MINUTES

FINANCE/AUDIT COMMITTEE

UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

November 7, 2024

The Finance/Audit Committee of the University of Southern Indiana Board of Trustees met on Thursday, November 7, 2024, in the Griffin Center on campus. Present were Committee Chair John M. Dunn, and Trustees W. Harold Calloway, Jeffrey L. Knight, and (by electronic means) C. Wayne Kinney ’77. Also in attendance were Assistant Vice President for Finance and Administration Jeffrey M. Sickman ’94 M’00, Vice President for Development Andrea R. Gentry ’05, and Vice President for Government Affairs and General Counsel Aaron C. Trump.

Chair Dunn called the meeting to order at 9:50 a.m.

1. REVIEW OF AUDITED FINANCIAL STATEMENTS

Trustee Dunn called on Mr. Jeff Sickman for a report on the audited financial statements for the fiscal year ending June 30, 2024. The annual presentation of the audited financial statements provides an opportunity for Finance/Audit Committee members to review the results of the University’s financial operations during the previous fiscal year, evaluate its financial position, and hear the results of the annual financial audit. This information is key for the fiduciary role that Trustees serve as members of this committee. The University received an unmodified audit opinion for the 2023-2024 fiscal year from the Indiana State Board of Accounts on October 31, 2024. Mr. Sickman acknowledged the leadership of Jina Platts, Director of University Accounting who has served USI for over 25 years. Director Platts, with her team, prepared accurate and complete financial statements with the required note disclosures and fulfilled over 70 additional data requests from the State Board of Accounts to achieve a positive audit outcome.

Mr. Sickman began by referring the Trustees to Attachment A, the financial statements submitted as a part of the auditing process by the Indiana State Board of Accounts. He reminded the Committee that the USI Foundation and VEBA Trust are separate legal entities, and those financial statements are not included in the information for this report.

The Condensed Statement of Net Position for fiscal year 2023-2024, showed improvement in total net position by $3.9 million or 1.5%. Total assets decreased by $5.8 million, although capital assets are increasing due to construction and equipment additions, all other assets are decreasing modestly over time. While assets declined, USI’s total liabilities declined even more at $11.1 million. This was primarily due to a decrease in outstanding bonds payable. USI is paying off debt and its total liabilities are declining at a higher rate than overall assets are declining or depreciating.

Mr. Sickman discussed the unrestricted cash and investment changes in fiscal year 2024 (FY24). Cash and cash equivalents increased by $4.6 million, while at the same time, investments decreased by $10.6 million which continues the pattern of overall declining unrestricted cash and investments in recent years. As some investments mature, those dollars are utilized to meet operating and capital needs. In looking at the Cash Flow Summary it appears there was a $16.4 million decrease in cash for FY24 at first glance. However, if the $20.5 million in cash from the Series N bond proceeds is removed, which is classified as Restricted Cash, USI’s unrestricted cash and cash equivalents show a $4.6 million increase.

Another driver of the balance sheet is USI’s decline in debt. USI’s liabilities decreased as a direct result of decreased bond payables. In 2023-2024, the University paid down $11.4 million in bond principal. Mr. Sickman reviewed the schedule of bonds payable noting the payoff of Series K-3 bonds in October 2023 and the payoff of Series 2003 bonds for student housing facilities in October 2024, leaving USI with no auxiliary debt. USI is scheduled to make the last payment for Series O bonds in October 2025 and Series L-2 bonds in October 2026. USI’s next bond ratings call with Moody’s is scheduled for December 3, 2024. They will assess the

University's financial outlook and assign the University its credit rating following that call. Currently, USI is rated as an A1 issuer by Moody's.

While USI's net position increased by $3.9 million in FY24, a trend was noted of the decreasing unrestricted net position in recent years, while net investment in capital assets continues to grow. At this time, this deserves monitoring because it reflects how many dollars USI has available to fund the institution's operation. Moving forward, Jina Platts, Director of University Accounting, and Amy Fisher, Director of University Budgeting, will be working closely together to ensure USI is keeping an eye on the trend while maintaining the budget in a way that also favorably maintains the unrestricted assets for operating in both short and long-term perspectives.

The University's income statement or Statement of Revenues, Expenses, and Changes in Net Position, shows how USI performed financially over the past fiscal year. Operating revenues increased from $66 million to $67.8 million. These revenues are self-generated and include items such as tuition and fees, housing, meal plans, non-credit course fees, and more. Operating expenses increased by $10.9 million in FY24. Salaries and wages increased by $3.9 million through a combination of factors including a 3% merit increase, the hiring of the Vice President for Strategic Enrollment Management, the filling of vacant positions from the previous year, and marketing equity adjustments made in various areas to attract and retain talent, and to decrease overall costs the University was incurring by hiring third-party contractors to perform some functions. Benefits increased by $1.3 million due to higher medical insurance costs. Supplies and other services expenses increased by $5 million, which is not unusual during construction periods as we incur non-capital expenses that are not turned into assets. Non-operating revenues increased by $10.1 million. Trustee Dunn asked for clarification on the hiring of third-party contractors. Mr. Sickman explained that it became necessary to contract labor with third parties to maintain compliance in some areas and operations in others from regional labor shortages and the inability to fill vacant or new positions across campus.

Last year, a pattern of decline was noted in Net Student Fees. That trend reversed in FY24 by approximately $1 million. Student fees are gross fees less uncollectible accounts. Gross fees increased by $3.5 million in FY24 indicating that USI billed more in student charges for FY24 than in FY23. Scholarships, discounts, and allowances or financial aid (not including student loans) applied to students' fees increased by $2.5 million in FY24 giving the Net Student Fee increase of $1 million.

Mr. Sickman reviewed the income USI receives through State Appropriations. He noted the increase in appropriations over the past three fiscal years. He expects this upward trend moving forward as USI gets the $83 million capital appropriation funding from the state for the Wright Administration and related projects. Trustee Knight asked for clarification regarding the current capital appropriation specifically whether it is used to make payments on bond issues. Mr. Sickman explained the projects were cash-funded by the state, as USI builds it incurs the actual construction costs and then is refunded by the state through a billing process. Mr. Trump further clarified noting the 2023 legislative session cash-funded projects partly because the state was over its threshold and would need to provide tax givebacks if they did not get cash off the books. This is why we see a decrease in the fee-replacement appropriation since USI did not need to issue new bonds after the 2023 session. Capital projects from the 2019 session were bond-issued and no capital projects were funded in the 2021 session. Principal and interest payments for bonds are paid in October and additional interest payments are made in April. All projects through the state, whether bonded or cash-funded, are on a reimbursement basis.

Mr. Sickman concluded by summarizing the 2023-2024 fiscal year, noting:

- Total assets decreased by $5.8 million (1.4%)
- Deferred outflows of resources decreased $290,000 (4.2%)
- Total liabilities decreased $11.1 million (7.5%)
- Deferred inflows of resources increased by $1.1 million (23.6%)
- Total revenues increased by $15.2 million (9.4%)
- Total expenses increased $11.5 million (7.2%)
- Net position increased $3.9 million (1.5%)

There being no further business, the meeting was adjourned at 10:12 a.m.

University Of Southern Indiana
Statement of Net Position
As of June 30, 2024 and 2023

		2024		2023
ASSETS				*Restated**
Current Assets				
Cash and cash equivalents	$	29,869,081	$	25,290,195
Short-term investments		20,378,817		22,985,303
Accounts receivable, net		11,240,653		5,882,484
Inventories		493,376		531,644
Other current assets		3,803,462		3,271,760
Total current assets	$	65,785,389	$	57,961,386
Noncurrent Assets				
Cash equivalent - Deposit with bond trustee	$	20,492,661	$	41,462,776
Long-term investments		80,113,507		88,118,856
Net OPEB asset		8,285,312		6,936,905
Subscription assets, net		5,543,955		6,104,877
Leased assets, net		507,209		283,575
Capital assets, net		223,494,780		209,120,330
Total noncurrent assets	$	338,437,424	$	352,027,319
Total Assets	**$**	**404,222,813**	**$**	**409,988,705**
DEFERRED OUTFLOW OF RESOURCES				
Hedging derivative instruments	$	28,469	$	48,191
Deferred amount on bond refundings		1,092,905		1,345,701
Deferred outflow of resources related to pensions		1,958,335		1,769,979
Deferred outflow of resources related to OPEB		3,467,495		3,673,572
Total deferred outflow of resources	$	6,547,204	$	6,837,443
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	$	3,024,689	$	3,775,799
Accrued payroll, benefits, and deductions		6,516,185		6,364,244
Bonds payable		11,739,718		11,403,393
Leases and subscriptions payable		1,933,519		1,931,120
Debt interest payable		882,424		960,816
Unearned revenue		8,292,763		8,673,311
Other current liabilities		202,046		74,465
Total current liabilities	$	32,591,344	$	33,183,148
Noncurrent Liabilities				
Bonds payable	$	92,101,391	$	103,841,109
Leases and subscriptions payable		2,837,970		3,337,655
Derivative instruments--interest rate swap		28,469		48,191
Compensated absences and termination benefits		3,244,174		2,843,642
Net pension liability		4,754,719		4,381,619
Other noncurrent liabilities		1,021,983		7,010
Total noncurrent liabilities	$	103,988,706	$	114,459,226
Total Liabilities	**$**	**136,580,050**	**$**	**147,642,374**
DEFERRED INFLOW OF RESOURCES				
Deferred inflow of resources related to PPPs	$	1,001,441	$	-
Deferred inflow of resources related to bonds		192,071		288,107
Deferred inflow of resources related to pensions		752,012		903,860
Deferred inflow of resources related to OPEB		3,890,449		3,531,583
Total deferred inflow of resources	$	5,835,973	$	4,723,550
NET POSITION				
Net investment in capital assets	$	140,417,854	$	135,354,978
Restricted				
Expendable				
OPEB		8,285,312		6,936,905
Debt Service		35,678		50,214
Scholarship, research, and other		16,365		9,660
Unrestricted		119,598,785		122,108,467
Total Net Position	**$**	**268,353,994**	**$**	**264,460,224**

**See Note 18 in the Notes to Financial Statements.*

University of Southern Indiana
Statement of Revenues, Expenses, and Changes in Net Position
Fiscal years ended June 30, 2024 and 2023

	2024	2023
REVENUES		
Operating Revenues		
Student fees	$ 76,116,668	$ 72,576,893
Scholarship discounts and allowances	(31,110,311)	(28,641,403)
Grants and contracts	1,730,214	1,720,891
Auxiliary enterprises	22,046,383	20,047,565
Room and board discounts and allowances	(4,068,131)	(2,915,596)
Other operating revenues	3,125,372	3,241,211
Total operating revenues	$ 67,840,195	$ 66,029,561
EXPENSES		
Operating Expenses		
Salaries and wages	$ 65,102,838	$ 61,189,002
Benefits	25,316,805	24,020,246
Student financial aid	3,804,632	3,186,467
Utilities	6,013,415	6,080,312
Supplies and other services	50,391,825	45,350,764
Depreciation and amortization	17,142,950	17,041,262
Total operating expenses	$ 167,772,465	$ 156,868,053
Operating loss	$ (99,932,270)	$ (90,838,492)
NON-OPERATING REVENUES (EXPENSES)		
State appropriations	$ 67,044,723	$ 64,387,351
Gifts	5,972,087	4,441,286
Federal grants and contracts	11,947,610	12,521,100
State/Local grants and contracts	9,385,080	7,996,275
Nongovernmental grants and contracts	1,767,771	1,079,977
Investment income (net of investment expense of $230,646 and $227,249 for 2024 and 2023)	7,236,150	2,841,751
Interest on capital asset related debt	(4,353,088)	(3,650,384)
Bond issuance costs	-	(88,629)
Other non-operating revenues/(expenses)	5,116	940
Net non-operating revenues (expenses)	$ 99,005,449	$ 89,529,667
Income before other revenues, expenses, gains or losses	$ (926,821)	$ (1,308,825)
Capital appropriations	$ 3,856,126	$ 1,112,962
Capital gifts	964,465	431,984
Total other revenues	$ 4,820,591	$ 1,544,946
Increase in net position	$ 3,893,770	$ 236,121
NET POSITION		
Net position - beginning of year	$ 264,460,224	$ 264,224,103
Net position - end of year	**$ 268,353,994**	**$ 264,460,224**

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, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Tuition and fees	$ 44,887,220	$ 43,413,677
Grants and contracts	1,085,684	3,297,769
Payments to suppliers	(51,161,878)	(45,509,017)
Payments for utilities	(6,013,415)	(6,080,312)
Payments to employees	(64,987,152)	(61,457,322)
Payments for benefits	(25,630,585)	(24,018,250)
Payments for scholarships	(3,804,632)	(3,186,467)
Auxiliary enterprises receipts	17,961,654	17,295,755
Sales and services of educational depts.	627,174	603,422
Proceeds from Fiduciary Activities	624,335	438,024
Payments for Fiduciary Activities	(614,101)	(438,797)
Other receipts (payments)	1,203,180	3,094,653
Net cash used by operating activities	**$ (85,822,516)**	**$ (72,546,865)**
Cash Flows from Noncapital Financing Activities		
State appropriations	$ 67,044,723	$ 64,387,351
Gifts and grants for other than capital purposes	27,721,158	26,404,659
Other non-operating receipts (payments)	38,897	34,954
Net cash provided by noncapital financing activities	**$ 94,804,778**	**$ 90,826,964**
Cash Flows from Capital Financing Activities		
Proceeds from capital debt	$ -	$ 6,840,000
Capital appropriations	1,483,291	1,112,962
Capital gifts	466,413	431,984
Bond financing costs	(34,450)	(119,333)
Purchase of capital assets	(27,324,467)	(10,785,453)
Principal paid on capital debt and right-to-use assets	(14,117,867)	(20,777,078)
Interest paid on capital debt and right-to-use assets	(3,727,893)	(4,382,407)
Net cash used by capital financing activities	**$ (43,254,973)**	**$ (27,679,325)**
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	$ 49,024,400	$ 71,718,751
Interest on investments	4,168,633	1,920,008
Purchase of investments	(35,311,551)	(55,195,339)
Net cash provided by investing activities	**$ 17,881,482**	**$ 18,443,420**
Net increase (decrease) in cash	$ (16,391,229)	$ 9,044,194
Cash – beginning of year	66,752,971	57,708,777
Cash – end of year	**$ 50,361,742**	**$ 66,752,971**

		2024		2023
Reconciliation of net operating revenues (expenses) to net cash used by operating activities:				
Operating loss	$	(99,932,270)	$	(90,838,492)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:				
Depreciation and amortization expense		17,142,950		17,041,262
Provision for uncollectible accounts		(717,326)		(751,134)
Changes in assets, liabilities, and deferred resources:				
Operating receivables		(418,565)		907,656
Inventories		38,268		(3,164)
Other assets		(565,199)		249,621
Accounts payable		(656,379)		(328,382)
Unearned revenue		(380,548)		1,271,028
Deposits held for others		6,355		(1,455)
Employee and retiree benefits		(350,036)		(93,032)
Fiduciary funds		10,234		(773)
Net cash used by operating activities:	**$**	**(85,822,516)**	**$**	**(72,546,865)**

Noncash Transactions				
Unrealized gain/(loss) on short-term investments	$	59,968	$	71,379
Unrealized gain/(loss) on long-term investments		3,041,047		682,516
Subscription assets		(2,367,131)		(4,684,035)
Leased assets		(487,074)		(167,488)
Bonds payable - LT and ST Series K-1		-		988,951
Bonds payable - LT and ST Series O		-		(988,951)
Net noncash transactions	**$**	**246,810**	**$**	**(4,097,628)**

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

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 100, *Accounting Changes and Error Corrections* - an Amendment of GASB Statement 62 - effective for the fiscal year ended June 30, 2024. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.

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.

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.

Subscription assets, net
Subscription-based information technology arrangements (SBITAs) are contracts that convey control of the right to use another party's information technology software as specified in the contract for a period of time in an exchange or exchange-like transaction. Subscription assets are presented on the Statement of Net Position net of accumulated amortization. The University recognizes an intangible right-to-use asset at the commencement of the subscription term as the sum of 1) the initial subscription liability amount, 2) payments made to the SBITA vendor before commencement of the subscription term, and 3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized over the length of the subscription term.

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 into 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, 2024.

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 $3,249,470. The currently known value is not included in the capitalized asset value at June 30, 2024.

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 and amortization 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, 2024, the bank balances of the University's operating demand deposit accounts were $25,562,323, of which $1,019,166 was covered by federal depository insurance. The bank balances of the University's operating demand deposit accounts were $26,556,400, at June 30, 2023, of which $1,000,000 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 was $3,887,488, at June 30, 2024, and $1,328,612, at June 30, 2023. The balance of the cash equivalents - deposits with bond trustee was $20,492,661, at June 30, 2024, and $41,462,776, at June 30, 2023.

Investments

The University's investments at June 30, 2024, are identified in the table below.

Investment Type	Market Value	Type %	Maturities (in Years) Less than 1 year	1 – 3 years	4 – 5 years	6 – 10 years	More than 10 years
Unrestricted investments							
Certificates of deposit	13,102,947	13%	11,490,098	1,303,241	309,608	-	-
Agency securities	8,487,026	8%	1,512,642	2,492,435	2,085,252	2,396,697	-
Asset-backed securities	9,720,746	10%	72,839	1,284,736	3,847,205	2,348,595	2,167,371
Corporate bonds	33,794,264	34%	4,257,044	8,652,243	7,973,305	12,911,672	-
Foreign bonds	1,902,327	2%	83,496	740,323	469,756	608,752	-
Municipal bonds	2,092,669	2%	319,719	437,409	87,434	1,176,315	71,792
U.S. treasury securities	31,392,345	31%	2,642,979	3,652,763	6,723,371	15,535,633	2,837,599
Total unrestricted investments	**$100,492,324**		**$20,378,817**	**$18,563,150**	**$21,495,931**	**$34,977,664**	**$5,076,762**
Maturity %	**100%**		**20%**	**19%**	**21%**	**35%**	**5%**

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

Investment Type	Market Value	Type %	Maturities (in Years) 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%**

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 $100.5 million invested at June 30, 2024, $39.9 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 $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.

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 ensuring adequate liquidity for institutional needs. To that end, management maintained 20% 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 sustain 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, 2024					
Rating	**A**	**Aa**	**Aaa**	**Baa**	**Unrated**	**Total**
Unrestricted investments						
Agency securities	-	-	8,487,026	-	-	8,487,026
Asset-backed securities	532,656	579,061	4,439,745	475,554	3,693,730	9,720,746
Certificates of deposit	-	-	-	-	13,102,947	13,102,947
Corporate bonds	16,307,658	1,415,959	456,284	13,952,970	1,661,393	33,794,264
Foreign bonds	563,494	-	-	1,219,093	119,740	1,902,327
Municipal bonds	299,969	960,414	335,821	111,386	385,079	2,092,669
U.S. treasury securities	-	-	27,083,868	-	4,308,477	31,392,345
Total unrestricted investments	**$17,703,777**	**$2,955,434**	**$40,802,744**	**$15,759,003**	**$23,271,366**	**$100,492,324**

	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**

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, 2024, and June 30, 2023, 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 $31.4 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2024, and $34.5 million unrestricted investments that were invested in U.S. Treasury Securities at June 30, 2023, 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, 2024							
Bank	**Certificates of Deposit**	**Percentage of CDs**	**Bonds**	**US Agency Securities**	**Asset-Backed Securities**	**Total**	**Percentage of Total**
Banterra Bank	4,347,323	33%	-	-	-	4,347,323	6%
Fifth Third Bank	-	0%	5,377,137	490,010	2,405,294	8,272,441	12%
First Federal Savings Bank	2,918,380	22%	-	-	-	2,918,380	4%
First Financial Bank NA	1,057,188	8%	-	-	-	1,057,188	2%
German American Bank	309,608	3%	1,203,197	1,039,972	-	2,552,777	4%
Johnson Asset Management	230,670	2%	15,041,644	1,275,133	323,040	16,870,487	24%
Longfellow Investment Management	-	0%	10,415,604	-	6,129,435	16,545,039	24%
Old National Bank	-	0%	5,751,678	5,022,184	862,977	11,636,839	17%
Regions Bank	-	0%	-	659,727	-	659,727	1%
United Fidelity Bank	4,239,778	32%	-	-	-	4,239,778	6%
Total	**$13,102,947**	**100%**	**$37,789,260**	**$8,487,026**	**$9,720,746**	**$69,099,979**	**100%**

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 Bank	-	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 Asset Management	218,755	1%	12,301,930	1,297,700	389,772	14,208,157	19%
Longfellow Investment Management	-	0%	8,796,959	-	5,085,733	13,882,692	18%
Old National Bank	-	0%	5,982,983	5,267,923	1,015,546	12,266,452	16%
Regions Bank	-	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%**

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, 2024.

FAIR VALUE MEASUREMENTS		**FAIR VALUE AT JUNE 30, 2024**		
		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	8,487,026	-	8,487,026	-
Asset-backed securities	9,720,746	-	9,720,746	-
Certificates of deposit	13,102,947	13,102,947	-	-
Corporate bonds	33,794,264	-	33,794,264	-
Foreign bonds	1,902,327	-	1,902,327	-
Municipal bonds	2,092,669	-	2,092,669	-
U.S. treasury securities	31,392,345	31,392,345	-	-
Total unrestricted investments	**$ 100,492,324**	**$ 44,495,292**	**$ 55,997,032**	**-**
Derivative instruments				
Interest rate swap	(28,469)	-	(28,469)	-
Total derivative instruments	**$ (28,469)**	**-**	**$ (28,469)**	**-**
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, 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	**-**	**-**	**-**	**-**

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, 2024, and June 30, 2023.

NOTE 4 – Derivative Instruments

The fair value balances and notional amounts of the derivative instruments outstanding at June 30, 2024, classified by type and the fair value changes of those derivative instruments are as follows.

		Change in Fair Value		Fair Value at June 30, 2024	
Derivative Instrument	**Type**	**Amount**	**Classification**	**Amount**	**Current Notional**
Series 2006	Cash flow hedge: Pay-fixed interest rate swap	$19,722	Derivative Instrument Interest Rate Swap	$(28,469)	$1,904,433

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 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, 2024, 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-SOFR-CME	Baa1

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

	Series 2006		Total Debt Service
Fiscal Year Ending	**Principal**	**Interest**	
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	**$1,904,433**	**$182,473**	**$2,086,906**

Credit Risk - The fair value of the Series 2006 hedging derivative instruments is in a liability position as of June 30, 2024, and June 30, 2023, with a balance of $28,469 and $48,191 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, 2024, compared to the previous fiscal year.

	2024	2023
Student fees receivable	$ 4,095,976	$ 4,107,634
Auxiliary enterprises	908,615	1,038,788
Gifts and nonoperating grants	3,488,788	2,100,353
Contracts and operating grants	100,403	119,295
Capital grants and gifts	498,052	-
Other	3,369,570	454,491
Current accounts receivable, gross	12,461,404	7,820,561
Allowance for uncollectible accounts	(1,220,751)	(1,938,077)
Current accounts receivable, net	11,240,653	$ 5,882,484

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

NOTE 6 – 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. On January 1, 2024, USI also moved from Anthem to United Healthcare for its cost-plus medical plans offered to retirees and dependents who are not eligible for Medicare and 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, 2024, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving medical/dental benefit payments	323
Inactive employees entitled to but not yet receiving medical/dental benefit payments	0
Active employees eligible for medical/dental	196
Total	519

Inactive employees or beneficiaries currently receiving life insurance benefit payments	413
Inactive employees entitled to but not yet receiving life insurance benefit payments	0
Active employees eligible for life insurance	390
Total	803

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 $42.14 to $603.13 per month for single coverage and $442.01 to $1,668.74 for family coverage. Retiree contributions for medical and dental ranged from $41.55 to $600.77 per month for single coverage and $441.42 to $1,666.38 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, 2024, a June 30, 2024, measurement date was used. Liabilities as of June 30, 2024, are based on an actuarial valuation date of July 1, 2024, with no adjustments to get to the June 30, 2024, measurement date. Liabilities as of June 30, 2023, are based on an actuarial valuation date of July 1, 2022, projected to June 30, 2023, reflecting actual premiums and contributions.

Actuarial assumptions. The total OPEB liability in the June 30, 2024, 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	2.00-8.00%, including inflation
Healthcare cost trend rates	8.00% for 2025, decreasing 0.50% per year to an ultimate rate of 4.50% for 2032 and later years for pre 65 medical 6.50% for 2025, decreasing 0.25% per year to an ultimate rate of 4.50% for 2033 and later years for post 65 medical 4.00% for 2025 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, 2024, 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, 2024
Bond Buyer Go 20-Bond Municipal Bond Index	3.93%
S&P Municipal Bond 20-Year High Grade Rate Index	4.21
Fidelity 20-Year Go Municipal Bond Index	3.97
Bond Index Range	3.93-4.21%

Changes in the Net OPEB Liability (Asset) June 30, 2024

	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at 6/30/2023	$19,960,452	$26,897,357	$(6,936,905)
Changes for the year:			
Service Cost	144,046		144,046
Interest	1,360,374		1,360,374
Change in benefit terms	(127,716)		(127,716)
Change in assumptions	2,081,622		2,081,622
Differences between expected and actual experience	(743,843)		(743,843)
Contributions-employer		89,240	(89,240)
Net Investment Income		4,014,163	(4,014,163)
Benefit Payments	(1,364,240)	(1,364,240)	-
Administrative Expense		(40,513)	40,513
Net Changes	1,350,243	2,698,650	(1,348,407)
Balances at 6/30/2024	$21,310,695	$29,596,007	$(8,285,312)

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)

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)	(6,091,152)	(8,285,312)	(10,149,468)

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 (7.00% decreasing to 3.50%) or 1-percentage-point higher (9.00% decreasing to 5.50%) than the current healthcare cost trend rates.

	1% Decrease (7.00% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.00% decreasing to 4.50%)	1% Increase (9.00% decreasing to 5.50%)
Net OPEB liability (asset)	(10,022,968)	(8,285,312)	(6,256,732)

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, 2024, the University recognized OPEB expense of $(694,224). At June 30, 2024, 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	-	(371,921)
Changes in assumptions	1,040,811	-
Net differences between projected and actual earnings in OPEB plan investments	-	(1,091,844)
Total	$1,040,811	(1,463,765)

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

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:	
2025	131,663
2026	547,025
2027	(666,318)
2028	(435,324)
2029	-
Thereafter	-

NOTE 7 – 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 $479.9 million at June 30, 2023, to $507.0 million on June 30, 2024. Gross capital assets, less accumulated depreciation of $283.5 million, equal net capital assets of $223.5 million at June 30, 2024.

	Balance June 30, 2023	Additions	Transfers	Deletions	Balance June 30, 2024
Capital Assets Not Being Depreciated					
Land	$ 5,085,598	$ -	$ -	$ -	$ 5,085,598
Construction in Progress	11,052,612	23,856,526	(5,628,541)	-	29,280,597
Total Capital Assets Not Being Depreciated	**$ 16,138,210**	**$ 23,856,526**	**$ (5,628,541)**	**$ -**	**$ 34,366,195**
Capital Assets Being Depreciated					
Land Improvements	$ 15,236,711	$ -	$ -	$ -	$ 15,236,711
Infrastructure	12,443,134	-	331,295	-	12,774,429
Educational Buildings	282,087,214	-	2,154,616	-	284,241,830
Auxiliary Buildings	122,588,844	1,126,622	3,142,630	-	126,858,096
Equipment	29,583,264	3,956,904	-	(1,836,727)	31,703,441
Library Materials	1,805,231	4,555	-	(11,887)	1,797,899
Total Capital Assets Being Depreciated	**$ 463,744,398**	**$ 5,088,081**	**$ 5,628,541**	**$ (1,848,614)**	**$ 472,612,406**
Total Capital Assets	**$ 479,882,608**	**$ 28,944,607**	**$ -**	**$ (1,848,614)**	**$ 506,978,601**
Less Accumulated Depreciation					
Land Improvements	$ (13,400,171)	$ (506,305)	$ -	$ -	$ (13,906,476)
Infrastructure	(4,358,793)	(354,856)	-	-	(4,713,649)
Educational Buildings	(138,461,517)	(8,722,766)	-	-	(147,184,283)
Auxiliary Buildings	(87,562,512)	(3,276,692)	-	-	(90,839,204)
Equipment	(25,286,713)	(1,662,446)	-	1,820,063	(25,129,096)
Library Materials	(1,692,572)	(30,428)	-	11,887	(1,711,113)
Total Accumulated Depreciation	**$ (270,762,278)**	**$(14,553,493)**	$ -	**$ 1,831,950**	**$ (283,483,821)**
Net Capital Assets Being Depreciated	**$ 192,982,120**	**$(9,465,412)**	**$ 5,628,541**	**$ (16,664)**	**$ 189,128,585**
Total Net Capital Assets	**$ 209,120,330**	**$ 14,391,114**	$ -	**$ (16,664)**	**$ 223,494,780**

The table below displays the increase in total right-to-use assets from $9.6 million at June 30, 2023, to $10.3 million on June 30, 2024. Gross right-to-use assets, less accumulated amortization of $4.3 million, equal net right-to-use assets of $6.1 million at June 30, 2024.

Right-to-Use Asset Class	Balance June 30, 2023	Additions	Transfers	Deletions	Balance June 30, 2024
Equipment	$ 588,203	$ 451,370	$ -	$ (394,631)	$ 644,942
Buildings	35,563	-	-	(35,563)	-
Vehicles	47,227	25,278	-	(18,494)	54,011
Subscription-Based IT Arrangements	8,880,246	2,480,059	-	(1,716,961)	9,643,344
Total Right-to-Use Assets Being Amortized	**$ 9,551,239**	**$ 2,956,707**	**$ -**	**$ (2,165,649)**	**$ 10,342,297**
Less Accumulated Amortization					
Equipment	$ (330,844)	$ (129,375)	$ -	$ 292,462	$ (167,757)
Buildings	(29,979)	(4,947)	-	34,926	-
Vehicles	(26,595)	(15,886)	-	18,494	(23,987)
Subscription-Based IT Arrangements	(2,775,369)	(2,439,249)	-	1,115,229	(4,099,389)
Total Accumulated Amortization	**$ (3,162,787)**	**$(2,589,457)**	**$ -**	**$1,461,111**	**$ (4,291,133)**
Total Net Right-to-Use Assets	**$ 6,388,452**	**$ 367,250**	**$ -**	**$ (704,538)**	**$ 6,051,164**

The table below displays the increase in total capital assets from $469.5 million at July 1, 2022, to $479.9 million on June 30, 2023. Gross capital assets, less accumulated depreciation of $270.8 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	1,864,993	2,655	-	(62,417)	1,805,231
Total Capital Assets Being Depreciated	**$ 460,344,177**	**$ 1,957,244**	**$ 2,446,260**	**$ (1,003,283)**	**$ 463,744,398**
Total Capital Assets	**$ 469,489,538**	**$ 11,396,353**	$ -	**$ (1,003,283)**	**$ 479,882,608**
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	(1,720,456)	(34,533)	-	62,417	(1,692,572)
Total Accumulated Depreciation	**$ (256,826,048)**	**$(14,906,981)**	$ -	**$ 970,751**	**$ (270,762,278)**
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**

June 30, 2022, and June 30, 2023, balances as well as fiscal year 2023 deletions for capital library materials and accumulated depreciation on library materials have been restated due to the discovery of a calculation error in estimating annual deletions of library materials. Total capital assets being depreciated, and total accumulated depreciation were overstated in previously issued financial statements as a result of this error, but the error had no impact on total net capital assets or total net position.

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.

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**

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

Construction Work in Progress		
	Balance as of	
Facility	**June 30, 2023**	**June 30, 2024**
HVAC Building Controls Replacement	$ 2,683,225	$ -
Wellness Center	5,411,915	15,053,398
Housing Fiber Optic Upgrade	-	-
HP Renovation (first and second floors)	1,074,663	9,229,229
Student Housing Fire System	885,621	2,394,382
UC West Electrical Transformers	608,618	-
HP Renovation (Phase IV)	-	2,123,354
Other projects (not exceeding $250,000)	388,570	480,234
Total	**$ 11,052,612**	**$ 29,280,597**

NOTE 8 – Noncurrent Liabilities

Changes in noncurrent liabilities for the fiscal years ended June 30, 2024, and 2023, are shown below.

	Balance June 30, 2023	Additions	Reductions	Balance June 30, 2024	Current Portion	Noncurrent Portion
Bonds payable	$115,244,502	$ -	$11,403,393	$103,841,109	$11,739,718	$92,101,391
Leases & subscriptions payable	5,268,775	2,843,118	3,340,404	4,771,489	1,933,519	2,837,970
Derivative instruments - interest rate swap	48,191	-	19,722	28,469	-	28,469
Compensated absences	3,203,144	3,133,642	2,887,142	3,449,644	366,511	3,083,133
Termination benefits	409,343	431,152	294,321	546,174	385,133	161,041
Net pension liability	4,381,619	1,014,975	641,875	4,754,719	-	4,754,719
Other noncurrent liabilities	7,010	1,040,936	25,963	1,021,983	-	1,021,983
Total	$128,562,584	8,463,823	18,612,820	118,413,587	14,424,881	103,988,706

	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

Other noncurrent liabilities are comprised of unclaimed property, refundable deposits, and bond yield restriction liabilities.

NOTE 9 – Debt Related to Capital Assets

Bonds Payable – The following schedule details bonds payable at June 30, 2024, compared to the previous fiscal year.

SCHEDULE OF BONDS PAYABLE	*Issue Date*	*Interest Rate*	*Maturity Date*	*Original Issue Amount*	*Principal Outstanding June 30, 2024*	*Principal Outstanding June 30, 2023*	*Current Portion June 30, 2024*
Student Fee Bonds							
Direct Placements of Debt							
Series 2006, Recreation and Fitness Center	2006	4.67%	2028	7,250,000	1,904,433	2,360,059	476,951
Series K-3, Refund Series H and I	2012	1.90%	2023	42,840,000	-	2,575,000	-
Series L-1, Health Professions Center 3rd Floor	2017	2.90%	2036	8,050,000	5,770,000	6,130,000	370,000
Series L-2, Refund Series J	2017	2.15%	2026	21,440,000	8,660,000	11,965,000	3,375,000
Series L-3, Refund Series J	2017	2.65%	2028	9,955,000	9,555,000	9,655,000	100,000
Series O, Refund Series K-1	2022	2.76%	2025	6,840,000	6,205,000	6,840,000	3,295,000
Student Fee Bonds – Direct Placements				96,375,000	32,094,433	39,525,059	7,616,951
Other Debt							
Series M, Physical Activities Center	2019	4.00% to 5.00%	2037	37,245,000	28,190,000	29,570,000	1,445,000
Series N, Health Professions Center Renovation	2020	3.00% to 5.00%	2039	41,170,000	34,385,000	35,865,000	1,540,000
Student Fee Bonds – Other Debt				78,415,000	62,575,000	65,435,000	2,985,000
Student Fee Bonds				174,790,000	94,669,433	104,960,059	10,601,951
Auxiliary System Bonds							
Other Debt							
Series 2003, Student Housing Facilities	2003	3.00% to 4.50%	2024	8,005,000	575,000	1,125,000	575,000
Auxiliary System Bonds				8,005,000	575,000	1,125,000	575,000
Subtotal Bonds Payable				$182,795,000	$95,244,433	$106,085,059	$11,176,951
Net Unamortized Premiums				-	$8,596,676	$9,159,443	$562,767
Total Bonds Payable					**$103,841,109**	**$115,244,502**	**$11,739,718**

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	5,100,00	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 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 refunding was $1,345,701 at June 30, 2023, and $1,092,905 at June 30, 2024.

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

Annual Debt Service Requirements as of June 30, 2024

Fiscal Year Ended	Direct Placements		Other Debt	
June 30	Principal	Interest	Principal	Interest
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	4,240,000	167,044	3,565,000	1,985,700
2030-2034	2,275,000	390,558	20,605,000	7,149,225
2035-2039	1,530,000	67,425	22,820,000	2,252,150
2040-2044	-	-	2,815,000	42,225
Total	$32,094,433	$2,676,630	$63,150,000	$20,883,884

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

NOTE 10 – 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.

Principal and interest payment requirements related to the lease liabilities on June 30, 2024, and June 30, 2023, are illustrated in the following schedules.

Future Minimum Lease Payments			
As of June 30, 2024	Principal	Interest	Total
2025	$142,895	$14,130	$157,025
2026	137,654	9,857	147,511
2027	134,181	5,582	139,763
2028	103,873	1,719	105,592
2029	8,143	2	8,145
2030-2034	-	-	-
Total future minimum payments	$526,746	$31,290	$558,036

Future Minimum Lease Payments			
As of June 30, 2023	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
2029-2033	-	-	-
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 vendor's 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 liabilities on June 30, 2024, and June 30, 2023, are illustrated in the following schedules.

Future Minimum SBITA Payments			
As of June 30, 2024	Principal	Interest	Total
2025	$1,790,624	$95,192	$1,885,816
2026	1,402,696	52,269	1,454,965
2027	791,190	20,206	811,396
2028	228,000	4,723	232,723
2029	32,233	528	32,761
2030-2034	-	-	-
Total future minimum payments	$4,244,743	$172,918	$4,417,661

Future Minimum SBITA Payments			
As of June 30, 2023	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 expense resulting from amortization of leased assets and SBITAs is included on the Statement of Revenues, Expenses and Changes in Net Position.

The asset activity related to leased assets and SBITAs is disclosed in Note 7 – Capital Assets, Net of Accumulated Depreciation and Right-to-Use Assets, Net of Accumulated Amortization.

NOTE 11 – 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 $5,675,708 to these programs in fiscal year 2023-24, which represents approximately 8.72% of the total University payroll and 10.36% of the benefit-eligible employees' payroll for the same period.

Defined Contribution Retirement Plan

Faculty and Administrators 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 $4,891,620 to this plan for 633 participating employees for fiscal year ending June 30, 2024, and $4,615,871 for 619 participating employees for fiscal year ending June 30, 2023. The annual payroll for this group totaled $47,283,575 and $44,606,939 for fiscal years ending June 30, 2024, and 2023, respectively.

Support Staff 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 $272,112 to this plan for 144 participating employees for fiscal year ending June 30, 2024, and $226,659 to this plan for 142 participating employees for the fiscal year ending June 30, 2023. The annual payroll for this group totaled $3,887,312 and $3,237,986 for fiscal years ending June 30, 2024, and 2023, 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, 2023, postretirement benefits of $8 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 $511,976 for 97 employees participating in the PERF Hybrid plan during the 2023-24 fiscal year and $541,289 for 115 employees participating during 2022-23. 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 $4,754,719 at June 30, 2024, and $4,381,619 at June 30, 2023, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2023, for assets and June 30, 2022, rolled forward to June 30, 2023, 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, 2023, the University’s proportion was 0.13%, which is down 0.01% from 2022.

For the year ended June 30, 2024, the University recognized pension expense of $32,896. At June 30, 2024, 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	97,280	-
Changes in assumptions	259,284	-
Net difference between projected and actual earnings on pension plan investments	1,089,795	-
Changes in proportion and differences between the University's contributions and proportionate share of contributions	-	752,012
The University's contributions subsequent to the measurement date	511,976	-
Total	$ 1,958,335	$ 752,012

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

$511,976 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, 2025. 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, 2024

Year ended June 30:	
2024	106,945
2025	(172,944)
2026	611,907
2027	148,439
2028	-
Thereafter	-
Total	$694,347

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

Actuarial assumptions. The total pension liability in the June 30, 2023, 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, 2026 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, 2023, valuation were adopted by the INPRS Board in May 2023. 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%	3.7%
Private Markets	15	6.4
Fixed Income- Ex Inflation-Linked	20	2.2
Fixed Income- Inflation-Linked	15	0.5
Commodities	10	1.1
Real Assets	10	3.4
Absolute Return	5	1.6
Risk Parity	20	5.9
Cash and Cash Overlay	N/A	-

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	$7,748,681	$4,754,719	$2,258,344

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 12 – **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 earthquakes, 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 act 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 three healthcare plans available for new enrollment of full-time benefit-eligible employees. The University has three additional healthcare plans that are only available to non-Medicare-eligible retirees and two healthcare 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 2022-23 and 2023-24 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
2022-2023	$1,155,903	$14,562,864	$(14,543,580)	$1,175,187
2023-2024	$1,175,187	$15,947,595	$(16,003,175)	$1,119,607

NOTE 13 - Compensated Absence Liability

Vacation leave and similarly 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 $3,449,644 and $3,203,144 for June 30, 2024, and 2023, respectively. The current year change represents a $214,263 increase in accrued vacation; a $12,296 increase in sick leave liability; a $17,332 increase in Social Security and Medicare taxes; a $313 increase in Public Employees' Retirement Fund (PERF) contributions; and a $2,296 increase in Teacher's Insurance and Annuity Association (TIAA) contributions. During the fiscal year, $361,897 was paid out to terminating employees. Payout for terminating employees in fiscal year 2024-25 is expected to increase approximately 1.27% because of the number who will have reached the requisite retirement age and years of service. For that reason, $366,511 of the total compensated absence liability is classified as a current liability under accrued payroll, benefits and deductions, and the remaining $3,083,133 is classified as a noncurrent liability.

NOTE 14 – 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 20 retirees currently receiving early-retirement benefits, 12 of whose benefits stop after this fiscal year and 14 more who have arranged to begin receiving benefits within the next three years. The liability for these benefits totals $546,174 at June 30, 2024. Of that amount, $385,133 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 $161,041 has been classified as noncurrent. This liability will change annually as more employees elect this benefit and as benefits for current retirees end.

NOTE 15 – Public-Private Partnerships

USI entered into an agreement with Sodexo Services of Indiana Limited Partnership effective July 1, 2022. Under the agreement, Sodexo operates University facilities to provide food services. Variable payments related to financial performance and based on a percentage of sales are received in exchange for facility usage. Revenues of $441,543 and $448,260 were recognized from these variable payments for the years ended June 30, 2024, and 2023, respectively.

Mandatory improvements are also required to be made by Sodexo under terms of the agreement. The first assets purchased or constructed under the agreement were placed into service in August 2023. For the year ended June 30, 2024, the University capitalized $1,126,621 as auxiliary building additions. The corresponding deferred inflow of resources and amortized revenue were $1,001,441 and $125,180, respectively, for the year ended June 30, 2024.

NOTE 16 – 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, 2024

FUNCTION	SALARIES & WAGES	BENEFITS	STUDENT FINANCIAL AID	UTILITIES	SUPPLIES & OTHER SVCS	DEPRECIATION & AMORTIZATION	TOTAL
Instruction	$33,257,572	$11,448,284			$3,248,435		$47,954,291
Academic Support	5,741,103	2,303,176			3,645,576		11,689,855
Student Services	7,706,410	3,138,032			6,692,945		17,537,387
Institutional Support	10,322,993	4,243,009			8,145,726		22,711,728
Operation & Maintenance of Plant	3,109,557	1,279,939		4,872,008	12,357,018		21,618,522
Depreciation & Amortization						17,142,950	17,142,950
Student Aid			3,804,632				3,804,632
Public Service	1,527,457	543,009			1,961,908		4,032,374
Research	67,250	12,310			86,461		166,021
Auxiliary Enterprises	3,370,496	2,349,046		1,141,407	14,253,756		21,114,705
TOTAL	**$65,102,838**	**$25,316,805**	**$3,804,632**	**$6,013,415**	**$50,391,825**	**$17,142,950**	**$167,772,465**

Fiscal Year Ended June 30, 2023							
FUNCTION	**SALARIES & WAGES**	**BENEFITS**	**STUDENT FINANCIAL AID**	**UTILITIES**	**SUPPLIES & OTHER SVCS**	**DEPRECIATION & AMORTIZ-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**

NOTE 17 – 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.

The Internal Revenue Code and arbitrage regulations issued by the IRS impose investment restrictions on issuers of tax-exempt debt and require issuers to pay certain excess earnings to the IRS in the form of a rebate payment. The University's cumulative interest earnings on unspent proceeds from its 2020 Series N bond issue resulted in an estimated liability of $1,008,618 at June 30, 2024. The exact amount due to be paid to the U.S. Treasury will be calculated as of August 6, 2025, and is due to the U.S. Treasury within 60 days thereafter. As a result, this liability is included in the other noncurrent liabilities line of the Statement of Net Position.

Outstanding commitments for capital construction projects totaled $10,372,544 and $25,811,292 at

June 30, 2024 and 2023, respectively.

NOTE 18 – Restatement of Prior Year Balances

Total net position is classified into three categories for GASB reporting: Net investment in capital assets, restricted net position, and unrestricted net position. The University's net OPEB asset was previously included as an unrestricted asset. The June 30, 2023, Statement of Net Position has been restated to instead report the net OPEB asset balance in the restricted net position as prescribed by GASB.

The restated balances are detailed in the following table.

	June 30, 2023 as Reported	Restatement	June 30, 2023 as Restated
Net Investment in Capital Assets	$135,354,978		$135,354,978
Restricted			
Expendable			
OPEB	-	6,936,905	6,936,905
Debt Service	50,214		50,214
Scholarship, Research, and Other	9,660		9,660
Unrestricted	129,045,372	(6,936,905)	122,108,467
Total Net Position	**$264,460,224**		**$264,460,224**

In addition, $288,107 in deferred inflows of resources related to bonds that were erroneously reported as other current liabilities on the Statement of Net position for the year ended June 30, 2023. The details of this restatement appear in the table below.

	June 30, 2023 as Reported	Restatement	June 30, 2023 as Restated
Other current liabilities	$362,572.00	$(288,107.00)	$74,465.00
Deferred inflow of resources related to bonds	-	288,107.00	288,107.00

Neither of these restatements had any impact on total net position; the Statement of Revenues, Expenses, and Changes in Net Position; or the Statement of Cash Flows.