of the 2005 fiscal year general operating appropriations ($2,834,700) was set aside until such time if and when the state assigned sufficient funds to pay some or all of the payment due. Senate Bill 345, enacted during the 2006 legislative session, appropriated funds from Indiana's general fund to the budget agency to pay $1,225,670 of the payment due during the 2006-07 fiscal year. Of the remaining unpaid balance of $1,612,030, half was paid during the 2007-08 fiscal year and half will be paid in 2008-09. The funds are to be used for general repair and rehabilitation rather than general operating. When received, USI will treat the payment as reducing its claim to the amount budgeted for general operating appropriations for fiscal year ending 2005. For financial statement presentation, the final $806,015 has been classified as a current receivable and included as a restricted net asset.

NOTE 5 – Debt Related to Capital Assets

Notes Payable – In June 2007, the University entered into a $6.6 million promissory note for the interim financing of multiple projects: architectural and engineering fees for a future Business and Engineering Center; completion of the lower level of the Education Center; and expansion of the physical plant facility. This debt was issued as bank-qualified with a plan to refund it when the debt for the Business and Engineering Center is issued. The note bears interest at a variable rate per annum. The initial rate was 4.03 percent through September 30, 2007; thereafter, the rate will be a formula-driven variable based on LIBOR and adjusted every six months. As of June 30, 2008, the University had drawn down the entire $6,600,000 principal amount. The amount outstanding after a payment made in 2008 is $6,475,000. No further payments are due against this note until it is refunded by the debt issued for the Business and Engineering Center in early 2009.

Bonds Payable – Outstanding bonds payable at June 30, 2008, total $116,170,737 and are identified in the following schedule and in Note 6.

						June 30, 2008		
SCHEDULE OF BONDS AND NOTES PAYABLE	*Issue Date*	*Interest Rate*	*Current Year Rate*	*Maturity Date*	*Original Issue Amount*	*Principal Outstanding*	*Interest Outstanding*	***Total Outstanding***
Student Fee Bonds								
Series D, Health Professions Center	1993	2.25% to 5.8%	5.55%	2015	$24,678,101	$2,362,432	$4,317,568	**$6,680,000**
Series F, Liberal Arts Center	1998	3.55% to 4.7%	4.65%	2013	15,280,000	6,020,000	912,772	**6,932,772**
Series G, Recreation & Fitness Center	1999	0% to 10%*	3.06%	2019	4,700,000	3,700,000	588,800	**4,288,800**
Series H, Science & Education Center	2001	3.5% to 5.0%	5.00%	2021	25,260,000	20,645,000	8,207,720	**28,852,720**
Series I, Library Construction	2004	2.0% to 5.375%	4.00%	2023	49,590,000	42,740,000	17,363,438	**60,103,438**
Series 2006, Recreation & Fitness Center	2006	4.67%	4.67%	2028	7,250,000	7,193,305	3,851,264	**11,044,569**
Auxiliary System Bonds								
Series 2001A, Student Housing Facilities	2001	4.0% to 5.0%	5.00%	2018	23,775,000	16,575,000	4,961,125	**21,536,125**
Series 2003, Student Housing Facilities	2003	3.0% to 4.5%	3.00%	2024	8,005,000	7,135,000	2,828,765	**9,963,765**
Series 2008A, Student Housing Facilities	2008	3.97%	3.97%	2021	9,800,000	9,800,000	4,260,959	**14,060,959**
Total					**$168,338,101**	**$116,170,737**	**$47,292,411**	**$163,463,148**

*This bond is a variable interest bond with weekly rates. The rate listed above is the average rate paid during the fiscal year.
Not included in the table above is $6,600,000 drawn on the interim financing note issued in June 2007. See full description of this debt in the Notes Payable narrative above.

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

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

Student fee bond Series G is a variable rate bond currently bearing interest at weekly rates ranging between zero and 10 percent. The rate in effect at June 30, and the rate used to calculate the future debt service requirements, was 2.30. All the other bonds are term or serial with fixed annual rates as identified in the preceding table. Annual debt service requirements through maturity for bonds and notes payable are presented in the following chart:

Annual Debt Service Requirements

Fiscal Year	Bonds	Notes	Total Principal	Total Interest	Total Debt Service
2008-09	7,453,201		7,453,201	5,718,936	13,172,137
2009-10	7,876,710		7,876,710	5,469,218	13,345,928
2010-11	7,381,775		7,381,775	5,140,681	12,522,456
2011-12	7,693,392		7,693,392	4,812,708	12,506,100
2012-13	8,029,160		8,029,160	4,460,789	12,489,949
2013-18	36,256,237		36,256,237	15,868,133	52,124,370
2018-23	35,010,203		35,010,203	5,411,333	40,421,536
2023-28	6,470,059		6,470,059	410,613	6,880,672
Total	**$ 116,170,737**	**$0**	**$ 116,170,737**	**$ 47,292,411**	**$ 163,463,148**

Not included in the table above is the principal and interest on a note issued in June 2007. See a full description of this debt in the Notes Payable narrative above.

NOTE 6 – 2008 Refunding Bond Issue

On May 14, 2008, the University of Southern Indiana issued $9,800,000 in refunding revenue bonds with an interest rate of 3.97 percent to advance refund $9,800,000 of outstanding variable rate 2001B series bonds with a final variable interest rate of 6.5 percent. The 3.97 percent interest rate is a fixed rate with a 20-year amortization based upon a swap agreement entered into with Old National Bank of Evansville. The net proceeds of $9,800,000 (after payment of $59,912 in issuance costs) redeem series 2001B in full. As a result, these bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets. The refunding resulted in no accounting loss. The University of Southern Indiana in effect reduced its aggregate debt service payment by $851,129 over the next 14 years and realized an economic gain (difference between the present values of the old and new debt service payments) of $664,282.

NOTE 7 - Compensated Absence Liability

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

The total cumulative compensated absence liability reflected in the Statement of Net Assets is $2,110,756 and $2,013,013 for June 30, 2008 and 2007 respectively. The current year change represents $133,788 increase in accrued vacation; $45,664 decrease in sick leave liability; $6,741 increase in Social Security and Medicare taxes; and $2,878 increase in Public Employees' Retirement Fund (PERF) contributions. During the fiscal year, $147,690 was paid out to terminating employees. Payout for terminating employees in fiscal year 2008-09 is expected to decrease approximately 6 percent because of the number who will have reached the requisite retirement age and years of service. For that reason, $139,142 of the total compensated absence liability is classified as a current liability and the remaining $1,971,614 is classified as a non-current liability.

NOTE 8 – Termination Benefits Liability

The Governmental Accounting Standards Board (GASB) Statement No. 47, *Accounting for Termination Benefits*, requires the University to recognize a liability and an expense for voluntary termination benefits, such as early-retirement incentives, when the offer is accepted and the amount can be estimated. Members of USI's regular full-time faculty and administrative staff who have been employed in an eligible position prior to January 1, 1999, who have 15 or more consecutive years of service, and who are age 60 or older may receive early-retirement benefits upon request. These benefits include a lump-sum severance pay calculated as a percent of final-year salary based on length of service, not to exceed 25 percent, and continued contribution to retirement annuity contracts through the end of the fiscal year in which the retiree reaches age 66. Salaries are assumed to increase at a rate of 3.9 percent annually for purposes of calculating this liability.

USI has 22 retirees currently receiving early-retirement benefits, seven of whose benefits stop after this fiscal year, and nine more who have arranged to begin receiving benefits within the next three years. The liability for these benefits total $814,321 at June 30, 2008. Of that amount, $278,875 is expected to be paid out during the following fiscal year, and the remaining $535,456 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 9 - Retirement Plans
Substantially all regular employees of the University are covered by either the *Teachers Insurance and Annuity Association-College Retirement Equities Fund Retirement Plan* (TIAA-CREF) or the *State of Indiana Public Employees' Retirement Fund* (PERF). The TIAA-CREF plan is an IRC 403(b) defined contribution plan; PERF is a defined benefit plan under IRC 401(a) and a state plan described in IC 5-10.2 and 5-10.3. The University contributed $4,917,670 to these programs in fiscal year 2007-08, which represents approximately 10 percent of the total University payroll and 12 percent of the benefit-eligible employees' payroll for the same period.

Faculty and Administrative Staff Eligible employees may participate in the TIAA-CREF Retirement Plan upon the completion of one year of employment. Participation may begin sooner if the employee was a participant in TIAA-CREF or another university-sponsored retirement plan for at least one year prior to eligible employment at USI. The University contributes 11 percent of each participating employee's base appointment salary up to $10,800 and 15 percent of the base appointment salary above $10,800. The University contributed $4,135,622 to this plan for 531 participating employees for fiscal year ending June 30, 2008, and $3,758,992 for 512 participating employees for fiscal year ending June 30, 2007. The annual payroll for this group totaled $31,257,284 and $28,814,614 for fiscal years ending June 30, 2008 and 2007 respectively.

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

Support Staff Employees in eligible positions and who work at least half-time participate in PERF, a retirement program administered by an agency of the State of Indiana. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. Benefit provisions are established and/or amended by the State of Indiana. There are two parts to this plan: an annuity savings plan to which the University contributes 3 percent of the employee's salary, and a defined benefit agent multi-employer plan to which the University contributed 6.3 percent of the employee's salary this fiscal year. Employees are eligible to participate in this plan immediately upon employment and are fully vested in the defined benefit part of the plan after ten years of employment. The University contributed $771,669 for 401 employees participating in PERF during the 2007-08 fiscal year and $673,087 for 393 employees participating during 2006-07.

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

PERF – Schedule of Funding Progress (dollars in thousands)

Fiscal Year Ending June 30	Actuarial Value of Plan Assets (A)	Actuarial Accrued Liability-Entry Age (B)	Underfunded/ (Overfunded) Accrued Liability (C)	Funded Ratio (A/B)	Actual Covered Payroll (D)	Underfunded/ (Overfunded) Liability as % of Payroll (C/D)
2005	5,046	5,148	102	98.0%	7,606	1.3%
2006	6,669	6,794	125	98.2%	7,843	1.6%
2007	7,306	7,185	(121)	101.7%	7,919	0.0%

PERF – Development of Net Pension Obligation

	2005	*2006*	*2007*
Annual Required contribution (ARC) *	$273,415	$346,217	$434,300
Interest on Net Pension Obligation @ 7.25%	(35,940)	(36,418)	(36,140)
Adjustments to ARC **	(40,956	(41,501)	(41,184)
Annual Pension Cost (APC)	196,519	268,298	356,976
Contributions made by USI ***	285,029	347,463	415,360
Decrease in Net Pension Obligation	(88,510)	(79,165)	(58,384)
Net Pension Obligation, Beginning of Year	(495,723)	(584,233)	(663,398)
Net Pension Obligation, End of Year	**($584,233)**	**($663,398)**	**($721,782)**

* Determined to be equal to the same percent of salary as the entire State of Indiana
** Net Pension Obligation at beginning of year divided by amortization factor of 12.1037
*** Percentage of APC contributed: 2005 at 145.0%; 2006 at 129.5%; and 2007 at 116.4%

The required contribution was determined as part of the actuarial valuation as of July 1, 2007, using the Entry Age Normal Cost Method. The actuarial assumptions included: (a) 7.25 percent investment rate of return (net of administrative services), (b) projected salary increases of 4 percent per year, and (c) 1.5 percent per year cost-of-living adjustments. Current-year information concerning funding and obligation was not available at the time of this report.

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

NOTE 10 – Risk Management

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

The University has three health care plans for full-time benefit-eligible employees and three plans for retirees. Two of the plans for employees and two for retirees are funded under a cost-plus arrangement whereby the University is billed for actual claims paid by the insurer on behalf of the covered participants plus an administrative fee. The majority of employees and retirees, 85 percent and 88 percent respectively, participate in the fully-funded cost-plus plan. For fiscal year ended on June 30, 2008, the University's contribution to these health care plans totaled $4,511,188 for 860 employees and $902,714 for 132 retirees. For the same period, employees and retirees made contributions totaling $1,635,134 and $232,859 respectively.

The University assumes the risk for medical claims exceeding the maximum expected cost but has mitigated the additional risk by purchasing specific and aggregate stop loss coverage at 125 percent of the expected claims liability. The University also has established a reserve to cover any unpaid liability beyond 125 percent. The liability for medical claims incurred but not reported at June 30, 2008, is based on an average monthly claim multiplied by the plan provider's average turnaround time from when claims are incurred to when claims are submitted to USI for payment. Changes in the balance of claims liabilities during the 2008 fiscal year are as follows:

Beginning liability, June 30, 2007	$1,539, 576
Claims incurred	5,370,122
Claims paid	(5,409,545)
Ending liability, June 30, 2008	$1,500,153

NOTE 11 - VEBA Trust

The University established a Voluntary Employees' Benefit Association (VEBA) trust for the purpose of providing medical, dental, and life insurance benefits to employees who retire after attaining age 60 with at least ten years of service and to those retiring under the Rule of 85. The trust is funded from three sources: University contributions and reserves designated by the Board of Trustees for this purpose, employee payroll deductions for post-retirement benefits, and retiree contributions for medical insurance premiums. Funds will accumulate in the trust for several years before any disbursements are made. The University does not anticipate that the trust will pay for all post-retirement benefits, but rather be used to reduce the increasing burden of such expenses on the current operating funds. A summary of the activity in the trust for the year ending June 30, 2008, is as follows:

VEBA TRUST	**MARKET**
Fund balance at July 1, 2007	$7,257,792
Transfer from University reserves	762,500
Employee/employer contributions	154,572
Retiree/employer contributions	20,929
Reinvested net earnings	356,850
Net gain/(loss) on sales of trust investments	248,954
Less: Management fees and taxes	(31,958)
Net change in market value	(665,648)
Fund balance at June 30, 2008	**$8,103,990**

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

NOTE 12 -- Other Postemployment Benefits (OPEB)

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

Funding Policy. The contribution requirements are established and may be amended by the USI Board of Trustees. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the governing board. For the fiscal year ended June 30, 2008, USI contributed $1,890,588 to the plan, including $789,758 for current premiums (approximately 77 percent of total premiums), $300,830 for claims greater than premium coverage, and $800,000 to prefund benefits. Plan members receiving benefits contributed $239,496, or approximately 23 percent of the total premiums, through their required contributions for medical insurance coverage.

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

	2008
Annual required contribution	$2,146,904
Interest on net OPEB obligation	0
Adjustment to annual required contribution	0
Annual OPEB cost	2,146,904
Contributions made	(1,890,588)
Increase (decrease) in net OPEB obligation	256,316
Net OPEB obligation, beginning of year	0
Net OPEB obligation, end of year	$256,316

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

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

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6-30-2008	$ 2,146,904	88.3%	$ 256,316

Funded Status and Funding Progress. As of June 30, 2007, the most recent actuarial valuation date, the plan was 33.2 percent funded. The actuarial accrued liability (AAL) for benefits was $21,861,558, and the actuarial value of assets was $7,257,792, resulting in an unfunded actuarial accrued liability (UAAL) of $14,603,766. The covered payroll (annual payroll of active employees covered by the plan) was $38,500,309, and the ratio of the UAAL to covered payroll was 37.9 percent.

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

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Projected Unit Credit Method (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2007	$7,257,792	$21,861,558	$14,603,766	33.20%	$38,500,309	37.93%
6/30/2008	$8,103,990	$21,861,558	$13,757,568	37.07%	$41,286,734	33.32%

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

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the asset classes held in the VEBA Trust, and an annual healthcare cost trend rate for each medical plan. In general, the trend rates start at 8 percent initially, reducing 50 basis points each year until reaching an ultimate rate of 5 percent in 2013. The actuarial value of assets for the purposes of determining the annual recommended contribution is the market value of the assets. The UAAL is being amortized as a level dollar amount on an open basis over a 30 year period.

NOTE 13 – Functional Expenditures

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

FUNCTION	SALARIES & WAGES	BENEFITS	SCHOLAR-SHIPS	UTILITIES	SUPPLIES & OTHER SVCS	DEPREC-IATION	2008 TOTAL	2007 TOTAL
Instruction	$23,326,714	$7,225,444			$1,588,439		$32,140,598	$30,423,260
Academic Support	5,069,629	1,583,501			4,295,158		10,948,287	10,299,536
Student Services	3,643,252	1,391,344			2,117,063		7,151,659	7,195,621
Institutional Support	6,885,303	3,192,316			3,492,446		13,570,065	11,142,533
Operation & Maintenance of Plant	2,884,444	1,313,654		3,607,687	2,654,713	6,583,468	17,043,966	18,156,982
Student Aid	235,657	355,044	6,122,228		6,859		6,719,787	5,828,245
Public Service	938,311	254,755			776,918		1,969,984	1,746,405
Research	106,438	24,461			115,101		246,001	220,778
Auxiliary Enterprises	3,632,142	78,075	334,717	845,932	12,413,615	2,297,213	19,601,693	21,844,879
TOTAL	**$46,721,890**	**$15,418,594**	**$6,456,945**	**$4,453,618**	**$27,460,313**	**$8,880,681**	**$109,392,040**	**$106,858,239**

NOTE 14 – Construction in Progress
Construction in progress at year-end totals $7.8 million (see capital assets table below). Projects soon to be complete include the McCutchan Art Center, phase 1 construction of a loop road, and the expansion and renovation of the McDonald West Community Center. Also near completion are the ceramics center relocation and a support services facility. The total expended to date for these projects is $4.3 million, and the estimated additional cost to complete is $2.4 million.

Work has begun on the Recreation and Fitness Center expansion, and $1,007,132 was expended by fiscal year end. Construction will continue for another year with the completed project expected to cost $6.5 million. Work has also begun on the Business and Engineering Center with $1,643,365 expended by fiscal year end. The building, scheduled for completion in 2010, will cost $23.9 million.

The University is well into the planning and design work on one of the projects that make up the remaining $900,000 of construction in progress. The University Center expansion and renovation project will continue for at least three years and is estimated to cost approximately $13.7 million to complete. Another project which completes the balance of construction in progress involves architectural planning for a professional theatre on campus. To date, $200,000 has been spent for project planning with a final cost not yet determined.

NOTE 15 – Capital Assets, Net of Accumulated Depreciation
The table below displays the increase in total capital assets from $223.5 million at July 1, 2007, to $232.5 million on June 30, 2008. Gross capital assets, less accumulated depreciation of $99.1 million, equal net capital assets of $133.3 million at June 30, 2008.

Capital Assets	Balance June 30, 2007	Additions	Deletions	Balance June 30, 2008	Accumulated Depreciation	Net Capital Assets
Land	$4,047,934			$4,047,934		$ 4,047,934
Land Improvements	5,714,935	2,011,730		7,726,665	3,699,722	4,026,943
Infrastructure	3,648,793			3,648,793	1,243,718	2,405,075
Educational Buildings	124,368,794	2,555,015		126,923,809	49,530,540	77,393,269
Auxiliary Buildings	59,339,347			59,339,347	28,296,713	31,042,634
Equipment	13,329,523	1,088,909	1,876,029	12,542,403	8,929,712	3,612,691
Library Materials	9,738,591	719,298	4,222	10,453,667	7,443,543	3,010,124
Construction in Progress	3,286,473	6,975,179	2,451,301	7,810,351		7,810,351
Totals	**$223,474,390**	**$13,350,131**	**$4,331,552**	**$232,492,969**	**$99,143,948**	**$133,349,021**

NOTE 16 - Interrelated Organization
The University of Southern Indiana/New Harmony Foundation, Inc. was formed in 1986 to assist in supporting and developing Historic New Harmony, an auxiliary enterprise of USI which operates in New Harmony, an historic town in southwestern Indiana thirty miles from campus. During fiscal year 2007-08, this foundation contributed $71,213 to Historic New Harmony operations and capital projects. At June 30, 2008, the stated value of the USI/NH Foundation's net assets was $583,026. These assets are not included in the financial statements of the University.

NOTE 17 – Component Units
The University of Southern Indiana Foundation is a legally separate, tax-exempt entity formed in 1969 to provide support for the University of Southern Indiana, its faculty and students, and to promote educational, scientific, charitable, and related activities and programs exclusively for the benefit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. During the year ended June 30, 2008, the USI Foundation distributed $3,321,729 in direct and indirect support to the University for both restricted and unrestricted purposes.

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

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

Note 18-- Reclassify 2007 Financial Information

A revised interpretation and clarification of GASB 34/35 requirements caused some reclassifications and corrections to be made on the Statement of Revenues, Expenses, and Change in Net Assets and on the Statement of Cash Flows so that the 2007 financial information is comparable and consistent with the 2008 financial statement presentation.

- Governmental and corporate grants which are classified as non-exchange were removed from operating revenue and reclassified to nonoperating revenue. Only exchange grants are classified as operating revenue.
- Student fee revenue is presented net of bad debts expense. This was how student fee revenue had been presented until 2006, when the method was changed to include student fee bad debts as part of supplies and other services expense. A reinterpretation and clarification of the GASB requirements dictated that student fee revenue should be presented net of bad debts.
- The above changes caused the total net cash used by operating activities and the total net cash provided by noncapital financing activities to increase $13 million.

There was no change in total revenues, expenses, or net assets as a result of these reclassifications and corrections.

NOTE 19 – Subsequent Events

The 2007 Indiana General Assembly approved $29.9 million in bonding authority for the construction of a Business and Engineering Center classroom building. Prior to this, the 2005 General Assembly approved $6.6 million in bonding authorization for interim financing to plan and design the Business and Engineering Center, to expand the physical plant to accommodate increased capacity, and to finish the lower level of the Education Center.

The University received bonding authority from the Indiana General Assembly in 2003 for $9.75 million and an additional $4 million in 2006 for the expansion of the University Center into the original library building that is now vacant due to the completion of the David L. Rice Library. Portions of the existing University Center and Conference Center will also be renovated with these funds.

The University plans to issue bonds in February 2009 to fund the construction of the Business and Engineering Center, to expand the physical plant, to expand and renovate the University Center and Conference Center, and to repay interim financing. The new bond issue is expected to total $50 million plus the cost of issuance.

ATTACHMENT A

RESOLUTIONS OF THE
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES
RE DELEGATION AND OFFICIAL INTENT REGARDING THE BUSINESS AND ENGINEERING CENTER AND THE UNIVERSITY CENTER EXPANSION PROJECTS

WHEREAS, the Board of Trustees (the "Board") of the University of Southern Indiana (the "University") has determined that a necessity exists to consider financing the acquisition, construction, expansion, renovation, rehabilitation and/or equipping of various facilities on the University's Evansville campus, as described in Exhibit A, as well as related site preparation and other improvements and renovations (collectively, the "Projects"); and

WHEREAS, the Board of Trustees (the "Board") of the University of Southern Indiana (the "University") has full power and authority under and by virtue of the laws of the State of Indiana, including, more particularly, the provisions of Indiana Code 21-34-6 through 10, to issue bonds secured by Student Fees to finance and refinance academic and building facilities on its Evansville campus, including the Projects; and

WHEREAS, the University has heretofore executed and delivered to The Merchants National Bank of Terre Haute, as succeeded by Old National Trust Company, as Trustee (the "Trustee"), a certain Trust Indenture dated as of November 1, 1985 (the "Indenture"), for the purpose of securing its Student Fee Bonds issued from time to time thereunder; and

WHEREAS, the Board desires to authorize the Treasurer and Assistant Treasurer to investigate, develop, evaluate and present a plan of financing to the Board for the Projects together with any appropriate refunding opportunities ("Plan of Financing"); and

WHEREAS, the University intends to acquire, construct, equip, renovate and/or rehabilitate the Projects, and reasonably expects to advance its own funds therefor and to reimburse the advances for the Projects with proceeds of debt to be incurred by the University; and

NOW, THEREFORE, BE IT RESOLVED by this Board as follows:

1. The University hereby declares and reaffirms its official intent to acquire, construct, equip and/or rehabilitate the Projects described in Exhibit A; to reimburse certain costs of acquiring, constructing, equipping and/or rehabilitating the Projects with proceeds of debt to be incurred by the University; and to issue debt not exceeding $50,350,000 in aggregate principal amount for purposes of financing, refinancing or reimbursing costs of the Projects.

2. The Treasurer and Assistant Treasurer are hereby authorized to develop and present to the Board or its Finance Committee the Plan of Financing for the financing of the Projects and the refunding of prior Bonds.

3. The Board hereby delegates to its Finance Committee the power to act in its stead and on its behalf to approve the Plan of Financing, to authorize the issuance of Bonds pursuant thereto, to authorize the execution of delivery of any document or agreement in connection with said Bonds, including any swap agreements related thereto, and to approve any other necessary or appropriate actions in connection therewith.

Dated this 6th day of November, 2008.

ATTACHMENT A

EXHIBIT A

PROJECT DESCRIPTION

Business and Engineering Center – Construction of a new academic building which will house the College of Business as well as selected engineering and general classrooms/laboratories. The Business and Engineering Center will be a multi-level state of the art facility including more than 122,000 gross square feet. The budget for this project is $36,375,000 of which $6,475,000 will be used to refund interim financing. The facility will enable the University to:

- Provide a stimulating classroom environment that promotes the undergraduate educational experience
- Support the integration of business, engineering and technology curricula
- Provide a common place to link University faculty and members of the region's business community

University Center Expansion – The University has also received $13,750,000 in bonding authority from the Indiana General Assembly to renovate and expand the existing University Center. The project is budgeted at $17,650,000 of which $3,900,000 will be directly funded from University reserves. Once the facility is complete it will include space for extended services operations, special events, expanded student programming, food services and bookstore. Additional student lounge spaces and conferencing capability will be added as a result of the expansion project.

ATTACHMENT B

RESOLUTION REGARDING BANK DEPOSITORIES AND WIRE TRANSFER AUTHORIZATIONS

WHEREAS, the University wishes to update the list of banks designated as depositories in which funds may be deposited and to update the authorizations required for transactions with the depositories;

THEREFORE BE IT RESOLVED the Fifth Third Bank, Old National Bank of Evansville, Integra Bank, and US Bank be and hereby are designated as depositories in which funds of this Corporation may be deposited by its officers, agents and employees; and

FURTHER RESOLVED that the Treasurer is authorized to sign (including using facsimile signatures) any and all checks, drafts, and orders, including orders or directions in informal or letter form, against any funds at any time standing to the credit of this Corporation with said Bank, and that the said Bank hereby is authorized to honor any and all checks, drafts and orders so signed, including those drawn to the individual order of such officer without further inquiry or regard to the authority of said officer or the use of said checks, drafts, and orders, or proceeds thereof; and

FURTHER RESOLVED that the Treasurer or Assistant Treasurer of the University of Southern Indiana is authorized to enter into a Funds Transfer Agreement with the aforementioned Banks; and

FURTHER RESOLVED that the Treasurer, the Assistant Treasurer, the Controller, the Assistant Controller, the Manager of Payroll, the Manager of Accounting Services, and the Accounts Payable Supervisor be designated as the officers of the University authorized to make wire transfers; and

FURTHER RESOLVED that each of the foregoing resolutions shall continue in force until express written notice of its rescission or modification has been received by the said Bank, but if the authority contained in them should be revoked or terminated by operation of law without such notice, it is resolved and hereby agreed for the purpose of inducing the said Bank to act thereunder, that the said Bank shall be saved harmless from any loss suffered or liability incurred without such notice.

ATTACHMENT C

Summary of Construction Change Orders

1. RECREATION AND FITNESS CENTER EXPANSION PROJECT

Arc Construction Company - General Construction Contractor

CO G-1	Credit for footing and pier modifications per PR-G4	
	Increase rubber flooring around climbing wall and install ½-inch thick glass in lieu of ¾-inch thick glass	
	Omit new door and frame at opening 201 per PR-G4	
	Make correction to columns and bases	($19,221)
CO G-2	Change roof panel to 2-inch mechanically seamed metal panel to match existing roof panel	
	Change from Curtainwall 1600 System to Storefront 451T System on exterior facade	
	Remove door and enclose opening into game room	($6,810)

Mel-Kay Electric Company - Electrical Construction Contractor

CO E-1	Install cable tray in first floor ceiling space to serve second level in-floor boxes for data and telephone	
	Install conduit from Panel DP-2 to exterior wall on south face for future electrical feed	$23,374
CO E-2	Change hair dryers to plug-in units and add GFI breakers in panel	
	Relocate exercise clock on existing jogging track	$4,011
CO E-3	Relocate fire alarm and switch in wall on column 13	$3,577

2. BUSINESS AND ENGINEERING CENTER PROJECT

SUPPORT SERVICES BUILDING
<u>Key Construction Company – Contractor</u>

CO 1	Add six inches of INDOT No. 53 crushed stone under floor slab due to unsuitable and wet soil	$24,300
CO 2	Add six inch curb at front walk, raise storm drain elevations; add floor hardener; and relocate electric transformer	$14,912
CO 3	Rework subgrade for south parking area, northeast corner of building, and north section of Bluff Lane	$15,119
CO 4	Revise fire main routing, add conduits for future security Cameras; add walk-off mat at entrance; change to fiberglass Showers; and improve carpet quality	$6,690

CERAMICS CENTER
<u>Empire Contractors, Inc. - Contractor</u>

CO 1	Install second restroom	$11,600
CO 2	Install perforated foundation perimeter drain; remove unsuitable soil in northwest corner and fill with lean concrete	$3,850